MONTHLY REVIEW

IN THIS ISSUE:

- The U.S. Balance of Payments: Policies and Results
- The Mobile Story of Consumer Instalment Lending
- District Business Conditions

SIXTH · FEDERAL RESERVE · DISTRICT

TENN GA ALA MISS LA FLA

FEDERAL RESERVE BANK OF ATLANTA

April 1967

The U. S. Balance of Payments: Policies and Results

In 1966, the U.S. balance of payments, calculated on the liquidity basis, registered another substantial deficit. On the official settlements basis, temporary large inflows of foreign liquid funds led to a small surplus for the first time in nine years.

The existence of two official measures of payments balance reflects disagreement among economists as to what type of measure most meaningfully summarizes the varied and complex forces that determine our international payments position. But neither these measures nor others sometimes used adequately describe all the important aspects of balance of payments performance in a given year, although over a longer period they offer a general idea of trends and progress. Thus, despite their differences, both measures indicate that our balance of payments improved considerably in 1966 over the years prior to 1965. Let us now see what factors were most responsible.

Payments' Performance

In recent years, U. S. private capital outflows (e.g., investment by U. S. residents in foreign stocks and bonds, U. S. corporate investments in overseas branches and subsidiaries, and loans of American banks to foreigners) have gained considerable attention as a large adverse element in our payments balance. The vast amount of savings generated in this country, which underlies our position as a world financial center, and the consequent low cost of obtaining capital here have contributed to expanding capital outflows. In addition, the significant growth of the European Common Market, combined with the erection of common tariff barriers to nonmember nations, has encouraged many U. S. corporations to build new plants or buy existing firms in countries that belong to the market. Many restrictions on international capital movements and heavy reliance on credit restraint to check inflation in most industrial countries have also helped maintain the higher interest rates that have attracted U. S. capital.

Owing to a persistent payments deficit and the artificial stimulus to U. S. capital outflows resulting from trade barriers and other nations' restrictions on capital movements, our government has felt justified in constraining these flows until our payments balance can achieve equilibrium. These constraints are applied through the Interest Equalization Tax (IET) and the Voluntary Co-operation Program (VCP). The IET has in-

Definitions: Liquidity Balance Official Settlements Balance

The **liquidity** and **official settlements** methods of calculating international payments balance represent two essentially different viewpoints as to what types of payments most adequately summarize overall movements in the balance of payments, and, therefore, constitute the best measure of surplus or deficit. The **liquidity balance,** the more commonly used, includes changes in official reserve assets and in both foreign official and private holdings of short-term U. S. liabilities. All other changes are counted as regular flows. The **official settlements balance** also includes changes in reserve assets and in foreign official holdings of short-term U. S. liabilities, but counts changes in foreign private holdings of U. S. liabilities as regular capital flows. In addition, the **official settlements balance** includes as part of the balance changes in certain nonliquid U. S. liabilities to foreign official agencies.

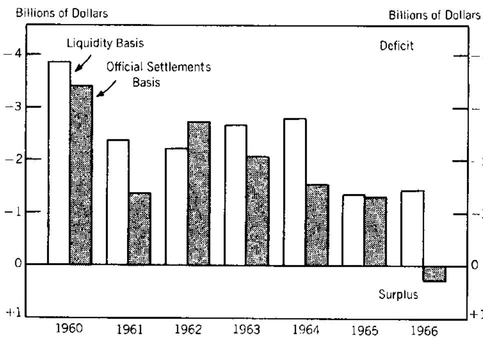
creased the cost of foreign borrowing in the United States without raising domestic interest rates. Under the VCP, the Department of Commerce has supplied guidelines for business to reduce their flows of capital abroad and the Federal Reserve has given guidelines for banks and other financial institutions.

Yet outward flows of capital also yield considerable long-run benefits to our balance of payments. For instance, by helping to develop foreign markets, they create new investment and consumer demand for our exports as well as yield interest, royalties, and dividends which flow back to the United States. In the interest of world economic growth and efficiency, substantial amounts of capital should flow from wealthy countries like the United States to less developed countries. For such reasons, our government has only tried to moderate capital outflows, not eliminate them.

Reductions in the amount of foreign securities purchased by American residents and in U. S. bank loans to foreigners illustrate the success of balance of payments measures. The net outflow of capital from purchases of foreign securities, the equivalent of foreign borrowing in the U. S., has fallen off considerably since the Interest Equalization Tax took effect in 1963. These purchases dropped even further last year, despite the flotation of $150 million in Canadian securities deferred from 1965 by special agreement.

In 1966, the net repatriation of bank funds exceeded the previous year's results, as banks reduced the amount of their loans abroad under the

U. S. Balance of Payments

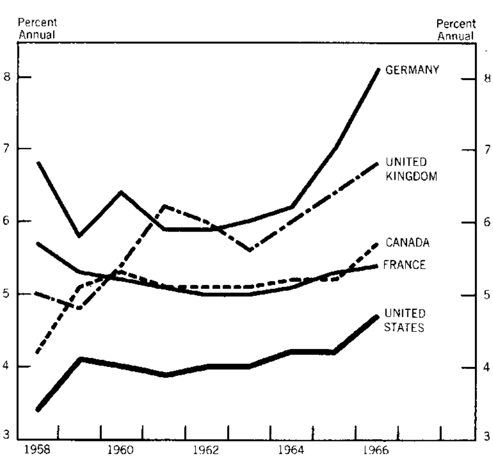


Voluntary Program and in response to tight domestic credit conditions. Prior to the program's initiation in 1965, bank loans had constituted a large net outflow of capital.

