



Monthly Review

District Banks Finance Foreign Trade

Atlanta, Georgia

November • 1962

Also in this issue:

**SCROOTCH OWL
IN LOUISIANA**

**SIXTH DISTRICT
STATISTICS**

**DISTRICT BUSINESS
CONDITIONS**

*Federal
Reserve
Bank of
Atlanta*

Geographical specialization is a characteristic of economic life in the United States. Automobile production is always associated with Detroit. Wheat is mostly produced in the central plains states, cotton and petroleum in the southwest, citrus in Florida, Texas, and California, and so on. Historically, New York City has been preeminently the center for foreign trade financing. Yet, economic history proves that centers of concentration do not always hold their positions indefinitely. Textile manufacturing moved south from New England; cotton growing moved west; and even automobile production is becoming more decentralized.

The South's economic growth has fostered an increased interest in foreign trade activities. A shift to manufacturing is changing the character of the South's exports, and income growth has created a greater market for imports, so that today the South is not a negligible factor in foreign trade. Ports in the Sixth Federal Reserve District, for example, handled almost 10 percent of total U. S. foreign trade in 1961. Exports of manufactured goods originating in District states accounted for about 6½ percent of total U. S. exports of manufactures in 1960. District banks, too, are not without resources, for their deposits amount to over 6 percent of total bank deposits. Will this considerable economic potential be reflected in greater foreign trade financing in this area?

Certainly interest in foreign trade financing seems to be growing. There are now about fifteen banks with full-fledged international departments in the District, whereas before World War II there were no more than five or six. In addition, eight or ten banks regularly provide international services; and, of course, many banks issue an occasional letter of credit, or buy and sell foreign currency. Yet, measured by the volume of the principal types of financial instruments used in foreign trade, District banks still account for a relatively small portion of the national total.

Techniques of International Trade Financing

Foreign trade financing may take many forms, and we shall find that District banks are more active in some types than in others. We can understand their activity a little better if, first, we review the functions by which banks in general finance foreign trade. Some of these functions are in the nature of services, whereby the bank lends its name or its specialized facilities but not its money. Others involve the commitment of the bank's own funds to finance a transaction.

The service functions include:

(1) Trading in foreign exchange. This involves the purchase and sale of foreign paper currency and checks and making remittances to and from foreigners. In other words, banks sell or buy drafts or telegraphic transfers on their foreign correspondent banks and honor drafts and transfers on themselves that their foreign correspondents provide for their own customers. Most banks do not buy and sell foreign exchange for their own account, for they prefer to maintain

balanced positions and avoid the risk of loss due to a change in exchange rates. They reimburse themselves for the expense of providing this service by selling foreign exchange at a slightly higher price than they buy it. There is no foreign exchange market in the District, so that if a bank accumulates more foreign currency than it wishes, for example, it will sell it in the New York market.

(2) Collections. Customers may wish to obtain payment of their drafts on foreigners, or they may own bonds of a foreign corporation or government and wish to collect the interest represented by the bond coupon, or they may wish to collect any other debt owed them by foreigners. Banks that maintain connections with other banks around the world are able to perform these services for their customers for a small fee—usually $\frac{1}{8}$ of one percent of the total amount. For their correspondent banks abroad, they will present items to be collected from firms and individuals in this country.

(3) Opening letters of credit. A letter of credit is a promise by the bank that it will honor drafts drawn upon it up to a certain amount within a certain period of time, provided that the conditions set forth in the letter of credit (such as provision of the proper shipping and insurance documents) are met. American exporters are frequently not in a position to determine accurately the credit rating of a foreign customer. If they can rely instead upon the promise of a bank, they are more willing to enter into the transaction. The foreign importer will ordinarily take the initiative in arranging for the letter of credit, but the American exporter may know as little about foreign banks as he does about the importer. In such a case, he may request that an American bank open the letter of credit or, alternatively, that an American bank confirm the letter of credit opened by the foreign bank. In either case, the American bank assumes a liability to pay any drafts the exporter may draw within the terms of the letter of credit. In both cases, it looks, of course, to the foreign bank for reimbursement, and the foreign bank looks, in turn, to the foreign importer.

American importers, too, may request the opening of a letter of credit if the foreign exporter demands it and, again, the bank assumes the obligation to pay drafts. In this case, the bank looks to the importer for repayment. Smaller banks may make these services available to their customers by acting as agents for larger banks. This saves the small bank the trouble and expense of maintaining relationships with foreign banks. If a customer engages frequently or in large volume in foreign trade, however, it may well occur to him that he might save time and expense by dealing with the issuing bank directly. Each individual bank must decide for itself whether there are enough customers in its area to make it worthwhile to incur the expenses involved in providing these services directly.

The expenses of opening letters of credit include, of course, the paper work involved. This work is greater than in most other departments of the bank per dollar of business handled, because when drafts are presented, they and the many documents that accompany them must be carefully scrutinized by experts in the field to be sure they are in accordance with the terms of the letter of credit.

Otherwise, the bank might be unable to obtain reimbursement. In addition, the bank must commit a certain amount of funds to maintaining accounts with foreign banks, although it can reasonably expect to receive reciprocal balances from many of them. But, besides all this, the bank's international department must provide its customers with a variety of information about foreign political and credit conditions that cannot be obtained from any other department of the bank.

