Monthly Review

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Also in this issue:

Federal Reserve Bank of Atlanta

Using A Sharper Pencil?

A Study of How Sixth District Banks Manage Their Reserve Balances

Higher short-term interest rates in recent years have made holders of spare funds think twice about keeping idle cash. Greater returns have provided them with incentive for seeking profitable investment opportunities for their idle balances. Economizing on cash and maximizing earnings by putting these funds to work is colloquially referred to as "using a sharp pencil."

To say that bankers have joined others in the financial world in developing this skill to a fine point may not be news. It is generally known that the largest banks in the nation's major cities have been trying hard to hold down their working balances and have used a sharp pencil in managing their funds. Yet, until now, little has been known as to how extensive this practice has become at other banks in other cities, especially in this part of the country. In our study we attempted to determine whether member banks in this District are economizing on their reserve balances, that is, their vault currency and coin and the funds they keep at the Federal Reserve Bank of Atlanta. We also tried to discover whether banks of different sizes manage these reserve accounts differently.

Rules and Regulations

Before documenting what we found out, it may be well to touch on the rules covering maintenance of reserves. Every banker knows that he must maintain specified reserves against his deposits. For Federal Reserve member banks, all of these reserves were maintained with their Reserve Bank before 1959. Since then, member banks have been allowed to count vault cash as part of their reserves. Currently, each member must hold at least a 4-percent reserve against time deposits. Required reserves against demand deposits are higher—16½ percent for reserve city banks and 12 percent for all others, or country banks.

Federal Reserve regulations give banks some leeway in meeting these requirements. For example, the amount of reserves a bank must hold at the close of the day is determined by the deposit balance at the opening of business. This gives a bank the whole day in which to adjust its reserves to meet requirements. More importantly, reserve city banks have one week and country banks have two weeks in which to average their reserves. Although these banks do not have to maintain reserves on a daily basis, they are expected to make reasonable efforts to avoid large deficiencies from day to day. At the discretion of the Federal Reserve Bank, a member bank may also carry forward a reserve deficiency of not more than 2 percent of required reserves into the next reserve period, provided it offsets the deficiency by an equal surplus within the same period.

Penalties for larger reserve deficiencies are steep—2 percent above

the discount rate. Banks, therefore, have an incentive to keep their reserve balances at the minimum or somewhat above it. On the other hand, it is to their advantage to hold no more reserves than are legally necessary, because excess reserves, or reserves above the minimum requirements, earn nothing.

Reserve Management in Theory

Writers on the subject of commercial bank reserve management recognize that the need or desire to avoid penalties causes banks to pay attention to their reserve accounts. Furthermore, maintaining reserves at the required level on an average, rather than a daily, basis allows banks to invest their reserves temporarily.

Because reserve requirements are based on deposit levels, reserve accounts fluctuate with changes in deposits. In addition, reserve accounts change when banks transfer reserve funds among themselves.

Although small banks would not find this practice profitable, large banks usually have one or more departments responsible for maintaining reserves and for keeping track of all major flows of funds. These flows result from large transfers of corporate, U. S. Treasury, and state deposits, from purchases and sales of securities, from extensions and retirements of loans, and from cash transactions.

Reserve management further requires prediction of future deposit levels. Knowing that some accounts move in regular patterns, an alert reserve manager often can use this information to the bank's advantage. There are, however, money transfers that even the most skillful reserve manager cannot foresee.

Against this background, the manager must decide what changes, if any, he should make in his bank's reserve account. In the event of a reserve deficit, he might borrow reserves. Since Federal Reserve Regulation A discourages continuous indebtedness to a Federal Reserve Bank, member banks often cover day-to-day reserve deficiencies by borrowing from each other. The Federal Reserve's "discount window" is more readily available to cover sudden deposit losses and unusual situations beyond those which the bank could reasonably meet through use of its own resources, including the sale of securities. There are, of course, other methods of covering deficiencies. For instance, a bank might try to sell some of its outstanding loans to another bank. A bank's choice of method of covering deficits depends partly on whether the condition is expected to be temporary or of a longer-run nature.

If, on the other hand, a bank finds itself with a reserve surplus, the account manager might lend this surplus to another bank, transfer it to a correspondent, use the money to buy short-term Treasury issues, or repay debts.

Statistical Highlights on Reserves

At the 501 Sixth District Member Banks
Over the 154-day period—January 7 to June 9, 1965

	Class of Bank			*Deposit Size of Bank (In Millions of Dollars)*							
	Country	*Reserve City*	*All Members*	*Under 1*	*1-2*	*2-5*	*5-10*	*10-25*	*25-50*	*50-100*	*Over 100*
I. SURPLUSES											
Days in Surplus as percent of period											
Group Average	75.5	61.1	74.8	89.6	83.6	81.2	80.5	75.1	63.9	57.5	57.2
Range of Extremes	35.1-100.0	47.4-94.8	35.1-100.0								
Average Daily Surplus as percent of required reserves											
Group Average	18.7	7.4	18.4	74.4	28.2	22.4	16.9	14.3	14.4	12.9	10.5
Range of Extremes	2.8-207.3	2.1-47.9	2.1-207.3								
Maximum Daily Surplus as percent of required reserves											
Group Average	80.3	53.1	78.9	283.3	120.9	97.6	76.2	59.7	65.1	52.5	46.5
Range of Extremes	10.3-740.4	9.3-152.6	9.3-740.4								
II. DEFICITS											
Days in Deficit as percent of period											
Group Average	23.4	30.5	24.2	8.8	15.2	18.8	18.3	25.2	34.9	42.1	42.2
Range of Extremes	0-64.9	5.2-50.6	0-64.9								
Average Daily Deficit as percent of required reserves											
Group Average	8.3	11.6	8.4	12.7	8.9	7.8	6.4	8.0	11.1	11.0	11.9
Range of Extremes	0-54.3	1.9-40.8	0-54.3								
Maximum Daily Deficit as percent of required reserves											
Group Average	27.1	45.1	28.0	30.0	26.0	23.1	20.9	27.3	37.6	40.6	48.9
Range of Extremes	0-84.4	9.5-81.2	0-84.4								

