Monthly Review

Atlanta, Georgia
September • 1963

Also in this issue:

INSTALMENT CREDIT EXPANSION SLOWS

SIXTH DISTRICT STATISTICS

DISTRICT BUSINESS CONDITIONS

Federal Reserve Bank of Atlanta

Controlling Reserves

The Heart of Federal Reserve Policy

What the Federal Reserve System can do still mystifies many persons. Does it control credit? Money? Interest rates? Spending? Prices? Actually, the System controls none of these but indirectly influences them all. What it does come close to controlling are the reserves of banks that are members of the Federal Reserve System. Reserves are another name for the deposits that these banks maintain at Federal Reserve Banks and the cash that they hold in their own vaults. When commercial banks extend credit—i.e., make loans and investments—they do so on the basis of bank reserves.

The influence of System policy actions on the economy originates with reserves. A greater volume of reserves, for instance, enables banks to expand credit. Thus, the relationship between reserves and bank credit is close, although changes in one are not always accompanied by corresponding changes in the other.

In comparison with bank credit, other effects of Federal Reserve actions are more difficult to observe. Although changes in bank credit influence spending, they are only one of many elements that do. Changes in spending, in turn, affect production, income, and employment. Hence, the ultimate response of the economy to System actions, which are aimed at expanding employment, encouraging economic growth, and preserving the integrity of the dollar here, as well as abroad, is far removed from the initial effect these actions have on reserves.

Reserves: How the System Influences Them

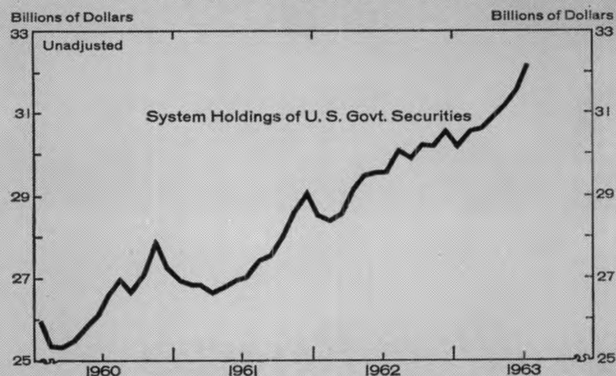
Open market operations are the System's most important tool for changing reserves. When the System buys securities, bankers find their reserves have increased. They know that the System pays for the securities by check, which the seller of the securities deposits with his commercial bank. Upon sending the check to the Reserve Bank, the bank receives credit to its reserve account. Conversely, when the System sells securities, reserves decline.

Reserves can change for reasons other than System actions, however. The public's need for coin and currency, for instance, varies. Fluctuations in the amount of money in circulation have the effect of reducing or increasing bank reserves. Gold movements, changes in U. S. Government deposits, and float (i.e., credit given by the Reserve Banks on uncollected checks) are other major factors supplying or absorbing reserves. The swings in reserves caused by these factors are often quite large; daily increases or decreases of several hundred million dollars are common.

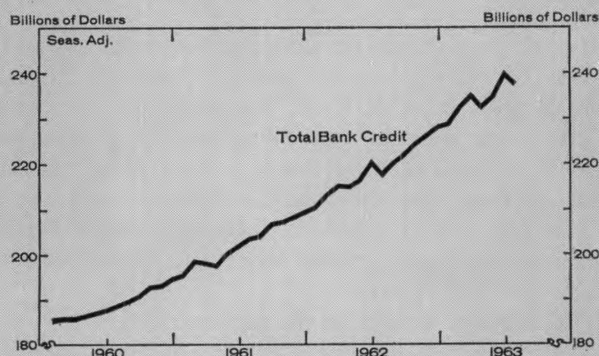
Many such reserve changes can be predicted reasonably well. Currency demand, for example, usually increases before holidays. But, the unexpected will occur. A storm affecting check delivery or an unanticipated Government expenditure, to name only two, often supply or withdraw reserves unexpectedly.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

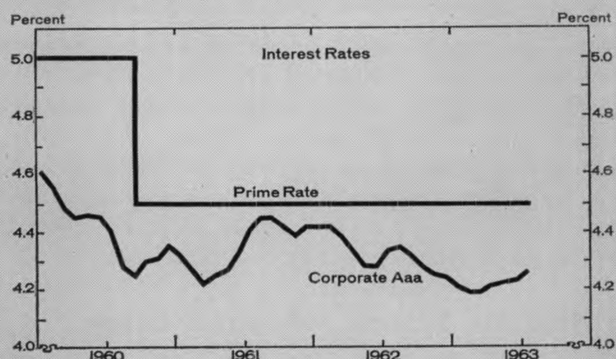
Impact of System Actions



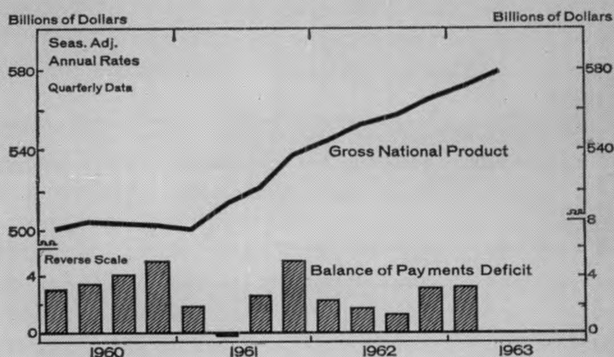
Open market operations, i.e., the buying or selling of U. S. Government securities, are the System's most important tool for changing reserves.



