MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

MARCH 1968

The New Budget

On January 29, President Johnson sent his annual budget message to Congress. In it he asked for authority to spend $201.7 billion. The budget document describes the proposed activities of the Federal government in the coming fiscal year. Thus, the budget recently presented covers the period July 1, 1968, to June 30, 1969, and is called the fiscal 1969 budget. This means that the estimates provide for activities as far ahead as 18 months. Since it takes considerable time to coordinate the requests of all Federal departments and agencies, the original agency estimates must be made in some cases two or two and one-half years before actual spending. It is not surprising, therefore, that spending frequently exceeds or (more rarely) falls short of the estimates. Those for fiscal 1966 and 1967 turned out considerably too low, primarily because the extent of the escalation of defense costs in Vietnam was not foreseen; it may be that defense costs have been underestimated once again.

Even if budget estimates were exactly correct, however, the Federal government would not spend $201.7 billion in fiscal 1969. This figure represents the "budget authority" requested by the President. Actual outlays (expenditures plus net lending) are estimated at $186.1 billion. The difference arises because a considerable portion of the budget authority covers future outlays—for example, construction programs that will not be completed within the forthcoming fiscal year—while some unspent authorizations enacted earlier will be used to make current outlays.

The $186.1-billion to be spent in fiscal 1969 is a $10.4-billion increase above the estimated total in fiscal 1968 (which ends this June 30). This rise, while sizable historically, is considerably smaller than the $17.2-billion estimated increase in 1968 and the $23.8-billion jump in 1967.

As in the two prior years, defense costs account for a large share of the increase—$3.3 billion out of $10.4 billion. Other major additions are $1.6 billion for salary advances for Federal employees and $4.2 billion in payments by the social insurance trust funds, mainly for social security and health and hospitalization (Medicare).

Receipts are estimated at $178.1 billion, provided Congress approves the tax advances proposed by the President. The most important of these measures is a 10-percent surcharge on personal and corporate income taxes. In addition, the Administration is proposing that corporate tax payments be accelerated in order to put corporations more nearly on a "pay-as-you-go" basis, and that existing Federal excise tax rates on automobiles and telephone services be extended beyond April 1, 1968, when, under present law, they would be reduced. This tax package is supposed

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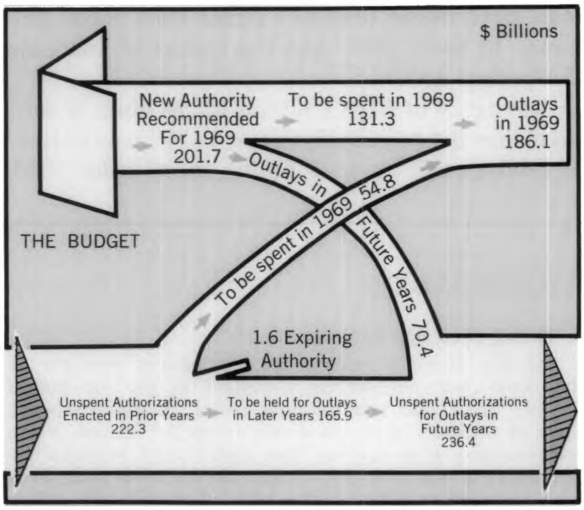
1969 Budget—Relation of Authorizations to Outlays



Source: The Budget of the U.S. Government, 1969.

to bring in $12.9 billion in fiscal 1969 and $3.0 billion in fiscal 1968.

The House Ways and Means Committee has approved the extension of the excise tax rates and the speedup of corporate tax payments, but no action has occurred so far on the income tax surcharges.

If all of the tax bills are approved, the Federal budget deficit should be approximately $8.0 billion in 1969. If none of them becomes law, it would be perhaps almost as large as the very heavy deficit estimated for fiscal 1968.

The New Budget Format

The 1969 budget document is not at all traditional in one respect. It was presented in the new format recommended by the President's Commission on Budget Concepts. In past years three separate budgets were used; this year there is only one. The three separate budgets—administrative, cash, and national income—were developed *ad hoc* in response to the growing complexities of Federal government operations and the increasing need to analyze their impact on national output, the balance of payments, financial markets, and the economy in general.

Each of these "budgets" evolved to satisfy various information needs, but, in the words of the Commission, "the existence of several budgets . . . led to public confusion . . . This confusion . . . makes it difficult for the ordinary citizen to keep abreast of what his Government is doing."

The old administrative budget was for many years the only one used. It covered only receipts and expenditures of Federal funds, i.e., those owned by the Federal government, and excluded funds held in trust by the government, such as the social security trust fund. It was originally developed for the coordination, by the Bureau of the Budget, of spending requests of the various government departments and for unification of the financial plan of the government for consideration by Congress.

When the administrative budget was introduced in 1921, it represented a great advance over the previous uncoordinated system whereby Congress, rather than the President, initiated spending and taxing proposals. At that time, it encompassed nearly all the financial activities of the Federal government. Although it was not designed to facilitate analysis of the government's impact on important economic variables, this was not a serious drawback because the social accounting framework for this sort of analysis had not yet been created. In any case, the impact of government on the economy was still quite small.

The social legislation of the thirties created several new trust funds and independent government agencies and also increased the size of the Federal government relative to the whole economy. The receipts and payments of the trust funds were accounted for separately from the administrative budget, and the extent to which independent agencies were included on a gross or net basis depended on the technical legal provisions of their funding.

The necessity of understanding the government's growing impact on money and capital markets, through its lending programs, and on product and labor markets, through its purchases of goods and services, led to the cash and national income budgets. The cash budget attempted to cover all cash payments to and receipts from the public, including those relating to trust funds and the government's lending activities. It was an adaptation of the administrative budget, however, and suffered from many of the analytical deficiencies of that document. The national income budget has proven very useful, but, because of its nature, could never be more than supplemental information. Although it will be continued as part of the national income accounts compiled by the Department of Commerce, it will not be called a "budget." That word will be reserved for the new unified document that the President presents to Congress.

When all the adjustments recommended by the President's Commission have been made, the expenditure account (exclusive of lending) in the new budget should be practically the same as the Federal sector of the national income accounts. The total budget (including lending) does not differ greatly in total magnitude from the old cash budget.

The Budget for Fiscal 1969

The new budget format is designed to show strictly governmental activities; the authority requested from the Congress to carry out the proposed programs; the receipts, expenditures, new loans and loan repayments that will result from these programs in fiscal 1969; and the means of financing the budget deficit.

