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The Impact of Defense Spending on the District Economy

The escalation of the Viet Nam conflict has reversed a decline in defense purchases of goods and services. Moreover, in each of the last four quarters, the increase was greater than that in the preceding quarter. The change in defense purchases accounted for 18 percent of the gain in gross national product in the first quarter of this year, which contrasts sharply with 7 percent of GNP going for defense spending in 1965. What has this increase meant to the District economy?

The impact of defense spending on a region depends upon the composition of national defense spending, the structure of the region's economy, and the additional spending resulting from the initial defense expenditures in the area. The first two factors are principal determinants of the amount and make-up of defense spending in the region, and for convenience, can be referred to as the structural effect. The third factor will be labeled the multiplier effect. A look at these three factors will provide a basis for estimating the effect of increased national defense spending on the District.

National Defense Spending

During the first half of 1965, defense spending remained essentially unchanged, as stepped-up procurement, depicted by the rise in defense shipments, was offset by a decline in the armed forces. While procurement continued upward, the armed forces expanded after June. A jump in military pay scales in September added \$1 billion to personal income at an annual rate. By April of this year, the number of armed forces personnel passed the 3 million mark from a low of 2,680 thousand only ten months earlier. Military wages and salaries advanced from \$11.8 billion in the second quarter of 1965 to \$14.4 billion in the first quarter of this year.

Defense spending will increase in the coming months. The third chart on page 50 evidences a continued high level of military procurement. Although some decline occurred in the first-quarter 1966 contract awards because of the bunching of orders in the previous four months, the level remains considerably above the year-ago figure. Much of the production generated by prime contracts in recent quarters will occur only after a lag of several quarters. Department of Defense payrolls will increase by 3.2 percent because of recent legislation raising military and civilian pay scales.

In view of the increases in military pay rates, it appears that a greater proportion of the recent gain in defense spending went for wages and salaries. According to the latest data available (1963), military and civilian wages and salaries accounted for 35 percent of expenditures for military services and foreign military assistance, and procurement accounted for the remaining 65 percent.

District Defense Employment

Both the higher level of defense spending and its emphasis on higher wages and salaries have given a special push to the District economy.

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**DISTRICT FARM EMPLOYMENT
CONTINUES DECLINE**

**DIVERSIFICATION AIDS
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**TIME AND SAVINGS DEPOSITS
IN PERSPECTIVE**

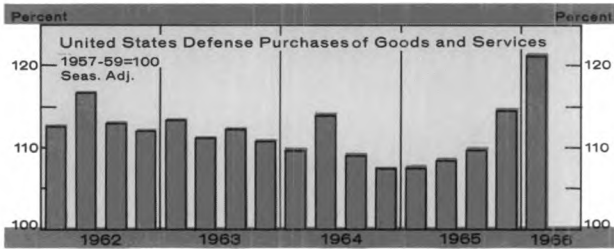
**SIXTH DISTRICT
STATISTICS**

**DISTRICT BUSINESS
CONDITIONS**

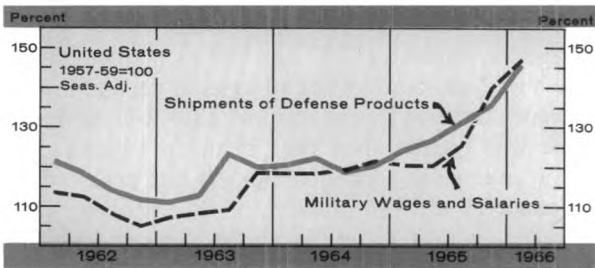
*Federal
Reserve
Bank of
Atlanta*

District Defense Procurement

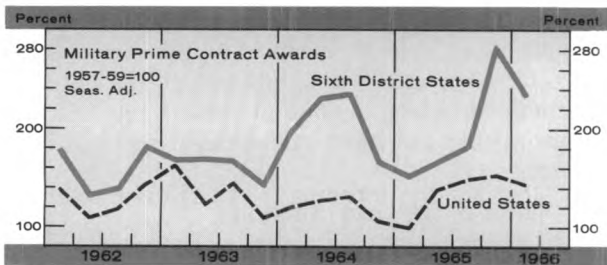
Defense spending has increased sharply since mid-1965.



Both procurement and payrolls have shared in the gain.



The upsurge in defense spending has taken place within the District, as well as the nation.



An important part of the \$5.3-billion advance in District personal income during the past 12 months came from the increase in defense spending. For example, a speedup in shipbuilding for the Navy in Louisiana and Mississippi and expanded work on defense contracts by aircraft companies in Alabama, Florida, and Georgia have boosted transportation equipment payrolls. In Tennessee, employment at ordnance and control instrument industries has jumped over 30 percent in the past year.

The large number of defense installations in our region play an important role in the nation's defense. As of June 30, 1965, the Department of Defense had total payrolls of \$1,960 million in the six states. These payrolls include \$1,211 million for military personnel and \$748 million for civilian personnel. With 9.1 percent of national personal income, the District states account for 13.5 percent of D.O.D. military and civilian payrolls.

Defense payrolls are considerably more important in some District states than in others. Florida and Georgia received over half of the six states' total as of June 1965, with D.O.D. payrolls of \$620 million and \$530 million, respectively. D.O.D. payrolls in Alabama were \$358 million; Louisiana, \$172 million; Mississippi, \$147 million; and Tennessee, \$135 million. Redstone Arsenal in Huntsville makes Alabama the only District state in which D.O.D. civilian payrolls are greater than military payrolls.

Although the District states have a higher percentage of personal income coming from D.O.D. payrolls than the nation, they have a smaller percentage of manufacturing production in defense-oriented industries.¹ The 1963 *Census of Manufacturing* credits the region with 8 percent of value added in manufacturing, but only 4 percent of the national value added in defense-oriented industries.

The lesser importance of defense-oriented industries to the District is not surprising, as a smaller proportion of District manufacturing is in durable goods industries than is the case for the U.S. Yet the area plays a larger role in defense procurement than is indicated by the figures for defense-oriented industries. Last year, the District states accounted for 8 percent of prime contract awards over \$10,000. The higher percentage of the national total the region has in prime contract awards than in the defense-oriented industries can be explained by the wider coverage of prime contract awards and a larger number of these contracts going to the District in 1965 than in 1963.

The table shows that the District has a relatively large share of contracts in nondefense-oriented industries; the area claims 23 percent of the textiles, clothing and equipment, and construction contracts.

The high percentage of prime contracts for construction and services going to the region reflects a large number of military installations. The textile, apparel, and petroleum refining industries in the District represent an important part of their respective national markets, so these industries account for a sizable share of defense contracts. Yet, these industries are not "defense-oriented," as only a small proportion of their total output is for defense.

Florida and Georgia lead the District in the value of prime contracts received, as is the case for D.O.D. payrolls. In the last calendar year, Florida received more defense contracts than Georgia. The reverse was true in 1964.

A look at the types of procurements by states illustrates the wide diversity of contracts received. No two District states have the largest volume of contracts in the same procurement category. Georgia received the majority of her contracts for aircraft equipment. Florida's largest volume was for missile and space systems, although construction, services, and electronics and communications equipment also accounted for a substantial volume of contracts. Over half the contracts in Louisiana and Mississippi went for petroleum products and ships, respectively. A considerable diversity in the contracts received occurred in Alabama and Tennessee. Construction, the leading procurement category in Alabama, accounted for only 7 percent of the state's total defense contracts. Ammunition led Tennessee prime contract awards, with 22 percent of the state's total.