Increases in bank reserves enable banks to expand credit, i.e., loans and investments.



By influencing reserves, principally through open market operations, System actions affect interest rates. They are only one of many influences upon interest rates, however.



System actions are determined after careful consideration of the state of domestic business conditions, measured here by Gross National Product, and the balance of payments situation.

Federal Reserve officials, responsible for the day-to-day conduct of operations, base their decisions in part upon the actual and anticipated movement of reserves. The Federal Open Market Committee, which is responsible for formulating the broad outlines of open market operations, likewise takes account of the reserve position of banks in making its decisions. Whether past, current, and anticipated reserve levels satisfactorily meet the Committee's objectives is given careful examination. When business activity is slack, the Open Market Committee usually decides to expand reserves for the purpose of increasing banks' ability to expand credit. But how great should the reserve expansion be? This decision rests heavily on the volume of reserves banks already have; on the extent to which banks are making use of these reserves; and on the ways banks are putting their funds to work. Anyone trying to keep up with what the System is doing or attempting to interpret Federal Reserve policy must keep a close watch on reserves.

Reserves: Measurements

Following reserve developments is more difficult than one might suspect. No single set of statistics comes close to being a perfect measure. Still, research has produced several new and refined reserve measures in recent years.[1]

The measure that financial writers seem to pay most attention to is free or net borrowed reserves. These figures, for the previous Wednesday and the average for the week ending Wednesday, are published by the Board of Governors each Thursday afternoon. The Board's weekly release "Factors Affecting Bank Reserves and Condition Statement of Federal Reserve Banks" carries this information, as do major newspapers and financial publications.

The concept of free reserves grew out of the legal requirement that member banks set aside, either in Reserve Banks or as cash in vaults, a prescribed percentage of their deposits, i.e., required reserves. Reserves held in addition to those necessary to meet legal requirements are known as excess reserves. Banks' free reserves, consequently, are those remaining after member bank borrowings from the Reserve Bank have been subtracted from excess reserves. By the same token, net borrowed reserves exist when member bank borrowings are greater than excess reserves. Thus, free or net borrowed reserves reveal the combined influence of excess reserves and borrowings.

Excess Reserves

Excess reserves alone can be a useful measure of the reserve position of banks. An increase in excess reserves indicates that the banks' supply of available funds has increased. But, a given volume of excess reserves is not an accurate indication of unused lending power. Certain groups of banks traditionally keep excess reserves, while others do not. Larger banks usually hold their excess reserves at a minimum; whenever possible, they keep their funds fully invested. Small banks, on the other hand, typically hold substantial amounts of excess reserves. It is, therefore, not enough to know the level of excess reserves; one must also know who holds them.

---

[1] Back data and a technical description of some of the newer reserve measures have recently been published in the *Federal Reserve Bulletin*. See "Measures of Member Bank Reserves," July 1963.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

When all or nearly all of the increase in total reserves takes place at banks outside the financial centers, the immediate lending power of all banks does not necessarily increase. On the other hand, banks' lending power is apt to increase even when the total amount of excess reserves remains unchanged if reserves shift from smaller banks to the larger institutions in financial centers. In planning their operations, Federal Reserve officials must take careful account of the distribution of these excess reserves.

Less Member Bank Borrowing

While some banks hold excess reserves, others might be borrowing. An important reason for this situation is that various banks do not manage their reserve positions in the same way. Larger banks tend to watch their daily reserve positions closely, attempting to run neither a deficit nor an excess reserve position. Normally, they will try to avoid having excess reserves altogether or will lend excess reserves (so-called Federal funds) to other banks. And, when pinched for funds, they typically borrow excess reserves from other banks. Large banks, moreover, usually do not borrow from the Federal Reserve Banks when they can borrow Federal funds at a lower rate than the Federal Reserve charges.

Small banks, on the other hand, are handicapped in using the Federal funds market because the amounts they usually need are too small for other banks to supply profitably. Consequently, or at least in the immediate past, small banks normally have not borrowed Federal funds but have looked to the Reserve Banks for funds to cover temporary reserve deficiencies. In appraising the total borrowing volume, especially over short periods, one must look under the surface to determine which group of banks is engaging in this activity.