The figure of $178.1 billion for receipts is estimated on the assumptions that : (1) gross national product will be $846 billion in calendar 1968,

Budget Concepts Compared

Some of the principal differences between the new and old budget concepts can be summarized briefly.

1. Coverage

The new budget, in the words of the Commission, "should encompass the full scope of programs and transactions that are within the Federal sector and not subject to the economic disciplines of the market place." Specifically, the new budget *includes* payments and receipts of the Federal trust funds (which the administrative budget did not do), but *excludes* the activities of the Federal Home Loan Banks and the Federal Land Banks, because these institutions are wholly privately owned and are not subject to budgetary review and annual appropriations by Congress. They were included in the cash budget.

If and when the secondary market operations of the Federal National Mortgage Association are transferred to private ownership, as the 1969 Budget message recommends, they will be excluded from the budget. The District of Columbia was included in the cash budget as a Federal agency, and both its receipts and expenditures were shown. It will now be considered on the same basis as any other municipal government, and only direct Federal payments to it will be recorded. Finally, the old cash budget included a number of "deposit fund" accounts representing primarily banking-type transactions or service activities of the Federal government as employer. Such, for example, are the funds into which money withheld from Federal employees' salaries for the purchase of savings bonds are temporarily deposited. Another example is the balance of the Exchange Stabilization Fund with the Treasury. The net change in these deposit fund accounts was carried in the cash budget as an expenditure. The new budget excludes these deposit fund accounts except that, to the extent that the government increases its liability to them, that amount is considered a means of financing the government deficit.

2. Netting of receipts and expenditures

The Federal government conducts a number of business-type activities, such as the Post Office, the Tennessee Valley Authority, and National Service Life Insurance. The cash and administrative budgets were inconsistent in their treatment of these activities. In some cases, gross receipts and expenditures were shown. In others, only net figures were included. No matter which way it was done, the deficit (or surplus) was not affected. It was unnecessarily confusing, however, because an expansion of an activity that was shown gross would affect total receipts and expenditures, while an equal expansion of an activity shown net would not. The Commission recommended that a consistent rule be followed and that the test be whether a receipt is essentially "governmental" in character, such as taxes, social insurance premiums, and patent fees, or is a payment for a business-type service or commodity, such as hunting license fees, interest on loans, and sale of government property. In the former case, money received would be counted as budget receipts (gross); in the latter, as offset against outlays (net). The new budget follows this practice; and the netting of many receipts against expenditures, formerly shown gross, is the principal reason why its totals are lower than the cash budget totals would be.

3. Timing of receipts and expenditures

The time at which receipts and expenditures were put on the books was not entirely consistent in the old budget formats either. The administrative budget recorded expenditures on the basis of checks issued, except for interest, which was recorded as it accrued. The cash budget recorded expenditures at the time government checks were paid. They both recorded receipts on the basis of actual cash collections. The national income accounts record expenditures partly as they accrue, partly at the time of delivery, and partly on a cash basis; and receipts are recorded partly on a cash and partly on an accrual basis. The Commission recommended that government bookkeeping be placed entirely on an accrual basis, at least for budget purposes. It recognized that it would take time to make the changeover, however; and the fiscal 1969 budget uses cash receipts and checks issued (for expenditures), except for interest, which is accrued. The shift to accrual accounting should be completed within two years, and with some minor changes the Federal sector of the national income accounts can be made consistent with the new budget concept.

4. Treatment of government lending

The Federal government both lends and borrows. A loan, of course, does not have the same direct impact on the economy that a purchase of, say, a tank does, because the borrower is not providing a product or service immediately in return for the money; and he assumes a liability to repay as well. Nevertheless, they are important because of their impact on money and capital markets and because Congress must have information about them in order to carry out its responsibilities. The cash and administrative budgets had showed lending (net of repayments) as an expenditure; the national income accounts omit government lending altogether. The Commission's solution was to include net lending, but to show both total lending and repayments separately. Thus, it is possible to show a deficit (or surplus) on expenditure account and an overall budget deficit as well. The former will correspond eventually to the national income accounts deficit (once accrual accounting is introduced in the budget and assuming that national income accounting is brought into conformity with the new budget concept); the latter, essentially to what the old cash budget was trying to measure.

Some government loans are made on more liberal terms than could be obtained in the capital market, either by the government or the borrower. Some of the loans made to foreign goverments under the foreign aid program are of this nature. Other "loans" are not really loans, but direct expenditures. Nonrecourse loans made to farmers by the Commodity Credit Corporation fall into this category, since the farmer may freely decide whether to repay the "loan" or to forfeit the commodities pledged as collateral. The entire amount of these "loans" is treated as expenditure in the new budget, and eventually it is planned to treat the subsidy element in loans made on noncommercial terms as expenditures.

5. Treatment of borrowing

The government can finance a deficit by borrowing from the public, decreasing its cash assets, increasing its current personal income will amount to $675 billion, and corporate profits before tax will be $87 billion; and (2) that Congress will pass the tax increases proposed by the Administration. The two assumptions are interdependent. That is, the projections of GNP, personal income, and corporate profits assume passage of the tax proposals. If the new tax program is not put into effect, these magnitudes will presumably be larger, so that the loss in tax revenues would be less than the full amount of the proposed tax increases. The rate of price rise would be greater, however, and government spending (other things being equal) would be inflated. The deficit, therefore, would

liabilities, and using its money creating powers. The first is done by the sale of securities, either direct obligations of the Treasury or obligations of independent government agencies.

In recent years some independent agencies, such as the Export-Import Bank and the Federal National Mortgage Association ("Fannie Mae"), have issued "participation certificates." This is a device by which the government lending agencies can tap private funds for financing their loans and thus replenish their own resources for making further loans. The private purchasers of the participation certificates obtain a claim with a smaller risk of loss than the original promises to pay of the people to whom the government agencies made the loan. In this case the agencies are acting as financial intermediaries, as banks do. In the cash and administrative budgets, receipts from the sale of participation certificates were treated as a reduction of loan expenditures, and some members of the Commission wanted to continue this treatment of them in the new budget. The majority felt, however, that a more accurate picture would be obtained by treating participation certificates as a means of financing government lending programs. The new budget incorporates the majority view and treats the sale of participation certificates as borrowing from the public.

As mentioned earlier, any increase in the government's liability to deposit funds is considered in the new budget as a means of financing the deficit. So is an increase in checks outstanding, whereas the cash budget had treated it as a reduction in expenditures. This difference arises out of the fact that the cash budget was calculated on the basis of checks paid, while in the new budget the expenditure is assumed to be made when the check is issued. In the future, when Federal accounting is entirely put on an accrual basis, accrued liabilities (say, to a defense contractor) that have not yet been paid will be a means of financing, just as accounts payable are a source of funds to a private business.

