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Monthly Review

Money Market Conditions — What Are They?

*. . . System Open Market Operations shall be conducted with a view to maintaining about the same conditions in the money market as currently prevail. . . .*¹

At the conclusion of each meeting of the Federal Open Market Committee, an economic policy directive similar to the one shown above for December 16, 1964, is issued to the Federal Reserve Bank of New York. This directive describes the policy goals of the Federal Open Market Committee and contains instructions in terms of short-run objectives to guide the Manager of the System Open Market Account until the next meeting of the Committee. Although the specific objective changes from time to time, it is typically expressed in terms of money market conditions. But what are money market conditions? How are they measured? And what is the money market, anyway?

The Money Market

The term “money market” refers to the machinery for redistributing short-term funds, both nationally and internationally. Through this market, banks, corporations, governments, and individuals that wish to invest temporarily idle funds with a minimum loss of liquidity come in contact with others who are demanding such funds. Moreover, purchases and sales of U. S. Government securities — the main tool of Federal Reserve policy — are carried out according to the instructions of the economic policy directive primarily by means of this market.

Unlike the stock and commodity markets, the money market is not formally organized. Money market transactions are not carried out through a formal money exchange. Rather, the bulk of the dollar volume of money market transactions flows through the largest commercial banks and U. S. Government securities dealers. Although the home offices of some money market institutions are outside New York City, lower Manhattan is the focal point for the nation’s supply and demand for short-term funds.

The pulse of the money market, or money market conditions, varies from week to week, hour to hour, and even minute to minute, depending on the supply and demand for short-term funds. The relative ease or difficulty in obtaining money on a short-term basis also varies among segments of the money market. This is because transactions in short-term funds can be accomplished through a variety of money market instruments.

One of the most important segments of the money market is the Federal funds market. This is the market for those funds that are immediately available for transfer at the Federal Reserve Banks. Such funds include those held in the Federal Reserve accounts of member banks and claims to such funds by nonbank U. S. Government securities dealers. Daily transfers of Federal funds through the New York

¹ Economic Policy Directive issued on December 16, 1964, by the Federal Open Market Committee to the Federal Reserve Bank of New York, *Fifty-first Annual Report of the Board of Governors of the Federal Reserve System — 1964*, p. 126.

Also in this issue:

WHEN SOUTHERNERS SAVE

SIXTH DISTRICT
STATISTICS

DISTRICT BUSINESS
CONDITIONS

*Federal
Reserve
Bank of
Atlanta*

market have averaged as high as \$2.2 billion during one week. The demand for these funds comes primarily from banks that need reserves to cover current or expected temporary deficiencies in their required reserves. A sizable part of this demand is expressed through large correspondent banks that, along with several brokers, act as intermediaries in obtaining and supplying Federal funds for banks and Government securities dealers. The supply of Federal funds mainly emanates from banks with current or expected reserve surpluses. The relationship of the supply of Federal funds to the demand for these funds determines the availability and cost of Federal funds from day to day and, thereby, determines the condition of the Federal funds market.

Another important segment of the money market is the market for U. S. Treasury bills. A U. S. Treasury bill is an unconditional, written promise by the Treasury to pay a given amount to the bearer on a specified date, never more than one year from the date of issue. Bills maturing in three months, six months, and one year are auctioned by the Treasury, almost always at a discount, on a sealed-bid basis. Since they are readily marketable and mature within a short period of time, Treasury bills are considered a good substitute for money.

There are basically two markets for Treasury bills although the distinction between the two is not as clear-cut as it would appear on the surface. The primary market, or market of original issue, is the Treasury auction market. Within this market, supply is determined by the U. S. Treasury, and demand comes mainly from commercial banks, corporations, Government securities dealers, Treasury trust funds, the Federal Reserve System, and foreign official accounts. Individuals and small institutional investors also bid for sizable amounts on a noncompetitive basis.

The secondary market for these bills is the market for trading outstanding issues. The supply and demand for bills within the secondary market stem from a wide variety of public and private sellers and buyers, particularly commercial banks that buy and sell bills in order to adjust excesses or deficiencies in their required reserves, as well as from corporations and state and municipal governments that wish to invest their surplus funds temporarily. The price of Treasury bills, generally discussed in terms of yield, varies with the supply and demand for these bills. However, the supply and demand also reflect, in part, the prices of other money market instruments that function as substitutes for bills.

Most of the secondary market transactions in bills and other marketable Government issues are handled through the Government securities dealers in New York City who "make" markets, *i.e.*, stand ready to buy or sell Treasury bills and other Government issues in sizable amounts at quoted bid and offering prices. In contrast with brokers who simply transfer securities from seller to buyer for a commission, Government securities dealers actually take ownership of the securities that they obtain through Treasury auctions and through the secondary market. The dealers thus bring bills fully into the money market by serving as intermediaries between buyers desiring a highly liquid but profitable investment for temporarily idle funds and sellers who have an immediate need for money. Since

dealer inventories are quite large relative to their capital — at times exceeding \$4 billion in Government issues alone — dealers ordinarily seek a sizable amount of financing. This financing, in part, involves arranging loans in the form of repurchase agreements with banks, other corporations and, under certain conditions, with the Federal Reserve Banks. A repurchase agreement is a temporary sale of securities carrying a contract to buy back the securities at the sale price plus interest for the number of days the securities are held. Dealers also finance their inventories by using their securities as collateral to negotiate loans from commercial banks.