Equal Free Reserves

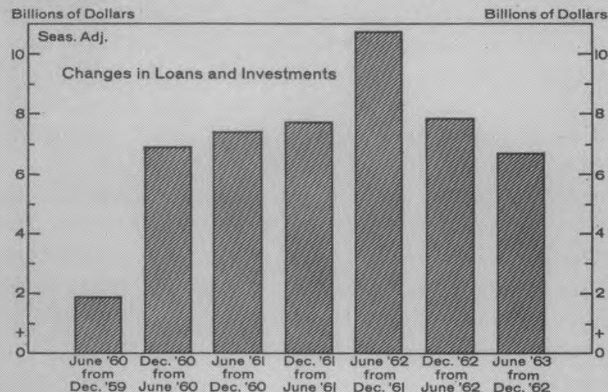
The shortcomings of excess reserves and member bank borrowings as separate indicators of credit availability explain the popularity of free reserves, which combine the effect of the two. When free reserves rise, it means that banks (after due allowance for borrowings) have more excess reserves that can be used to expand credit. Alternatively, a decline in free reserves or an increase in net borrowed reserves suggests that banks' capacity to extend credit has diminished. In fact, when net borrowed reserves exist (i.e., when borrowings are greater than excess reserves), banks, as a whole, are already using borrowed money that they will have to repay.

The level of free reserves is affected by a number of different influences. Open market operations result in higher or lower free reserves, as does an increase or reduction in reserve requirements. Free reserve positions are affected by fluctuations in currency, float, and other operating factors. And, free reserves vary with the amount of outstanding bank credit. As banks extend more credit, for example, the amount of bank deposits and, therefore, the amount of required reserves increases. While individual banks react to a higher level of required reserves in a variety of ways, the immediate result, as far as the banking system as a whole is concerned, is the lowering of excess reserves and a corresponding reduction of free reserves.

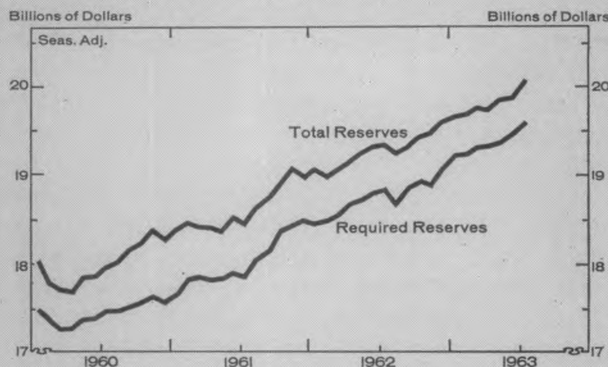
A consideration of free reserves and the variety of in-

Reserve Measures

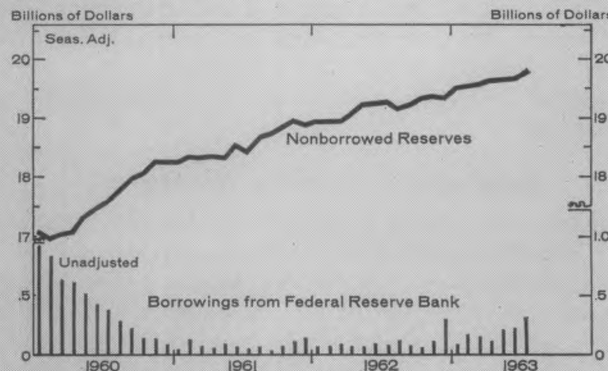
Free reserves, or excess reserves less member bank borrowings, often make the headlines.



Free reserves, however, are usually not too indicative of actual trends in loans and investments.



Total reserves are a useful policy guide. They measure the reserves supplied and used; required reserves measure only the reserves that are used.



In interpreting reserve movements, member bank borrowings must be considered. Nonborrowed reserves exist when member bank borrowings, which need to be repaid quickly, are deducted from total reserves.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

fluences, including changes in bank credit, that affect them suggests they are greatly overrated as a barometer of credit availability. In fact, focusing on free reserves can be misleading. Free reserves, as noted in discussing excess reserves, can change merely because of shifts in reserve distribution. Because larger banks typically avoid holding free reserves, another problem of interpretation is that even when, nationwide, free reserves are small, many banks might have plenty of funds to lend. Of importance is whether banks have greater amounts of short-term securities and other liquid assets than they customarily retain or desire to retain. If they do, they usually seek loans quite aggressively.

Failing as a sure sign of credit availability, free reserves also are faulty as a measure of the intensity of credit demand. Moreover, they are usually not very indicative of actual bank credit trends. When the demand for bank credit is heavy, a given level of free reserves means something quite different than it does when the demand for credit is slack. It is conceivable that a credit expansion could be greater with free reserves of $400 million than with free reserves of $500 million.

Something of this sort actually occurred in the first half of 1962, as the chart reveals. Free reserves were then trending downward from about $500 million to $400 million. Seasonally adjusted bank credit in the same period increased nearly $11 billion, thus outstripping the gain of the preceding six-month period by $3 billion.