The net outflow of funds into the overseas operations of U. S. corporations also contracted slightly from the all-time high reached in 1965. However, the overall improvement was greater, because U. S. companies, prodded by the Voluntary Program since 1965, financed part of their overseas investments by stepping up their borrowings of funds abroad. In sum, 1966 represents a modest reduction in private capital flows abroad over 1965, which recorded a considerable improvement over previous years.

Massive flows of foreign capital into the U. S. also contributed to better results in our balance of payments. These inflows, attracted by high interest rates and tight monetary and credit con-

Long-Term Interest Rates Selected Countries



ditions in the U. S., constituted one of the notable developments of 1966. The huge increase in private short-term capital inflows, reflected in a large rise in the amount of liquid liabilities to private foreigners, consisted largely of borrowings of U. S. banks from their foreign branches. The inflow of these private liquid funds primarily accounted for the surplus on the official settlements basis.

The large negative figure in 1966 for the other short-term capital account, liquid liabilities to foreign official agencies, reflects a shift of these funds into longer-term investments, consisting of time certificates of deposit and certain U. S. Government agency securities, which had become attractive because of high interest rates and low risk. The shift shows up as the sharp increase over previous years in the inflow of nonliquid foreign capital, i.e., nonliquid liabilities to foreigners.

Besides the improvement on net U. S. private capital flows, net U. S. Government capital outflows also fell off in 1966. Although government claims on foreigners rose, they were more than offset by a greater gain in advance debt prepayments and other debt payments to the government.

In contrast to the favorable changes in capital flows in 1966, however, our trade surplus shrank rapidly, as in 1965. Since our trade surplus has provided the one consistently bright spot in our balance of payments, this deterioration last year was rather discouraging. The worsened trade balance stemmed primarily from a sharp rise in merchandise imports. Stimulated by the added demands of the Vietnam War superimposed upon a strong domestic investment boom, merchandise imports shot up from a 12-percent annual rate of growth of the early sixties to 20 percent for 1966. This rapid rise overwhelmed a 10-percent expansion of merchandise exports.

In addition to the shrinking trade balance, other goods and services also slumped. Net income from investments, royalties, and services increased by about $200 million, as net payments on travel and transportation advanced slightly. The main change, however, resulted from a jump in military expenditures overseas of about $800 million, also stemming from the war in Vietnam. The overall balance on goods and services contracted about $1.7 billion from the previous year.

The large inflow of private short-term funds in 1966, although it did not reduce the deficit as defined on the liquidity basis, had the salutary effect of moderating the loss of official reserve assets. The outflow of gold, the largest and most carefully watched of these assets, fell to about one-third of the preceding year's rate and significantly below the 1960-65 average. In addition, our holdings of convertible foreign currencies, consisting in large part of sterling, rose considerably through increased activity in central bank currency swaps, especially in connection with the midyear crisis of the British pound. However, increased drawings from the International Monetary Fund almost exactly offset the gain in reserve assets from larger holdings of convertible currencies. A significant portion of these drawings were technical drawings which the United States made so that other nations could meet certain obligations to the IMF.

Related Policies

Accompanying policies and forces which directly affected specific components of the balance of payments in 1966 were other developments of significant direct influence. These developments, relating to the stabilization of currency exchange rates and gold movements, affected confidence in the dollar, so necessary for our own economic stability and that of the world monetary system.

In 1966, the Federal Reserve took an eventful step in foreign exchange stabilization by expanding its currency swap network with other central banks from $2.8 to $4.5 billion. These arrangements provide an important source of short-term credit to any member of the network whose currency may suffer as a result of large temporary outflows of funds for reasons such as speculation or transient seasonal disturbances. Thus, the increase in this swap network has provided participating members with an extra margin of protection against sharp temporary movements in their balance of payments.

These swap arrangements proved very effective in allowing the Federal Reserve and other central banks to provide much-needed aid to the Bank of England, struggling to maintain the exchange value of the pound last July. This temporary assistance provided the English Government with time to enact a program that would result

U. S. Balance of Payments
(Millions of Dollars)

+ Receipts by U. S. Residents − Payments by U. S. Residents	1960	1961	1962	1963	1964	1965	1966
Balance on Goods and Services	4,046	5,621	5,130	5,897	8,490	6,957	5,296
Net Merchandise Exports	4,757	5,444	4,417	5,079	6,676	4,788	3,700
Net Exports of Other Goods and Services	−711	177	713	818	1,814	2,169	1,596
U. S. Investments Abroad	−3,885	−4,180	−3,425	−4,456	−6,523	−3,690	−3,911
Direct Investment Abroad	−1,674	−1,599	−1,654	−1,976	−2,416	−3,371	−3,363
Net Purchase of Foreign Securities	−663	−762	−969	−1,104	−677	−758	−426
U. S. Bank Loans to Foreigners	−1,150	−1,261	−451	−1,535	−2,464	94	261
Other U. S. Claims on Foreigners	−398	−558	−351	159	−966	345	−383
Foreign Investment in the U. S.	2,104	2,471	1,691	2,981	3,312	309	3,024
Nonliquid Liabilities to Foreigners	366	707	1,021	689	685	176	2,168
Liquid Liabilities to Private Foreigners	289	1,083	213	619	1,554	150	2,430
Liquid Liabilities to Foreign Official Agencies	1,449	681	457	1,673	1,073	−17	−1,574
U. S. Government Assets	−1,105	−926	−1,094	−1,664	−1,674	−1,575	−1,481
Claims on Foreigners	−1,741	−2,200	−2,374	−2,634	−2,377	−2,477	−2,708
Repayments from Foreigners	636	1,274	1,280	970	703	902	1,227
U. S. Official Reserve Assets*	2,143	606	1,533	378	171	1,222	568
Gold	1,702	857	890	461	125	1,665	571
Convertible Currencies	—	−116	17	−113	−220	−349	−540
IMF Gold Tranch Position	441	−135	626	30	266	−94	537
Other Transactions	−3,303	−3,592	−3,835	−3,136	−3,776	−3,223	−3,496
Balance on Liquidity Basis	−3,881	−2,370	−2,203	−2,670	−2,798	−1,355	−1,424
Balance on Official Settlements Basis	−3,402	−1,347	−2,706	−2,044	−1,546	−1,302	271

