Monthly Review

Atlanta, Georgia
March • 1963

Also in this issue:

Federal Reserve Bank of Atlanta

Monetary Stimulus: Hesitant or Aggressive?

A Review of Federal Reserve Policy in 1962

In 1932, R. G. Hawtrey's book entitled *The Art of Central Banking* was published. Would this gifted British monetary theorist use the same title if he wrote on this subject today? We can only speculate, but it would not surprise us if he did.

This is not to say that the practitioners of central banking, who in this country are those who make Federal Reserve policy, have made no progress in their chosen medium for these many years. On the contrary, there have been many advances. Economic theorists have made great contributions to knowledge. Statisticians have developed new techniques that permit refinements in analyzing economic data. Experience has been an invaluable teacher.

Yet, for all this wealth of knowledge, central banking remains an art. The central banker still must apply principles and theory to an economic setting that is not measurable in a scientific sense. He cannot ignore national economic policy, even though he is removed from political influence. His tools are often inadequate for the job he has to do. Struggling with conflicting objectives is all too common. What is more, he is continually deluged by contrary opinions on how monetary techniques work and how to use the ones he has.

A Year of Problems

The year 1962 illustrates these difficulties well. The domestic business picture and the balance of payments situation provided the Federal Reserve System formidable problems with which to grapple. Unemployment stayed uncomfortably high, and factory resources continued to be underutilized. Another year of balance of payments deficits and gold losses complicated matters further. Policies had to be tailored to deal with these complexities.

Unfortunately, there are no simple solutions to problems of sluggish economic growth and unemployment, nor can monetary policy resolve them single-handedly. Many believe, for example, that a tax cut is necessary to give the economy a real lift. Others place their hope in education, retraining, investment incentives, or government spending. However, it cannot be denied that more money and credit can help boost domestic activity. The Federal Reserve, operating in this area, can increase bank reserves and, thereby, enable banks to augment their lending and investing. Such a policy indirectly encourages spending.

In the international sphere, few believe that any simple action can correct the payments deficit. Here, too, there is a general feeling that basic solutions lie outside the monetary field. According to many observers, more competitive prices would help bring the payments into balance, as would lower tariffs against American goods and the assumption of more of the foreign aid burden by other countries. Monetary policy, nevertheless, has a role in this area. For example, it can support confidence in the dollar—the world's key currency. This, together with spurring domestic business, was an important goal of the Federal Reserve in 1962.

The System Acts

To stimulate the domestic economy, the System provided reserves rather freely this past year. Relying chiefly on the purchase of U. S. Government securities to expand reserves, the System enlarged its security portfolio $1.9 billion in 1962. And, with these additional reserves, banks were in a favorable position to expand credit.

Total bank reserves expanded as a result of still another policy move. In the fall of 1962, the Board of Governors reduced from 5 to 4 percent the reserves that members must maintain against savings and time deposits. This action was taken at a time when banks normally experience strong seasonal demands for funds, and by this stroke, banks gained about $780 million, which greatly enhanced their lending capacity. In its official announcement, the Board added that this new policy would help meet the longer-term growth in bank deposits needed to accommodate a rise in economic activity.

Combined with open market operations, this measure supplied banks with far more reserves than were lost for various reasons. A further outflow of gold and greater use of currency, for instance, absorbed reserves, but far less than the System supplied. Total reserves in the banking system, after adjustment for reserve requirement changes, rose about $700 million over the year.

Credit and Money Growth

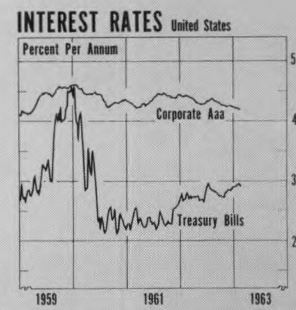
No one can say for sure just how stimulating this reserve growth has been to the economy at large. However, we know for certain that it encouraged the spectacular increase in bank credit that occurred last year. Banks expanded their loans and investments by a record $19 billion. As a result, they supplied a substantial part of the financing needs of this country—about 31 percent of the total net volume of funds raised in credit and equity markets.

Even though banks increased their total lending at an extraordinarily fast pace, business loans expanded less rapidly than in previous postwar business recoveries. Slower business loan demand in 1961-62 can be traced partly to modest business expansion. Another influence was the considerable reliance corporations placed on other outside financing sources and on internal funds. After mid-1962, however, business borrowing from banks made rapid strides.

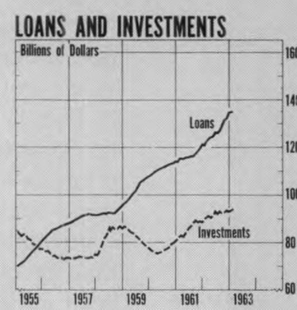
Last year's record-breaking increase in time and savings deposits had dramatic repercussions on bank lending. Banks put much of this inflow of funds into mortgages and municipal bonds. Their purchases of "other securities," which are chiefly state and local issues, totaled a record $5.3 billion.

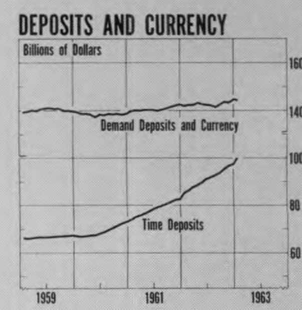
The primary factor in time deposit growth was the increase in rates that banks paid on these deposits. The majority of banks raised their rates promptly after the Federal Reserve and Federal Deposit Insurance Corporation at the start of 1962 raised the permissible ceiling on rates payable on savings deposits.