The market for dealer loans, which often are contracted for one trading day, is an important segment of the money market. The condition of this market—the relationship between the supply and demand for dealer loans—is determined by the availability of short-term credit throughout the nation, as well as by dealer needs for funds.

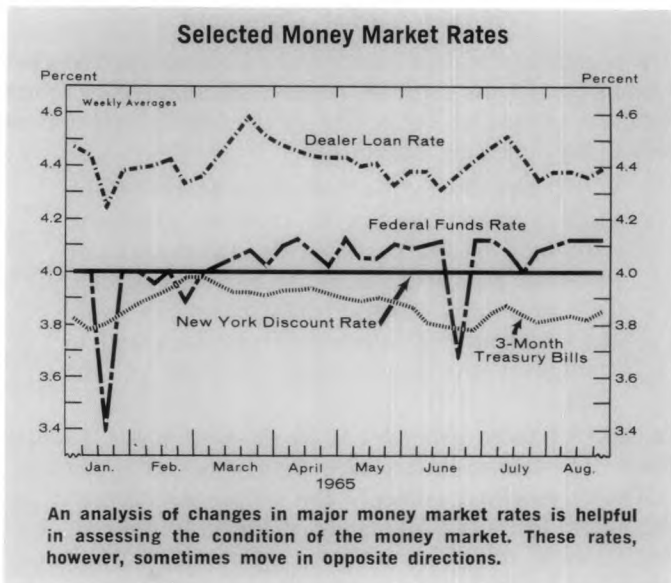
Short-term funds also are transferred through other specialized instruments, such as bankers' acceptances, short-term commercial paper, U. S. Government securities other than Treasury bills, Federal agency issues, and time certificates of deposit. Prices of these instruments occasionally are of major significance in determining money market conditions. For example, sizable sales of certificates of deposit by corporations to obtain funds for tax and dividend purposes might cause the market for CD's to assume special importance for a short time. Moreover, changes in the rates that major New York banks offer on new certificates of deposit are an indication of their aggressiveness in acquiring additional funds.

How Are Money Market Conditions Measured?

Now it is time to pull things together. The preceding discussion has demonstrated that the various segments of the money market are closely interrelated. Since the supply of funds available to each segment comes from many of the same sources, a change in the demand for any one money market instrument is likely to affect the supply of funds available for other instruments. Because of this interrelationship, a whole system of information on the availability of funds is needed in order to understand the condition of the money market. Ideally, the supply and demand pressures for each of the money market instruments would be measured and compared. Unfortunately, however, there is no single statistical gauge of these pressures. Therefore, supply and demand forces must be evaluated in a variety of ways. One method is to look at the various money market instruments in terms of price, *i.e.*, interest rates.

One often quoted price is the Federal funds rate. This is the interest charge, expressed as an annual rate, on loans of Federal funds. Federal Reserve officials keep in constant touch with the Federal funds market by obtaining information from major New York City banks and from brokers in Federal funds on the rates at which market participants bid to borrow and offer to lend Federal funds. By comparing these quotations with the rates charged on recent Federal funds transactions, some idea of relative market pressures can be formed. A rising Federal funds rate usually indicates an increasing demand for Federal funds loans or a falling supply. Although the Federal

funds rate, which is published in several newspapers and market letters, generally is fairly sensitive to changes in money market pressures, the rate becomes less useful when it reaches its ceiling. Traditionally, the ceiling has been at the discount rate. In recent months, however, the Federal funds rate has fluctuated slightly above the discount rate, as can be seen in the chart below.



Prices of Treasury bills in the secondary market are published by Government dealers on the basis of bid and offering quotations expressed as yields. Bill yields are quoted at annual discount rates, *e.g.*, a bill maturing in 90 days and selling at 99.00 percent of its value at maturity would be quoted at a 4.00-percent yield $[(100.00 - 99.00) \times 360/90]$. Since dealers handle nearly all trading in bills, they quickly become aware of changes in supply and demand forces throughout the nation. Mainly reflecting these forces, dealer bid and offering quotations change quite frequently—at times even from minute to minute. A falling yield quotation, *i.e.*, a rising price, ordinarily indicates that the demand for bills is rising or that the supply is falling.

In the market for dealer loans, prices are measured in terms of annual rates of interest. Banks normally quote two rates for loans to dealers—one rate for renewals of existing loans and another rate for new loans. The rate for new loans is often higher than the renewal rate. In recent months, new dealer loans at New York banks have been arranged primarily at rates between $4\frac{1}{4}$ percent and $4\frac{1}{2}$ percent. Ordinarily, the dealer loan rates at these banks are slightly higher than those at banks outside the city. Thus, dealers will try to arrange most of their financing out of town and then borrow from the New York banks to meet the remainder of their needs. Since dealer loan rates are sensitive to money market pressures, they often change during the day. A rise in the dealer loan rate usually indicates that dealer loan demand is increasing or that the supply of funds is declining.

In the markets for other financial instruments, such as bankers' acceptances, commercial paper, and certificates of deposit, prices usually are measured in terms of annual interest rates. One major exception to this rule is the market for securities other than Treasury bills. Quotations

for these securities are made in terms of price rather than yield.

