

MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

JANUARY 1967

Toward Full Employment With a Southern Twist

What happened in 1966 should have taught us more things than usual about the behavioral pattern of the economy in the Southeast. The close relationship between economic developments here and national and even worldwide developments was more forcibly demonstrated than in some previous years. In the South as elsewhere, expansion was limited by capacity, requiring considerable adjustment between economic sectors. Despite the similarity between national and Southern developments, however, the economic events of 1966 also showed we have to be careful about generalizing; there are bound to be major exceptions.

Several years ago, when its economic structure

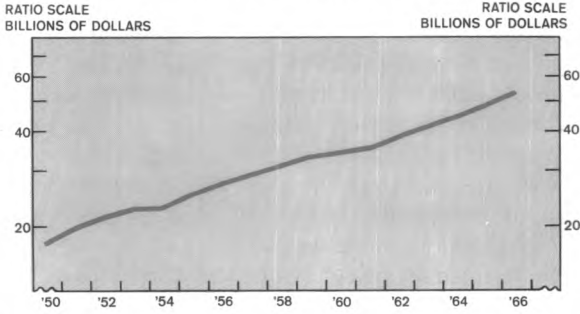
differed markedly from other areas of the United States, the South at times might suffer from a recession while the rest of the nation prospered or it might enjoy a boom all its own. Now, with an economic structure more like the nation's, the ebb and flow of the South's economic fortunes are closely tied to the nation's. It would be strange indeed for the general trend of economic conditions in the South to contrast greatly with that of the nation.

Thus, it is not surprising that preliminary estimates show an expansion in personal income which was stronger in the first part of the year in Sixth District states—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—as in the nation. Nor is it surprising that the District's rate of personal income expansion during 1966, about 10 percent, was slightly greater than in 1965 just as was the national rate of gain.

The nation's economy during 1966 was charac-

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Personal Income
Sixth District States



Personal income grew about 10 percent from 1965 to 1966, according to preliminary estimates, thus continuing the long-term expansion of past years.

terized by a strong effective demand pushing against the limits of productive capacity. The big push came from two sources: a high rate of business capital investment and stepped-up defense spending for the Viet Nam conflict. The result for the South, already experiencing a great deal of industrialization, was especially strong capital investment activity. Because the District's economy is geared more toward defense spending than the nation's, undoubtedly stepped-up defense spending also had greater impact here than in many parts of the nation. These two demand pressures, along with other forces, explain why personal income grew a little more strongly in District states than in the United States. According to the Bank's preliminary estimates, 1966 personal income was up 8 percent in Mississippi, 9 percent in Alabama, 10 percent in Louisiana, and 11 percent in Florida, Georgia, and Tennessee. To some extent, the different rates of increase can be attributed to the differential impact of the business capital investment boom and accelerated defense spending upon individual states.

Another lesson we can learn from experience in 1966 is that Southerners, like all other Americans, cannot always have more of everything at the same time. Nationally, this meant that, with effective demand growing more rapidly than the ability to produce goods and services, specific labor shortages developed, operations were at near-capacity at some manufacturing plants, unfilled orders grew, and prices for many commodities rose. These demand pressures meant that, if some sectors of the economy were to expand rapidly, other sectors had to endure reduced rates of expansion or, in some cases, declines. As industrial plants were built and other

types of nonresidential construction activity expanded, residential construction fell off.

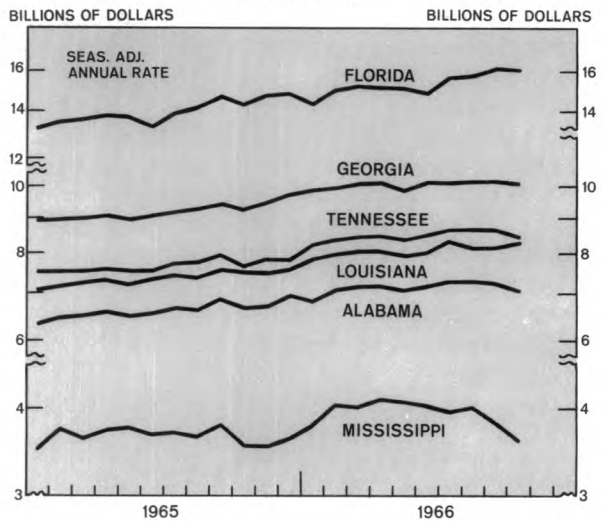
With limited resources in relation to the demand for loans, banks had to reduce their investments or curtail their lending to other types of borrowers in order to meet part of the burgeoning demand for business credit. With insufficient loanable funds to meet all demands, nonbanking financial institutions, banks, and the money and capital markets competed vigorously for what was available, and the interest rates they paid to attract funds rose.

All of these occurrences had a peculiar Southern twist. The Sixth District, like most developing regions and other parts of the South, has typically been a net importer of capital. It has relied more heavily than other regions on outside funds to finance its industrial expansion, construction, and capital improvements made by state and local governments.

The pinch on the availability of funds was felt most in this area in residential construction, as national and northern financial institutions reduced their commitments for loans. But the effects of the reduced flow of funds to the area were felt in other types of activity as well. Thus, around mid-year the rate of deposit expansion over a year ago that typically had exceeded the nation's began to approach the national rate. At year's end total deposits at District banks were up 6.6 percent from the preceding year. Many individual banks, however, had lower deposits.

The way the economy behaved in this area dur-

Personal Income
Sixth District States

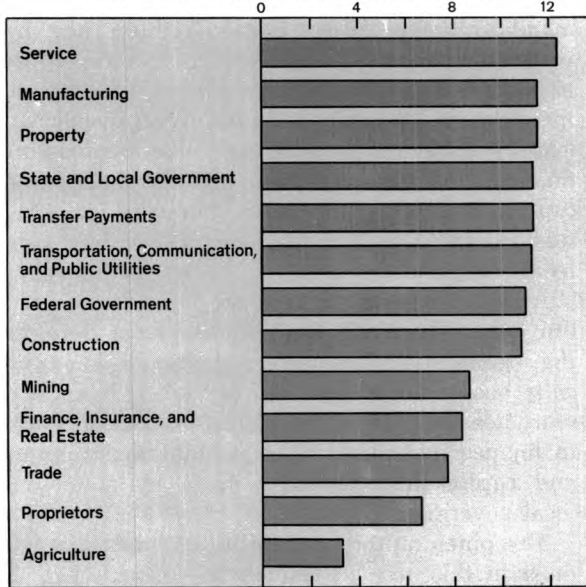


The rate of expansion slowed during the latter part of 1966 in most of the District states.

Personal Income

Sixth District States

Estimated Percent Change, 1966 from 1965



One of the reasons for the slowdown during the latter part of 1966 was the modest gain in income.

ing 1966 also demonstrated the many exceptions to broad generalizations. True, total nonfarm

employment expanded vigorously during 1966 and at year's end was about 5 percent higher than a year earlier. Some types of employment displayed a lackadaisical attitude or declined.

Another exception to the generalization that during 1966 the District experienced an expansionary boom is that, although for the year most economic indicators showed sharp gains over 1965, the rapid rate of gain was largely concentrated during the first half. This demonstrates once again our close ties with the U. S. economy, for the same thing happened throughout the country.

The behavior of economic indicators for areas and localities within the District also pinpoints the fallacy of generalizations. Deposit growth at District member banks over a year ago ranged from less than one percent in one of the District's 27 trade and banking areas to over 20 percent in another. The data for 70 reporting centers on bank debits, a measure of checkbook spending, showed percentage changes over a year ago, ranging from a decrease of one percent to an increase of over 20 percent. All of these areas undoubtedly felt the impact of national changes, but evidently experienced it to different degrees.

CHARLES T. TAYLOR

Bank Credit Expansion Slows . . .

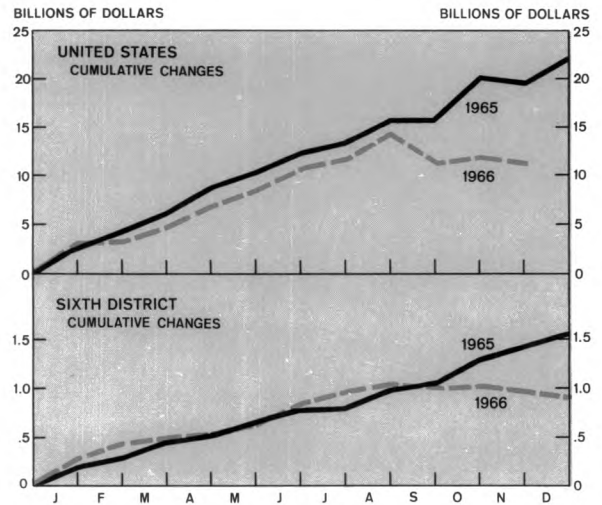
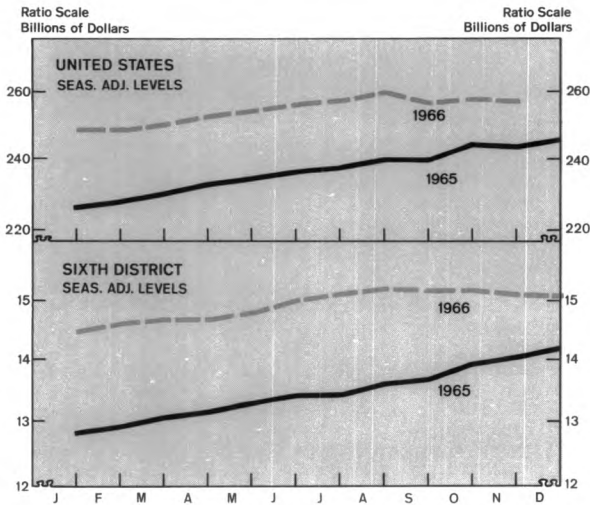
Monetary and credit policy is made at a national level and executed largely through the national money market. However, demands for credit in one area are transmitted quickly to the whole country, and a large part of the supply of loanable funds goes wherever demands are strongest. Thus, we expect national changes to be transmitted quickly to this District's banks. And indeed the pattern of change at District member

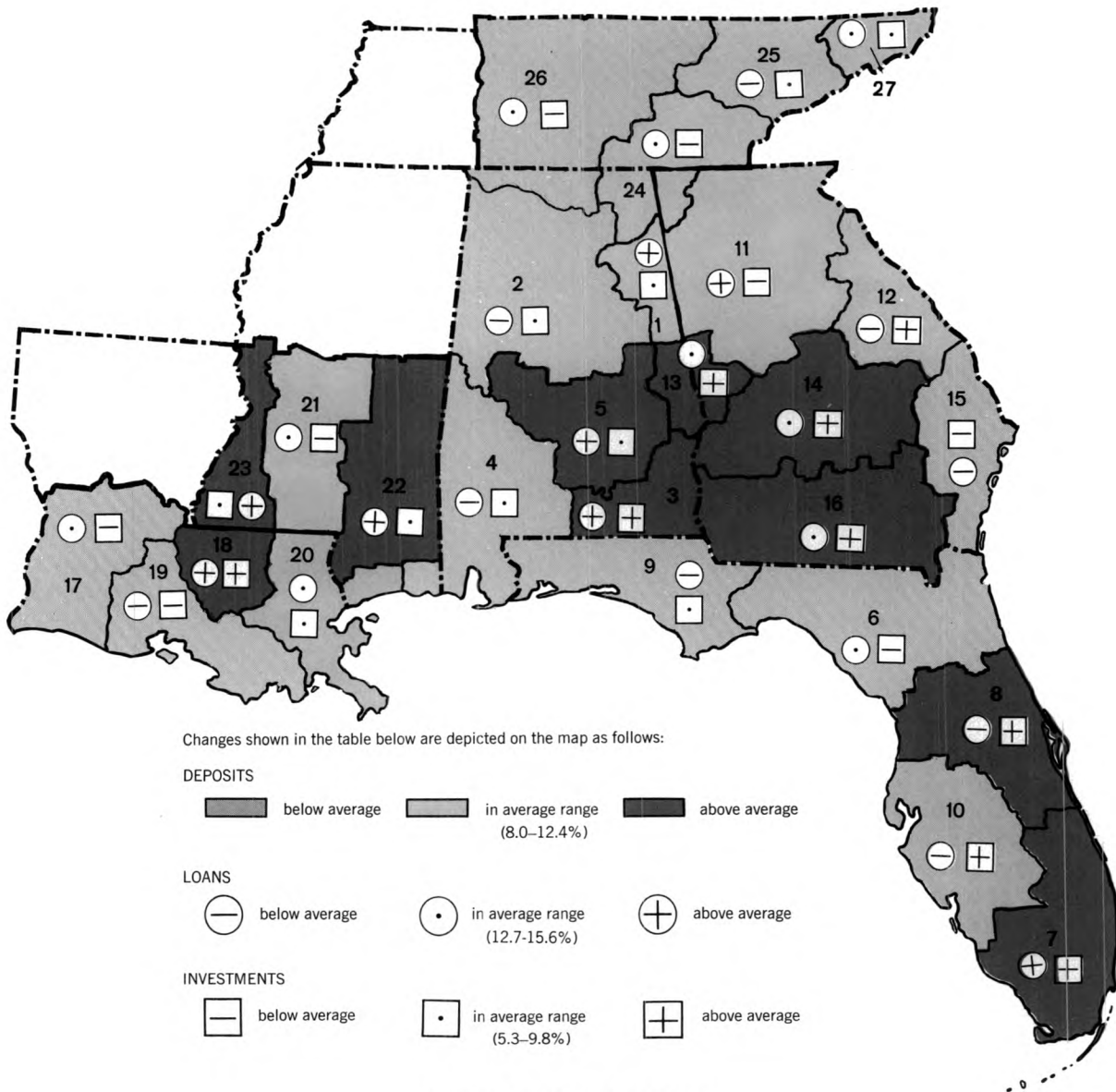
banks did follow very closely that of all member banks throughout the United States.

The demand for bank credit was undeniably strong during the first eight months of 1966. The rapid expansion of bank credit in this period, despite rising interest charges to borrowers, attests this fact. After August, however, expansion almost reached a standstill in sharp contrast to a uniformly rapid growth during 1965.

Loans plus investments were higher in 1966 than in 1965 at both U.S. and District member banks,

But after August, the increases dropped well below those of the previous year.



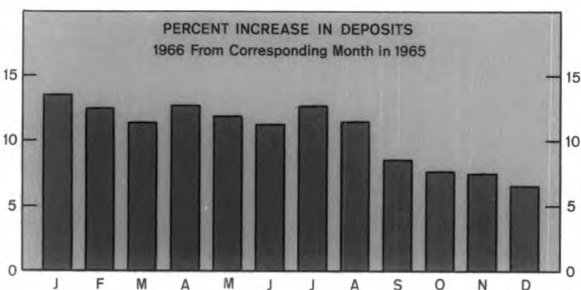


Sixth District Member Banks

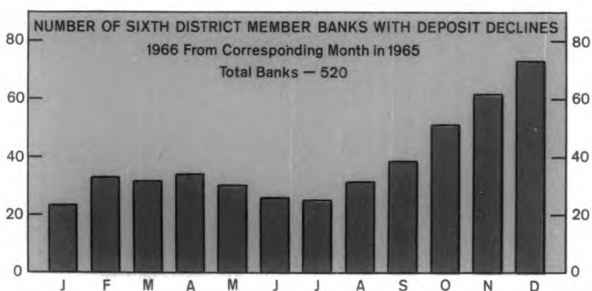
Percentage Change: 1966 from 1965*				Percentage Change: 1966 from 1965*			
Trade and Banking Areas	Loans	Investments	Deposits	Trade and Banking Areas	Loans	Investments	Deposits
ALABAMA				15—Savannah	10.9	3.0	7.3
1—Anniston-Gadsden	16.6	9.8	12.4	16—South Georgia	15.0	11.0	14.8
2—Birmingham	9.8	5.3	7.6	LOUISIANA			
3—Dothan	17.2	15.2	18.5	17—Alexandria-Lake Charles	15.6	1.6	4.7
4—Mobile	8.3	9.4	7.5	18—Baton Rouge	17.0	14.3	14.5
5—Montgomery	16.7	9.4	14.3	19—Lafayette-Iberia-Houma	12.4	2.2	5.6
FLORIDA				20—New Orleans	13.3	5.9	10.2
6—Jacksonville	15.6	3.4	4.7	MISSISSIPPI			
7—Miami	17.0	11.1	13.8	21—Jackson	12.7	2.2	10.3
8—Orlando	12.0	16.8	13.9	22—Hattiesburg-Laurel-Meridian	22.6	8.3	14.1
9—Pensacola	10.9	5.4	7.0	23—Natchez	18.4	6.4	13.5
10—Tampa-St. Petersburg	8.4	11.9	9.5	TENNESSEE			
GEORGIA				24—Chattanooga	13.7	1.1	8.0
11—Atlanta	19.0	1.9	12.0	25—Knoxville	10.2	7.8	8.2
12—Augusta	12.1	19.7	12.3	26—Nashville	14.7	-3.0	6.5
13—Columbus	14.4	19.9	17.5	27—Tri-Cities	13.4	6.1	9.1
14—Macon	13.7	15.6	14.7	SIXTH DISTRICT TOTAL	14.2	7.0	10.3

*Based on averages of 11 months (January through November) for each year.

Sixth District member banks had more deposits in 1966 than in 1965, but the size of the gain dwindled in the closing months of 1966 . . .



And the number of banks with less deposits than the previous year increased.



Although demand for bank credit may have abated somewhat in the closing months of 1966, this was not the primary cause of the marked reduction in credit expansion. In the early months of 1966 banks were reasonably successful in supplying their customers with funds, especially their good business customers, by creating demand deposits and keeping a sizable share of created money within the banking system. This was accomplished, in part, by requiring businesses to maintain high balances with lending banks and also by attracting money back into banks in the form of time deposits. For this process to have continued, however, the Federal Reserve System would have had to supply reserves in the latter months of 1966 at the January-July rate. Furthermore, banks would have had to continue to attract a disproportionately high share of savings, either from the flow of new saving or by raiding savings from other financial institutions. Neither of these conditions

prevailed after August, and the result was the near cessation of credit expansion.

The reduced ability of the banking system to expand credit manifests itself in slower deposit growth at individual banks. As fall turned to winter, District bankers talked less about strong loan demand and more about lagging deposits. Some blamed corporate treasurers who worked their balances harder to meet urgent needs for funds. Others pointed to the letdown in time-deposit gains, either because of reductions in large denomination certificates of deposits or from a slump in savings of individuals. The percentage increase in the level of deposits this year compared with the same month last year rose through July but then declined. Likewise, the number of banks experiencing an actual reduction in deposits in a given month this year, compared with the same month last year, rose significantly toward the end of the year.

The slowdown in deposit growth was felt throughout the District, with 23 of the 27 trade and banking areas showing smaller deposit gains over the second half of the year. However, in 7 of the 23 areas loans were more expansive during the latter months, despite the lower rate of deposit gains. In general, these areas sharply curbed their acquisitions of investments in favor of loan increases. In the Knoxville trade and banking area, for example, deposit increases dropped from an annual rate of 9.9 percent to 5.4 percent. By reducing their rate of increase in investments from 9.6 percent to 4.8 percent, Knoxville area bankers were able to raise the rate of loan expansion from 9.7 percent to 11.2 percent.

In areas where investment increases had been trimmed earlier in the year bankers were unable to maintain high rates of loan expansion. In Atlanta the annual rate of loan increases dropped from 22.3 percent to 13.7 percent when the rate of increase of deposits slowed from 13.8 percent to 9.1 percent.

Considering the year as a whole, all areas within the District were able to expand deposits above year-ago levels. The size of the gains varied considerably, however.

PAUL A. CROWE

Gains in Industry Continue...

District nonfarm jobs continued their uptrend through 1966, but the growth was not even among industries and regions or among various months.

As in 1965, manufacturing jobs expanded more rapidly than less cyclical nonmanufacturing jobs. Comparisons based upon preliminary data for 1966 show manufacturing jobs up about 6 percent and nonmanufacturing jobs up 5 percent. Within manufacturing the best gains were posted by transportation equipment, fabricated metals, and apparel. The gains ranged from about 3 percent for the food industry to 12 percent for transportation equipment. Generally, the more cyclical durable goods industries' growth outpaced that of nondurables.

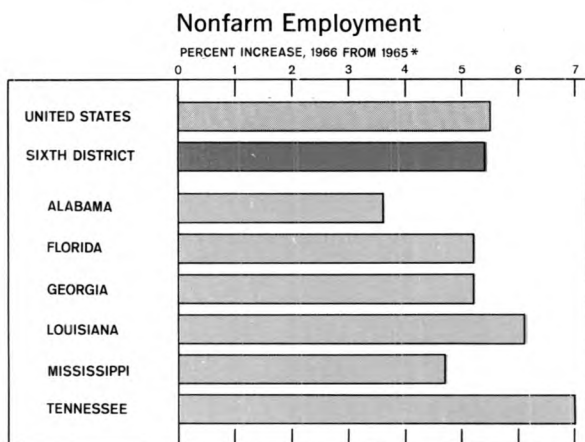
The District led the nation in manufacturing job gains, even though a smaller percentage of her total jobs are in fast-growing industries. She accomplished this by showing larger gains than the nation in eight of her nine major manufacturing industries. Nonmanufacturing employment, on the other hand, grew at a slower than national rate chiefly because of its slower growth in government and trade jobs.

Within the District, Tennessee posted the largest nonfarm job gains, and Louisiana placed second. Tennessee's growth comes from having a larger percentage of jobs in manufacturing and generally a faster growth in corresponding industries than other District states. Louisiana led District states in nonmanufacturing job growth,

primarily occurring in the cyclical construction and mining industries. High civilian and military demands for oil have led to a large gain in petroleum production.

Manufacturing payrolls advanced slightly faster in 1966 than in 1965, as larger wage increases more than offset the smaller gain in total hours worked. Average hourly earnings increased over 4 percent in 1966 from the previous year. Since changes in hourly earnings and the work-week were similar among District states, changes in manufacturing payrolls and jobs were closely related.

The District accompanied the nation in a slower pace during the second half of the year.



*Based on an average of the first ten months of each year.

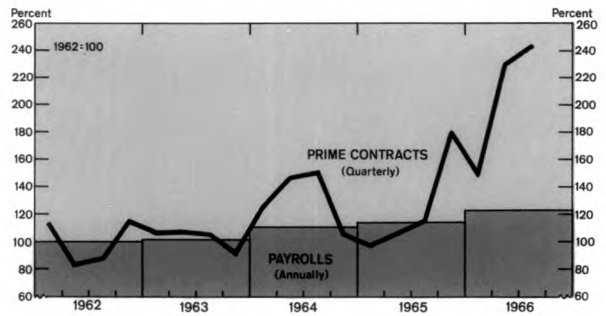
From December 1965 to June 1966, nonfarm jobs grew at a 5.7-percent annual rate in the U.S. and at 5.5 percent in the District. The annual rates from June to November were 2.7 percent for the U.S. and the six states. Only Florida grew at a faster rate. Both manufacturing and nonmanufacturing employment shared the slower growth of this period. The largest changes between the two periods were for fabricated metals, with a 17-percent annual growth rate in the first half and a 2-percent decline in the second half, and state and local government, with a 9-percent rate in first half and a 2-percent annual rate of decline in the second half.

The District's growth, like the nation's, was hampered during 1966 by capacity limitations of both labor and capital. At the beginning of the year, the unemployment rate stood at 3.3 percent of the labor force, considerably below the 4.0-percent rate considered by many as full employment. The rate for workers with enough experience to qualify for unemployment insurance coverage was only 2.0 percent. Not only was the District fully employed according to unemployment rates, but she sustained an average workweek of 41.7 hours.

Because of the close correlation between the national unemployment rate and unused capital equipment and near capacity operations reported by many area manufacturers, District capacity utilization apparently continued at high rates in 1966. It appears doubtful the District's capacity utilization is below the U.S. rate of 91 percent. (Ninety percent is considered the preferred rate.) Capital spending plans indicate District manufacturers' high utilization of facilities.

Recently released surveys of capital spending plans of U.S. manufacturing firms for 1967 point to a significant slowdown in the rate of gain from the 1966 level. This pattern is confirmed in the District by a compilation of proposed new and expanded plants. In 1965 these announcements grew in dollar volume by more than 40 percent from the previous year, while in 1966 announcements advanced only 3 percent above 1965's rate. Since there is a considerable lag between the announcement and expenditures of funds, capital spending surveys support the announcements' tabulation. In 1966 textile and transportation equipment industries registered large percentage gains in announcements. Textile investment reflected its improved outlook and modernization of the last few years. Transportation equipment gains, primarily in aircraft, stemmed from military and commercial demands. Capital intensive paper and chemical industries

Department of Defense Prime Contracts and Payrolls Sixth District States



District states obtained an increasing number of Department of Defense prime contracts and payrolls in 1966.

again led in dollar volume announcements. Paper and chemical plant announcements were particularly large in Alabama and Louisiana, respectively.

Defense activities made a significant impact on the region's economy during 1966 because of the relatively greater importance of defense spending in this area than the nation. Moreover, the District increased its share of defense spending. The area's prime defense contracts doubled in the first nine months of 1966 over the corresponding 1965 period, while the national increase was 50 percent. Nearly two-thirds of the region's dollar increase occurred in Georgia, where defense contracts skyrocketed from \$314 million to \$1,298 million. This increase reflects demands of the Viet Nam War and the development of the C-5A giant cargo plane by Lockheed Company. Total contracts, which will be spread over a number of years for the development and production of this plane, will approximate \$5 billion.

Between July 1, 1965, and July 1, 1966, personnel on Department of Defense payrolls in District states increased from 373,000 to 423,000, and their payrolls advanced 8 percent. The percentage increase in personnel and payrolls was greater in the District than in the nation. In Georgia, Department of Defense payrolls reached a level of 150,000—a number over 40 percent greater than that employed by any Georgia manufacturing industry. Because of the lead time between the letting of a contract and actual production and the projection of additional increases in national defense spending in 1967, the outlook for continued support from defense to the District's economy appears good.

C. RICHARD LONG

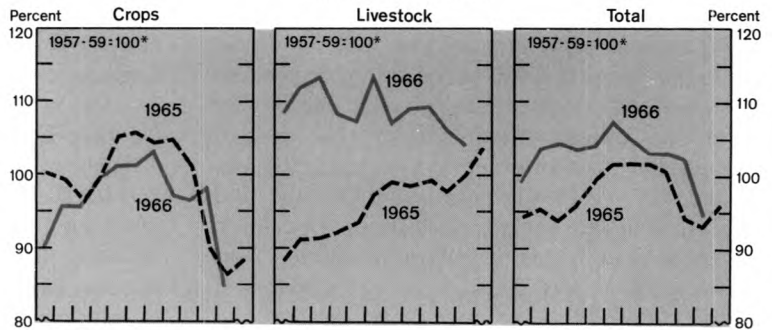
Agriculture Shows Divergent Trends . . .

The District's economic developments in agriculture are normally less closely related to general economic changes than most other sectors. In 1966, however, the growth pattern of agriculture, as measured by cash receipts, did resemble national economic changes reflected in such indicators as industrial production, bank credit, and the total money supply. But the propelling forces behind these changes were different. The District's farm community experienced rapid income growth during the first half of the year because of increased production and very high prices for livestock items. But these expansive conditions moderated in the last two quarters when prices for many items declined and the smallest cotton crop since 1946 was marketed. Thus, by the end of October 1966, District cash incomes were only slightly above 1965, with sales in Mississippi even less than a year earlier.

District farmers will probably

remember 1966 as a year of very good prices for livestock. Strong consumer and military demands, combined with reduced supplies of red meats in the U.S., caused primarily by smaller pork production, pushed the June 1966 District index of prices up 17 percent above the mid-1965 level. Since midyear, however, increased marketings of pork, beef, poultry, and eggs have driven prices

Prices Received by Farmers
Sixth District States



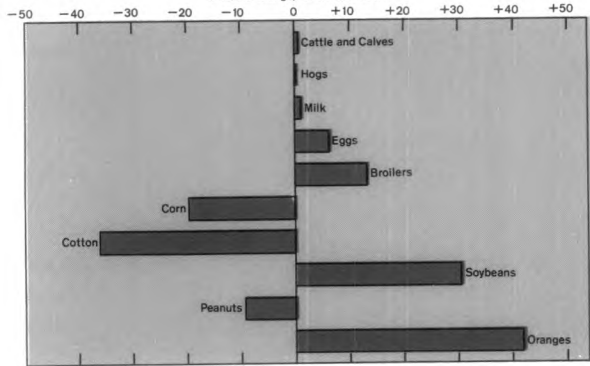
*Unadjusted weighted index.

Livestock prices in District states ranged well above the previous year's in 1966, but prices for many crops were weaker.

Agricultural Production*

Sixth District States

Percent Change, 1966 from 1965

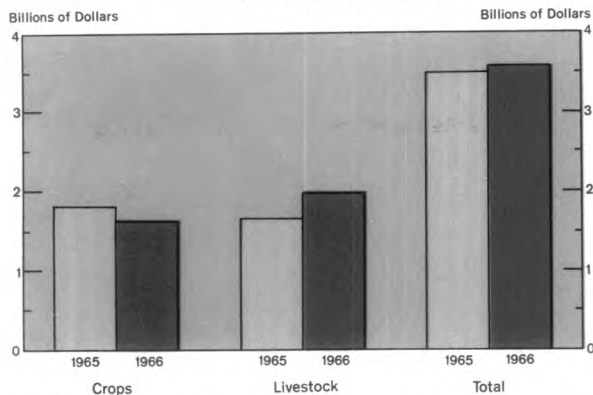


*Livestock changes are for the first ten months of 1965 and 1966. Livestock production advanced in 1966, while the output for several crops declined.

Cash Receipts From Farm Marketings

Sixth District States

January—October, 1965-66



Higher prices and livestock production have largely offset reduced incomes from crop sales.

down, despite continued strong demands. Hence, in November 1966, the index of prices received from livestock sales declined from its June high, but still remained above a year earlier.

Farmers with cash crops did not experience such a good year. Throughout most of 1966, lower crop prices caused cash incomes from crop sales to lag behind 1965's level. Reduced marketings and prices during the fall harvest season generated even further weaknesses in crop incomes. For example, in 1966 near maximum participation in acreage diversion provisions of the new cotton program allowed farmers to reduce acreages by nearly 30 percent. Then yields on planted acreage fell approximately 8 percent below the 1965 levels because of poor growing conditions. Meanwhile, cotton prices dropped more

than 20 percent, the result of another provision of the cotton program.

Corn acreages and yields were also down in 1966. However, mounting feed demands from an expanding livestock industry more than offset a slightly larger U.S. corn crop, causing higher prices. District soybean prices were well above 1965, even though production advanced 30 percent. Meanwhile, Florida citrus production is also up sharply, but prices are considerably lower. Despite the strength from certain crop enterprises, total crop sales were small enough to offset most of the gains from the livestock sector.

Net farm income for all District farmers will probably be near 1965 levels, as greater production expenses, particularly for labor, taxes, and interest, will counteract the increase in government payments to cotton producers. This varies somewhat with the national projection of an increase of nearly \$2 billion for net farm incomes. Nationally, the major support to farm incomes also came from the livestock sector, but the crop sector was relatively stronger than in the District.

Although aggregate farm production may be relatively insensitive to changes in some sectors of the economy, local production expenses and land purchases are affected by variations in credit availability and demand at the national level. The strong loan demand and changes in credit availability which characterized the national economy in 1966 resulted in higher interest rates and reduced credit availability for District farmers.

Through the first half of 1966, loans to purchase farm real estate expanded sharply. However, after mid-1966, heavy demands from non-farm sectors attracted loanable funds from major farm real estate lenders, some of whom had to modify earlier investment plans. Financial institutions willing to compete for high cost funds generally expanded their volume of outstanding farm loans, but interest rates rose sharply. Other institutions merely reduced their farm mortgage loan commitments.

For non-real estate loans, however, the situation was somewhat different, since interest rates were higher even though available funds for short-term production loans actually increased. The availability of funds for such loans depends largely upon the level of deposits at local commercial banks. Generally, deposits at country banks grew in 1966, but competition from other banks and financial institutions for deposits and from nonagricultural sources for loanable funds caused these banks to raise production loan rates.

ROBERT E. SWEENEY

Financial Institutions Pressured . . .

When all the credit demands could not be met in 1966, the area's financial institutions came under pressure. Flows of new savings shifted away from savings and loan associations in many metropolitan areas, as both they and commercial banks met competition mainly from rapidly rising direct securities investment returns outside the District.

These competitive pressures raised the reward to savers but their effects on the supply of some types of credit were severe. Housing producers found financing needs more difficult to fill, as funds shifted toward national markets. Small governmental units and corporations of limited regional identification often experienced faster

interest rate increases than better known issuers. Under these conditions the shortage of funds might have been expected to be more pronounced. But weakness in some funds flows was offset by relative strength in others.

Corporate securities issues of District businesses appear to have been reduced about 15 percent during 1966, based on preliminary data through November. However, in both 1965 and 1966, dollar volume was sharply higher than during the four preceding years, and the total for the two years combined was substantially greater than that for the three preceding years. The resurgent investment spending of public utilities

and communications firms, which typically account for well over half the District's public corporate securities, was significant. Their offerings in 1966 accounted for about 84 percent of the total. On the other hand, the proportion of offerings by manufacturing, real estate, finance, and other firms, was smaller than in any year since 1958. Far from indicating a lack of basic demand for funds from the latter group, these changed proportions reflect varying acceptability of securities, in addition to the ability to pay higher costs.

Governmental agencies also experienced difficulty in marketing their debt offerings, not only in regional markets but also in the broader national markets. Total issues for 1966 fell below those for the previous year for the first time in the postwar period. Even so, markets were found at rising costs for security offerings totaling over \$1.8 billions, compared with \$2.0 billions in 1965. A number of state and local government issues had to be deferred, and some were cancelled because of market conditions.

A substantial amount of funds flowing into the Southeast through these media was allocated to

construction projects. In addition, the opening of new plants and facilities and expansion financed directly by national corporations continued strong. Commercial building, mainly financed by capital imported by mortgage bankers and commercial banks, expanded further. Projects partially financed by government funds also added to aggregate demand. Together, these factors insured continuation of a high level of non-residential construction throughout the year. In 1966 both total construction contract volume and employment were at higher levels in the District than in the nation. Moreover, although both indexes have been declining in 1966, the District still fared better than the nation.

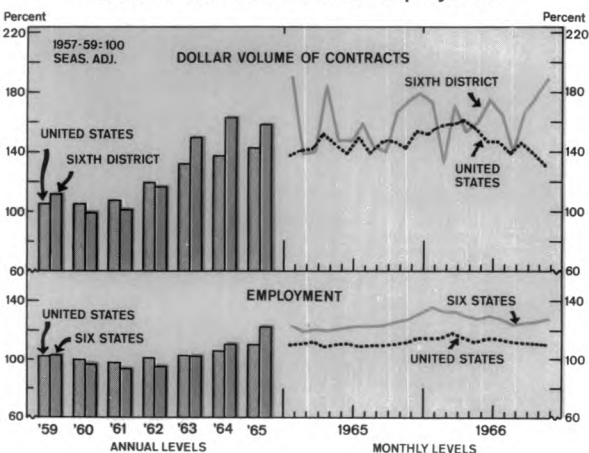
It thus appears that in the area of capital investment, residential building was hardest hit by the reduction in funds. Financial institutions whose primary orientation was in residential mortgage lending were especially pinched. In varying degrees, savings and loan associations found it increasingly difficult to cope with direct investment of new savings and the withdrawal of existing shares. Net savings flows to associations in the six District states were less than one-third of their 1965 flows, but somewhat better than those of the nation. Their ability to finance the purchase and exchange of houses was sharply curtailed.

The market for government underwritten or guaranteed home mortgages, typically a major instrument of capital importation for the District, was seriously disrupted in 1966. Although some support for the market was provided by the Federal National Mortgage Association, the flows of new private commitments through the mortgage banking network were greatly reduced.

As the year closed, there were scattered indications that some of the pressures on mortgage credit might be lessening. Substantial recovery in prices for Federal government securities had already occurred, and yields were retreating in municipal markets. The District's economy still faced difficulties in satisfying its growing demand for capital funds.

HIRAM J. HONEA

Construction Volume and Employment



Dollar volume of construction contracts remained high in the U.S. and the District, although its composition changed rapidly during the last half of 1966. Construction employment also stood at high levels throughout most of the year.

Bank Announcements

The Security Trust and Savings Bank, Brilliant, Alabama, a newly organized nonmember bank, opened on December 16 and began to remit at par for checks drawn on it when received

from the Federal Reserve Bank. J. Cline Weeks is president, and Horace Stanford, cashier. Capital totals \$100,000, and surplus and other capital funds, \$100,000.

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									
INCOME AND SPENDING									
Personal Income, (Mil. \$, Annual Rate)	Oct. 53,491	54,246r	53,967r	48,992	Nonmanufacturing	Nov. 143	143	142	137
Manufacturing Payrolls	Nov. 192	188	189	176	Construction	Nov. 111	110	110	113
Farm Cash Receipts	Oct. 130	134	147	144	Farm Employment	Nov. 100	84	79	97
Crops	Oct. 100	118	114	143	Insured Unemployment,				
Livestock	Oct. 153	156	158	133	(Percent of Cov. Emp.)	Nov. 1.5	1.6	1.8	1.8
Instalment Credit at Banks, *(Mil. \$)					Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 42.5	42.4	42.7	43.0
New Loans	Nov. 242	287r	264	284	FINANCE AND BANKING				
Repayments	Nov. 235	253	265	236	Member Bank Loans	Nov. 248	246	244	219
PRODUCTION AND EMPLOYMENT					Member Bank Deposits	Nov. 183	180	177	168
Nonfarm Employment	Nov. 132	132	131	127	Bank Debits**	Nov. 169	193	174	172
Manufacturing	Nov. 133	132	132	127	GEORGIA				
Apparel	Nov. 161	161	160	155	INCOME AND SPENDING				
Chemicals	Nov. 128	127	127	122	Personal Income, (Mil. \$, Annual Rate)	Oct. 10,084	10,259r	10,097r	9,227
Fabricated Metals	Nov. 145	144	143	137	Manufacturing Payrolls	Nov. 194	189	191	181
Food	Nov. 114	112	111	112	Farm Cash Receipts	Oct. 127	183	111	143
Lbr., Wood Prod., Furn. & Fix.	Nov. 104	104	106	102	PRODUCTION AND EMPLOYMENT				
Paper	Nov. 116	115	114	110	Nonfarm Employment	Nov. 131	131	130	127
Primary Metals	Nov. 116	116	116	111	Manufacturing	Nov. 128	129	128	124
Textiles	Nov. 105	104	104	102	Nonmanufacturing	Nov. 133	132	131	128
Transportation Equipment	Nov. 173	174	170	162	Construction	Nov. 124	124r	118	141
Nonmanufacturing	Nov. 132	132	131	127	Farm Employment	Nov. 54	56	52	62
Construction	Nov. 127	125	124	127	Insured Unemployment,				
Farm Employment	Nov. 69	63	58	69	(Percent of Cov. Emp.)	Nov. 1.3	1.3	1.5	1.5
Unemployment Rate	Nov. 3.5	3.6	3.6	3.7	Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 40.7	41.1	42.0	41.7
Insured Unemployment,					FINANCE AND BANKING				
(Percent of Cov. Emp.)	Nov. 1.7	1.7	1.8	1.9	Member Bank Loans	Nov. 249	252	252	225
Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 41.4	41.3r	41.8	41.9	Member Bank Deposits	Nov. 190	195	190	177
Construction Contracts*	Nov. 188	176	165	173	Bank Debits**	Nov. 191	199	194	182
Residential	Nov. 129	117	124	175	LOUISIANA				
All Other	Nov. 238	226	199	171	INCOME AND SPENDING				
Electric Power Production**	Oct. 139	143	141	132	Personal Income, (Mil. \$, Annual Rate)	Oct. 8,280	8,188r	8,167r	7,515
Cotton Consumption**	Oct. 117	116	114	115	Manufacturing Payrolls	Nov. 168	168r	168	154
Petrol. Prod. in Coastal La. and Miss.**	Nov. 210	225	207	200	Farm Cash Receipts	Oct. 154	130	210	113
FINANCE AND BANKING					PRODUCTION AND EMPLOYMENT				
Member Bank Loans*					Nonfarm Employment	Nov. 122	121r	121	116
All Banks	Nov. 241	241	240	215	Manufacturing	Nov. 113	112	111	108
Leading Cities	Dec. 217	221	224	198	Nonmanufacturing	Nov. 124	124	123	118
Member Bank Deposits*					Construction	Nov. 139	136	136	131
All Banks	Nov. 179	178	175	166	Farm Employment	Nov. 72	70	62	76
Leading Cities	Dec. 163	164	163	153	Insured Unemployment,				
Bank Debits*/**	Nov. 175	191	181	174	(Percent of Cov. Emp.)	Nov. 1.8	1.8	1.8	2.1
ALABAMA					Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 42.4	42.4r	42.7	42.3
INCOME AND SPENDING					FINANCE AND BANKING				
Personal Income, (Mil. \$, Annual Rate)	Oct. 7,039	7,216r	7,284r	6,643	Member Bank Loans*	Nov. 218	223	226	200
Manufacturing Payrolls	Nov. 171	169	170	164	Member Bank Deposits*	Nov. 153	152	154	147
Farm Cash Receipts	Oct. 95	126	133	144	Bank Debits*/**	Nov. 156	170	167	158
PRODUCTION AND EMPLOYMENT					MISSISSIPPI				
Nonfarm Employment	Nov. 122	121	121	119	INCOME AND SPENDING				
Manufacturing	Nov. 121	120	120	118	Personal Income, (Mil. \$, Annual Rate)	Oct. 3,594	3,817r	4,002r	3,540
Nonmanufacturing	Nov. 122	122	122	119	Manufacturing Payrolls	Nov. 206	204	201	193
Construction	Nov. 129	128	128	123	Farm Cash Receipts	Oct. 109	88	162	144
Farm Employment	Nov. 73	60	48	66	PRODUCTION AND EMPLOYMENT				
Insured Unemployment,					Nonfarm Employment	Nov. 133	132	132	129
(Percent of Cov. Emp.)	Nov. 2.1	2.0	2.1	2.5	Manufacturing	Nov. 145	143	142	139
Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 41.0	41.0r	41.3	41.7	Nonmanufacturing	Nov. 128	127	127	124
FINANCE AND BANKING					Construction	Nov. 135	132	130	137
Member Bank Loans	Nov. 225	223	222	204	Farm Employment	Nov. 57	55	47	57
Member Bank Deposits	Nov. 178	175	175	168	Insured Unemployment,				
Bank Debits**	Nov. 165	178	164	165	(Percent of Cov. Emp.)	Nov. 1.6	1.6	1.6	1.8
FLORIDA					Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 41.4	41.1	41.2	41.4
INCOME AND SPENDING					FINANCE AND BANKING				
Personal Income, (Mil. \$, Annual Rate)	Oct. 16,067	16,106r	15,734r	14,382	Member Bank Loans*	Nov. 294	291	290	228
Manufacturing Payrolls	Nov. 225	223	228	200	Member Bank Deposits*	Nov. 222	216	208	178
Farm Cash Receipts	Oct. 168	149	142	141	Bank Debits*/**	Nov. 184	199	196	185
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment	Nov. 144	143	143	137					
Manufacturing	Nov. 149	148	147	140					

	Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago
TENNESSEE									
INCOME AND SPENDING									
Personal Income, (Mil. \$, Annual Rate)	Oct. 8,427	8,660r	8,683r	7,685	Nonmanufacturing	Nov. 131	131	131	125
Manufacturing Payrolls	Nov. 196	188r	189	173	Construction	Nov. 158	157r	155	150
Farm Cash Receipts	Oct. 118	107	156	136	Farm Employment	Nov. 75	66	66	70
					Insured Unemployment, (Percent of Gov. Emp.)	Nov. 2.2	2.0	1.8	2.2
					Avg. Weekly Hrs. in Mfg., (Hrs.)	Nov. 41.1	40.7r	41.3	41.6
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment	Nov. 136	135	134	128	FINANCE AND BANKING				
Manufacturing	Nov. 144	143r	142	134	Member Bank Loans*	Nov. 237	237	235	216
					Member Bank Deposits*	Nov. 173	171	170	167
					Bank Debits**	Nov. 191	204	206	188

*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.

Debits to Demand Deposit Accounts

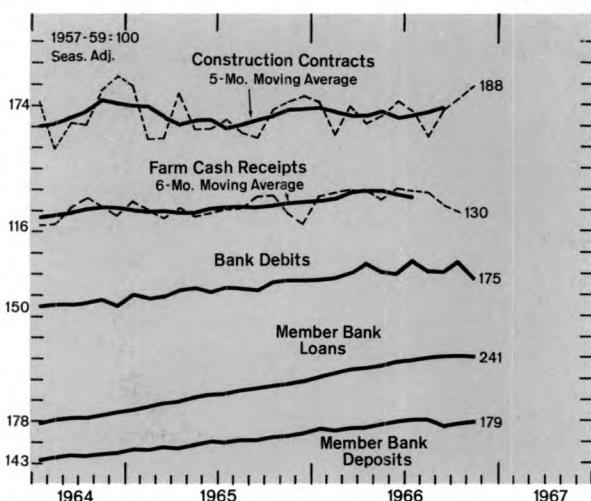
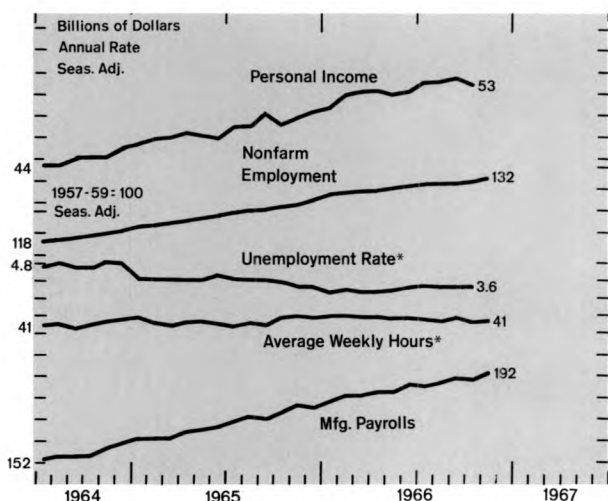
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Percent Change						Percent Change						
	Year-to-Date 11 months Nov. 1966 from 1966						Year-to-Date 11 months Nov. 1966 from 1966						
	Nov. 1966	Oct. 1966	Nov. 1965	Oct. 1966	Nov. 1965	from 1965	Nov. 1966	Oct. 1966	Nov. 1965	Oct. 1966	Nov. 1965	from 1965	
STANDARD METROPOLITAN STATISTICAL AREAS†													
Birmingham	1,406,324	1,450,753	1,382,067	-3	+2	+12	Monroe County	31,500	29,190	32,301	+8	-2	+12
Gadsden	65,107	66,508	63,610	-2	+2	+9	Lakeland	111,796	108,853	108,506	+3	+3	+11
Huntsville	171,389	167,098	180,697	+3	-5	+4	Ocala	50,030	57,484	50,031	-13	-0	+11
Mobile	468,852	509,759	437,330	-8	+7	+9	St. Augustine	17,145	17,564	18,357	-2	-7	+12
Montgomery	286,270	297,413	276,285	-4	+4	+11	St. Petersburg	284,878	293,608	275,186	-3	+4	+11
Tuscaloosa	89,380	90,369	82,278	-1	+9	+13	Sarasota	95,241	97,194	94,579	-2	+1	+11
							Tallahassee	124,116	114,985	113,303	+8	+10	+12
							Tampa	651,312	658,521	611,624	-1	+6	+9
							Winter Haven	48,842	48,837	51,166	+0	-5	+6
Ft. Lauderdale--													
Hollywood	536,939	539,463	498,793	-0	+8	+15	Athens	73,811	75,768	66,069	-3	+12	+12
Jacksonville	1,285,208	1,340,591	1,358,903	-4	-5	+11	Brunswick	38,870	38,595	39,119	+1	-1	+1
Miami	1,993,743	2,076,988	1,896,973	-4	+5	+14	Dalton	77,245	80,165	80,322	-4	-4	-2
Orlando	436,749	464,136	415,097	-6	+5	+9	Elberton	15,140	12,427	12,361	+22	+22	+15
Pensacola	200,921	195,710	193,235	+3	+4	+6	Gainesville	65,812	69,124	66,116	-5	-0	+3
							Griffin	31,793	31,778	31,684	+0	+0	+13
							LaGrange	21,798	20,828	22,082	+5	-1	+4
							Newman	22,481	25,351	22,209	-11	+1	+5
							Rome	73,619	73,087	73,100	+1	+1	+11
							Valdosta	50,584	54,096	48,780	-6	+4	+4
							Abbeville	14,349	11,894	11,353	+21	+26	+15
							Alexandria	114,242	117,102	113,966	-2	+0	+10
							Bunkie	8,808	6,412	6,850	+37	+29	+7
							Hammond	34,996	35,986	31,153	-4	+11	+14
							New Iberia	34,351	33,528	34,256	+2	+0	+7
							Plaquemine	10,298	10,696	9,097	-4	+13	+20
							Thibodaux	21,895	20,692	21,433	+6	+2	+9
							Biloxi-Gulfport	93,943	93,890	89,054	+0	+5	+16
							Hattiesburg	54,412	57,039	53,006	-5	+3	+17
							Laurel	32,116	35,866	35,844	-10	-10	+0
							Meridian	62,894	64,870	61,298	-3	+3	+8
							Natchez	34,952	34,610	29,993	+1	+17	+15
							Pascagoula--						
							Moss Point	51,584	64,190	52,344	-20	-1	+14
							Vicksburg	47,766	41,453	35,617	+15	+34	+20
							Yazoo City	27,962	22,612	27,436	+24	+2	+10
							Bristol	72,222	70,722	62,269	+2	+16	+14
							Johnson City	70,487	68,953	66,126	+2	+7	+11
							Kingsport	149,340	139,814	128,129	+7	+17	+17
							SIXTH DISTRICT, Total						
							27,610,578	27,519,912	26,101,493	+0	+6	+11	
							Alabama‡	3,615,566	3,628,188	3,447,589	-0	+5	+10
							Florida‡	8,134,020	8,299,538	7,915,313	-2	+3	+11
							Georgia‡	6,959,678	6,831,194	6,276,599	+2	+11	+11
							Louisiana*†	3,742,002	3,790,228	3,602,014	-1	+4	+14
							Mississippi*†	1,296,913	1,303,940	1,246,783	-1	+4	+13
							Tennessee*†	3,862,399	3,666,824	3,613,195	+5	+7	+12

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

District Business Conditions



*Seas. adj. figure; not an index.

Business prospects for the new year "hang in suspense" as the District's economy rounds out 1966 at a strong but moderate pace. Consumers, in a depressed spending mood for several months, seemed to let go of their money more reluctantly than usual in the closing months of the year. Employment advanced in October and November, after slowing considerably in the middle half of the year. Although the total volume of construction contracts was on the plus side at year's end, weakness in some types still persisted. Bank lending volume is much subdued from only a few months ago. Farmers, busy with winter chores, are making production plans for 1967.

Consumer spending for durable goods continued at a slower pace toward the end of 1966. Outstanding consumer credit at commercial banks rose only fractionally in November, thus continuing the trend since late summer. New loan volume for all major categories declined, with automobiles largely responsible.

Most types of employment increased in November as did manufacturing payrolls and the work-week. But mixed trends were noticeable in the manufacturing sector. Chemical and food manufacturers were mainly responsible for gains. Offsetting these increases was a sharp reduction in transportation employment. The unemployment rate edged below the October level.

Aided by a modest rebound in residential contracts, total construction contract volume gained somewhat further in November. Construction employment rose to levels prevailing in late summer. Though a welcome relief, these indicators do not yet appear to signal an end to the difficulties in the residential sector. The availability of mortgage money remains sharply restricted, despite some improvements in savings flows to mortgage lending institutions.

Bank lending continues to exhibit little steam. Less than seasonal increases in lending and some rebuilding of liquidity were reported by larger banks in December. Meanwhile, member banks' borrowing from the discount window declined to the lowest level since July.

The harvesting of Florida's record citrus crop, sugarcane, and some winter vegetables constitute major year-end farming activities. Prices for both oranges and grapefruit are well below 1965 levels, despite the industry's extensive marketing efforts. Hog, broiler, and cotton prices also fall below those of last year, but milk, corn, cottonseed and soybean prices are at higher levels.

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