Federal Reserve officials have found that this uncertain relationship between a particular level of free reserves and bank credit expansion makes it impractical to rely heavily on this measure as a guide to operations. Furthermore, experience has shown that maintaining the same level of reserves over a prolonged period will not necessarily result in a steady expansion of bank credit. Much will depend upon the strength of credit demands. If credit demands are intense and the System maintains a fixed level of free reserves, it must supply new reserves to match the decline in free reserves. As banks step up their lending and investing, these new reserves supplied by the System disappear. Additional credit demands cause a repetition of this process, resulting finally in a more rapid bank credit expansion than previously, even though the level of free reserves remained unchanged.

In fact, even on a given day or week, when credit demands normally change little, a given level of free reserves may not produce the accustomed monetary conditions. This occurs, for example, when an increase in free reserves is caused by float. Since banks expect to retain these funds only briefly, they have little incentive to expand credit.

Aggregate Reserve Measures

These and other shortcomings of free reserves have stimulated System economists to investigate and develop alternative and supplementary reserve measures. The concept of total reserves is one of the most important of these. Total reserves (the sum of required and excess reserves) is a measure of the reserves actually supplied and used. Since the System can create and destroy reserves and, in the process, offset influences on reserve levels, it has rather close control over the amount of total member bank reserves.

The total reserve concept is thus often considered a better analytical tool than free reserves because it enables the System to take account of demands for bank credit. Movements in total reserves correspond more closely with bank credit changes than do free reserves. Total reserve figures, available daily, may also be averaged to remove the influence of unusual occurrences in a single day's level. Bank credit figures, available for a single day only, cannot be adjusted in this manner.

As a policy guide, total reserves are valuable for still another reason. If expansion in total credit is deemed either too small or too large, policy-makers can step up or reduce the expansion in the reserve base. Figures on total reserves, adjusted for reserve requirement changes, also provide some historical perspective on the influence of monetary policy.

Although the total reserve concept is a highly useful barometer in many ways, it is not without some shortcomings. Its seasonal pattern—fairly easy to detect from month to month—is difficult to isolate for short periods. Reserve figures from day to day are volatile. How the reserves are distributed geographically, a problem noted with excess and free reserves, must be considered. The movement of total reserves does not always mirror unusual day-to-day developments in the New York money market or short-run developments related to U. S. Treasury operations. The total reserve concept, moreover, makes no distinction between reserves that are used and those that are idle. But since separate figures on required reserves are available, these can be compared with total reserves to assess the extent to which banks are using their funds.

As a policy guide, the rate of expansion in total reserves can be deceiving if the public changes its preference for checking to savings accounts. Reserve requirements against time and savings deposits are lower than those against demand deposits. Consequently, when the public's desire to hold savings deposits increases relative to demand deposits, the total reserve growth is less than it would be otherwise. If total reserves are used as an indicator of the deposit preferences of the public, it is necessary to look separately at what is happening to required reserves against time deposits and to required reserves against demand deposits.

One also must take account of the amount of borrowings from the Reserve Banks. Borrowed funds are different from other factors affecting reserves. A reserve expansion resulting from an increase in member bank borrowing cannot exist for long because borrowings are temporary sources of funds. With the help of figures on nonborrowed reserves (total reserves less borrowings), which are now available, one may assess the importance of borrowings in the total reserve picture.

Policy-makers, armed with these refinements, have given careful consideration in recent years to aggregate reserve measures. And, while recent concern with movements in short-term rates, which are not always consistent with reserves, present added complications, controlling reserves still lies at the heart of Federal Reserve policy.

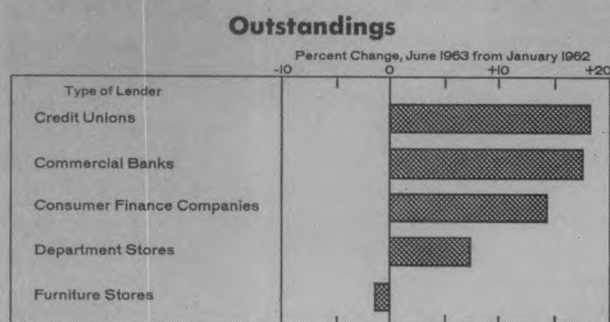
HARRY BRANDT

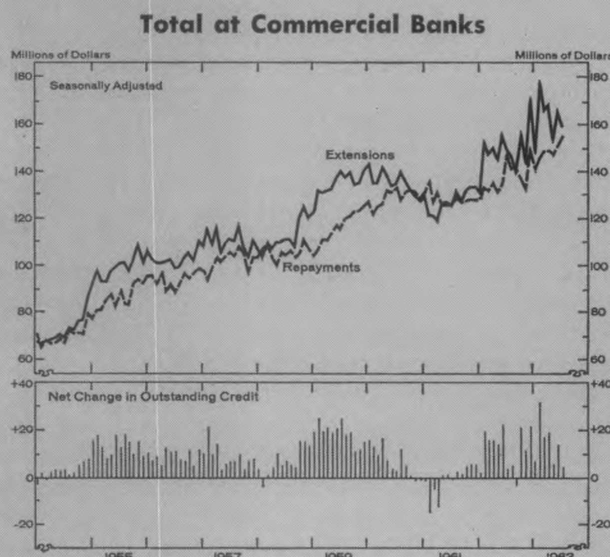
Reprints of this article are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