Defense prime contracts are indicative of defense procurement trends, even though the data has drawbacks. First, there is a variable lag between the letting of the contract and the production of goods and services. Second,

¹The 30 defense-oriented industries surveyed in "Special Report on Defense-Oriented Industries" in the 1963 *Census of Manufacturing* account for the major portion of government procurement, and approximately 62 percent of their shipments go to the Federal Government.

extensive subcontracting by the prime contractors makes the value of the production in the state less than the value of the contract award. For many large contracts, over half the work is subcontracted. Therefore, one needs to know the relation between inflowing subcontracts and outflowing ones.

There is reason to believe that the District's inflow of subcontracts is greater than its outflow. For establishments with over \$100,000 in defense shipments, the District's percentage of national shipments on subcontracts was greater than the percentage of national shipments on prime contracts in 1963.² Moreover, many of the area's defense contracts are for construction, services, textiles, and fuels. Subcontracting outside the area is probably small for these categories.

This region's defense production probably accounted for about 8.5 percent of the national total last year. A recent study entitled *Defense Purchases and Regional Growth* by Roger E. Bolton estimated that about 60 percent of the total work on defense contracts occurred in the year the contract was let; 30 percent, the following year; and the remaining 10 percent in the third year. If this estimate is accurate, the region's defense production last year depended upon defense prime contracts issued in 1965, 1964, and 1963. Applying these timing adjustments to defense prime contracts, we estimate area defense production as 8.5 percent of the national total. This figure would be low if more subcontracts were flowing into the area than were going out.

Weighting the defense production estimate for the District and its share of D.O.D. payrolls by their respective shares of the national total would reveal that the District's proportion of total defense spending within the United States is a little over 10 percent. Since 10 percent is greater than the District's share of most other national economic variables, defense spending is more important to the area's economy than to the nation as a whole. Accordingly, the region's economy may be shouldering more than its share of the recent buildup in the nation's defense.

²*Ibid.*

Defense spending in the District probably amounted to over \$4 billion last year. Although total national defense purchases of goods and services amounted to \$50 billion, a sizable portion was spent abroad. According to Bolton, defense spending abroad averaged about \$7 billion. With the conflict in Viet Nam, the figure would likely be higher, and domestic defense spending would be around \$40 billion.

Multiplier Effects

The \$4 billion in District defense spending only tells part of the story. The total effect on the area's economy is considerably greater. The local sector of the economy, consisting of producers of goods for local consumption, will expand their operations as outside sources of the region's income grow. Recipients of income earned in defense production will buy many locally produced goods. The local producers will then spend the money for goods and services, and the process will be repeated numerous times. However, some of the spending goes for goods produced outside the region, and insofar as this happens, the total effect of the outside spending will be reduced.

With this model in mind, analysts often separate "exogenous" income from total income. Exogenous income, which comes from outside the region, generally includes Federal Government spending and the region's production for national markets. In studies of the relation between exogenous income and total income, most analysts have found that total income is two or three times as large as the exogenous component, varying with the region and the definition of exogenous income. These results would indicate that defense spending in the District supported a total personal income of \$8 billion to \$12 billion.

Studies of military spending indicate that the multiplier effect is usually somewhat lower than that for exogenous income from nonmilitary sources. Military personnel generally spend a smaller proportion of their income within the region than do area residents. Many of their purchases are made at the military base, and in a number of in-

Department of Defense Prime Contract Awards, Fiscal Year 1965

(Millions of Dollars)

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Six States	Percent of Six-State Total	Six-State Percent of U.S.
Transportation Equipment	60.1	52.6	525.3	86.3	60.8	8.1	793.3	38.4	9.4
Construction	24.7	155.6	60.1	8.6	59.4	6.9	315.2	15.3	23.2
Machinery and Equipment	21.1	206.6	13.2	.1	1.9	65.9	308.8	14.9	4.1
Services	21.2	163.4	15.9	20.9	2.8	18.9	243.1	11.8	11.6
Fuels	4.2	4.8	1.7	116.3	6.1	7.3	140.4	6.8	17.4
Textiles, Clothing, and Equipage	20.4	5.4	20.0	2.1	7.0	28.2	83.1	4.0	22.6
Ordnance	4.0	7.0	5.6	8.8	2.2	46.2	73.8	3.6	6.9
Other	9.4	38.0	20.6	12.7	11.9	15.9	108.5	5.3	6.7
TOTAL	165.2	633.3	662.4	255.8	152.2	197.3	2,066.2	100.0	8.9
State Total as Percent of District	8.0	30.7	32.0	12.4	7.4	9.5	100.0		
State Total as Percent of U. S.	0.7	2.7	2.8	1.1	0.7	0.8	8.9		

*The sum of the parts may not equal the total because of rounding.

stances, the family does not live in the local area. These factors indicate that the estimate of the total impact might be nearer the lower end of the range. But even if the total impact were \$8 billion, it constitutes a sizable proportion of the Sixth District's personal income, which was \$48.6 billion last year.

With the recent increases in defense spending so pronounced and the structure of the District economy geared

more toward defense spending than the nation, there can be little doubt that defense spending has contributed to the faster pace of the area's economy in the past year. Further increases in defense spending would place additional demands upon the resources of the region's economy, which is already utilizing a high proportion of its capacity.

C. RICHARD LONG

District Farm Employment Continues Decline

A steady downtrend in farm employment for the past 15 years, interrupted by seasonal changes in the number of farm workers, raises many questions about the farm labor market. How can the labor supply be so elastic that labor is available during peak demand? Why does employment change from month to month and year to year? (Last year the farm labor force in Sixth District states varied from 640,000 workers in January to 1.0 million and 1.2 million in May and September, respectively.) Have seasonal patterns in farm employment changed in recent years and will they be modified in the future? Will the long-run trend for farm labor continue downward?

Composition of Labor Force

Much of the elasticity of the farm labor supply can be explained by the composition of the labor force. According to the United States Department of Agriculture, it is made up of two basic components, family and hired workers. "Family workers include farm operators who work on their farms during the survey week and other family members doing 15 hours or more of farm work without receiving cash wages." As defined, the family labor force tends to be quite broad and flexible. When the work load increases, sons, daughters, and wives of operators expand farm employment by working 15 hours or more per week. As the work load declines, these family members leave the labor force and cause farm employment to drop. In 1965, farm employment in the District dropped to 877,000 persons, or 9 percent below 1964 and 50 percent below 1950.

Although family labor varies considerably from month to month, the basic level of family workers available depends upon the farm population. In 1965, the farm

population of the United States totaled 12.4 million persons, nearly 47 percent below the 1950 level. This sharp decline in the farm population has reduced the number of farm families, causing the farm component of the labor force to decline steadily. Historically, family workers have been the largest component of the total farm labor force, and this trend continues in all District states except Florida. However, the ratio of family-to-hired labor is declining, since family labor is leaving the farm at a faster rate.

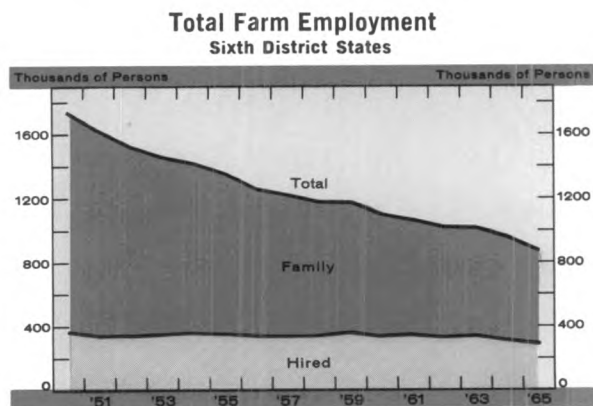
The hired labor component of the farm labor force "includes all persons who work for pay at farm work during designated survey weeks." Like family labor, the number of hired laborers varies from month to month. In some District states, actual employment of hired workers is as much as ten times higher in periods of peak demand than in months of only limited farm work. In all District states except Florida, the average number of hired employees is also declining but not so rapidly as the family labor component of the farm labor force.