The Treasury does not as a general rule create money nowadays, that function being left to the Federal Reserve System. One exception, however, is seigniorage, or the difference between the monetary value of an increase in the stock of coins and the cost of acquiring the raw materials to make the coins. In the administrative budget this was treated as a receipt instead of a means of financing.

Summary of Major Differences in Budget Concepts

	New unified budget	National income accounts	Cash budget	Administrative budget
Coverage				
Trust funds	Included	Included	Included	Excluded
District of Columbia	Excluded	Excluded	Included	Excluded
Federal land banks, Federal home loan banks.	Excluded	Excluded	Included	Excluded
Timing				
Receipts	Accrual[1]	Personal taxes (payment); all other (chiefly accrual).	Cash collections	Cash collections
Expenditures	Accrual[2]	Purchases (delivery); interest (accrual); all other (chiefly checks issued).	Checks paid	Interest (accrual); all other (checks issued).
Treatment of financial transactions				
Net lending activities	Included (but shown in separate loan account)[3].	Excluded	Included	Included
Participation certificates	Excluded	Excluded	Included as negative expenditures.	Included as negative expenditures.
Purchases of foreign currency	Included	Excluded	Included	Included

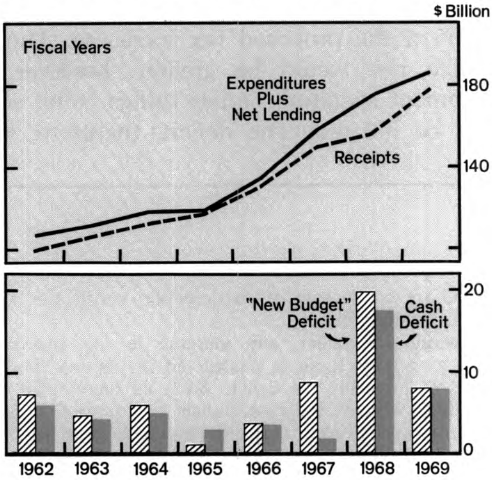
[1]Recorded on a cash collections basis in fiscal 1969 budget.

[2]Interest recorded on accrual basis in fiscal 1969 budget; all other expenditures recorded on checks issued basis.

[3]The "expenditure account" of the new unified budget excludes net lending as defined by the Budget Bureau, but includes several types of loans excluded in the national income accounts.

Source: U.S. Department of Commerce, Office of Business Economics.

The President's new budget forecasts a deficit of $8 billion for fiscal 1969. The new budget concept totals are very close to those of the old "consolidated cash budget."



Source: The Budget in Brief, Fiscal Year 1969.

almost certainly be greater without the tax increase, and the harmful effects of inflation on the economy would be magnified. It should be noted that, in the absence of appropriate fiscal policies, the burden of restraining inflation would fall on monetary policy.

Personal income taxes still constitute the largest source of Federal revenue. 1969 projections estimate this source of revenue at $80.9 billion, or 45.4 percent of total receipts. Corporate income taxes should amount to $34.3 billion, or 19.3 percent. Employment taxes (which go primarily into social security trust funds) are now almost as important a revenue source as corporate income taxes, amounting to $34.2 billion, or 19.2 percent of total receipts. They will rise by $4.4 billion over fiscal 1968 because, under present law, the amount of wages subject to these taxes rose on January 1 of this year from $6,600 to $7,800. The combined tax rate on employees and employers will increase from 8.8 percent to 9.6 percent next January 1. Excise taxes, the fourth largest category of receipts, should amount to $14.7 billion, or 8.2 percent. The remainder (7.9 percent) is made up of unemployment insurance tax receipts, insurance and retirement premiums, estate and gift taxes, customs receipts and miscellaneous.

Of total outlays (including net lending) of $186.1 billion, national defense is expected to take $79.8 billion, or 42.9 percent. Nearly a third of defense outlays are earmarked for special Vietnam expenditures, totaling $26.3 billion, or 14.1 percent of the entire budget outlay. These costs amounted to $20.6 billion in fiscal 1967, or 13.0 percent of the total. Of civilian outlays ($106 billion), the largest amount goes to health, labor, and welfare programs. Total spending for these purposes is listed as $51.9 billion, or 27.9 percent of total budget outlays. The largest part of this, however, represents disbursements by the Medicare, retirement, and social security trust funds. These trust fund outlays amount to about $39.5 billion, leaving a little over $12 billion for health service and research, labor and manpower programs, economic opportunity programs, and public assistance and other welfare. Education and housing and community development add another $5.8 billion.

One large and growing expenditure item is interest, amounting to $14.4 billion, or 7.7 percent of total outlays. This is the result of a growing debt and new debt issued recently at rising interest rates. Space research and technology declined in both percent of total and total amount, $4.6 billion as compared with $5.4 billion in 1967. Most other functions, although increasing in absolute amounts, are decreasing percentages of the total.

Budget Summary
(Billions of Dollars)

Description	1967 Actual	1968 Estimate	1969 Estimate
Budget authority			
Requiring current action by Congress			
Previously enacted	135.4	125.1	
Proposed in this budget		3.3	141.5
Becoming available without current action by Congress	58.7	69.9	73.1
Deductions for interfund and intragovernmental transactions and applicable receipts	−11.5	−11.8	−12.9
Total, budget authority	182.6	186.5	201.7
Receipts, expenditures, and net lending			
Expenditure account			
Receipts	149.6	155.8	178.1
Expenditures (excludes net lending)	153.2	169.9	182.8
Expenditure deficit (−)	−3.6	−14.0	−4.7
Loan account			
Loan disbursements	17.8	20.9	20.4
Loan repayments	12.6	15.1	17.1
Net lending	5.2	5.8	3.3
Total budget			
Receipts	149.6	155.8	178.1
Expenditures and net lending	158.4	175.6	186.1
Budget deficit (−)	−8.8	−19.8	−8.0
Budget financing			
Borrowing from the public	3.6	20.8	8.0
Reduction of cash balances, etc.	5.3	−1.0	
Total, budget financing	8.8	19.8	8.0

Source: The Budget of the U.S. Government, 1969.