Banks charge a fee for opening letters of credit, usually $\frac{1}{8}$ or $\frac{1}{4}$ of one percent of the amount. Unlike the other service functions described, the opening of a letter of credit creates at least a contingent liability on the part of the bank. It need not commit the bank's funds, however, even when a draft is drawn under its terms. If it is a sight draft (i.e., payable on sight), the bank immediately reimburses itself. In the case of an export, this is done by charging the account of the foreign bank through which the foreign importer made the arrangements or, in the case of an import, by charging the account of the importer or asking him for immediate payment. Even if it is a time draft (i.e., payable at a certain time in the future), the bank does not necessarily tie up any money. Ordinarily, the bank agrees to "accept" the draft for payment at maturity. The one who presents the draft for acceptance (the foreign bank in the case of imports, the exporter in the case of exports) may hold the draft to maturity, at which time the bank pays it and immediately reimburses itself.

Banks May Lend Their Own Money

Other functions do involve the commitment of the bank's own funds. They may be divided into three types.

(1) Discounting drafts written under letters of credit that the bank has opened or confirmed. If the holder of an accepted time draft wants his money immediately, the accepting bank may discount it and, if it does, it in effect lends the holder the money. One virtue of an accepted draft on a bank (known as a "banker's acceptance") is that it is negotiable and may readily be sold in the New York money market if the bank holding it wishes to release the funds it has thus committed. In this respect, it is superior to an ordinary loan, although partly because of this feature, the discount rate is lower than that on ordinary loans. Banks usually charge a commission of one and one-half percent per annum (to other banks and prime customers) for accepting a draft and a discount rate of, currently, $3\frac{1}{8}$ percent per annum for ninety-day bills. This amounts to $4\frac{5}{8}$ percent, whereas an ordinary loan might carry a rate of $5\frac{1}{2}$ to $6\frac{1}{2}$ percent.

(2) Discounting or purchasing other drafts. A letter of credit may stipulate the bank that will pay a draft (this is a "straight" letter of credit) or it may not (in which case it is called a "negotiation" or "circular" letter of credit). Drafts drawn under the latter type may be presented at any bank, and the bank may discount or make advances on them, although it has no obligation to do so. Again, an exporter may draw, not upon a bank, but upon his foreign customer. In this case, no letter of credit is involved, and no obligations of any bank. If the bank advances money on such a draft, it will ordinarily

retain the right of recourse against the exporter if the importer does not pay. Indeed, the bank may retain this right of recourse on any draft it pays, if it so desires.

(3) Direct loans to importers or exporters. If an exporter, for example, is selling to foreign customers on open account, he may very well want to finance his operations during the period in which he extends credit to his customer, just as he would in the case of a domestic account. Even if the transaction is covered by a letter of credit, he may wish to finance himself during the period before the goods are ready for shipment and the draft is drawn. To do this, he may assign the proceeds of the letter of credit to his bank and borrow on his own note. Or, a bank, instead of buying or discounting an exporter's time draft, may prefer to take it as collateral for a direct loan. Importers, too, may need financing between the time a foreign exporter's sight draft arrives for payment and the time the goods are sold.

Foreign Trade Financing in the Sixth District

The Research Department of this Bank recently conducted a survey to determine the actual practices of District banks in the field of foreign trade financing. Twenty banks, in port cities in Florida, Alabama, and Louisiana and in one inland city, Atlanta, were interviewed. Fourteen banks provided either complete or partial statistical data.

Volume of Foreign Trade Financing in 1961 Selected Sixth District Banks

	Number Banks Reporting	Volume (Thousands of Dollars)
FOREIGN EXCHANGE		
Foreign currency, checks and paper currency, purchases and sales	11	9,004
Sales of drafts on foreign banks and other remittances abroad		
Drawn on own foreign correspondent	13	57,139
Under protection of domestic correspondent	13	10,654
Payments to domestic accounts on foreign order	10	38,623
COLLECTIONS		
Outgoing	12	67,521
Incoming	10	19,253
LETTERS OF CREDIT		
Total commercial letters of credit opened	14	74,344
Import	11	44,896
Export		
Own	10	3,003
Foreign banks' letters of credit confirmed	10	5,310
Drafts paid or accepted for domestic importers		
Sight	9	14,853
Time	8	8,933
Drafts paid or accepted for domestic exporters		
Sight	9	5,023
Time	6	545
LOANS AND DISCOUNTS		
Loans to importers	8	8,020
Direct loans to exporters	8	4,798
Exporters' drafts discounted (not arising out of letters of credit)	11	24,248

Source: Special Survey by Research Department, Federal Reserve Bank of Atlanta, of banks with International Departments.

The survey revealed that service functions predominate in District banks' foreign operations. Foreign exchange accounted for the largest volume in 1961, followed by collections and letters of credit. These are the three service functions mentioned earlier. An attempt was made to find out to what extent banks discounted drafts or otherwise committed funds under letters of credit they had opened or confirmed, but returns were so scanty that no conclusions could be reached from them. This in itself perhaps indicates the lack of importance of this function. The amount of time drafts accepted is the closest approximation we have to the answer we are seeking, and their total is quite small. Direct loans and the discounting or purchase of drafts not arising out of letters of credit that the bank itself has issued or confirmed are the other ways a bank may commit its funds. They account for a relatively small part of total District activity.