In Florida, the hired labor force has been growing and has been sufficient to more than offset the reduced number of family workers, so that total farm employment is actually increasing. The expanding production of labor intensive crops, such as citrus, sugarcane, and truck crops, has increased demands for hired workers sharply. Now the average number of hired employees is approximately twice as large as family employment. Florida is the only state that had more farm workers in 1965 than in 1950.

Seasonal Variations

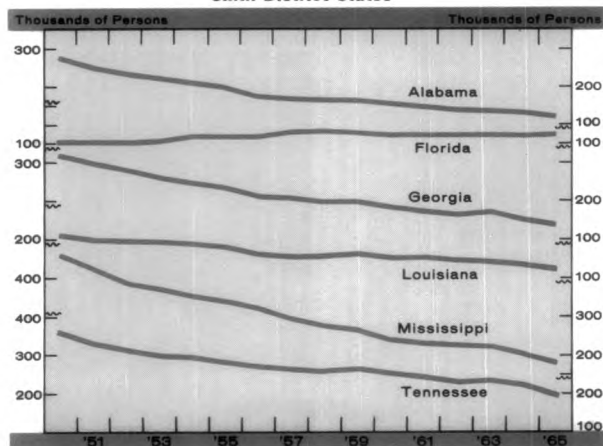
Differences in the month-to-month seasonal changes in farm employment are explained by the dominant type of agriculture in different areas. In Alabama, Georgia, Louisiana, Mississippi, and Tennessee, most of the cropland is planted in corn, cotton, soybeans, rice, and other crops which require large amounts of labor in the spring and fall. Farm employment expands through the spring and peaks in May (June in Tennessee), as farmers prepare fields, plant crops, and start weed control. By midyear, only limited fieldwork is necessary and employment declines for two months. As crops start to mature, the demand for labor once more increases and employment starts to rise. In September and October, when peak harvesting activities are underway, farm employment reaches its highest level but declines throughout the rest of the year.

This seasonal pattern of farm employment is representative of much of the cotton- and feed grain-producing regions across the nation. However, seasonal farm em-



Family farm workers are leaving District farms at a faster rate than hired laborers.

Average Annual Farm Employment Sixth District States



Since 1950, total farm employment has declined methodically in all District states except Florida.

ployment patterns vary slightly from one region to another, as different growing seasons modify the employment somewhat.

Seasonal Patterns Change

In Florida, seasonal variations in farm employment have been changing significantly and now differ considerably from earlier patterns. In 1950, farm employment tended to peak twice, with the first crest coming in March, two months earlier than in other District states, and the other in September. March recorded the highest level of farm employment for the year.

The seasonal pattern for farm employment appeared to be reflecting the demand for labor in two different sectors of Florida's farm economy in 1950. The first peak was caused by the strong demand for labor to harvest citrus and other early spring crops. Once these crops were harvested, employment dropped sharply through July or August. By September, the row crops associated with traditional agriculture were maturing, causing farm employment to expand once again. After this harvest season, employment declined.

By 1965, however, the production of the crops that require large amounts of labor during the spring had expanded sharply. For example, the output of oranges and other citrus crops had increased over 35 percent since 1950. Likewise, the production of winter and early spring vegetable crops expanded sharply across the entire state, and in Southern Florida the 1965 production of sugarcane was over five times larger than in 1950. Meanwhile, the production of "traditional" row crops declined steadily. Corn plantings showed the sharpest decline, with a reduction of 166,000 acres in the 16-year period. Cotton acreages dropped to 23,000 acres. By 1965, the fall peak in farm employment no longer existed.

While seasonal variations in Florida's hired labor force vary considerably from other District states, the family labor component moves similarly to states with "traditional" crop-producing patterns. This seems to indicate that in Florida the family labor market still reflects the "classic" agriculture production pattern of relatively small farms producing row crops with family labor. Meanwhile,

the hired worker of the total labor force is mainly employed for the labor intensive crops of citrus, vegetables, and sugarcane. Family labor is relatively unimportant in the production of these crops.

The overall influence of livestock production on the seasonal variation of farm labor is probably very small. However, it may affect the absolute level of farm employment. Generally, on most farms the livestock enterprise tends to supplement or complement crop enterprises. For example, many farmers across the District supplement farm incomes with beef cattle herds. A herd of brood cows may utilize fed from pasture and hay ground, as well as graze timber lots and stubble fields after crops are harvested. Farmers in North Central Florida complement their crop enterprises by fertilizing shade tobacco land with manure from feed lots used to fatten feeder cattle. In these cases, family and hired labor are used more fully when fieldwork is not pressing.

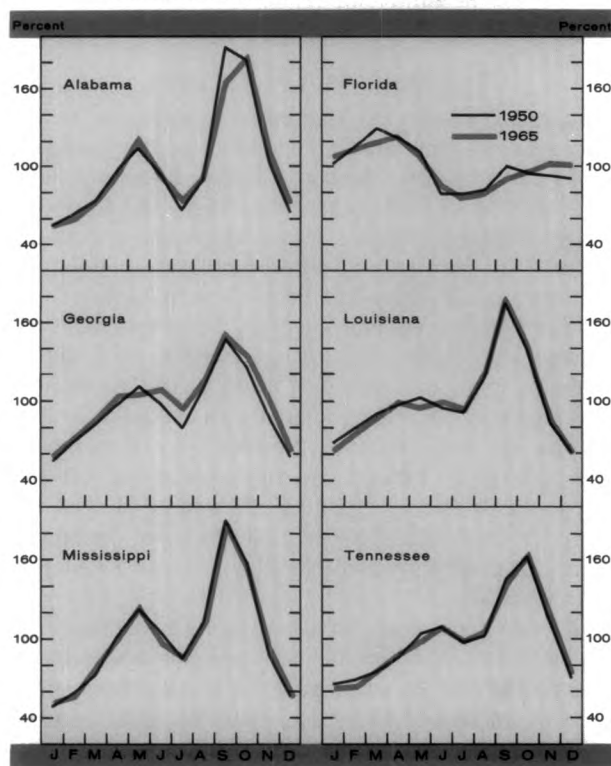
In some local areas, it might be possible for livestock enterprises to dominate the seasonal characteristics of the farm labor market. Month-to-month changes in employment might be small in areas that had a very high concentration of dairy or poultry operations and relatively small crop acreages. However, for large regions such as an entire state, monthly changes in farm employment will be caused by crop production patterns.

Future Farm Employment

For most District states, main changes in farm labor since 1950 have been the downtrend in average employment and a slight reduction in the amplitude of the seasonal variation. The continuous decline in farm employment reflects, in part, the steady reduction in farm popu-

(continued on page 58)

Seasonal Patterns of Farm Employment





Employees at this chemical plant play a vital role in the production of nylon yarn.



Painted steel coils are ready for packaging and shipment at this new coil painting facility.

A weaver in one of Alabama's textile mills creates a beautiful design with this loom.



An electric steelmaking furnace receives a charge of molten iron from blast furnaces.