Net lending declines in the 1969 budget mainly because the Federal National Mortgage Association is expected to reduce its purchases of federally-insured or guaranteed mortgages(FHA and VA). It will be able to do so, it is hoped, because pending legislation would raise or eliminate contract interest ceilings on these types of mortgages. Legislation to shift the FNMA secondary market operations fund to private ownership has also been recommended.

Fiscal Uncertainties

As mentioned earlier, some spending due to take place in fiscal year 1969 was estimated as much as two or two and one-half years prior to actual outlay. Estimates made that far in advance must be subject to a margin of error. Furthermore, the estimators had to make certain assumptions about the state of the world in 1969, and these assumptions, while perhaps the most reasonable at the time, may not be borne out. At the moment, for example, the news from Vietnam is far from cheerful, and there is discussion of increasing our armed forces by 50,000 to 100,000 men. If this is done, defense expenditures would be above budget estimates.

Recently, the President's National Advisory Commission on Civil Disorders recommended a large expansion in Federal programs to relieve the most urgent and dangerous problem areas in urban unemployment and housing. The Commission did not put a price tag on its recommendations, but the most conservative horseback estimate would put the cost at upward of $10 billion over the next two to three years. These are simply the largest and most obvious possibilities whereby spending might be pushed up.

Not everyone is certain that it is appropriate to impose income surtaxes at this time. Some observers are skeptical of the projections of large growth in gross national product and personal income made by the Council of Economic Advisers and most private forecasters. They point out some indications of softness in the economy and argue that even the Council's projections of large growth in 1968 imply a slowing in the growth rate in the second half of the year. If the growth in output and incomes is considerably slower than the current "standard" projection of large growth in 1968, some of the expected pressure on prices might not occur. Thus, in their view, higher Federal taxes might not only be unnecessary; they might deal a blow to a weakening economy. Aside from arguments based on purely domestic considerations, however, the recent run on gold and the generally unsettled state of international financial markets have added a new urgency to the need for fiscal restraint.

History may prove which view is correct. In any case, the more likely probability at present is unsustainable growth, which calls for both fiscal and monetary restraint. Each of these policy instruments is more effective when they operate in the same direction and reinforce each other.

LAWRENCE F. MANSFIELD

Suggestions for further reading on the 1969 budget and the new budget concepts:

The Budget of the United States Government, 1969. Washington: U. S. Bureau of the Budget, 1968.

The Budget in Brief, Fiscal Year 1969. Washington: U. S. Bureau of the Budget, 1968.

"Federal Programs for Fiscal 1969," by Charles A. Waite, *Survey of Current Business,* February 1968, pp. 11-16.

Review of Report of the President's Commission on Budget Concepts, Hearing before the Subcommittee on Economy in Government of the Joint Economic Committee, Congress of the United States, 90th Congress, 1st Session. Washington: U. S. Government Printing Office, 1967.

Special Analyses, Budget of the United States, Fiscal Year 1969. Washington: U. S. Bureau of the Budget, 1968.

Statement of the Honorable Henry H. Fowler, Secretary of the Treasury, before the House Ways and Means Committee on the President's Fiscal Program, January 22, 1968. Washington: U. S. Treasury Department (press release).

Treasury Bulletin, February 1968.

Bank Announcements

Two nonmember banks—the **Bank of Moulton,** Moulton, Alabama, and **Farmers and Merchants Bank,** Summerville, Georgia—began to remit at par on February 1 for checks drawn on them when received from the Federal Reserve Bank.

The **Citizens National Bank of Naples,** Naples, Florida, a new member bank, opened on February 1 and began to remit at par. E. L. Turner is president, and James P. Barnette, vice president and cashier. Capital is $250,000; surplus and other capital funds, $250,000.

On February 17, the **Munroe and Chambliss National Bank of East Ocala,** Ocala, Florida, opened as a member bank and began to remit at par. Officers are A. G. Skipper, president, and William R. Peebles, cashier. Capital is $250,000; surplus and other capital funds, $250,000.

The **Peoples State Bank,** Grant, Alabama, a new nonmember bank, opened on February 22 and began to remit at par. Officers are Charles Willmon, president, and Terry Canady, cashier. Capital is $100,000; surplus and other capital funds, $100,000.

Growing Metropolitan Areas Profile Alabama's Economy

If you asked Alabama bankers and business leaders how the state's economy performed in 1967, their answers would probably differ. Some might say that continued gains in most sectors indicate a reasonably good year. Others might point to slowdowns as underlying weaknesses.

Since there is no single and comprehensive gauge of economic performance acceptable to everyone, these differing opinions are not contradictory. A look at the common indicators shows that economic trends in Alabama last year were more mixed and diverse than usual. We will first look at the state's overall performance last year and then trace the trends in major areas around the state.

Reasons for Pessimism

Those persons who have followed the state's glowing gains since the current economic expansion began in 1961 may view last year's performance with questioning pessimism. Some of Alabama's basic economic barometers that have advanced rapidly since that time were less buoyant last year.

Employment gains, a frequently used and assumed reliable indicator of business activity, were not as large for the state from 1966 to 1967 as in earlier years. Total nonfarm employment grew only about one percent, considerably slower than the 4-percent average annual rate from 1961 to 1966. Much of the reduced pace was attributable to the manufacturing sector which experienced a slight decline in jobs last year. With employment down, manufacturing payrolls advanced at a slower pace than the average yearly gain between 1961 and 1966.

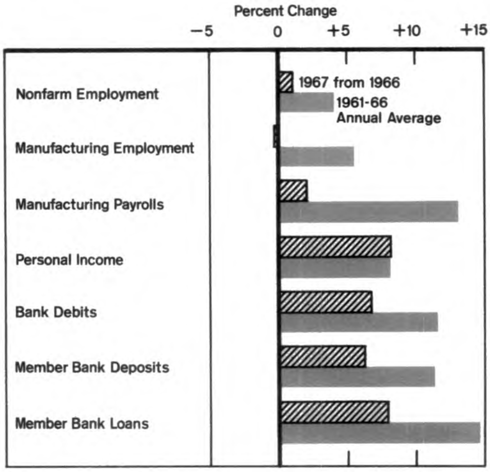
Bank debits, a measure of checking account activity at banks, fluctuated widely during the year. For the entire year this indicator, which reflects underlying economic conditions as they affect checkbook spending, increased about 7 percent over the 1966 level. Although a respectable gain, it was below par, compared with the average of nearly 12 percent in the earlier expansion years. Deposit and loan growth at Alabama banks was also slower last year.

Thus, it is easy to understand why some persons might interpret these developments as a setback to Alabama's long economic expansion. There is another side to the story, however.

