



Atlanta, Georgia
October • 1962

Monthly Review

Adjusting Reserves Through the Federal Funds Market

The Record of District Banks

During 1961, Sixth District commercial banks lent almost \$9 billion of a special kind of money called Federal funds. Last year District banks also borrowed over \$6 billion of this item. Although such transactions are unfamiliar to most persons outside the banking community, they have since the early 1950's become part of the regular operations of an increasing number of banks.

"Federal funds" is a shorthand expression for funds, or deposits, that member banks hold at Federal Reserve banks. Member banks are required by the Federal Reserve System to set aside certain percentages of deposits as reserves, held either as deposits at Reserve banks or as cash in their own vaults. In a given week, some banks may have reserves that exceed System requirements, and these are known as excess reserves. It is these excess reserves that are available for lending or "trading" in the Federal funds market.

Banks, particularly those in financial centers, are subject to considerable swings in their reserve positions. On any day some banks may find themselves with substantial excess reserves. At the same time, others may have reserve deficiencies or, at least, less excess reserves than they desire to hold. Thus the market for Federal funds helps meet the needs of both groups of banks. Those with a temporary surplus of excess reserves can lend or "sell" Federal funds to banks desiring them and, thereby, earn interest at a stipulated rate of return; otherwise, such funds might well remain idle. The purchase of Federal funds enables a bank to adjust its reserve position without having to borrow from the Federal Reserve Bank.

The growth and increasing importance of Federal funds trading in recent years has caused the Federal Reserve System to give attention to the scope and structure of this market and its relation to the money and Government securities markets. The trading of Federal funds by District banks fits into the national pattern. Federal funds activity of banks in this region has been influenced by changing national credit conditions and by growth of the funds market.

The District Pattern

Recently about 35 District banks have been participating in the Federal funds market. Although larger than in earlier years, this number still represents only 8 percent of the member banks in the District. The banks that trade actively, however, are among the largest in the District, and the volume of their transactions is substantial. Large banks tend to dominate the Federal funds market for two reasons: First, individual Federal funds transactions are large in amount, usually in units of a million dollars or more; second, only banks that have specialists managing their reserve positions on a day-to-day basis are

Also in this issue:

**MISSISSIPPI'S ECONOMY
CONTINUES TO EXPAND**

**SIXTH DISTRICT
STATISTICS**

**DISTRICT BUSINESS
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*Federal
Reserve
Bank of
Atlanta*

likely to be active Federal funds participants, and these banks tend to be larger ones.

District banks trade in Federal funds almost entirely with banks outside this area. About three-fifths of the dollar volume of both purchases and sales during the period from September 1959 through April 1962 was transacted with the large New York City banks. Indeed, the big New York banks are the hub of the Federal funds market, as well as of other segments of the money market. Their importance in Federal funds trading reflects their size, the great volatility of their reserve positions, and their correspondent relationships with banks throughout the country. One stock market firm acts as a broker, bringing together lending and borrowing banks that may not be linked as correspondents. Banks in the San Francisco District, which rank just after those in New York City in volume of Federal funds transactions, also accounted for a relatively large portion—about one-seventh—of gross transactions by District banks.

Percent Distribution of Federal Funds Purchases and Sales by Reporting Sixth District Member Banks

September 1959-April 1962

	Purchases	Sales
<i>By Seller or Purchaser</i>		
Banks	100	92
Government Security Dealers . . .	*	8
Others	*	0
<i>Banks by Location**</i>		
New York City	64	62
Twelfth District, San Francisco . . .	21	9
Sixth District, Atlanta	3	6
All other banks	12	23
<i>By Type of Transaction</i>		
One-day		
Unsecured	96	34
Secured	1	64
Over one-day	3	1

*Less than 0.2 percent.

**Percent distribution among banks only.

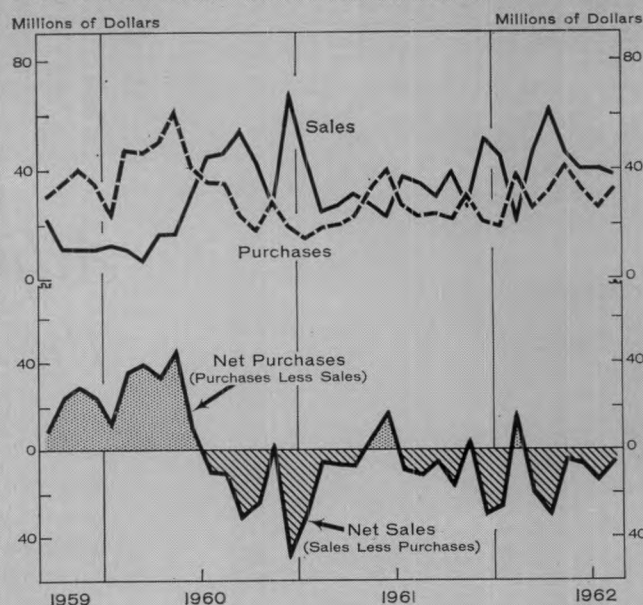
NOTE: Totals may not add to 100 percent because of rounding.

Banks in the District, like those in other parts of the country, have lent some Federal funds to U. S. Government securities dealers. Amounts of sales to dealers varied substantially during the 1959-62 period, depending upon dealers' needs for inventory financing. On the average, about 8 percent of total Federal funds sales by District banks during this period were to dealers. Since dealers are primarily in the market as borrowers, District banks rarely purchased Federal funds from them.