It is widely recognized that the same variety of choices may not be open to banks of all sizes. Small banks, for instance, cannot dispose of their excess reserves in the Federal funds market as readily as larger banks can, the reason being that many banks seeking to buy Federal funds, that is, to temporarily borrow excess reserves from other banks, seldom bother with amounts that small banks accumulate.

Reserve Management in Practice

Enough has been said about how banks are supposed to manage their reserve positions. Let us see how Sixth District banks actually do manage their reserve accounts.

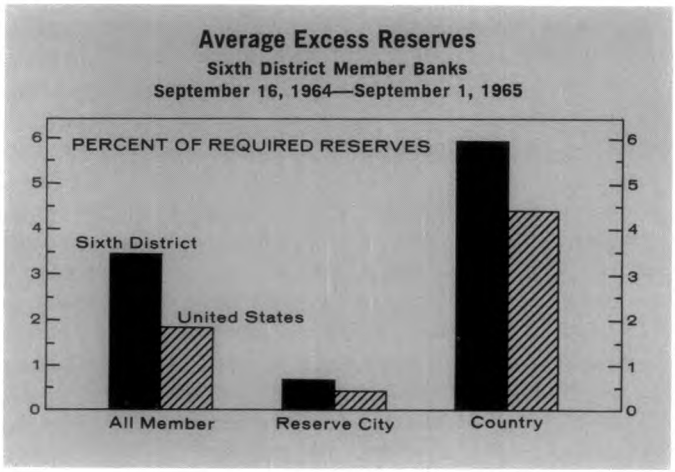
Before viewing the behavior of individual banks, we might look at District banks *en masse*. During the 12 months ending September 1, 1965, the average District bank held $81,800 of excess reserves—an amount equal to $3.46 for every $100 of required reserves. As you can see from the chart below, excess reserves at reserve city banks and at country banks in the District were greater in proportion to their required reserves for this period than at reserve city and county banks throughout the nation. This difference could reflect variations in bank size, city size, and bank location, but it may well be that banks in this region are, in fact, holding a slightly less taut rein in managing their reserve balances.

The Individual Bank Approach

At the beginning of our study, there were 476 country banks in this District—chiefly small institutions—and 25 reserve city banks. The latter are chiefly the larger banks located in Atlanta, Birmingham, Jacksonville, Miami, Nashville, and New Orleans.

Using the individual bank approach, we calculated each bank's daily reserve surplus or deficit (reserve balance plus currency and coin minus required reserves) during the first six months of 1965. Although we concentrated on the behavior of banks of different sizes, deposit-wise, we obtained similar results when we compared country-bank behavior with reserve-city-bank behavior. From our calculations, one thing is clear: The smaller the bank, the less closely it runs its reserve position.

Frequency of Surplus or Deficiency A country bank is usually in surplus more often than a reserve city bank.



As the table on page 2 shows, the average country bank was in surplus 116 of the 154 days in the test period, or three-fourths of the time, whereas the average reserve city bank was in surplus only three-fifths of the period. In fact, 42 percent of the country banks, but only 8 percent of the reserve city banks, were in surplus at least 80 percent of the time.

Generally, the number of days in surplus varies inversely with bank size. There are, however, wide variations in this norm, especially among country banks with deposits from $2 million to $5 million. Three were in surplus about half of the time; at the other extreme, seven had surpluses every single day. In all, 16 out of 476 country banks had a surplus every day, but none of the reserve city banks had that experience.

Because a bank's reserve account is rarely in perfect balance, the actual number of days in deficit tells us little more than we learned from looking at the surplus side. Reserve city banks, on average, dropped below their required reserves nearly two out of every five days throughout the 154-day period; three had deficits more than half the time. Single-day deficiencies are permissible, but the banks had to cover these with surpluses on other days in order to maintain their required averages over the reserve period. Country banks—running deficiencies less often than reserve city banks—were below reserve requirements, on average, as much as one out of four days.