Diversification Aids Alabama's Growth

Now in the sixth year of expansion, Alabama's economy continues to exhibit strength. Overall gains in recent months, which have about equaled those of earlier years of the current upswing, reflect the growing diversification of the state's economy. In many cases, the segments which formerly provided the bulwark of strength are now advancing at a slower rate. Production of coal, coke, iron, and steel actually declined last year. Offsetting these declines and boosting the general economy upward were larger outputs of pulp and paper, textiles (as measured by cotton consumption), and machinery.

Economic Activity Expands

Continuing expansion in Alabama's economy is reflected in employment gains and a reduction in the number of unemployed workers. Nonagricultural industries added about 29,000 workers between May 1965 and May 1966. Although the large number of young people entering the work force in May caused some increases in unemployment, the rate still remained below a year earlier.

Increased levels of employment, accompanied by an 11-percent rise in manufacturing payrolls over the past year, raised personal incomes. Last year's record farm income also contributed significantly to the gain. In 1965, per capita personal income advanced by 8 percent to \$1,910, a level 70 percent as high as that for the entire nation. It was only 66 percent as high in 1961. Estimates prepared by this Bank show that personal incomes in Alabama have continued to rise this year at a faster rate than in the nation.

As incomes have risen, so has consumer spending. Sales tax collections, an indicator of consumer spending, are considerably above the year-ago level. Bank debits, another measure of spending, have also risen. In most areas the gain was close to the 10-percent increase for the state.

For the Gadsden area, however, the gain was considerably higher at 16 percent, while in the Huntsville area the advance was only 7 percent.

During the past year, Alabamians' spending for automobiles has been high. Banks have financed a large number of these automobile purchases through the extension of instalment credit. The expansion in automobile instalment loans and the increasing credit demands from other sectors have resulted in a substantial increase in bank lending activity in the past 12 months.

Loans and investments of member banks of the Sixth Federal Reserve District in Alabama were 10 percent higher than a year ago. Total deposits went up 11 percent, with time deposits advancing by 14 percent.

In the Birmingham trade and banking area, the center of Alabama's iron and steel industry, loans went up 7.1 percent and deposits 8.4 percent, both rising less rapidly than in other areas of the state. The Dothan area, primarily an agricultural region, experienced the sharpest gain, with loans and deposits both advancing about 20 percent. In terms of dollar volume of loans and deposits, however, this area represents the smallest of the state's five trade and banking areas. In the Anniston-Gadsden, Mobile, and Montgomery areas, bank lending and deposit growth advanced at a slightly faster pace than the state average.

Sources of Strength

Although Alabama's overall record of expansion has continued, the sources of strength supporting her recent growth have shifted. A more diversified industrial mixture, and thus a wider range of job opportunities, have stimulated her economy.

A wide array of industrial firms, ranging from steel, chemicals, pulp and paper, plastics, and electronics to

the space-related complex in northern Alabama, add much diversity to the economy. This industrial base is continuously being broadened. According to figures from the Alabama State Planning and Industrial Development Board, the volume of new and expanded industries during 1965 amounted to \$623 million. Approximately 136 new industries were announced in the state last year which will provide over 10,000 job opportunities when completed. An additional 18,000 jobs will be created with the expansion of 224 Alabama industries.

On top of the list of growth industries are pulp and paper. With the demand for pulp and paper products expanding rapidly, the abundant water and timber resources in Alabama should continue to attract an increasing number of forest-related industries.

In addition to new and expanded private industries, the continuing expansion of educational and space-related research activity adds further diversification to Alabama's economy. This broadened and more varied industrial base is reflected in the shifting sources of employment gains during the past year. As the accompanying table shows, overall employment gains of 3.2 percent in the past year have about matched the average percentage rise in earlier years of the current expansion. This has occurred despite some slowdown in the sectors which formerly provided most of the strength.

Employment in seven manufacturing industries grew less rapidly during the last twelve months than in the early years of this expansion (see table). These industries, which make up about one-half of the state's 286,000 manufacturing jobs, accounted for a much smaller portion of the increase during this period. In the previous four years, these industries netted almost three-fourths of the manufacturing job gains.

Employment in the primary metals industry was held back by a declining output of iron and steel following the strike threat last fall. Steel production also declined last year, in line with the U. S. pattern. Actually, the 5-percent drop in Southern steel production, most of which is located in Alabama, was greater than the national decline. Increased imports of steel probably had a greater impact on the smaller and less diversified mills in the South than it did in other areas of the country. Installation of more of the basic oxygen furnaces, such as the one at a Gadsden plant, and the expansion of facilities at other mills for the production of a wider range of products could eventually enhance Alabama's relative share of the national steel market.

A slower rate of employment increases in the transportation equipment industry reflects continuing declines in shipbuilding and repairs. Most of this decrease was localized in the Mobile area, where about nine-tenths of the state's employment in this segment is found. Other parts of this industry—aircraft, automobiles, and railroad equipment—added jobs at about the same rate of earlier years. In the Birmingham area, employment in this industry rose by nearly 5 percent over the year, primarily reflecting gains in railroad equipment.

Smaller employment gains in the apparel industry are mainly the result of a growing shortage of workers. Demand for apparel continues strong. A leveling off in the number of jobs in agricultural chemicals contributed to a

Alabama Employment Trends, by Industry Classification

May 1961 - May 1966
(Percent changes)

	Change May 1965- May 1966	Average Annual Change, May 1961- May 1965
Nonagricultural	3.2	3.7
Manufacturing	3.9	5.3
<i>Advancing more rapidly in past year</i>		
Lumber and Wood Products	4.2	0.4
Fabricated Metals	5.1	4.2
Textile Mill Products	6.7	0.1
Paper and Allied Products	5.8	3.1
Printing and Publishing	3.2	3.1
Rubber Products	3.0	2.5
<i>Advancing less rapidly in past year</i>		
Stone, Clay, and Glass Products	-1.2	2.2
Primary Metals	0.2	3.3
Transportation Equipment	2.9	27.5
Apparel	4.4	10.9
Chemicals	2.8	6.8
Machinery, including electrical	11.9	13.1
Food and Kindred Products	1.6	2.2
Nonmanufacturing		
<i>Advancing more rapidly in past year</i>		
Transportation, Communications and Utilities	3.2	0.8
Government	5.2	2.1
<i>Advancing less rapidly in past year</i>		
Mining and Quarrying	-7.6	-5.5
Contract Construction	5.0	7.6
Finance, Insurance, and Real Estate	0.6	2.5
Service and Miscellaneous	2.3	5.7
Trade	1.4	2.9

Based on data collected by Alabama Department of Industrial Relations.

slower rate of overall gain for the chemical industry. Job gains in industrial chemicals advanced by 8 percent between May 1965 and May 1966. Near Mobile, where a major portion of the state's chemical complex is located, job gains continued to show a rapid increase.

Within the nonmanufacturing sector—which accounts for about two-thirds of Alabama's nonfarm jobs—mining, construction, finance, insurance and real estate, trade and service-related industries grew less rapidly during the twelve months ending with May. Representing over one-half of total nonmanufacturing employment, these industries accounted for less than one-third of the gain. In earlier years of the expansion, these industries were responsible for over two-fifths of the yearly increase. With the exception of mining, however, each of these industries expanded its employment. Mining employment, on the decline throughout this expansion, dropped at a faster rate in recent months.

Despite these recent slowdowns in several of Alabama's industries, others advanced sufficiently enough to keep the uptrend in overall employment gains about in line with previous years. The lumber and wood products and paper and allied products industries alone, with employment advancing by 4.2 percent and 5.8 percent, respectively, accounted for nearly one-fifth of the manufacturing job gains during the past 12 months. Also, textiles, fabricated metals, and rubber products advanced more rapidly, helping keep overall gains high.

