SIXTH · FEDERAL RESERVE · DISTRICT · TENN · GA · ALA · MISS · LA · FLA

Monthly Review

Atlanta, Georgia
May • 1962

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HESITANT RECOVERY IN ALABAMA

SIXTH DISTRICT STATISTICS

DISTRICT BUSINESS CONDITIONS

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Recession to Recovery, 1960-62

A Case Study in Flexible Monetary Policy

FUNCTION OF THE FEDERAL RESERVE SYSTEM. *An efficient monetary mechanism is indispensable to the steady development of the nation's resources and a rising standard of living. The function of the Federal Reserve System is to foster a flow of credit and money that will facilitate orderly economic growth and a stable dollar.*—THE FEDERAL RESERVE SYSTEM: PURPOSES AND FUNCTIONS

Monetary policy decisions are made in response to the current state of the American economy. Because our economy is complex, monetary policy making and its execution must, therefore, be complex. The necessity for making qualitative judgments only increases this complexity. For example, few persons would disagree with the general goals implied by the statement at the beginning of this article. Opinions do differ, however, with respect to the effectiveness of monetary policy in achieving these goals and with respect to which goals should be given priority in case of conflict. Furthermore, interpretations of current economic developments are by no means unanimous; nor is there complete agreement as to which techniques could be best used in executing the chosen policy.

The complexities involved in determining and executing monetary policy are exceptionally well illustrated in the period from early 1960 to the present. This was a period of both recession and recovery and, in addition, one in which special problems were created by the United States' balance of payments position.

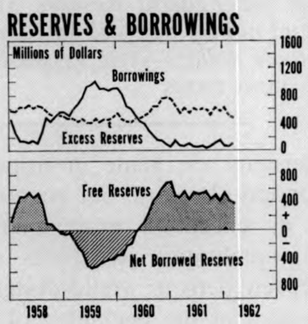
The Economic Setting

It is easy to see now that in early 1960 a change was taking place in economic activity from expansion to recession, but at the time it was not so evident. During the first few months of the year, our interpretations of the behavior of economic indicators were colored by memories of the optimistic forecasts for the "scintillating Sixties." The falterings of certain key indicators were interpreted by some as merely reactions to the excessive expansion that had immediately followed the settlement of the steel strike in late 1959. To certain others, they were seen as the expected pause before a renewed period of economic expansion.

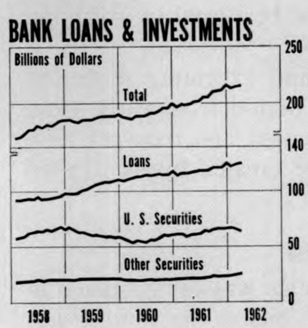
Before mid-1960 was reached, the "pause" turned out to be a prelude to recession. Manufacturing, generally one of the first sectors to exhibit weakness during a period of business decline, again led the way. Manufacturers' sales dropped steadily downward from the February 1960 peak and did not begin to rise again until after January 1961. Industrial production, after a period of hesitation, started moving downward in May 1960. Manufacturing employment declined in response. Total nonfarm employment began to drop off after April 1960. The rate of unemployment rose steadily, reaching 7 percent by May 1961.

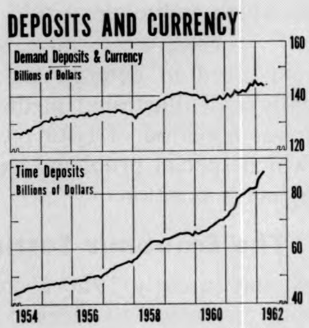
In the past two years, the condition of the nation's economy has changed from one of recession to one of recovery. During this period, the Federal Reserve System has been operating to bolster the banking system's ability to meet expanding borrowing needs.

The policy of increasing available member bank reserves first enabled banks to get out of debt to the Federal Reserve System and since mid-1960 has created a net free reserve condition.

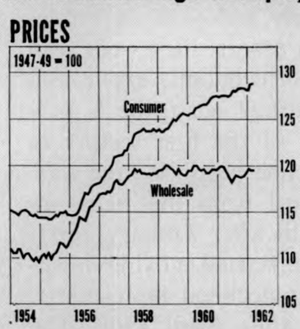


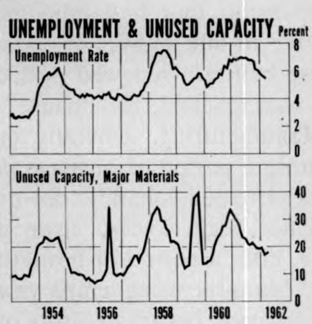
Increased reserves made it possible for member banks to expand their loans and investments substantially. An increase in deposits and currency accompanied the growth in bank credit.





An absence of inflationary pressures was indicated by the downward drift in wholesale prices, the moderate rise in consumer prices, unused capacity to produce major materials, and continued high unemployment.