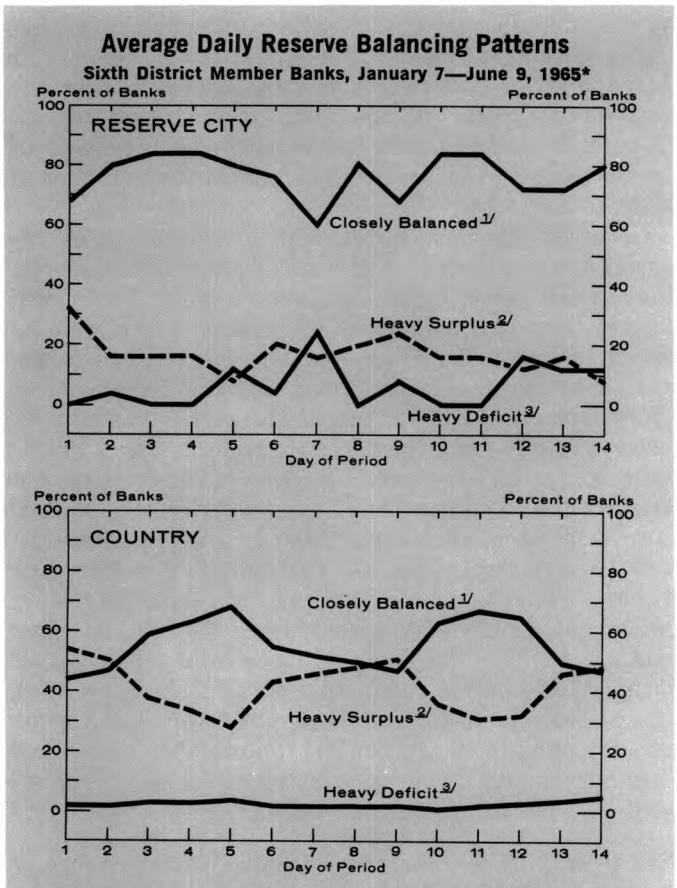
Size of Surplus or Deficiency Smaller banks carry larger surpluses, and smaller deficits, than bigger banks if one measures the amounts in relation to required reserves. As the table on page 2 shows, country banks, on average, held in surplus an amount equal to about 19 percent of their required reserves, compared with 7 percent for reserve city banks.

Of course, the surpluses did not amount to much in dollars and cents, since many country banks are small. Some banks, however, had sizable surpluses which they could have invested profitably. Of the 16 banks that always carried surpluses, three had reserve excesses of $500,000 to $600,000 per day. At a 4-percent interest rate, these banks could have earned over $55 each day, making no allowance for telephone and other costs.

Daily Reserve Balancing That reserve city banks exercise closer control over their reserve accounts than country banks is also apparent from the day-to-day adjustments in their reserves. The figures did not tell us, however, to what extent banks tried to profit from changes in money market rates by taking advantage of known changes in their own volume of reserves. Nevertheless, we know that even though most banks make it a practice to average their reserves rather than cover them daily, they keep them within fairly narrow limits. In the first half of 1965, nearly three-fifths of all District member banks kept their daily reserve balance within 10 percent of the legal ratio.

By size and class of bank, the number of banks keeping their reserves within the 10-percent limit varied. Because most of the smaller banks carry considerable excesses, a sizable number did not balance their reserves within the 10-percent margin. In contrast, three-fourths of the reserve city banks kept reserves in this limit.

Knowing that the larger banks have specialized person-



*Averages for 14-day country bank reserve settlement periods, which contain two reserve city periods.
[1]Average daily excess within (±) 10 percent of required reserves.
[2]Average daily surplus greater than 10 percent.
[3]Average daily deficit greater than 10 percent.

nel watching their reserve positions, we were not surprised at their making closer adjustments over the reserve period than country banks did. Understandably, city banks and larger country banks make a greater effort to balance their reserve positions over the weekend than on most other days, since Friday's reserves count three times in the reserve calculations. Larger banks make no particular effort to keep actual reserves close to requirements on Wednesday, the final day of their settlement period. In fact, many carry large deficiencies on that day. Knowing how much they need to average out, they apparently draw down on this day sizable excesses accumulated earlier. This explains why more banks are deficient on Wednesday than on any other day of the week.

Revised Reviews of Florida and Tennessee Economy

These publications have been expanded to include the most recent *Monthly Review* articles devoted to the states' economies and to include revised monthly figures of major business indicators. The material covers 1959-65 for Florida and 1960-65 for Tennessee. The articles discuss various aspects of the states' economic scenes and often consider long-run developments. Copies are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Other Factors

That large banks manage their reserve accounts more closely than small banks cannot be explained by wider fluctuations in the latter's deposits. On the contrary, deposits at reserve city banks seem to fluctuate somewhat more widely from day-to-day than deposits at country banks do. Furthermore, reserve city banks have to meet their reserve requirements over a one-week rather than a two-week period, which requires adjustments not necessary at country banks.

Country banks have their own problems. The small ones, especially those in agricultural areas, experience greater month-to-month deposit fluctuations than larger institutions. In terms of reserve management, this may involve greater adjustments of investment portfolios than the more frequent day-to-day borrowing undertaken by larger banks. True, large banks have more closely supervised their excess reserves than small banks have. Still, small banks have been finding ways to put their idle funds to work. This sharpening of the reserve balancing pencil is the subject of a future article.