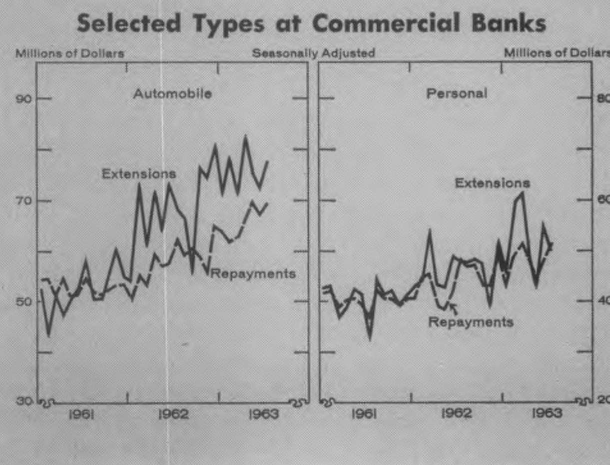
Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Instalment Credit Expansion Slows

CONSUMER INSTALMENT CREDIT, SIXTH DISTRICT







The District's consumers bought fewer goods and services with bank instalment credit in July than in any other month so far this year. At District commercial banks, the major source of instalment credit, seasonally adjusted instalment debt expanded by a little more than $4 million. This net addition to outstanding bank debt was considerably smaller than the average monthly gains of $19 million and $18 million registered in late 1962 and early 1963.

This smaller gain in bank debt, together with a downtrend in the volume of new consumer instalment loans at District banks since February, leads one to ask whether credit use by consumers has reached or passed the critical point at which, as Brer Rabbit said, "Enough is enough and too much is aplenty." This is, of course, one of the questions that may be answered conclusively only in the future. What can be said with certainty is that in the past year and a half consumers have shed their reluctance, so evident in 1961, to on-the-cuff buying and have gone on a mild credit binge. An examination of some of the major influences in the latest expansion may provide a clue to whether the slowdown in credit growth during recent months will be an enduring one.

The Recent Expansion

The recent instalment credit expansion has been broadly based. Accounting for roughly two-thirds of the District's outstanding credit, the five credit outlets shown in the top panel of the chart registered, for the most part, substantial increases in their holdings of instalment debt from early 1962 through July of this year. A slight decline in credit outstanding at furniture stores stood out as the only exception.

A careful look at instalment lending of District commercial banks provides some revealing comparisons between the relative strength of demand in the current and other recent credit expansions, as well as information concerning the shifting composition of these demands. Data on consumer bank loans are fairly representative because banks are the largest source of District consumer credit.

Comparison with Past Expansions

How does the current rise in consumer instalment debt compare with the other two recent periods of instalment debt expansion? When gauged against the troughs in general business activity designated by the National Bureau of Economic Research, the present expansion in bank instalment debt shows up as a slow starter. The revival in new loans and renewals of old loans to consumers did not actually begin until early 1962, 12 months after the trough in general business activity. In contrast, the revival in new loans following the 1954 and 1958 recession troughs began four and six months, respectively, after the turnaround in general business activity.

Assessments of the relative strength of the present instalment credit expansion may differ according to the statistical measure used. It appears, however, that the current credit expansion, as measured by the percentage change in loan extensions from the cyclical troughs, is slightly stronger than the credit expansion following the April 1958 period; it falls a little short of the expansion that followed the August 1954 trough.

In comparison with these two earlier periods, extensions of new loans to finance auto purchases have expanded more during the past 29 months. All other types of consumer loans, however, have increased less vigorously. The influence of two successive years of good auto sales has probably been a major factor explaining the more rapid growth in auto extensions, particularly in the latter stages of this expansion.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The influence of brisk auto sales during 1962 and the first half of 1963 is evident from the small panel showing extensions of auto credit. Auto loans at District banks expanded in early 1962, lagging slightly behind the upturn in auto spending that occurred in late 1961. Except for the dip in new loans during the third quarter, which corresponded with a decline in auto sales, auto credit extensions rose steadily and sharply until late 1962. Following the record-smashing auto sales of the October-December period, both auto sales and loans appear to have leveled off. The expansion in auto instalment debt since early 1961 has accounted for about three-fourths of the net gain in total outstanding instalment debt at District banks. Repayments of auto debt have also continued to rise steadily.

Personal loans, the second strongest type of consumer loans, expanded about $65 million during the 29 months following the February 1961 trough. The somewhat erratic movement in loan extensions for personal use may probably be explained by the variety of purposes for which consumers use these funds.

A recent study by one of the large consumer finance companies indicates that, excluding auto loans, payment of taxes and assistance to relatives were among the major uses of the funds borrowed from their firm. If these motives activated personal borrowing from District banks, the particularly sharp increases in new loans during the March periods of the past two years may be an indication that District taxpayers have started turning to their local banks for funds to tide them over the tax-payment period.