Price conditions in all of these markets are reflections of supply and demand conditions throughout the money market. Therefore, another way to measure money market conditions is to look at the supply and demand for funds. This information ordinarily will suggest some explanation for the past behavior of rates and may give some indication of their future behavior.

The behavior of the Federal funds rate can often be explained by looking at supply and demand forces as revealed by the reserve positions of member banks. Estimates of the distribution of excess reserves for eight major New York City banks, thirty-eight large banks in other major cities, other reserve city banks, and so-called country banks are available at the New York Federal Reserve Bank with a lag of one trading day. Figures showing the amounts of Federal funds purchased and sold on the preceding trading day are available for the eight New York banks and for the thirty-eight other large banks. In addition, figures on the amount of Federal funds transactions flowing through New York are calculated daily. By combining the preceding day's estimates of reserve distribution with daily projections of changes in reserves, the volume of member bank borrowing, reports on the money position of major New York banks, and the available information on Federal funds transactions, the supply and demand forces often become apparent. For example, a rise in the Federal funds rate might be explained by increased demand at major city banks in response to a redistribution of reserves from these banks to country banks.

Supply and demand conditions in the Treasury bill market generally are measured by figures on dealer inventories and Treasury auction awards, especially information on the amount of bills awarded to dealers. This information, however, must be considered in the light of other factors influencing the supply of funds available for bill purchases. These factors include the amounts of recent Treasury, Federal agency, and corporate financings, the volume of bankers' acceptances and certificates of deposit, and corporate and individual tax payments. The causes of changes in bill rates are often brought to light by combining information on these factors with figures on the supply and demand for bills. For example, unusually large awards to dealers, in the absence of large Treasury financings, might indicate a potential increased demand for bills by corporations and others not bidding in the auction. This might suggest a future decline in the bill yield. However, if this demand did not materialize or if dealers received more bills than they expected, they, in turn, might try to dispose of their large awards. Rates might then go up.

An increasing amount of statistical information on supply and demand conditions in the market for dealer loans has either become available or been refined in recent years. On the supply side, there are figures showing the amounts of dealer loans made by New York City banks; and, on the demand side, figures on nonbank dealer financing needs are now available. Major dealers report their daily financing requirements early each day to the Federal Reserve Bank of New York. A comparison of early morning financing needs with the amount of loans

still needed as the day progresses gives an indication of the dealer's success in "out-of-town" financing and thus provides further information on the distribution of money market pressures throughout the nation. This information often unveils the reasons for changes in dealer loan rates. For example, a rise in dealer loan rates might be explained by increased dealer financing needs, which would result from large auction awards or large purchases from customers.

In addition to these data, a variety of other statistical and non-statistical information is useful and often essential in measuring money market conditions. It is important to know the ending dates of reserve-city bank and country-bank reserve periods in order to evaluate properly the large reductions in money market pressures that sometimes result from the widespread sale of excess reserves in the Federal funds market. Awareness of the payment dates for public and private security offerings, along with dealer inventories of these issues and dealer observations on market forces, is also important in understanding and even forecasting increases in money market pressures. In this same vein, information on payment dates for U. S. Treasury financings, tax and dividend payment dates, amounts owed, and related maturities of corporate repurchase agreements and of certificates of deposit can be used to forecast changes in money market conditions. Then, too, an apparent redistribution of funds within the money market can sometimes be explained by transfers of funds from private hands to the U. S. Treasury and *vice versa*. Current talk among participants in the money market also is often useful in determining expectations that, in turn, may influence future money market conditions. The New York Reserve Bank has still another source of information in the conversations it regularly conducts with U. S. Government securities dealers.

Through the process of measuring and evaluating both price conditions and supply and demand conditions within each of the interrelated segments of the money market and analyzing these conditions within the framework of a variety of related statistical and nonstatistical information, the overall condition or state of the money market can be determined to some extent. Because of the interrelation of these forces, however, the relative influence of each must be weighed before one can arrive at any general conclusions about money market conditions. Once a conclusion has been reached, money market conditions are characterized as "tight" or "firm" if the amount of short-term funds demanded is generally greater than the amount supplied at the prevailing interest rates. Conversely, money

market conditions are considered "easy" if more funds are available at current rates than are demanded. If supply and demand forces are about in balance, the money market is often termed "comfortable." It is this general characterization of money market conditions that experts often refer to as the "tone" or "feel" of the market.

Reasons for Federal Reserve Interest in Money Market Conditions

The economic directive issued by the Federal Open Market Committee to the Federal Reserve Bank of New York that was quoted at the beginning of this discussion contained the following statement:

... It remains the Federal Open Market Committee's current policy to facilitate continued expansion of the economy by accommodating moderate growth in the reserve base, bank credit, and the money supply, while seeking to avoid the emergence of inflationary pressures and to strengthen the international position of the dollar

In view of these general objectives, why is the Federal Reserve System so interested in money market conditions?

The factors that influence the supply and demand for short-term funds can ultimately be traced to the economic and financial forces at work throughout the entire economy. For example, the availability of Federal funds indirectly reflects the demand for credit by businesses and individuals, for this is one factor that changes the level of required reserves. Short-term interest rates also reflect the demand for funds by the Federal Government and by state and municipal governments. Since money market conditions are influenced by these forces, the money market provides a means through which the Federal Reserve System can obtain an immediate picture of the interchange of economic and financial forces throughout the nation.

