Monthly Review

Atlanta, Georgia

May • 1961

Also in this issue:

Federal Reserve Bank of Atlanta

Managing the System Open Market Account

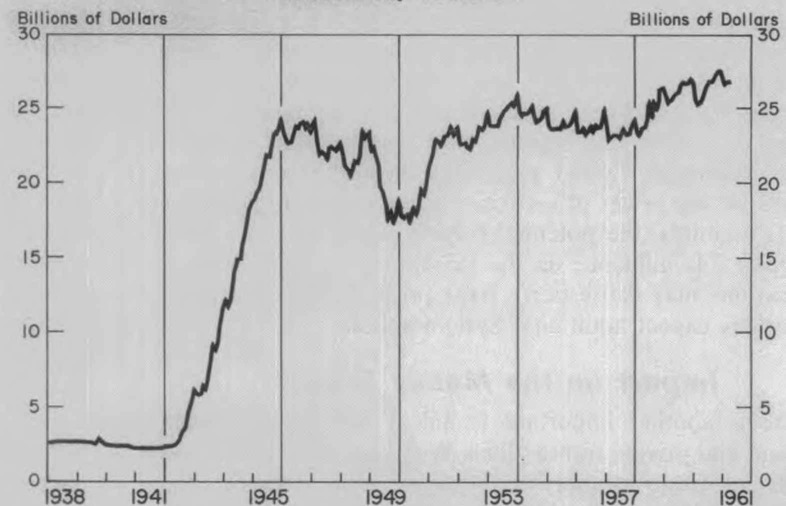
The securities portfolio of the Federal Reserve System is called the Open Market Account. Composed almost entirely of U. S. marketable securities, the Account's resources exceeded $26 billion as of late April of this year. This makes the Account roughly two and one-half times greater than the total resources of the nation's largest commercial bank, and over 50 percent greater than the assets of the biggest insurance company.

The System's securities portfolio is composed largely of issues maturing in less than one year. As of late April, these comprised about 55 percent of the total portfolio. Issues maturing between one and five years made up another 35 percent, and those maturing in more than five years, the remaining 10 percent.

Only about one-tenth of the preponderant short-term issues, however, are the very shortest type: Treasury bills. The great bulk—over 80 percent—are certificates and notes. The System acquired a large amount of these two types of securities during the Korean War, and as the original issues have matured, it has exchanged them for other certificates and notes.

Today, the System's holdings of certificates are nearly as large as those of all other investors combined. Of bills, notes, and bonds, the System holds considerably less than the totals owned by other investors.

System Holdings of U. S. Government Securities, 1938-61



Most of the increase in the System's portfolio took place during World War II, when it increased roughly tenfold to $24 billion. The size of the Account since that time has ranged between $17 billion and $28 billion.

System Holdings of U. S. Government Securities
Daily Average for Week Ended April 26, 1961

Type	Amounts ($Millions)	Percent of Total	Maturity	Amounts ($Millions)	Percent of Total
Bills	1,974	7.5	1 year or less	14,646	55.8
Certificates	5,001	19.1	1 to 5 years	9,578	36.5
Notes	16,418	62.6	5 to 10 years	1,853	7.1
Bonds	2,835	10.8	Over 10 years	151	0.6
Total	26,228	100.0	Total	26,228	100.0

But, altogether, the System holds nearly one-seventh of the marketable Government debt. Obviously, changes in any investment account of this size must have an important influence on the prices of Government securities.

Influence on Prices

An influence on the prices of Government securities, and in turn on the current interest rate, as measured by the yield, is not confined to the Federal Reserve System. The actions of any large institution, whether it be public or private, have a somewhat similar influence on the price of the commodity (in this case, Government securities) that it buys and sells. Buying increases the demand for the securities in the market and tends to raise their price, thus lowering the yield. Selling, on the other hand, adds to the total volume of securities in the market and tends to reduce the price and raise the yield.

The importance of System transactions in the Government securities market cannot be attributed solely to the size of its portfolio. Commercial banks hold about twice as many Government securities, and the net change in holdings often exceeds that of the Reserve System holdings.

One unique thing about System transactions, however, is the size of operations of the System on a day when it is in the market. Transactions often exceed $100 million in one day and several hundred million dollars in a week. In 1958 the System bought outright nearly $7 billion of securities, sold or redeemed $4 billion, and bought several billion dollars of additional securities under repurchase agreements.

Another thing that makes the System's role in the Government securities market different from the role of private participants is the greater resources at its command. Whereas others can buy only as long as they have cash or assets convertible into cash, the Federal Reserve can pay for its security purchases by creating money. This power is limited only by the gold reserves that it holds. Thus, although System purchases have the same direct effects on the prices of securities as do other purchases of equal amounts, the potential buying power of the System magnifies its influence on the market. Even small System operations may cause fairly large price changes if market observers expect additional System action.

Impact on the Money Supply

There is another important technical difference between System and private transactions. When one individual buys securities from another, total private bank deposits, the most important part of the money supply, do not change. Suppose the buyer pays by check. His bank balance then goes down, but the bank balance of the seller goes up as soon as he deposits the check with his bank.