Loans for nonautomotive consumer goods, such as refrigerators, air conditioners, and washing machines, and loans for repair and modernization purposes have contributed virtually nothing to the expansion in bank instalment debt. Outstanding debt for repair and modernization purposes actually declined $3 million from early 1961 to July of this year, while outstandings in the nonautomotive durables category expanded only slightly during this period.

After reviewing the instalment credit expansion of the past year and a half, one may well ask, when confronted with the puzzling downward drift in consumer loans at District banks since early this year, where does District consumer credit go from here? In answering the same question for the nation, many observers have looked at various measures of consumer credit use, particularly the high ratio of instalment debt to after-tax income, and have concluded that a definite slowdown in instalment debt is indicated. One must remember, however, that three-fourths of the total District gain in bank instalment debt during the past two and a half years has been attributed to auto loans. Future instalment debt developments in the District, therefore, will not only be dependent upon income gains and changes in consumer attitudes toward debt, but to a large extent upon the kind of year Detroit will experience.

JACK L. COOPER

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

Bank Announcements

On August 6, the Aloma National Bank of Winter Park, Winter Park, 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 Herbert O. Robinson, Chairman of the Board; William B. Edmands, President; and Perry L. Mitchell, Vice President and Cashier. Capital is $700,000, and surplus and other capital funds, $350,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Guaranty National Bank of Fort Lauderdale, Fort Lauderdale, Florida, a newly organized member bank, opened for business and began to remit at par on August 15. Officers include George W. English, Chairman of the Board; W. Howard Allen, President; Roy E. Adrianson, Executive Vice President; and Clifford V. McAneny, Vice President and Cashier. Capital is $500,000, and surplus and other capital funds, $350,000, as reported by the Comptroller of Currency at the time the charter was granted.

On August 27, the Citizens National Bank of Hollywood, Hollywood, Florida, a newly organized member bank, opened for business and began to remit at par. Officers are H. D. Perry, Chairman of the Board; Charles W. Lantz, President and Chief Executive Officer; W. L. Paul, Vice President and Cashier; and A. C. Galluccio and Robert L. Cooper, Vice Presidents. Capital is $440,000, and surplus and other capital funds, $220,000, as reported by the Comptroller of Currency at the time the charter was granted.

The First National Bank of Newton County, Covington, Georgia, a newly organized member bank, opened for business and began to remit at par on August 28. Officers include Hugh Steele, Chairman of the Board; J. Grady Coleman, President; Bill Hoffman, Vice President; and Billy E. Nalls, Cashier. Capital is $150,000, and surplus and other capital funds, $150,000, as reported by the Comptroller of Currency at the time the charter was granted.

INDEXES FOR CONSTRUCTION CONTRACTS AVAILABLE

Construction contract indexes for the Sixth District, recently revised to incorporate new seasonal adjustments, are now available for distribution. In the past, we have published a seasonally adjusted three-month moving average of construction contracts; beginning with this issue, we shall publish seasonally adjusted monthly data. The series on construction contracts is highly volatile, however, and month-to-month changes, even seasonally adjusted, should not be given undue significance. For this reason, a five-month moving average of the total seasonally adjusted monthly data is plotted on the back page of this *Review* as a dotted line. Back data, seasonally adjusted, for both monthly and five-month moving average indexes for the total and the two components are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Sixth District Statistics

Seasonally Adjusted

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

SIXTH DISTRICT

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	39,741	39,952	39,830	37,520
Farm Cash Receipts	June	107	109	122	110
Crops	June	95	100	131	115
Livestock	June	114	116	115	107
Department Store Sales*/**	Aug.	129p	124	130	118
Department Store Stocks*	July	129	127	125	119
Instalment Credit at Banks, *(Mil. $)					
New Loans	July	160	165	153	150
Repayments	July	155	151	148	146
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	111	111	111	109
Manufacturing	July	110	109	109	107
Apparel	July	132	131	132	127
Chemicals	July	104	104	104	103
Fabricated Metals	July	113	112	111	107
Food	July	104	102	102	104
Lbr., Wood Prod., Furn. & Fix.	July	93	93	93	93
Paper	July	107	106r	107	104
Primary Metals	July	99	98	100	94
Textiles	July	94	94	94	97
Transportation Equipment	July	115	114	113	107
Nonmanufacturing	July	112	112r	111	109
Construction	July	100	102r	103	98
Farm Employment	July	92	87	89	88
Insured Unemployment, (Percent of Cov. Emp.)	July	3.7	3.9	3.8	4.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	41.0	40.7	40.9	40.7
Manufacturing Payrolls	July	133	131	131	125
Construction Contracts*/***	July	122	153	117	97
Residential***	July	140	149	130	101
All Other***	July	106	156	106	94
Electric Power Production**	June	143	136	134	131
Cotton Consumption**	July	107	99	98	103
Petrol. Prod. in Coastal La. and Miss.**	July	167	164	164r	143
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	July	153	154	150	136
Leading Cities	Aug.	144	145	147	132
Member Bank Deposits*					
All Banks	July	131	133	130	123
Leading Cities	Aug.	124	125	128	118
Bank Debits*/**	July	141	143	135	127