During 1962, the Federal Reserve stimulated domestic business by taking steps to make credit readily available at a lower cost.

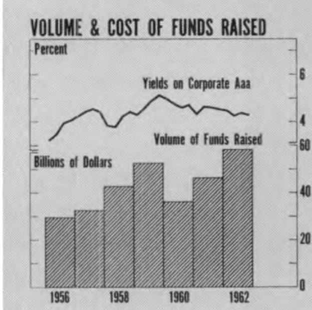


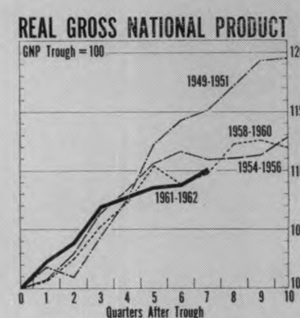
Encouraged by the System's policy of increasing member bank reserves, banks expanded their loans and investments by a record volume. A sharp increase in time and savings deposits also increased their ability to extend credit.



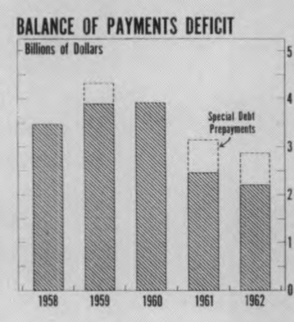


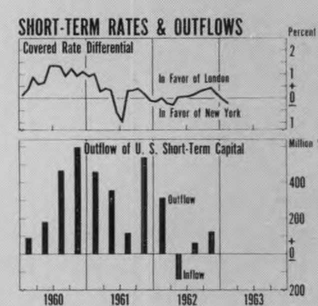
The high rate of financing by commercial banks and other institutions led to a record-breaking volume of funds financed at lower cost. Although the economy was stimulated by credit ease, it expanded at a slower pace than in other periods of business expansion.





The System paid close attention to capital outflows, which were one of several elements contributing to the balance of payments deficit. Influenced in part by interest rates, capital outflows were moderated by System operations that held up short-term rates.





But, the increase in time deposit rates did more than attract savings. It caused some investors to transfer their money from demand to time deposits. And, it induced some shifting from lower-earning, short-term investments to time deposits.

Those who view the growth in the money supply as the System's contribution to economic stimulus—because the money supply is related to economic activity—must look, therefore, beyond the increase in demand deposits and currency. The money supply, consisting of demand deposits and currency, did not increase much—about 1½ percent in 1962. But, when some portion of time deposits is added to this figure, as it properly should be, the ensuing money-supply increase becomes more striking.

It is no wonder that credit conditions eased, since money and credit were plentiful. Competition to gain lending outlets caused banks to ease up on terms, although this pressure was not so large as to bring down the so-called prime rate. Banks in general were aggressive lenders. And, despite the record increase in lending, they did not have to reduce their investment portfolio in view of the large inflow of funds. This contrasts with other postwar business upswings, when banks increased loans at the expense of liquidating investments.

While the cost of borrowing money from banks changed little, most other interest rates fell noticeably. Borrowing costs in long-term markets fell to their lowest level since 1958. Those for residential housing also drifted downward, but remained higher than during most of the postwar period.

For long-term rates to decline in a period of economic expansion was extraordinary. This drop was partly a byproduct of System policy measures aimed at enlarging credit supplies. Other contributing factors, however, were time deposit growth at commercial banks and the rapid stream of funds flowing into savings institutions. These savings, in turn, helped make 1962 a record year for total (private and Government) financing. The remarkable thing about this rise was that it was accomplished, as already noted, with falling, rather than rising, interest rates. Benefits were especially notable in sustaining construction and capital spending, where credit conditions are such important influences.

What Might Have Been

We have seen that credit has been stimulating. Yet, the economy did not climb to dizzy heights. Was this because there was not enough monetary stimulus? Would economic expansion have been more vigorous if credit conditions had been easier? No one, of course, knows what might have been. But, would business conditions have really been much different if the System had supplied a little more in the way of reserves? Probably not.

The facts are that credit and money have been plentiful, and the record-breaking volume of financing suggests that the credit ease was quite effective.

The payments position—like the domestic economy—brought its share of disappointments, although monetary policy by no means stood idly by. The Federal Reserve paid close attention to capital outflows, which along with foreign aid and military spending contributed heavily to the deficit. More specifically, the System took several steps to discourage outflows by holding up short-term rates and, thereby, moderating the incentive of higher short-term rates abroad.

First, the System bought notes and bonds in fairly sizable amounts. Close to 95 percent of the net increase in the System's portfolio in 1962 was in issues maturing in over a year. Second, by lowering reserve requirements instead of buying bills to provide reserves the System helped to maintain short-term rates. Third, the increase in the permissible rates on certain foreign time deposits moderated pressure on the balance of payments position. This action enabled member banks to compete more vigorously to retain foreign deposits that might otherwise have moved abroad.

The Treasury for its part made up most of the shortfall in the budget by selling Treasury bills. By adding to the supply of short-term issues, it helped to hold down prices on such issues and to maintain rates at levels that discouraged an outflow of funds.

Furthermore, the two agencies engaged in foreign exchange operations. By early 1963, the System had concluded swap agreements with ten foreign central banks, and the Treasury borrowed currencies from several foreign central banks. These activities helped avoid serious disruptions in the exchange markets and the speculative outflows of funds that might have accompanied these difficulties.

While these measures helped minimize short-term outflows and helped maintain confidence in the dollar, we still had a $2.2 billion payments deficit in 1962, only slightly smaller than in 1961. Would higher interest rates have brought our payments position into balance or reduced this deficit appreciably?

