



Atlanta, Georgia

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Monthly Review

The Workings of the Federal Open Market Committee

Almost every third Tuesday, the Federal Open Market Committee meets in Washington to decide whether to place its influence on the side of loosening or tightening credit. This body is an important part of the policy-making machinery of the Federal Reserve System, and its decisions affect our entire economic system. Yet, despite the vital function it performs, the workings of the Committee are not too familiar to the general public.

Objectives of the Federal Reserve System

Certainly, the activities of the Federal Reserve System as a whole are more widely understood than the work of the Open Market Committee. The Reserve System's job relates to counteracting sharp swings in the economy and to helping achieve a higher standard of living and a stable dollar. In an economy as complex as ours, one can obviously not expect the System to attain these goals single-handedly. The Federal Reserve's contribution comes by way of regulating the amount of money and bank credit in the economy. When the economy's total capacity to produce goods and services runs well ahead of total demand and unemployment is great, the System encourages spending with borrowed money. In such a situation, it eases credit by means of an expansion in bank reserves. But when total demand threatens to exceed productive capacity and endangers price stability, the System discourages spending by tightening credit.

Federal Reserve officials are confronted continuously with this problem of deciding whether to lean in the direction of easing or tightening credit. To arrive at the proper decision, policy makers must assess the economic and credit scene, a task requiring constant study and analysis.

Policy makers not only must decide what action to take, but also must choose among the available policy instruments. Statutory authority for the exercise of these instruments is divided among the Board of Governors, the twelve Federal Reserve Banks, and the Federal Open Market Committee. The tools include the power to engage in open market operations, to alter reserve requirements of member banks and stock market margin requirements, and to change the discount rate—the rate at which Reserve Banks lend to member banks.

Open market operations refer to the buying and selling of bankers' acceptances, foreign currencies, and, most important, U. S. Government securities. Purchases of Government securities directly bring about an increase in bank reserves, thus banks are able to lend more money. Sales of Government securities by the System have the opposite effect.

The Board of Governors of the Reserve System has the authority to set reserve requirements and stock market margin requirements. Discount rates are established by individual Reserve Banks, but are subject

Also in this issue:

**A CHANGE IN THE
RELUCTANT BORROWER?**

**SIXTH DISTRICT
STATISTICS**

**DISTRICT BUSINESS
CONDITIONS**

*Federal
Reserve
Bank of
Atlanta*

to review and determination by the Board of Governors. The Federal Open Market Committee sets open market policy, which is the most important monetary policy instrument.

Role of the Open Market Committee

Meetings of the Open Market Committee provide the coordination made necessary by this diffusion of responsibility. Policy makers take advantage of Committee meetings to discuss possible changes in discount rates and reserve requirements as well as to decide upon open market policy.

Actual membership on the Open Market Committee is limited to the Board of Governors, plus the presidents of five Reserve Banks. The President of the Federal Reserve Bank of New York, which actually conducts open market operations for the Committee, is a permanent member, while the other presidents rotate in designated order. Since 1955, when the executive committee of the Open Market Committee was disbanded, those presidents not serving on the Committee have been invited to attend the meetings. They do not have the right to vote, but may participate freely in the discussions.

Not only the size of the group, but the frequency of the meetings influences the process of policy formulation by the Open Market Committee. Prior to 1955, meetings were held quarterly, but since then they have generally been held every three weeks. This permits frequent review of the economy and allows for quick shifts in policy. In emergencies, telephone conferences can be arranged. These procedures support the view that monetary policy is a flexible tool of public policy.

The frequent meetings also help in the proper timing of policy changes to conform to seasonal and extraordinary needs as well as Treasury financing operations. For example, whenever the Treasury is involved in a large financing operation, the Committee customarily makes no major policy change, for it does not wish to interfere, or give special aid to the Treasury. Still, there are advantages to meeting even when an immediate policy change is ruled out since a tentative decision as to later action may be reached.

Economic Intelligence

The research departments at each Reserve Bank and at the Board of Governors conduct long-range studies of various problems relating to monetary policy, and they continually study short-run business and financial developments and the effects of policy actions already taken. Analysis of the current data is most intensive in the immediate days before the Open Market Committee meets.

Policy makers prepare for these meetings in different ways, but many rely heavily on discussions with senior advisers and on briefing sessions with their economic staffs. Shortly before each Open Market meeting, the Board of Governors confers with its advisers and economists; many Reserve Bank presidents do likewise.

The arrangement followed at the Federal Reserve Bank of Atlanta is probably typical. Here, the President

meets on the Friday before the Open Market meeting with his senior officers and economists. The topics discussed at these sessions vary, but generally each economist reviews an important aspect of the business and financial situation that is of particular importance at the time. District as well as national trends are scrutinized. The discussion ends with an expression of views as to what policy should be.

In addition, the economists prepare several written reports. The reports cover a variety of subjects, such as employment, production, construction, farming, bank credit, bank reserves, money supply, interest rates, and recent policy effects. These experts also provide the President from time to time with special reports on international developments, mortgage credit, leading business indicators, savings flows, and other significant topics.