Results are different when the Federal Reserve buys or sells securities. Any time the System enters the market, it changes reserves and contributes to changes in bank deposits. When the System buys securities, it pays by a check drawn on the Federal Reserve Bank. Purchases of securities by the System, therefore, result in an increase in the reserve balance of the commercial bank where the seller keeps his account, as well as in an increase in the seller's balance. Conversely, when the System sells securities, the result is a smaller bank balance for the purchaser and a corresponding decline in the reserve balance of his bank.

The economic effects of the flow of reserves into and out of the banking system as the result of open market operations (that is, the buying and selling of Government securities) are far broader than the immediate effects of the transactions on the securities market. Additional reserves supplied the commercial banks through Federal Reserve purchases of securities can encourage credit expansion by the commercial banks amounting to several times the amount of reserves supplied. On the other hand, when the System sells securities, the withdrawal of reserves from the banking system can result in a contraction of bank credit far greater than the amount of securities sold. The potential effect on total borrowing and on spending in the economy thus can be very great. Moreover, if in expanding credit the commercial banks buy Government securities, the impact of their purchases on the prices and yields may be far greater than the direct impact of Federal Reserve purchases.

Economic Goals

The economic effects of the increases or decreases in reserves on the money supply and on interest rates are obviously more far-reaching than the direct effects of System transactions on the prices of Government securities. Therefore, the System's motive for buying and selling must be different from that of private investors if the System is to carry out its major responsibility of helping bring about high level production, maximum employment, and stable prices. While private investors generally deal in securities for maximum returns on their investments, those responsible for the System Account base their decisions primarily on expected economic results.

Like any private investment managers, those who manage the Account are constantly faced with decisions. Should the Account do any buying or selling at all? If so, how much, and what kind of securities? Securities mature from time to time. If the Treasury offers other securities in exchange for maturing issues, should the Account accept the offer; and if there is a choice of several, which security should it accept? Or, if the Treasury pays off the maturing securities in cash, should the System reinvest the proceeds; and if so, in what maturities?

Responsibility for the Account

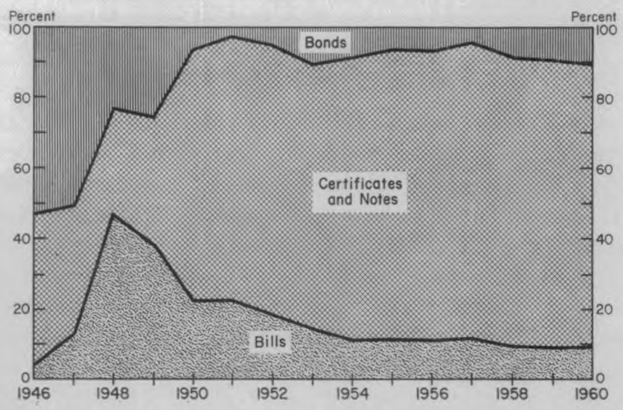
The general policy for System open market operations is made by the twelve-man Federal Open Market Committee. The permanent members of this Committee are the seven members of the Board of Governors and the New York Reserve Bank president. The presidents of the other Reserve Banks take turns filling the remaining four positions. But all of them usually attend the policy meetings, which are held in Washington about every three weeks.

The policies laid down by the Open Market Committee are carried out by the Federal Reserve Bank of New York. This Bank—chosen because it is located in the nation's financial center—has been the agent of the System since 1923. At each meeting, the Committee gives instructions to the Manager of the Account, who is a senior officer of the Federal Reserve Bank of New York.

The decisions the Account Manager makes in executing the instructions are influenced to some extent by day-to-day events in the money and securities markets. Suppose bad weather delays checks in transit between banks? Bank reserves would pile up because the Reserve Banks, following a certain schedule, give credit to member banks before physical collection is completed. A sharp increase in reserves resulting from this sort of condition may encourage banks to buy securities in large volume and temporarily make credit easier than the economic situation warrants. If it is deemed desirable to offset some or all of these reserves, the Manager usually sells securities.

Government securities dealers are the source of securities purchased and sold for the System. These dealers, numbering less than twenty, are specialists in Government securities. The total dollar volume of business they do is several times larger than that done on the New York stock exchange.

Composition of System Account, 1946-60



Although the System from 1951 until recently has conducted its operations almost entirely in Treasury bills, these securities make up only one-tenth of the System's total portfolio.

Technical Considerations

The composition and maturity structure of the public debt, preferences various investors show for certain securities, and other technical considerations influence decisions to conduct operations in certain types of securities. For one thing, a large part of the Federal Government debt is short-term. The average length of the debt is about four and one-half years; about two-fifths matures within one year. So long as such a structure exists, the Treasury is more frequently in the market to sell or redeem short-term issues than those with longer maturities. Less frequently it sells or refunds longer-term securities, either to keep the length of the debt from shrinking or to increase it. Because Federal Reserve operations are large and purchases are frequently followed rather quickly by sales, the System portfolio must consist of securities that can be sold or redeemed readily without upsetting the securities market.