Optimism Reigns

Some other reliable indicators suggest that the state's economy performed very well in 1967. Almost everyone would agree that with over $595 million added to the pocketbooks of Alabamians

Although most sectors expanded last year, gains were smaller than in previous years of the current expansion.



(according to this Bank's estimates) it must have been a fairly good year after all. In percentage terms, this 8.2-percent annual rate of gain was close to that of previous years of this expansion. And, although employment gains were slower, the number of jobless workers remained low.

The slower pace of activity in some sectors was a reduction in the growth rate and not an actual decline. Furthermore, by the end of the year it appeared that economic activity was again accelerating in most sectors, leading to optimistic expectations for the months ahead. Another interpretation of Alabama's performance in 1967 might be that the slower upward movement in some sectors represented adjustments in preparation for increased momentum in coming months.

Whether we take the optimistic or pessimistic view, the underlying strengths and weaknesses in the state's overall economy may show up clearer by tracing developments in a few key areas.

Growth and Importance of Metropolitan Centers

Most current data are for major metropolitan areas only, and these will be used for this study. This does not mean that nonmetropolitan areas are unimportant.

Major urban areas are designated by the Bureau of the Census as standard metropolitan statistical areas. To qualify as a SMSA, the area must include a county or group of adjoining counties with similar economic characteristics and a total population of 100,000 or more and at least one city of 50,000 or more. Alabama has six such areas.

According to the latest Census reports, Alabama's six metropolitan areas are growing more rapidly than nonmetropolitan areas. Between 1960 and 1965, these areas experienced a population increase of 7.7 percent, compared with a 6.8-percent growth rate for the state. Nearly one-half of Alabama's residents now live in these six areas. In 1940 the proportion was only about one-third.

By far, the fastest growing area was the Huntsville metropolitan area. From 1960 to 1965 its population grew 45.5 percent, about five times as fast as Tuscaloosa, which was in second place with an 8.3-percent increase. Next was Mobile, with a gain of 7.7 percent, the same as for all the SMSA's.

Birmingham and Montgomery grew more slowly in population than the other metropolitan centers and the state. Gadsden's population, on the other hand, declined 3.1 percent during this five-year period.

Population changes result from natural causes (births compared with deaths) and net migration (persons moving away compared with persons moving in). The state lost residents from migration between 1960 and 1965, but the natural increase was large enough to result in an overall net gain in population. Considering all the SMSA's together, the same trend was discernible. When considered separately, only Huntsville and Tuscaloosa—the fastest growing areas in population—witnessed increases from net migration. Gadsden's loss of population from migration was larger than the natural increase so that the area's overall population declined.

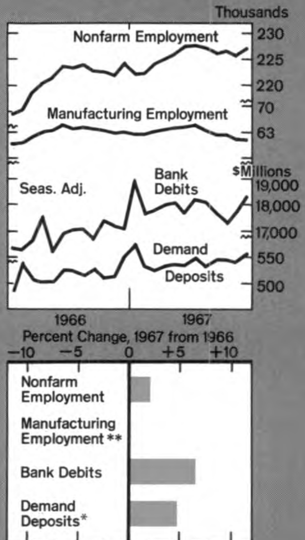
Since people usually live and work in the same area, it is not surprising that Alabama's major metropolitan areas are also important in terms of employment. About one-half the state's nonfarm jobs are concentrated in its six SMSA's. Therefore, accounting for roughly half the state's population and jobs, it makes sense to see if statewide developments can be related to specific occurrences in these areas.

Alabama's Population Growth, 1960-65

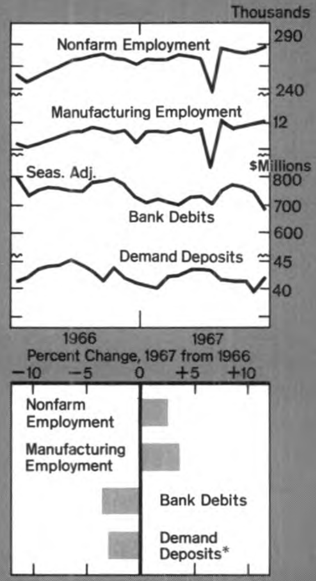
	1960 (Thousands)	1965 (Thousands)	Percent Change 1960-65	Percent of State, 1965
State	3,267	3,489	6.8	100.0
Standard Metropolitan Statistical Areas				
Birmingham	635	644	1.4	18.5
Gadsden	97	94	-3.1	2.7
Huntsville	154	224	45.5	6.4
Mobile	363	391	7.7	11.2
Montgomery	200	207	3.5	5.9
Tuscaloosa	109	118	8.3	3.4
All SMSA's	1,558	1,678	7.7	48.1
Outside SMSA's	1,709	1,811	6.0	51.9

Alabama's Standard Metropolitan Statistical Areas

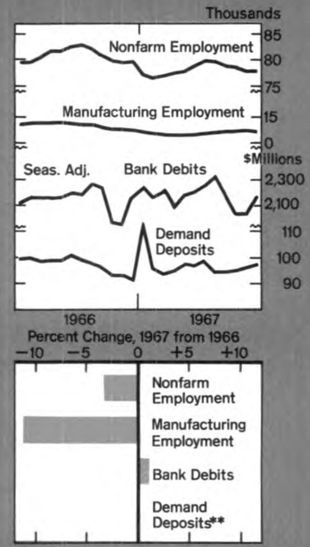
Birmingham



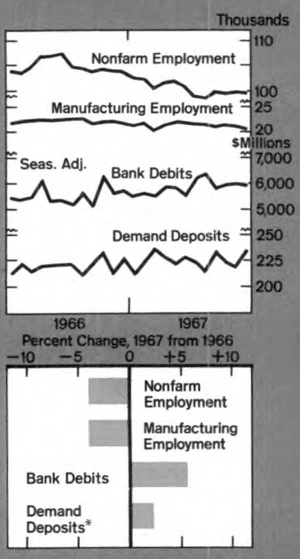
Gadsden



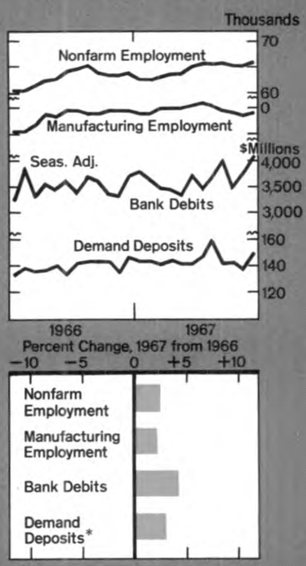
Huntsville



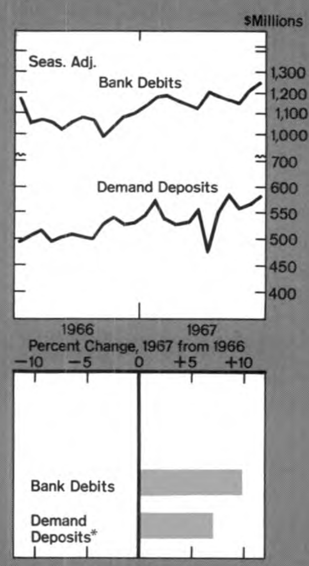
Mobile



Montgomery



Tuscaloosa



*Demand deposits of individuals, partnerships, corporations, and state and political subdivisions.