Just as it is hard to be sure that economic activity has reached a peak until after recession is well underway, it is also difficult to be sure that a recession has ended until recovery has gone on for some time. As the year 1961 progressed, however, it became more and more evident that a general improvement in economic conditions was in progress. Industrial production rose sharply in the months after February 1961, and a new record was set after June of that year. Later, the rate of expansion slowed slightly, but by March 1962 industrial production had reached a point more than 13 percent above the low of February 1961, and 4 percent above the pre-recession peak set in January 1960.

Although the recession had its serious aspects for many sectors of the economy, its overall effects were relatively mild. Personal income, for example, continued to rise through a great part of 1960 and declined hardly at all—less than one percent—from October 1960 to February 1961. Total consumption expenditures exhibited only a minor hesitation during the recessionary period, and most of this was caused by declines in spending for consumer durable goods; expenditures for services actually rose. If February 1961 is accepted as the low point, the recession lasted only nine months, a relatively short period of economic decline as measured by the history of preceding recessions.

Despite the recovery in economic activity in 1961, unemployment and unused capacity still remained substantial. Not until late 1961 did the rate of unemployment begin to decline, and in March 1962 it was still 5.5 percent of the labor force.

The competitive economic environment that had characterized the economy for several years, in contrast to the tight market conditions of the early postwar years, has continued during economic recovery. At the end of 1961, wholesale prices, despite recovery, were actually lower than they had been a year earlier. Consumer prices increased less than one percent in 1961, considerably more slowly than in the preceding five years.

Although price trends indicated the need for less concern about immediate inflationary problems, a balance of payments problem plagued the American people all during the 1960 recession and the recovery. In 1960, the surplus of American exports of goods and services over imports increased from the abnormally low level of 1959, partly because imports declined during the recession and partly because exports increased. The export surplus increased further in 1961, totaling \$5.2 billion. Nevertheless, deficits in financial transactions with the rest of the world were much larger in 1960 and 1961 than in earlier years, chiefly because of the greatly increased outflow of short-term capital; net deficits in the balance of payments thus continued. In 1960, \$1.7 billion of the net deficit was settled by United States gold and the remainder, \$2.2 billion, was settled by foreigners' increasing their short-term claims on this country. Although the deficit was smaller in 1961, the United States continued to lose gold in the amount of \$820 million, and short-term liabilities to foreigners rose \$1.7 billion.

Setting the Goals

In 1960, when it became clear that a recession was underway, a proper policy goal was to bring an end to this recession so far as was possible through monetary means. Recession turned to recovery in 1961, but the nation's potential productive capacity was not yet being fully utilized, so the ultimate goal became one of laying the groundwork for further economic expansion.

Protecting the dollar from the erosion of inflation at home was not an immediate problem. There was, however, a growing need to protect the position of the dollar abroad. Monetary policy goals, therefore, included action to ease the nation's balance of payments difficulties.

The power of the Federal Reserve System to help achieve these goals lay in its ability to expand member bank reserves and thus to increase the lending and investing ability of the member banks. Through this means, the System indirectly influenced the level of interest rates and the spending and savings activities of the entire economy.

Consequently, over the entire period between June 1960 and March 1962, the System supplied member banks with about $1.4 billion in additional effective reserves, measured on a seasonally adjusted basis. The increased reserves have supported a near-record expansion in bank credit. In 1961 alone, commercial banks increased their loans and investments by $15.9 billion, an amount greater than the record credit expansion of 1958.

Techniques Used to Foster Credit Expansion

Expansion in the reserve base and easier credit conditions were achieved in a variety of ways. In the spring of 1960, open market policy was eased when the Federal Reserve System bought greater amounts of Treasury bills than was usual at that time of the year. The discount rate, the charge made to member banks for borrowing from the Federal Reserve, was lowered from 4 to 3½ percent. In the summer, margin requirements against stock market credit were cut from 90 to 70 percent. The reserve base was increased as banks were allowed to count additional vault cash as a part of legal reserves, and as reserve requirements for the banks in the central reserve cities of New York and Chicago were cut one-half of a percentage point. In late summer, the discount rate was again lowered—this time to 3 percent.

In the fall and early winter of 1960, member banks were allowed to count all vault cash as legal reserves,

Sources for data used in the charts:

Industrial Production, Member Bank Reserves, Reserves and Borrowings, Bank Loans and Investments, Deposits and Currency, U. S. Gold Stock, Interest Rates, Interest Rate Differentials, Commercial Bank Liquidity, Sources of New Credit: Board of Governors, Federal Reserve System.

Gross National Product: U. S. Dept. of Commerce.

Prices: Bureau of Labor Statistics, U. S. Dept. of Labor.

