



Atlanta, Georgia
March • 1961

Monthly Review

Banking's Paper Curtain

Bankers have been doing a good bit of homework lately. They have been wrestling with the problem of what methods and machines to use in day-to-day operations. This is not a new problem, of course. For two decades operating costs have almost matched the rise in bank earnings. Bankers, therefore, have had to adopt more efficient procedures and try out new equipment to relieve the squeeze on profits.

District bankers are studying the feasibility of new and powerful equipment that could revolutionize traditional bank accounting, and this is the real reason for the midnight oil. They have been listening to the growing number of people who think the second half of this century will be recorded as the "age of the computer." Advocates of bank "automation," a word that has not yet found its way into *Webster's Unabridged*, point to the computer and its blood relatives as the foil to the rise in costs and the growing volume of paper that bankers must handle.

The potential of this equipment is so important that this Bank recently conducted a comprehensive survey to determine bankers' plans in this area. We asked commercial banks in the District several questions about equipment and procedures now in use and plans for them in the future. Over 82 percent of the banks returned our questionnaire. We obtained information not only from this excellent response but also from personal visits to many of the larger banks.

Also in this issue:

**IS THE CONSUMER
MISBEHAVING?**

**DISTRICT BUSINESS
CONDITIONS**

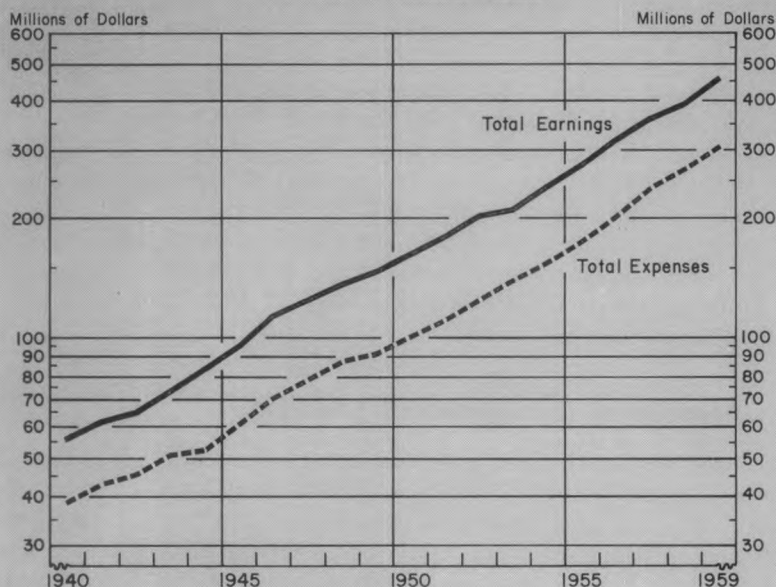
**SIXTH DISTRICT
STATISTICS**

**SIXTH DISTRICT
INDEXES**

*Federal
Reserve
Bank of
Atlanta*

Earnings and Expenses, 1940-59

Sixth District Member Banks



Sizing Up the Problem

Bankers tell us that growth in the types of bank services that involve frequent entries, especially instalment loans, have contributed significantly to the rise in bank costs. Almost to a man, however, they feel that the most immediate problem lies in demand deposit accounting. Each year bank customers write more and more checks and each year banks gain depositors. Activity in checking accounts is phenomenal, amounting to \$248 billion at District commercial banks in 1960. Depositors wrote 1.3 billion checks in that year. These checks, placed end to end, would span 134,828 miles, enough to circle the Sixth District 45 times. Add to this figure the millions of checks drawn on other banks and you can see the mountains of paper banks must handle.

Each check in the deluge must be handled several times. First, checks drawn on other banks must be separated and sent to those banks for collection. Frequently this involves further sorting, listing, and processing. The remaining checks, representing those written by depositors at the bank—called “on us” checks—are usually sorted further before being posted to the depositors’ accounts. It is this multiple handling of each check combined with an increasing number of checks that has given bank operations men grey hair.

After they are sorted, checks must be deducted from the accounts on which they are written. Similarly, deposits must be added. Bankers have progressed a long way from the days of green visors and quills, but the posting operation is still laborious. Most of the District’s commercial banks still use conventional bookkeeping machines to some degree to update depositors’ accounts. These machines, a blend of typewriter and adding machine, require an operator to key in the amount of the old balance and of each check or deposit to update the account. A few of the smaller banks report that they post to the accounts manually. Many banks, especially the larger ones, have thrown fresh troops into the paper tussle—machines known as “tronics.” Bankers tell us that these machines post at rates up to twice as fast as conventional machines. In addition, they are able to verify that the correct account is being posted, as well as to update the ledger automatically.

Some District bankers seem content with the present equipment, but many feel that even the newer “tronics” will be clogged by checks in a short time. Some of them feel that the paper barrier will not be pierced until automatic machines take over the entire job of sorting, routing, and posting checks. Spurred by the claims of advocates of these machines, many bankers are doing some hard thinking, but at the moment are wary of jumping into the race for new machines.

Accounting by Electrical Impulse

What is the new equipment, and why do some refer to its use as bank automation? Two pieces of machinery form the core of a new and revolutionary means of handling checks and of processing data. One of these is the electronic computer, a mass of tubes, transistors, and blinking lights. Although commonly referred to as an electronic

“brain,” this computer is no great shakes at “thinking.” About all it can do is add and subtract.