Rapid advances in transportation, communications, utilities, and government employment aided the growth of nonmanufacturing employment. Over one-half of the rise came from the government segment, where state and local government advanced the most rapidly and the Federal component gained only moderately as a result of a decline in defense employment.

Continuing Advances

Can Alabama's economy continue to grow at the same

rate for another year? A declining pool of employable workers could hamper future gains. However, a more diversified economic base will definitely help sustain continuing advances.

JOE W. MCLEARY

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Florida's economy were analyzed in the June 1966 REVIEW, and a discussion of Louisiana's economy is scheduled for a forthcoming issue.

Time and Savings Deposits in Perspective

Member banks in the Sixth District have been giving more emphasis to consumer-type certificate savings, according to a recent survey on time and savings deposits by the Federal Reserve System.* The survey also shows that these savings, rather than business-type savings, are more important to District banks than to all-member banks in the nation. District banks have been no more aggressive as a group in attempting to attract deposits by paying higher rates than other banks, although rate competition has been intense in certain areas. Member banks were asked to provide detailed information on their savings and time deposits, types of instruments offered, rates paid, and maturity structure on December 3, March 2, and May 11. The survey provides more detail on time and savings deposits in this District than has heretofore been available.

Table I compares Sixth District banks' time and savings deposits with those of all banks in the Federal Reserve System. Such deposits now account for 39 percent of total deposits at District banks. Although this percentage is less than the 46 percent of banks in the nation, time and sav-

ings deposits at District banks have increased rapidly in recent years.

A comparison of deposit amounts, by type of intermediary claim, is also given in this table. Going on to Table II, we see a percentage comparison of the relative importance of time and savings deposits of individuals, partnerships, and corporations and the change in these relationships between December 3, 1965, and May 11, 1966.

Savings deposits, or passbook savings, were by far the largest type of intermediary claim issued by banks in the District and the United States on both dates. This type of claim decreased somewhat in importance, but the District decline in relative importance was considerably less than the national decline. Thus, while total savings deposits dropped \$1,218 million at U. S. banks, District banks actually rose \$135 million between December and May. Moreover, no state grouping showed an absolute decline in amount of passbook savings, so that the decline in relative importance was the result of a slowing in the rate of gain of savings deposits.

In the nation, people shifted from savings deposits

*Hereafter in the text, all banks discussed are member banks.

Table I
Member Bank Time and Savings Deposits
May 11, 1966

	Percent of Member Banks Issuing Specified Instruments															
	United States	Sixth District	Ala.	Fla.	Ga.	La. ¹	Miss. ¹	Tenn. ¹	United States	Sixth District	Ala.	Fla.	Ga.	La. ¹	Miss. ¹	Tenn. ¹
Percent of Total Time and Savings Deposits to Total Deposits									46 ²	39	42	42	36	33	35	42
	(Millions of Dollars)															
Total Time and Savings Deposits, IPC ³									110,944	5,747	920	1,892	1,068	646	303	918
Banks Offering Savings Deposits	95	99	99	100	100	100	100	97	72,871	3,908	691	1,352	419	519	132	795
Consumer-Type Time Deposits									18,384	1,398	200	503	408	59	132	96
Savings Certificates	54	59	63	61	70	38	67	49	9,487	623	114	205	200	**	40	54
Savings Bonds	3	7	2	8	13	2	33	1	856	201	*	22	159	**	18	**
Other Nonnegotiable CD's	24	23	24	29	10	30	21	17	4,844	359	46	217	12	26	53	**
Negotiable CD's under \$100,000	25	26	25	18	30	35	29	43	3,197	215	39	59	37	23	21	35
Business-Type Time Deposits									19,689	441	28	39	241	68	39	26
Negotiable CD's \$100,000 and over	10	8	4	5	20	10	8	10	13,815	321	16	11	196	51	**	**
Time Deposits, Open Accounts, Christmas Savings, etc.	66	67	42	86	63	85	79	44	3,655	91	12	20	28	16	**	6
All Other	14	8	2	8	21	8	0	7	2,219	29	*	8	17	1	0	**

¹Data are for District portions of these states only.

²As of May 11, 1966; data partly estimated. Percentages of District and six-state member banks as of May 11, 1966, computed from survey questionnaires.

³Individuals, partnerships, and corporations.

*Less than \$1 million.

**Withheld to prevent disclosure.

Source for Tables I, II, and III: Board of Governors, Press Release, June 27, 1966, for all-member banks. Data for Sixth District member banks computed from survey questionnaires.

Table II
Changing Importance of Member Bank Time and Savings Deposits
December 3, 1965, and May 11, 1966

	United States		Sixth District		Alabama		Florida		Georgia		Louisiana ¹		Mississippi ¹		Tennessee ¹	
	Dec.	May	Dec.	May	Dec.	May	Dec.	May	Dec.	May	Dec.	May	Dec.	May	Dec.	May
Total Time and Savings Deposits, IPC (Millions of Dollars)	105,372	110,944	5,325	5,747	870	920	1,726	1,892	964	1,068	609	646	255	303	902	918
Percentage Distribution of Total IPC	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Banks Offering Savings Deposits	70	66	71	68	78	75	76	71	43	39	81	80	47	44	84	87
Consumer-Type Time Deposits	12	17	22	24	20	22	22	26	36	38	9	9	40	43	13	11
Savings Certificates	(6)	(9)	(10)	(11)	(11)	(12)	(9)	(11)	(16)	(19)	(**)	(**)	(15)	(13)	(7)	(6)
Savings Bonds	(*)	(1)	(3)	(4)	(*)	(*)	(1)	(1)	(16)	(15)	(**)	(**)	(6)	(6)	(**)	(**)
Other Nonnegotiable CD's	(3)	(4)	(5)	(6)	(4)	(5)	(10)	(11)	(1)	(1)	(4)	(4)	(12)	(17)	(**)	(**)
Negotiable CD's under \$100,000	(2)	(3)	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(4)	(3)	(4)	(7)	(7)	(5)	(4)
Business-type Time Deposits	17	18	7	8	2	3	2	2	21	23	10	10	13	13	4	3
Negotiable CD's \$100,000 and over	(13)	(13)	(6)	(6)	(1)	(2)	(1)	(1)	(18)	(18)	(9)	(8)	(**)	(**)	(**)	(**)
Time Deposits, Open Accounts, Christmas Savings, etc.	(3)	(3)	(1)	(2)	(1)	(1)	(1)	(1)	(2)	(3)	(2)	(2)	(**)	(**)	(**)	(**)
All Other	(2)	(2)	(1)	(1)	(**)	(**)	(1)	(*)	(1)	(2)	(*)	(*)	(**)	(**)	(**)	(**)

¹See note 1, Table I.

*Less than one percent.

**Withheld to prevent disclosure. Subgroups of percentages may not add to totals shown because of rounding.

to other types of consumer-oriented intermediary claims. A similar but less pronounced shift occurred among District banks. The four types of claims increased in relative importance at all banks. Furthermore, savings certificates grew in significance, both in amount and as a larger component of total time and savings deposits.

Growth in deposits represented by business-type claims was less than consumer-type claims at all banks, although both groups of banks showed gains. Well over half the District's total amount of business-type claims were issued by banks in Georgia. Moreover, these banks held over three-fifths of District time deposits represented by negotiable certificates of deposits of \$100,000 and over.

Table III compares Sixth District banks' rate of deposit gain or loss, by type of intermediary claim, with the average of all banks. Banks in four states of the District showed a greater percentage gain than the average for total savings and time deposits of individuals, partnerships, and

corporations. Tennessee banks, subject to state interest rate ceilings, had a significantly smaller gain than did the District group or the all-bank group. Mississippi banks, also subject to rate ceilings, added sharply to their total time and savings deposits. However, as noted in Table III, most of the gains resulted from mergers, so that the growth rate, when adjusted, was almost the same as that of all banks.