ALABAMA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	5,459	5,510r	5,506r	5,128
Farm Cash Receipts	June	118	127	120	113
Department Store Sales**	July	105	113	103	107
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	107	107	107	105
Manufacturing	July	103	102	102	100
Nonmanufacturing	July	109	109	109	107
Construction	July	93	94	94	95
Farm Employment	July	95	82	104	99
Insured Unemployment, (Percent of Cov. Emp.)	July	4.0	4.1	4.1	5.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	40.2	40.3	40.8	39.8
Manufacturing Payrolls	July	121	121	122	112
FINANCE AND BANKING					
Member Bank Loans	July	153	154	153	134
Member Bank Deposits	July	133	133	131	122
Bank Debits**	July	135	139	134	122

FLORIDA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	11,287	11,276r	11,346r	10,942
Farm Cash Receipts	June	83	88	133	122
Department Store Sales**	July	157	160	151	143
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	118	117	116	116
Manufacturing	July	123	119	119	123
Nonmanufacturing	July	117	117r	116	114
Construction	July	91	93	94	90
Farm Employment	July	110	127	113	110
Insured Unemployment, (Percent of Cov. Emp.)	July	3.0	3.3	3.3	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	41.2	40.8r	40.4	41.0
Manufacturing Payrolls	July	160	157	155	154
FINANCE AND BANKING					
Member Bank Loans	July	153	151	150	132
Member Bank Deposits	July	129	134	131	126
Bank Debits**	July	138	141	136	126

GEORGIA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	7,497	7,533r	7,513r	6,997
Farm Cash Receipts	June	117	128	114	103
Department Store Sales**	July	114	123	115	113
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	113	112	112	110
Manufacturing	July	108	108	108	105
Nonmanufacturing	July	115	115r	114	112
Construction	July	115	114	112	114
Farm Employment	July	97	72	68	90
Insured Unemployment, (Percent of Cov. Emp.)	July	3.0	3.0	2.7	3.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	39.7	39.8	39.9	39.9
Manufacturing Payrolls	July	128	128r	128	122
FINANCE AND BANKING					
Member Bank Loans	July	156	155	153	143
Member Bank Deposits	July	137	138	134	127
Bank Debits**	July	153	152	141	136

LOUISIANA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	6,019	6,010r	5,974r	5,560
Farm Cash Receipts	June	112	116	104	101
Department Store Sales*/**	July	111	113	111	107
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	102	102	103	100
Manufacturing	July	99	99	99	94
Nonmanufacturing	July	103	103	103	102
Construction	July	94	95	97	86
Farm Employment	July	96	96	95	91
Insured Unemployment, (Percent of Cov. Emp.)	July	4.1	4.3	4.2	4.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	42.1	41.9r	41.9	41.7
Manufacturing Payrolls	July	124	122r	123	112
FINANCE AND BANKING					
Member Bank Loans*	July	145	147	139	131
Member Bank Deposits*	July	119	121	118	115
Bank Debits*/**	July	132	134	126	118

MISSISSIPPI

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	3,046	3,170r	3,020r	2,838
Farm Cash Receipts	June	127	150	117	116
Department Store Sales*/**	July	97	107	105	101
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	114	114	115	111
Manufacturing	July	117	116	118	113
Nonmanufacturing	July	113	113	114	111
Construction	July	112	117	120	104
Farm Employment	July	78	77	79	77
Insured Unemployment, (Percent of Cov. Emp.)	July	4.8	4.0	4.2	4.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	40.4	40.4	40.5	40.2
Manufacturing Payrolls	July	139	135	137	129
FINANCE AND BANKING					
Member Bank Loans*	July	169	172	170	152
Member Bank Deposits*	July	143	150	146	133
Bank Debits*/**	July	139	142	143	130