Undoubtedly, the service functions are also very important at New York banks, since New York is the country's principal money market, and a great volume of trading in foreign exchange takes place there. Yet, other available information suggests that New York banks commit their own funds to a proportionally greater extent than do District banks. The *Monthly Acceptance Survey* of the Federal Reserve Bank of New York reports the volume of bankers' acceptances outstanding in the U. S. The amount accounted for by District banks is a very much smaller percentage of the national total than is the District's foreign trade. Bankers' acceptances average only about 2/10 of one percent of total U. S. volume, while District ports' share of foreign trade is, as we have seen, nearly 10 percent.

Another source of information confirms the impression that District banks tend to concentrate on the less venture-some types of financing. Some of the larger banks in the District report monthly on their liabilities to and claims on foreigners. Liabilities are divided into deposits of foreign banks and official institutions, deposits of other foreigners (firms and individuals), and liabilities other than deposits. This last category consists mostly of U. S. Treasury bills and certificates held by U. S. banks for foreign banks and official institutions, and, to a lesser extent, of drafts drawn upon U. S. firms, banks, and individuals and held by U. S. banks for foreign correspondents, either for collection or as an investment. This last category is much more important nationally than in the District and reflects the important investment function that New York banks perform for their foreign depositors.

Claims on foreigners are divided into long-term (those with a maturity of more than one year) and short-term. District banks report little or no long-term claims. Short-term claims consist of collections outstanding, loans to foreign banks and official institutions, loans to "others," and other claims (acceptances made for the accounts of foreigners, dollar deposits with foreigners, and other short-term claims owned or held for domestic customers). Nationally loans and "other" claims were the largest items, while, in the District, collections made up the great bulk of claims.

The available evidence leads inescapably to the conclusion that the financing of international trade is now

emerging as a serious function of District banks. Whether it will develop as an important part of their activities depends on a number of factors. One encouraging feature is the growth of foreign sales on open account. As contacts between businessmen of different countries increase and as exchange controls are dismantled (thus making it more certain that importers will be allowed by their governments to pay their bills promptly), sellers are more willing to "carry" their customers on their books with only a simple contract to buy, just as is done domestically. This means, however, that letters of credit and all the more complicated paraphernalia of foreign trade financing may become less and less important. The New York banks owe their dominant position to a great extent to their highly skilled personnel who are trained in the intricacies of their profession.

To succeed in foreign trade financing a bank must still devote money and effort to develop correspondent relationships throughout the world and to acquire specialized knowledge of business conditions abroad. But it may be that the cost of providing international services may be cut to the extent that at least the larger banks throughout the country can compete successfully with New York for business in their own home territories.

LAWRENCE F. MANSFIELD



Scrootch Owl in Louisiana

According to Louisiana folklore, the "scrootch" owl is a bird that slips into the roost quietly, scrooches up to a hen, and talks softly to her. The hen falls in love with the owl, and, in the proverbial wink of an eye, the hen disappears without a sound. The scrootch owl has apparently been active in Louisiana, but he has been quietly feasting on jobs—not hens.

Currently, there are fewer nonfarm jobs in Louisiana than in 1957. Nonfarm employment, seasonally adjusted, reached its peak in September of that year. Since then, despite two periods of recovery in business activity, nonfarm employment has never regained that peak. The pick-up that started in late 1961 ended in February 1962. Although August and September figures showed slight month-to-month improvements, nonfarm employment was still below the level of February 1962. Louisianians may well ask, "Where did the jobs go?"

Before probing the scrootch owl's misbehavior in the employment roost, a brief review of some other strategic indicators for Louisiana will acquaint any would-be ornithologist with the latest developments in the state.

As you can see, the panel of charts on the next page shows seasonally adjusted data for Louisiana and the nation; the shaded portions of the chart represent the recessions of 1957-58 and 1960-61. All data have been plotted on a logarithmic scale, which enables you to make a visual

comparison of the percentage changes in these key indicators for the state and the nation, even though the absolute figures may differ greatly.