Banks in the District responded to increased competition for available savings flows in about the same way as did all banks. In the December-May period, the percentage of banks offering rates on savings deposits between 3.51 and 4 percent rose from 57 to 73. Both proportions are somewhat higher than those of all banks. Georgia banks had the lowest ratio of ceiling rate offerings, at 59 percent, while 84 percent of Tennessee banks offered between 3.51 and 4 percent on passbook savings.

The number of banks paying higher rates on savings certificates rose significantly between December and May. The most common interest rate paid on these instruments also increased, from 4 to 4.5 percent. Although 50 District banks were paying more than 4.5 percent on this type instrument on May 11, all but 6 of these were in Florida and Georgia. This indicates that rates in excess of 4.5 percent were not widespread in the District. However, two District states do not permit these higher rates.

Rate behavior in other consumer-type certificates generally resembled that in savings certificates. Since the survey, District banks in some areas have raised rates on time deposits further. ▲

Table III

Comparative Rates of Change
December 3, 1965, To May 11, 1966

Type of Deposits, IPC	Percent Change by Member Bank Groupings ¹							
	United States	Sixth District	Ala.	Fla.	Ga.	La.	Miss.	Tenn.
Total	5	8	6	10	11	6	19	2
Savings Deposits	-2	4	2	3	2	5	10	5
Consumer-Type Time Deposits	40	20	18	33	17	14	28	-15
Savings Certificates	40	21	17	30	30	15	9	-10
Savings Bonds	113	13	-7	171	4	-15	13	27
Other Nonnegotiable CD's	44	28	20	30	1	-1	68	-0
Negotiable CD's under \$100,000	26	12	18	33	18	37	13	-26
Business-Type Time Deposits	8	14	46	5	20	7	20	-22
Negotiable CD's \$100,000 and over	5	7	60	-9	15	-3	14	-36
Time Deposits, Open Accounts, Christmas Savings, etc.	11	45	31	35	49	64	45	53
All Other	26	19	-4	-21	57	5	0	23

¹See note 1, Table I.

²Growth rates for member banks in Mississippi were substantially affected by mergers. After making allowance for the mergers, the growth rate in both total IPC and savings deposits drops below the District average.

Interest Rates and the Demand for Credit

A recent MONTHLY REVIEW article considers this important subject and points out the reason for the increase in interest rates. Free upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Farm Employment *(continued from page 53)*

lation that has occurred since 1950. People will likely continue to leave the farm in the future, as increases in mechanization, combined with relatively low farm incomes and good employment possibilities in the non-farm sector, enhance migration from farms.

Long-run average employment trends may change in Florida, however. Since 1950, average numbers of hired labor have exhibited an uptrend, while family labor has declined slightly. If present trends continue, family labor will decline further, as nonfarm employment opportunities draw these people away from farms.

What are the prospects for continued growth in the hired labor market? In the past, part of the hired labor force in Florida has been composed of foreign or offshore workers. Many of these workers entered the state under the authority of Public Law 78 of the 82nd Congress. This legislation was originally enacted in 1951 as a temporary two-year program but was extended periodically for thirteen years until Congress permitted it to expire on December 13, 1964. Its termination caused a reduction in the available supply of foreign labor. During the harvest season of 1965-66, however, when a severe freeze in late January caused a critical labor shortage, the Secretary of Labor did permit the use of offshore labor for the balance of the harvest season. In future years, the success in securing domestic workers as substitutes for offshore labor will have an important impact on aggregate hired farm employment in Florida.

The success in developing new harvesting equipment for the numerous fruit and vegetable crops grown in Florida may also influence future employment levels. If these ventures are successful and the harvesting of citrus and winter vegetables and sugarcane is increasingly mechanized, the need for large amounts of hand labor may diminish. Further moderation of the uptrend in the level of hired labor employed may also occur if the output of these labor intensive crops fails to grow at the same rates experienced since 1950.

Despite the continued downtrends in the District's total employment and possible innovations in production processes that might reduce average employment even further, the seasonal variations in farm employment will continue. Even though rapid mechanization of crop production has occurred already, the main effect on seasonal fluctuations has been merely to reduce the amplitude of the variation. A new machine may double or triple the productivity of a farm worker, but he may still work more hours during the planting and harvesting season than at other times.

ROBERT E. SWEENEY

Bank Announcements

THE FARMERS BANK, *Locust Grove, Georgia, a nonmember bank, began to remit at par on June 1 for checks drawn on it when received from the Federal Reserve Bank.*

On June 15, the AMERICAN BANK, *Welsh, Louisiana, opened for business as a nonmember par-remitting bank. U. J. Prevost is President, and Wayford Hollis, Executive Vice President. Capital totals \$100,000, and surplus and other capital funds, \$150,000.*