Almost all Federal funds purchases by District banks are made on a one-day unsecured basis. This is the most readily handled type of transaction. It is often arranged by telephone and is consummated by telegraphic transfer of reserve credit. The following day a return wire transfer effects repayment of the loan.

Nearly two-thirds of the amount of sales by District banks, however, are on a secured basis for the day. U. S. Government, state, or municipal securities may serve as collateral. The chief advantage of secured transactions is that the usual legal limit on the size of a loan to a single

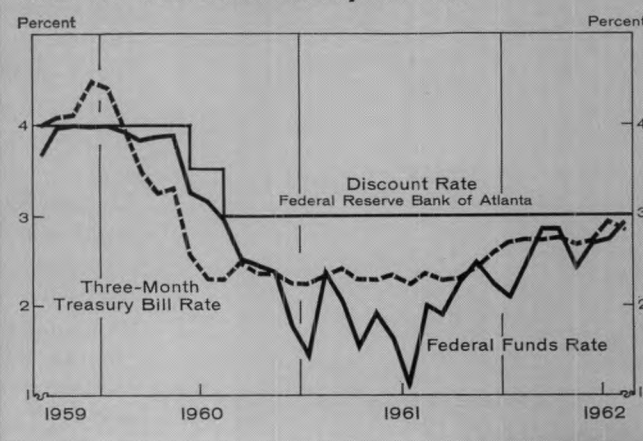
Since early 1960, District member banks that actively participate in the Federal funds market have increased Federal funds sales and reduced purchases.



During the second half of 1960, an increase in excess reserves of member banks was accompanied by a shift from net purchases of Federal funds to net sales. Borrowing from the Atlanta Federal Reserve Bank declined further.



As credit conditions eased in 1960, the Federal funds rate dropped below the Federal Reserve discount rate and below the three-month Treasury bill rate.



borrower does not apply to them. This is an important consideration when District banks lend to the large New York City banks.

Federal Funds Activity Adjusts To Shifting Credit Conditions

During the past three years, dollar volumes of Federal funds purchases and sales at District banks have varied substantially. A most pronounced shift occurred in mid-1960. Purchases dropped suddenly from a high level and sales rose sharply. Since July 1960, sales have generally exceeded purchases.

Only a minority of banks mirrored the overall shift from a predominantly borrowing to a lending position in the market. At other banks—those that characteristically operate largely on one side of the market—either purchases decreased or sales rose, depending upon which side of the market the banks were on. Still other banks, largely borrowers of Federal funds, had dropped out of the market before mid-1960. These observations, it should be noted, are only for banks that began regularly reporting transactions in 1959. Since their activity accounts for the bulk of total trading, however, they should be representative of all banks in the market.

What brought about the overall shift in position in the Federal funds market at District member banks? After credit demands began to weaken in early 1960 and the Federal Reserve authorities switched from a policy of restraint to one of ease, pressures on bank reserves diminished. Eventually District banks found it less necessary to borrow from commercial banks, as well as from the Federal Reserve Bank, and they became more eager to engage in Federal funds lending.

Obviously, not all Federal Reserve districts could simultaneously have shown less Federal funds purchases and more sales. The large New York City banks, which tend to keep fully invested and to maintain their excess reserves at minimal levels, on balance, remained borrowers of Federal funds. These banks were the ones that largely absorbed the increased volume of Federal funds lending by District banks.

The amount of Federal funds that a region's banks sell and buy in any short period depends not only upon the need for or availability of reserves, however. It depends also upon the extent to which banks normally active in the Federal funds market are at that time using this market or are using an alternative means of reserve adjust-

ment, such as borrowing from the Federal Reserve Bank or varying their portfolio of short-term Government securities. In considering alternatives, banks take account of such factors as convenience, traditional preference, and, perhaps most important, the comparative gains or costs involved.

Some of the variation in Federal funds sales by District banks was probably due to changing relationships between the yields on Federal funds and on three-month Treasury bills. When in late May and June 1960 the bill rate dropped sharply below the Federal funds rate, certain banks tended to "invest" in Federal funds sales as a short-term asset, rather than in bills. During early 1961, when the Federal funds rate fell below the bill rate, those banks were more inclined to buy bills.

On the borrowing side, District banks at times probably sought Federal funds rather than Federal Reserve Bank credit because of an interest rate advantage. When many banks shifted from Federal Reserve to Federal funds borrowing in early 1960, factors other than comparative costs must have been significant, for the rate on most Federal funds transactions was still the same as the Federal Reserve discount rate. Beginning in early 1961, however, when the funds rate was frequently far below the discount rate, banks bought substantial amounts of Federal funds and borrowed little from the Federal Reserve Bank.

Changing relationships between the Federal funds rate and three-month Treasury bill yields do not seem to influence Federal funds borrowing as they do lending. One might, for example, have expected banks to sell bills rather than borrow Federal funds when in the spring and summer months of 1960 the three-month bill rate was below the Federal funds rate, but they did not do so. Convenience was probably a more important factor than cost: Liquidating bills is not a practical alternative if a reserve deficiency is expected to last only a few days. Then, too, at that time holdings of short-term Government securities may have been less than the banks desired.