The President has help not only from his own staff, but from the staffs of the Board of Governors and the New York Bank as well. For example, he receives a report covering open market operations every week, and a supplemental report covering operations through the close of business of the day preceding the Committee meeting. For information from the "grass roots," the President of this Bank relies upon his Board of Directors in Atlanta and upon those at the four branches. Much time at the various Directors' meetings is devoted to economic reports from different geographic areas within the Sixth District. This process of taking the economic pulse and considering appropriate policy is duplicated to some degree or other throughout the Federal Reserve System.

The Committee Meets

To see just how the Open Market Committee decides what to do, let us sit in on a hypothetical Committee meeting. The Committee meets in the building of the Board of Governors in Washington. We have already noted which policy members take part. Also present are various economists and other advisers.

The Chairman of the Board of Governors is also Chairman of the Federal Open Market Committee. He ordinarily calls the meeting to order at 10:00 a.m. The first order of business is the adoption of the minutes from the previous meeting. Then, the Chairman calls on the official responsible for executing the Committee's decisions. That official supervises the actual buying and selling of U.S. Government securities at the New York Federal Reserve Bank and is called the Manager of the System Open Market Account. Typically, he summarizes the operations undertaken since the last meeting and discusses problems, if any, that he has encountered in trying to carry out the Committee's intentions. He alerts the group to any special developments that have taken place in the financial markets, such as speculation in Government securities. He makes a special point of calling the policy makers' attention to dates of forthcoming Treasury financing operations that, as already noted, may affect the timing of policy action.

Three senior staff members of the Board of Governors speak after the Manager. The Director of the Division of Research and Statistics summarizes current business con-

ditions. Next, the Director of the Division of International Finance discusses foreign developments, with an emphasis on this country's balance of payments. After this, one of the advisers to the Board reviews domestic financial conditions. Instead of oral reports, the Board staff at times presents a visual economic presentation covering domestic and international developments.

After the staff contributions, the Chairman calls on each member of the Board and each of the twelve presidents. The first is the President of the Federal Reserve Bank of New York, who is also Vice Chairman of the Committee. Because the New York Bank is located in the country's financial center, he usually talks of business and credit developments in national terms. He further addresses himself to international developments and open market and other Federal Reserve policies that seem appropriate in the light of these conditions.

The members of the Board of Governors also discuss developments in national terms. Except for the head of the New York Bank, the individual presidents, however, usually begin with comments about conditions in their particular districts. Those representing districts in which industries vital to the national economy predominate often emphasize developments in these industries. Thus, the Cleveland Bank's President customarily discusses the steel situation, while the Richmond Bank's President may talk about the textile industry.

District reports serve the purpose of calling attention to developments that are peculiar to certain parts of the country and are not apparent from national statistical aggregates. Monetary policy, though, can be applied only in broad strokes. This is particularly true for the open market instrument. Open market transactions initially affect the reserve position of a limited number of banks, but subsequently the reserves are diffused throughout the banking system. Thus, there is no assurance, for example, that only banks located in distressed areas would benefit from increases in Federal Reserve holdings of Government obligations, that is, open market purchases. Since open market transactions cannot be adjusted to regional or area peculiarities, the district reports can do no more than be one of several important elements going into the final Committee decision.

Conducting a "Go-around"

The procedure whereby each policy maker gives his views and recommends policy is called the "go-around." Picture nineteen well-informed people participating in the "go-around" and you can well imagine that often there is some difference of opinion. Some might believe that reserve pressures should be tightened; others might think reserve pressures should be eased; and still others that policy be left unchanged.

Regardless of what the participants think policy ought to be, individuals differ in their views as to which guides the Manager should keep in mind when carrying out policy. One person might suggest that the Manager be guided primarily by an on-the-spot appraisal of credit conditions in the New York money market. Another might

suggest one or more particular quantitative measures the Manager should follow—perhaps some level of total member bank reserves, short-term interest rates, or free reserves (that is, excess reserves less member bank borrowings).

The Chairman has the job of synthesizing the various opinions. Before he does, he expresses his point of view. Speaking at the end of the "go-around," he has the benefit of the views already expressed. He then states what he considers to be the consensus or majority policy position expressed around the table. It should be pointed out that in deriving the consensus only the position of the voting Committee members is considered.

Usually, the consensus or majority position in favor of some particular policy is clear, in which case no formal vote is taken. Indeed, the differences in views are often rather small and turn around slight variations in degree of ease or restraint. However, if the Committee is divided, the Chairman may call for another "go-around" in order to get a clearer view, after which a formal vote is sometimes taken.

If you are curious as to what the consensus has been at any meeting during the past year, merely refer to the *Annual Report of the Board of Governors*. The 1961 *Report*, for example, states that the consensus of a meeting in August 1961 was that the prevailing degree of ease should be maintained until the next meeting of the Committee. Usually most Committee members are in broad agreement as to the appropriate credit policy, so that formal dissents are relatively few. The consensus becomes part of the Committee's instructions to the Manager.

The Committee has often expressed its intentions to the Manager in qualitative terms such as "ease" or "restraint." The terms "ease" or "restraint" are not precise. Some persons, for example, may associate ease or tightness with short-term interest rates; others with a certain level of free reserves, total reserves, or a combination of various indicators. Therefore, some persons hold the view that the Committee should set forth its policy in quantitative terms.