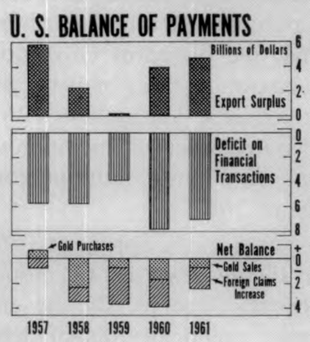
Unemployment and Unused Capacity: Board of Governors, Federal Reserve System and U. S. Dept. of Labor.

Balance of Payments: U. S. Dept. of Commerce.

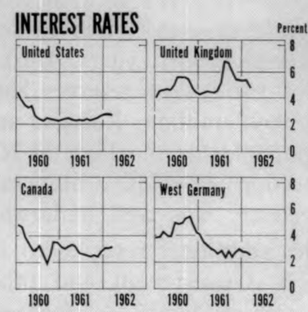
Short-Term Interest Rates: Board of Governors, Federal Reserve System and Federal Reserve Bank of New York.

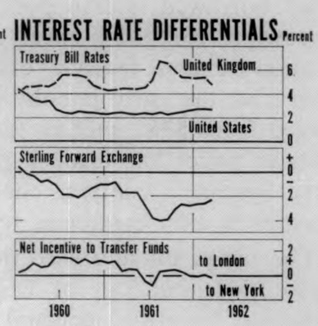
Long-Term Interest Rates: Board of Governors, Federal Reserve System and Moody's Investor's Service.

The execution of monetary policy during the past two years has been influenced by the continuing balance of payments deficit and the accompanying decline in the nation's gold stock.

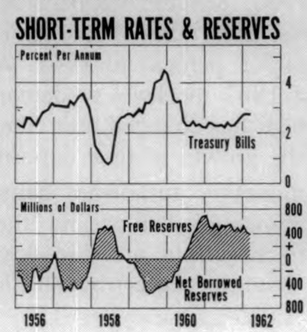


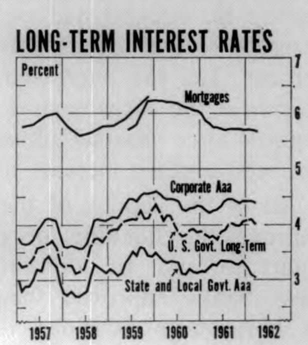
In order to keep from stimulating the transfer of funds abroad because of interest rate differentials, the Federal Reserve System sought to avoid depressing short-term rates unduly.



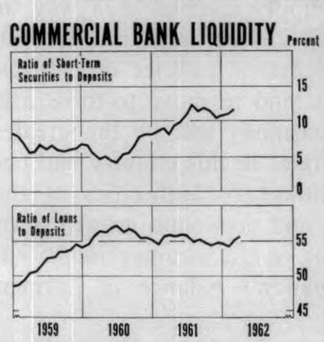


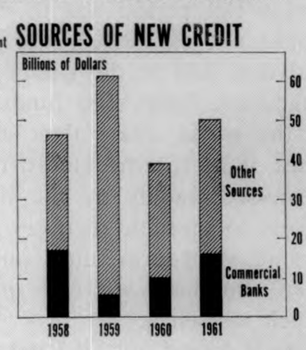
Even though free reserves were as great in 1960-61 as in 1958, short-term rates declined less. Long-term rates did not rise as much as during the recovery of 1958-59 and have recently declined.





Partly because the Federal Reserve supplied commercial banks with more reserves, bank liquidity improved in 1961, and banks increased in importance as a source of credit.





and reserve requirements at the central reserve city banks were lowered again by one percentage point. After February 20, 1961, the Federal Reserve System began to supply some additional reserves by purchasing longer-term securities rather than confining its purchases entirely to short-term issues. In December 1961, the Board of Governors authorized an increase in the maximum rates banks could pay on savings and other time deposits. Throughout 1961, open market operations contributed towards maintaining ease in bank reserve positions, and this condition continued during the early months of 1962.

The member banks' first response in the spring of 1960 was to use the additional available reserves to reduce their borrowings from the Federal Reserve. By the end of that year, member banks were practically out of debt. By the middle of 1961, their excess reserves—the difference between actual and required reserves—exceeded reserves secured by borrowing by a substantial amount. Expressed in technical terms, the banks had turned from a net borrowed reserve position—reserves secured from borrowings exceeding excess reserves—to a free reserve position—excess reserves exceeding borrowings. During 1961 and the early months of 1962, free reserves have ranged from $381 million to $696 million. Relative stability in prices has made it possible for the Federal Reserve System to continue conditions of relative monetary ease, even after economic recovery was well underway.

The banks initially used the additional reserves to increase their holdings of U. S. Government and other securities, since loan demand was moderate. As recovery developed, however, loan expansion became more important.

The greater lending and investing activity by the banks was accompanied by an increase in deposits and currency. During the second half of 1960, demand deposits and currency rose at a seasonally adjusted annual rate of 1.6 percent. The rate increased to 3.5 percent in 1961. Although in the early months of 1962 the level of demand deposits after seasonal adjustment has changed little, there has been a sharp increase in the growth of time deposits.