We have seen that in the short-run the main determinant of the volume of Federal funds transactions by District banks and of the relative amounts of purchases and sales is the basic monetary and credit situation. In the longer run the volume has grown because more banks have participated in the market. If past influences continue, the interaction of these short- and long-run factors should shape the future of Federal funds activity in the District.

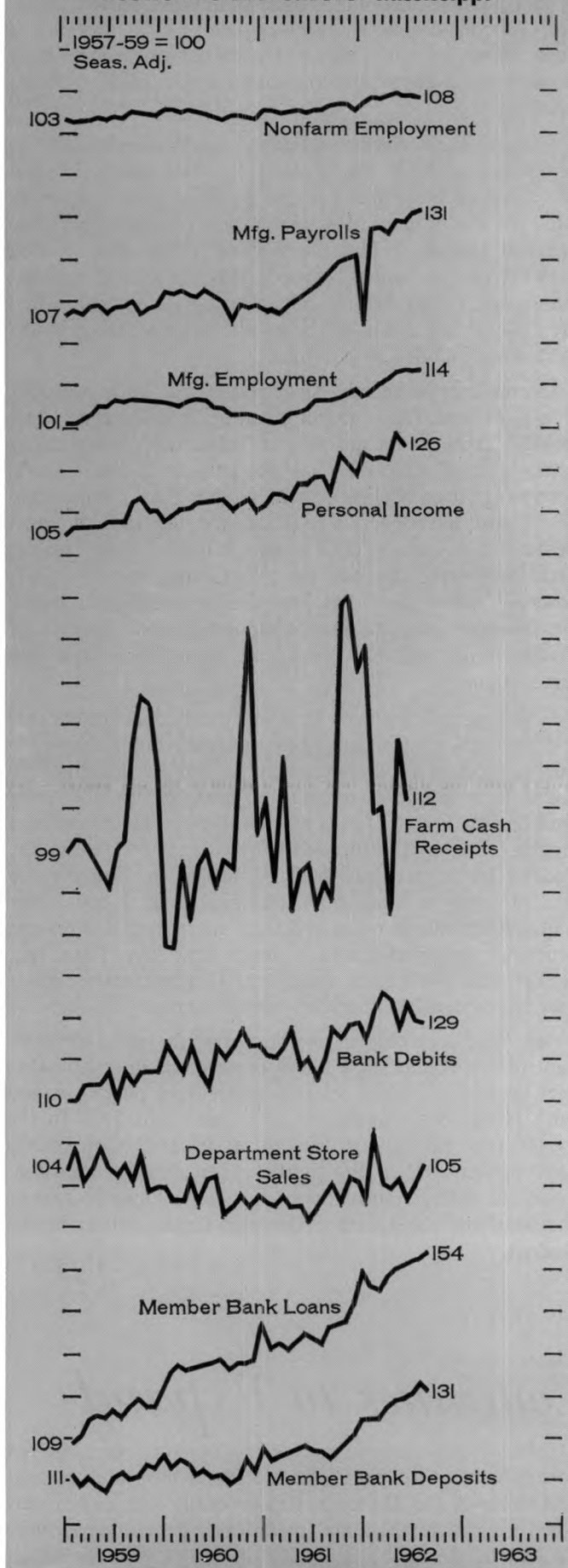
ALBERT A. HIRSCH

Mississippi's Economy Continues to Expand

Mississippi's economic performance has been characterized by widespread gains since the low point of the previous business cycle in February 1961. If the trend continues through the rest of 1962, the gap may be modestly nar-

rowed between the per capita income of the state's citizens and those of the United States generally. Per capita personal income in the state totaled \$1,229, compared with \$2,263 in the U. S. in 1961, the latest year for which

Economic Indicators—Mississippi



data are available. At 54 percent of the national average, this amount represented a small gain from the 53 percent recorded in 1960.

Rapid Growth Continues

The rate of growth in manufacturing employment during the current period of expansion continues to outpace both that of the nation and of the other District states. From the recession low of 101.2 in February 1961, the index of manufacturing employment had climbed to 113.8 by August 1962, indicating a gain of over 12 percent. The index dipped slightly during July, but more than regained the loss during August.

The increase in manufacturing employment has been sparked by gains in food processing and in apparel manufacturing, particularly men's and boys' apparel. That these industries are continuing to show strength is highly significant, since they employ well over a third of the state's total manufacturing workers. In addition, employment in transportation equipment manufacturing has steadily increased since mid-1961 and in July was 37 percent higher than a year ago. About half of the total employment in transportation equipment is concentrated in the shipbuilding industry located on the Mississippi Gulf Coast, and most of the recent gains have taken place in that area.

Although the industries just mentioned have been responsible for most of the expansion in the state's factory employment, other types of manufacturing have also contributed to this growth. For example, the furniture and fixtures industry has increased the number of its workers over the past year. Then, too, employment in lumber and wood products, the state's second most important job source, has been fairly steady over the past year, following a lengthy period of weakness.

Growth in the various sectors of a state's economy seldom takes place at a uniform rate. This is illustrated by the failure of employment in some types of nonmanufacturing to match the gains that occurred in the manufacturing sector. Nonmanufacturing employment has changed little since early 1962, but the total in August was about 2 percent above the level of August 1961. Most of the gains in nonmanufacturing were attributable to additional jobs in state and local governments, particularly in education, and to expanded employment in retail trade and the service industries. Construction employment, reflecting initial work on a large project, has also picked up momentum in recent months.