HARRY BRANDT
ROBERT R. WYAND II

Bank Announcements

On October 1, three nonmember banks began to remit at par for checks drawn on them when received from the Federal Reserve Bank. These include: The BANK OF RED BAY, *Red Bay, Alabama. Dr. Z. L. Weatherford is President; L. N. Flippo, Jr., is Executive Vice President; and Erlene E. Moore is Cashier. Capital stock totals $100,000, and surplus and other capital funds, $358,179.92. The* VINA BANKING COMPANY, *Vina, Alabama. Officers include Mrs. Helen R. Bedford, President; Charles Cashion, Jr., Vice President; and Gene W. Berry, Cashier. Its capital stock is $27,000, and surplus and other capital funds, $102,357.45. The* BANK OF FORT WALTON, *Fort Walton Beach, Florida. Officers are Howard F. McGee, President; Lewie Tidwell, Vice President and Cashier; and Mrs. Virginia Seigler, Assistant Cashier. Capital stock amounts to $125,000, and surplus and other capital funds, $396,000.*

Also on October 1, the SOUTHERN BANK OF WEST PALM BEACH, *West Palm Beach, Florida, a newly organized nonmember bank, opened for business as a par-remitting bank. Officers include James K. Siebrecht, Chairman; Carleton S. Lucius, President; Jon C. Moyle, Vice President; and Joseph M. Reed, Jr., Vice President and Cashier. Capital is $500,000, and surplus and other capital funds $150,000.*

On October 22, the CITIZENS BANK, *Smithville, Tennessee, a newly organized member bank, opened and began to remit at par. Capital stock is $100,000, and surplus and other capital funds, $160,000. Officers are M. T. Puckett, President and Chairman; W. H. Moss, Executive Vice President; W. N. Paris, Vice President and Cashier; and W. H. Smith, Secretary.*

On October 25, the FIRST NATIONAL BANK OF LIVINGSTON, *Livingston, Tennessee, a newly organized member bank, opened for business and began to remit at par. Capital stock is $160,000, and surplus and other capital funds $240,000. Travis R. Anderson is President, and Guy B. Copeland is Vice President and Cashier.*

Farm Pay Checks Grow Larger

In terms of cash receipts from farm marketings, farmers throughout the nation are experiencing a good year. Through the first nine months of 1965, they received over $26 billion from the sale of farm products. This was about $1.5 billion more than they received during the same period last year and over $1 billion higher than the record set in 1963. Generally higher prices for livestock and livestock products and farm marketings near last year's high levels account for much of the increase.

Significant Gains in the Southeast

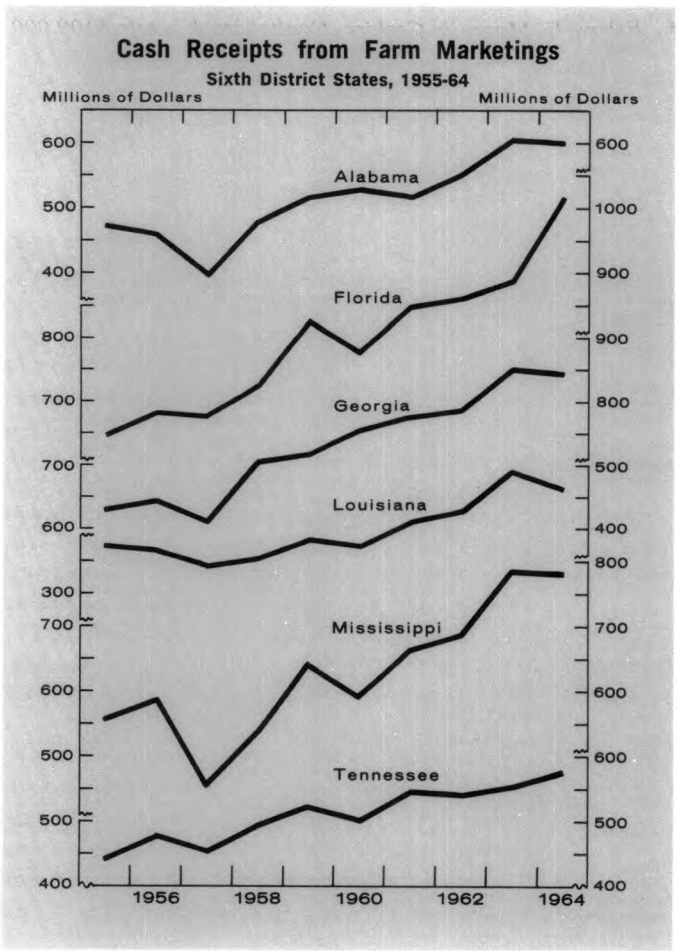
Meanwhile, farmers in the six southeastern states that lie wholly or partly in the Sixth Federal Reserve District were setting a record in cash receipts from farm marketings. Through September, the combined cash incomes of farmers in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee were over $2.8 billion, according to figures released by the United States Department of Agriculture. And, based on expected crop and livestock production and prices for the remainder of the year, the region's farmers will probably enjoy a new record in cash receipts.

Through the first nine months of 1965 most of the advance in farm cash receipts in the six states came from the livestock industry, which experienced both increased sales volume and higher prices. Since January, sales volumes of all major livestock products except pork have been above those of a year earlier, reflecting continued growth in the cattle industry in the South and cyclically high levels of production in the broiler and egg industries.

A 4-percent drop in the nation's output of red meats is responsible for the relatively high prices for livestock products in the Southeast. This drop, primarily in pork, not only caused sharp increases in hog and cattle prices but also tended to support the broiler market, as many of the nation's households substituted poultry for the higher-priced red meats.

Not all of the 1965 increase in cash receipts in the six states came from the livestock sector. Revenue from cash crop sales since January was 4 percent greater than a year earlier, although prices for many major crops have been significantly lower. Increased sales of citrus, soybeans, and other crops have countered the decline in prices of citrus, cotton lint and seed, and rice.