**No percent change recorded.

Varying Patterns of Local Activity

Changes in economic activity at the state level reflect widely differing developments in local areas. To point up these differences, we can use changes in employment for 1967, compared with 1966 for the state and the various SMSA's.

Take, for example, Alabama's slowdown in nonfarm job gains and the decline in the manufacturing sector last year. When these aggregate figures are dissected, it becomes clear that developments in Huntsville and Mobile were largely responsible. Total nonfarm employment declined by 3.2 percent and 4.1 percent in these areas, respectively, from their 1966 levels.

Huntsville's manufacturing and nonmanufacturing sectors suffered decreases, with the former experiencing the largest setback. Employment in the food and kindred products industry was the chief cause. Declines in the nonmanufacturing sector were centered in the service and the miscellaneous employment categories, probably reflecting the cutback in aerospace contracts.

Mobile also experienced a drop in employment in 1967 in the manufacturing and nonmanufacturing sectors. In the nonmanufacturing sector Federal Government employment was the chief cause, reflecting primarily the phase-out of the Brookley Air Force installation. Shipbuilding and repair employment also recorded decreases. Transportation, communication, and utilities and trade gained in employment.

Other SMSA's increased in employment last year. However, the trends among the areas were mixed. Montgomery made a healthy advance in overall employment, with most of the strength coming from the nonmanufacturing sector. Trade and government employment were particularly strong.

Birmingham's nonmanufactuirng sector made a good showing last year, but the manufacturing sector fell off. Transportation equipment was the main reason. Birmingham's important primary metals industry expanded in employment, however.

Another indicator now available for SMSA's is bank debits, which reflects all types of spending by check. As such, it is generally considered a reliable indicator of local overall business conditions. Tuscaloosa showed the largest gains over the year, 10 percent, and Birmingham and Mobile were about even with the state average of 6 percent. The others, however, were below the state average, with Gadsden dropping by 5 percent. Demand deposits of individuals, partnerships, and corporations at banks followed the same trend as bank debits in the various metropolitan areas.

Charting Alabama's Future

Banking activity, along with other indicators of business conditions, suggests that Alabama's economy weakened in early 1967, as did the national economy. However, with most segments still advancing, the economy turned in a respectable performance last year. And, if the consensus on the nation's economic prospects proves accurate, Alabama can look forward to another good year in 1968, but with differences in geographical areas and segments of the economy.

JOE W. MCLEARY

This is one of a series of articles in which economic developments in each of the Sixth District states are discussed. Developments in Florida's economy were analyzed in the October 1967 REVIEW, and a discussion of Georgia's economy is scheduled for a forthcoming issue. • Copies of A REVIEW OF FLORIDA'S ECONOMY, 1959-67, and A REVIEW OF MISSISSIPPI'S ECONOMY, 1960-67, are now available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Board of Directors

Federal Reserve Bank of Atlanta and Branches Effective January 1, 1968

ATLANTA

Class C[1]

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

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

+John C. Wilson (Deputy Chairman)—1970
President, Horne-Wilson, Inc.
Atlanta, Ga.

BIRMINGHAM BRANCH

Appointed by Board of Governors

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

Mays E. Montgomery (Chairman)—1969
General Manager, Dixie Home Feeds Company
Athens, Ala.

*C. Caldwell Marks—1970
Chairman, Owen-Richards Company, Inc.
Birmingham, Ala.

Appointed by Federal Reserve Bank

Major W. Espy, Sr.—1968
Chairman and President
Headland National Bank
Headland, Ala.

Will T. Cothran—1969
President, Birmingham Trust National Bank
Birmingham, Ala.

+Arthur L. Johnson—1970
President, Camden National Bank
Camden, Ala.

+George A. LeMaistre—1970
President, City National Bank
Tuscaloosa, Ala.

JACKSONVILLE BRANCH

Appointed by Board of Governors

Castle W. Jordan (Chairman)—1968
President, Associated Oil and Gas Company
Coral Gables, Fla.

Henry King Stanford—1969
President, University of Miami
Coral Gables, Fla.

*Henry Cragg—1970
Chairman, Minute Maid Company
Orlando, Fla.

Appointed by Federal Reserve Bank

Andrew P. Ireland—1968
Senior Vice President
Barnett First National Bank
Jacksonville, Fla.

L. V. Chappell—1969
President, First National Bank
Clearwater, Fla.

+Harry Hood Bassett—1970
Chairman, First National Bank
Miami, Fla.

+J. Y. Humphress—1970
Executive Vice President
Capital City First National Bank
Tallahassee, Fla.

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[1]Nonbankers appointed by Board of Governors, Federal Reserve System.
[2]Nonbankers elected by member banks.
[3]Member bank representatives elected by member banks.
*Reappointed for three-year term.
+New member.

Class B[3]

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

Philip J. Lee—1969
Vice President, Seaboard Coast Line Railroad
Jacksonville, Fla.

+Hoskins A. Shadow—1970
President, Tennessee Valley Nursery, Inc.
Winchester, Tenn.

Class A[3]

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

William B. Mills—1969
President, Florida National Bank
Jacksonville, Fla.

+A. L. Ellis—1970
Chairman, First National Bank
Tarpon Springs, Fla.

NASHVILLE BRANCH

Appointed by Board of Governors

Alexander Heard (Chairman)—1968
Chancellor, Vanderbilt University
Nashville, Tenn.

James E. Ward—1969
Chairman, Baird-Ward Printing Company, Inc.
Nashville, Tenn.

*Robert M. Williams—1970
President, ARO, Inc.
Tullahoma, Tenn.

Appointed by Federal Reserve Bank

Moses E. Dorton—1968
Chairman and President
First National Bank
Crossville, Tenn.