This machine, however, has two claims to fame. First is its blinding speed—even a smaller one can perform several hundred thousands of separate subtractions in one second, for instance. Second is its ability to make certain decisions on its own hook after it has been given instructions, that is, after it has been programmed. For example, it can choose alternative A if one number is smaller than another and alternative B if it is greater. This elementary reasoning, together with lightning speed, enables the computer to control the operation of other machines, which is really what automation is.

The other piece of hardware that has caught bankers’ eyes is somewhat more understandable, but in many ways is just as radical as the computer in terms of the impact on traditional methods of banking. This machine is the electronic sorter, which can deal a package of checks into as many as eighteen separate piles at the rate of 750 to over 1,500 a minute. Since it would take over 35 clerks using conventional proof machines to do the same job, it is no wonder that this device has attracted attention.

There are tricks behind most feats of magic, and there’s a trick behind this one too. Before the sorter can place the checks in the necessary groups, certain information must be coded in a special type face at the bottom of the check. The ink used for this must be a special kind that can be magnetized as the check passes through the sorter.

If each check had the routing symbol of the bank on which it is drawn printed in magnetic ink and if, in addition, the account number of the drawer and the dollar amount of the check were so encoded, then we would have a banker’s dream. It would be possible for the sorter to separate the “on us” checks from the “foreign” ones. The sorter could further group the checks drawn on other banks and even provide a listing of the amount of each of the checks, thus automatically preparing the “cash letter.” The checks drawn on the bank itself could then be passed through the sorter and read directly into the computer. The computer could post them to the depositors’ accounts, which would be kept in the form of magnetic tape or disc file.

Automation in Every Bank?

Does this sound like something out of science fiction? Maybe, but computer-sorter combinations are already being used at several banks around the country. A few of the medium-sized and large banks in this District have either a sorter or a computer in operation, but none as yet have both.

The trend toward computers and magnetic ink sorters has not approached a stampede in the District, but a giant step has been taken by several banks. Six banks already have low-powered computers at work posting to special and regular checking accounts and handling instalment loans. In addition, three other banks have magnetic ink sorters in operation sorting checks drawn on them to facilitate posting.

Even more impressive is the number of banks that have placed orders for automatic equipment. Six District banks

have ordered computers and the same number, electronic sorters. When this equipment is delivered there will be eleven banks with both sorters and computers in operation, five banks with a sorter only, and one bank with a computer only.

Are computers and sorters destined to become a familiar sight in banks around the District? According to our survey, this is not likely in the near future. Ninety-four percent of the banks, including almost all the small ones, said such machinery is so expensive that it is out of the question for them.

Over two-thirds of the small group of banks with deposits of \$50 million and over thought automatic equipment was practical for banks of their size. But only eighteen percent of the banks with deposits in the \$10-million to \$50-million range thought automation was practical. Even if all the banks that consider their volume large enough to justify a computer-sorter combination decided to proceed, therefore, only about 77 banks would be involved out of about 1,300. Additional banks, however, may benefit from this equipment by sharing with other users.

If, by their own admission, such equipment is feasible for these 77 banks, why have so few of them placed orders for equipment? It may be because bankers are practical-minded persons with an added dash of conservatism. Many of them say it is not that they aren't going this route. To the contrary, evidence points to this as a thing of the future, but they have many months, possibly years, of work ahead just to get ready.

Preliminary Problems

Bankers at the larger banks can tick off many preliminary problems. First of all, before a magnetic ink sorter and computer can team up in check handling and account posting, an efficient system of account numbering is necessary. If done from scratch, or if a major revision is necessary, this in itself is a Herculean task. What system should be used? Straight numeric, wherein Mr. Aaron might have the last number, or alpha-numeric, wherein accounts are retained in alphabetical sequence? Any system has its drawbacks, as bankers can testify!

Then there is the question of the form in which deposit ledgers are kept. Top management at some banks insist that a "hard copy" ledger similar to the standard one is required. They abhor the thought of having to rely on magnetized dots on a reel of tape. Others point to the added speed possible when deposit records are stored on tape or disc and endorse the idea of accounting by electrical impulse. Since the form of the final record has a bearing on equipment, this tug of war must be reconciled before a specific order can be placed.

Finally, there's the question of preprinting their customers' checks. This is a seemingly simple task, but should it be done on the premises or through an outside printer? Can local printers adhere to the close tolerances required of such printing? Then there is the question of checks the bank does not supply—company accounts and the like—which will have to be redesigned.

Some bankers feel that they have other expensive equipment that has not been fully exploited. This is especially

true of the "tronics" bookkeeping machines, which are modern in every sense. Having to dispose of them before they are amortized can be a deterrent in the purchase of new equipment, particularly if another manufacturer's equipment is being considered. Besides, reputations were laid on the line when the "tronics" were purchased, and the persons involved are understandably anxious to give them a chance.

Despite the hesitation to place immediate orders, one cannot fail to be impressed with the headway banks have made in their decision to put these marvels of science to work in the mundane affairs of banking. Although only a small percentage of banks have ordered automatic equipment, they hold one demand deposit account in every ten in the District and account for 15 percent of total deposits.

Impact on District Banking

What do the magnetic ink sorter and electronic computer portend for the future of banking? Will this equipment knock down banking costs and thus contribute to bank profits? Will other banks be forced to join the parade once their competitors are reaping the benefits of automation?