Furthermore, cash receipts from farm marketings for the January-September period expanded slightly faster in the six states than in the nation, continuing a trend that has been evident for several years. In 1955, District state farmers received over $3 billion in cash receipts from farm marketings, or some 11 percent of the nation's total. Ten years later they had increased their share of the U. S. total to 12 percent. Generally, their receipts from both livestock and crops grew at a faster rate than in the nation, with those from livestock growing relatively faster than those from crops and accounting for most of the gain in the region's share of total U. S. farm cash receipts.



Structural Changes in Farm Economy

How have farmers in the Southeast been able to capture a larger segment of the U. S. farm market? Mostly, perhaps, because the basic structure of agricultural production in many southeastern states has changed.

Historically, agriculture in the Southeast has been heavily oriented to crop production. In recent years, however, the relative importance of the livestock industry in many southern states has been expanding, so that this region's agricultural make-up is becoming more like that of the U. S., where the bulk of farm income is from livestock sales. In 1955, Georgia received over 52 percent of her farm income from crop production, but steady trends toward reduced crop acreages and increased livestock production, particularly for broilers and eggs, have altered this basic relationship. Consequently, 54 percent of the $844 million in cash income received by Georgia farmers in 1964 came from the livestock enterprise. Georgia's livestock industry has grown rapidly and in terms of cash receipts is now the largest in the Southeast.

Alabama has also experienced a sharp increase in her livestock industries. In 1955, Alabama farmers received $194 million, or 41 percent of their cash income, from the sale of livestock and livestock products. By 1964, receipts from these sources had grown to $346 million, or 58 percent of the total cash income from farm sales.

Much of the advance in livestock sales can be attributed to enlarged beef cattle and poultry enterprises.

Similar trends are under way in Mississippi. From 1955 to 1964, the proportion of total cash receipts from crop sales dropped from 73 to 62 percent. Thus, although crop production still tends to dominate Mississippi's agricultural scene, livestock has become relatively more important.

Tennessee's agricultural economy is not experiencing the basic structural changes that are evident in the other states. Historically, Tennessee's agriculture has been highly diversified with about equal emphasis on crop and livestock production. Since 1955, cash receipts from both sectors of the state's agricultural economy have expanded at about the same rate.

The picture for Florida and Louisiana is somewhat different from that for other District states. In both states acreage of cropland harvested has increased somewhat, particularly in 1963 and 1964. In Florida, sharply larger sugarcane acreages, combined with moderately increased acreages of vegetables, soybeans, and citrus groves, have resulted in greater crop output. Livestock production has expanded, but it still represents a small component of cash receipts. In 1964, crops accounted for 77 percent of Florida's $1,105 million in cash receipts from farm marketings.

Additions to soybean, sugarcane, and rice acreages have helped keep Louisiana's share of income from crops relatively large, despite a growth in livestock enterprises there. In 1964, Louisiana farmers were receiving 66 percent of their cash income from crop sales, as opposed to 69 percent in 1955.

Increased Output or Higher Prices?

Changes in cash receipts from farm marketings are subject to many forces within the economy: Shifts in prices or output in a given year may cause relatively wide short-term fluctuations. Most of the rise since 1955 reflects increased production rather than higher prices.

Prices received from farm marketings in Alabama, Georgia, Mississippi, and Tennessee have not changed appreciably. Agricultural production in these states is characterized by crops and livestock items whose prices are determined in part by national forces such as the total supply and demand for the commodities. Thus, while changes in regional production or marketing conditions may influence national prices somewhat, they probably will not dominate them.

Conversely, prices received for agricultural products in Louisiana and Florida have varied rather widely, partly because of the nature of agricultural production there. Farmers in these two states produce some crops such as citrus and several vegetables that cannot be grown in all parts of the U. S. For such crops, fluctuations in production or marketing conditions tend to influence prices greatly from year to year. Also, since these items are being included to a greater extent in the average American's diet, their prices have trended upward in recent years. In some respects then, cash receipts in Florida and Louisiana reflect relatively significant rises in prices, yet increased output in both states accounts for most of the growth in receipts.