Dealing in short-term securities has other technical advantages to the Reserve System. Short-term securities, especially the very shortest (Treasury bills), can easily be held until maturity and are easily sold because banks use them to adjust their positions and corporations like to invest their idle money in them.

Of these short-term securities, Treasury bills are a favorite and are traded more than any other. Commercial banks and corporations own about one-third of the total bills outstanding. A recent study made for the Joint Economic Committee shows that, even though bills have accounted for less than one-fifth of the marketable debt, trading in bills has for many years been greater than trading in all other securities combined. Maturities exceeding five years have been traded in much smaller volume, accounting for around 10 percent of the total trading.

Whereas dealers carry large inventories of short-term securities (especially bills), their holdings of intermediate- and long-term bonds are very small. In the week ending April 5, 1961, dealers held only $135 million of securities due after five years, but they held about $1.6 billion of securities maturing in one year or less and more than $200 million in one- to five-year maturities. Most dealers, therefore, cannot handle a large order for long- or even intermediate-term bonds at the prices they quote. They try to obtain them from insurance companies, savings banks, and other institutional investors that own the bonds. Since many of these institutions consider their bonds to be permanent investments, a sizable price change is usually necessary to induce them to sell large

Total Marketable U.S. Government Debt

December 31, 1960

	Total Marketable Debt ($ Millions)	Composition of Portfolio for Each Major Investor Group (Percent)				Percent of Outstanding Marketable Debt Held by Each Major Investor Group				
		Bills	Certificates	Notes	Bonds	Total Securities	Bills	Certificates	Notes	Bonds
Commercial Banks	54,259	12.9	4.7	31.2	51.2	28.7	17.7	14.0	33.0	34.8
Federal Reserve Banks	27,384	11.7	33.2	45.7	9.4	14.5	8.2	49.2	24.4	3.2
Nonfinancial Corporations	10,741	52.1	12.4	15.9	19.6	5.7	14.2	7.2	3.3	2.6
Insurance Companies	9,000	3.8	1.6	15.3	79.3	4.8	0.9	0.8	2.7	8.9
U.S. Government Agencies and Trust Funds	8,117	7.3	5.7	21.8	65.2	4.3	1.5	2.5	3.5	6.6
Mutual Savings Banks	5,943	2.4	2.4	20.0	75.2	3.1	0.4	0.8	2.3	5.6
Savings and Loan Associations	2,454	6.6	2.3	20.8	70.3	1.3	0.4	0.3	1.0	2.2
All Others	71,115	31.5	6.5	21.5	40.5	37.6	56.7	25.2	29.8	36.1
Total	189,015	20.9	9.8	27.1	42.2	100.0	100.0	100.0	100.0	100.0

amounts of bonds. Also, because longer-term issues are only redeemable at par several years hence, the price of such securities varies more than that of short-term issues.

Pegging the Market

In addition to these technical considerations, there are economic factors influencing the decisions of the System to buy or sell and to choose short- or long-term securities. Should decisions be based primarily on the effect on reserves or on the direct effect on prices and interest rates?

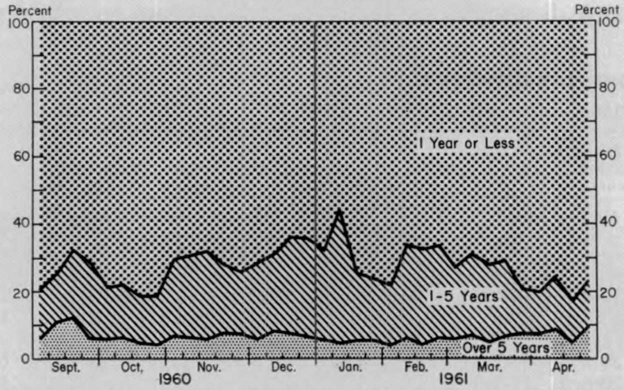
The experiences in World War II and postwar years until 1951 demonstrated some of the difficulties a central bank can get into when decisions to buy and sell are based primarily on maintaining a given pattern of interest rates. The System agreed to buy all issues offered it during World War II at or near the historically low level of interest rates that prevailed when the war began: 3/8 percent on 91-day bills, 7/8 percent on one-year certificates, and 2-1/2 percent on long-term bonds.

After the war ended, the System continued this policy of buying at the established rate (or price) any securities that investors wished to sell. With few exceptions, these rates were identical to those established during the war. Insurance companies and other lenders knew they could get higher rates on their loans than they could earn on the Government securities, so they sold large amounts of bonds. Most of the bonds in the System portfolio today were acquired during that period. By making these purchases, the System added to bank reserves at a time when bank credit already was ample and prices of goods and services were rising.

On the other hand, decisions to buy or sell since 1951 have been based primarily upon the effect such operations would have on member bank reserves. This policy, it was thought, could best be carried out by buying and selling short-term securities.

There have been some exceptions to this general policy. In the summer of 1958, conditions in the Government securities market became disorderly, and the Open Market Committee then felt obliged to buy some long-term securities and support a Treasury financing that had been threatened with failure.

Dealer Transactions in U.S. Government Securities, 1960-61



Government securities dealers provide an active market for bills and other short-maturity instruments. Trading in long-term bonds is relatively small.