The proponents of automation have never claimed that bank costs will go down. Banks that have placed computers in limited operation say that they have not as yet been able to reduce clerical help. Through the use of this high-speed equipment, however, they hope they can stop an unlimited rise in the number of employees and in costs and thus cut through the paper curtain that threatens to stifle bank operations. Over a longer period, therefore, bank costs may well be held down. This will undoubtedly be a factor in equipment decisions of competing banks. Automatic equipment also may enable a bank to meet the growing demand for special services more easily, potentially a strong competitive advantage also.

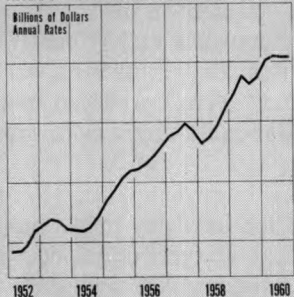
Will the computer be adaptable to other phases of bank operations than demand deposit accounting? Although most bankers feel that the initial installation must be justified on the basis of demand deposit accounting, they feel that the computer can be applied to such other operations as payrolls, trust transactions, and time deposits. At least one computer is already processing installment loans. There is even talk of the computer's ability to assist loan officers by approving loan applications of obvious merit while calling the not-so-obvious ones to the officers' attention!

What will happen to the "underprivileged" 94 percent of banks that may not be able to justify having automatic equipment? No one expects these banks to be at a serious competitive disadvantage. For one thing, they may now be using equipment best suited to their needs. Moreover, other less costly machines, such as the "tronics," are available. There is the possibility, too, of sharing a computer-sorter installation with other banks, a solution suggested by 26 percent of the banks that feel they cannot afford a system themselves.

What does bank "automation" mean as a tool of bank management? With a computer it may be possible for bank officers to keep closer tabs on their loan portfolios, including the status of each repayment schedule. Demand

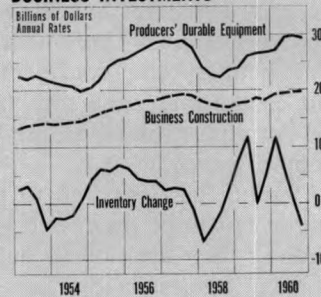
Continued on Page 6

GROSS NATIONAL PRODUCT

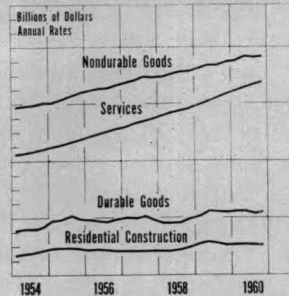


Gross National Product, the value of goods and services produced, was slightly lower in the last half of 1960 than in the record second quarter, largely because of reduced inventory investment.

BUSINESS INVESTMENTS

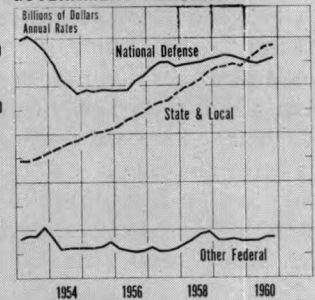


CONSUMPTION EXPENDITURES

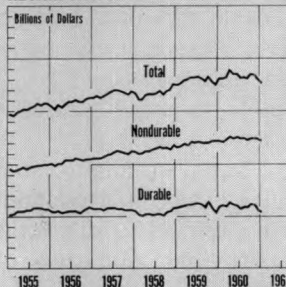


Consumption expenditures on durable and nondurable goods averaged about the same or lower, while spending for services and government purchases continued upward.

GOVERNMENT PURCHASES

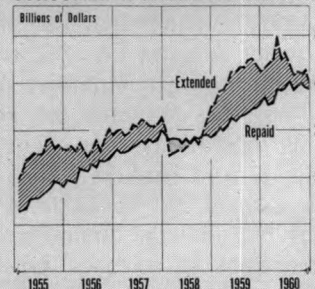


RETAIL SALES

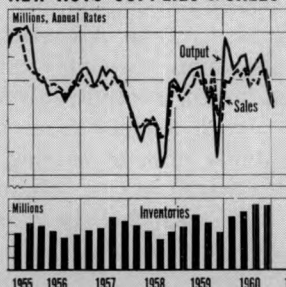


Monthly retail sales trended irregularly downward from last April through January of this year, primarily because of declines in sales of durable goods. Along with this has come a decline in the use of consumer instalment credit.

CONSUMER INSTALMENT CREDIT

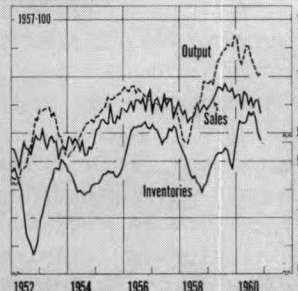


NEW AUTO SUPPLIES & SALES



Sales of automobiles and home goods such as furniture, television sets, radios, refrigerators, and washers fell short of expectations in 1960; inventories rose, and output was curtailed.

HOME GOODS



Businessmen rely on consumers to buy about sixty-five of every one hundred dollars worth of goods and services produced in the United States each year. It is no wonder, then, that many of them are asking whether some sudden, irrational change in consumers' buying habits may not explain the current slowdown in economic activity.

Shift Away from Goods

The consumer's behavior at the nation's retail outlets has certainly been disappointing since April 1960. After reaching a record at that time, total sales trended irregularly downward through the third quarter 1960; then, after an encouraging partial recovery in October, dropped more persistently. By January of this year, they were about 6 percent below last April's sales. A downward movement in sales of durable goods such as automobiles, furniture, and appliances was largely responsible, but some decrease in spending for nondurable goods also occurred.