*(+ loss of assets; − gain of assets)

Source: **Survey of Current Business,** June 1966 and March 1967.

in more permanent improvement in its payments balance. The benefits of this action also redounded to the United States, for a collapse of the pound, the only other currency which shares with the dollar the role of a key currency, would drastically affect the position of the dollar.

In an effort to preserve our gold stock, the Treasury engaged in a number of "technical" drawings on the International Monetary Fund. As the Fund's holdings of dollars exceeded 75 percent of the U. S. quota, it could no longer accept payments in dollars from other countries under existing rules. Consequently, the United States made drawings of other convertible currencies from the IMF and sold them for dollars to several countries with IMF payment needs. Otherwise, these countries would have demanded gold for their dollar holdings to make payments.

Policy Effects

The conjunct of official policies certainly had an especially favorable effect on private capital flows. Not only did the outflow of U. S. capital to other countries fall to a lower level than in 1965, but inflows of foreign capital into this country accelerated considerably above the level of recent years. However, these capital flows possess several facets, each of which merits distinct consideration.

Restrictive monetary policy and historically high interest rates helped achieve the outstanding upswing in foreign capital inflows. The shifts by international agencies and foreign official institutions from liquid claims on this country to long-term CD's and U.S. agency issues statistically reduced the liquidity deficit, but the near-liquid nature of these claims implies that these funds could easily return abroad. The huge inflow of private short-term capital, consisting mainly of Eurodollars, reduced the flow of dollars to foreign official institutions. When held by such institutions, dollar liabilities represent potential claims upon our gold stock. Nevertheless, the reverse flows of some of these funds since the end of last year, when stringent credit conditions began to ease, indicates the temporary nature of their benefit to the balance of payments.

The further moderation in the outflow of private U. S. capital in 1966 can be attributed to the Interest Equalization Tax and the Voluntary Cooperation Program in concert with restrictive monetary policy. These two programs also had important side effects in stimulating the development of larger and more efficient European capital markets. Not only did the rapid growth of these capital markets reduce some of the foreign demands on our capital markets, but it permitted a very rapid increase in borrowings abroad of U. S. corporations. These borrowings allowed U. S. companies to continue their foreign investments with less pressure on our payments balance.

Although capital flows were favorable in 1966, the accelerated war in Vietnam exacted its price on the balance of payments in the form of a deterioration on current account. The rapid rise in military expenditures abroad reflected the direct costs of the war effort. Furthermore, the demands of Vietnam added to a nearly full utilization of resources, created inflationary pressures resulting in an indirect cost of a very high level of imports. Thus, monetary policy, partly counteracting these inflationary pressures, also aided our balance of payments by indirectly curbing an even larger rise in imports.

In sum, monetary policy played an important role in 1966 by preventing greater inflationary strains that would have worsened our trade balance even more. At the same time policy encouraged the very favorable inflows of capital that tended to offset temporarily the unfavorable movements that did occur. In the light of the buildup in Vietnam, monetary policy, together with the Interest Equalization Tax and the Voluntary Cooperation Program, can modestly be said to have made some reasonable accomplishments in holding the balance of payments liquidity deficit to the reduced level achieved in 1965 and in cutting back the gold flow from that year's level. However, the passing to monetary ease and the nonrepetitive nature of certain debt payments to the U. S. Government indicate that the favorable capital flows of last year may not remain a permanent feature in our balance of payments.

Future Prospects

On current account, the cooling of the domestic economy has already led to a slackened pace of imports, while exports have continued to climb. Unless a rapid resurgence of the domestic economy occurs, imports should continue at a more subdued rate for the remainder of the year. However, slower economic growth in some of our major trading partners and a relatively more rapid rise in domestic retail and wholesale prices in 1966 create a mixed outlook for exports.

Nevertheless, slack economic conditions abroad and the increasing availability of funds in the European capital market suggest that U. S. corporations' demands for funds in this country for overseas investment may ease somewhat. In addition, a tightened Voluntary Cooperation Program and proposed legislation to increase the rate of the Interest Equalization Tax are designed to offset potential incentives for increased capital flows. Such incentives could arise from increasing international interest rate differentials unfavorable to the United States.

For the longer run, our government is engaging in some newer efforts that should yield future benefits. Among these are attempts to spur our merchandise exports through expanding the role of the Export-Import Bank and through further steps to insure that our AID-financed exports are not substituted for regular commercial exports. A special task force has also been set up to study how we can best stimulate foreign travel in the United States to narrow our so-called "tourist-gap." On capital account, passage of the Foreign Investors Tax Act and attempts to publicize its advantages have been designed to step up the inflow of foreign capital to this country.