All of the actions of the monetary authorities helped improve the liquidity of commercial banks and their ability to lend. In addition to acquiring more reserves, these banks improved their lending power by shifting to shorter-term securities.

Interest Rates and the Balance of Payments

An essential part of the execution of monetary policy during this period was to supply reserves in a way that would not excessively depress short-term interest rates and thus add to the United States' balance of payments difficulties. Short-term funds tend to move to those areas of the world where their earnings will be the greatest. Thus, if short-term interest rates in this country had been depressed unduly by the monetary authorities in their efforts to promote recovery and economic growth, transfers of short-term funds out of the country might have been stimulated and this nation's balance of payments deficit worsened.

As it turned out, in 1960-61 short-term rates, as measured by the yield on Treasury bills, did not decline to the level reached in the recession of 1958, although, as measured by excess reserves, monetary ease was as great. The bill rate never averaged less than 2.2 percent for any month in the recent period, whereas in 1958 it fell to 0.8 percent.

Some of the firmness in the rates on Treasury bills resulted from the Treasury Department's concentrating its borrowings of new money in the form of short-term securities. The Federal Reserve reduced to some extent the direct impact its open market operations might have had in depressing short-term bill yields by switching some of its purchases from short-term to intermediate- and long-term issues, beginning in early 1961.

In the initial part of the present recovery, short-term rates remained relatively firm. Long-term rates rose less than in the comparable phase of the 1958-59 recovery, despite heavy demands for long-term funds. In recent months long-term rates have declined. A rapid growth of bank credit and a substantial flow of savings into financial institutions supplied some of the long-term funds. In addition, the Treasury supplied long-term funds to the private sectors of the economy by purchasing long-term securities for investment accounts. To a lesser extent, Federal Reserve purchases of longer-term securities may have kept rates from rising. The concentration of Treasury and Federal Reserve purchases of longer-term securities during the months of March, April, and May 1961, when corporations and state and local governments were borrowing heavily, may have helped to push rates down. Whatever the reasons, so far in the recovery period a large volume of long-term financing has been accomplished without a substantial increase in long-term rates.

Flexible Monetary Policy

For about two years now, the Federal Reserve has been operating to bolster the banking system's ability to meet expanding borrowing needs. The steadily increasing total of effective member bank reserves that has resulted from these operations, however, conceals a flexibility in adapting to changes in the economic environment and in using a variety of techniques in executing policy.

Changes in the economic environment itself suggested to some extent the appropriate policy steps to be taken. The accumulating evidence of the recession of 1960 pointed out that a policy of restraint was no longer needed and that a stimulative policy would be desirable. A continuing high rate of unemployment and an under-utilization of resources suggested the desirability of a policy to encourage further expansion; the absence of inflationary price pressures lessened the dangers that such a policy might otherwise incur.

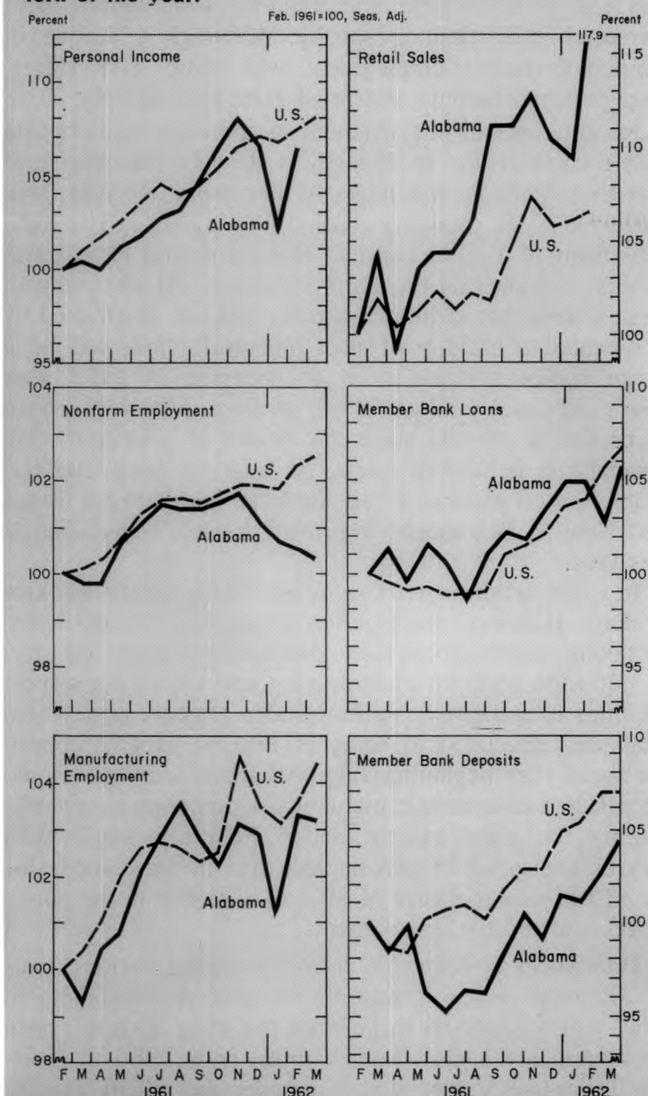
At the same time, another aspect of the economic environment—the balance of payments problem—pointed to the desirability of conducting open market operations in such a way as to minimize downward pressures on short-term interest rates. The behavior of interest rates and of the credit and capital markets during the period, moreover, have from time to time suggested modifications in