Seeing a roughly comparable drop in the production of consumer goods, some observers have apparently reasoned that failure to buy all that is produced in some way represents misbehavior on the part of the consumer. The automobile market is frequently used as an example, because sales, though at a high level through most of 1960, were not sufficiently high to absorb production. The resulting large inventory of unsold cars led to sharp production cuts after October 1960, but, because sales also declined, inventories remained very high. Sales of home goods such as furniture, television sets, radios, refrigerators, and washers also failed to meet anticipations in 1960, and sharp production cuts were necessary before high inventories could be reduced. Spending for new houses has been at a reduced level for nearly two years, reflecting the sharp decline that has occurred in new housing starts since early 1959.

The businessman who knows from his own experience the truth of the old economic axiom, "Man's wants are unlimited," may well wonder why the American consumer is disappointing him by not buying as many goods as the economy can produce.

Less Pressing Needs

Granted the limitlessness of wants, it is true, however, that wants for specific items have limits. As a result, we find consumers changing their patterns of spending as specific demands are satisfied or disappear, perhaps because of changes in tastes. This is a type of long-run development that probably explains, in part, why spending for some goods has slackened recently. With the need for these goods less pressing now than before, consumers may be choosing to spend more for other items.

In the automobile market there is evidence of an easing demand over the years, because, as the appearance of new cars in the immediate postwar years quickly improved the adequacy of transportation, maintaining adequate

Misbehaving?

transportation through replacements became more important than adding to the total number in use. Similarly, demand for a number of home goods now has to come, in large part, from replacement needs, for, according to a study by the McGraw-Hill Publishing Company, about 98 percent of American households wired for electricity have refrigerators, 95 percent have electric washers, 94 percent have radios, and 89 percent have television sets. A long-run easing of demand is also evident in the housing market, where the number of new houses built has exceeded the number of new households formed each year since 1949, the number of couples without their own households has steadily declined, and the rental vacancy rate has risen.

Shift Toward Services

While spending on goods was declining in 1960, expenditures on consumer services continued their steady upward movement, reaching a new record in the fourth quarter of the year. As a result, total consumer expenditures also reached a record high in the fourth quarter of 1960, the latest period for which total spending figures are available. Rather than suddenly curtailing his total spending, therefore, the consumer has changed his pattern of spending, allocating more of his income to services and less to goods. The relative shift toward services occurring in 1960 continued a trend that has been apparent throughout the postwar period.

The easing of demands for many goods over a period of years helps explain why the consumer has chosen to spend more on services. Undoubtedly, however, another reason for the tendency to spend more on services is the steady rise of prices of many of those services necessary to the maintenance of health and to the maintenance and use of the huge stock of houses and durable goods consumers have purchased in the past. Prices of goods have risen less in the postwar period, particularly in the past decade.

What Next?

Our review seems to absolve the consumer of the charge of misbehavior. Rather than behaving irrationally, he appears to have been freely allocating his income to derive maximum satisfaction from it. Moreover, since his combined spending on goods and services reached a record high in the fourth quarter of 1960, the consumer has undoubtedly moderated the decline in business activity that has largely reflected businessmen's efforts to reduce

Sources for data used in the charts:

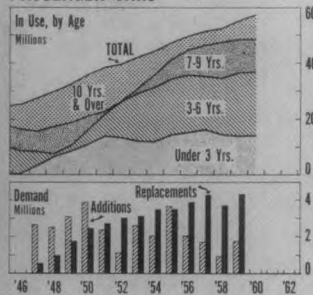
Gross National Product, Business Investments, Consumption Expenditures, Government Purchases, Retail Sales, Personal Income and Population: U.S. Department of Commerce.

Consumer Credit, Home Goods Output and Inventories, New Automobile Output, Sales and Stocks: Board of Governors, Federal Reserve System.

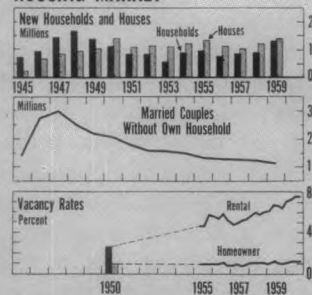
Consumer Prices: U.S. Department of Labor.

Passenger Cars: Compiled from R. L. Polk & Company data published in AUTOMOTIVE NEWS 1960 ALMANAC and Bureau of Public Roads data.

PASSENGER CARS

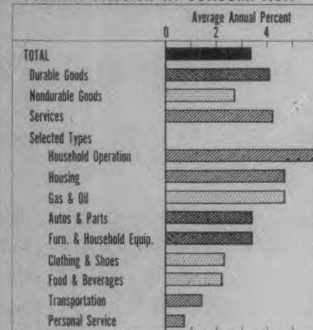


HOUSING MARKET



Long-run easing of demand has occurred in the market for passenger cars, where replacements have assumed increased importance. Other evidence indicates an easing of demand in the housing market.