Andrew Benedict—1969
President, First American National Bank
Nashville, Tenn.

+H. A. Crouch, Jr.—1970
President, First National Bank
Tullahoma, Tenn.

+W. H. Swain—1970
President, First National Bank
Oneida, Tenn.

NOTE: Expiration dates of terms occur on December 31 of the year beside each name.

NEW ORLEANS BRANCH

Appointed by Board of Governors

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

George Benjamin Blair (Chairman)—1969
General Manager
American Rice Growers Cooperative
Lake Charles, La.

+Robert H. Radcliff, Jr.—1970
President, Southern Industries Corporation
Mobile, Ala.

Appointed by Federal Reserve Bank

Donald L. Delcambre—1968
President, State National Bank
New Iberia, La.

A. L. Gottsche—1969
President, First National Bank
Biloxi, Miss.

+Lucien J. Hebert, Jr.—1970
Executive Vice President
Lafourche National Bank
Thibodaux, La.

+Morgan Whitney—1970
Vice President, Whitney National Bank
New Orleans, La.

MEMBER, FEDERAL ADVISORY COUNCIL

George S. Craft—1968
Chairman, Trust Company of Georgia
Atlanta, Ga.

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
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income (Mil. $, Ann. Rate)***	Dec.	59,539	60,240	59,681	55,916
Manufacturing Payrolls	Jan.	205	207	204	196
Farm Cash Receipts	Dec.	134	139	130	120
Crops	Dec.	131	140	103	108
Livestock	Dec.	145	143	147	152
Instalment Credit at Banks* (Mil. $)					
New Loans	Jan.	260	300r	303	256
Repayments	Jan.	256	263	263	253
Retail Sales	Jan.	170p	175	168	152
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	138	137	137	136
Manufacturing	Jan.	137	137	137	137
Apparel	Jan.	169	167	167	169
Chemicals	Jan.	132	133	133	131
Fabricated Metals	Jan.	154	151	151	152
Food	Jan.	116	116	117	114
Lbr., Wood Prod., Furn. & Fix.	Jan.	105	105	105	107
Paper	Jan.	118	118	118	115
Primary Metals	Jan.	129	132	132	128
Textiles	Jan.	106	106	106	106
Transportation Equipment	Jan.	178	180	180	177
Nonmanufacturing	Jan.	168	137	137	135
Construction	Jan.	130	126	125	131
Farm Employment	Jan.	66	67	62	71
Unemployment Rate (Percent of Work Force)	Jan.	3.7	3.8	3.9	3.3
Insured Unemployment (Percent of Cov. Emp.)	Jan.	2.4	2.1	2.1	2.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	40.1	41.4	41.1	41.4
Construction Contracts*	Jan.	196	187r	184r	161r
Residential	Jan.	224	230r	204r	162r
All Other	Jan.	173	151	166	160
Electric Power Production**	Dec.	150	149	146	146
Cotton Consumption**	Dec.	120	105	114	114
Petrol. Prod. in Coastal La. and Miss.**	Jan.	264	254	251	217
FINANCE AND BANKING					
Loans*					
All Member Banks	Jan.	266	262	258	244
Large Banks	Jan.	239	236	230	222
Deposits*					
All Member Banks	Jan.	203	200	197	183
Large Banks	Jan.	181	180	174	167
Bank Debits*/**	Jan.	213	218r	207r	196r
ALABAMA					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	7,944	7,935	7,627	7,571
Manufacturing Payrolls	Jan.	188	184	182	177
Farm Cash Receipts	Dec.	113	100	94	112
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	125	125	125	125
Manufacturing	Jan.	123	124	123	124
Nonmanufacturing	Jan.	126	126	126	126
Construction	Jan.	118	122	122	122
Farm Employment	Jan.	65	70	66	73
Unemployment Rate (Percent of Work Force)	Jan.	3.9	4.3	4.4	4.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	41.3	41.3	40.9	41.5
FINANCE AND BANKING					
Member Bank Loans	Jan.	247	244	243	229
Member Bank Deposits	Jan.	194	191	191	180
Bank Debits**	Jan.	205	204	191	200
FLORIDA					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	16,889	17,311	17,348	15,755
Manufacturing Payrolls	Jan.	252	252	250	236
Farm Cash Receipts	Dec.	160	162	165	126
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	149	149	150	146
Manufacturing	Jan.	158	159	157	154
Nonmanufacturing	Jan.	148	148	149	144
Construction	Jan.	107	106	106	110
Farm Employment	Jan.	77	104	92	100
Unemployment Rate (Percent of Work Force)	Jan.	3.0	3.0	2.9	2.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	41.8	42.2	42.1	42.4
FINANCE AND BANKING					
Member Bank Loans	Jan.	279	276	273	250
Member Bank Deposits	Jan.	216	214	209	187
Bank Debits**	Jan.	216	207	202	190
GEORGIA					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	11,695	11,586	11,656	10,992
Manufacturing Payrolls	Jan.	193	208	200	197
Farm Cash Receipts	Dec.	152	134	127	134
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	137	136	136	134
Manufacturing	Jan.	132	131	131	130
Nonmanufacturing	Jan.	140	139	139	136
Construction	Jan.	131	130	128	130
Farm Employment	Jan.	64	59	53	66
Unemployment Rate (Percent of Work Force)	Jan.	3.2	3.2	3.6	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	37.7	41.3	40.2	41.2
FINANCE AND BANKING					
Member Bank Loans	Jan.	276	273	263	253
Member Bank Deposits	Jan.	224	217	212	202
Bank Debits**	Jan.	236	252r	237r	212r
LOUISIANA					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	9,278	9,287	9,292	8,650
Manufacturing Payrolls	Jan.	186	184	184	173
Farm Cash Receipts	Dec.	150	166	149	132
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	129	128	128	120
Manufacturing	Jan.	122	121	121	120
Nonmanufacturing	Jan.	131	129	129	129
Construction	Jan.	153	143	140	155
Farm Employment	Jan.	55	56	63	61
Unemployment Rate (Percent of Work Force)	Jan.	4.6	4.7	4.8	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	42.8	42.2	42.3	42.3
FINANCE AND BANKING					
Member Bank Loans*	Jan.	235	235	228	222
Member Bank Deposits*	Jan.	170	168	164	158
Bank Debits*/**	Jan.	173	175	173	176
MISSISSIPPI					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	4,510	4,506	4,247	4,248
Manufacturing Payrolls	Jan.	225	231	224	212
Farm Cash Receipts	Dec.	113	149	118	102
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	141	140	139	139
Manufacturing	Jan.	148	147	146	149
Nonmanufacturing	Jan.	137	136	136	135
Construction	Jan.	147	136	137	149
Farm Employment	Jan.	60	56	46	60
Unemployment Rate (Percent of Work Force)	Jan.	4.6	4.5	4.9	4.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	40.3	41.6	41.2	41.1
FINANCE AND BANKING					
Member Bank Loans*	Jan.	330	324	316	296
Member Bank Deposits*	Jan.	241	237	230	220
Bank Debits*/**	Jan.	217	243	214	203