Some Committee members have indeed experimented with framing instructions in terms of some quantitatively definable figure. The Committee, though, has not used precise quantitative targets, partly because no single measure is completely reliable or meaningful. Conditions in money and credit markets change rapidly. And while some indicators are more useful guides in interpreting credit conditions than others, no single measure is always satisfactory.

Occasionally, however, the Committee has included in its instructions to the Manager of the Account a general inference to some quantitative measures. Two of the measures most often used in such cases have been short-term rates and free reserves. Yet, these guides are not always precise indicators of credit conditions. Nor are they perfect indicators of bank liquidity. It should be pointed out, though, that in combination with a wide range of factors these indicators are quite useful in analyzing credit conditions. Attention has also shifted to interest rates because the relationship of domestic interest rates to

foreign rates can affect the outflow of funds and the U. S. balance of payments position.

Formal Directive to the New York Bank

After the Committee has agreed upon a policy consensus, its job is almost finished. Left to the end are the voting on a formal policy instruction or directive to the New York Reserve Bank and Committee business on foreign currencies transactions and other special agenda matters. The directive contains a reference to the Committee's assessment of the current economic situation and sets forth the broad objective that the Committee wants to attain. The New York Reserve Bank also operates under a set of technical authorizations, which the Committee can modify at any time, governing the conduct of open market operations.

For the actual operations the scene shifts to the Federal Reserve Bank of New York.¹ There a plan is usually drawn up by 11:00 each morning as to what action, if any, should be taken that day. It is then discussed in a telephone call made by the Manager to one of the presidents currently serving on the Open Market Committee and a representative of the Board of Governors. This daily conference call is one of several techniques by which the policy-making body—the Federal Open Market Committee—keeps in close contact with the executor of the policy—the Federal Reserve Bank of New York.

HARRY BRANDT

¹ For a discussion of how open market operations are carried on at the Federal Reserve Bank of New York, see the articles that have appeared in the May 1960 and May 1961 issues of the *Monthly Review* of the Federal Reserve Bank of Atlanta, entitled "What Are Open Market Operations?" and "Managing the System Open Market Account."

A Change in the Reluctant Borrower?

"Consumers are becoming less reluctant about going into debt nowadays." This opinion, expressed recently by a Southern businessman, describes pretty well a change in the attitude of consumers that has taken place during the economic expansion of the past sixteen months. Looking at instalment credit figures for District department stores, furniture stores, credit unions, consumer finance companies, and commercial banks, you find statistical evidence to support the businessman's intuitive view. Thus, you see a different situation now than a year ago, when a look at consumer credit developments in the pages of this *Review* led to the conclusion that consumer borrowing had not, up to mid-1961, "... been adding any fuel to the economic recovery engine" The borrowing consumer, so to speak, released his brakes in late 1961 and has been stepping on the throttle a bit since then.

Consumer instalment credit held throughout the District by the institutions noted above accounts for about two-thirds of the total instalment debt outstanding. You can obtain a reasonably good indication of over-all instalment credit here by looking at the credit series for these types of holders.

A glance at the top panel (page 5), which charts the percentage change in the volume of new loans extended during the first four months of 1962 from the comparable period of 1961, confirms the pick-up in District consumer borrowing. Of the retail and financial institutions shown, all except credit unions registered sizable year-to-year gains.

To obtain a more detailed picture of consumer borrowing, seasonally adjusted data on extensions of new loans, repayments of old ones, and the net change in the amount outstanding at District commercial banks are particularly useful. Banks provide more instalment credit dollars to District consumers than do any other types of lenders. Also, the information they provide on different kinds of loans enables the observer to follow shifting patterns of loan demand.

A New Switch?

As the second panel indicates, extensions of new credit by commercial banks jumped sharply in February of this year and rose again in March and April. Those individuals obtaining new loans from banks have, in fact, been borrowing much more than old borrowers have been repaying, as a result of which the total amount owed to banks has been increasing. This is a situation quite different from that of the preceding sixteen-month period, when monthly extensions of new credit were below or barely exceeded repayments in spite of increased borrowing after April 1961. Repayments, of course, continued at a high level throughout 1961 as people steadily paid back the high volume of credit that banks had previously extended to them. There was, as a result, a lengthy period of net repayment of debt by consumers during the first part of the recovery phase.

This appears unique when compared to consumer behavior during the two preceding recoveries. During the fourteen months following the low point in general business activity reached in February of last year, consumers borrowed only \$16 million more than they repaid to banks. In marked contrast, during the fourteen-month periods following the business troughs of August 1954 and April 1958, consumers added \$156 million and \$198 million, respectively, to their outstanding bank debt. The percentage increases, measured from the business troughs designated by the National Bureau of Economic Research, indicate that the "cyclical bursts" in new bank loans have become successively weaker in each expansion phase. In addition, loans to consumers have begun to increase at a later date relative to the trough of the recession.

Pinpointing Strengths and Weaknesses

The recent strength in consumer borrowing can be traced, in large part, to borrowing for the purchase of automobiles. As the small charts on types of loans show, extensions of new automobile loans have been strong com-

pared with the other types of loans made by banks. The recent sharp expansion has taken the volume of new auto loans substantially above repayments. The increased use of automotive credit has, however, been slightly weaker than in previous recoveries. One reason, perhaps, is that car buyers, while making the highest volume of purchases since 1955, are not using credit as extensively as they have in the past.