ROBERT E. SWEENEY

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Sept. 1965	Aug. 1965	Sept. 1964	Percent Change Sept. 1965 from Aug. 1965	Sept. 1964	Year-to-date 9 months 1965 from 1964
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,293,340	1,247,100	1,171,211	+4	+10	+10
Gadsden	56,215	57,480	55,532	—2	+1	+5
Huntsville	158,867	162,432	160,770	—2	—1	+6
Mobile	385,414	414,724	385,900	—7	—0	+7
Montgomery	264,063	276,225	253,603	—4	+4	+10
Tuscaloosa	77,825	76,211	76,359	+2	+2	+4
Ft. Lauderdale—Hollywood	422,710	458,626	404,918	—8	+4	+9
Jacksonville	1,317,855	1,353,836	1,092,688	—3	+21	+15
Miami	1,592,591	1,657,715	1,561,667	—4	+2	+8
Orlando	377,309	384,444	351,768	—2	+7	+1
Pensacola	182,473	181,092	176,631	+1	+3	+11
Tampa-St. Petersburg	972,024	1,010,334	926,711	—4	+5	+7
W. Palm Beach	309,317	311,810	275,261	—1	+12	+8
Albany	91,113	83,178	80,230	+10	+14	+20
Atlanta	3,916,841	3,810,083	3,553,853	+3	+10	+11
Augusta	179,577	184,859	166,176	—3	+8	+3
Columbus	193,921	196,915	189,992	—2	+2	+8
Macon	196,333	193,214	183,507	+2	+7	+9
Savannah	222,115	231,118	209,203	—4	+6	+4
Baton Rouge	432,052	440,341	368,313	—2	+17	+20
Lafayette	100,174	101,988	82,898	—2	+21	+19
Lake Charles	108,441	103,767	97,143	+5	+12	+9
New Orleans	1,987,879	2,007,159	1,848,359	—1	+8	+11
Jackson	507,352	512,675	455,838	—1	+11	+11
Chattanooga	505,876	486,221	428,697	+4	+18	+11
Knoxville	390,883	416,299	357,254	—6	+9	+9
Nashville	1,203,992	1,249,128	1,083,252	—4	+11	+10
OTHER CENTERS						
Anniston	55,276	57,078	53,606	—3	+3	+7
Dothan	58,829	45,984	52,255	+28	+13	+6
Selma	39,324	33,128	37,096	+19	+6	+3
Bartow	30,089	31,557	25,183	—5	+19	+22
Bradenton	40,142	42,692	39,713	—6	+1	+1
Brevard County	181,366	194,467	148,627	—7	+22	+17
Daytona Beach	73,393	75,116	63,232	—2	+16	+6
Ft. Myers—N. Ft. Myers	55,459	54,750	52,116	+1	+6	+6
Gainesville	74,397	65,817	65,130	+13	+14	+10
Monroe County	27,147	28,592	22,151	—5	+23	+19
Lakeland	91,737	95,054	90,724	—3	+1	+10
Ocala	45,431	47,938	42,905	—5	+6	+6
St. Augustine	17,493	17,839	14,750	—2	+19	+5
St. Petersburg	238,685	237,995	233,460	+0	+2	+5
Sarasota	82,662	80,259	73,477	+3	+13	+5
Tallahassee	103,734	109,539	87,977	—5	+18	+16
Tampa	556,619	588,958	506,533	—5	+10	+11
Winter Haven	49,199	50,107	44,164	—2	+11	+8
Athens	64,664	63,782	53,776	+1	+20	+16
Brunswick	39,753	39,615	37,183	+0	+7	+3
Dalton	88,089	78,658	79,472	+12	+11	+13
Elberton	10,966	13,159	11,934	—17	—8	+6
Gainesville	67,408	66,343	61,617	+2	+9	+8
Griffin	29,505	29,492	26,727	+0	+10	+11
LaGrange	21,417	19,457	18,547	+10	+15	+6
Newnan	22,909	25,639	25,913	—11	—12	+0
Rome	65,705	66,265	57,555	—1	+14	+6
Valdosta	57,757	55,172	43,090	+5	+34	+13
Abbeville	11,809	10,593	10,779	+11	+10	+12
Alexandria	105,460	105,694	96,524	—0	+9	+9
Bunkie	6,274	5,839	5,273	+7	+19	+14
Hammond	26,297	26,713	28,128	—2	—7	+8
New Iberia	31,062	32,616	28,918	—5	+7	+5
Plaquemine	8,698	8,773	7,399	—1	+18	+9
Thibodaux	20,138	17,080	17,484	+18	+15	+8
Biloxi-Gulfport	81,219	85,432	70,707	—5	+15	+10
Hattiesburg	49,442	44,864	41,268	+10	+20	+9
Laurel	36,776	34,081	30,747	+8	+20	+7
Meridian	56,293	61,151	53,416	—8	+5	+6
Natchez						
Pascagoula—Moss Point	30,142	28,972	31,217	+4	—3	+0
Vicksburg	44,574	53,681	39,054	—17	+14	+6
Yazoo City	34,306	33,948	31,433	+1	+9	+14
	23,030	46,295	20,228	—50	+14	+12
Bristol	60,722	61,936	56,807	—2	+7	+10
Johnson City	61,956	64,025	59,681	—3	+4	+8
Kingsport	126,120	122,778	106,753	+3	+18	+14
SIXTH DISTRICT, Total	24,276,757	24,424,235	22,269,128	—1	+9	+10
Alabama†	3,265,567	3,210,099	3,115,956	+2	+5	+7
Florida†	6,959,741	7,174,511	6,417,522	—3	+8	+9
Georgia†	6,342,059	6,182,450	5,753,523	+3	+10	+12
Louisiana†*	3,318,289	3,348,471	3,010,781	—1	+10	+12
Mississippi†*	1,134,794	1,178,147	1,007,904	—4	+13	+9
Tennessee†*	3,256,307	3,330,557	2,963,442	—2	+10	+8