The answer would depend partly upon the extent to which domestic interest rates had been allowed to increase and partly upon how sensitive the capital flow had been to the higher rates. Capital outflows are, after all, only one of the many elements that affect the payments balance. Likewise, interest rates are only one element affecting these flows. For instance, profitable investment opportunities abroad have encouraged U. S. firms to invest there. And the reason foreign borrowers have come to the American capital market has not necessarily been because interest rates are lower here than in most other places, but because restrictions and other limiting factors abroad make New York the only place where large amounts of capital can be efficiently raised. Thus, it probably would not have mattered very much, in terms of reducing the deficit, if rates had been only slightly higher.

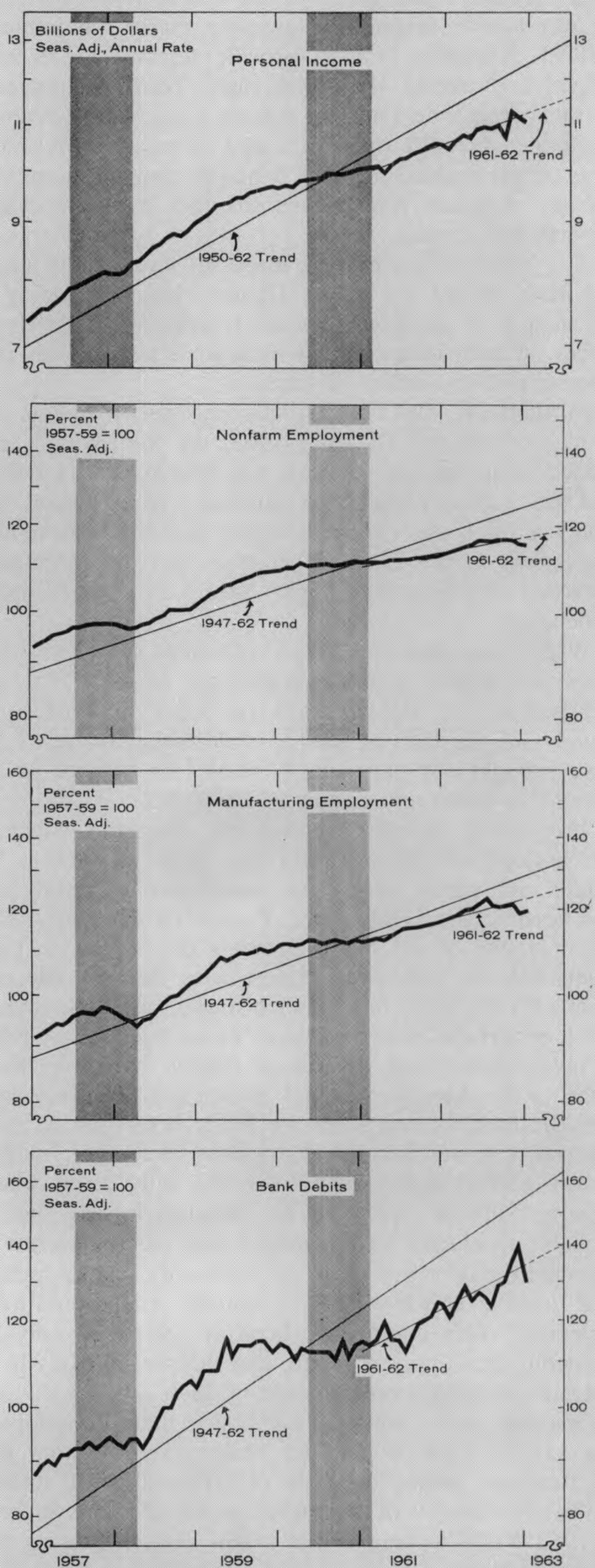
If interest rates had gone up sharply, what would have happened? This could have been accomplished only by restricting the supply of credit, and that would likely have had adverse effects on domestic business.

One will never know if the policy that was adopted was exactly right. But, policy makers keep a wary eye on extremes. Setting a course of action that will master conflicting elements of the kind experienced in this country in 1962 is the technique that makes central banking the art it is today.

HARRY BRANDT

Florida J

ECONOMIC EXPANSION IN FLORIDA has only been interrupted, not reversed, by national recessions, the last two of which are shown by the shaded areas. The current expansion period, however, is producing slower rates of increase (shown by the slope of the shorter straight lines to the right) than the postwar period as a whole (shown by the slope of the long straight lines).



Economic growth—or the lack of it—makes the headlines nowadays. What was once thought of as the dry preoccupation of dull scholars has escaped from its academic hiding place to pursue a gaudy career at the center of national political life. Growth rates of Japan and the Common Market countries are enviously compared with our own. Hands are wrung over the "stagnation" of the U. S. economy. Current arguments in favor of a tax cut are based on the proposition that our tax structure prevents the economy from generating full employment of all our resources, so that there is a gap between its actual and its potential output.

Floridians are also interested in growth, although up to now they have largely taken it for granted. Their problem has been one of keeping up with the flood of new arrivals, providing housing, classrooms, roads, and so on. Florida's population increased 79 percent between 1950 and 1960; nonagricultural employment went up 88 percent in the same period; and personal income rose 146 percent. Certainly there was no hint of stagnation in these figures.

Along with the rest of the nation's citizens, Floridians looked to the future with great confidence in 1960. Yet the new decade, which was labeled "the soaring sixties," failed to soar. Not only that, it gave the country a new recession before it was six months old. Florida shared in this recession and in the expansion that has followed it. The recession was mild, and it was even milder in Florida than in the nation (see *Monthly Review* for March 1962). Unfortunately, the succeeding expansion period has also been mild; and Florida's economy has shown very little more zip and bounce than the nation's, if any at all. Florida has joined the "growth" club.