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	May 1966	Apr. 1966	May 1965	Percent Change		
				Year-to-Date 5 months from 1966		
				May 1966 from 1966	May 1965 from 1965	from 1965
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,368,875	1,438,156r	1,226,447	-5	+8	+14
Gadsden	64,165	60,077	55,094	+7	+16	+9
Huntsville	171,146	166,282	159,645	+3	+7	+2
Mobile	449,424	502,260	405,997	-11	+11	+11
Montgomery	295,748	280,437	269,212	+5	+10	+11
Tuscaloosa	86,691	85,263	77,090	+2	+12	+14
Ft. Lauderdale—						
Hollywood	574,574	653,432	456,315	-12	+26	+17
Jacksonville	1,414,016	1,303,839	1,190,501	+8	+19	+20
Miami	2,020,545	2,082,065r	1,676,648	-3	+21	+14
Orlando	496,802	464,808	418,471	+7	+19	+9
Pensacola	205,150	198,716	184,820	+3	+11	+5
Tampa—						
St. Petersburg	1,151,051	1,192,960	1,006,054	-4	+14	+11
W. Palm Beach	445,445	510,615	337,355	-13	+32	+22
Albany	87,327	84,415	84,122	+3	+4	+6
Allanta	4,085,447	4,178,745r	3,593,980	-2	+14	+13
Augusta	249,172	235,365	194,903r	+5	+27	+24r
Columbus	206,422	189,314	184,580	+9	+12	+6
Macon	211,861	215,457	189,663	-2	+12	+7
Savannah	245,346	245,249	228,071	+0	+8	+12
Baton Rouge	473,260	481,918	402,832	-2	+17	+17
Lafayette	116,723	111,304	98,596	+5	+18	+17
Lake Charles	130,571	137,754	107,925	-5	+21	+15
New Orleans	2,484,408	2,286,063	2,053,227	+9	+21	+18
Jackson	582,084	547,402	483,712	+6	+20	+17
Chattanooga	545,720	553,008	447,948	-1	+22	+14
Knoxville	429,332	418,533r	405,148	+3	+6	+8
Nashville	1,329,558	1,230,926	1,145,514	+8	+16	+13
OTHER CENTERS						
Anniston	65,276	60,982	50,120	+7	+30	+16
Dothan	55,801	56,603	49,667	-1	+12	+12
Selma	38,869	41,513	35,858	-6	+8	+18
Bartow	43,300	40,110	30,552	+8	+42	+16
Bradenton	48,784	57,340	46,091	-15	+6	+11
Brevard County	210,534	204,024	199,940	+3	+5	+13
Daytona Beach	80,141	87,896	73,726	-9	+9	+9
Ft. Myers—						
N. Ft. Myers	71,719	79,715	61,148	-10	+17	+14
Gainesville	76,532	77,225	67,804	-1	+13	+10
Monroe County	34,831	34,283	26,223	+2	+33	+18
Lakeland	119,818	123,083	101,840	-3	+18	+12
Ocala	53,235	54,581	48,304	-2	+10	+11
St. Augustine	18,481	20,456	16,333	-10	+13	+18
St. Petersburg	276,684	309,557	242,779	-11	+14	+14
Sarasota	102,639	113,953	85,038	-10	+21	+13
Tallahassee	119,461	111,164	102,564	+7	+16	+14
Tampa	651,373	642,361	573,108	+1	+14	+9
Winter Haven	64,962	62,898	57,517	+3	+13	+8
Athens	68,985	66,070	59,321	+4	+16	+15
Brunswick	38,387	37,347	35,898	+3	+7	-1
Dalton	85,708	80,178	76,563	+7	+12	-2
Elberton	12,720	14,570	14,718	-13	-14	+7
Gainesville	70,969	73,245	63,637	-3	+12	+7
Griffin	32,712	30,722	27,265	+6	+20	+16
LaGrange	25,603	22,530	18,642	+14	+37	+20
Newnan	27,012	28,816	23,884	-6	+13	+9
Rome	71,691	66,068	61,073	+9	+17	+12
Valdosta	47,233	46,882	43,023	+1	+10	+9
Abbeville	10,604	9,995	8,827	+6	+20	+12
Alexandria	114,075	107,820	104,553	+6	+9	+9
Bunkie	5,609	5,718	5,482	-2	+2	+4
Hammond	39,368	34,662	32,800	+14	+20	+9
New Iberia	34,811	33,678	30,317	+3	+15	+9
Plaquemine	9,827	9,751	8,543	+1	+15	+15
Thibodaux	20,987	22,636	18,943	-7	+11	+15
Biloxi-Gulfport	92,555	91,327	77,381	+1	+20	+19
Hattiesburg	49,060	50,483	44,499	-3	+10	+14
Laurel	32,169	34,402	34,688	-6	-7	+5
Meridian	61,365	63,890	58,156	-4	+6	+8
Natchez	33,846	35,741	33,471	-5	+1	+11
Pascagoula—						
Moss Point	48,866	48,899	44,636	-0	+9	+15
Vicksburg	37,876	39,012	32,907	-3	+15	+16
Yazoo City	34,175	30,934	30,058	+10	+14	+19
Bristol	66,590	68,302	61,372	-3	+9	+12
Johnson City	70,231	70,860	60,705	-1	+16	+13
Kingsport	147,171	135,737	127,331	+8	+16	+13
SIXTH DISTRICT, Total						
Alabama‡	3,485,365	3,587,685r	3,161,255	-3	+10	+11
Florida‡	8,437,171	8,640,127r	7,202,151	-2	+17	+13
Georgia‡	6,704,718	6,731,850r	5,940,605	-0	+13	+12
Louisiana**	3,968,066	3,750,206	3,351,435	+6	+18	+16
Mississippi†	1,246,041	1,234,614	1,088,584	+1	+14	+16
Tennessee**	3,598,620	3,483,794r	3,153,493	+3	+14	+12

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

†Partially estimated. ‡Estimated. r-Revised.