The 1960 Record

The 1960 record, which was published as part of the Annual Report of the Board of Governors for 1960, illustrates the factors taken into consideration in making decisions to buy and sell.

At the January 12 meeting of last year, the Committee reaffirmed the previously existing policy directive calling for operations with a view to "restraining inflationary credit expansion in order to further sustainable economic growth and expanding employment opportunities." As soon as it became apparent that credit demands had diminished and that economic expansion had slowed down, policy shifted. Thus, the directive adopted at the March 1 meeting provided that operations should be conducted toward "fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion." Translated into actual operations, this resulted in buying securities and adding to available reserves.

As business slackened further, open market policy became increasingly directed toward stimulating credit. Accordingly, the Committee on May 24 changed the policy directive to "fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion." Open market buying was subsequently stepped up, and on August 16, the instructions were changed to "encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment." The last change in the directive during 1960 was made on October 25. The Committee then decided in favor of operations that would continue to supply reserves necessary for stimulating the domestic economy "while taking into consideration current international developments."

Change in Policy

International developments have recently caused the System to change its normal conduct of operations in the hope that purchases and sales of different maturities would assist the United States in solving its balance of payments problem. This problem was being aggravated by the movement out of the U. S. of short-term capital funds that were attracted by the higher short-term rates abroad. On February 20, the System announced that it would buy notes and bonds, some of which had a maturity exceeding five years. For the System to have concentrated purchases entirely on Treasury bills or other short-term securities would have placed the full impact of System buying on these securities, and rates on them would probably have declined. This might have encouraged a further outflow of funds to foreign countries. In the nine weeks ending April 26, the System added \$427 million of notes and \$293 million of bonds to its portfolio. At this point, it is too early to evaluate these operations, but they illustrate the problem inherent in deciding how the Account is to be managed.

HARRY BRANDT

Additional copies of this article are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

Will Warm Weather Thaw Georgia's Economy?

A popular rhyme tells us that "April showers bring May flowers," suggesting that the hardships of winter will give way to the hope of spring. This year's April showers may also have cleared away some of the doubt concerning the course of Georgia's economy. Those who are wearied by the wintry climate that has afflicted the state's business during the past few months may find signs of spring in the various measures of economic activity.

A good indicator of a state's economic temperature is the level of its employment. According to this measure, Georgia has been undergoing a cooling-off period for about nine months. This is one month longer than the average downward trend in employment during the three previous postwar recessions. If it were possible to use this kind of history as a guide, we should expect a turnabout at any time. Following our historical analysis further, however, we find that in past downturns, Georgia's employment dropped less and for a shorter period of time than was the case for the nation as a whole. In the recent recession, jobs in Georgia began to decline before they did in the nation, and the drop was sharper. The pattern of recovery, therefore, might also be different.

Manufacturing Employment Slumps

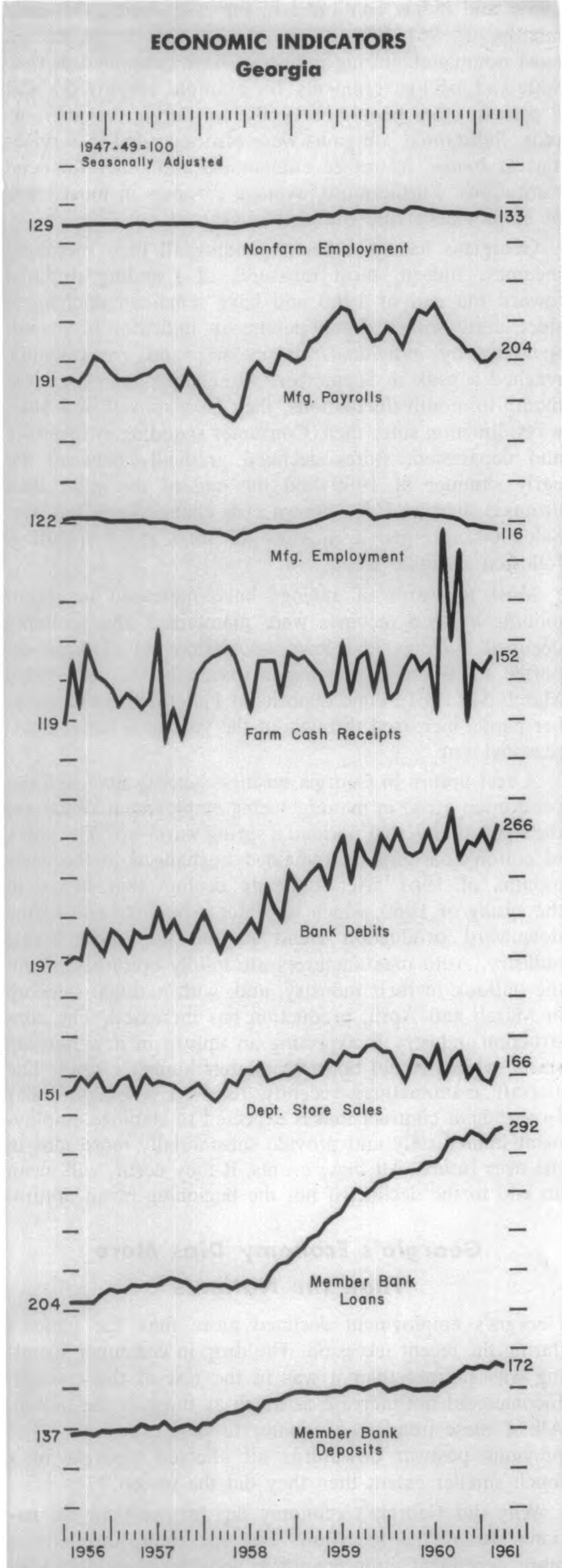
Georgia's job decline has been largely confined to manufacturing activities. At least three important developments have influenced the decline: Textile mill production, which involves almost one-third of Georgia's manufacturing jobs, has dropped significantly in recent months. National demand for the major durable goods that Georgia produces has been declining. And completed contracts in industries that produce primarily for the Government have resulted in reduced work forces.