This is an unusual phenomenon in postwar history. In all three of the previous expansion periods—those following the recessions of 1948-49, 1953-54, and 1957-58—Florida "recovered" much more rapidly than did the country as a whole. In fact, it would be more correct to say that the three postwar recessions only interrupted a steep upward climb. This can be seen in the panel to the left, in which four strategic economic indicators are charted: personal income, total nonfarm employment, manufacturing employment, and debits to individual bank accounts. In each case, the two most recent recessions, represented by the shaded areas, did no more than halt the rise temporarily.

Also shown in the charts to the left are trend lines for each indicator, which are computed for the postwar period 1947-62. These are the straight lines running from the lower left-hand corner to the upper right. One thing that strikes the eye immediately is that every indicator fell below its postwar trend line during the 1960-61 recession and has remained below it ever since. It is even more striking, however, that for each indicator, the rate of increase in the 1961-63 expansion period (shown by the slope of the shorter line that begins at the end of the last recession) is lower than the long-term growth rate, so that the indicators have been falling farther below the postwar trend all the time. As a matter of fact, the rate of increase in the current expansion is the slowest in the entire postwar period. For example, in the period between the 1953-54 and 1957-58 recessions, personal income in Florida

Economic Expansion in Florida
Annual Rates of Change

	Recovery Periods				Postwar Period
	1949-53	1954-57	1958-60	1961-62	1947-62
Nonfarm Employment	6.9	10.0	7.0	3.3	6.0
Manufacturing Employment	8.4	9.4	9.5	4.6	6.5
Personal Income	11.7	14.2	8.8	6.6	10.0*
Bank Debits	14.9	19.5	10.6	9.2	12.2

*1950-62

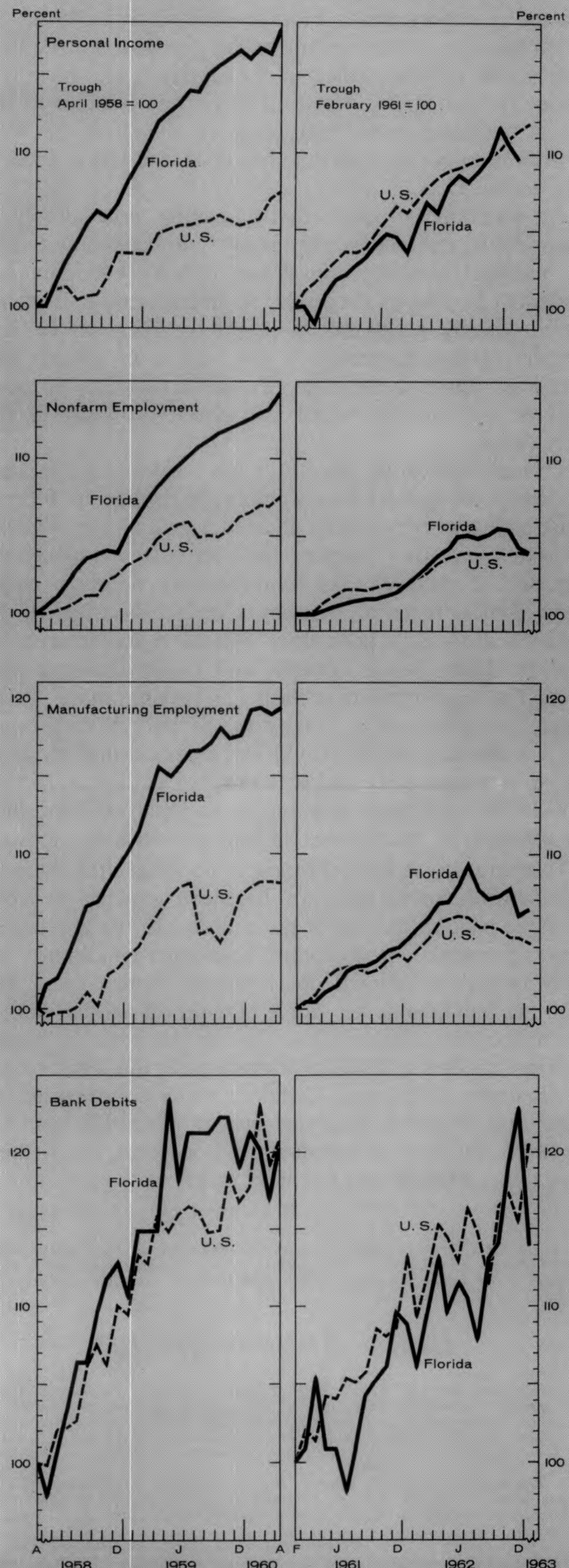
increased at a rate of 14.2 percent per year. At this rate, personal income would double in 5.22 years. In the most recent expansion period, personal income has increased at a rate of 6.6 percent per year. At this rate it would take 10.85 years to double.

How does this performance compare with that of the entire nation? Even though Florida is not growing as rapidly as it did in earlier periods, neither is the whole country; Florida might still be at the head of the pack. In fact, however, this is not so. In the panel to the right, our same four indicators are used to compare Florida's performance with that of the nation's. The charts in the right-hand portion of the panel show comparisons for the most recent expansion period; those in the left show comparisons for the 1958-60 expansion. In each case, the value of the indicator at the trough of each national recession is set equal to 100 percent, and later data are expressed as a percentage of that value.