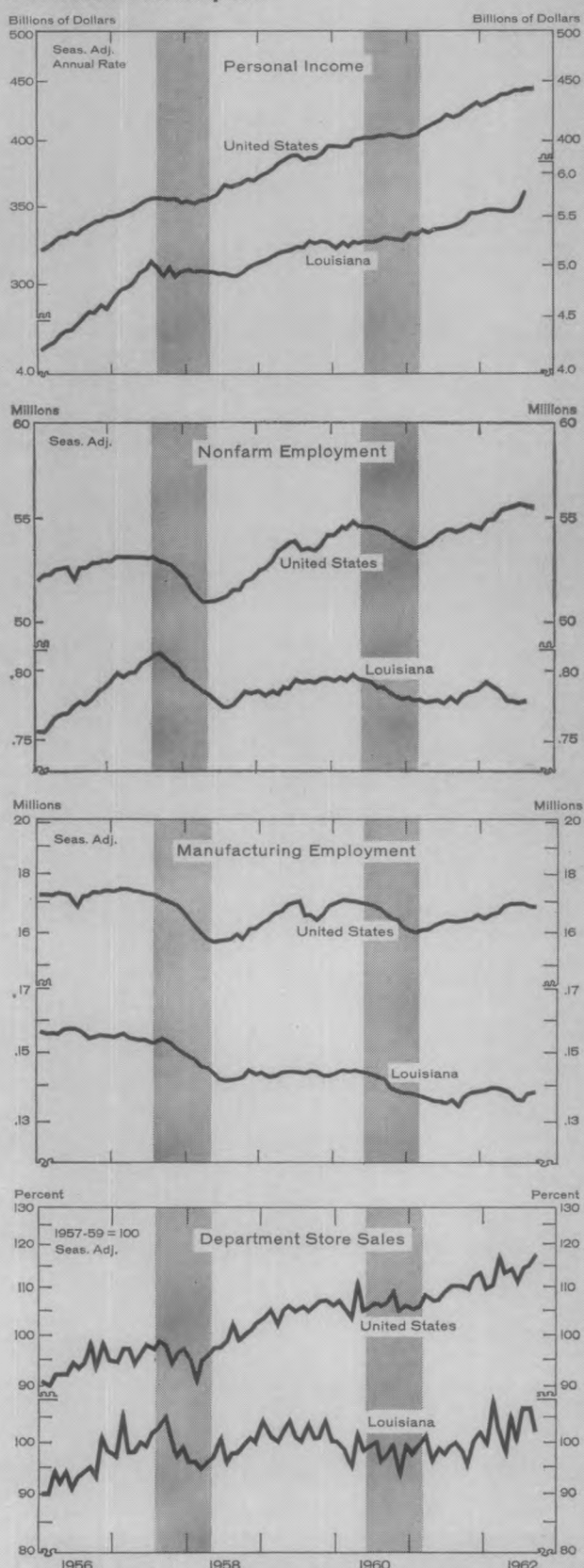
Mild Expansion in Louisiana

The upswing in Louisiana's economy from the 1960-61 recession has been less vigorous than that of the nation as a whole. Personal income, the most comprehensive indicator available for the state, has shown a smaller gain during the expansion period than that registered for the nation. Nationally, during the eighteen months from the February 1961 trough of the latest recession to August 1962, personal income rose about 10 percent. In Louisiana, during this same period, income increased 8 percent.

Although wages and other forms of income received by Louisianians have not increased as rapidly as they have in the nation, retail spending, as reflected in bank debits, department store sales, and automobile registrations, has kept pace with national spending. Bank debits, which measure check payments made by businesses, individuals, and state and local governments, have shown a slightly larger increase in Louisiana than in the nation during the current expansion phase. Louisiana checkbook spending during September 1962 was 17 percent above the February 1961 level.

Consumer purchases at department stores located with-

Louisiana's current economic expansion appears to be proceeding at a modest pace, but the strength of the upswing in the Pelican state has been less vigorous than that of the nation as a whole. Employment and income have been two of the strategic economic indicators that have lagged behind their national counterparts.



Note: The shaded portions of the chart represent the recessions of 1957-58 and 1960-61.

in the Sixth District portion of the Pelican state marked up a somewhat smaller increase than did national retail spending during the nineteen months of expansion. Sales of automobiles, as revealed by registration figures, were up 28 percent in the first eight months of this year, as compared with the same period last year. Nationally, registrations increased 22 percent over this period.

The Bird Again

Although income earned by Louisianians rose less than that earned by the nation's citizens during the recovery period and retail spending apparently matched the level of national spending, employment has presented a different story. During the current expansion period from February 1961 to September 1962, national nonfarm employment rose about 4 percent, providing Americans with more than 2 million additional jobs. In contrast, during the same period, seasonally adjusted employment in nonagricultural establishments in Louisiana changed little.

Part of the answer to the puzzle of the lack of growth in employment during a period of economic expansion may be found by comparing the changes in the number of manufacturing jobs in Louisiana with those in the U. S.

Nationally, the number of manufacturing jobs fell rather sharply from the previous business peak to the February 1961 trough. However, during the nineteen months since the trough, U. S. manufacturing jobs have rebounded, expanding about 5 percent.

In contrast with the roller-coaster movements of national manufacturing employment during business downturns and upswings, manufacturing employment in the Pelican state simply leveled off after the 1958 trough and declined further during the 1960-61 recession. Employment gains in chemicals, paper, and lumber bolstered manufacturing employment in late 1961 and early 1962, but strength in these key industries faded during the summer.

The upswing in manufacturing jobs, which you typically expect during a period of economic expansion, failed to materialize in Louisiana, and other types of employment edged down slightly. Construction employment dropped, and, to a lesser extent, there was weakness in mining, transportation, communications, and public utilities.

Louisiana's current employment problems no doubt reflect, in part, the difficulty of regaining the record level of activity reached in mid-1957, which largely resulted from the stimulus of an unprecedented plant expansion boom and the high level of petroleum activity induced by the Suez crisis of 1956 and 1957. These problems have been further compounded by the steady employment declines in such basic manufacturing industries as food and lumber, and the less rapid expansion in Louisiana's traditional growth industries.

Some Louisianians may feel that these developments, past and present, are far removed from their everyday lives, but their incomes are inextricably bound up in these changes. For example, during the plant expansion boom of 1947-57, per capita income rose much faster in Louisiana than in the nation as a whole. As could be expected, since 1957, income gains in the Pelican state have dropped behind those of the U. S.