In addition, the money market provides a mechanism through which Federal Reserve policy actions can be transmitted. The Federal Reserve normally increases or decreases the supply of funds in the money market by purchasing or selling U. S. Government securities. Money market conditions can also be affected, of course, by varying the reserve requirement ratios and by changing the discount rate, *i.e.*, the interest rate member banks pay to borrow from the Federal Reserve. By means of these instruments, which initially affect market conditions, the Federal Reserve System can influence the behavior of the entire economy.

ROBERT R. WYAND II

When Southerners Save

The savings habits of the average Southerner are becoming more like those of other U. S. citizens, just as their personal incomes and spending habits are becoming quite similar. At the end of last year, the per capita savings of individuals at selected financial institutions in the Sixth District states reached \$1,334, 63.6 percent of the national average. In 1930, the \$127 per capita savings were only 31.7 percent of the national figure. And as short a time ago as 1950, per capita savings were but 47.7 percent of

the national average.

Changes in the Sixth District states, moreover, parallel developments in the Southeastern region as a whole. Per capita savings throughout the eleven Southeastern states were 33.7 percent of the national total at the end of 1930; at the end of 1964, 59.3 percent.

Such comparisons are made possible by a recently completed statistical series prepared at this Bank showing the savings of individuals at selected financial institutions for

Per Capita Savings of Individuals at Financial Institutions, 1964

	Commercial Bank Time Deposits	Savings and Loan Shares	Life Insurance Reserves	Postal Savings	Credit Unions	All Types
Alabama	\$308	\$214	\$508	\$1	\$36	\$1,068
Florida	437	833	516	3	38	1,827
Georgia	307	375	567	1	28	1,279
Louisiana	335	380	497	1	29	1,242
Mississippi	261	192	309	1	14	777
Tennessee	514	272	487	1	41	1,315
Sixth District States	373	430	496	1	33	1,334
Southeastern States ¹	349	389	480	2	25	1,244
United States	914	532	606	2	42	2,097

¹Includes Arkansas, Kentucky, North Carolina, South Carolina, and Virginia, as well as the Sixth District states.

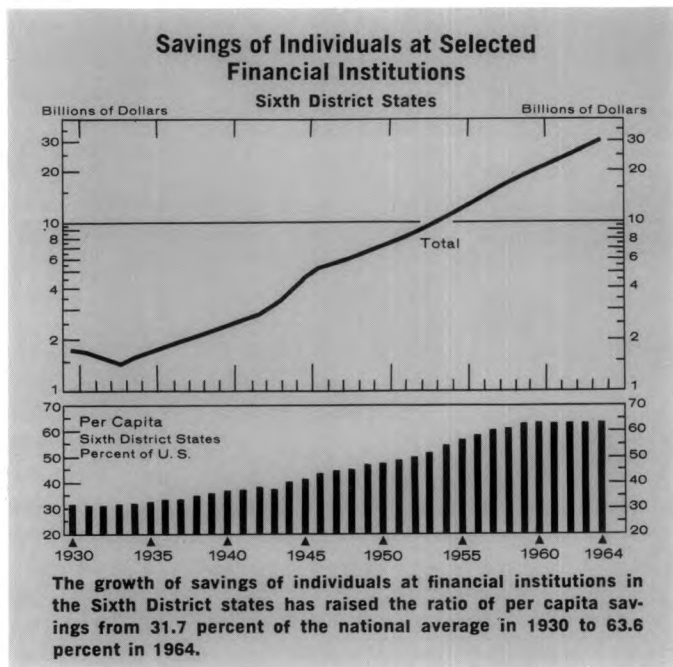
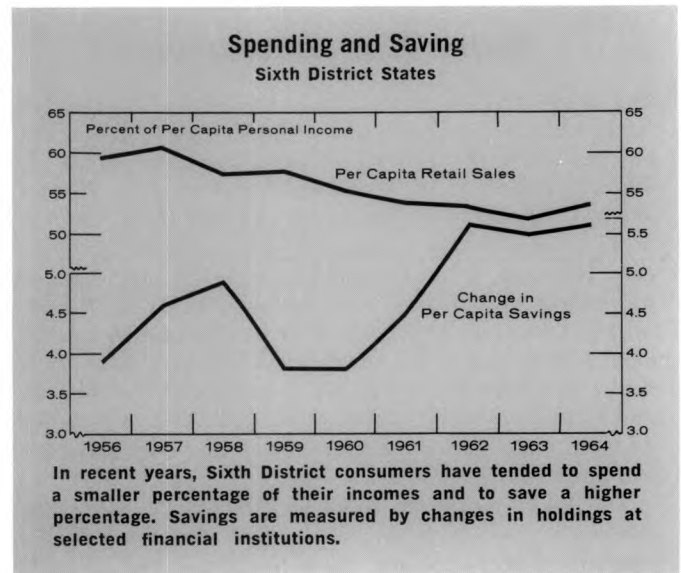
Source: Federal Reserve Bank of Atlanta.

each year from 1930 through 1964. These estimated holdings of individuals at financial institutions include time deposits at commercial banks, savings and loan shares, reserves against life insurance policies, shares in credit unions, and postal savings deposits. There are other types of accumulated savings, of course. The estimates do not include holdings of U. S. savings bonds, for example, since it was impossible to allocate the holdings to individual states. Neither do they cover accumulated personal savings in the form of securities or mortgages nor investments in farms and businesses and other enterprises. Moreover, forces other than savings and consumption habits may influence the yearly changes at these specific institutions. Nevertheless, the changes in the forms of savings included can be considered indicative of the savings pattern of the average Southerner.