Prosperity is usually contagious. It is no surprise, therefore, to find that the banking sector of Mississippi's economy is being affected by the rising trend of economic activity in the state and is, in turn, participating in this growth. Total loans at member banks located in the Sixth District portion of the state have been rising sharply and were 12.8 percent higher at the end of August than they were in August 1961. Deposits also have moved upward at about the same rate. The largest contribution to deposit growth, especially since the end of last December, has been made by time deposits. They began to increase rapidly after banks raised their interest rates early in 1962.

and, since that time, have accounted for over half of the growth in total deposits at Mississippi's member banks. Also, it is significant that the gains in loans and deposits in 1962 have exceeded the increases in each of the five other District states.

The steady gains in total nonfarm employment, together with an improvement in the average weekly earnings in manufacturing, have boosted the personal incomes of Mississippi's residents. Personal income, in many ways the most satisfactory measure of the state's economic progress, was 7 percent higher in June 1962 than it was a year earlier. This was the second highest percentage increase among District states.

The farm sector, still a major source of income, is contributing to this year's gains in personal income. Farm cash receipts stand a good chance of topping last year's volume. During the first half of 1962, they exceeded the total for the corresponding period last year by 11 percent, mainly because of high crop receipts. Livestock receipts, however, dropped below year-ago levels during this period. Also, recent dry weather has reduced the high yields of cotton and soy beans that were anticipated earlier this year. Nevertheless, according to most forecasts, crop receipts will continue to exceed the year-ago total as the state's farmers bring in good harvests, particularly of cotton and rice.

Higher incomes usually prompt consumers to step up their spending for goods and services. This seems to be true of Mississippians for, judging from information available, spending appears to have moved upward. Bank debits, which represent check payments of all types, have been on the rise and were 8 percent higher in August than they were a year earlier. State sales tax receipts, another indicator of spending, also point to a rising trend. Department store spending has risen over the last few months, but this gain has not equaled the increases recorded by other measures of spending.

Most sections of the state apparently have been participating in the rising trend of business activity. Judging from the gains registered in nonfarm employment, economic activity is brisk in the Hattiesburg, Vicksburg, and Natchez areas, and, especially so, in the Pascagoula-Biloxi-Gulfport section. Other data available for local areas also support this conclusion. Bank debits, for example, have recently shown large increases in the areas just mentioned. Also, a substantial increase in bank debits was reported by Jackson.

New Industry

Some persons are optimistic about the headway the state is making in its efforts to secure new industries. They point to the steady, strong gains in manufacturing employment as one piece of evidence. In addition to this established fact, they also anticipate that the large refinery to be located in the Pascagoula area will be the harbinger of a host of related industries that will eventually form the nucleus of a thriving petro-chemical industry. This announcement was also encouraging to those persons who have long argued that the state could not move for-

ward at a really fast clip until it had a large-scale industry of this type.

Industrial promotion groups are also observing with satisfaction the rate at which new firms have been locating in the state and the pace of expansion of existing firms. According to the Agricultural and Industrial Board, 1961 was a record year, for announcements of 83 new manufacturing plants at a cost of \$155 million were posted. This figure includes the huge \$125 million refinery that will be built by the Standard Oil Company of Kentucky. In addition, 68 existing firms announced plans for expansion that will require a total expenditure of \$24 million. When these new and expanded plant outlays are completed, the Board estimates that over 10,000 additional manufacturing jobs will be supplied.

The announcement by the National Aeronautics and Space Administration of plans to build a series of missile test towers in Mississippi has further stirred expectations for economic gains. The test facilities will consist of six test towers, located in Hancock County, to be used in static testing of the large Saturn and Nova rockets that will be transported by barges from the manufacturing plant at Michoud, Louisiana, to the test site. The Board reports that construction of the test facility will involve an expenditure of between \$200 and \$400 million by the completion date in 1965.

The Future

It is difficult to assess the full economic impact such huge expenditures as those represented by the Standard Oil refinery and the missile test site will have on the state. Even if optimistic expectations are not fully realized, we do know that the impact will be much greater than the amount of construction outlays alone. This is true because at least a portion of these funds will remain in the state and will be spent many times over. Furthermore, the initial impact of the construction of these two projects will be quite large and will greatly affect economic activity in the coastal area. For this reason, many think that the short-term outlook for the state, particularly for the Gulf Coast area, is very bright. Construction employment on the refinery project now totals only a few hundred workers, but is expected to provide jobs for several thousand more by the end of this year. Apparently, the peak in activity at the missile test site will come somewhat later, but the effect of this installation is already being felt as land acquisition continues.

How successful the state's new industries will be in attracting related industries to the Gulf Coast area depends upon many variables. Nevertheless, these industries represent an important contribution to employment and income that should considerably broaden the economic opportunities for Mississippi's citizens.

W. M. DAVIS

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

Bank Announcements

On September 4, the First National Bank of North Broward County, Lighthouse Point, Florida, a newly organized member bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Walter A. Hobbs, Jr., President; H. Eugene Nace, Executive Vice President and Cashier; and W. Kenneth Pittman, Vice President. Capital totals \$400,000, and surplus and other capital funds, \$300,000.