Data for the U. S. reveal that in the first four months of 1962, 54 out of every 100 new cars sold were purchased with credit provided by commercial banks, sales finance companies, auto dealers, and other financial institutions, while 46 out of every 100 were purchased cash-on-the-barrelhead. The 54 automobiles bought with the use of credit represent the lowest percentage of credit sales in recent years. This suggests that, among other things, a greater percentage of credit sales, still higher auto sales, or both must be made if a boost in bank auto loans comparable to that experienced in previous expansions is to be provided.

Of the other major types of consumer loans extended by banks, new loans for repair and modernization purposes have been the weakest, actually declining throughout most of the recovery period. Since repayments on such credit previously extended were high, outstanding credit for repair and modernization purposes declined. The volume of personal loans extended for travel, for miscellaneous expenses, and to meet emergencies has recently shown no definite upward movement and, generally speaking, has been about matched by repayments over the past two years. Loans to finance purchases of consumer goods other than automobiles, such as television sets, refrigerators, and washing machines, have remained relatively stable throughout most of 1961 and early 1962. Higher repayments have, for the most part, reduced amounts owed to District banks for such purchases.

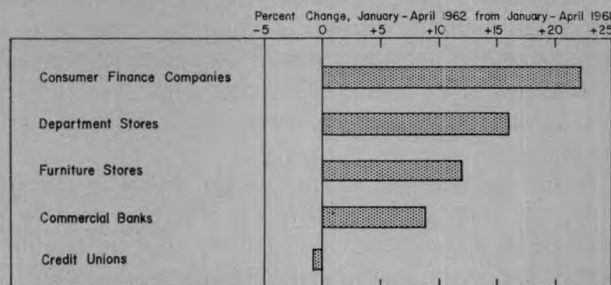
Potential for Expansion

What is the outlook for consumer debt expansion? There is, of course, a limit to the amount of debt the consumer can carry with ease. During the first quarter of 1962, about 12.8 percent of U. S. disposable income was devoted to the repayment of past instalment debts. Consumers, taken as a whole, have historically been reluctant to devote more than 13 percent of their after-tax income to debt repayment. It appears, therefore, that unless they change their credit habits radically, future expansion of consumer instalment lending will depend to a large extent upon future income growth.

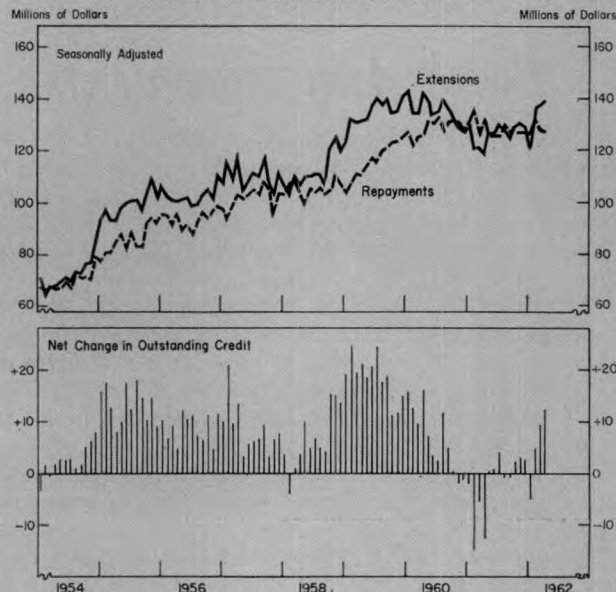
Instalment lending will also be influenced by consumer demand for the goods usually bought on credit, and in this connection there are some influences that will sustain and some that will moderate demand. On one hand, the satisfaction of pent-up demands for many items in the late forties and early fifties undoubtedly has dulled appetites for still more of the same. Although demands have eased since then, consumers have continued to build up their stocks of durable goods. As they strive to maintain these stocks, replacement needs are likely to sustain demand to an important degree. This is suggested by the

CONSUMER INSTALMENT CREDIT, SIXTH DISTRICT

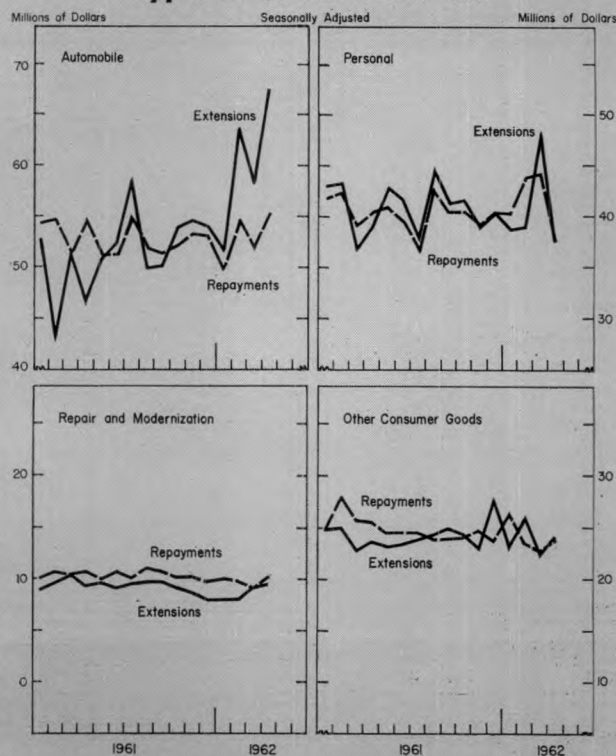
Extended, by Type of Lender



Total at Commercial Banks



Types at Commercial Banks



large percentage of households that now have many of the items usually bought on credit. In 1960, 67 percent of all occupied housing units in the states of the Sixth District contained washing machines; 75 percent owned automobiles, with 20 percent owning two cars or more. Eighty percent of the units owned one or more television sets. On the other hand, the record-high level of consumer savings may act to moderate instalment credit demand.