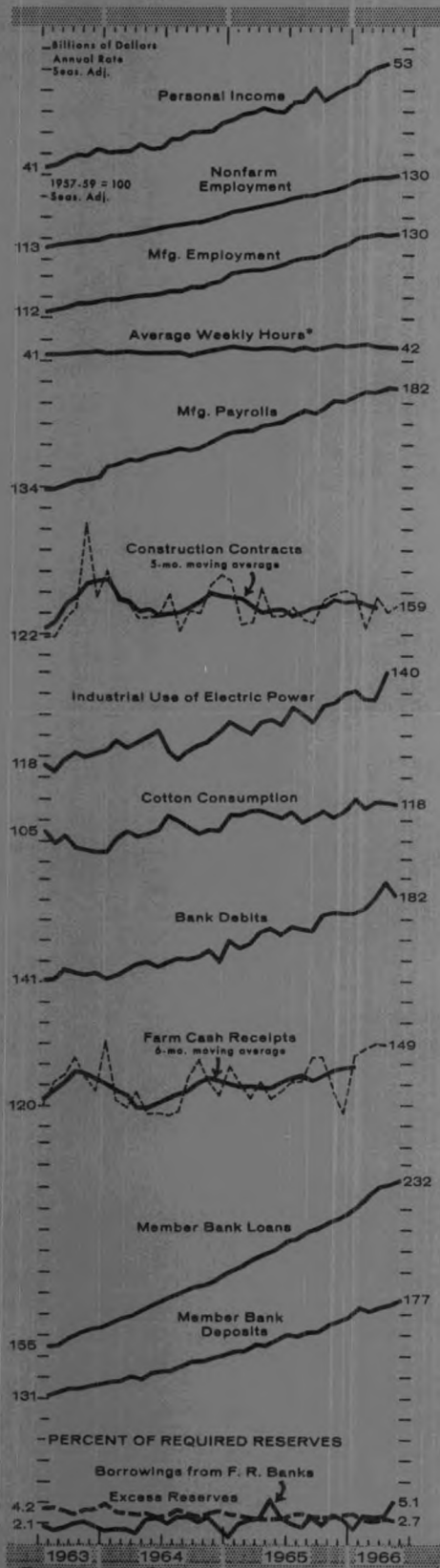
Sixth District Statistics

Seasonally Adjusted

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

		Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago	
SIXTH DISTRICT						GEORGIA					
INCOME AND SPENDING						INCOME AND SPENDING					
Personal Income, (Mil. \$, Annual Rate)	Apr.	53,274	52,821r	52,420r	47,965	Personal Income, (Mil. \$, Annual Rate)	Apr.	10,167	10,043r	9,946r	9,016
Manufacturing Payrolls	May	182	183r	181	165	Manufacturing Payrolls	May	183	186r	182	167
Farm Cash Receipts	Apr.	149	150	147	132	Farm Cash Receipts	Apr.	150	150	145	125
Crops	Apr.	146	158	151	158	PRODUCTION AND EMPLOYMENT					
Livestock	Apr.	153	152	147	122	Nonfarm Employment	May	130	130	130	123
Instalment Credit at Banks, *(Mil. \$)						Manufacturing	May	128	128r	127	120
New Loans	May	263	287	292	247	Nonmanufacturing	May	131	132	131	125
Repayments	May	259	249	233	219	Construction	May	141	142	143	138
PRODUCTION AND EMPLOYMENT						Farm Employment	May	54	58	62	67
Nonfarm Employment	May	130	130	130	123	Insured Unemployment, (Percent of Gov. Emp.)	May	1.1	1.1	1.3	1.7
Manufacturing	May	130	130	130	122	Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.0	41.8r	41.3	41.3
Apparel	May	160	160r	159	150	FINANCE AND BANKING					
Chemicals	May	124	123	123	117	Member Bank Loans	May	247	247	251	208
Fabricated Metals	May	143	143	143	130	Member Bank Deposits	May	197	191	188	171
Food	May	111	111	113	107	Bank Debits**	May	194	200r	196	180r
Lbr., Wood Prod., Furn. & Fix.	May	103	104	104	100	LOUISIANA					
Paper	May	112	113	111	108	INCOME AND SPENDING					
Primary Metals	May	114	114	113	111	Personal Income, (Mil. \$, Annual Rate)	Apr.	8,148	8,021r	7,970r	7,300
Textiles	May	104	103	103	99	Manufacturing Payrolls	May	162	165	159	147
Transportation Equipment	May	168	168	168	149	Farm Cash Receipts	Apr.	151	137	142	137
Nonmanufacturing	May	130	130	130	124	PRODUCTION AND EMPLOYMENT					
Construction	May	127	128	132	120	Nonfarm Employment	May	120	119	120	112
Farm Employment	May	69	67	71	75	Manufacturing	May	111	111	112	106
Insured Unemployment, (Percent of Gov. Emp.)	May	1.6	1.6	1.8	2.3	Nonmanufacturing	May	122	121	121	114
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.6	41.8r	41.8	41.6	Construction	May	137	140	146	110
Construction Contracts*	May	159	152	170	146	Farm Employment	May	80	69	72	77
Residential	May	163	164	184	155	Insured Unemployment, (Percent of Gov. Emp.)	May	2.2	2.4	2.4	3.2
All Other	May	156	143	157	139	Avg. Weekly Hrs. in Mfg., (Hrs.)	May	42.7	42.4r	42.6	42.4
Electric Power Production**	Apr.	140	134	134	128	FINANCE AND BANKING					
Cotton Consumption**	May	118	118	119	113	Member Bank Loans*	May	214	209	205	187
Petrol. Prod. in Coastal La. and Miss.**	May	201	191	198r	179	Member Bank Deposits*	May	154	151	150	139
FINANCE AND BANKING						Bank Debits**	May	168	168	166	149
Member Bank Loans*	May	232	230	229	203	MISSISSIPPI					
All Banks	May	216	210	210	189	INCOME AND SPENDING					
Leading Cities	June	216	210	210	189	Personal Income, (Mil. \$, Annual Rate)	Apr.	4,135	4,032r	4,052r	3,725
Member Bank Deposits*						Manufacturing Payrolls	May	203	202	200	181
All Banks	May	177	174	173	158	Farm Cash Receipts	Apr.	150	155	168	121
Leading Cities	June	161	159	157	151	PRODUCTION AND EMPLOYMENT					
Bank Debits**	May	182	188	180	166	Nonfarm Employment	May	131	131	131	126
ALABAMA						Manufacturing	May	143	142	143	133
INCOME AND SPENDING						Nonmanufacturing	May	126	126	126	122
Personal Income, (Mil. \$, Annual Rate)	Apr.	7,184	7,156r	7,082r	6,575	Construction	May	132	140	139	129
Manufacturing Payrolls	May	168	168	169	156	Farm Employment	May	59	59	64	68
Farm Cash Receipts	Apr.	150	153	154	126	Insured Unemployment, (Percent of Gov. Emp.)	May	1.7	1.7	2.2	2.4
PRODUCTION AND EMPLOYMENT						Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.7	41.7	41.7	41.5
Nonfarm Employment	May	121	120	121	117	FINANCE AND BANKING					
Manufacturing	May	120	119	120	115	Member Bank Loans*	May	272	277	268	220
Nonmanufacturing	May	122	121	121	118	Member Bank Deposits*	May	210	209	210	168
Construction	May	130	128r	126	123	Bank Debits**	May	186	198	190	170
Farm Employment	May	67	69	66	77	TENNESSEE					
Insured Unemployment, (Percent of Gov. Emp.)	May	1.9	2.0	2.2	2.3	INCOME AND SPENDING					
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.5	42.0r	42.1	41.3	Personal Income, (Mil. \$, Annual Rate)	Apr.	8,514	8,408r	8,350r	7,584
FINANCE AND BANKING						Manufacturing Payrolls	May	182	181r	178	161
Member Bank Loans	May	216	213	218	197	Farm Cash Receipts	Apr.	127	136	124	107
Member Bank Deposits	May	174	173	173	157	PRODUCTION AND EMPLOYMENT					
Bank Debits**	May	164	184	169	155	Nonfarm Employment	May	132	131	131	123
FLORIDA						Manufacturing	May	139	138	138	127
INCOME AND SPENDING						Nonmanufacturing	May	128	128	127	121
Personal Income, (Mil. \$, Annual Rate)	Apr.	15,126	15,161r	15,020r	13,765	Construction	May	153	154	156	140
Manufacturing Payrolls	May	209	206	207	189	Farm Employment	May	74	70	78	80
Farm Cash Receipts	Apr.	160	161	147	164	Insured Unemployment, (Percent of Gov. Emp.)	May	1.7	1.9	2.2	2.6
PRODUCTION AND EMPLOYMENT						Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.3	41.3	41.5	41.4
Nonfarm Employment	May	141	140	141	134	FINANCE AND BANKING					
Manufacturing	May	141	140	142	134	Member Bank Loans*	May	231	228	225	203
Nonmanufacturing	May	141	140	140	135	Member Bank Deposits*	May	172	171	168	159
Construction	May	109	109r	115	110	Bank Debits**	May	197	201	196	181
Farm Employment	May	96	90	90	87	Footnote					
Insured Unemployment, (Percent of Gov. Emp.)	May	1.4	1.3	1.3	2.1	*For Sixth District area only. Other totals for entire six states. **Daily average basis. r-Revised.					
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	42.4	42.1r	42.4	42.1	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.

Growth still marks the District's economy, but the pace is less feverish than in early 1966. Although unemployment remained low, employers were able to add to the work force in May. Dollar volume of new construction contracts, including residential, was maintained surprisingly well in view of changed mortgage market conditions. In June, banks in leading cities expanded both loans and investments. Consumer borrowing increased at these banks, as did finance company borrowing. Estimates of crop production for 1966 are now less optimistic because of the recent dry weather in some areas.

Despite continued worker scarcity, the number of nonfarm job holders edged higher in May. The insured unemployment rate held at 1.6 percent. Manufacturing jobs moved up, largely on the impetus of expanded employment at chemical and textile firms. Increased defense spending created more employment in the defense-oriented transportation equipment industry than was lost through layoffs by automakers. Programs to match young people out of school with jobs have already alleviated some worker shortages.

Construction activity has not yet fully reflected the substantial cutback in new mortgage commitments by numerous lenders. Residential construction contract volume remained large through May, as did total contract volume. Although this region is faring relatively better than most in construction activity, several lenders within the District have felt reduced availability and higher costs of mortgage money.

Lending activity at banks in leading cities advanced sharply in June, following a temporary slowdown in May. Business loans, normally rising around the June tax and dividend period, increased more than usual. Loans to finance companies and consumers also gained.

Interest charges on business loans were substantially higher in June than three months ago, according to a survey of large District banks in Atlanta and New Orleans. The advance reflected, in part, increases in the prime rate in March. Further increases were announced by some District banks in early July in response to increases in other major cities. The Board of Governors raised reserve requirements at member banks, effective July 14 for reserve city banks and July 21 for all other member banks. Reserve requirements against time deposits (other than passbook savings) beyond the first \$5 million were increased from 4 to 5 percent. This change will mean larger required reserves for about 100 District banks.

Consumer loans gained more than seasonally in June, following a slowdown in April and May. The May decline in new loan volume occurred mainly in the automobile category, reflecting another month of decreasing sales. Only repair and modernization loans gained during May.

Dry, cool weather has reduced crop prospects in some sections of the Southeast. In recent weeks, cotton, corn, and soybean crops have been especially retarded. Pasture conditions are very poor in many parts of Tennessee. Overall, the 1966 crop production is not expected to match last year's level. Meanwhile, both average crop prices and cash receipts are lower than a year earlier. The livestock sector continues strong. Reduced milk production has caused prices of most dairy products to stay well above last year's levels.

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