Thus, with the exception of tied aid, these newer policies emphasize efforts to spur the favorable elements in our balance of payments in contrast with the Interest Equalization Tax and Voluntary Cooperation Program which are essentially temporary programs to curb the adverse elements in our payments balance until equilibrium can be achieved. However, the ultimate success of these policies can only be realized if basic conditions of steady economic growth, rising productivity, and stable prices can be maintained.

JOHN E. LEIMONE

The Mobile Story of Consumer Instalment Lending

"Let us all be happy and live within our means, even if we have to borrow the money to do it," was Artemus Ward's philosophy, and it might just as well be ours today. Buying a home, for example, almost always requires the purchaser to go into debt. In recent years, more and more consumers have borrowed to purchase automobiles and household appliances, make house repairs, take vacations, and for many other personal expenses. Consequently, the volume of consumer instalment indebtedness has expanded sharply.

Perhaps more significant, however, is that over the last 20 years American consumers have increased their indebtedness at a faster rate than their disposable income. Does this mean that more and more submarginal borrowers have been coaxed into the market by a lowering of lending standards? Has the quality of the nation's outstanding consumer loans deteriorated? Alternatively, could this rising volume of personal debt merely indicate that today's borrowers are more creditworthy?

Aggregate information such as the volume and level of personal debt and the ratio of consumer debt to disposable income does not reveal basic changes in attitudes and trends in consumer borrowing. Hence, the first step in answering questions concerning the quality of credit is to find out more about individual borrowers. For example, what age groups are most likely to use instalment credit, and for what purposes? Do persons with above-average incomes also borrow for instalment purchases? And what about the distribution of borrowers by occupation?

In order to answer such questions and to throw additional light on the characteristics of individual borrowers, we have made a special study of instalment customers at Mobile, Alabama, banks. In connection with a longer-run project[1] specific information related to individual borrower characteristics has been collected from these banks.

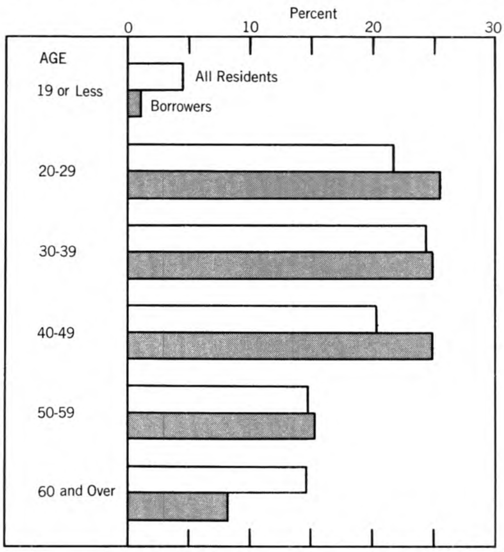
Mobile Borrowers

Almost everyone that lives in Mobile and is old enough to work is a prospective candidate for a bank loan. Not everyone wants a loan nor does everyone who applies for a loan get it. Even if the bank has an ample availability of funds, the loan is granted on the basis of its probability of repayment. We can get some idea of the importance assigned to such characteristics as age, income, occupation, etc., by looking at the collective consumer lending experience of Mobile banks since mid-1965. If a bank's instalment loan customers can be identified from the distribution of certain characteristics of the population, then significant shifts over time in the profile of an area's economy would have important consequences for the demand for consumer credit. A comparison of Mobile borrowers and residents should reveal what segments of the population banks serve.

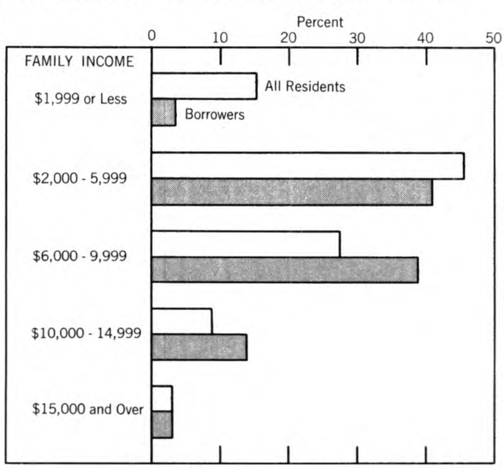
Our study of the characteristics of bank borrowers and Mobile residents revealed that about

[1]**Inquiry into Consumer Instalment Lending,** *a supplementary study containing tables and articles, is available upon request to the Research Department of this bank.*

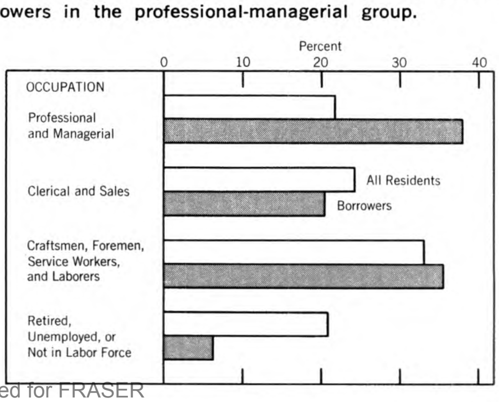
The ages of customers receiving consumer loans at Mobile banks closely parallel those of all residents in the area,



. . . but while banks serve customers in all income brackets, they definitely favor borrowers with higher incomes,



. . . which probably explains the heavier concentration of borrowers in the professional-managerial group.



half of the age 18 or over population is under 40, with nearly one-fourth of the total concentrated in the 30-39 age bracket. At the banks nearly one-fourth of the borrowers are also from 30-39 and slightly over half of the customers are less than 40. In general, these banks seemed to prefer lending to borrowers in the productive work years from 20 to 60. Loans to persons under 20 and over 60 are proportionally less than the number of residents in these age groupings.