The Bank of Commerce of Florida, Fort Lauderdale, Florida, a newly organized nonmember bank, opened for business on September 11 and began to remit at par. Officers include Homer B. Williamson, President; Norman W. Lewis, Vice President; and Robert L. Cooper, Cashier. Capital totals \$800,000, and surplus and undivided profits, \$200,000.

On September 26, the Trail National Bank, Sarasota, Florida, a newly organized member bank, opened for business and began to remit at par. Officers are Al Schmacker, President; Kenneth Odom, Vice President and Cashier; Thomas R. Graves, Vice President; and A. D. MacCaskie, Comptroller. Capital totals \$300,000, and surplus and other capital funds, \$200,000.

On September 29, the First National Bank of Fairhope, Fairhope, Alabama, through a conversion of the par-remitting, nonmember Bank of Fairhope, became a member of the Federal Reserve System. Officers are H. G. Bishop, President; and John M. Beasley, Vice President and Cashier.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	Aug. 1962 from July 1962	Aug. 1961 1962 from 1961	Aug. 31, 1962 from July 31, 1962	Aug. 31, 1961 1962 from 1961	
ALABAMA					
Birmingham	+13	+2	+9	+4	
Mobile	+19	+1	+11	+4	
Montgomery	+13	+9	..	..
	+10	-0	+4	..	
FLORIDA					
Daytona Beach	+7	+13	+3	+19	
Jacksonville	+6	+8	+2	..	
Miami Area	+18	+6	+5	+11	
Miami	+6	+8	..	..
Orlando	+7	+4	..	..
St. Ptsbg-Tampa Area	+6	+65	+51	..	
	+2	+14	+20	+3	+27
GEORGIA					
Atlanta**	+15	+7	+8	+7	-2
Augusta	+15	+9	+11	+8	-1
Macon	+20	+6	+5	..	..
Rome**	+16	+0	+3	-4	-6
Savannah	+16	+9	+7	..	..
	+5	+7	+3	..	..
LOUISIANA					
Baton Rouge	+19	+6	+4	+5	+6
New Orleans	+10	+12	+13	+7	+6
	+22	+5	+2	+4	+5
MISSISSIPPI					
Jackson	+11	+6	+6	+12	+14
	+15	+5	+8	+11	+19
TENNESSEE					
Bristol-Kingsport- Johnson City**	+14	-1	+2	+12	+13
Bristol (Tenn. & Va.)**	+23	+3	+3	+12	+10
Chattanooga	+21	-2	+2	..	..
Knoxville	+24	-2	+4	..	..
	+8	-3	+1	..	..
DISTRICT					
	+11	+7	+8	+6	+9