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

Sixth District Statistics

Seasonally Adjusted

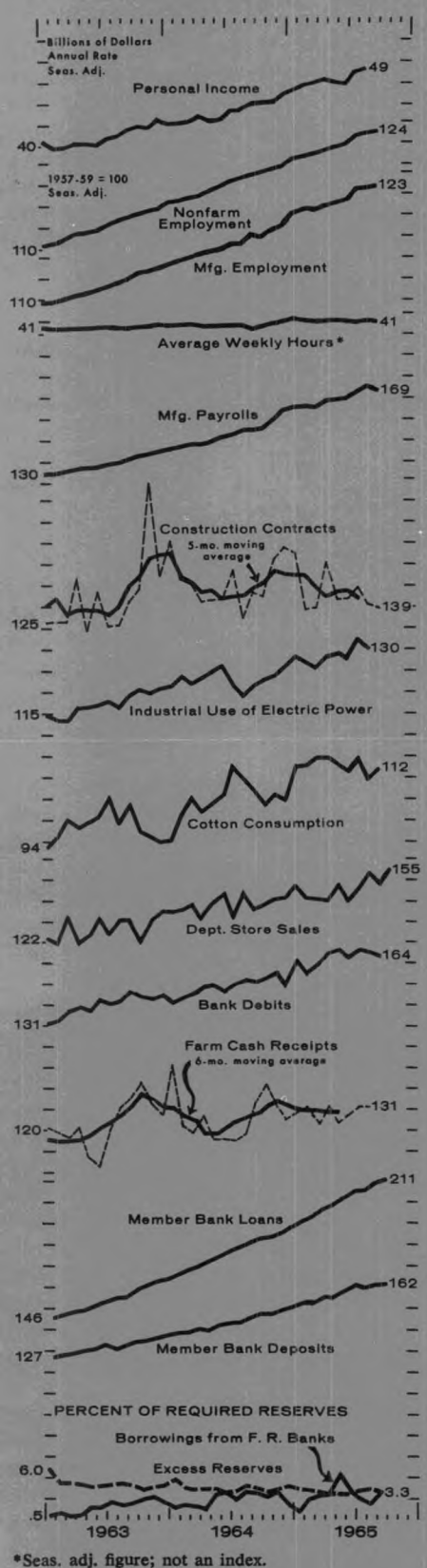
(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

	Latest Month (1965)		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	49,077	48,790r	47,442r	44,280
Manufacturing Payrolls	Sept.	169	170	168	150
Farm Cash Receipts	Aug.	131	132	127	117
Crops	Aug.	134	122	120	118
Livestock	Aug.	130	134	131	114
Department Store Sales*/**	Oct.	155	148r	153	138
Instalment Credit at Banks, *(Mil.)					
New Loans	Sept.	200	233r	221	184
Repayments	Sept.	205	220	197	183
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	124	124	123	119
Manufacturing	Sept.	123	123	123	118
Apparel	Sept.	149	149	149	141
Chemicals	Sept.	118	118r	118	113
Fabricated Metals	Sept.	130	132	131	124
Food	Sept.	109	109	109	108
Lbr., Wood Prod., Furn. & Fix.	Sept.	100	100r	100	97
Paper	Sept.	111	110	111	107
Primary Metals	Sept.	110	113	113	109
Textiles	Sept.	100	99	99	96
Transportation Equipment	Sept.	152	151	150	129
Nonmanufacturing	Sept.	124	124	123	119
Construction	Sept.	119	119	119	113
Farm Employment	Sept.	66	72	79	75
Insured Unemployment (Percent of Cov. Emp.)	Sept.	2.4	2.4	2.4	2.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.4	41.6r	41.3	40.5
Construction Contracts*	Sept.	139	143	157	153
Residential	Sept.	142	173	170	146
All Other	Sept.	137	118	147	160
Industrial Use of Electric Power	Aug.	130	132	127	119
Cotton Consumption**	Sept.	112	109	114	107
Petrol. Prod. in Coastal La. and Miss.**	Sept.	158	186r	186r	172
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Sept.	211	209	206	183
Leading Cities	Oct.	198	194	192	170
Member Bank Deposits*					
All Banks	Sept.	162	162	160	148
Leading Cities	Oct.	152	149	151	138
Bank Debits*/**	Sept.	164	166	167	150
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	6,658	6,700r	6,544r	5,982
Manufacturing Payrolls	Sept.	161	162	162	138
Farm Cash Receipts	Aug.	123	142	139	108
Department Store Sales**	Sept.	115	123	120	109
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	115	116	115	112
Manufacturing	Sept.	115	116	115	109
Nonmanufacturing	Sept.	115	115	115	113
Construction	Sept.	111	113	112	112
Farm Employment	Sept.	69	73	84	76
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2 6	2.5	2.6	2.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.9	41.3r	41.7	41.1
FINANCE AND BANKING					
Member Bank Loans	Sept.	198	199	197	180
Member Bank Deposits	Sept.	164	163	160	148
Bank Debits**	Sept.	155	157	160	148
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug	14,182	14 031r	13,353r	12,975
Manufacturing Payrolls	Sept.	194	192	188	173
Farm Cash Receipts	Aug.	120	131	99	116
Department Store Sales**	Sept.	185	191	181	175
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	133	134	133	129
Manufacturing	Sept.	135	135	134	131
Nonmanufacturing	Sept.	133	133	133	129
Construction	Sept.	104	107	106	103
Farm Employment	Sept.	88	80	86	92
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.2	2.2	2.2	2.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.6	42.7r	41.9	39.6
FINANCE AND BANKING					
Member Bank Loans	Sept.	216	215	211	188
Member Bank Deposits	Sept.	162	163	162	148
Bank Debits**	Sept.	157	163	163	145
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	9,303	9,183r	9,043r	8,365
Manufacturing Payrolls	Sept.	168	171	169	149
Farm Cash Receipts	Aug.	128	121	140	108
Department Store Sales**	Sept.	144	148	143	130
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	124	123	123	118
Manufacturing	Sept.	121	119r	119	116
Nonmanufacturing	Sept.	125	125	124	119
Construction	Sept.	137	136	136	125
Farm Employment	Sept.	65	77	83	74
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.1	2.0	1.8	2.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.1	41.2r	41.1	40.1
FINANCE AND BANKING					
Member Bank Loans	Sept.	219	219	214	184
Member Bank Deposits	Sept.	174	176	173	154
Bank Debits**	Sept.	181	177	178	164
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	7,452	7,432r	7,304r	6,518
Manufacturing Payrolls	Sept.	149	159r	160	138
Farm Cash Receipts	Aug.	185	137	126	163
Department Store Sales*/**	Sept.	138	136	131	116
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	115	115	115	110
Manufacturing	Sept.	108	109r	110	106
Nonmanufacturing	Sept.	117	116	116	110
Construction	Sept.	128	125	126	109
Farm Employment	Sept.	69	79	80	80
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.7	2.8	3.0	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.5	42.7r	42.6	41.6
FINANCE AND BANKING					
Member Bank Loans	Sept.	200	196	192	168
Member Bank Deposits	Sept.	142	139	141	134
Bank Debits*/**	Sept.	145	150	154	131
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	3,671	3,708r	3,663r	3,318
Manufacturing Payrolls	Sept.	183	184r	182	157
Farm Cash Receipts	Aug.	132	145	138	116
Department Store Sales*/**	Sept.	108	114	107	98
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	127	126	126	122
Manufacturing	Sept.	135	135	134	126
Nonmanufacturing	Sept.	123	123	122	120
Construction	Sept.	127	122	124	127
Farm Employment	Sept.	54	57	70	61
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.1	2.2	2.4	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.0	41.3	41.0	40.4
FINANCE AND BANKING					
Member Bank Loans	Sept.	223	221	220	202
Member Bank Deposits	Sept.	170	173	169	159
Bank Debits*/**	Sept.	174	178	164	154
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	7,811	7,736r	7,535r	7,124
Manufacturing Payrolls	Sept.	167	165r	161	150
Farm Cash Receipts	Aug.	122	119	127	109
Department Store Sales*/**	Sept.	126	129	123	114
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	124	124	124	119
Manufacturing	Sept.	128	128	128	122
Nonmanufacturing	Sept.	122	123	122	117
Construction	Sept.	136	135	137	130
Farm Employment	Sept.	66	74	77	80
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.5	2.4	2.5	3.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.7	41.1r	40.4	40.5
FINANCE AND BANKING					
Member Bank Loans	Sept.	209	204	203	186
Member Bank Deposits	Sept.	161	161	158	152
Bank Debits*/**	Sept.	181	177	178	165