It is immediately obvious that Florida's performance, relative to that of the U. S., is not as good now as it once was. Even though both total and manufacturing employment have grown faster in Florida than in the nation, the margin of difference is much smaller than in the previous period. Until very recent months, bank debits and personal income had advanced more *slowly* than in the entire country. Comparisons with earlier postwar expansions would also show a lag in these indicators relative to their national counterparts.

The relative sluggishness of the recent expansion period in Florida may simply be due to this: Florida's economy is growing to be more like the nation's. In the early postwar period, tourism was the single most important economic activity in the state; and the apparently insatiable appetite of Americans for travel and recreation kept the Florida economy moving upward at a dizzy pace. In later years, however, economic activity designed to satisfy the wants of the rapidly growing permanent population became increasingly important. As Florida changed from, predominantly, a resort area to an urbanized mass market, her economic structure came to resemble the nation's more closely. For example, although manufacturing is still not as important in Florida as in the U. S., manu-

EXPANSION following previous recessions was more rapid in Florida than in the U. S. The current expansion, however, is proceeding at about the same pace in the two areas.



facturing wages and salaries have increased greatly as a percentage of personal income in Florida since 1950, while decreasing in importance nationally. Thus, the two areas have become more similar. Construction has decreased in importance in Florida while rising in the U. S., which has also tended to bridge the gap between the two. Wages and salaries earned in the service trades have traditionally been quite important in Florida because of the tourist business; since 1950, however, the share that they contribute to personal income has increased less in Florida than in the U. S.

An economic structure that has come more closely to resemble the national average is likely to behave more like the national economy. Since the nation's economy has tended to be sluggish recently, so has Florida's. Even an extraordinarily good tourist season is likely to be less stimulating than formerly. A given influx of tourists will have less impact on the large, diversified economy of today than on the smaller, more specialized economy of the early fifties.

This diversification may also have increased Florida's sensitivity to cyclical forces. Once, a decline in Florida construction activity chiefly affected manufacturers outside the state, since they supplied the bulk of the construction materials. Today, Florida manufacturers supply a larger share of these materials, so they, too, feel the effect. If the tourist season is a poor one, Florida manufacturers of food products, beach apparel, and beach furniture lose sales. The tourist business itself has become more democratic and caters more heavily to the budget vacationer; but a national recession could easily knock that vacation out of many people's budgets. Finally, to the extent that Florida manufacturers now supply national markets, they are affected by fluctuations in national business activity.

Temporarily, at least, Florida is no longer the nation's *Wunderkind,* for its economy has been growing at about the same pace as the rest of the country. In the absence of some spectacular new boom, economic conditions are likely to follow national developments more closely. On the other hand, some new force may set off another boom. The major expansion at Cape Canaveral has barely begun. Perhaps missiles will do for Florida what the airplane did for Southern California. Certainly there is no reason to think that Florida's long-run growth potential has disappeared. So long as sunshine and seacoast retain their attractions, Florida will continue to grow.

LAWRENCE F. MANSFIELD

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

Bank Announcements

On January 23, the North Hialeah Bank, Hialeah, Florida, a newly organized nonmember bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include Charles E. Buker, President; Robert E. Hesterberg, Senior Vice President; Stewart I. Price, Vice President; and Henry A. Freeman, Vice President and Cashier.

The Bank of Columbia County, Harlem, Georgia, a nonmember bank, was added to the Par List on February 1. Officers are E. D. Clary, Jr., President; Virginia S. Clary, Vice President; and Henry E. L. Miller, Cashier.

On February 11, the Metropolitan State Bank, Augusta, Georgia, a newly organized nonmember bank, opened for business and began to remit at par. Officers include Chris G. Antonakos, President; J. Dan Smith, Vice President; and John C. Jordan, Cashier. Capital totals $200,000, and surplus and undivided profits, $100,000.