POSTWAR GROWTH IN CONSUMPTION

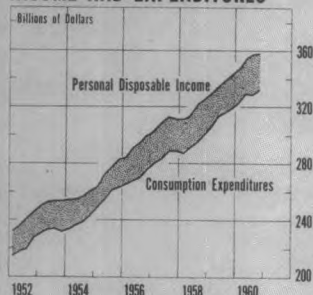


CONSUMER PRICES

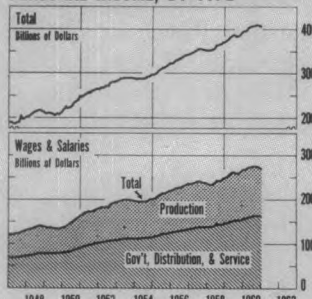


Consumption of services has shown the most rapid and persistent postwar growth. Steadily rising prices for services, many of which have become essential, help explain the increased importance of service expenditures.

INCOME AND EXPENDITURES



PERSONAL INCOME, BY TYPE

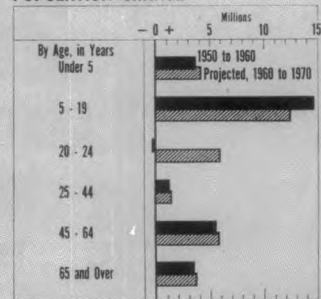


Because of continued gains in spending for services, total consumption expenditures were at a record high in fourth quarter 1960. Personal income, though down recently, should be maintained relatively well, if the past is any guide.

POPULATION UNITED STATES



POPULATION CHANGE



Projected population growth and change present a challenge to lift demand by providing income from more jobs and a challenge to adjust to the shifting patterns of consumption likely to occur.

inventory investment. If the past is any guide, the downswing in inventory buying may well prove to have been excessive, in view of the way consumer spending was maintained through last year's final quarter. Thus, the consumer may already have helped set the stage for economic recovery.

By so doing, he has probably done the best he can. To do still better, his greatest need would be more income. However, personal income has declined since last October, when it reached a record high. The consumer also has been borrowing less to pay later. Moreover, with the continuing need to repay debts incurred for earlier purchases, he may have reached the point where the urgency to buy more goods is not great enough to justify going further into debt. It would seem unrealistic, therefore, to expect a sudden upsurge in consumer spending in the absence of greater income-generating expenditures by the business and government sectors of the economy.

PHILIP M. WEBSTER

BANKING'S PAPER CURTAIN

Continued from Page 3

deposit accounts can be analyzed daily, if desired, to detect instances in which checks have been written against uncollected funds. Also, errors in check handling may be reduced and at the same time unpaid checks returned faster.

When District bankers have finished their study of equipment, we will discover that many of them have decided to go forward to a degree of automation. Others will undoubtedly wait until they are able to learn of the experience of other banks. Still others will probably decide that this equipment is not feasible for their banks. Regardless of the outcome, we may be sure that the bankers have poured a lot of effort into their investigation, as befits a subject so important.

W. M. DAVIS

Detailed tables summarizing automation plans and practices of Sixth District commercial banks may be obtained from the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