*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.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Aug. 1962	July 1962	Aug. 1961	Percent Change		
				Year-to-date 8 months		
				Aug. 1962 from July 1962	Aug. 1961 from July 1961	Aug. 1961 from July 1961
ALABAMA						
Anniston	47,555	49,485	44,519	-4	+7	+8
Birmingham	918,731	904,346	869,418	+2	+6	+8
Dothan	38,780	36,932	35,665	+5	+9	+7
Gadsden	36,948	37,692	36,119	-2	+2	+4
Huntsville*	84,703	85,541	71,774	-1	+18	+19
Mobile	303,360	310,250	316,688r	-2	-4	+2
Montgomery	205,616	186,084	179,343	+10	+15	+8
Selma*	26,901	25,507	24,692	+5	+9	+8
Tuscaloosa*	70,651	68,544	58,034	+3	+22	+13
Total Reporting Cities	1,733,245	1,704,431	1,636,252r	+2	+6	+7
Other Cities†	811,912	801,897	750,995r	+1	+8	+4
FLORIDA						
Bradenton*	44,452	47,525	n.a.	-6	n.a.	n.a.
Daytona Beach*	58,960	63,915	55,119	-8	+7	+7
Fort Lauderdale*	196,404	205,284	191,085	-4	+3	+6
Gainesville*	52,584	46,764	41,845	+12	+26	+13
Jacksonville	939,932	864,320	866,569	+9	+8	+7
Key West	16,846	18,803	16,263	-10	+4	+6
Lakeland*	80,150	82,331	73,009	-3	+10	+3
Miami	958,231	986,633	858,576	-3	+12	+5
Greater Miami*	1,371,424	1,415,103	1,271,921	-3	+8	+7
Orlando	262,264	263,759	235,155	-1	+12	+7
Pensacola	87,178	86,590	83,704r	+1	+4	+3
St. Petersburg	198,814	230,362	199,594	-14	-0	+7
Sarasota*	72,771	84,183	n.a.	-14	n.a.	n.a.
Tallahassee*	74,506	74,252	n.a.	+0	n.a.	n.a.
Tampa	422,844	439,288	413,184	+4	+2	+7
W. Palm-Palm Bch.*	149,868	161,366	139,808	-7	+7	+16
Total Reporting Cities	4,028,997	4,083,845	3,587,256r	-1	+12	+11
Other Cities†	1,640,709	1,708,970	1,672,218r	-4	-2	+4
GEORGIA						
Albany	59,511	59,703	50,981	-0	+17	+13
Athens*	44,808	48,303	42,239	-7	+6	+10
Atlanta	2,570,304	2,597,671	2,314,010	-1	+11	+15
Augusta	127,155	121,214	112,351	+5	+13	+12
Brunswick	34,367	37,173	27,264	-8	+26	+27
Columbus	129,700	120,944	120,485	+7	+8	+11
Dalton*	54,734	49,989	n.a.	+9	n.a.	n.a.
Elberton	8,807	11,017	10,571	-20	-17	+6
Gainesville*	55,047	54,096	49,249	+2	+12	+10
Griffin*	21,744	23,586	20,074	-8	+8	+11
LaGrange*	17,060	16,214	15,800	+5	+8	-1
Macon	145,646	147,490	130,061	-1	+12	+12
Marietta*	37,122	37,935	33,719	-2	+10	+12
Newnan	24,655	20,422	20,656	+21	+19	+9
Rome*	49,421	54,945	47,065	-10	+5	+3
Savannah	184,485	178,992	178,491	+3	+3	+7
Valdosta	45,672	37,725	50,270	+21	-9	+4
Total Reporting Cities	3,610,238	3,617,419	3,223,286	-0	+12	+15
Other Cities†	1,052,009	1,031,287	1,001,510	+2	+5	+8
LOUISIANA						
Alexandria*	85,058	80,851	78,198	+5	+9	+17
Baton Rouge	309,721	310,663	268,072	-0	+16	+14
Lafayette*	73,521	68,735	65,579	+7	+12	+11
Lake Charles	83,611	87,178	79,240	-4	+6	+10
New Orleans	1,463,900	1,517,444	1,364,921	-4	+7	+8
Total Reporting Cities	2,015,811	2,064,871	1,856,010	-2	+9	+9
Other Cities†	656,589	652,068	603,955r	+1	+9	+12
MISSISSIPPI						
Biloxi-Gulfport*	62,674	68,890	52,843	-9	+19	+15
Hattiesburg	40,703	38,573	38,661	+6	+5	+5
Jackson	371,915	347,102	345,205	+7	+8	+13
Laurel*	30,529	28,809	28,199	+6	+8	+2
Meridian	50,088	52,162	44,640	-4	+12	+11
Natchez*	26,198	25,332	24,211	+3	+8	+8
Vicksburg	22,929	23,999	22,073	-4	+4	+9
Total Reporting Cities	605,036	584,867	555,832	+3	+9	+12
Other Cities†	279,909	299,787	262,731r	-7	+7	+2
TENNESSEE						
Bristol*	53,497	51,274	48,334	+4	+11	+9
Chattanooga	369,442	363,380	366,247	-2	+1	+5
Johnson City*	48,208	48,975	44,281	-2	+9	+13
Kingsport*	92,254	92,676	89,867	-0	+3	+8
Knoxville	264,752	271,971	270,785	-3	-2	+4
Nashville	913,180	869,596	829,629	+5	+10	+8
Total Reporting Cities	1,741,323	1,697,872	1,649,143	+3	+6	+7
Other Cities†	701,131	664,775	649,804r	+5	+8	+9
SIXTH DISTRICT						
Reporting Cities	18,876,909	18,912,089	17,448,992r	-0	+8	+9
Other Cities†	13,734,660	13,753,305	12,507,779r	-0	+10	+11
Total, 32 Cities	5,142,249	5,158,784	4,941,213r	-0	+4	+6
	11,640,796	11,610,210	10,783,147r	+0	+8	+9
UNITED STATES						
344 Cities	281,200,000	279,700,000r	255,500,000	+1	+10	+11