Southerners, of course, now have higher incomes out of which they can save than they have ever had before. But the increase in their savings also stems from a shift in their spending and savings habits. One way to show this is to look at the *change* in their holdings each year. This change compared with personal income received that year gives us some idea of the rate of saving out of cur-

rent income. Last year, for example, the per capita increase in personal savings at financial institutions amounted to 5.6 percent of per capita personal income in the Sixth District states. In 1960, the ratio was only 3.8 percent; in 1950, 1.7 percent. The savings rate, so measured, has changed up and down from year to year, partly in response to changes in economic conditions. For example, the rate of savings measured in this way was especially high during the years of World War II and declined in the immediate postwar period. The trend has been unmistakably upward since 1950, however, and has been especially pronounced during the current period of economic expansion.

The behavior of Southerners as savers is, of course, only a reverse picture of their behavior as spenders. Recent changes in Southern consumer spending patterns were pointed out in the July issue of this *Review*. At that time, it was noted that "in previous expansion periods . . . District consumers allocated a higher percentage of the *increase* in personal income to retail sales than did consumers nationally. In the latest expansion period, however, this percentage has so far been smaller in the District." Moreover, the article stated that retail spending in relation to



personal income has been trending downward. Spending a smaller part of their income, Southerners have had more to save.

Historically, the South, compared with the United States as a whole, has been a high-consumption, low-savings economy, a state characteristic of many regions in the process of economic development. The same economic and social changes that have created a rapidly expanding market for consumer goods in the Southeast also have tended to limit the growth of savings. Such a high-consumption, low-savings pattern, however, need not necessarily hamper economic development if there are no barriers to the inflow of capital investment funds from outside the area and attractive economic opportunities exist within the area to use these funds. As a matter of fact, the developing consumer market stemming from the high-consumption pattern may create some of the economic opportunities that attract capital investment. Such seems to have been the South's experience.

Despite the apparent tendency for Southerners to spend a smaller proportion of their incomes and to save a larger part than in the past, it is unlikely that the South will be able to rely immediately solely upon its own savings to finance its capital investment. The rate of savings in the South is still below that of the rest of the United States, despite its recent upward trend. In 1964, the lower savings rate combined with the lower per capita income out of which to save thus meant that per capita holdings in the Sixth District states increased only \$106, compared with a national increase of \$164.

The prospect of the South's catching up completely with the rest of the nation in its level of savings thus depends upon its continued income growth, as well as upon an increase in its rate of savings. However, a rising rate of savings, insofar as it provides for capital investment, may help stimulate that income growth.

Tables showing the estimated savings of individuals at financial institutions in each Southeastern state for the years 1930 through 1964 are available on request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Bank Announcements

THE WAYNE STATE BANK, *Jesup, Georgia, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank on August 1. Officers include R. W. Woodruff, President; J. C. Hodges and S. C. Harper, Vice Presidents; and Bert Hires, Cashier.*

On August 2, the CITIZENS NATIONAL BANK OF OPP, *Opp, Alabama, a newly organized member bank, opened for business and began to remit at par. Officers are Rex H. Moore, Chairman of the Board; H. G. Studstill, Jr., President; J. L. Channell, Sr., and Lewis B. Johnson, Vice Presidents; and John E. Jordan, Cashier. Capital is \$200,000, and surplus and other capital funds, \$300,000, as reported by the Comptroller of the Currency at the time the charter was granted.*

The FIRST NATIONAL BANK OF ALICEVILLE, *Aliceville, Alabama, a newly organized member bank, opened for business on August 2 and began to remit at par. Officers are W. C. Martin, Jr., Chairman of the Board; Ralph W. Holliman, President; John E. Lee, Vice President; and Mrs. Faye L. Cook, Cashier. Capital is \$160,000, and surplus and other capital funds, \$240,000, as reported by the Comptroller of the Currency at the time the charter was granted.*

On August 19, the SOUTHERN NATIONAL BANK OF HATTIESBURG, *Hattiesburg, Mississippi, a newly organized member bank, opened for business and began to remit at par. Officers are Harvey E. West, Chairman of the Board; Clarence B. Davis, President; and Joiner M. Haltom, Jr., Vice President and Cashier. Capital is \$400,000, and surplus and other capital funds, \$600,000, as reported by the Comptroller of the Currency at the time the charter was granted.*

On August 27, the CITIZENS BANK OF EUFAULA, *Eufaula, Alabama, a newly organized nonmember bank, opened for business and began to remit at par. Officers are Harry Nelson, President; James S. Clark, Vice President and Chairman of the Board; and Billy V. Houston, Cashier. Capital is \$180,000, and surplus and undivided profits, \$120,000.*