Whether or not the recent change noted in the previously reluctant District borrower will prove to be an enduring one will depend upon income growth, consumer appetites for more goods and services, replacement demand, savings, and on the ever-changing whims of the consumer.

JACK L. COOPER

Bank Announcements

On June 1, the Commercial Bank and Trust Company, Covington, Louisiana, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include R. I. Didier, Jr., President; J. H. Warner, Jr., Vice President; and F. B. Folkes, Vice President and Cashier.

The West Side Atlantic Bank, Jacksonville, Florida, a newly organized nonmember bank, opened for business on June 12 and began to remit at par. Officers are G. R. Porter, President, and Harry W. Newberg, Cashier. Capital totals \$400,000, and surplus and undivided profits, \$300,000.

On June 26, the Guaranty Bank of Miami, a newly organized nonmember bank, opened for business and began to remit at par. Officers include L. H. Skeen, President, and Paul F. Staup, Vice President and Cashier. Capital totals \$500,000, and surplus and undivided profits, \$250,000.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	May 1962 from Apr. 1962	May 1962 from May 1961	5 Months 1962 from 1961	May 31, 1962 from Apr. 30, 1962	May 31, 1962 from May 31, 1961
ALABAMA	+11	+4	+2	-5	+2
Birmingham	+10	+1	+0	-4	+2
Mobile	+10	+10	+6	..	..
Montgomery	+14	+10	+5	..	..
FLORIDA	-4	+14	+12	-3	+15
Daytona Beach	..	+3	+1	..	..
Jacksonville	+5	+14	+4	-1	-1
Miami Area	-7	+7	+8	..	..
Miami	-6	+3	+5	..	..
Orlando	+4	+70	+43	..	..
St. Ptsrbg-Tampa Area	-3	+21	+21	+3	+23
GEORGIA	+9	+11	+8	-3	+1
Atlanta**	+10	+15	+11	-3	+1
Augusta	+4	+1	+4	..	..
Columbus	n.a.	n.a.	n.a.	n.a.	n.a.
Macon	+5	+0	+2	-3	+11
Rome**	+6	+13	+7	..	..
Savannah	+8	+8	+3	..	..
LOUISIANA	+10	+7	+3	-3	+4
Baton Rouge	+12	+11	+11	-6	+12
New Orleans	+9	+6	+1	-2	+2
MISSISSIPPI	+5	+6	+6	-5	+7
Meridian	+7	+8	+8	-5	+6
Jackson	n.a.	n.a.	n.a.	n.a.	n.a.
TENNESSEE	+12	+9	+4	-3	+7
Bristol-Kingsport- Johnson City**	+8	+6	+5	-1	+2
Bristol (Tenn. & Va.)**	..	+5	+4	..	..
Chattanooga	+12	+6	+7	..	..
Knoxville	+13	+15	+5	..	..
DISTRICT	+5	+9	+7	-3	+7

*Reporting stores account for over 90 percent of total District department store sales.