In 1960, nine out of ten families in Mobile had annual household incomes of $10,000 or less. Similarly, over 85 percent of the borrowers at Mobile banks also had household incomes of less than $10,000 annually. But while close to one-half of all families had incomes between $2,000 and $6,000, only about two-fifths of the borrowers were in this range. Conversely, nearly 38 percent of the borrowers and 24 percent of the residents had incomes ranging between $6,000 to $10,000 annually. About 15 percent of Mobile's families had incomes of $2,000 or less, but borrowers reporting incomes this low held only 3.5 percent of the total number of consumer loans at banks.[2] Family income is one of the important gauges banks use in evaluating loans, and the chances of receiving a loan, other things constant, improves with the borrower's income. And, of course, income depends largely upon one's occupation.

Approximately one-third of Mobile's workers are craftsmen, foremen, service workers, and laborers. Next in importance in terms of numbers employed are clerical and sales people, followed closely by the professional and managerial group. Close to one-fifth of the population is retired, not in the labor force, or unemployed. Mobile banks granted most loans to the professional-managerial group who received nearly twice as many loans as would be expected if the banks allocated their loans on the basis of area job distribution alone. Others actively employed received about their proportionate share of loans, while those not commonly considered in the labor market received only a small share.

Characteristics Vary With Loan Type

Some differences in borrower and loan characteristics were noted between those borrowing to

[2]These comparisons may be distorted somewhat since the data on Mobile's income distribution are based on 1960 information, while the loan figures are for 1965-66. Any changes that have occurred over this period, however, would probably have resulted in a shift toward a heavier concentration in the upper income groups, which would not materially affect the results presented.

purchase automobiles and those obtaining funds for other purposes. Individuals negotiating loans to purchase automobiles tended to be younger, with about one-third in the 20-29 age bracket. Over 55 percent of all auto loans were granted to those under 40.

The largest proportion of auto loans were made to borrowers who had lived in the community and worked at the same firm less than five years. Because the population has become increasingly mobile in general, perhaps age and future job prospects or previous recommendations are used more often in judging loan applicants than years of residence or employment.

Mobile residents that financed auto purchases recorded average loans of $1,750, with monthly payments of nearly $70 extending over a two-year period. The amount of auto loans was fairly evenly distributed among all size categories, about 50 percent below $1,500 and 50 percent above that amount. Nearly three-fourths of all borrowers had monthly payments ranging between $30 and $89. Only one-fifth of the loans were for less than one year; the remaining loans were divided equally between 13-24 and 25-36 months each. Only a fraction of one percent of the loans exceeded 36 months.

Mobile banks appear to be following the characteristic trend of most banks to make more new car loans than used ones. Borrowers, however, have held their monthly payments below $90 by extending the repayment period.

Consumer loans for other purposes averaged over $1,000 less per loan than auto loans. Three-fifths of these loans were less than $500, and 80 percent were for $1,000 or less. Similarly, three out of five loans were to be repaid in 12 months or less. Monthly payments for about one-half of the "nonauto" loans averaged less than $30.

The average "nonauto" borrower was slightly older, had worked for his present employer longer, but had fairly low household income. This group was comprised of relatively fewer young persons and more borrowers 60 years old and over. They seemed to be longer-term residents and employees. One-half had annual household incomes of less than $6,000.

Hence, the "nonauto" borrower, although in a lower income bracket than the auto borrower, appears to be more mature and perhaps a better credit risk, as measured by job tenure and years residing in the area. Furthermore, his characteristics seem to match more closely those of all Mobile residents.

Banks Meet Needs

Based on the tentative conclusions of the Mobile study, banks' instalment lending activity appears to be serving most segments of the population. However, it is doubtful if an economic profile of the area itself could be used to accurately describe the structure of a bank's instalment loan market. While the characteristics of Mobile's population and banks' instalment loan borrowers are similar, certain income, occupation, age groups, and variation among borrowers limit the scope of comparison.

Individuals who borrow from banks may not be typical of instalment borrowers at all lending institutions. Nevertheless, banks are the most important instalment lenders, accounting for more than two-fifths of the nation's outstanding consumer credit. Consequently, the characteristics of those consumers who use bank instalment credit provide a clue to lending in an important part of the market.

ROBERT E. SWEENEY AND JOE W. MCLEARY

Bank Announcements

The **Mercantile Bank and Trust Company,** Gretna, Louisiana, a newly organized nonmember bank, opened on March 18 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Francis J. Henry, president and chairman of the board; John A. Churella, vice president; and Harold C. Boutte, vice president and cashier. Capital is $450,000; surplus and other capital funds, $300,000.

On March 24, the **First National Bank of Brooksville,** Brooksville, Florida, a new member bank, opened and began to remit at par. W. E. Patterson is president; Ellwood Johnson, vice president; and Harold R. Hjort, cashier. Capital is $200,000; surplus and other capital funds, $200,000.

Another new member bank, the **Capital City Second National Bank of Tallahassee,** Tallahassee, Florida, opened on March 27 and began to remit at par. Officers are Godfrey Smith, chairman and president; John Y. Humphress, executive vice president; and Rodney L. Scarboro, cashier. Capital is $280,000; surplus and other capital funds, $224,000.