Against this background, the scrootch owl appears to be formidable indeed. However, recent developments in Louisiana's fast-growing space industry hold the promise that this bird may be put to flight. The National Aeronautics and Space Administration has estimated that between mid-1960 and mid-1963 Louisiana plants will receive more than \$443 million in new contracts.

Preliminary figures for September indicate that employment in this strategic industry has picked up and is expected to reach a peak of about 6,500 workers when operations are in full swing. The roar of Saturn space engines may well signal the first stage of a series of take-offs that will eventually send manufacturing employment into its proper orbit, boost incomes, and make the scrootch owl a stranger in Louisiana.

JACK L. COOPER

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

Bank Announcement

On October 1, the Merchants and Marine Bank, Pascagoula, Mississippi, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include Alton L. Thomson, President; P. W. Cox, Senior Vice President; Thomas S. Leatherbury, Executive Vice President; Mrs. A. F. Penola, E. L. Horne, Jr., and Horace I. Ward, Vice Presidents; and Joiner M. Haltom, Jr., Vice President and Cashier.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	Sept. 1962 from Aug. 1962	Sept. 1962 from Sept. 1961	9 Months 1962 from 1961	Sept. 30, 1962 from Aug. 31, 1962	Sept. 30, 1962 from Sept. 1961
ALABAMA					
Birmingham	+2	+4	+0	+7	+4
Mobile	+0	+4	+1	+6	+5
Montgomery	+15	+4	+5	..	..
Daytona Beach	+8	+5	+3	..	..
FLORIDA					
Jacksonville	+12	+8	+12	+9	+18
Miami Area	+20	+2	+2	..	..
Miami	+15	+9	+6	+7	+9
Orlando	+14	+1	+7	..	..
St. Petersburg-Tampa Area	+16	+4	+4	..	..
GEORGIA					
Atlanta**	+10	+5	+7	+6	+2
Augusta	+2	+5	+10	+6	+2
Macon	+5	+4	+5	..	..
Rome**	+7	+3	+13	+1	..
Savannah	+17	+8	..	..	..
LOUISIANA					
Baton Rouge	+7	+0	+3	+9	+6
New Orleans	+8	+2	+11	+8	+4
MISSISSIPPI					
Jackson	+22	+1	+2	+9	+7
TENNESSEE					
Bristol-Kingsport	+8	+4	+5	+3	+12
Johnson City**	+6	+5	+6	+1	+16
Bristol (Tenn. & Va.)**	+5	+4	+2	+10	+19
Chattanooga	+1	+5	+4	+8	+8
Knoxville	+1	+2	+2	..	..
DISTRICT					
	+13	+17	+6	..	..
	+4	+5	+0	..	..
	+7	+4	+7	+8	+9

*Reporting stores account for over 80 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)