You save more than money



with U.S. Savings Bonds

Bank Announcement

The Federal Reserve Bank of Atlanta is pleased to welcome the National Bank of Tampa, Tampa, Florida, to membership in the Federal Reserve System. This bank opened for business on February 1. Officers are William Earl Thompson, Chairman of the Board; C. Earl Herren, President; E. K. Tyson, Vice President and Cashier; Leslie H. Blank and Stewart L. Pomeroy, Vice Presidents; and Charles A. Wilkeson, Assistant Cashier. Capital stock totals \$400,000, and surplus and other capital funds \$300,000.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Jan. 1961	Dec. 1960	Jan. 1960	Percent Change	
				Jan. 1961 from Dec. 1960	Jan. 1960
ALABAMA					
Anniston	40,046	45,384	42,671	-12	-6
Birmingham	869,790	853,713	808,609	+2	+8
Dothan	35,308	38,668	35,224	-9	+0
Gadsden	35,688	37,322	37,635	-4	-5
Huntsville*	70,674	77,872	63,931	-9	+11
Mobile	302,055	326,232	285,667	-7	+6
Montgomery	172,606	175,772	161,437	-2	+7
Tuscaloosa*	26,027	28,558	24,552	-9	+6
Other Cities†	56,164	55,807	56,082	+1	+0
Total Reporting Cities	1,608,358	1,639,328	1,515,808	-2	+6
Other Cities†	808,418	756,169r	752,110r	+7	+7
FLORIDA					
Daytona Beach*	64,909	55,762	63,139	+16	+3
Fort Lauderdale*	239,492	218,438	253,830	+10	-6
Gainesville*	48,017	46,694	43,939	+3	+9
Jacksonville	913,042	893,634	808,367	+2	+13
Key West*	19,350	17,541	17,259	+10	+12
Lakeland*	98,262	88,894	88,646	+11	+11
Miami	1,067,114	996,526	967,971	+7	+10
Greater Miami*	1,577,108	1,439,217	1,467,896	+10	+7
Orlando	288,211	259,115	280,717	+11	+3
Pensacola	89,687	93,805	89,946	-4	-0
St. Petersburg	255,085	218,201	266,032	+17	-4
Tampa	481,281	458,598	446,670	+5	+8
W. Palm-Palm Bch.*	157,400	139,027	147,537	+13	+7
Total Reporting Cities	4,231,844	3,928,926	3,973,978	+8	+6
Other Cities†	1,791,954	1,620,745r	1,761,407r	+11	+2
GEORGIA					
Albany	54,307	58,660	51,959	-7	+5
Athens*	42,243	43,373	37,441	-3	+13
Atlanta	2,170,801	2,184,438	2,049,992	-1	+6
Augusta	117,649	120,743	113,909	-3	+3
Brunswick	26,456	27,875	24,012	-5	+10
Columbus	113,365	115,392	107,782	-2	+5
Elberton	9,154	9,623	9,335	-5	-2
Gainesville*	48,554	50,287	47,555	-3	+2
Griffin*	20,918	22,878	18,942	-9	+10
LaGrange*	20,360	20,935	21,596	-3	-6
Macon	126,594	124,858	125,089	+1	+1
Marietta*	33,076	37,829	33,663	-13	-2
Newnan	17,852	26,913	21,729	-34	-18
Rome*	53,775	52,583	46,998	+2	+14
Savannah	191,881	194,060	197,761	-1	-3
Valdosta	35,940	34,968	34,988	+3	+3
Total Reporting Cities	3,082,925	3,125,415	2,942,751	-1	+5
Other Cities†	1,007,816	1,023,085r	994,345r	-1	+1
LOUISIANA					
Alexandria*	71,191	71,591	79,837	-1	-11
Baton Rouge	283,296	276,174	280,876	+3	+1
Lafayette	68,220	68,042	68,164	+0	+0
Lake Charles	87,044	88,149r	95,607r	-1	-9
New Orleans	1,403,891	1,453,053	1,326,661	-3	+6
Total Reporting Cities	1,913,642	1,957,009r	1,851,145r	-2	+3
Other Cities†	575,287	594,807r	638,048r	-3	-10
MISSISSIPPI					
Biloxi-Gulfport*	52,466	53,451	47,787	-2	+10
Hattiesburg	38,776	39,688	38,815	-2	-0
Jackson	322,001	329,916	287,288	-2	+12
Laurel*	28,702	30,628	27,610	-6	+4
Meridian	45,350	44,590	42,647	+2	+6
Natchez*	23,067	24,521	23,664	-6	-3
Vicksburg	21,213	22,051	18,654	-4	+14
Total Reporting Cities	531,575	544,845	486,465	-2	+9
Other Cities†	288,912	310,888r	286,068r	-7	+1
TENNESSEE					
Bristol*	46,984	52,432	46,672	-10	+1
Chattanooga	400,303	337,025	386,444	+19	+4
Johnson City*	42,077	47,301	44,612	-11	-6
Kingsport*	85,071	83,171	85,497	+2	-0
Knoxville	269,989	279,810	238,147	-4	+13
Nashville	762,726	746,225	706,825	+2	+8
Total Reporting Cities	1,607,150	1,545,964	1,508,197	+4	+7
Other Cities†	559,978	547,278r	586,666r	+2	-5
SIXTH DISTRICT					
Reporting Cities	18,007,859	17,594,459r	17,296,988r	+2	+4
Other Cities†	12,975,494	12,741,487r	12,278,344r	+2	+6
Total, 32 Cities	5,032,365	4,852,972r	5,018,644r	+4	+0
Other Cities†	11,048,501	10,911,181r	10,389,466r	+1	+6
UNITED STATES					
344 Cities	247,660,000	256,905,000r	230,119,000	-4	+8

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Estimated. r Revised.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