Debits to Individual Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

				Percent Change		
				Jan. 1963 from		Year-to-date 1963 from
	Jan. 1963	Dec. 1962	Jan. 1962	Dec. 1962	Jan. 1962	1962
ALABAMA, Total†	2,822,883	2,621,879	2,548,612	+8	+11	+11
Anniston	48,927	47,186	44,992	+4	+9	+9
Birmingham	1,026,845	950,756	959,377	+8	+7	+7
Dothan	44,489	45,102	40,566	—1	+10	+10
Gadsden	42,598	40,075	39,173	+6	+9	+9
Huntsville*	102,663	95,094	84,617	+8	+21	+21
Mobile	364,268	335,932	313,723	+8	+16	+16
Montgomery	214,366	202,758	186,415	+6	+15	+15
Selma*	30,567	30,023	27,980	+2	+9	+9
Tuscaloosa*	74,807	63,370	63,065	+18	+19	+19
FLORIDA, Total†	7,275,787	6,553,864	6,439,990	+11	+13	+13
Bartow*	30,985	24,908	n.a.	+24	n.a.	n.a.
Bradenton*	55,316	50,675	n.a.	+9	n.a.	n.a.
Brevard County*	121,860	113,043	n.a.	+8	n.a.	n.a.
Clearwater*	101,137	85,926	n.a.	+18	n.a.	n.a.
Daytona Beach*	74,977	59,744	71,411	+25	+5	+5
Delray Beach*	28,420	20,977	n.a.	+35	n.a.	n.a.
Ft. Lauderdale*	268,590	234,865	268,738	+14	—0	—0
Ft. Myers-North Ft. Myers*	68,670	58,195	n.a.	+18	n.a.	n.a.
Gainesville*	56,180	54,966	52,156	+2	+8	+8
Jacksonville	971,285	904,428	1,041,540	+7	—7	—7
Key West*	21,151	18,960	22,967	+12	—8	—8
Lakeland*	106,688	92,968	100,554	+15	+6	+6
Miami	1,134,080	1,094,653	1,141,552	+4	—1	—1
Greater Miami*	1,711,371	1,555,051	1,722,137	+10	—0	—0
Ocala*	53,165	45,510	n.a.	+17	n.a.	n.a.
Orlando	335,471	304,898	317,155	+10	+6	+6
Pensacola	100,655	95,414	88,369	+5	+14	+14
St. Augustine*	18,072	17,263	n.a.	+5	n.a.	n.a.
St. Petersburg	268,258	227,658	289,022	+18	—7	—7
Sarasota*	104,028	87,438	n.a.	+19	n.a.	n.a.
Tallahassee*	81,171	75,824	78,101	+7	+4	+4
Tampa	544,554	518,145	518,018	+5	+5	+5
W. Palm-Palm Bch.*	207,458	161,070	200,677	+29	+3	+3
Winter Haven*	60,862	44,486	n.a.	+37	n.a.	n.a.
GEORGIA, Total†	5,146,801	4,879,666	4,448,688	+6	+16	+16
Albany	67,255	62,780	64,027	+7	+5	+5
Athens*	50,609	46,404	50,117	+9	+1	+1
Atlanta	2,872,492	2,716,551	2,451,409	+6	+17	+17
Augusta	137,576	131,994	131,110	+4	+5	+5
Brunswick	35,019	35,532	32,140	—1	+9	+9
Columbus	132,281	125,995	132,176	+5	+0	+0
Dalton*	60,609	61,449	n.a.	—1	n.a.	n.a.
Elberton	11,232	9,615	8,424	+17	+33	+33
Gainesville*	60,535	53,714	50,035	+13	+21	+21
Griffin*	24,661	25,205	21,850	—2	+13	+13
LaGrange*	18,127	17,160	19,135	+6	—5	—5
Macon	157,057	145,367	145,329	+8	+8	+8
Marietta*	44,412	42,527	36,839	+4	+21	+21
Newnan	24,219	25,051	24,198	—3	+0	+0
Rome*	53,440	53,376	51,794	+0	+3	+3
Savannah	200,047	192,171	189,626	+4	+5	+5
Valdosta	39,772	36,053	39,877	+10	—0	—0
LOUISIANA, Total†**	2,989,958	2,794,374r	2,640,172	+7	+13	+13
Abbeville*	10,345	8,757	n.a.	+18	n.a.	n.a.
Alexandria*	91,633	82,186	84,700	+11	+8	+8
Baton Rouge	349,278	313,626	306,481	+11	+14	+14
Bunkie*	5,466	4,567	n.a.	+20	n.a.	n.a.
Hammond*	27,517	24,423	n.a.	+27	n.a.	n.a.
Lafayette*	82,882	75,237	75,962	+10	+9	+9
Lake Charles	102,455	87,680	99,984	+17	+2	+2
New Iberia*	29,838	28,537r	n.a.	+8	n.a.	n.a.
New Orleans	1,563,422	1,490,239	1,458,145	+5	+7	+7
Plaquemine*	7,749	7,212	n.a.	+7	n.a.	n.a.
Thibodaux*	22,369	20,582	n.a.	+9	n.a.	n.a.
MISSISSIPPI, Total†**	949,318	883,344	807,022	+8	+18	+18
Biloxi-Gulfport*	66,115	61,132	58,598	+8	+13	+13
Hattiesburg	41,512	39,365	40,555	+5	+2	+2
Jackson	389,042	365,729	366,016	+6	+6	+6
Laurel*	30,674	27,871	27,586	+10	+11	+11
Meridian	56,891	47,786	49,720	+19	+14	+14
Natchez*	27,834	26,532	24,192	+5	+15	+15
Pascagoula-Moss Point*	36,519	35,939	n.a.	+2	n.a.	n.a.
Vicksburg	26,493	25,082	24,281	+6	+9	+9
Yazoo City*	20,293	17,414	n.a.	+17	n.a.	n.a.
TENNESSEE, Total†**	2,665,634	2,435,386	2,470,079	+9	+8	+8
Bristol*	57,269	56,609	54,482	+1	+5	+5
Chattanooga	462,658	363,311	430,255	+27	+8	+8
Johnson City*	52,643	51,194	46,312	+3	+14	+14
Kingsport*	92,494	89,513	94,933	+3	—3	—3
Knoxville	291,335	288,210	275,740	+1	+6	+6
Nashville	920,618	866,290	837,724	+6	+10	+10
SIXTH DISTRICT, Total	21,850,381	20,168,513	19,354,563	+8	+13	+13
Total, 32 Cities	12,976,450	12,135,432	12,087,119	+7	+7	+7
UNITED STATES 344 Cities	325,900,000	320,900,000	294,600,000	+2	+11	+11