*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		Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT						GEORGIA				
INCOME AND SPENDING						INCOME AND SPENDING				
Personal Income, (Mil. \$, Annual Rate)	July	38,143	37,872r	37,827r	35,691	Personal Income, (Mil. \$, Annual Rate)	July	7,107	7,002r	6,497
Farm Cash Receipts	July	102	113	117	96	Farm Cash Receipts	July	94	95	107
Crops	July	92	116	129	93	Department Store Sales**	Aug.	111	113	103
Livestock	July	106	110	111	96	PRODUCTION AND EMPLOYMENT				
Department Store Sales**	Sept.	116p	118	118	109	Nonfarm Employment	Aug.	107	107	107
Department Store Stocks*	Aug.	116	120	115	108	Manufacturing	Aug.	104	104	100
Instalment Credit at Banks* (Mil. \$)						Nonmanufacturing	Aug.	108	109r	103
New Loans	Aug.	141	142	144	128	Construction	Aug.	116	114	107
Repayments	Aug.	135	140	129	129	Farm Employment	Aug.	82	93	77
PRODUCTION AND EMPLOYMENT						Insured Unemployment, (Percent of Cov. Emp.)	Aug.	3.2	3.4	3.3
Nonfarm Employment	Aug.	106	106	107	104	Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	40.2	39.9	39.8
Manufacturing	Aug.	106	107	106	103	Manufacturing Payrolls	Aug.	120	119	109
Apparel	Aug.	120	122r	119	113	FINANCE AND BANKING				
Chemicals	Aug.	101	101	101	101	Member Bank Loans	Aug.	145	143	144
Fabricated Metals	Aug.	101	105r	104	100	Member Bank Deposits	Aug.	126	127	128
Food	Aug.	104	105	105	103	Bank Debits**	Aug.	128	136	134r
Lbr., Wood Prod., Furn. & Fix.	Aug.	97	98	98	96	LOUISIANA				
Paper	Aug.	105	104r	103	104	INCOME AND SPENDING				
Primary Metals	Aug.	93	93	96	96	Personal Income, (Mil. \$, Annual Rate)	July	5,639	5,597r	5,603
Textiles	Aug.	95	96r	96	97	Farm Cash Receipts	July	102	122	120
Transportation Equipment	Aug.	106	105	105	86	Department Store Sales**	Aug.	107	107	100
Nonmanufacturing	Aug.	106	106	107	104	PRODUCTION AND EMPLOYMENT				
Construction	Aug.	96	96r	94	90	Nonfarm Employment	Aug.	97	97	98
Farm Employment	Aug.	85	89	85	88	Manufacturing	Aug.	94	94	93
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	4.5	4.4	4.1	5.5	Nonmanufacturing	Aug.	98	98	99
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	40.3	40.7	40.9	40.1	Construction	Aug.	73	74	72
Manufacturing Payrolls	Aug.	122	121	122	113	Farm Employment	Aug.	94	90	101
Construction Contracts*	July	113	117	122	109	Insured Unemployment, (Percent of Cov. Emp.)	Aug.	4.5	4.6	4.7
Residential	July	111	120	124	110	Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	42.3	41.7	41.2
All Other	July	114	114	120	109	Manufacturing Payrolls	Aug.	110	107	100
Electric Power Production**	July	136	131	130	122	FINANCE AND BANKING				
Cotton Consumption**	Aug.	104	106	109	102	Member Bank Loans*	Aug.	131	131	132
Petrol. Prod. in Coastal La. and Miss.**	Aug.	147	146	144r	130	Member Bank Deposits*	Aug.	115	115	113
FINANCE AND BANKING						Bank Debits**	Aug.	112	120	122r
Member Bank Loans*	Aug.	138	136	136	125	MISSISSIPPI				
All Banks	Aug.	138	137	136	126	INCOME AND SPENDING				
Leading Cities	Sept.	138	137	136	126	Personal Income, (Mil. \$, Annual Rate)	July	2,913	2,884r	2,948r
Member Bank Deposits*						Farm Cash Receipts	July	92	112	126
All Banks	Aug.	123	123	122	112	Department Store Sales**	Aug.	105	100	97
Leading Cities	Sept.	122	120	122	114	PRODUCTION AND EMPLOYMENT				
Bank Debits**	Aug.	123	128	128	114	Nonfarm Employment	Aug.	108	109	109
ALABAMA						Manufacturing	Aug.	114	114	107
INCOME AND SPENDING						Nonmanufacturing	Aug.	106	107	105
Personal Income, (Mil. \$, Annual Rate)	July	5,147	5,159r	5,185	4,925	Construction	Aug.	97	100	101
Farm Cash Receipts	July	104	103	116	93	Farm Employment	Aug.	84	85	81
Department Store Sales**	Aug.	107	107	102	105	Insured Unemployment, (Percent of Cov. Emp.)	Aug.	4.7	4.6	4.1
PRODUCTION AND EMPLOYMENT						Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	39.7	40.2	39.9
Nonfarm Employment	Aug.	102	102	102	102	Manufacturing Payrolls	Aug.	131	130r	129
Manufacturing	Aug.	99	99	99	97	FINANCE AND BANKING				
Nonmanufacturing	Aug.	103	104	104	105	Member Bank Loans*	Aug.	154	152	152
Construction	Aug.	89	90r	90	92	Member Bank Deposits*	Aug.	131	133	130
Farm Employment	Aug.	85	103	85	92	Bank Debits**	Aug.	129	130	133r
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	5.0	5.1	4.9	5.3	TENNESSEE				
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	40.8	39.8r	40.7	39.7	INCOME AND SPENDING				
Manufacturing Payrolls	Aug.	114	111	116	106	Personal Income, (Mil. \$, Annual Rate)	July	6,076	6,015r	6,022
FINANCE AND BANKING						Farm Cash Receipts	July	97	93	87
Member Bank Loans	Aug.	137	134	136	127	Department Store Sales**	Aug.	102	101	99
Member Bank Deposits	Aug.	122	122	121	110	PRODUCTION AND EMPLOYMENT				
Bank Debits**	Aug.	120	123	123r	112	Nonfarm Employment	Aug.	105	105	105
FLORIDA						Manufacturing	Aug.	107	108	104
INCOME AND SPENDING						Nonmanufacturing	Aug.	105	104	104
Personal Income, (Mil. \$, Annual Rate)	July	11,241	11,215r	11,049	10,441	Construction	Aug.	113	112	113
Farm Cash Receipts	July	118	131	133	100	Farm Employment	Aug.	85	84	86
Department Store Sales**	Aug.	141	142	140	123	Insured Unemployment, (Percent of Cov. Emp.)	Aug.	5.3	5.3	4.9
PRODUCTION AND EMPLOYMENT						Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	40.5	40.7	40.3
Nonfarm Employment	Aug.	114	115r	115	110	Manufacturing Payrolls	Aug.	119	121	121
Manufacturing	Aug.	121	124	123	116	FINANCE AND BANKING				
Nonmanufacturing	Aug.	113	113	114	109	Member Bank Loans*	Aug.	139	136	135
Construction	Aug.	98	96r	95	89	Member Bank Deposits*	Aug.	123	122	119
Farm Employment	Aug.	91	86	84	85	Bank Debits**	Aug.	125	129	131r
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	4.2	4.0	3.3	4.5	MISSISSIPPI				
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.0	41.0	41.6	41.3	INCOME AND SPENDING				
Manufacturing Payrolls	Aug.	148	148	150	138	Personal Income, (Mil. \$, Annual Rate)	July	2,913	2,884r	2,948r
FINANCE AND BANKING						Farm Cash Receipts	July	92	112	126
Member Bank Loans	Aug.	135	132	131	122	Department Store Sales**	Aug.	105	100	97
Member Bank Deposits	Aug.	125	126	122	112	PRODUCTION AND EMPLOYMENT				
Bank Debits**	Aug.	124	126	127r	115	Nonfarm Employment	Aug.	108	109	109