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	July 1965	June 1965	July 1964	Percent Change		
				July 1965	Year-to-date 7 Months 1965	
					June 1965	July 1964
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,258,477	1,276,430	1,148,142	-1	+10	+11
Gadsden	57,856	56,013	58,334	+3	-1	+6
Huntsville	158,294	162,717	157,615	-3	+0	+7
Mobile	401,730	421,586	400,686	-5	+0	+7
Montgomery	271,418	272,265	247,554	-0	+10	+10
Tuscaloosa	79,515	76,745	81,840	+4	-3	+4
Ft. Lauderdale-						
Hollywood	474,081	496,193 ^r	427,590	-4	+11	+8
Jacksonville	1,452,227	1,357,589	1,272,532	+7	+14	+13
Miami	1,747,861	1,815,956	1,645,466	-4	+6	+8
Orlando	410,231	412,419 ^r	446,878	-1	8	-0
Pensacola	180,470	192,522	174,622	-6	+3	+12
Tampa-St. Petersburg	1,013,819	1,050,594	963,314	-4	+5	+6
W. Palm Beach	348,028	352,647	332,587	-1	+5	+7
Albany	81,580	81,971	74,663	-0	+9	+20
Atlanta	3,717,060	3,765,775	3,635,350	-1	+2	+11
Augusta	174,847	184,019	183,409	-5	-5	+1
Columbus	184,487	188,170	190,371	-2	-3	+8
Macon	194,392	189,916	195,337	+2	-0	+9
Savannah	230,864	235,171	243,265	-2	-5	+3
Baton Rouge	459,286	416,086	375,715	+10	+22	+19
Lafayette	106,112	108,337	93,294	-2	+14	+18
Lake Charles	115,126	112,749	107,031	+2	+8	+7
New Orleans	2,098,803	2,168,357	1,903,839	-3	+10	+11
Jackson	494,994	486,540	485,809	+2	+2	+10
Chattanooga	478,789	483,467	455,388	-1	+5	+9
Knoxville	417,176	365,576	378,776	+14	+10	+8
Nashville	1,204,875	1,168,755	1,096,885	+3	+10	+9
OTHER CENTERS						
Anniston	58,950	55,057	53,902	+7	+9	+6
Dothan	48,714	50,801	46,470	-4	+5	+5
Selma	35,859	35,334	32,601	+1	+10	+3
Bartow	34,129	32,064	28,045	+6	+22	+19
Bradenton	49,233	54,975	51,465	-10	-4	+1
Brevard County	204,086	204,151	167,428	0	+22	+15
Daytona Beach	83,377	78,729	85,215	+6	-2	+3
Ft. Myers-						
N Ft. Myers	58,149	65,912	55,662	-12	+4	+6
Gainesville	65,802	70,128	64,097	-6	+3	+9
Monroe County	26,775	29,634	26,100	-10	+3	+17
Lakeland	97,690	104,256	97,080	-6	+1	+10
Ocala	50,487	50,821	49,256	-1	+2	+5
St. Augustine	17,949	19,486	17,023	-8	+5	+1
St. Petersburg	270,906	253,936	256,258	+7	+6	+5
Sarasota	89,926	87,956	88,270	+2	+2	+3
Tallahassee	110,281	100,138	94,599	+10	+17	+14
Tampa	546,959	593,841	514,895	-8	+6	+10
Winter Haven	48,502	55,268	49,879	-12	-3	+7
Athens	65,809	65,159	59,706	+1	+10	+14
Brunswick	38,975	38,078	41,338	+2	-6	+2
Dalton	77,798	78,465	66,907	-1	+16	+14
Elberton	12,099	11,373	12,913	+6	-6	+6
Gainesville	76,021	64,803	70,378	+17	+8	+7
Griffin	27,596	28,485	25,817	-3	+7	+10
LaGrange	20,008	20,430	18,762	-2	+7	+5
Newnan	26,392	22,378	26,856	+18	-2	+0
Rome	62,123	62,947	60,535	-1	+3	+4
Valdosta	45,937	47,065	46,722	-2	-2	+9
Abbeville	9,009	10,034	8,347	-10	+8	+9
Alexandria	103,878	110,335	103,285	-6	+1	+10
Bunkie	4,990	5,595	5,013	-11	-0	+11
Hammond	29,722	29,498	27,273	+1	+9	+10
New Iberia	33,744	30,341	29,638	+11	+14	+3
Plaquemine	9,044	8,369	8,310	+8	+9	+7
Thibodaux	20,514	24,417	19,518	-16	+5	+7
Biloxi-Gulfport	86,358	80,827	76,800	+7	+12	+8
Hattiesburg	47,199	44,867	42,636	+5	+11	+8
Laurel	37,115	34,054	34,026	+9	+9	+4
Meridian	62,371	56,645	58,218	+10	+7	+5
Natchez	28,646	29,290	31,409	-2	-9	+1
Pascagoula-						
Moss Point	44,143	41,331	45,850	+7	-4	+3
Vicksburg	33,656	33,665	29,867	-0	+13	+15
Yazoo City	27,236	27,495	23,430	-1	+16	+14
Bristol	61,863	64,441	59,063	-4	+5	+10
Johnson City	63,292	64,450	62,060	-2	+2	+7
Kingsport	126,469	123,422	118,163	+2	+7	+13
SIXTH DISTRICT, Total						
Alabama†	3,249,459	3,266,802	3,065,840	-1	+6	+7
Florida†	7,528,025	7,619,996 ^r	7,055,309	-1	+7	+8
Georgia†	6,117,601	6,147,229	5,879,846	-0	+4	+11
Louisiana†*	3,488,720	3,512,161	3,130,275	-1	+11	+12
Mississippi†*	1,126,974	1,089,733	1,082,404	+3	+4	+8
Tennessee†*	3,264,504	3,157,177	3,082,565	+3	+6	+7

*Includes only banks in the Sixth District portion of the state. †Partially estimated. ^r Revised.