Textile mill production in Georgia apparently dropped sharply throughout 1960. Seasonally adjusted cotton consumption, a measure of textile activity, dropped 17 percent during the year in the Sixth District. Since Georgia's production accounts for over 60 percent of the District's use of cotton, the state's decline probably parallels that of the area. Georgia textile mills employed 5,000 fewer workers at the end of 1960 than they did a year earlier.

Slackened demand for automobiles and construction materials in the nation has accounted for a substantial part of the loss of jobs in Georgia. Employment in lumber and wood industries—mostly sawmills—declined about 13 percent between March 1960 and March 1961. Automobile assembly plants have been operating on reduced schedules for several months. In addition, Georgia's largest manufacturing employer, an aircraft company, reduced its employment sharply as Government contracts were completed.

Personal Incomes Increase

Despite the decline in manufacturing employment, total personal income in Georgia was higher in 1960 than in



1959, and it has continued to increase during the early months of 1961. This is because the number of jobs in most nonmanufacturing industries have continued to rise. State and local governments, for example, employed about 5 percent more people in 1960 than during the previous year. Substantial job gains were also recorded in services and at banks, insurance companies, and other financial institutions. Furthermore, average earnings in most types of employment rose during the year.

Georgians have not been spending all their increased incomes. Indeed, most measures of spending declined toward the end of 1960 and have remained unchanged since early winter. Bank debits, an indicator of overall spending by individuals, businesses, and governments, reached a peak in September. After adjustment for large month-to-month fluctuations, they have moved in a sideways direction since then. Consumer spending at furniture and department stores declined gradually between the early summer of 1960 and the end of the year, then dropped sharply. It has shown little change since January. Sales tax receipts, a measure of total retail spending, followed a similar trend.

Most measures of savings have increased in recent months because incomes were maintained and spending declined. Savings and loan associations in Georgia reported a 13-percent increase in shares for the year ended March 31, 1961. Time deposits at Federal Reserve member banks increased throughout the year at a better-than-seasonal rate.

A real upturn in Georgia business activity may well depend upon a rise in manufacturing employment. What are the signs, if any, that portend a spring warm-up? The index of cotton consumption remained unchanged in the early months of 1961 after a steady decline that began in the spring of 1960, which indicates a possible end to the downward production trend in the important textile industry. Auto manufacturers are mildly optimistic about the outlook in their industry, and, with national sales up in March and April, production has increased. The construction industry is expecting an upturn in new housing starts, which should boost the state's lumber output. The aircraft manufacturer recently received a billion-dollar Government contract that is expected to stabilize employment immediately and provide substantially more jobs in the near future. All these events, if they occur, will mean an end to the decline, if not the beginning of an upturn.

Georgia's Economy Dips More Than the Nation's

Georgia's employment declined more than the nation's during the recent recession. The drop in consumer spending was sharper than it was in the rest of the country. Incomes did not increase as much as those in the nation. All of these trends ran counter to past experience. The previous postwar downturns all affected Georgia to a much smaller extent than they did the nation.

Why did Georgia's economy dip further than the nation's during the recession? For one thing, the state is more dependent upon economic activities that yield high incomes but at the same time are subject to wide cyclical changes. As recently as 1948, almost a third of Georgia's labor force worked on the farm. In 1960, agriculture accounted for only 15 percent of total employment. There have also been important changes within the nonfarm sector. In 1948, fewer than one out of ten manufacturing jobs were in transportation equipment, machinery, metals, and other durable goods industries subject to large fluctuations in production. By 1960, one-fifth of factory jobs were in this category. Thus Georgia has a larger proportion of its labor force in jobs that are sensitive to national business conditions. Furthermore, a higher percentage of people in Georgia than in the United States work in industries that felt greater-than-average cutbacks in the recent recession.

One result of the employment shifts that have taken place has been a substantial increase in Georgia's personal income. Along with this, however, has come an increased sensitivity to swings in the business cycle. Most Georgians, nevertheless, will herald the long-run benefits provided by the new types of employment.