*For Sixth District area only. Other totals for entire six states. **Daily average basis. 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; 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



*Seas. adj. figure; not an index.

No general faltering or hesitation has appeared in the District's economy, although the pace of production at steel and petroleum firms slackened somewhat in September. Overall employment held at about the August level, and a gain in personal income added a buoyant note. In the farm economy, output generally continued large; prices for produce held relatively firm; and farm cash income increased a little. A slight rise in retail sales in September suggests an underlying strength in consumer demand. Expanded activity at the region's banks was reflected by an increase in total bank credit in leading cities.

From the beginning of the current expansion through 1964, DISTRICT EMPLOYMENT grew at a faster pace than the nation's employment, despite the District's smaller share of employment in industries with above-average national growth rates. Accompanying the faster growth in employment in the District was an insured unemployment rate for 1964 that was well below the national average. With lower unemployment and a less favorable employment composition than in the nation, has the District continued its faster-than-national rate of growth since mid-1964? If so, in which industries and states has the growth been most pronounced?

Comparisons of the most recently available three-month averages (June, July, August) with the 1964 averages for selected series partly answer these questions. By using such averages, which reduce the effects of irregular fluctuations in the series, we see that the District's 4.6-percent gain outpaced the nation's 4.1-percent rise in nonfarm employment.

One key to a region's growth is its manufacturing industries, that is, its "export" industries, which sell their products largely outside the region and thereby create a base for other industries. With nonmanufacturing employment in the District and in the nation increasing 15 percent faster than manufacturing employment in our comparison period, what did manufacturing employment do?

Generally, the same industries that led the U. S. in employment gains also led the District. This is not surprising, since the region's manufacturing industries depend strongly upon national market conditions. Transportation equipment led other types of manufacturing in employment growth in both the region and the U. S., and food and kindred products had the smallest rates of gain.

Ranked by rates of gain in the various types of manufacturing employment, the District and U. S. patterns were similar, although percent gains in individual industries were generally larger for the region. This indicates the strength of the District's competitive position, despite the lower unemployment rate here. Employment in District transportation equipment, for example, rose 18 percent, against 10 percent for the nation. In food and kindred products, employment in the District advanced nearly 2 percent, while dropping over one percent in the nation. Employment in the apparel industry, the District's leading manufacturing employer, displayed strength with a 7-percent gain; the U. S. gained 4 percent.

All District states except Alabama turned in better gains in nonfarm employment than the nation. Louisiana, supported by its booming construction employment, led the District states with a 5.5-percent increase. Tennessee, buoyed by excellent employment gains in its important apparel and chemical industries, showed the second highest increase—5 percent.

Thus, the District has responded to the growth in national markets and has even increased its share of them. In doing so, it has improved its employment composition by increasing its share of employment in industries that are above average in national growth rates, a development that will likely support further growth in this region. Also, the insured unemployment rate in the three-month period was nearly 25 percent below the 1964 average, which indicates that low employment has not been a bottleneck to further economic expansion in the District.

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