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

**Includes only banks in the Sixth District portion of the state. r Revised.

Sixth District Statistics

Seasonally Adjusted

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

SIXTH DISTRICT

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	38,244	38,050r	38,466r	36,902
Farm Cash Receipts	Dec.	114	94	111	132
Crops	Dec.	114	86	108	146
Livestock	Dec.	115	115	120	109
Department Store Sales*/**	Feb.	124p	122	122	118
Department Store Stocks*	Jan.	129p	130	123	113
Instalment Credit at Banks,* (Mil. $)					
New Loans	Jan.	148	171	144	121
Repayments	Jan.	141	150	132	126
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	107	106	107	105
Manufacturing	Jan.	105	105	106	103
Apparel	Jan.	120	119	118	113
Chemicals	Jan.	101	101	102	100
Fabricated Metals	Jan.	106	105	106	104
Food	Jan.	105	105	105	105
Lbr., Wood Prod., Furn. & Fix.	Jan.	94	95	97	94
Paper	Jan.	105	104	104	101
Primary Metals	Jan.	90	91	91	91
Textiles	Jan.	93	94	94	96
Transportation Equipment	Jan.	112	109	110	98
Nonmanufacturing	Jan.	107	106	107	105
Construction	Jan.	91	94	94	89
Farm Employment	Jan.	89	90	85	89
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	4.7	4.5	4.6	5.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	40.1	40.0r	40.9	37.4
Manufacturing Payrolls	Jan.	126	124	126	114
Construction Contracts*	Dec.	128	128	108	92
Residential	Dec.	109	107	128	103
All Other	Dec.	144	146	92	83
Electric Power Production**	Dec.	135	129	130	122
Cotton Consumption**	Jan.	91	93	99	101
Petrol. Prod. in Coastal La. and Miss.**	Jan.	150	160	155r	142
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Jan.	146	145	143	129
Leading Cities	Feb.	139	141	137	125
Member Bank Deposits*					
All Banks	Jan.	126	126	125	117
Leading Cities	Feb.	122	120	120	115
Bank Debits*/**	Jan.	128	135	132	118

ALABAMA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	5,222	5,120r	5,202r	5,071
Farm Cash Receipts	Dec.	128	97	110	137
Department Store Sales**	Jan.	106p	111	113	101
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	103	102	103	102
Manufacturing	Jan.	97	97	98	95
Nonmanufacturing	Jan.	105	104	105	105
Construction	Jan.	86	86	86	90
Farm Employment	Jan.	85	86	76	88
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	5.3	5.1	5.2	5.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	39.8	40.0r	40.6	35.9
Manufacturing Payrolls	Jan.	114	113r	116	102
FINANCE AND BANKING					
Member Bank Loans	Jan.	149	146	142	132
Member Bank Deposits	Jan.	128	126	124	116
Bank Debits**	Jan.	126	131	127	113

FLORIDA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	11,038	11,119r	11,241r	10,532
Farm Cash Receipts	Dec.	102	89	123	112
Department Store Sales**	Jan.	147p	147	153	131
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	113	114	115	111
Manufacturing	Jan.	119	119	122	117
Nonmanufacturing	Jan.	112	113	114	110
Construction	Jan.	84	93	95	90
Farm Employment	Jan.	125	138	124	130
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	4.0	3.8	3.9	4.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.0	40.7	40.9	40.8
Manufacturing Payrolls	Jan.	153	151r	153	146
FINANCE AND BANKING					
Member Bank Loans	Jan.	142	140	140	124
Member Bank Deposits	Jan.	126	125	127	117
Bank Debits**	Jan.	130	140	136	124

GEORGIA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	7,230	7,233r	7,207r	6,821
Farm Cash Receipts	Dec.	109	101	107	130
Department Store Sales**	Jan.	120p	115	116	107
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	109	108	108	105
Manufacturing	Jan.	104	104	104	101
Nonmanufacturing	Jan.	111	109	110	106
Construction	Jan.	114	111	111	97
Farm Employment	Jan.	75	79	75	79
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	3.7	3.4	3.6	4.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	40.0	39.7r	40.8	37.9
Manufacturing Payrolls	Jan.	126	124	126	113
FINANCE AND BANKING					
Member Bank Loans	Jan.	151	152	149	133
Member Bank Deposits	Jan.	130	132	130	122
Bank Debits**	Jan.	135	140	137	122

LOUISIANA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	5,692	5,644r	5,667r	5,547
Farm Cash Receipts	Dec.	105	94	107	126
Department Store Sales*/**	Jan.	107p	107	107	98
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	98	98	98	98
Manufacturing	Jan.	96	95	96	93
Nonmanufacturing	Jan.	98	98	98	100
Construction	Jan.	73	74	74	75
Farm Employment	Jan.	91	92	85	89
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	5.3	4.9	5.0	5.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.5	42.6r	42.8	38.3
Manufacturing Payrolls	Jan.	114	114	115	103
FINANCE AND BANKING					
Member Bank Loans*	Jan.	139	135	134	126
Member Bank Deposits*	Jan.	115	118	116	110
Bank Debits*/**	Jan.	116	120	120	106

MISSISSIPPI

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	2,924	2,779	2,929r	2,858
Farm Cash Receipts	Dec.	132	95	120	158
Department Store Sales*/**	Jan.	103	103	108	95
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	112	109	110	107
Manufacturing	Jan.	114	115	114	108
Nonmanufacturing	Jan.	111	107	108	107
Construction	Jan.	104	106	106	89
Farm Employment	Jan.	80	75	87	82
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	5.4	4.7	5.0	6.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	40.2	39.9r	40.5	34.1
Manufacturing Payrolls	Jan.	130	128	129	103
FINANCE AND BANKING					
Member Bank Loans*	Jan.	159	162	161	146
Member Bank Deposits*	Jan.	136	138	138	124
Bank Debits*/**	Jan.	135	135	141	124