	Percent Change					
	Sept. 1962		Aug. 1962		Sept. 1961	
	Sept. 1962	Aug. 1962	Sept. 1961	Sept. 1962 from Aug. 1962	Sept. 1962 from Sept. 1961	Year-to-date 9 months 1962 from 1961
ALABAMA						
Anniston	45,061	47,555	42,346	-5	+6	+8
Birmingham	860,847	918,731	835,346	-6	+3	+8
Dothan	43,551	38,780	38,538	+12	+13	+7
Gadsden	34,963	36,948	33,507	-5	+4	+4
Huntsville*	85,048	84,703	72,206	+0	+18	+19
Mobile	279,407	303,360	275,672	-8	+1	+2
Montgomery	188,307	205,616	160,851	-8	+17	+9
Selma*	34,350	26,901	28,281	+28	+21	+10
Tuscaloosa*	64,606	70,651	59,077	-9	+9	+13
Total Reporting Cities	1,636,140	1,733,245	1,545,824	-6	+6	+7
Other Cities†	739,418	775,893r	724,277r	-5	+2	+1
FLORIDA						
Bradenton*	38,082	44,452	n.a.	-14	n.a.	n.a.
Daytona Beach*	53,170	58,960	50,387	-10	+6	+7
Fort Lauderdale*	181,455	196,404	173,924	-8	+4	+6
Gainesville*	48,525	52,584	42,594	-8	+14	+13
Jacksonville	772,195	939,932	777,647	-18	-1	+6
Key West*	15,604	16,846	14,720	-7	+6	+6
Lakeland*	71,585	80,150	71,458	-11	+0	+3
Miami	850,332	958,231	781,930	-11	+9	+9
Greater Miami*	1,233,766	1,371,424	1,158,523	-10	+6	+7
Orlando	226,954	262,264	222,976	-13	+2	+6
Pensacola	82,929	87,178	86,088	-5	-4	+2
St. Petersburg	187,802	198,814	204,526	-6	-8	+5
Sarasota*	63,585	72,771	n.a.	-13	n.a.	n.a.
Tallahassee*	66,280	74,506	n.a.	-11	n.a.	n.a.
Tampa	392,446	422,844	383,836	-7	+2	+6
W. Palm-Palm Bch.*	135,786	149,868	125,732	-9	+8	+16
Total Reporting Cities	3,570,164	4,028,997	3,312,411	-11	+8	+11
Other Cities†	1,431,520	1,638,719r	1,545,388r	-13	-7	+3
GEORGIA						
Albany	55,613	59,511	52,273	-7	+6	+12
Athens*	40,454	44,808	41,109	-10	-2	+9
Atlanta	2,348,846	2,570,304	2,127,273	-9	+10	+15
Augusta	125,215	127,155	106,710	-2	+17	+13
Brunswick	29,484	34,367	26,698	-14	+10	+25
Columbus	115,323	129,700	116,669	-11	-1	+9
Dalton*	53,497	54,734	n.a.	-2	n.a.	n.a.
Elberton	10,669	8,807	8,270	+21	+29	+8
Gainesville*	52,610	55,407	48,192	-4	+9	+10
Griffin*	21,250	21,744	18,602	-2	+14	+11
LaGrange*	16,375	17,060	16,168	-4	+1	-1
Macon	128,364	145,646	121,833	-12	+5	+11
Marietta*	36,366	37,122	32,823	-2	+11	+12
Newnan	19,797	24,655	21,314	-20	-7	+8
Rome*	47,036	49,421	44,587	-5	+5	+3
Savannah	176,295	184,485	172,357	-4	+2	+7
Valdosta	33,653	45,672	33,298	-26	+1	+3
Total Reporting Cities	3,310,847	3,610,238	2,988,176	-8	+11	+15
Other Cities†	958,411	1,033,734r	973,227r	-7	-2	+6
LOUISIANA						
Alexandria*	75,757	85,058	68,148	-11	+11	+16
Baton Rouge	272,346	309,721	244,307	-12	+11	+13
Lafayette*	68,324	73,521	64,673	-7	+6	+10
Lake Charles	79,971	83,611	77,865	-4	+3	+9
New Orleans	1,306,373	1,463,900	1,195,111	-11	+9	+8
Total Reporting Cities	1,802,771	2,015,811	1,650,104	-11	+9	+9
Other Cities†	622,840	614,888r	568,675r	+1	+10	+7
MISSISSIPPI						
Biloxi-Gulfport*	56,143	62,674	52,598	-10	+7	+14
Hattiesburg	38,643	40,703	38,097	-5	+1	+5
Jackson	338,445	371,915	312,828	-9	+8	+12
Laurel*	25,710	30,529	27,923	-16	-8	+1
Meridian	46,832	50,088	45,658	-7	+3	+10
Natchez*	24,342	26,198	23,259	-7	+5	+8
Vicksburg	22,828	22,929	21,236	-0	+7	+9
Total Reporting Cities	552,943	605,036	521,599	-9	+6	+11
Other Cities†	262,202	283,165r	264,068r	-7	-1	+3
TENNESSEE						
Bristol*	51,838	53,497	51,313	-3	+1	+8
Chattanooga	339,908	369,442	332,093	-8	+2	+5
Johnson City*	44,429	48,208	41,736	-8	+6	+12
Kingsport*	87,556	92,254	86,850	-5	+1	+8
Knoxville	245,917	264,752	249,338	-7	-1	+3
Nashville	781,921	913,180	763,819	-14	+2	+7
Total Reporting Cities	1,551,569	1,741,333	1,525,149	-11	+2	+6
Other Cities†	691,777	716,921r	610,930r	-4	+13	+11
SIXTH DISTRICT						
Reporting Cities	17,130,602	18,797,980r	16,229,828r	-9	+6	+9
Other Cities†	12,424,434	13,734,660	11,543,263	-10	+8	+10
Total, 32 Cities	4,706,168	5,063,320r	4,686,565r	-7	+0	+5
	10,481,237	11,640,796	9,910,310	-10	+6	+9
UNITED STATES						
344 Cities	263,300,000	281,100,000r	246,600,000	-6	+7	+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.)

SIXTH DISTRICT

INCOME AND SPENDING

	Latest Month (1962)	One Month Ago	Two Months Ago	One Year Ago
Personal Income, (Mil. \$, Annual Rate)***	Aug. 38,304	37,684r	37,509r	35,783r
Farm Cash Receipts	Aug. 123	114	114	106
Crops	Aug. 129	119	123	106
Livestock	Aug. 117	111	109	106
Department Store Sales**	Oct. 114p	121	118	111
Department Store Stocks*	Sept. 119	116	120	109
Instalment Credit at Banks,* (Mil. \$)				
New Loans	Sept. 133	141	142	126
Repayments	Sept. 137	135	140	126

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 107	106	106	104
Manufacturing	Sept. 106	106	107	102
Apparel	Sept. 119	120	122	112
Chemicals	Sept. 102	101	101	101
Fabricated Metals	Sept. 104	99r	105	100
Food	Sept. 103	104	105	102
Lbr., Wood Prod., Furn. & Fix.	Sept. 97	97	98	95
Paper	Sept. 104	105	104	102
Primary Metals	Sept. 92	93	93	94
Textiles	Sept. 95	96r	96	97
Transportation Equipment	Sept. 111	106	105	88
Nonmanufacturing	Sept. 107	106	106	105
Construction	Sept. 96	96	96	91
Farm Employment	Sept. 88	85	89	91
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 4.3	4.5	4.4	5.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 40.6	40.3	40.7	40.2
Manufacturing Payrolls***	Sept. 125	124r	123r	116
Construction Contracts*	Aug. 112	113	117	112
Residential	Aug. 115	111	120	112
All Other	Aug. 109	114	114	112
Electric Power Production**	July 136	131	130	122
Cotton Consumption**	Sept. 100	104	106	100
Petrol. Prod. in Coastal La. and Miss.**	Sept. 155	147	146	128