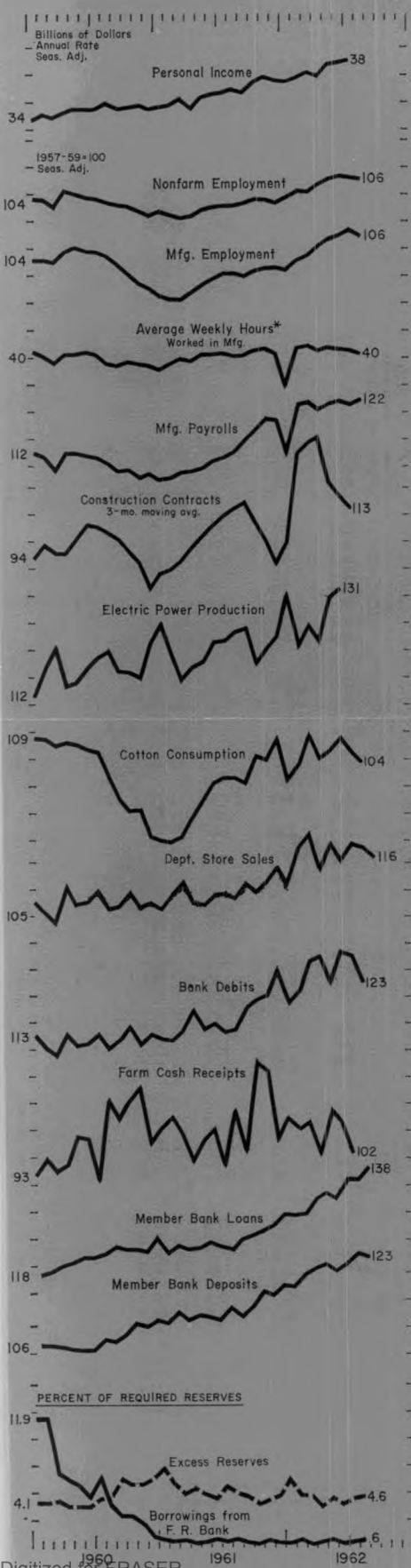
*For Sixth District area only. Other totals for entire six states.

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



Those observers who anticipated a strengthened uptrend in the District's economy will be disappointed by the latest performance of most of the important indicators. Lack of decisive change or slight weakness was the general rule, although gains occurred in banking and in farm activity.

Nonfarm employment was virtually unchanged in August, as a slight decline occurred in manufacturing and nonmanufacturing held steady. September employment undoubtedly was boosted by the resumption of operations of a strike-bound airline, although figures are not yet available to show this. Florida, Georgia, and Louisiana showed little change in total nonfarm employment during August, while declines occurred in Alabama and Mississippi. Employment in Tennessee rose slightly. Manufacturing payrolls for the states as a group edged upward, continuing the recent pattern of small changes at an advanced level.

Textile activity, as measured by cotton consumption, weakened somewhat further in August, but remained close to the high volume that has prevailed during most of this year. Construction contracts, partly reflecting August figures, declined again; but construction employment continued to hold its improved level. Crude oil production in coastal Louisiana and Mississippi maintained a near-record volume, and improvement also occurred in District steel mill operations.

Consumer spending, at a near-record level according to available indicators, continues to support a high volume of economic activity, but is adding little, if any, upward push. Some weakness was, in fact, apparent in August as department store sales declined slightly. Preliminary September data so far available fail to show any pickup. Furniture store sales also declined in August. The use of bank credit for consumer purchases, however, continued to hold at a high level.

The latest available estimates show that personal income rose further in July, thus providing an explanation for the continued high volume of consumer spending. Savings, in the form of time deposits and savings and loan shares, changed little in August.

A quickened tempo marked the pace of the farm economy as farmers accelerated their harvesting operations. In August, farm employment increased in Florida, where farmers were busy harvesting cash crops and preparing for fall vegetable plantings, and in Louisiana and Tennessee, where they were gathering large rice, cotton, and tobacco crops. Alabama and Georgia, however, reported declines in farm employment. Although recent dry weather favored the harvest, it reduced prospective yields for cotton, corn, and other major crops and caused fall seedings to be delayed. During the past few weeks, marketings of livestock and some important crops have been larger than a year earlier, and higher prices have recently been posted for some products.

Gains have also been registered in loans and investments at member banks. Loans rose in August, after showing little change in the previous month. In the first three weeks of September, however, loans at weekly reporting banks increased less than usual. An increase in investments occurred in August, which, together with the gain in loans, more than offset the July decline in bank credit. Total member bank deposits decreased, as declines at banks in Florida, Georgia, and Mississippi more than offset gains at banks in other District states.

NOTE: Data on which statements are based have been adjusted to eliminate seasonal influences.