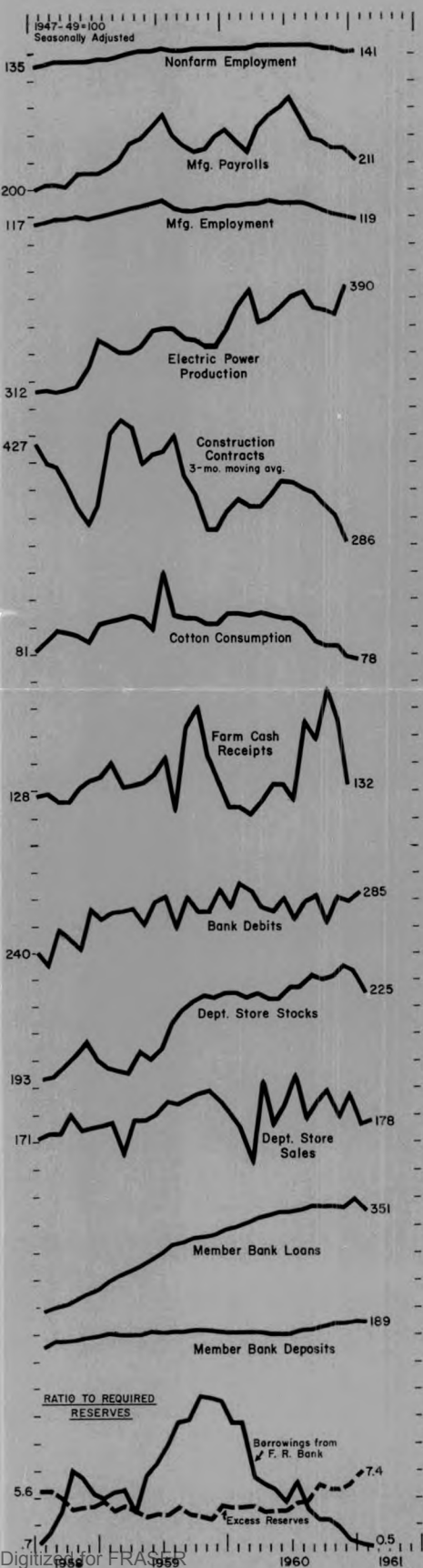
	1959	1960												1961
SIXTH DISTRICT	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.
Nonfarm Employment	142	142	142	142	143	143	143	143	143	143	142	142	141	141
Manufacturing Employment	123	124	124	124	125	126	125	125	124	124	122	121	120	119
Apparel	191	192	190	191	194	195	195	197	192	189	183	184	184	183
Chemicals	132	132	133	132	135	135	136	135	135	129	128	128	130	130
Fabricated Metals	185	191	193	190	188	192	194	194	195	190	186	185	186	188
Food	113	117	117	115	116	117	116	116	117	120	119	117	116	117
Lbr., Wood Prod., Fur. & Fix.	80	80	80	79	79	79	79	78	78	77	77	76	75	74
Paper & Allied Products	160	166	165	164	166	167	165	166	164	164	162	162	161	159
Primary Metals	103	101	100	95	98	99	99	97	95	87	93	88	89	87
Textiles	87	87	87	88	87	87	87	88	87	86	86	85	84	83
Transportation Equipment	199	209	208	206	210	211	206	200	202	203	208	187	193	193
Nonmanufacturing Employment	149	150	150	149	151	151	150	151	151	151	151	150	149	150
Manufacturing Payrolls	220	222	218	214	223	227	230	234	226	219	218	215	215r	211
Cotton Consumption**	91	95	95	94	95	94	93	93	90	85	83	83	79	78
Electric Power Production**	346r	358	375	387	363	366	375	382	385	373	372	369	390	n.a.
Petrol. Prod. in Coastal														
Louisiana & Mississippi**	231	227	226	228	224	222	220	220	221	223	232	233	248	240
Construction Contracts*	302	328	345	333	333	351	371	370	361	353	337	322	286	n.a.
Residential	367	351	366	360	356	384	387	376	367	362	364	305	300	n.a.
All Other	249	309	327	311	315	325	359	365	357	346	316	336r	276	n.a.
Farm Cash Receipts	133	124	124	121	126	132	132	127	155	149	167	156	132	n.a.
Crops	99	93	96	95	100	111	98	83	147	134	157	131	94	n.a.
Livestock	184	169	176	179	188	185	192	194	189	188	186	201	199	n.a.
Department Store Sales*/**	185	180	175	162	192	176	183	194	178	185	189	179	187	177p
Department Store Stocks*	225r	224r	223	225	223	223	227	227	232	230	231	235	233r	225p
Furniture Store Sales*/**	151	166	143	129	149	145	142	147	143	135	141	140	134	133p
Member Bank Deposits*/***	181	181r	181	181r	180r	180	180r	183r	183r	185	188	188r	189	189
Member Bank Loans*/***	337r	339r	342r	345r	347	349r	349r	351r	354r	353r	353r	352r	359r	351
Bank Debits*	286	274r	292r	285r	274r	271r	281r	265r	279r	283r	263r	281r	279r	285
Turnover of Demand Deposits*	154	154	156	153	148	163	159	162	167	158	152	153	151r	162
In Leading Cities	166	166	168	167	167	181	183	179	190	175	159	162	163r	173
Outside Leading Cities	120	119	120	119	114	126	119	129	124	120	113	111	125r	119
ALABAMA														
Nonfarm Employment	125	126	125	124	125	126	126	126	126	125	125	125	124	125
Manufacturing Employment	108	108	107	106	108	109	109	109	108	106	104	104	103	102
Manufacturing Payrolls	194	198	192	190	195	198	201	202	194	184	189	185	177r	177
Department Store Sales**	163	166r	158	156	176	162	171	178	170	166	166	155	165	157p
Furniture Store Sales	128	148	133	112	127	128	127	126	119	117	120	110	111r	109p
Member Bank Deposits***	158	159	160r	161r	159r	159	159r	160r	162r	164r	169	165r	167r	169
Member Bank Loans***	276r	280r	283	289r	296	298r	293r	291r	293r	292	293	294	299r	300
Farm Cash Receipts	112	113	122	125	122	131	123	124	123	150	182	130	121	n.a.
Bank Debits	247	235r	245	244	239r	239r	244r	233r	256r	257r	245r	252r	246	251
FLORIDA														
Nonfarm Employment	197	197	197	197	199	201	202	204	203	203	202	200	198	196
Manufacturing Employment	201	204	204	202	205	209	211	213	214	213	210	207	207	205
Manufacturing Payrolls	374	366	364	352	372	389	392	409	406	394	402	387	387r	371
Department Store Sales**	257	249r	240	245	274	260	264	277	263	256	261	268	276	262p
Furniture Store Sales	195	189	174	157	181	175	167	167	203	172	156	168	164	156
Member Bank Deposits***	239r	240r	239r	238r	237r	235	236r	242r	240r	241r	246r	248r	250r	247
Member Bank Loans***	552r	553r	554r	552r	553	551r	553r	557r	564r	560r	561r	551	560r	550
Farm Cash Receipts	201	231	206	171	217	225	187	204	270	248	212	196	232	n.a.
Bank Debits	424	389r	419r	404r	380r	395r	431r	388r	425r	415r	400r	415r	407r	409
GEORGIA														
Nonfarm Employment	136	137	136	135	138	137	136	136	135	135	135	135	134	135
Manufacturing Employment	121	122	122	122	122	122	122	121	120	120	119	117	117	116
Manufacturing Payrolls	210	216	211	205	215	223	221	226	216	211	208	203	202	197
Department Store Sales**	172	172	164	156	170	169	164	175	159	168	172	158	164	157
Furniture Store Sales	150	149	127	120	142	132	135	134	137	134	144	138	135r	124p
Member Bank Deposits***	159r	160r	160r	159r	159r	160r	160	161r	164r	166r	170	169r	170r	169
Member Bank Loans***	267	269	270r	271r	271	275	275r	278	286r	288r	286r	291r	289	285
Farm Cash Receipts	153	130	134	146	153	144	150	125	215	160	204	120	148	n.a.
Bank Debits	261	253r	264r	252r	251r	252r	263r	252r	258r	274r	249r	257r	256r	263
LOUISIANA														
Nonfarm Employment	130	131	131	130	131	131	130	130	130	130	130	128	128	129
Manufacturing Employment	93	94	95	95	95	95	95	95	94	94	94	93	92	91
Manufacturing Payrolls	168	173	173	176	179	178	178	177	178	174	170	170	172r	173
Department Store Sales*/**	155	154r	150	147	156	152	161	159	152	148	151	140	155	148p
Furniture Store Sales*	184	188	192	172	176	175	184	203	145	161	159	167	172	164
Member Bank Deposits*/***	159r	160r	159	159r	160r	159r	158r	161r	159r	164r	163r	164r	166r	165
Member Bank Loans*/***	313r	316r	317r	328r	329r	334r	334r	335r	334	332r	329r	323	331r	319
Farm Cash Receipts	112	90	90	94	89	101	119	102	91	113	115	137	113	n.a.
Bank Debits*	238	206r	220r	238r	227r	225r	242r	215r	228r	248r	209r	222r	229r	206
MISSISSIPPI														
Nonfarm Employment	135	138	137	136	137	137	136	136	135	136	136	136	135	138
Manufacturing Employment	135	135	134	133	134	135	134	133	132	131	130	131	129r	128
Manufacturing Payrolls	244	253	247	254	249	244	256	253	247	235	239	236	237	239
Department Store Sales*/**	169	161	154	155	169	154	175	175	153	149	158	151	164	150p
Furniture Store Sales*	133	106	99	94	100	113	107	112	100	95	84	101	124	93p
Member Bank Deposits*/***	206r	201r	204r	202r	198r	199r	197r	198r	194r	196r	204r	199r	209r	204
Member Bank Loans*/***	409r	424r	429r	425r	427r	429r	431r	433r	425r	431r	431r	433r	460r	442
Farm Cash Receipts	128	92	91	115	101	105	97	104	98	121	141	162	136	n.a.
Bank Debits*	252	226	245r	247r	238r	224r	245r	244r	256r	254r	243r	260r	256r	240
TENNESSEE														
Nonfarm Employment	124	124	124	123	126	125	125	126	125	125	124	124	123r	123
Manufacturing Employment	123	124	123	123	124	124	124	125	124	124	122	120	120	120
Manufacturing Payrolls	214	219	219	208	225	223	223	225	224	217	214	211	210	212
Department Store Sales*/**	157													