**In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes. n.a. Not available.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Percent Change					
	May 1962 from Apr. 1962		May 1962 from Apr. 1962		Year-to-date 5 months 1962 from 1961	
	May 1962	Apr. 1962	May 1962	Apr. 1962	May 1962	1962 from 1961
ALABAMA						
Anniston	47,844	43,466	45,103	+10	+6	+7
Birmingham	954,329	861,658	970,794	+11	-2	+8
Dothan	42,251	37,454	38,963	+13	+8	+8
Gadsden	39,646	34,901	38,024	+14	+4	+2
Huntsville*	86,361	80,289	74,853	+8	+15	+18
Mobile	312,802	291,353	319,374	+7	-2	+4
Montgomery	210,989	178,086	201,993	+18	+4	+8
Selma*	28,968	25,118	26,799	+15	+8	+8
Tuscaloosa*	67,008	60,642	63,637	+10	+5	+12
Total Reporting Cities	1,790,198	1,612,967	1,779,540	+11	+1	+8
Other Cities†	907,635	781,346	840,456r	+16	+8	+9
FLORIDA						
Daytona Beach*	61,356	61,905	56,895	-1	+8	+6
Fort Lauderdale*	232,672	236,658	217,090	-2	+7	+7
Gainesville*	50,648	48,575	43,481	+4	+16	+10
Jacksonville	937,230	852,688	884,036	+10	+6	+6
Key West*	17,725	19,459	17,672	-9	+0	+7
Lakeland*	90,221	82,347	83,671	+10	+8	+2
Miami	1,026,796	1,006,764	945,336	+2	+9	+7
Greater Miami*	1,495,293	1,490,546	1,413,290	+0	+6	+6
Orlando	280,815	272,579	267,905	+3	+5	+7
Pensacola	93,847	85,722	88,961	+9	+5	+3
St. Petersburg	233,677	239,022	227,412	-2	+3	+10
Sarasota*	86,344	90,733	n.a.	-5	n.a.	n.a.
Tallahassee*	74,664	71,728	n.a.	+4	n.a.	n.a.
Tampa	485,079	456,798	442,607	+6	+10	+7
W. Palm-Palm Bch.*	189,050	183,278	151,474	+3	+25	+20
Total Reporting Cities	4,328,621	4,192,038	3,894,494	+3	+11	+10
Other Cities†	1,875,108	1,842,492	1,830,966r	+2	+2	+7
GEORGIA						
Albany	61,238	56,866	56,518	+8	+8	+12
Athens*	48,756	45,689	45,584	+7	+7	+14
Atlanta	2,561,870	2,476,813	2,250,295	+3	+14	+16
Augusta	129,308	119,747	110,229	+8	+17	+14
Brunswick	34,718	33,849	27,017	+3	+29	+28
Columbus	129,690	119,589	115,139	+8	+13	+13
Dalton*	56,960	55,390	n.a.	+3	n.a.	n.a.
Elberton	10,025	10,559	11,115	-5	-10	+1
Gainesville*	60,046	51,323	52,368	+17	+15	+10
Griffin*	21,723	20,575	20,386	+6	+7	+9
LaGrange*	16,510	16,796	17,202	-2	-4	-4
Macon	145,344	130,184	133,841	+12	+9	+10
Marietta*	37,412	34,683	31,339	+8	+19	+13
Newnan	18,831	19,982	18,745	-6	+0	+11
Rome*	53,132	48,571	51,001	+9	+4	-0
Savannah	189,631	172,315	178,161r	+10	+6	+8
Valdosta	36,878	37,036	36,339	-0	+1	+8
Total Reporting Cities	3,612,072	3,449,967	3,155,279r	+5	+14	+15
Other Cities†	994,408	940,582	984,764r	+6	+1	+4
LOUISIANA						
Alexandria*	85,755	76,300	68,947	+12	+24	+18
Baton Rouge	302,476	272,409	278,097	+11	+9	+12
Lafayette*	73,852	64,718	62,684	+14	+18	+10
Lake Charles	88,495	85,476	82,295	+4	+8	+11
New Orleans	1,579,305	1,407,887	1,440,402	+12	+10	+7
Total Reporting Cities	2,129,883	1,906,790	1,932,425	+12	+10	+8
Other Cities†	707,058	683,224	612,358r	+3	+15	+19
MISSISSIPPI						
Biloxi-Gulfport*	65,832	60,342	55,114	+9	+19	+13
Hattiesburg	40,651	37,798	38,985	+8	+4	+6
Jackson	365,753	342,803	323,925	+7	+13	+14
Laurel*	30,094	28,591	29,864	+5	+1	+3
Meridian	52,965	47,722	48,440	+11	+9	+11
Natchez*	24,742	23,629	23,170	+5	+7	+7
Vicksburg	23,608	23,242	22,879	+2	+3	+12
Total Reporting Cities	603,645	564,127	542,377	+7	+11	+12
Other Cities†	308,430	290,140	282,443r	+6	+9	+10
TENNESSEE						
Bristol*	57,189	52,184	48,008	+10	+19	+10
Chattanooga	354,333	331,217	351,016	+7	+1	+7
Johnson City*	49,526	43,514	41,281	+14	+20	+13
Kingsport*	92,448	96,180	85,233	-4	+8	+13
Knoxville	270,118	250,840	262,888	+8	+3	+4
Nashville	851,795	808,466	827,395	+5	+3	+9
Total Reporting Cities	1,675,409	1,582,401	1,615,821	+6	+4	+8
Other Cities†	619,652	600,525	596,901r	+3	+4	+3
SIXTH DISTRICT						
Reporting Cities	19,552,119	18,466,599	18,067,824r	+6	+8	+10
Other Cities†	14,139,828	13,308,290	12,919,936r	+6	+9	+11
Total, 32 Cities	5,412,291	5,138,309	5,147,888r	+5	+5	+8
Other Cities†	11,912,337	11,145,291	11,084,229r	+7	+7	+10
UNITED STATES						
344 Cities	295,600,000	281,700,000	268,800,000r	+5	+10	+12