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month (1965)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1965)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					GEORGIA				
INCOME AND SPENDING					INCOME AND SPENDING				
Personal Income, (Mil. \$, Annual Rate)	June 47,062	46,494r	46,899r	42,935	Personal Income, (Mil. \$, Annual Rate)	June 8,777	8,595r	8,728r	8,093
Manufacturing Payrolls	July 159	157r	157	144	Manufacturing Payrolls	July 161	157	157	144
Farm Cash Receipts	June 127	124	132	116	Farm Cash Receipts	June 140	122	125	115
Crops	June 120	144	158	120	Department Store Sales**	July 143	135	144	124
Livestock	June 131	116	122	113	PRODUCTION AND EMPLOYMENT				
Department Store Sales**	Aug. 150p	146	139	143	Nonfarm Employment	July 123	122	121	118
Instalment Credit at Banks, *(Mil. \$)					Manufacturing	July 119	119	118	114
New Loans	July 205	218r	214	191	Nonmanufacturing	July 125	123	123	120
Repayments	July 197	190	188	183	Construction	July 141	135r	135	128
PRODUCTION AND EMPLOYMENT					Farm Employment	July 83	68	67	87
Nonfarm Employment	July 124	122	122	118	Insured Unemployment, (Percent of Gov. Emp.)	July 1.8	1.7	1.7	2.2
Manufacturing	July 123	122	121	117	Avg. Weekly Hrs. in Mfg., (Hrs.)	July 40.9	40.6r	40.9	40.3
Apparel	July 149	149	149	140	FINANCE AND BANKING				
Chemicals	July 118	116	115	113	Member Bank Loans	Aug. 219	214	213	184
Fabricated Metals	July 130	128	129	122	Member Bank Deposits	Aug. 176	173	174	152
Food	July 109	107	108	107	Bank Debits**	July 178	177	179	163
Lbr., Wood Prod., Furn. & Fix.	July 100	100	99	96	LOUISIANA				
Paper	July 111	110	109	107	INCOME AND SPENDING				
Primary Metals	July 113	111	112	107	Personal Income, (Mil. \$, Annual Rate)	June 7,106	6,914r	7,059r	6,305
Textiles	July 99	99	98	96	Manufacturing Payrolls	July 143	141	138	129
Transportation Equipment	July 145	143	144	125	Farm Cash Receipts	June 126	115	137	117
Nonmanufacturing	July 124	123	122	119	Department Store Sales**	July 131	125	127	118
Construction	July 121	120	121	113	PRODUCTION AND EMPLOYMENT				
Farm Employment	July 79	80	76	84	Nonfarm Employment	July 114	114	114	108
Insured Unemployment, (Percent of Gov. Emp.)	July 2.4	2.3	2.3	2.9	Manufacturing	July 109	109	109	104
Avg. Weekly Hrs. in Mfg., (Hrs.)	July 41.2	41.2r	41.4	40.7	Nonmanufacturing	July 116	115	115	109
Construction Contracts*	July 158	147	147	174	Construction	July 127	125	124	106
Residential	July 170	162	155	173	Farm Employment	July 80	81	77	88
All Other	July 147	134	139	174	Insured Unemployment, (Percent of Gov. Emp.)	July 3.0	3.0	3.2	3.4
Industrial Use of Electric Power	June 127	129	123	126	Avg. Weekly Hrs. in Mfg., (Hrs.)	July 42.2	42.3	42.2	41.4
Cotton Consumption**	July 114	111	113	113	FINANCE AND BANKING				
Petrol. Prod. in Coastal La. and Miss.**	July 182	178	179	170	Member Bank Loans*	Aug. 196	192	190	165
FINANCE AND BANKING					Member Bank Deposits*	Aug. 139	141	139	130
Member Bank Loans*	Aug. 209	206	206	181	Bank Debits**	July 154	150	149	132
All Banks	Aug. 192	189	189	167	MISSISSIPPI				
Leading Cities	Aug. 162	160	161	146	INCOME AND SPENDING				
Member Bank Deposits*	Aug. 151	148	151	137	Personal Income, (Mil. \$, Annual Rate)	June 3,607	3,586r	3,516r	3,326
All Banks	Aug. 167	163	166	150	Manufacturing Payrolls	July 175	166	174	155
Leading Cities	Aug. 151	148	151	137	Farm Cash Receipts	June 138	118	121	129
Bank Debits**	July 167	163	166	150	Department Store Sales**	July 107	99	100	93
ALABAMA					PRODUCTION AND EMPLOYMENT				
INCOME AND SPENDING					Nonfarm Employment	July 126	126	126	121
Personal Income, (Mil. \$, Annual Rate)	June 6,328	6,198r	6,303r	5,773	Manufacturing	July 134	134	133	124
Manufacturing Payrolls	July 147	145r	145	129	Nonmanufacturing	July 123	122	123	120
Farm Cash Receipts	June 139	127	126	121	Construction	July 128	126	127	130
Department Store Sales**	July 120	111	114	110	Farm Employment	July 70	83	68	80
PRODUCTION AND EMPLOYMENT					Insured Unemployment, (Percent of Gov. Emp.)	July 2.4	2.4	2.4	3.4
Nonfarm Employment	July 115	115	115	112	Avg. Weekly Hrs. in Mfg., (Hrs.)	July 41.1	40.2	41.6	40.8
Manufacturing	July 115	115	114	108	FINANCE AND BANKING				
Nonmanufacturing	July 115	115	115	113	Member Bank Loans*	Aug. 221	220	217	199
Construction	July 112	113	113	113	Member Bank Deposits*	Aug. 173	169	168	160
Farm Employment	July 84	78	79	82	Bank Debits**	July 164	161	170	150
Insured Unemployment, (Percent of Gov. Emp.)	July 2.6	2.5	2.3	3.1	FLORIDA				
Avg. Weekly Hrs. in Mfg., (Hrs.)	July 41.4	41.4r	41.5	40.2	INCOME AND SPENDING				
FINANCE AND BANKING					Personal Income, (Mil. \$, Annual Rate)	June 7,504	7,411r	7,511r	6,918
Member Bank Loans	Aug. 199	197	200	177	Manufacturing Payrolls	July 155	152	152	141
Member Bank Deposits	Aug. 163	160	160	147	Farm Cash Receipts	June 127	107	107	115
Bank Debits**	July 160	154	155	144	Department Store Sales**	July 123	120	129	110
TENNESSEE					PRODUCTION AND EMPLOYMENT				
INCOME AND SPENDING					Nonfarm Employment	July 124	122	122	118
Personal Income, (Mil. \$, Annual Rate)	June 13,740	13,790r	13,782r	12,520	Manufacturing	July 128	126	125	121
Manufacturing Payrolls	July 189	191r	188	178	Nonmanufacturing	July 122	121	121	117
Farm Cash Receipts	June 99	142	164	106	Construction	July 140	141	144	134
Department Store Sales**	July 181	175	173	169	Farm Employment	July 77	79	80	86
PRODUCTION AND EMPLOYMENT					Insured Unemployment, (Percent of Gov. Emp.)	July 2.5	2.5	2.6	3.4
Nonfarm Employment	July 134	132	132	129	Avg. Weekly Hrs. in Mfg., (Hrs.)	July 40.6	41.0r	41.3	40.8
Manufacturing	July 136	132	132	132	FINANCE AND BANKING				
Nonmanufacturing	July 133	132	132	128	Member Bank Loans*	Aug. 204	203	203	184
Construction	July 106	109	109	102	Member Bank Deposits*	Aug. 161	158	164	149
Farm Employment	July 86	92	97	84	Bank Debits**	July 178	168	181	160
Insured Unemployment, (Percent of Gov. Emp.)	July 2.2	2.2	2.1	2.6	FRASER				
Avg. Weekly Hrs. in Mfg., (Hrs.)	July 41.7	42.1r	41.6	41.5	http://fraser.stlouisfed.org/				
FINANCE AND BANKING					Federal Reserve Bank of St. Louis				
Member Bank Loans	Aug. 215	211	211	185					
Member Bank Deposits	Aug. 163	162	162	147					
Bank Debits**	July 164	160	162	146					