ROBERT M. YOUNG

Bank Announcements

On April 1, the newly organized nonmember Cumberland County Bank, Crossville, Tennessee, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include J. W. Penland, President; Ben H. Draughn, Junior Executive Vice President and Cashier; and Mrs. Jerry Banks Lane, Assistant Cashier. Capital totals $160,000, and surplus and undivided profits $160,000.

The newly organized nonmember Island Bank, Anna Maria Island, Holmes Beach, Florida, opened for business on April 25 and began to remit at par. Officers are H. S. Moody, Chairman of the Board; Clarence E. Brewer, President; F. P. Stanley and Robert R. Moses, Vice Presidents; and Mel G. Akins, Cashier. Capital totals $200,000, and surplus and undivided profits $75,000.

On April 25, the Bank of Waynesboro, Waynesboro, Georgia, a par-remitting bank, became a member of the Federal Reserve System. M. King Tucker is President; Mims R. Oliver, Vice President; Reuben L. Rockwell, Executive Vice President; William H. Harper, Jr., Assistant Vice President; James W. Nichols, Cashier; Mrs. Naomi O. Scott and Mrs. Myrtis Lovett, Assistant Cashiers. Capital stock totals $150,000, and surplus and other capital accounts $240,000.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

	1960											1961		
SIXTH DISTRICT	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.
Nonfarm Employment	143r	142	144r	144r	143	143	143	143	142	142	141	142r	141	141
Manufacturing Employment	125r	125r	126r	126	126r	126r	125r	124	123r	122r	122r	121r	121r	121
Apparel	194r	195r	197r	198r	198r	199r	196r	193r	188r	188r	189r	187r	187r	186
Chemicals	134r	134r	137r	137r	138r	137r	137r	132r	131r	131r	133r	133r	133r	134
Fabricated Metals	193	191r	191r	196r	196r	196r	197r	193r	190r	188r	189r	191r	189r	184
Food	116r	115	116	118r	117r	117r	117	120	119	117	116	118r	118r	118
Lbr., Wood Prod., Fur. & Fix.	79r	79	79	80r	79	78	78	77	76r	76	75	73r	73r	73
Paper	168r	166r	169r	170r	167r	169r	166r	167r	166r	165r	164r	163r	164r	165
Primary Metals	100	94r	98	99	99	97	95	91r	92r	88	89	86r	87r	86
Textiles	88r	89r	88r	88r	88r	89r	88r	87r	86	85	85r	84r	84r	83
Transportation Equipment	206r	205r	210	210r	205r	197r	199r	199r	205r	185r	190r	191r	190r	183
Nonmanufacturing Employment	150	149	152r	151	151r	150r	150r	150r	150r	150	149	150	150r	149
Manufacturing Payrolls	221r	216r	227r	230r	233r	236r	228r	221r	220r	217r	218r	213r	212r	214
Cotton Consumption**	95	94	95	94	93	93	90	85	83	83	79	78	79	79
Electric Power Production**	375	387	363	366	375	382	385	373	372	369	390	401	383	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	226	228	224	222	220	220	221	223	232	233	250	239r	242	247
Construction Contracts*	345	333	333	351	371	370	361	353	337	322	286	307	313	n.a.
Residential	366	360	356	384	387	376	367	362	364	305	300	286	326	n.a.
All Other	327	311	315	325	359	365	357	346	316	336	276	324	303	n.a.
Farm Cash Receipts	124	121	126	132	132	127	155	149	167	156	132	134	145	n.a.
Crops	96	95	100	111	98	83	147	134	157	131	94	97	123	n.a.
Livestock	176	179	188	185	192	194	189	188	186	201	199	191	191	n.a.
Department Store Sales*/**	175	162	192	176	183	194	178	185	189	179	187	177	181r	178
Department Store Stocks*	224	225	223	223	227	227	232	230	231	235	233	224r	221r	220p
Furniture Store Sales*/**	143	128r	149	145	142	147	143	135	141	140	134	133	123r	118p
Member Bank Deposits*	181	181	180	180	180	183	183	185	188	188	189	189	192	189
Member Bank Loans*	342	345	347	349	349	351	354	353	353	352	359	351	355	353
Bank Debits*	292	285	274	271	281	265	279	283	263	281	279	285	277	279
Turnover of Demand Deposits*	156	153	148	163	159	162	167	158	152	153	151	162	156	155
In Leading Cities	168	167	167	181	183	179	190	175	159	162	163	176r	168	167
Outside Leading Cities	120	119	114	126	119	129	124	120	113	111	119	125	116	122
ALABAMA														
Nonfarm Employment	125	124	126r	126	126	126	126	125	125	125	124	125	123r	123
Manufacturing Employment	107	105r	108	108r	108r	108r	107r	105r	103r	103r	102r	101r	101r	101
Manufacturing Payrolls	191r	188r	194r	196r	199r	200r	192r	182r	187r	183r	175r	175r	175r	177
Department Store Sales**	158	156	176	162	171	178	170	166	166	155	165	158	156r	166