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month (1967)		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	54,782	54,332r	54,334r	50,327
Manufacturing Payrolls	Feb.	196	196r	193	181
Farm Cash Receipts	Jan.	131	120	138	144
Crops	Jan.	116	108	134	143
Livestock	Jan.	148	152	145	140
Instalment Credit at Banks, *(Mil. $)					
New Loans	Feb.	261	256r	286	273
Repayments	Feb.	258	253	249	222
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	136	136	134	129
Manufacturing	Feb.	137	137	136	130
Apparel	Feb.	168	170r	166	159
Chemicals	Feb.	131	132r	131	123
Fabricated Metals	Feb.	155	154	151	142
Food	Feb.	115	116	113	113
Lbr., Wood Prod., Furn. & Fix.	Feb.	106	108r	106	105
Paper	Feb.	116	116	115	112
Primary Metals	Feb.	129	129	128	113
Textiles	Feb.	106	107r	106	103
Transportation Equipment	Feb.	176	179	179	166
Nonmanufacturing	Feb.	135	135	134	129
Construction	Feb.	132	135	132	132
Farm Employment	Feb.	70	71	74r	71r
Unemployment Rate (Percent of Work Force)	Jan.	3.4	3.5	3.5	3.3
Insured Unemployment (Percent of Cov. Emp.)	Feb.	2.1	2.1	1.9	2.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	40.9	41.4	41.3	42.0
Construction Contracts*	Feb.	142	156	146	141
Residential	Feb.	121	150	116	145
All Other	Feb.	159	160	171	137
Electric Power Production**	Jan.	146	145	146	136
Cotton Consumption**	Feb.	117	120	117	115
Petrol. Prod. in Coastal La. and Miss.**	Feb.	220	217	214	200
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Mar.	247	245	244	229
Leading Cities	Mar.	223	222	222	211
Member Bank Deposits*					
All Banks	Mar.	185	183	183	173
Leading Cities	Mar.	167	167	167	155
Bank Debits*/**	Feb.	190	186	178	178
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	7,265	7,271r	7,187r	6,763
Manufacturing Payrolls	Feb.	179	177	174	169
Farm Cash Receipts	Jan.	140	112	116	154
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	125	125	124	120
Manufacturing	Feb.	124	124	123	120
Nonmanufacturing	Feb.	126	126	125	121
Construction	Feb.	124	126	129	126
Farm Employment	Feb.	80	73	67r	75r
Unemployment Rate (Percent of Work Force)	Jan.	4.5	4.0	4.3	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.2	41.5	41.4	42.3
FINANCE AND BANKING					
Member Bank Loans	Mar.	234	231	229	218
Member Bank Deposits	Mar.	184	181	180	173
Bank Debits**	Feb.	186	191	179	176
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	15,682	15,686r	15,882r	14,384
Manufacturing Payrolls	Feb.	234	236	232	209
Farm Cash Receipts	Jan.	116	126	175	119
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	147	146	145	140r
Manufacturing	Feb.	155	154	154	144r
Nonmanufacturing	Feb.	145	145	144	139r
Construction	Feb.	111	112	110	109
Farm Employment	Feb.	96	100	95r	94r
Unemployment Rate (Percent of Work Force)	Jan.	2.7	2.5	2.3	2.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.5	42.4	42.7	42.6
FINANCE AND BANKING					
Member Bank Loans	Mar.	256	252	250	228
Member Bank Deposits	Mar.	189	184	187	173
Bank Debits**	Feb.	184	181	169	175
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	10,646	10,620r	10,349r	9,835
Manufacturing Payrolls	Feb.	197	197	196	183
Farm Cash Receipts	Jan.	141	134	114	153
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	134	134	133	129
Manufacturing	Feb.	130	131	130	127
Nonmanufacturing	Feb.	136	137	134	130
Construction	Feb.	129	132	130	145
Farm Employment	Feb.	59	66	63r	58r
Unemployment Rate (Percent of Work Force)	Feb.	3.2	3.0	3.2	3.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	40.8	41.2	41.0	41.4
FINANCE AND BANKING					
Member Bank Loans	Mar.	258	257	253	251
Member Bank Deposits	Mar.	204	204	202	188
Bank Debits**	Feb.	207	196	193	193
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	8,297	8,154r	8,046r	7,557
Manufacturing Payrolls	Feb.	176	173	167	162
Farm Cash Receipts	Jan.	133	132	164	144
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	127	128	125	119
Manufacturing	Feb.	121	121	117	112
Nonmanufacturing	Feb.	129	129	127	121
Construction	Feb.	153	159	151	138
Farm Employment	Feb.	64	61	69r	62r
Unemployment Rate (Percent of Work Force)	Feb.	4.2	4.0	4.5	4.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	42.5	42.3	40.7	43.5
FINANCE AND BANKING					
Member Bank Loans*	Mar.	220	221	222	205
Member Bank Deposits*	Mar.	158	156	158	150
Bank Debits*/**	Feb.	161	168	158	152
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	4,134	4,004r	3,892r	3,833
Manufacturing Payrolls	Feb.	212	212	215	197
Farm Cash Receipts	Jan.	140	102	132	170
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	139	139	139	130
Manufacturing	Feb.	148	149	149	143
Nonmanufacturing	Feb.	135	135	134	125
Construction	Feb.	144	151	148	141
Farm Employment	Feb.	62	60	63r	64r
Unemployment Rate (Percent of Work Force)	Feb.	4.1	4.3	4.6	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	40.7	41.1	41.6	41.6
FINANCE AND BANKING					
Member Bank Loans*	Mar.	294	298	296	268
Member Bank Deposits*	Mar.	224	222	220	210
Bank Debits*/**	Feb.	209	194	192	186