FINANCE AND BANKING

Member Bank Loans*				
All Banks	Sept. 139	138	136	126
Leading Cities	Oct. 140	138	137	126
Member Bank Deposits*				
All Banks	Sept. 124	123	123	114
Leading Cities	Oct. 125	122	120	117
Bank Debits**	Sept. 130	122r	127r	118

ALABAMA

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 5,185	5,093r	5,127r	4,948r
Farm Cash Receipts	Aug. 112	104	103	95
Department Store Sales**	Sept. 109	107	107	110

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 102	102	102	102
Manufacturing	Sept. 98	99	99	97
Nonmanufacturing	Sept. 103	103	104	105
Construction	Sept. 88	88r	90	92
Farm Employment	Sept. 85	85	103	79
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 4.9	5.0	5.1	5.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 40.6	40.8	39.8	40.6
Manufacturing Payrolls***	Sept. 114	114r	111r	110

FINANCE AND BANKING

Member Bank Loans	Sept. 137	137	134	127
Member Bank Deposits	Sept. 124	122	122	112
Bank Debits**	Sept. 130	118r	122r	118

FLORIDA

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 11,064	10,956r	10,939r	10,346r
Farm Cash Receipts	Aug. 144	118	131	149
Department Store Sales**	Sept. 146	142	142	129

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 115	114	115	111
Manufacturing	Sept. 120	121	124	116
Nonmanufacturing	Sept. 114	113	113	110
Construction	Sept. 100	98	96	89
Farm Employment	Sept. 92	91	86	97
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 4.0	4.2	4.0	4.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 41.9	41.0	41.0	42.1
Manufacturing Payrolls***	Sept. 153	153r	153r	146

FINANCE AND BANKING

Member Bank Loans	Sept. 136	135	132	123
Member Bank Deposits	Sept. 126	125	126	114
Bank Debits**	Sept. 130	124	126	119

GEORGIA

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 7,221	7,073r	6,995r	6,553r
Farm Cash Receipts	Aug. 144	94	95	122
Department Store Sales**	Sept. 113	111	113	104

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 107	107	107	103
Manufacturing	Sept. 105	105r	104	100
Nonmanufacturing	Sept. 108	109r	109	104
Construction	Sept. 112	115r	114	96
Farm Employment	Sept. 76	82	93	87
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 3.2	3.2	3.4	4.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 40.4	40.2	39.9	39.9
Manufacturing Payrolls***	Sept. 125	122r	121r	111

FINANCE AND BANKING

Member Bank Loans	Sept. 143	145	143	128
Member Bank Deposits	Sept. 128	126	127	117
Bank Debits**	Sept. 135	128	136	119

LOUISIANA

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 5,756	5,607r	5,558r	5,396r
Farm Cash Receipts	Aug. 155	102	122	111
Department Store Sales**	Sept. 102	107	107	98

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 97	97	97	97
Manufacturing	Sept. 94	94	94	91
Nonmanufacturing	Sept. 98	98	98	99
Construction	Sept. 71	73	74	74
Farm Employment	Sept. 99	94	90	110
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 4.5	4.5	4.6	6.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 43.1	42.2r	41.7	40.7
Manufacturing Payrolls***	Sept. 114	111r	108r	103

FINANCE AND BANKING

Member Bank Loans*	Sept. 132	131	131	121
Member Bank Deposits*	Sept. 114	115	115	109
Bank Debits**	Sept. 117	111r	118r	102

MISSISSIPPI

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 2,908	2,853r	2,837r	2,716r
Farm Cash Receipts	Aug. 111	92	112	93
Department Store Sales**	Sept. 102	105	100	100

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 110	109r	109	107
Manufacturing	Sept. 114	114	114	106
Nonmanufacturing	Sept. 109	106	107	107
Construction	Sept. 101	99r	100	100
Farm Employment	Sept. 88	84	85	88
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 4.7	4.7	4.6	6.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 40.5	40.1r	40.2	40.3
Manufacturing Payrolls***	Sept. 128	128r	127r	116

FINANCE AND BANKING

Member Bank Loans*	Sept. 158	154	152	137
Member Bank Deposits*	Sept. 133	131	133	117
Bank Debits**	Sept. 139	130r	130	127

TENNESSEE

INCOME AND SPENDING

Personal Income, (Mil. \$, Annual Rate)***	Aug. 6,170	6,102r	6,053r	5,824r
Farm Cash Receipts	Aug. 114	97	93	111
Department Store Sales**	Sept. 113	102	101	104

PRODUCTION AND EMPLOYMENT

Nonfarm Employment	Sept. 105	105	105	103
Manufacturing	Sept. 107	106r	108	105
Nonmanufacturing	Sept. 104	105	104	103
Construction	Sept. 113	112r	112	110
Farm Employment	Sept. 95	85	84	92
Insured Unemployment, (Percent of Cov. Emp.)	Sept. 5.5	5.3	5.3	6.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 40.9	40.5	40.7	40.4
Manufacturing Payrolls***	Sept. 123	120r	124r	115