Furniture Store Sales	133	112	127	128	127	126	119	117	120	110	111	109	105	99
Member Bank Deposits	160	161	159	159	159	160	162	164	169	165	167	169	170	167
Member Bank Loans	283	289	296	298	293	291	293	292	293	294	299	300	299	303
Farm Cash Receipts	122	125	122	131	123	124	123	150	182	130	121	115	126	n.a.
Bank Debits	245	244	239	239	244	233	256	257	245	252	246	251	242	252
FLORIDA														
Nonfarm Employment***	201r	201r	203r	203r	202	202r	202r	202r	201r	201r	201r	200r	200r	200
Manufacturing Employment***	206r	205r	206r	209	209r	208r	208r	208r	207r	207	208r	206r	207r	209
Manufacturing Payrolls	363	352	370	389	392	407	403	392	399	384	384	368	374	373
Department Store Sales**	240	245	274	260	264	277	263	256	261	268	276	264	264r	287
Furniture Store Sales	174	157	181	175	167	167	203	172	156	168	164	156	149	145
Member Bank Deposits	239	238	237	235	236	242	240	241	246	248	250	247	252	247
Member Bank Loans	554	552	553	551	553	557	564	560	561	551	560	550	556	556
Farm Cash Receipts	206	171	217	225	187	204	270	248	212	196	232	266	264	n.a.
Bank Debits	419	404	380	395	431	388	425	415	400	415	407	409	393	411
GEORGIA														
Nonfarm Employment	137r	136r	138	137	136	136	135	135	135	134r	134	134r	134	133
Manufacturing Employment	123r	124r	124r	124r	123r	123r	123r	121r	121r	118r	119r	117r	116r	116
Manufacturing Payrolls	213r	208r	218r	226r	223r	228r	220r	213r	211r	205r	205r	199r	200r	204
Department Store Sales**	164	156	170	169	164	175	159	168	172	158	164	157	155	166
Furniture Store Sales	127	120	142	132	135	134	137	134	144	138	135	123	120r	124
Member Bank Deposits	160	159	159	160	160	161	164	166	170	169	170	169	173	172
Member Bank Loans	270	271	271	275	275	278	286	288	286	291	289	285	292	292
Farm Cash Receipts	134	146	153	144	150	125	215	160	204	120	148	144	152	n.a.
Bank Debits	264	252	251	252	263	252	258	274	249	257	256	263	254	266
LOUISIANA														
Nonfarm Employment	131	130	132r	132r	131r	131r	130	129r	129r	128	128	129	129	128
Manufacturing Employment	95	95	96r	96r	95	96r	95r	94	94	93	93r	92r	91r	92
Manufacturing Payrolls	181r	184r	188r	184r	181r	182r	181r	173r	170	168r	175r	177r	173r	176
Department Store Sales*/**	150	150r	156	152	161	159	152	148	151	140	155	151	151	155
Furniture Store Sales*	192	172	176	175	184	203	145	161	159	167	172	164	152	139
Member Bank Deposits*	159	159	160	159	158	161	159	164	163	164	166	165	167	163
Member Bank Loans*	317	328	329	334	334	335	334	332	329	323	331	319	322	314
Farm Cash Receipts	90	94	89	101	119	102	91	113	115	137	113	93	103	n.a.
Bank Debits*	220	238	227	225	242	215	228	248	209	222	229	206	204	232
MISSISSIPPI														
Nonfarm Employment	137	136	137	136r	135r	135r	134r	135r	135r	135r	134r	137r	136r	136
Manufacturing Employment	135r	135r	136r	137r	136r	135r	134r	132r	132r	133r	131r	130r	129r	130
Manufacturing Payrolls	248r	256r	252r	247r	257r	256r	250r	238r	242r	239r	240r	244r	237r	244
Department Store Sales*/**	149	153r	169	154	175	175	153	149	158	151	164	149	146	154
Furniture Store Sales*	99	94	100	113	107	112	100	95	84	101	124	93	92	101p
Member Bank Deposits*	204	202	198	199	197	198	194	196	204	199	209	204	205	207
Member Bank Loans*	429	425	427	429	431	433	425	431	431	433	460	442	446	442
Farm Cash Receipts	91	115	101	105	97	104	98	121	141	162	136	86	99	n.a.
Bank Debits*	245	247	238	224	245	244	256	254	243	260	256	240	236	267
TENNESSEE														
Nonfarm Employment	125r	124r	128r	127r	127r	127r	127r	126r	126r	125r	124r	124r	124r	124
Manufacturing Employment	125r	125r	127r	127r	127r	128r	127r	128r	126r	124r	123r	123r	123r	123
Manufacturing Payrolls	223r	211r	231r	228r	229r	230r	231r	224r	221r	218r	217r	215r	216r	217
Department Store Sales*/**	145	137	159	146	155	167	151	157	164	156	157	147	154r	150
Furniture Store Sales*	95	98	103	111	107	93	98	96	101	98	96	83	89	92
Member Bank Deposits*	164	164	164	163	165	170	167	166	171	169	170	170	176	176
Member Bank Loans*	301	304	305	309	309	313	314	311	313	314	328	315	319	310
Farm Cash Receipts	90	86	100	95	102	109	113	106	122	143	86	96	99	n.a.
Bank Debits*	250	239	231	241	238	229	238	234	219	241	229	242	238	251

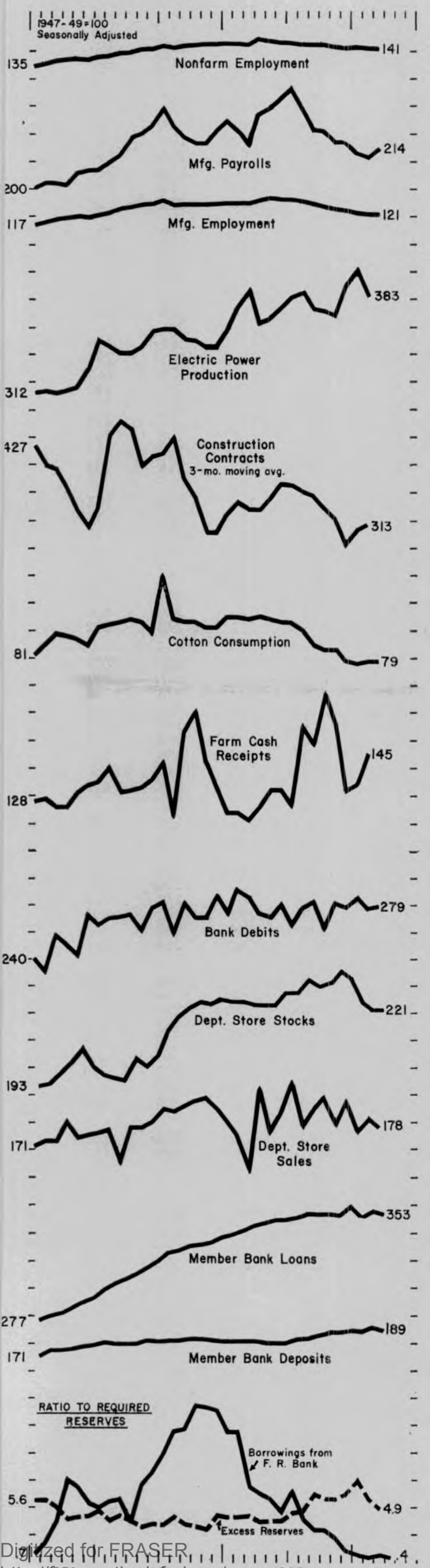
*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. r Revised.

**Daily average basis. ***New seasonal factors affect revisions.

NOTE: Indexes of nonfarm and manufacturing employment and payrolls have been revised on the basis of new benchmark data for 1960.

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



Some important economic indicators strengthened in March, which suggests that the economic contraction of recent months may be ending. The average work week in manufacturing, seasonally adjusted, rose, and manufacturing payrolls increased. Also, the latest three-month average of construction contracts, based partly on March data, rose for the second month. Steel mill output improved substantially further in both March and April, and crude oil production in Coastal Louisiana and Mississippi rose to a near-record level in March.

✓ ✓ ✓

Other economic indicators, however, do not exhibit much strength, and some are weakening, which calls for a cautious attitude in assessing current economic trends.

✓ ✓ ✓

Nonfarm employment, seasonally adjusted, was virtually unchanged in March. Manufacturing employment remained unchanged also, but nonmanufacturing employment dropped back slightly. Employment in construction activity, seasonally adjusted, continued to decline in March. But during the first three months this year, total nonfarm employment has shown signs of stabilizing in Florida, Tennessee, and Louisiana. Employment, therefore, could be holding at current levels. This possibility is also indicated by the stability in the last three months in cotton consumption, a measure of textile production.

✓ ✓ ✓

Farmers became more active as winter ended and spring began. They pushed ahead with their spring planting, although somewhat unevenly because cold, wet weather hampered field work. In some places, adverse weather damaged farmers' seeded crops. Employment on farms, seasonally adjusted, increased in March, and farmers stepped up their shipments of livestock and poultry products. Also, their cash receipts from marketings, seasonally adjusted, increased substantially in February, the latest month for which data are available.

✓ ✓ ✓

Consumers evidently have maintained their spending, but as yet they show little tendency to buy more heavily. Department store sales, seasonally adjusted, rose moderately during April, according to preliminary figures. Meanwhile, final figures for March showed a slight decline in sales from the previous month. Sales declined the most in the Baton Rouge, Jacksonville, and St. Petersburg-Tampa areas. Household appliance store sales increased more than they usually do in March. On the other hand, furniture store sales, seasonally adjusted, declined for the sixth consecutive month, the largest decline occurring in southern Louisiana.

✓ ✓ ✓

Consumers reduced their instalment debt outstanding for the sixth consecutive month. A fractional increase in bank automobile debt outstanding was offset by a decline in other consumer goods paper. Consumers increased their savings in time deposits somewhat less than is usual.

✓ ✓ ✓

Bank lending remained weak, but bank reserves were plentiful and bankers' capacity to make loans remained large. Member bank loans declined slightly in March, and loan data for banks in leading cities indicate a continued weakness in April. Average interest rates on business loans at Atlanta and New Orleans banks declined somewhat from the first half of December to the first half of March. Meanwhile, investments at member banks leveled off in February and March, following a sharp increase in January. Investments at banks in leading cities indicate an increase in April.