TENNESSEE

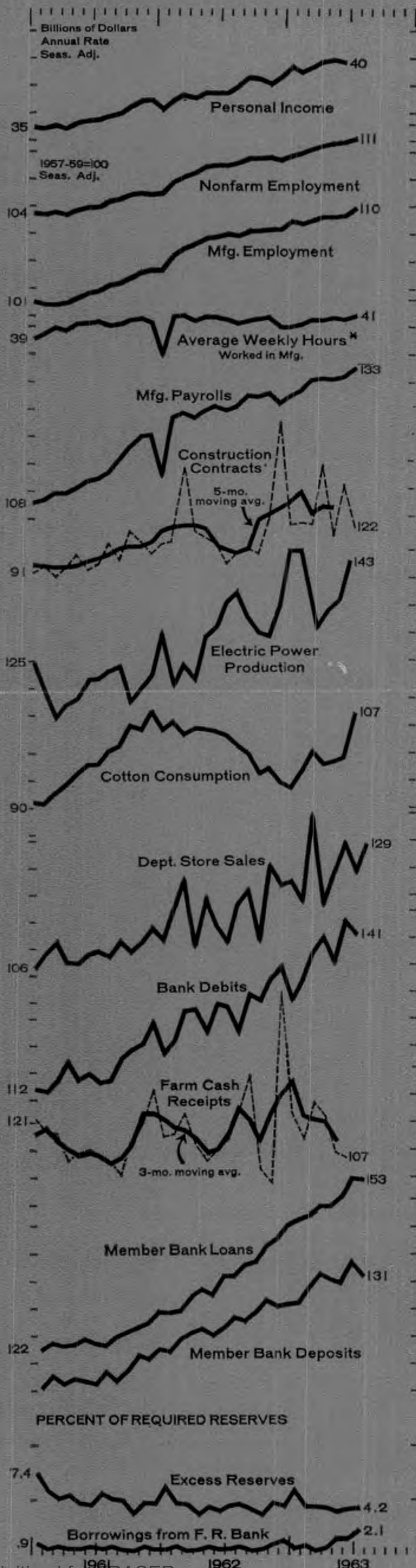
	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	June	6,433	6,453r	6,471r	6,055
Farm Cash Receipts	June	103	103	119	101
Department Store Sales*/**	July	106	114	111	101
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	July	111	111	111	108
Manufacturing	July	113	112	111	110
Nonmanufacturing	July	110	110	110	108
Construction	July	122	125	131	122
Farm Employment	July	98	95	98	88
Insured Unemployment, (Percent of Cov. Emp.)	July	4.8	4.6	4.6	5.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	July	41.5	40.1	41.0	40.7
Manufacturing Payrolls	July	133	130	128	126
FINANCE AND BANKING					
Member Bank Loans*	July	154	159	151	136
Member Bank Deposits*	July	135	136	129	122
Bank Debits*/**	July	141	147	135	130

*For Sixth District area only. Other totals for entire six states. **Daily average basis. ***Figures reflect revision of the seasonal adjustments. See announcement on Page 6.
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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT BUSINESS CONDITIONS



Business in the District has taken on a rosier hue recently, with nearly all economic indicators pointing in the same general direction for a change. Employment continued its modest upward movement; banks expanded their loans; consumers kept up their rate of spending; and farmers enjoyed higher prices and generally good weather.

✔ ✔ ✔

The employment picture improved in July. Total nonagricultural employment rose moderately for the seventh consecutive month; the rate of insured unemployment resumed the downward trend it has been following since the first of the year; and manufacturing employment expanded considerably in striking contrast with the rather slow advance of recent months. Manufacturing payrolls also showed a healthy increase in July, as they responded to higher employment and a longer average workweek. Construction employment dropped for the second month. Although all District states except Georgia shared in this decline, a great part of it may be attributed to the completion of a large oil refinery in Mississippi. Continuation of a high level of construction contracts should add support to construction employment in the next few months, however. Rounding out the industrial sketch, both cotton consumption and petroleum production made considerable gains in July, and the actual rate of steel production in the third week of August halted its three-month decline.

✔ ✔ ✔

Retail spending continues to advance, but the rate of consumer credit expansion has slowed. Preliminary figures for August indicate that a rise in department store sales followed the drop in July. Final July figures reveal that all District states shared in this decline. Bank debits also fell slightly in July, but checkbook spending since late 1961 has climbed steadily. More comprehensive data, available with a greater time lag, confirm the improvement in retail spending noted in June. Sales at retail firms operating one-to-ten outlets rose moderately, while sales tax collections expanded strongly for the fifth consecutive month. Consumer borrowing continued to augment incomes in July, but recent additions to total debt have been smaller than those registered earlier in the year. Although personal incomes of District residents dipped slightly during June, the latest month for which data are available, the overall trend continues upward. For the first half of 1963, the gain in District income on a year-to-date basis continued to outstrip that of the U. S.

✔ ✔ ✔

The volume of credit outstanding at Sixth District member banks declined in July, but recovered quickly early in August. Reports from weekly reporting member banks in leading cities of the District show August increases in loans, particularly commercial and industrial loans, and investments. This pickup in bank credit expansion was financed from previously acquired excess reserves. Weekly reports from these member banks indicate that, while bank lending increased, lending capacity declined in August, as total deposits and member bank reserves turned down.

✔ ✔ ✔

Most farmers are pleased with this harvest season so far. Recently, gains have been posted in farm employment and in prices of farm products. Weather also has been kind to harvests, although insufficient soil moisture is troubling growers in the southern parts of Alabama and Mississippi. Production of poultry products increased more than seasonally in July, and more recent data suggest further gains in output. Marketings of livestock products have dwindled, however. Cash receipts from farm marketings in the first half of 1963 were only slightly larger than a year earlier, but prospective crop yields and livestock output indicate a modest gain in farm income is in the offing.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis