

MONTHLY REVIEW

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Conditions



FEDERAL RESERVE BANK OF ATLANTA

Things Have Changed

Economic activity and financial conditions have changed in the last few months. The year 1967 began with the economy's slowing down in contrast with its unsustainable rapid pace of early 1966.

The gross national product figures underscore the slower economic expansion. After having increased in first quarter 1966 at an annual rate of 9.5 percent, measured in current dollars, the rates slowed to 6.2 percent in the second quarter and 7.1 percent in the third. In the final quarter, the rate of increase picked up to 7.4 percent.

However, when account is taken of price increases, the final quarter rate amounted to only 4.4 percent, compared with 5.9 percent in the first quarter computed on the same basis.

The failure of consumers to increase their spending, especially for durable goods, is part of the reason for the slowdown. Automobile sales in 1966 totaled 8.8 million units, considerably below the record of 9.3 million units sold in 1965. The number would have been even lower had not foreign car sales been strong. Moreover, plans to buy new automobiles deteriorated. With sales

below anticipated levels, inventories of new cars became excessive. Declining sales and rising inventories in turn caused downward adjustments in production. Most auto makers announced further cuts in January.

A slower rate of business-fixed investment expansion also contributed to the slackened growth of GNP. Until recently, business spending for new plant and equipment provided a substantial lift to the economy. However, the rate of gain has eased up. Moreover, a survey of plans for new plant and equipment spending through the second quarter 1967 indicates that the stimulus from this source is continuing to weaken. Predicted gains for this year are less than half as large as those of previous years. New orders for machinery were vigorous in July, but have taken a definite downturn since then. That spending for commercial and industrial construction may also decrease is suggested by the weakening in contracting for such projects in recent months.

With consumer buying of durable goods failing to expand and a slowing in the growth of business capital investment, the decline in home building began to have a much greater impact on the nation's total output in the last half of 1966. Private housing starts had begun to decline in early 1964, even though at that time mortgage rates were relatively low and the Federal Reserve's policy

1966 Changes in GNP

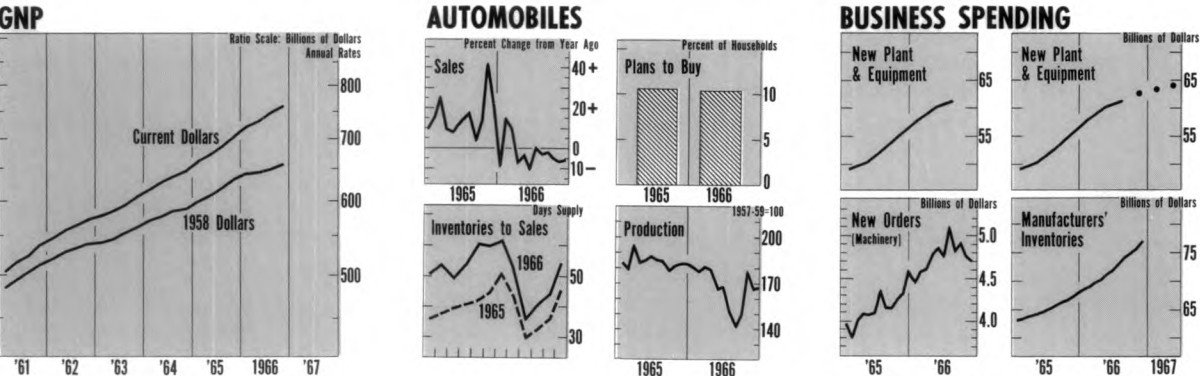
Seas. Adj. Annual Rates	Quarters			
	I	II	III	IV
Current Dollars	Billions of Dollars			
Personal Consumption Expenditures	10.4	4.5	9.8	4.5
Durable Goods	2.3	− 3.2	3.1	− 0.1
Nondurable Goods	4.9	3.7	6.2	0.6
Services	3.2	4.0	4.1	4.1
Gross Private Domestic Investment	2.6	4.0	− 3.5	3.0
Residential Construction	1.0	− 0.6	− 3.2	− 2.9
Business—Fixed Investment	4.1	0.6	− 1.1	− 1.5
Change in Business Inventories	− 1.5	3.4	− 2.4	4.5
Government Purchases of Goods and Services	3.8	4.0	7.2	5.7
Federal	2.1	2.1	5.0	3.5
Defense	2.1	2.5	4.9	3.5
Other	0.1	− 0.5	0.1	0
State and Local	1.7	1.9	2.2	2.2
Gross National Product	16.8	11.1	13.0	13.8
Constant 1958 Dollars	9.3	3.0	6.4	7.1
	Percent Change			
GNP Current Dollars	9.5	6.2	7.1	7.4
GNP Constant Dollars	5.9	1.9	4.0	4.4

had not become restrictive. Furthermore, intense demands for business and consumer credit had not diverted funds from home building and raised interest rates. Thus, when mortgage yields began to advance in 1966, the decline in housing starts accelerated. In final quarter 1966 net private domestic investment in residential construction at a seasonally adjusted annual rate of \$21.9 billion was \$4.1 billion lower than in the third quarter and fell \$6.7 billion below the first-quarter level.

With reduced sales, manufacturing inventories expanded at an accelerated clip in the latter half of 1966. The accumulation of stocks led some manufacturers to curtail operations, and indus-

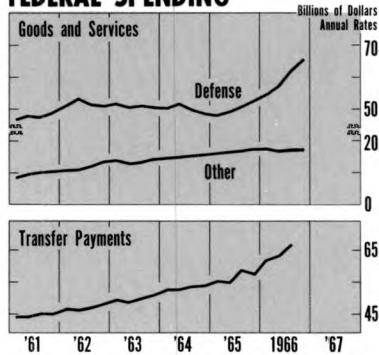
trial production leveled off. Nevertheless, in fourth quarter 1966 business inventories increased \$14.4 billion on a seasonally adjusted annual basis. The inventory component was responsible for about one-third of the growth of GNP in dollar terms between the third and fourth quarters.

Although the private economy had slowed by the end of 1966, government spending was still rising. The purchases of goods and services by both Federal and state and local governments in the last quarter was at a seasonally adjusted annual rate of \$161.9 billion, compared with \$145 billion in the first quarter. Although the rate of increase in defense spending slackened late in the year, rising Federal transfer payments, such

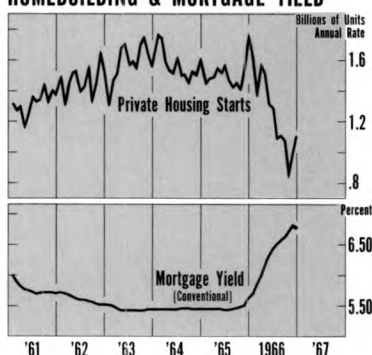


The rapid expansion in the nation's output, measured by GNP, slowed during the latter part of 1966, especially when measured in 1958 dollars of constant purchasing power. Part of the reason was a slowdown in automobile sales, resulting in rising inventories and production cuts. A tapering off in business spending also added to the decline.

FEDERAL SPENDING



HOMEBUILDING & MORTGAGE YIELD



ECONOMIC INDICATORS



Although Federal spending continued to expand because of higher costs for defense and transfer payments in connection with social security and other purposes, the increase was offset in part by a cut in residential construction. Toward the end of 1966, industrial production and nonfarm employment grew at reduced rates, and retail sales were sluggish.

as increased Social Security benefits and Medicare, continued to be an expansive force in the economy.

Slowdown in Credit Growth

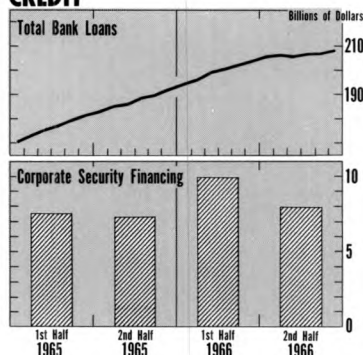
The slowdown in the private economy has had its counterpart in the credit field. The extraordinarily high rate of increase in total bank loans that characterized the first part of 1966 seems to have disappeared. Total loans at all commercial banks on August 31, 1966, stood 14.4 percent higher than at the end of 1965 after seasonal influences were considered. From August through the end of 1966, however, loans changed little. On the other hand, the flow of corporate security financing remained substantial.

The slackening in bank lending resulted in part from reduced credit demands, especially for consumer loans. Some of the slower growth reflected the decline in new car sales. The lessen-

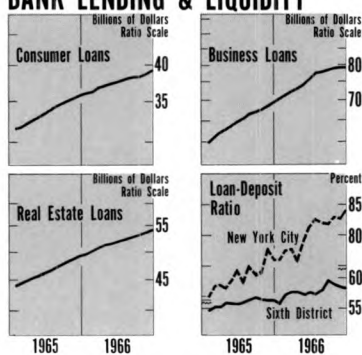
ing in loan demand also contributed to the sharply reduced rate of expansion in business loans. The factors that had sparked some of the previous business loan demand—borrowing in anticipation of actual needs and an acceleration in corporate tax payments—were of diminishing force in late 1966. Reduced deposit growth further induced banks to curb their business lending. Real estate loans also faltered, although commercial banks did not neglect this field entirely.

Part of the slowing in the extension of bank credit may have reflected the delayed reaction to the more restrictive Federal Reserve policy. Although this policy was first publicly signaled by the Federal Reserve Banks' increasing their discount rates in mid-December 1965, seasonally adjusted member bank reserves continued to expand in the first half of 1966. Nevertheless, the System was taking policy steps restricting credit ex-

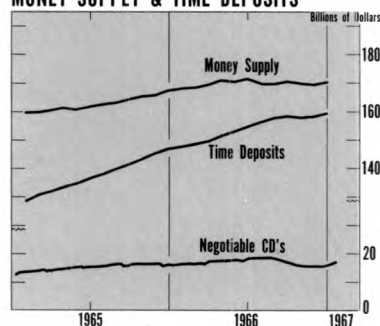
CREDIT



BANK LENDING & LIQUIDITY



MONEY SUPPLY & TIME DEPOSITS



A reduction in credit expansion occurred during the latter part of 1966. A smaller loan demand resulting from the decline in automobile sales and business spending explains part of the slowdown in bank lending, but a more restrictive lending policy induced by a growing loan-deposit ratio and reduced deposit growth also contributed.

pansion during the first three quarters of the year. Through its open market operations a smaller volume of funds was being supplied in relation to the financial requirements of a booming economy than was demanded, and more of the growth in reserves was coming from member banks' borrowing at the discount window. The System raised reserve requirements on certain types of time deposits and made it increasingly difficult for banks to compete for time deposits. Moreover, discount officers at the Reserve Banks scrutinized applications for loans by member banks more carefully.

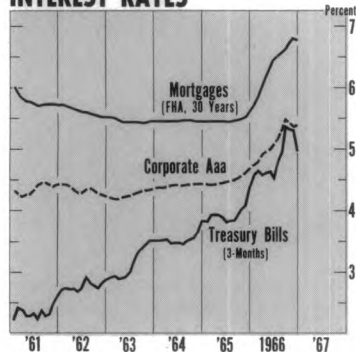
The accumulative results of these and other developments peaked last summer when seasonally adjusted bank reserves actually started to decline. The decisive turn in policy caused the seasonally adjusted money supply, demand de-

to credit availability. At first the softening in rates was confined chiefly to the money and capital markets. The three-month Treasury bill that was yielding 5.5 percent in September 1966 had declined to 4.6 percent by late January. And yields of other government, corporate, and municipal securities also decreased. At banks reporting interest rates charged on new business loans the average rate was unchanged from September to December 1966. Toward the end of January major banks cut the prime rate charged to business borrowers.

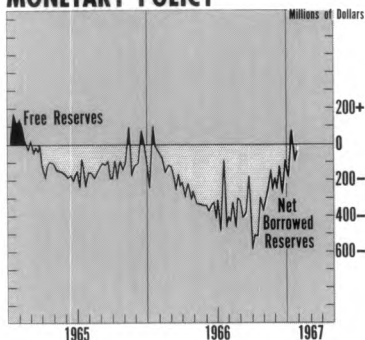
Intermission or Overture?

How quickly the economic environment can change has been well demonstrated during the past two years. Turning from a steadily advancing economy with increasing productivity, ample

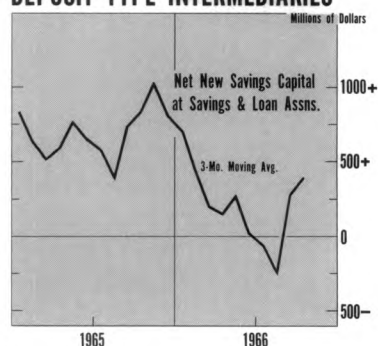
INTEREST RATES



MONETARY POLICY



DEPOSIT TYPE INTERMEDIARIES



With credit demands weaker, interest rates in the capital and money markets began to turn downward in 1966. Lessening pressure on banks resulted in the gradually improved net borrowed reserves position. The flow of funds to deposit type intermediaries also turned upward. Marked improvement was evident for savings and loan associations.

posits and currency, to drop from \$171.1 to \$169.2 billion between June and November 1966. Time deposits increased during the first half of 1966 as banks, eager to serve an almost insatiable demand for loans, offered higher interest rates for time money. By mid-1966, however, the inflow of time deposits began to taper off.

Some of the diminishing loan growth may also have resulted from restrictive lending policies of some banks. With deposit expansion tapering off and loan demand expanding rapidly, many banks found their liquidity seriously reduced.

Nevertheless, the behavior of interest rates suggests that, despite the influence of monetary policy and the lending policies of banks, some of the slowing in bank credit expansion during the last half of 1966 must be traced to the change in the economic environment and forces not related

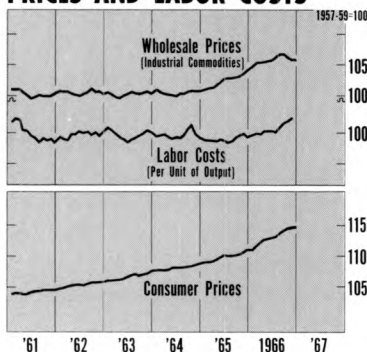
unused resources, and stable prices, the economy took on some of the elements of an overheated boom toward the end of 1965. Some of the strains were reduced by late 1966. Economic conditions can change again quickly.

The general shape of monetary policy has always been dictated by economic and credit conditions. Thus, recognition of the changed environment led to the adoption of a more restrictive policy in late 1965. Currently, the tendency for member banks to reduce their indebtedness and a softening of interest rates suggests that monetary policy is less restrictive.

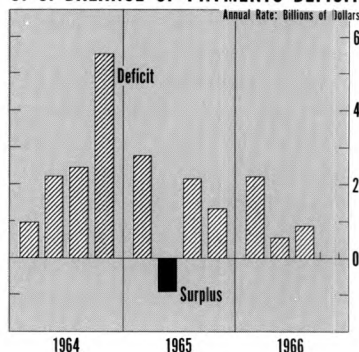
It is seldom clear at the moment what direction the economy is taking. Only some time after an event occurs does it become evident whether or not an economic mix such as at present is merely a pause or intermission prior to a re-

That demand pressures have slackened is visible in the behavior of wholesale prices for industrial commodities. Labor costs per unit of output, however, continue to rise. Fourth quarter figures are expected to raise the 1966 balance-of-payments deficit over 1965's. The deficit picture would have been even worse had it not been for an inflow of funds attracted by higher interest rates, a situation that can be reversed quickly.

PRICES AND LABOR COSTS



U. S. BALANCE OF PAYMENTS DEFICIT



sumption of a pattern of the immediate past or the overture to a complete change in direction.

Some of the elements of the stresses and strains preceding the present slowdown remain. The nation is still faced with heavy defense spending. As for prices, inflationary elements are not completely absent; for example, labor costs per unit of output in manufacturing were rising in the final months of 1966. With unemployment at 3.8

percent in December, manpower utilization has not slackened a great deal. The degree of fiscal restraint that will prevail in 1967 is yet unknown. With a changing interest rate structure, the balance-of-payments deficit may become more troublesome.

Whether the current slowdown turns out to be an intermission or an overture may well shape the course of future monetary policy.

SOURCES FOR DATA USED IN CHARTS:

*Automobiles (Sales, Plans to Buy, Inventories to Sales, Production)**: R. L. Polk and Company, U. S. Department of Commerce, Board of Governors of the Federal Reserve System.

Credit (Total Bank Loans, Corporate Security Financing)*: Board of Governors of the Federal Reserve System, Securities and Exchange Commission.

Deposit Type Intermediaries: Federal Home Loan Bank Board.

*Economic Indicators**: Board of Governors of the Federal Reserve System, U. S. Department of Commerce, U. S. Department of Labor.

Federal Spending (GNP Account)*, *U. S. Balance of Payments Deficit* (liquidity basis)*, *Gross National Product**, *Business Spending**: U. S. Department of Commerce.

Homebuilding and Mortgage Yield (Private Housing Starts, Mortgage Yield)*: Bureau of Census, Federal Housing Administration.

Interest Rates: Federal Housing Administration, Board of Governors of the Federal Reserve System, Treasury Department.

Monetary Policy, Money Supply and Time Deposits (Money Supply, Time Deposits*, Negotiable CD's)*, *Bank Lending and Liquidity (Consumer Loans*, Business Loans*, Real Estate Loans*, Loan-Deposit Ratio)*: Board of Governors of the Federal Reserve System.

Prices and Labor Costs (Wholesale Prices, Labor Costs, Consumer Prices)*: U. S. Department of Labor, U. S. Department of Commerce, Board of Governors of the Federal Reserve System.

*Seasonally adjusted.

The Research Staff of the Federal Reserve Bank of Atlanta was responsible for this article.

Bank Announcements

On January 1, three nonmember banks began to remit at par for checks drawn on them when received from the Federal Reserve Bank. They are **The Bank of Loganville**, Loganville, Georgia; **The Bulloch County Bank**, Statesboro, Georgia; and **The Bank of Zebulon**, Zebulon, Georgia.

The First National Bank of Wayne County, Jesup, Georgia, a conversion of the par-remitting **Wayne State Bank**, opened for business as a member bank on January 3. Officers include R. W. Woodruff, president; J. C. Hodges and S. C. Harper, vice presidents; and Bert Hires, cashier. Capital totals \$400,000; surplus and other capital funds, \$292,884.

On the same date, January 3, the **Central Pro-**

gressive Bank of Amite, Amite, Louisiana, a newly organized nonmember bank, opened and began to remit at par. Homer McLeod is president; Philip A. Roth, Jr., executive vice president and cashier; and F. A. Sheffield, vice president. Capital amounts to \$250,000, and surplus and other capital funds, \$250,000.

The **Security National Bank**, Smyrna, Georgia, a new member bank, opened on January 30 and began to remit at par. Officers include Sam D. Reeves, president; Luther M. Ezell, Jr., executive vice president; and Roy V. Price, cashier. Capital is \$240,000, and surplus and other capital funds, \$360,000.

Consumer Borrowing Slackens

Consumers seem to be having second thoughts about taking on additional debt. Although total instalment credit continues to increase, probably reaching a national level of around \$75 billion at the end of 1966, the rate of advance has tapered off sharply. Last year's gain, about 9.5 percent, was modest in comparison with increases averaging close to 12.0 percent during each of the previous years of the current economic upswing.

The slower pace of borrowing prevailed throughout 1966, but became even more apparent toward the end of the year. In the final quarter, consumers were adding an average of \$382 million per month to their instalment debt. They started the year acquiring new debt at the rate of \$595 million per month, which was lower than the 1965 average.

When the value of new loans exceeds repayments on old loans, total consumer debt increases. In 1966, extensions leveled off and repayments continued to rise, resulting in a slowdown in the rate of consumer credit growth.

Consumers in the Sixth District, judging from their borrowing from commercial banks, behaved like their national counterparts. Their rate of borrowing slowed during most of 1966, and by

year-end, outstanding credit was advancing only fractionally.

Automobile loans were the chief contributors to the slowdown in both the nation and the District. National auto credit increases averaged less than \$200 million per month last year, compared with well over \$300 million per month in 1965.

Some persons might argue that last year's lagging auto market was responsible for the slower growth in automobile loans, but others may blame a declining availability of loans. Both could be correct. The demand for auto credit was definitely down last year, aside from any lessening of available financing.

In addition to the softening of demand factors, lenders may have been more cautious in granting loans last year. This is confirmed to some extent by a survey last fall of consumer credit lenders in the Sixth District. Although these lenders' credit standards had not changed significantly, they enforced them more strictly than in the past.

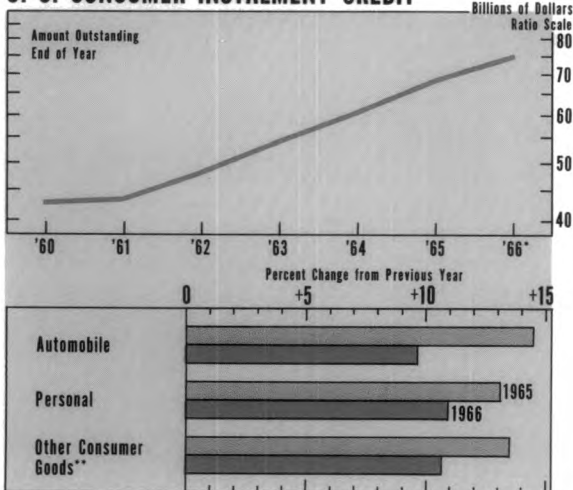
Banks' auto credit terms changed very little last year in the District and the nation. The largest proportion of new car contracts continued to be written for 36 months and generally were financed at 90-95 percent of the dealer's cost, or about 70-80 percent of the list price. The national average new car note, however, has risen over \$100 since the introduction of the 1967 models.

The subdued rate of gain last year affected all the nation's major types of lenders, but banks, the largest in terms of amounts of loans made, increased their share of the consumer credit market from 42.6 percent to around 43.5 percent. This gain came at the expense of sales finance companies whose share dropped from 23.5 percent to 22.8 percent, and retail outlets whose share declined slightly to about 11.5 percent.

The recent behavior of consumer credit is only one of many economic barometers indicating that the economy is losing momentum. The sale of consumer durable goods will determine consumer credit behavior in coming months. If sales continue to advance only moderately, the growth in consumer credit no doubt will be slow.

JOE W. McLEARY

U. S. CONSUMER INSTALMENT CREDIT



*Estimated. **Furniture, appliances, etc.

Although outstanding instalment debt increased last year, the rate of gain was less than during 1965. Each of the major categories of consumer loans experienced the slowing trend.

Bank's Board Changes

ATLANTA

Class C¹

Jack Tarver (Chairman)—1967
President, Atlanta
Newspapers, Inc.
Atlanta, Ga.

**Edwin I. Hatch (Deputy
Chairman)—1968**
President, Georgia Power
Company
Atlanta, Ga.

***John A. Hunter—1969**
President, Louisiana
State University
Baton Rouge, La.

Class B²

James H. Crow, Jr.—1967
Vice President, The
Chemstrand Corporation
Decatur, Ala.

Harry T. Vaughn—1968
President, United States
Sugar Corporation
Clewiston, Fla.

PHILIP J. LEE—1969
Vice President, Atlantic
Coast Line Railroad Co.
Jacksonville, Fla.

Class A³

D. C. Wadsworth, Sr.—1967
President, The
American National
Bank of Gadsden
Gadsden, Ala.

John W. Gay—1968
President, First
National Bank
Scottsboro, Ala.

WILLIAM B. MILLS—1969
President, Florida National
Bank of Jacksonville
Jacksonville, Fla.

¹Nonbankers appointed by the Board of Governors of the Federal Reserve System.

²Nonbankers engaged in commercial, agricultural, or industrial pursuits and elected by member banks.

³Member bank representatives elected by member banks.

Appointed by Board of Governors

BIRMINGHAM BRANCH

**C. Caldwell Marks
(Chairman)—1967**
Chairman, Owen-Richards
Company, Inc.
Birmingham, Ala.

Eugene C. Gwaltney, Jr.—1968
Vice President and
General Superintendent,
Russell Mills, Inc.
Alexander City, Ala.

JACKSONVILLE BRANCH

**Douglas M. Pratt
(Chairman)—1967**
President, National
City Lines, Inc.
Tampa, Fla.

Castle W. Jordan—1968
President, Ryder
System, Inc.
Miami, Fla.

NASHVILLE BRANCH

**Robert M. Williams
(Chairman)—1967**
President, ARO, Inc.
Tullahoma, Tenn.

Alexander Heard—1968
Chancellor,
Vanderbilt University
Nashville, Tenn.

NEW ORLEANS BRANCH

Kenneth R. Giddens—1967
President, WKRQ-TV, Inc.
Mobile, Ala.

**Frank G. Smith, Jr.
(Chairman)—1968**
Vice President, Mississippi
Power and Light Company
Jackson, Miss.

The Federal Reserve Bank of Atlanta recently announced designations and appointments to the Board of Directors of the Bank and its Branches, effective January 1, 1967. Changes in Directors are indicated in the following list. The names of NEW members appear in CAPITALS. Reappointments for three-year terms are shown by asterisks.

Expiration dates of terms now serving occur on December 31 of the year beside each name.

Appointed by Federal Reserve Bank				
*Mays E. Montgomery—1969 General Manager, Dixie Home Feeds Company Athens, Ala.	Rex J. Morthland—1967 President, Peoples Bank and Trust Company Selma, Ala.	C. Willard Nelson—1967 President, State National Bank Decatur, Ala.	Major W. Espy, Sr.—1968 Chairman and President, Headland National Bank Headland, Ala.	WILL T. COTHRAN—1969 President, Birmingham Trust National Bank Birmingham, Ala.
HENRY KING STANFORD—1969 President, University of Miami Coral Gables, Fla.	William R. Barnett—1967 Chairman of the Board, The Barnett First National Bank of Jacksonville Jacksonville, Fla.	Dudley Cole—1967 President, Florida First National Bank at Ocala Ocala, Fla.	Andrew P. Ireland—1968 Chairman and President, American National Bank Winter Haven, Fla.	L. V. CHAPPELL—1969 President, First National Bank of Clearwater Clearwater, Fla.
*James E. Ward—1969 Chairman, Baird-Ward Printing Company, Inc. Nashville, Tenn.	Sidney N. Brown—1967 President, Union National Bank Fayetteville, Tenn.	J. A. Hill—1967 President, Hamilton National Bank Morristown, Tenn.	Moses E. Dorton—1968 Chairman and President, First National Bank Crossville, Tenn.	ANDREW BENEDICT—1969 President, First American National Bank Nashville, Tenn.
*George Benjamin Blair—1969 General Manager, American Rice Growers Cooperative Lake Charles, La.	Robert M. Hearin—1967 President, First National Bank of Jackson Jackson, Miss.	W. Richard White—1967 President, First National Bank of Jefferson Parish Gretna, La.	Donald L. Delcambre—1968 President, State National Bank New Iberia, La.	A. L. GOTTSCHKE—1969 President, First National Bank Biloxi, Miss.

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month	One Month Ago	Two Months Ago	One Year Ago		Latest Month	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT									
INCOME AND SPENDING									
Personal Income, (Mil. \$ Ann. Rate)***	Nov. 54,362	53,295	53,408	49,825	Nonmanufacturing	Dec. 143	143	143	138
Manufacturing Payrolls	Dec. 190	190r	188	175	Construction	Dec. 112	111	110	115
Farm Cash Receipts	Nov. 138	130	134	142r	Farm Employment	Dec. 96	100	84	100
Crops	Nov. 134	100	118	146r	Insured Unemployment, (Percent of Cov. Emp.)	Dec. 1.5	1.5	1.6	1.8
Livestock	Nov. 145	153	156	139r	Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 43.3	42.5	42.4	42.6
Installment Credit at Banks, *(Mil. \$)					FINANCE AND BANKING				
New Loans	Dec. 262	270r	287	255	Member Bank Loans	Dec. 245	248	246	221
Repayments	Dec. 254	235	253	226	Member Bank Deposits	Dec. 184	183	180	174
					Bank Debits**	Dec. 169	169	193	173
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment	Dec. 133	132	132	127	GEORGIA				
Manufacturing	Dec. 133	133	132	127	INCOME AND SPENDING				
Apparel	Dec. 161	161	161	156	Personal Income, (Mil. \$ Ann. Rate)***	Nov. 10,366	10,408	10,389	9,772
Chemicals	Dec. 128	128	127	122	Manufacturing Payrolls	Dec. 192	188r	189	182
Fabricated Metals	Dec. 147	144r	144	138	Farm Cash Receipts	Nov. 114	127	183	142r
Food	Dec. 114	114	112	111	PRODUCTION AND EMPLOYMENT				
Lbr., Wood Prod., Furn. & Fix.	Dec. 99	104	104	104	Nonfarm Employment	Dec. 132	132r	131	128
Paper	Dec. 115	116	115	111	Manufacturing	Dec. 129	128	129	125
Primary Metals	Dec. 115	116	116	110	Nonmanufacturing	Dec. 134	133	132	129
Textiles	Dec. 105	105	104	102	Construction	Dec. 129	124	124	146
Transportation Equipment	Dec. 173	172r	174	162	Farm Employment	Dec. 65	54	56	75
Nonmanufacturing	Dec. 133	132	132	128	Insured Unemployment, (Percent of Cov. Emp.)	Dec. 1.4	1.3	1.3	1.5
Construction	Dec. 131	127	125	131	Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 40.9	40.6r	41.1	41.7
Farm Employment	Dec. 74	69	63	74	FINANCE AND BANKING				
Unemployment Rate	Dec. 3.5	3.5	3.6	3.7	Member Bank Loans	Dec. 247	249	252	226
Insured Unemployment, (Percent of Cov. Emp.)	Dec. 1.9	1.7	1.7	2.0	Member Bank Deposits	Dec. 193	190	195	178
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 41.3	41.3r	41.3	41.8	Bank Debits**	Dec. 190	191	199	179
Construction Contracts*	Dec. 146	188	176	178					
Residential	Dec. 116	129	117	194	LOUISIANA				
All Other	Dec. 171	238	226	165	INCOME AND SPENDING				
Electric Power Production**	Nov. 146	139	143	133	Personal Income, (Mil. \$ Ann. Rate)***	Nov. 8,094	7,992	7,915	7,442
Cotton Consumption**	Dec. 117	114	117	114	Manufacturing Payrolls	Dec. 166	166r	168	155
Petrol. Prod. in Coastal La. and Miss.**	Dec. 210	210	225	199	Farm Cash Receipts	Nov. 164	154	130	146r
FINANCE AND BANKING					PRODUCTION AND EMPLOYMENT				
Member Bank Loans*					Nonfarm Employment	Dec. 123	122	121	117
All Banks	Dec. 240	241	241	218	Manufacturing	Dec. 115	113	112	109
Leading Cities	Jan. 222	217	221	203	Nonmanufacturing	Dec. 125	124	124	119
Member Bank Deposits*					Construction	Dec. 146	139	136	139
All Banks	Dec. 179	179	178	168	Farm Employment	Dec. 69	72	70	71
Leading Cities	Jan. 167	163	164	157	Insured Unemployment, (Percent of Cov. Emp.)	Dec. 2.0	1.8	1.8	2.1
Bank Debits*/**	Dec. 176	175	191	173	Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 40.4	42.0r	42.4	42.2
					FINANCE AND BANKING				
ALABAMA					Member Bank Loans*	Dec. 224	218	223	205
INCOME AND SPENDING					Member Bank Deposits*	Dec. 155	153	152	148
Personal Income, (Mil. \$ Ann. Rate)***	Nov. 7,193	6,947	7,005	6,741	Bank Debits*/**	Dec. 160	156	170	160
Manufacturing Payrolls	Dec. 168	171	169	161					
Farm Cash Receipts	Nov. 116	95	126	145r	MISSISSIPPI				
PRODUCTION AND EMPLOYMENT					INCOME AND SPENDING				
Nonfarm Employment	Dec. 122	122	121	119	Personal Income, (Mil. \$ Ann. Rate)***	Nov. 3,914	3,686	3,731	3,680
Manufacturing	Dec. 120	120r	120	118	Manufacturing Payrolls	Dec. 209	206	204	198
Nonmanufacturing	Dec. 123	122	122	119	Farm Cash Receipts	Nov. 132	109	88	145r
Construction	Dec. 129	128r	128	124	PRODUCTION AND EMPLOYMENT				
Farm Employment	Dec. 69	73	60	72	Nonfarm Employment	Dec. 134	133	132	129
Insured Unemployment, (Percent of Cov. Emp.)	Dec. 2.4	2.1	2.0	2.7	Manufacturing	Dec. 145	145	143	140
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 41.3	41.2r	41.0	41.3	Nonmanufacturing	Dec. 129	128	127	125
FINANCE AND BANKING					Construction	Dec. 144	135	132	142
Member Bank Loans	Dec. 229	225	223	208	Farm Employment	Dec. 63	57	55	64
Member Bank Deposits	Dec. 177	178	175	167	Insured Unemployment, (Percent of Cov. Emp.)	Dec. 1.9	1.6	1.6	2.1
Bank Debits**	Dec. 171	165	178	167	Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec. 41.5	41.4	41.1	42.2
					FINANCE AND BANKING				
FLORIDA					Member Bank Loans*	Dec. 297	294	291	234
INCOME AND SPENDING					Member Bank Deposits*	Dec. 214	222	216	178
Personal Income, (Mil. \$ Ann. Rate)***	Nov. 15,815	15,766	15,749	14,407	Bank Debits*/**	Dec. 190	184	199	177
Manufacturing Payrolls	Dec. 227	225	223	198					
Farm Cash Receipts	Nov. 175	168	149	148r					
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment	Dec. 144	144	143	138					
Manufacturing	Dec. 148	149	148	140					

			One Month Ago	Two Months Ago	One Year Ago				One Month Ago	Two Months Ago	One Year Ago
		Latest Month						Latest Month			
TENNESSEE											
INCOME AND SPENDING											
Personal Income, (Mil. \$ Ann. Rate)***	Nov.	8,980	8,496	8,619	7,783	Nonmanufacturing	Dec.	132	132r	131	126
Manufacturing Payrolls	Dec.	191	192r	188	173	Construction	Dec.	172	159r	157	159
Farm Cash Receipts	Nov.	125	118	107	121r	Farm Employment	Dec.	90	75	66	76
						Insured Unemployment, (Percent of Cov. Emp.)	Dec.	2.5	2.2	2.0	2.4
						Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	40.7	41.1	40.7	41.4
PRODUCTION AND EMPLOYMENT											
Nonfarm Employment	Dec.	136	136	135	129	FINANCE AND BANKING					
Manufacturing	Dec.	145	144	143	134	Member Bank Loans*	Dec.	232	237	237	215
						Member Bank Deposits*	Dec.	171	173	171	164
						Bank Debits*/***	Dec.	188	191	204	184

*For Sixth District area only. Other totals for entire six states.
**Daily average basis.
***Personal income figures reflect the revision of current monthly estimates to 1965 U. S. Department of Commerce benchmarks.
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

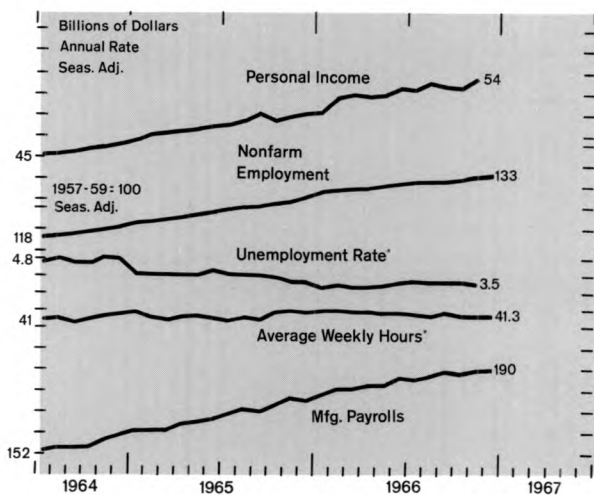
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