	Latest Month (1967)		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Jan.	8,758	8,597r	8,978r	7,955
Manufacturing Payrolls	Feb.	193	193r	190	177
Farm Cash Receipts	Jan.	120	110	125r	129r
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	138	139r	136	130
Manufacturing	Feb.	147	148r	145	137
Nonmanufacturing	Feb.	134	134	132	127
Construction	Feb.	172	177	170	164
Farm Employment	Feb.	70	75	90	81
Unemployment Rate (Percent of Work Force)	Jan.	3.2	3.5	3.4	3.2
Avg. Weekly Hrs. in Mfg., (Hrs.) . . .	Feb.	39.8	40.6r	40.8	41.4
FINANCE AND BANKING					
Member Bank Loans*	Mar.	240	238	238	225
Member Bank Deposits*	Mar.	173	173	173	168
Bank Debits*/**	Feb.	208	193	189	185

*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

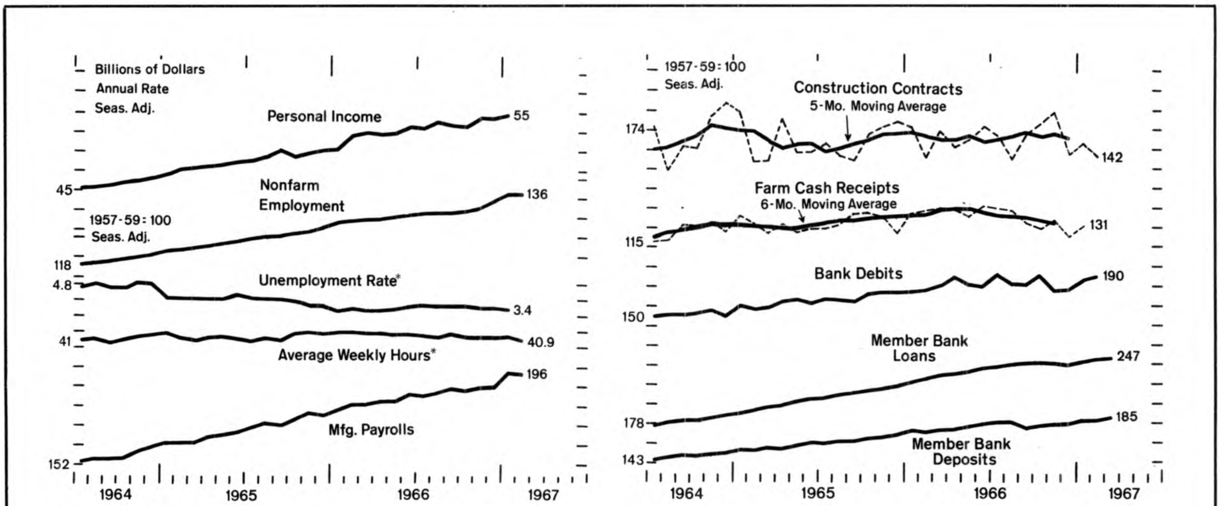
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Feb. 1967	Jan. 1967	Feb. 1966	Percent Change: Feb. 1967 from Jan. 1967	Feb. 1966	Year-to-Date 2 months 1967 from 1966
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,318,176	1,621,549	1,222,584r	−19	+8	+13
Gadsden	54,090	62,565	55,301r	−14	−2	−5
Huntsville	159,435	192,270	160,642r	−17	−1	+4
Mobile	418,819	519,167	405,143r	−19	+3	+6
Montgomery	272,077	306,558	285,350r	−11	−5	+6
Tuscaloosa	88,077	99,767	78,750	−12	+12	+6
Ft. Lauderdale—Hollywood	598,690	772,730	565,565r	−23	+6	+10
Jacksonville	1,404,259	1,524,861	1,330,738r	−8	+6	+7
Miami	2,063,315	2,376,153r	1,921,479	−13	+7	+10
Orlando	484,221	623,358	491,550r	−22	−1	+6
Pensacola	182,764	194,287	156,924r	−6	+16	+14
Tallahassee	138,815	137,929	114,530	+1	+21	+20
Tampa-St. Petersburg	1,200,710	1,486,336r	1,112,140r	−19	+8	+8
W. Palm Beach . . .	415,839	482,165	403,733r	−14	+3	+4
Albany	77,550	94,859	82,188	−18	−6	+2
Atlanta	3,928,464	4,404,212	3,671,531r	−11	+7	+9
Augusta	257,794	296,137	228,419r	−13	+13	+15
Columbus	190,153	222,673	171,774r	−15	+11	+13
Macon	211,107	242,995	196,459r	−13	+7	+8
Savannah	235,022	278,515	216,825r	−16	+8	+8
Baton Rouge	494,962	562,505r	442,052r	−12	+12	+11
Lafayette	111,002	134,488	102,072	−17	+9	+8
Lake Charles	131,780	166,470	109,084	−19	+21	+24
New Orleans	2,035,376	2,591,836	2,035,019r	−21	+0	+7
Jackson	589,355	598,261	496,647r	−1	+19	+12
Chattanooga	509,581	634,985	476,319r	−20	+7	+8
Knoxville	411,410	470,382	372,457r	−13	+10	+12
Nashville	1,444,260	1,482,446	1,234,201r	−3	+17	+17
OTHER CENTERS						
Anniston	54,590	64,499	51,933	−15	+5	+6
Dothan	53,610	62,688	47,545	−14	+13	+15
Selma	40,071	41,895	36,595	−4	+9	+8
Bartow	36,793	49,341	34,172	−25	+8	+12
Bradenton	61,052	87,336	49,857	−30	+22	+25
Brevard County . . .	192,396	248,616	180,111	−23	+7	+3
Daytona Beach . . .	73,901	91,553	73,705	−19	+0	+1
Ft. Myers—N. Ft. Myers . . .	70,836	92,905	69,070	−24	+3	+7
Gainesville	74,508	86,766	70,630	−14	+5	+8
Lakeland	116,403	138,403	111,670	−16	+4	+9
Monroe County . . .	32,058	39,969	33,661	−20	−5	+5
Ocala	57,079	61,934	52,224	−8	+9	+10
St. Augustine	17,370	24,632	16,446	−29	+6	+15
St. Petersburg . . .	291,391	344,549r	258,559	−15	+13	+1
Sarasota	92,631	121,445	92,133	−24	+1	+3
Tampa	612,060	766,796	589,114	−20	+4	+8
Winter Haven . . .	59,228	78,810	59,599	−25	−1	+10
Athens	66,700	80,644	59,793	−17	+12	+15
Brunswick	34,725	43,010	34,530	−19	+1	+5
Dalton	71,669	82,010	73,952	−13	−3	−2
Elberton	11,949	14,707	12,516	−19	−5	+8
Gainesville	65,660	75,004	61,124	−12	+7	+7
Griffin	29,157	38,892	29,356	−25	−1	+14
LaGrange	20,280	23,796	21,400	−15	−5	+2
Newnan	22,466	26,885	20,445	−16	+10	+12
Rome	63,650	73,073	59,819	−13	+6	+6
Valdosta	47,419	57,473	41,888	−17	+13	+15
Abbeville	10,015	12,772	9,866	−22	+2	+7
Alexandria	132,604	146,901	101,628	−10	+30	+27
Bunkie	5,727	7,272	4,939	−21	+16	+21
Hammond	34,608	37,730	26,942	−8	+28	+27
New Iberia	30,843	40,630	32,055	−24	−4	−1
Plaquemine	11,634	12,649	8,210	−8	+42	+29
Thibodaux	19,508	29,692	18,687	−34	+4	+2
Biloxi-Gulfport . . .	90,445	100,503	85,870	−10	+5	+9
Hattiesburg	49,393	57,199	48,330	−14	+2	+5
Laurel	31,546	34,126	30,370	−8	+4	+1
Meridian	58,616	70,915	56,546	−17	+4	+8
Natchez	33,496	39,632	29,914	−15	+12	+13
Pascagoula—Moss Point	50,177	58,288	47,604	−14	+5	+17
Vicksburg	38,442	44,302	35,237	−13	+9	+14
Yazoo City	23,809	27,924	20,748	−15	+15	+10
Bristol	55,345	73,235	56,347	−24	−2	+1
Johnson City	68,611	78,004	59,326	−12	+16	+13
Kingsport	135,172	144,853	116,122	−7	+16	+15
SIXTH DISTRICT, Total	26,777,163	31,127,953r	24,991,995r	−14	+7	+9
Alabama‡	3,501,560	4,196,822	3,310,731r	−17	+6	+10
Florida‡	8,364,517	9,844,809	7,937,520r	−15	+5	+7
Georgia‡	6,542,131	7,414,416	6,098,465r	−12	+7	+10
Louisiana*†	3,558,006	4,342,362r	3,372,478r	−18	+6	+9
Mississippi*†	1,265,822	1,375,473	1,128,612r	−8	+12	+11
Tennessee*†	3,545,127	3,954,071	3,144,189r	−10	+13	+12

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

District Business Conditions



*Seas. adj. figure; not an index.

With the arrival of spring, some segments of the District's economy find themselves dampened, while others are starting to bud again or are continuing their growth. In February personal income advanced further, as spending remained subdued. Housing is still weak, compared with early 1966, but signs of an improving trend are evident. Spring field work is well underway in much of the District, whereas some slippage occurred in manufacturing activity during February. Bank investments continued to expand rapidly last month.

District consumers earned more in January, as evidenced by a strong gain in personal income. Total retail sales declined, as did loan extensions at commercial banks for purchases of consumer goods. In February consumers as a group were not overly anxious to spend, as indicated by the continued decreases in consumer loan volume and automobile sales.

Preliminary data indicate that February's dollar volume of District residential construction contracts was considerably below January's. Combined volume for the first two months of the year suggests that the recuperation in housing will have to endure the normal lags associated with reassembling housing production facilities, although cost and availability of mortgage money are now more favorable for substantial housing recovery than in many months.

The pace of activity is increasing in the agricultural sector, with seedbed preparations in full swing in most areas and some corn acreages already planted in the southern-most producing regions. The index of prices received for all farm products declined further in February, reflecting lower milk, hog, and egg prices. Broiler prices continued to improve markedly, but lesser gains were listed for cattle, calves, cotton, and corn.

Less buoyant markets for their goods led some District manufacturers to trim their payrolls and shorten the workweek in February. Turning to particular sectors, one finds textile producers are not too happy with reduced sales, while cutbacks in auto assemblies in the Atlanta area are reducing employment in this category. In February District construction employment slipped for the first time since last August, but petroleum production expanded because of the strong demand from civilian and defense sources.

Investment portfolios continued to swell at District banks in March, as holdings of both U. S. Government and tax-exempt state and local government obligations increased substantially. Lending activity was again relatively quiet except for a moderate rise in business borrowing related to mid-month payments of taxes and dividends. The second reduction in the prime rate this year—from 5¾ to 5½ percent—occurred at several large District banks late in the month.

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