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

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; industrial use of elec. power, 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

A tally of the accounts for this region's economy reveals it is still definitely "in the black." Nonfarm employment, our broadest measure, expanded in July, as the work force absorbed many new workers. Incomes and spending also moved up. Although construction employment and outlays did not show much zip in July, activity held near the previous month's level. Farm business operations provided some upward thrust, as increased marketings and firmness in key farm product prices provided an offset to the ill effects of dry weather in Louisiana and Mississippi. Bank credit expanded, as increases in major categories of loans outweighed a small decline in total investments.



Employment exhibited surprising vigor in July. The monthly increases in both manufacturing and nonmanufacturing employment have not been equaled in over three years. New entrants to the labor market evidently were successful in finding work. Gains in employment led to the largest monthly increase in manufacturing payrolls for the year, as well as to higher personal incomes. A substantial drop in auto registrations occurred in June. Retail sales, however, moved higher in June, and preliminary data reveal a further expansion in July. Debits to demand deposits, a partial measure of checkbook spending, also showed a July increase.



Housing starts and construction employment and outlays remained on a high plateau. Increasing yields in the money and capital markets in recent weeks, together with a continued shift in savings flows from specialized mortgage lenders to others, may have had an effect on the availability of mortgage money. Rising costs for materials and labor exerted a dampening influence on the growth of the construction industry in general.



Farm businesses are giving the region's economy a lift. Most major crops are growing and yielding well, and livestock and poultry marketings are on the upswing and exceed year-earlier volumes. At the same time, farmers have been experiencing firm-to-rising prices for some products, notably eggs, milk, and pork. Flue-cured tobacco prices in the marketing season just ended averaged much higher than those in 1964. These beneficial marketing and price developments have boosted total cash farm receipts above the favorable 1964 level. Reflecting farm prosperity to some extent, farm land valuations at last report had moved higher.



Loans by banks in leading cities rose rapidly in August following a July slowdown. The increase resulted from gains in consumer and nonbank financial loans, along with renewed strength in real estate and business loans. Investments dropped slightly during August, as a decline in U. S. Government securities, attributable largely to reductions in Treasury bills and notes and bonds maturing after one year, more than offset increases in other securities. Time deposits continued to grow at rates exceeding those in previous years, although deposits in the form of negotiable time certificates have not increased for the past two months.