(Continued on Page 6)

Hesitant Recovery in Alabama

Recovery in Alabama's economy since last spring has been weaker than in the comparable period following the 1957-58 recession.

Various indicators reveal the sensitivity of Alabama's economy to the nation's; special circumstances account for weakness in income and employment in the state around the turn of the year.



When we discussed Alabama's economy in this *Review* last summer, it seemed that the state would soon be experiencing record levels of employment as well as of income. But it turned out that nonfarm employment, adjusted for seasonal variation, rose sharply only through July 1961, a mere three months after recovery got underway. This measure increased slightly between July and November, then declined steadily through March. At this point it stood barely above the recession low, whereas it increased 5.7 percent in the comparable months following the 1957-58 recession.

Personal income also began to increase after April 1961. It continued to expand until November as the average number of hours worked each week and hourly earnings in manufacturing advanced beyond the rise in employment, then dropped substantially in December and January. Both personal income and manufacturing employment rebounded in February, and the latter declined only slightly in March.

What accounts for this marked hesitancy in Alabama's recovery? A look at the charts reveals part of the answer. Recovery nationally has been moderate, and major indicators show that Alabama's economy has become quite sensitive to national developments. Nonagricultural employment and personal income in Alabama began to turn up two months after the February 1961 trough of the national recession. Nevertheless, they increased in roughly the same proportions from February through November as in the nation. Toward the close of the year, economic activity in Alabama weakened in contrast to further expansion nationally, but since January 1962 has recovered part of the lost ground.

Before looking at the factors that caused relative weakness in income and employment in Alabama after November, let us review developments that took place up through that month. Improvement in the manufacturing sector, particularly in iron and steel, and in related coke and coal production led the recovery that took place through mid-summer. Consumers, judging from the behavior of the seasonally adjusted index of retail sales developed by the University of Alabama's Bureau of Business Research, tended to strengthen recovery forces by sharply increasing their spending as incomes rose.

If the initial recovery rate was to be sustained, further stimulation from outside the state was apparently needed. A strong enough stimulus, however, was not forthcoming. A slower rate of increase in national industrial production and a temporary standstill in manufacturing employment were mirrored in Alabama's manufacturing activity. Most segments of the state's manufacturing employment changed little from July through November. Employment in primary metals began to turn down after August, but because of new short-term contracts, there were offsetting employment gains in transportation equipment in the Birmingham area.

Employment in activities other than manufacturing also changed little during this period, after seasonal adjustment. Notably, state and local government employment, which continued to expand without interruption during the recession, leveled off after schools reopened in September.

The relative weakness that prevailed in Alabama's economy after November was centered in iron and steel production. Expanding at about the same rate as nationally until the fourth quarter of 1961, output in this sector dropped off substantially after October, while increasing further in the U. S. as a whole. This divergence probably reflects differences in the product mix of Alabama mills and those in the North. The latter tend to produce greater proportions of rolled steel products, and with auto production strong during the fourth quarter of 1961, the demand for sheet steel was relatively high. Alabama's steel manufacturers, on the other hand, specialize in pipes, wires, bars, and rails. Because imports of some of these commodities competed vigorously with domestic production, Alabama's steel output may have been particularly affected. The sharp drop-off in seasonally adjusted nonfarm employment in January was largely attributable to a labor dispute in iron and steel foundries. Then, too, bad weather reduced employment in some other areas of production.

By February, however, striking iron and steel workers returned to their jobs, and manufacturing employment increased more than seasonally. Although a decline in nonmanufacturing employment was more than offsetting, personal income and retail sales rose sharply.

Recent signs of improvement in economic activity and past responsiveness to changes at the national level suggest that Alabama will make further gains this year, provided the U. S. economy continues to advance. The early settlement of a labor contract in steel should have a stabilizing influence on the state's economy. At least we can be confident that economic activity will not be affected by a speculative buildup of steel inventories followed by a major national strike, such as occurred in 1959. Just how much steel production will increase, however, is hard to predict, especially since the impact of greater foreign competition is hard to assess. At least one large contract order—an oil pipeline scheduled to be laid between Texas and New York—should improve Alabama's steel output this year.

In construction activity some promising factors are also evident. Highway construction apparently is continuing to boom, which should help Alabama's cement industry. A statewide program of improving and expanding airport facilities is underway. Various water projects in northern Alabama are slated to bring in Federal expenditures in the fiscal year beginning July. All these activities should be reflected in nonresidential construction contract awards. During the eight months ended February 1962, such awards measured 25 percent less than in the comparable months of a year earlier because of a decline in the public works and utilities component.

Differences in economic structure among various areas of Alabama make it improbable that developments in 1962 will be uniform throughout the state. This has been illustrated in the past. For example, from 1960 to 1961, the Tennessee Valley, which includes the tri-city area of Florence, Sheffield, and Tuscumbia and Huntsville, showed rapid growth compared with the state as a whole. Mobile, where growing pulp and paper and chemicals industries are located, fared better in 1961 than the industrial cities of central Alabama.

ALBERT A. HIRSCH

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Georgia's economy were analyzed in the April REVIEW, *and a discussion of Mississippi's economy is scheduled for a forthcoming issue.*

RECESSION TO RECOVERY

(Continued from Page 4)

the techniques to be used in executing policy.

The record since early 1960, if it does nothing more, demonstrates once again that monetary policy making remains a complicated and difficult task. Policies adopted, and techniques used to execute these policies, may be appropriate at one time and inappropriate at another. The economic environment itself provides a setting, and since that environment is affected not only by the decisions of millions of Americans but of people throughout the world, the constant changes that take place are not always easily predictable. Only through flexibility can monetary policy be adapted to the continually changing economic scene.

CHARLES T. TAYLOR

Bank Announcements

The First National Bank of Belleair Bluffs, Largo, Florida, a newly organized member bank, opened for business on April 13 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Harold H. Underwood, President; William S. Dews, Vice President; Paul P. Morse, Cashier; and James A. Peterson, Assistant Cashier. Capital totals $350,000, and surplus and undivided profits, $420,000.

On April 15, the Social Circle Bank, Social Circle, Georgia, a nonmember bank, began to remit at par. Officers include Cleon E. Moore, President; E. L. Sanders, Executive Vice President; Sidney Berger, Vice President; and Mary S. Chandler, Cashier. Capital totals $50,000, and surplus and undivided profits, $99,109.

The table on Debits to Individual Demand Deposit Accounts, which has been omitted this month, is scheduled to reappear in the June REVIEW. Copies of the current table are available upon request to the Research Department of this Bank.

REVISION IN SIXTH DISTRICT STATISTICS

Beginning with this issue, the statistical table on page 7 is presented in a revised form, making it possible for us to show additional statistical series and, in some cases, more up-to-date information.

Appearing for the first time are the following statistical series: instalment credit at commercial banks; construction employment; farm employment; insured unemployment; average weekly hours worked in manufacturing; and member bank loans and deposits in leading cities. The furniture store sales indexes and the turnover of demand deposits will no longer be shown.

All indexes have been changed from the 1947-49 base to the new standard base of 1957-59, recommended by the Bureau of the Budget and generally being adopted by organizations preparing indexes. These indexes are presented as percentages of the average during the base period, i.e., 1957-59 = 100. Data for the preceding months not shown in the table may be obtained upon request from the Research Department of this Bank.

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

SIXTH DISTRICT

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	37,411	36,505	36,850	35,093
Farm Cash Receipts	Feb.	111	114	107	115
Crops	Feb.	112	111	95	121
Livestock	Feb.	108	104	113	108
Department Store Sales*/**	Mar.	110	113	107	104
Department Store Stocks*	Mar.	118	115	118	110
Instalment Credit at Banks,* (Mil. $)					
New Loans	Mar.	136	142	124	120
Repayments	Mar.	124	130	127	123
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	105	105	105	103
Manufacturing	Mar.	104	104	103	100
Apparel	Mar.	114	114	113	107
Chemicals	Mar.	100	100	100	101
Fabricated Metals	Mar.	105	104	104	101
Food	Mar.	105	105	105	104
Lbr., Wood Prod., Furn. & Fix.	Mar.	97	96	94	94
Paper	Mar.	102	102	101	103
Primary Metals	Mar.	94	94	91	89
Textiles	Mar.	96	96	96	95
Transportation Equipment	Mar.	99	101	98	85
Nonmanufacturing	Mar.	105	106	105	104
Construction	Mar.	94	94	89	90
Farm Employment	Mar.	91	85	83	96
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	4.1	4.5	5.0	6.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.9	40.9	37.4	39.9
Manufacturing Payrolls	Mar.	121	121	112	109
Construction Contracts*	Feb.	133	99	92	90
Residential	Feb.	112	100	103	92
All Other	Feb.	151	99	83	88
Electric Power Production**	Feb.	120	130	122	119
Cotton Consumption**	Mar.	109	104	101	91
Petrol. Prod. in Coastal La. and Miss.**	Mar.	150	146	142	129
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Mar.	132	130	129	123
Leading Cities	Mar.	131	128	127	123
Member Bank Deposits*					
All Banks	Mar.	121	120	117	111
Leading Cities	Mar.	120	119	118	111
Bank Debits*/**	Mar.	127	121	119	113

ALABAMA

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	5,127	4,936	5,126	4,813
Farm Cash Receipts	Feb.	107	111	110	104
Department Store Sales**	Mar.	111	106	100	105
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	101	101	102	101
Manufacturing	Mar.	97	97	95	93
Nonmanufacturing	Mar.	103	104	105	104
Construction	Mar.	92	91	90	94
Farm Employment	Mar.	84	82	80	92
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	4.5	5.1	5.7	6.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.8	41.0	35.9	39.1
Manufacturing Payrolls	Mar.	116	115	102	101
FINANCE AND BANKING					
Member Bank Loans	Mar.	133	129	132	127
Member Bank Deposits	Mar.	119	117	116	113
Bank Debits**	Mar.	124	122	116	111

FLORIDA

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	10,920	10,573	10,748	10,193
Farm Cash Receipts	Feb.	115	109	113	134
Department Store Sales**	Mar.	141	127	125	127
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	112	112	111	108
Manufacturing	Mar.	119	118	117	113
Nonmanufacturing	Mar.	111	111	110	107
Construction	Mar.	92	90	90	87
Farm Employment	Mar.	96	94	97	101
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	3.6	3.8	4.1	5.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	41.8	41.9	40.8	41.2
Manufacturing Payrolls	Mar.	145	146	142	132
FINANCE AND BANKING					
Member Bank Loans	Mar.	128	125	124	121
Member Bank Deposits	Mar.	121	120	117	111
Bank Debits**	Mar.	125	121	124	115

GEORGIA

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	6,917	6,693	6,823	6,431
Farm Cash Receipts	Feb.	111	103	113	109
Department Store Sales**	Mar.	113	103	103	104
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	105	105	105	101
Manufacturing	Mar.	102	102	101	98
Nonmanufacturing	Mar.	106	106	106	103
Construction	Mar.	102	105	97	96
Farm Employment	Mar.	84	80	77	91
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	3.9	4.5	5.1	6.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	39.9	39.9	37.9	39.5
Manufacturing Payrolls	Mar.	119	118	111	106
FINANCE AND BANKING					
Member Bank Loans	Mar.	136	133	133	129
Member Bank Deposits	Mar.	126	124	122	114
Bank Debits**	Mar.	132	126	121	115

LOUISIANA

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	5,624	5,558	5,560	5,339
Farm Cash Receipts	Feb.	101	114	112	98
Department Store Sales*/**	Mar.	102	105	97	100
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	98	99	98	98
Manufacturing	Mar.	94	93	93	95
Nonmanufacturing	Mar.	99	100	100	99
Construction	Mar.	80	79	75	79
Farm Employment	Mar.	100	89	81	101
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	7.1	6.6	5.6	7.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	41.3	42.9	38.3	40.6
Manufacturing Payrolls	Mar.	105	110	101	101
FINANCE AND BANKING					
Member Bank Loans*	Mar.	128	126	126	113
Member Bank Deposits*	Mar.	111	111	110	104
Bank Debits*/**	Mar.	120	112	108	100

MISSISSIPPI

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	2,843	2,847	2,759	2,647
Farm Cash Receipts	Feb.	109	148	113	93
Department Store Sales*/**	Mar.	104	108	100	98
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	108	108	107	105
Manufacturing	Mar.	110	109	108	102
Nonmanufacturing	Mar.	107	108	107	106
Construction	Mar.	98	96	89	94
Farm Employment	Mar.	91	79	79	95
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	4.8	5.5	6.4	7.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.7	40.9	34.1	38.9
Manufacturing Payrolls	Mar.	127	127	105	107
FINANCE AND BANKING					
Member Bank Loans*	Mar.	148	145	146	131
Member Bank Deposits*	Mar.	127	124	124	116
Bank Debits*/**	Mar.	140	136	128	123

TENNESSEE

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Feb.	5,980	5,898	5,834	5,670
Farm Cash Receipts	Feb.	96	106	102	97
Department Store Sales*/**	Mar.	103	100	97	96
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	104	104	103	102
Manufacturing	Mar.	106	106	105	103
Nonmanufacturing	Mar.	103	103	102	102
Construction	Mar.	118	118	102	109
Farm Employment	Mar.	90	86	82	93
Insured Unemployment, (Percent of Cov. Emp.)	Mar.	5.0	5.4	5.9	7.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	41.0	40.8	38.0	39.8
Manufacturing Payrolls	Mar.	121	120	112	109
FINANCE AND BANKING					
Member Bank Loans*	Mar.	134	133	130	123
Member Bank Deposits*	Mar.	124	123	119	113
Bank Debits*/**	Mar.	130	119	116	117