TENNESSEE

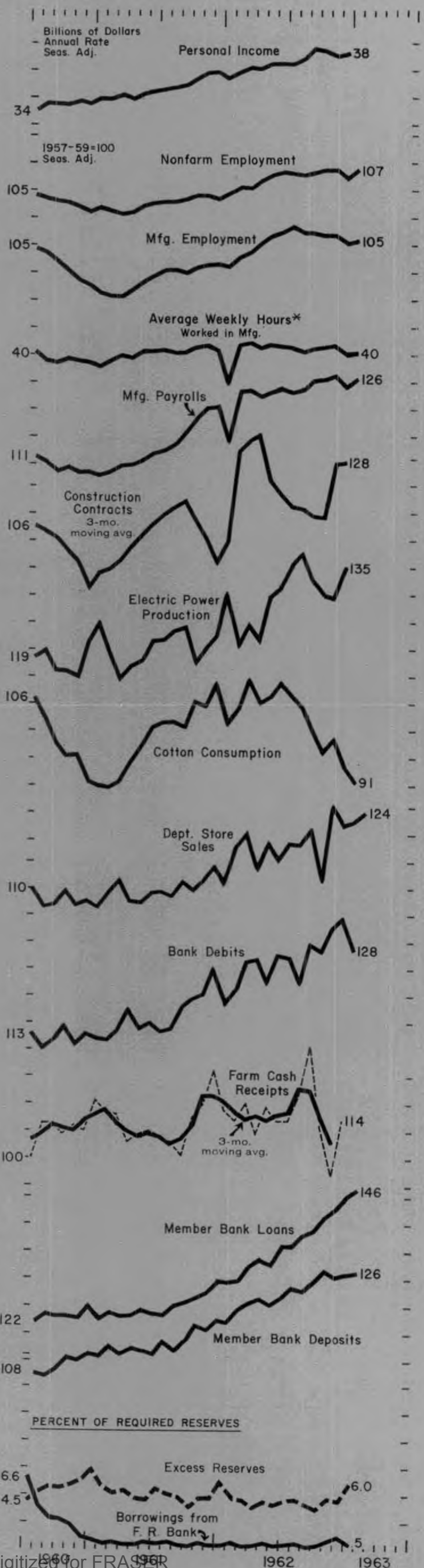
	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Dec.	6,138	6,155r	6,220r	6,073
Farm Cash Receipts	Dec.	106	87	104	127
Department Store Sales*/**	Jan.	107	110	114	106
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	105	104	105	103
Manufacturing	Jan.	106	106r	106	105
Nonmanufacturing	Jan.	104	103	104	102
Construction	Jan.	111	109	111	102
Farm Employment	Jan.	88	89	83	83
Insured Unemployment, (Percent of Cov. Emp.)	Jan.	6.0	5.6	5.7	5.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	40.7	40.2r	41.0	38.0
Manufacturing Payrolls	Jan.	124	122r	124	115
FINANCE AND BANKING					
Member Bank Loans*	Jan.	148	149	143	130
Member Bank Deposits*	Jan.	129	127	125	119
Bank Debits*/**	Jan.	128	135	130	118

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

**Daily average basis. p Preliminary. r Revised.

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



* Seas. adj. figure, not on index.

Total economic activity continues at a high level. For many months now, observers of the business scene have been searching for clear signs to the economic road ahead. Such signs are not to be found in the batch of statistics turned up in recent weeks. In some areas, bad weather and strikes have added to the usual problems of interpreting small changes in key economic indicators. Weather and strikes aside, however, total employment has changed little in recent months. Income continues its slow rise. Consumer expenditures, spurred by spending for new cars, are holding at an advanced level. Farm activity is in a slow phase at present. Bank loans continue to rise.

✓ ✓ ✓

In January, total nonfarm employment rose in all states except Florida and regained the work loss due to December's bad weather. The continued employment decline in Florida and the small gains in Louisiana and Alabama may be explained in part by the dock strike that affected Gulf ports from December 23 to January 27. The modest rebound in employment was accompanied by mixed movements in strategic measures of output.

✓ ✓ ✓

While weather and strikes have clouded recent trends, they do not account for the extended period of sluggishness in employment. Since May 1962, the advance in total employment in the District has been meager. Manufacturing employment, moreover, has generally edged down and the average workweek has changed little. This performance has dampened the increase in manufacturing payrolls and slowed the rate of growth in income. Total personal income, however, probably rose in January, judging from the gain in total employment. Income also expanded in December, although the increase failed to recoup the losses of October and November that were associated, in part, with a change in the harvesting periods for cotton and rice.

✓ ✓ ✓

Personal income has been high enough to permit consumers to play the star role on the economic stage in recent months. Preliminary figures for the first half of February indicate that sales at District department stores continued the improvement noted in January. And, sales at household appliance stores also rose slightly. Retail sales at firms with one-to-ten outlets had advanced sharply in November, mainly because of a spurt in spending for new cars. However, sales changed little in December and January; expenditures for new cars were well-maintained at an advanced level but provided no additional thrust to consumer spending.

✓ ✓ ✓

The excessive cold weather has taken its toll from the farm economy. Successive hard freezes have deadened pastures and reduced feed supplies for livestock over a wide area. Cattle are generally in only fair condition. Milk production in January declined somewhat, and cold weather also slowed egg production and added to the production expenses of broiler growers. Field activity has been at a minimum, and harvesting of the cold-damaged orange crop in Florida has slackened. Farm employment was virtually unchanged in January. Meanwhile, in January, farmers' production costs moved up as their tax bills increased and the prices they paid for labor, feed stuffs, baby chicks, and other operating supplies rose.

✓ ✓ ✓

Neither snow nor rain, nor sleet, nor strikes have halted the advance in bank loans. Member bank loans rose further in January, but the rise was not as steep as in the previous month. Banks in Alabama, Florida, and Louisiana experienced loan gains, while those in the remaining states registered declines. Judging from incomplete data, loans apparently changed little in February. Deposits of District member banks also increased in January, but the rise was not nearly as marked as that of loans.

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