FINANCE AND BANKING

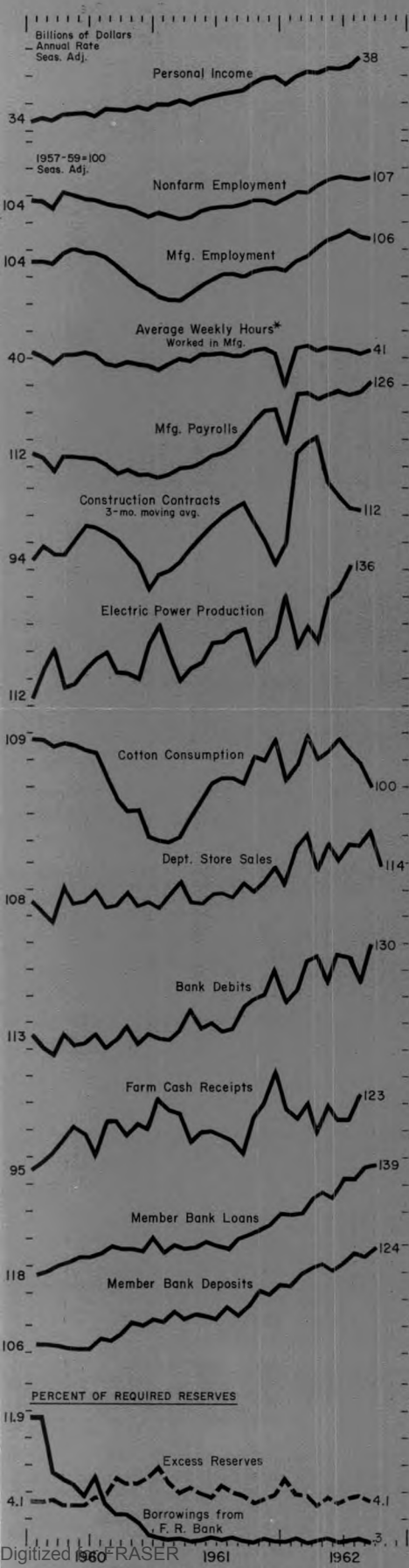
Member Bank Loans*	Sept. 141	139	136	128
Member Bank Deposits*	Sept. 125	123	122	115
Bank Debits**	Sept. 139	126r	130r	125

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

Daily average basis. *Figures for personal income and manufacturing payrolls reflect revisions of current monthly estimates to 1961 U.S. Dept. of Commerce benchmarks.

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



The District's economy continues to amble along amidst oft-repeated claims that its behavior lacks strength and decisiveness. It is true that total economic activity has not exhibited great forward momentum in recent months. Yet, month after month, the pattern of mixed economic changes has added up to a gradual overall expansion or, at least, a sustained high level of activity. Total employment has held relatively steady since mid-year. Income has advanced slowly. Consumer spending has helped sustain economic activity. Bank loans and investments have risen almost continuously.

In September, total nonfarm employment rose slightly and more than regained the minor loss of the preceding month. This gain was attributed to a rise in nonmanufacturing employment. Manufacturing employment remained unchanged, following a drop in August. In Florida and Alabama, however, manufacturing employment declined for the second month in a row. Despite these developments, manufacturing payrolls rose to a new high because of an increase in the average work week. This rise in the number of hours worked reversed the downward drift of the last three months.

In the mixed picture of change, recent developments in textile and construction activity would have to be counted on the minus side of the overall economic balance sheet. Cotton consumption, an important measure of activity in the textile industry, dropped sharply in September, continuing a decline begun in July. Construction contracts dropped further. Construction employment, however, remained unchanged because increases in Florida and Mississippi offset declines in Georgia and Louisiana. In contrast with recent developments in textiles and construction, petroleum and steel production both increased in September.

Recent changes in income and consumer spending should probably be counted on the plus side. Personal income rose further in August with all District states registering gains. Expansion in total employment and manufacturing payrolls in September suggests a further rise in total income. This slow but rather steady growth in income since last spring has undoubtedly helped sustain the high but unspectacular level of consumer expenditures. In September, department store sales rose slightly to their highest level since last March, but dropped sharply in the first three weeks of October. Spending at furniture stores turned up moderately in September, but sales remained below the volume of early and mid-1962. More comprehensive measures of total spending at retail stores indicate that it has fluctuated within a fairly narrow range for several months.

Developments in agriculture are acting as a moderate stimulant to the economy. Farmers are experiencing more bountiful harvests and larger gross revenues than they did a year ago. Also, in August, cash receipts from farm marketings were up in every District state except Florida. Farmers received higher prices for most products in September. In that month, farm employment also expanded because of gains in Louisiana, Mississippi, Florida, and Tennessee.

Bank loans and investments continue to expand. Loan changes in October at weekly reporting banks in the District suggest a loan-performance similar to that in September. In that month, total loans at member banks rose somewhat further as gains were made by banks in the District's leading cities and in its smaller cities and towns. Investments at member banks also increased in September mainly because of a rise at banks outside leading cities. During the eighteen months ending last September, total loans and investments at member banks expanded by more than \$1 billion.

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