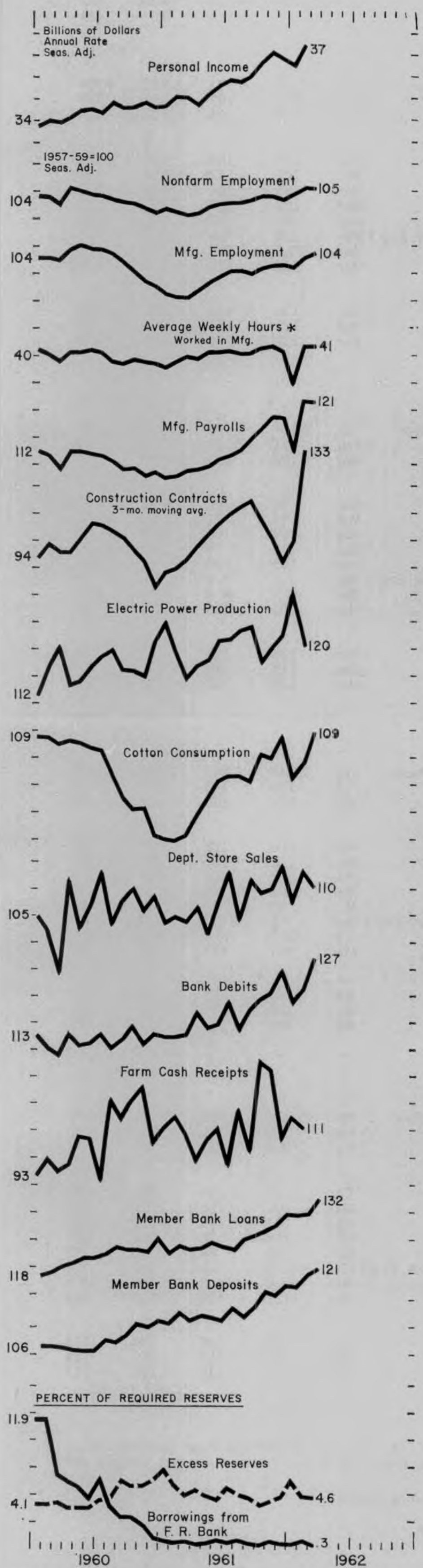
*For Sixth District area only. Other totals for entire six states.

**Daily average basis.

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; 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.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

NOTE: The series on manufacturing payrolls has been revised by adjustment to the Dept. of Commerce annual estimates of manufacturing income.

DISTRICT BUSINESS CONDITIONS



*Seas. adj. figures; not an index.

Most measures of District business activity posted better than seasonal gains in March. Consumer spending increased following the record level of personal income reached in February. Member bank loans rebounded from the previous two months' lull, and consumer credit outstanding at commercial banks showed the largest monthly gain in almost two years. Farm employment continued to expand as favorable weather helped increase the normal pace of spring work. On the other hand, nonfarm employment, which had registered substantial gains in the previous two months, remained unchanged, as a moderate rise in manufacturing was offset by declines in other sectors.

✓ ✓ ✓

Consumer spending strengthened somewhat during March, partially reflecting the sizable increase in personal income in February. Bank debits, a measure of total spending, advanced for the second consecutive month to a record high. Sales at furniture stores pushed to the highest volume in two years. Sales at household appliance stores, however, remained virtually unchanged, and department store sales declined during March. Preliminary April figures show a slight further decline in department store sales. More comprehensive figures for February indicate that consumer spending rose substantially in that month. Sales of firms operating one to ten outlets increased, and sales tax collections rose markedly.

✓ ✓ ✓

Gains in manufacturing employment were widespread, occurring in all District states except Alabama. In most states, however, the gains were more than offset by decreases in nonmanufacturing employment. Manufacturing production workers put in a full work week during March, averaging the same number of hours as in February. Manufacturing payrolls also held at an advanced level.

✓ ✓ ✓

Construction employment showed additional slight improvement in March. The latest three-month average of construction contracts rose to a new high, largely because of a big utility project in Tennessee. Cotton consumption, an index of activity in the District's important textile industry, rose substantially to the highest volume in nearly three years.

✓ ✓ ✓

The pace quickened in the farm economy as farmers pushed ahead with their spring work. Improved weather in most areas enabled them to accomplish field work and planting that had been delayed by rain. Spurred by these activities, farm employment rose in March. Marketings of livestock and poultry products also increased as farmers sold more milk, eggs, and pork. The index of prices received by farmers slackened in April as citrus, milk, hog, egg, and broiler prices declined. Recent trends in production and prices, however, indicate that cash receipts from farm marketings declined only slightly, if at all.

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Substantial gains were registered in loans, investments, and deposits at member banks during March. Loans at banks in leading cities, seasonally adjusted, rose further during April. The increase in investments in March was concentrated at banks outside leading cities. Total member bank deposits, seasonally adjusted, also increased slightly, with time deposits again accounting for the gain. Deposits have trended upward in recent months in all states except Louisiana, where they have changed little since October.