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

Sixth District Statistics

Seasonally Adjusted

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

		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	37,307	37,632r	37,316r	34,721
Farm Cash Receipts	Apr.	102	113	111	99
Crops	Apr.	105	119	112	96
Livestock	Apr.	104	113	108	106
Department Store Sales**	June	110p	111	111	102
Department Store Stocks*	May	120	120	118	112
Instalment Credit at Banks,* (Mil. \$)					
New Loans	May	133	139	138	126
Repayments	May	125	127	128	126
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	106	106	105	104
Manufacturing	May	106	105	104	102
Apparel	May	118	116	114	110
Chemicals	May	100	100	100	100
Fabricated Metals	May	105	105	105	101
Food	May	105	107	105	103
Lbr., Wood Prod., Furn. & Fix.	May	98	97	97	95
Paper	May	103	104	102	104
Primary Metals	May	97	95	94	93
Textiles	May	96	96	96	96
Transportation Equipment	May	103	101	99	87
Nonmanufacturing	May	106	106	105	104
Construction	May	94	93	94	89
Farm Employment	May	85	91	91	85
Insured Unemployment, (Percent of Cov. Emp.)	May	4.0	4.2	4.1	6.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.9	40.6r	41.1	40.2
Manufacturing Payrolls	May	121	121	122	110
Construction Contracts*	Apr.	139	137	133	98
Residential	Apr.	116	114	112	101
All Other	Apr.	158	156	151	96
Electric Power Production**	Apr.	122	124	120	117
Cotton Consumption**	May	106	105	109	97
Petrol. Prod. in Coastal La. and Miss.**	May	147	147	149r	136
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	May	133	134	132	124
Leading Cities	June	136	133	133	123
Member Bank Deposits*					
All Banks	May	120	121	121	112
Leading Cities	June	120	119	120	111
Bank Debits**	May	123	127	127	114

ALABAMA

INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	5,143	5,138r	5,104r	4,812
Farm Cash Receipts	Apr.	104	112	107	96
Department Store Sales**	May	108	102	111	103
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	102	101r	101	102
Manufacturing	May	99	98	97	95
Nonmanufacturing	May	104	103	103	105
Construction	May	90	91r	92	93
Farm Employment	May	80	85	84	83
Insured Unemployment, (Percent of Cov. Emp.)	May	4.7	4.6	4.5	6.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.3	40.2	40.7	39.5
Manufacturing Payrolls	May	116	114	116	101
FINANCE AND BANKING					
Member Bank Loans	May	132	133	133	128
Member Bank Deposits	May	119	119	119	110
Bank Debits**	May	122	124	124	119

FLORIDA

INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	10,823	10,960r	10,906r	10,023
Farm Cash Receipts	Apr.	115	115	115	113
Department Store Sales**	May	131	133	141	116
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	114	113	112	109
Manufacturing	May	121	120r	119	114
Nonmanufacturing	May	113	112	111	108
Construction	May	92	93r	93	87
Farm Employment	May	105	94	96	100
Insured Unemployment, (Percent of Cov. Emp.)	May	3.2	3.3	3.6	5.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.4	41.4	41.8	41.1
Manufacturing Payrolls	May	147	147r	145	133
FINANCE AND BANKING					
Member Bank Loans	May	128	130	128	121
Member Bank Deposits	May	122	123	121	112
Bank Debits**	May	125	129	125	116

GEORGIA

INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	6,926	6,995r	6,884r	6,392
Farm Cash Receipts	Apr.	99	114	111	107
Department Store Sales**	May	114	99	113	103
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	106	106	105	102
Manufacturing	May	103	103	102	99
Nonmanufacturing	May	107	107	105	103
Construction	May	109	105r	102	90
Farm Employment	May	80	82	84	86
Insured Unemployment, (Percent of Cov. Emp.)	May	3.0	3.4	3.3	5.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.0	39.9	40.5	39.6
Manufacturing Payrolls	May	117	118	120	106
FINANCE AND BANKING					
Member Bank Loans	May	138	136	136	129
Member Bank Deposits	May	125	126	126	117
Bank Debits**	May	127	133	132	114

LOUISIANA

INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	5,597	5,616r	5,610r	5,317
Farm Cash Receipts	Apr.	103	117	101	92
Department Store Sales**	May	103	95	102	96
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	98	98	98	99
Manufacturing	May	94	94	94	94
Nonmanufacturing	May	99	99	99	100
Construction	May	73	76	80	76
Farm Employment	May	91	98	100	88
Insured Unemployment, (Percent of Cov. Emp.)	May	4.8	4.7	4.5	6.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.1	41.6r	41.5	40.8
Manufacturing Payrolls	May	106	108	106	101
FINANCE AND BANKING					
Member Bank Loans*	May	129	132	128	117
Member Bank Deposits*	May	112	112	111	106
Bank Debits**	May	115	116	120	104

MISSISSIPPI

INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	2,835	2,837r	2,835r	2,617
Farm Cash Receipts	Apr.	69	110	109	84
Department Store Sales**	May	104	104	104	96
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	110	109	108	105
Manufacturing	May	113	112r	110	105
Nonmanufacturing	May	108	107	107	106
Construction	May	103	102	98	96
Farm Employment	May	84	93	91	82
Insured Unemployment, (Percent of Cov. Emp.)	May	4.6	4.6	4.8	7.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.5	40.2	40.8	39.5
Manufacturing Payrolls	May	128	126	128	110
FINANCE AND BANKING					
Member Bank Loans*	May	151	150	148	135
Member Bank Deposits*	May	130	129	127	118
Bank Debits**	May	131	138	140	120