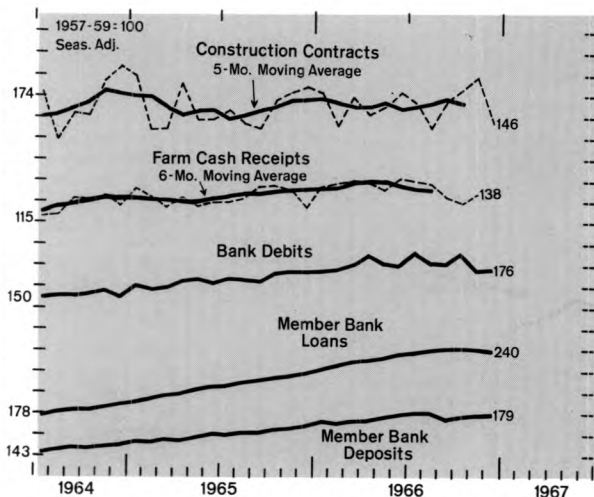
Percent Change						Percent Change						
Year-to-Date 12 months Dec. 1966 from 1966						Year-to-Date 12 months Dec. 1966 from 1966						
	Dec. 1966	Nov. 1966	Dec. 1965	Nov. 1966	Dec. 1965		Dec. 1966	Nov. 1966	Dec. 1965	Nov. 1966	Dec. 1965	
STANDARD METROPOLITAN STATISTICAL AREAS†												
Birmingham	1,449,803	1,406,324	1,444,124	+3	+0	+11	Monroe County	32,609	31,500	37,249	+4	-12
Gadsden	66,963	65,107	73,820	+3	-9	+7	Lakeland	127,224	111,769	125,663	+14	+1
Huntsville	181,867	171,389	191,504	+6	-5	+3	Ocala	54,920	50,030	57,187	+10	-4
Mobile	489,861	468,852	471,641	+4	+4	+8	St. Augustine	20,208	17,145	20,870	+18	-3
Montgomery	312,753	286,270	291,275	+9	+7	+10	St. Petersburg	309,813	284,878	329,612	+9	-6
Tuscaloosa	94,418	89,380	90,028	+6	+5	+12	Sarasota	107,114	95,241	112,966	+12	-5
							Tallahassee	118,057	124,116	112,066	-5	+5
							Tampa	693,287	655,151r	735,404	+6	-6
							Winter Haven	60,465	48,842	63,782	+24	-5
Ft. Lauderdale--												
Hollywood	630,820	536,939	616,706	+17	+2	+14	Athens	80,840	73,811	72,149	+10	+12
Jacksonville	1,493,710	1,285,208	1,559,491	+16	-4	+10	Brunswick	44,138	38,870	46,106	+14	-4
Miami	2,205,125	1,993,743	2,231,700	+11	-1	+12	Dalton	86,284	77,245	96,018	+12	-10
Orlando	503,516	436,749	486,270	+15	+4	+9	Elberton	13,853	15,140	14,373	-9	-4
Pensacola	210,351	200,921	219,990	+5	-4	+5	Gainesville	67,714	65,812	70,872	+3	-4
Tampa--							Griffin	35,794	31,793	33,385	+13	+7
St. Petersburg	1,271,686	1,170,963	1,317,749	+9	-4	+9	LaGrange	23,650	21,798	25,909	+8	-9
W. Palm Beach	457,793	399,072	431,058	+15	+6	+19	Newnan	30,151	22,481	28,630	+34	+5
							Rome	77,490	73,619	78,968	+5	-2
Albany	91,381	88,426	93,701	+3	-2	+6	Valdosta	54,635	50,584	54,286	+8	+1
Atlanta	4,481,821	4,288,107	4,207,270	+5	+7	+11						
Augusta	293,947	248,261	269,107	+18	+9	+23	Abbeville	19,968	14,349	14,101	+39	+42
Columbus	218,160	209,751	209,321	+4	+4	+7	Alexandria	123,776	114,242	117,223	+8	+6
Macon	254,845	232,847	232,876	+9	+9	+11	Bunkie	7,029	8,808	6,409	-20	+10
Savannah	286,055	251,915	259,050	+14	+10	+10	Hammond	38,701	34,496	33,859	+12	+14
							New Iberia	38,156	34,351	38,652	+11	-1
Baton Rouge	610,195	543,242	522,708	+12	+17	+21	Plaquemine	10,519	10,298	9,814	+2	+7
Lafayette	117,583	117,810	118,306	-0	-1	+13	Thibodaux	25,706	21,895	33,718	+17	-24
Lake Charles	154,632	126,036	116,584	+23	+33	+19						
New Orleans	2,377,468	2,133,610	2,527,599	+11	-6	+11	Biloxi-Gulfport	96,811	93,943	98,017	+3	-1
							Hattiesburg	57,004	54,412	51,771	+5	+10
Jackson	649,006	567,465	587,773	+14	+10	+13	Laurel	36,541	32,116	40,262	+14	-9
Chattanooga	580,522	553,307	565,677	+5	+3	+12	Meridian	65,442	62,894	64,867	+4	+1
Knoxville	456,587	427,369	462,324	+7	-1	+7	Natchez	39,163	34,952	34,424	+12	+14
Nashville	1,400,472	1,487,345	1,370,658	-6	+2	+11	Pascagoula--					
							Moss Point	53,686	51,584	53,018	+4	+1
OTHER CENTERS												
Annishton	64,080	61,483	62,759	+4	+2	+12	Vicksburg	43,380	47,766	39,379	-9	+10
Dothan	60,257	58,297	56,889	+3	+6	+11	Yazoo City	27,887	27,962	23,901	-0	+17
Selma	51,124	43,660	42,034	+17	+22	+14						
							Bristol	61,299	72,222	71,784	-15	-15
Bartow	43,923	38,143	41,543	+15	+6	+12	Johnson City	71,009	70,487	74,279	+1	-4
Bradenton	66,148	60,448	61,025	+9	+8	+19	Kingsport	149,725	149,340	144,554	+0	+4
Brevard County	214,992	184,136	221,905	+17	-3	+6						
Daytona Beach	78,335	76,841	87,524	+2	-10	+7	SIXTH DISTRICT, TOTAL	29,443,504	27,610,578	29,020,451	+7	+1
Ft. Myers--							Alabama†	3,777,003	3,615,566	3,696,215	+4	+2
N. Ft. Myers	78,728	66,769	76,386	+18	+3	+12	Florida†	8,993,652	8,134,020	9,234,449	+11	-3
Gainesville	80,811	79,792	79,667	+1	+1	+11	Georgia†	7,362,006	6,959,678	6,933,251	+6	+6
							Louisiana*††	4,112,326	3,742,002	4,108,155	+10	+0
							Mississippi*††	1,382,278	1,296,913	1,291,243	+7	+7
							Tennessee*††	3,833,680	3,862,399	3,757,138	-1	+2

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

District Business Conditions



*Seas. adj; figure; not an index.



Financial developments held the spotlight recently, as the District's economy began to feel the effects of falling interest rates. Time-deposit inflows rose considerably in January. Local mortgage credit conditions also improved, explained in part by a changed general credit climate and less buoyant consumer spending. State and local governments found it less costly to borrow. Overall business activity continued to exhibit favorable, but less exciting, trends. A moderate expansion in job gains at year-end contrasted with last summer's slowdown. Citrus prices dropped, as harvesting reached peak levels.

Falling rates on commercial paper and other short-term investments enabled many major District banks to sell sizable quantities of large denomination certificates of deposit in January, thereby reversing an outflow which had hampered credit expansion. Sales of smaller denomination CD's were brisk at country banks. Despite improved time-deposit inflows, banks in leading cities experienced an above-average decline in loans and added only modestly to their investment portfolios. Several large banks in the District reduced their prime lending rate from 6 to $5\frac{3}{4}$ percent late in the month in response to similar moves elsewhere.

The downtrend in residential construction shows signs of bottoming out. Although the year ended with District residential contract volume still declining from month to month, recent housing starts and permit data point to an upturn. Interest rate levels have declined on a broad range

of direct investments available to consumers. Deposit and share forms of savings have become relatively more attractive, suggesting greater supplies of mortgage funds.

Consumer spending remains less than robust. Personal income continues to advance, but seems to have little effect on the subdued pace of retail spending. Seasonally adjusted consumer credit extensions at banks—an indirect measure of spending—rose only slightly during December, upholding the near-level trend prevailing since early last fall.

Recent employment gains have made up for last summer's lull. The year ended on a happy note, with the moderate job growth, which began in October, continuing. Both manufacturing and nonmanufacturing jobs have shared in the faster pace. Construction jobs expanded for the fourth consecutive month. The manufacturing workweek remains high and the unemployment rate low, both comparing slightly less favorably with the best levels achieved last year.

Prices for oranges and grapefruit declined further during the past few weeks, as harvesting activities accelerated. Plans to purchase orange juice concentrate for the hot lunch and welfare programs and the adoption of a voluntary marketing order that will channel some concentrate into other markets are designed to improve growers' prices.

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