*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. r Revised.

Daily average basis. * Revisions reflect new seasonal factors.

Sources: Nonfarm and mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

DISTRICT BUSINESS CONDITIONS



Reduced business activity continued to be the general rule in early 1961, but certain developments have underscored the mild nature of the current recession. Virtually no change occurred in seasonally adjusted nonfarm employment in January. Even though this contrasts favorably with the slight downtrend in employment occurring over the preceding five-month period, some important types of activity continued downward. Among District states, Florida experienced a further drop in total nonfarm employment. The Florida decline was approximately offset by gains in Mississippi, Alabama, and Louisiana, while employment in Georgia and Tennessee changed little during January.

Manufacturing activity continued to be a source of weakness in most District states in January, as both employment and the average work week declined further. Reflecting this, payrolls also decreased again. Within the manufacturing sector, employment in fabricated metals, chemicals, and food has improved in the past couple of months, while employment in apparel, changing little since October, appears to have halted an earlier decline. Employment declines in textiles, lumbering, and other types of manufacturing have, however, outweighed improvement in other lines. Still, some observers may interpret the appearance of such mixed trends as encouraging. The decline in cotton consumption slowed somewhat in January. Steel mill output, though slightly above December's level, was changed little from that for November; some improvement, however, occurred in mid-February.

In nonmanufacturing employment, increases predominated in January, being sufficiently great to offset the weakness in manufacturing employment. The rate of insured unemployment showed little change, after allowance for the usual seasonal movement.

Construction again failed to show any sign of an upturn. Employment was off further in January, and the latest three-month average of contracts for construction soon to be started, based partly on January data, dropped sharply further.

Those expecting the consumer to bring a lift to business activity must still look to the future, judging from indicators of retail spending. Department store sales, after a pickup in December, dropped in January and showed little further change in February. Since second quarter 1960, these sales, though irregular, have had a downward drift. Furniture store sales in January remained unchanged at a reduced level, while household appliance store sales showed some improvement.

Farm activity in many places was reduced somewhat, partly because of too much of a good thing—rain. In Alabama, Georgia, and Mississippi, farm employment decreased as heavy rains hampered fieldwork and flooded some pastures. In Florida, however, sunny weather favored work in citrus groves and on vegetable farms.

Bank lending tended to mirror the general lethargy of economic activity. In January, member bank loans lost somewhat more than was gained in the preceding month, and, in February, showed only minor recovery at banks in leading District cities. On balance, little change has occurred over the past six months. Reserve positions remain easy in early 1961, with excess reserves higher and borrowings from the Federal Reserve Bank of Atlanta remaining low.