TENNESSEE

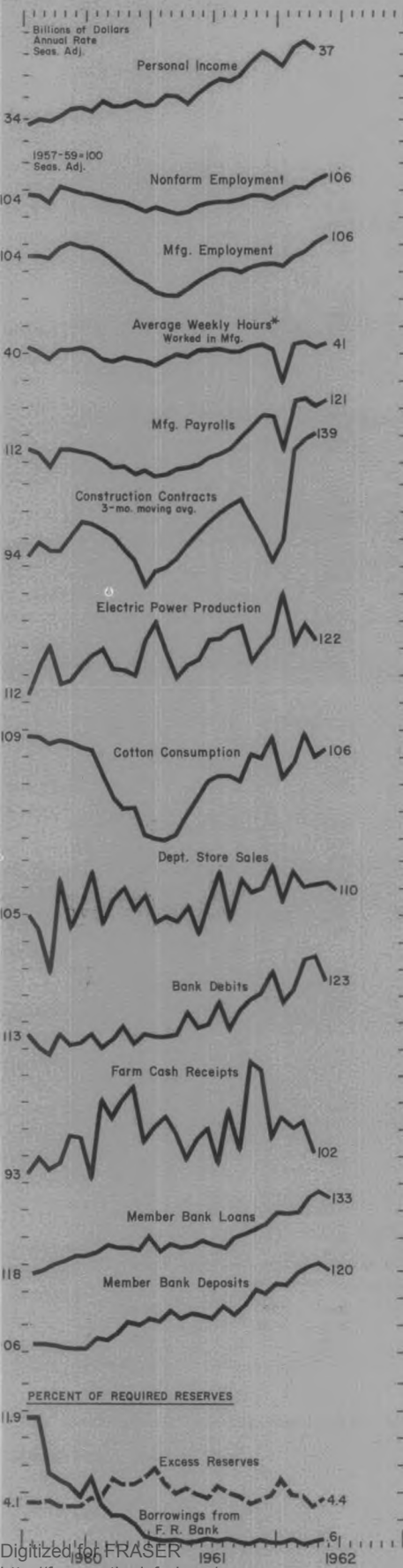
INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	5,983	6,086r	5,977r	5,560
Farm Cash Receipts	Apr.	110	95	96	97
Department Store Sales**	May	100	94	106	93
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	105	105	104	102
Manufacturing	May	107	107	106	104
Nonmanufacturing	May	104	104	103	102
Construction	May	117	110r	118	104
Farm Employment	May	84	92	90	83
Insured Unemployment, (Percent of Cov. Emp.)	May	4.8	4.9	5.0	7.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.9	40.6r	41.1	39.7
Manufacturing Payrolls	May	121	118r	121	110
FINANCE AND BANKING					
Member Bank Loans*	May	133	134	134	125
Member Bank Deposits*	May	119	122	124	112
Bank Debits**	May	120	127	130	115

*For Sixth District area only. Other totals for entire six states. p Preliminary. r Revised.

**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.

DISTRICT BUSINESS CONDITIONS



Total nonfarm employment increased somewhat further in the District in May, and insured unemployment reached its lowest level since 1959. Other seasonally adjusted economic indicators, however, depicted mixed trends. Available measures suggest consumer spending remained at the high levels of recent months but did not advance. Bank debits, a measure of total spending, declined. Loans and deposits at member banks dropped, after generally increasing for several months. The pace of farm activity slowed.

Slackening field activity reduced farm employment in many places in May. Employment decreased in all states except Florida, where harvesting of citrus and vegetable crops continued to be active. Although the index of prices received by farmers increased slightly, it remained below the level of a year earlier. The higher crop prices were offset somewhat by declines in prices for milk, eggs, hogs, and broilers. Widespread showers in June replenished soil moisture and improved crops and pastures.

Nonfarm employment, both manufacturing and nonmanufacturing, rose further in May, suggesting that total economic activity in the District continued to advance. Cotton consumption, an indicator of activity in the textile industry, rose slightly in May, but did not regain the high point reached in March. Preliminary May reports show that petroleum production in Louisiana and Mississippi remained nearly constant, after having declined a little in April. Steel production dropped slightly, according to preliminary figures for June, but much less than in the nation as a whole. The three-month average of contracts awarded for construction increased further, although at a slower pace. Construction employment, reflecting current rather than future activity, remained at the level of the preceding three months, the highest since October 1960.

Manufacturing payrolls rose slightly further in May because of a fractional increase in the average work week. May data for total personal income in District states are not yet available. In recent months, however, gains in personal income in this region have slowed.

In June, for the second consecutive month, department store sales were virtually unchanged from the preceding month's volume, according to preliminary figures. The steadiness in May sales reflected a substantial decline at Georgia stores offset by gains registered in Tennessee, Alabama, and Florida. Sales at furniture stores likewise remained unchanged during May, but sales at household appliance stores rose sharply. Bank debits, after advancing to a record level during the March-April period, dipped moderately in May. The decline in checkbook spending was widespread throughout District states.

Consumer instalment credit outstanding at commercial banks rose during May for the fourth consecutive month, although the increase was smaller than in the preceding two months. The rise reflected continued high borrowing for the purchase of automobiles and other consumer goods. Consumer savings in the form of member bank time deposits and savings and loan shares increased at a slightly slower rate than usual for this time of year.

Activity at banks was down slightly in May. Total member bank deposits, seasonally adjusted, and total bank credit—loans plus investments—declined after registering previous gains. The decline in loans in May was widespread throughout District states, particularly at banks outside leading cities; only in Georgia did bank loans expand appreciably. Loans, however, continued to increase after seasonal adjustment at banks in leading cities in May and June.