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME					
Personal Income (Mil. $, Ann. Rate)***	Dec.	9,223	9,615	9,511	8,700
Manufacturing Payrolls	Jan.	199	204	202	193
Farm Cash Receipts	Dec.	104	117	109	110
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	140	139	139	139
Manufacturing	Jan.	147	147	147	147
Nonmanufacturing	Jan.	134	134	134	134
Construction	Jan.	169	165	159	169
Farm Employment	Jan.	69	70	67	75
Unemployment Rate (Percent of Work Force)	Jan.	3.9	4.1	4.2	3.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	39.4	40.7	41.0	40.6
FINANCE AND BANKING					
Member Bank Loans*	Jan.	260	249	252	238
Member Bank Deposits*	Jan.	186	185	184	173
Bank Debits*/**	Jan.	221	240	224	202

*For Sixth District area only. Other totals for entire six states. **Daily average basis. ***Reflects the revision of current monthly estimates to 1966 U.S. Department of Commerce benchmarks. r-Revised. p-Preliminary estimate.

Debits to Demand Deposit Accounts

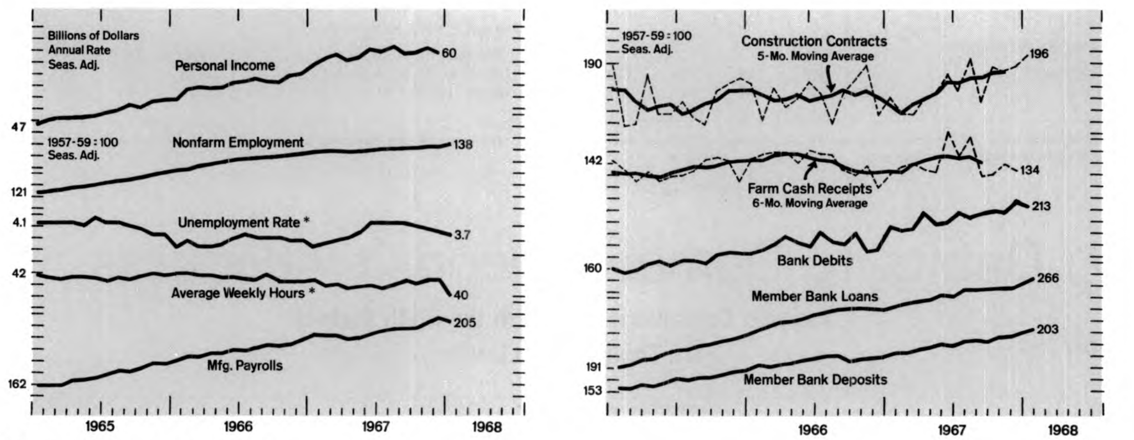
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Jan. 1968	Dec. 1967	Jan. 1967	Percent Change: Jan. 1968 from Dec. 1967	Percent Change: Jan. 1968 from Jan. 1967
STANDARD METROPOLITAN STATISTICAL AREAS†					
Birmingham	1,700,776	1,503,088	1,621,549	+13	+5
Gadsden	66,500	61,510	62,565	+8	+6
Huntsville	193,946	185,576	192,270	+5	+1
Mobile	571,223	500,314	520,774r	+14	+10
Montgomery	320,277	331,960	306,558	−4	+4
Tuscaloosa	117,622	101,444	99,767	+16	+18
Ft. Lauderdale—Hollywood	930,513	719,097	772,730	+29	+20
Jacksonville	1,690,593	1,507,087	1,524,861	+12	+11
Miami	2,996,284	2,607,778	2,376,153	+15	+26
Orlando	748,594	647,180	623,358	+16	+20
Pensacola	221,634	196,717	194,287	+13	+14
Tallahassee	151,113	142,096	137,929	+6	+10
Tampa-St. Petersburg	1,752,034	1,508,433	1,486,336	+16	+18
W. Palm Beach	582,167	469,213	482,165	+24	+21
Albany	110,297	100,457	94,859	+10	+16
Atlanta	5,626,301	5,794,148r	4,663,736r	−3	+21
Augusta	304,065	288,182	296,137	+6	+3
Columbus	243,019	231,651	221,044r	+5	+10
Macon	280,259	254,772	242,995	+10	+15
Savannah	305,460	282,658	278,515	+8	+10
Baton Rouge	640,229	556,372	562,505	+15	+14
Lafayette	150,118	122,917	134,488	+22	+12
Lake Charles	179,819	156,614	166,470	+15	+8
New Orleans	2,627,433	2,448,913	2,591,836	+7	+1
Jackson	692,575	820,089	598,261	−16	+16
Chattanooga	662,433	642,076	634,985	+3	+4
Knoxville	522,004	498,786	470,382	+5	+11
Nashville	1,782,033	1,811,560	1,482,446	−2	+20
OTHER CENTERS					
Anniston	67,836	68,480	64,499	−1	+5
Dothan	71,196	61,816	62,688	+15	+14
Selma	45,933	53,066	41,895	−13	+10
Bartow	50,260	38,583	49,341	+30	+2
Bradenton	102,749	73,903	87,336	+39	+18
Brevard County	270,656	253,088	248,616	+7	+9
Daytona Beach	105,782	82,009r	91,553	+29	+16
Ft. Myers-N. Ft. Myers	113,887	98,282	92,905	+16	+23
Gainesville	98,588	92,331	86,766	+7	+14
Lakeland	154,014	126,446	138,859	+22	+11
Monroe County	40,517	33,717	39,969	+20	+1
Ocala	66,926	59,251	61,934	+13	+8
St. Augustine	24,251	20,097	24,632	+21	−2
St. Petersburg	411,638	338,012	344,549	+22	+19
Sarasota	158,668	121,572	121,445	+31	+31
Tampa	911,255	786,248r	766,796	+16	+19
Winter Haven	81,796	61,580	78,810	+33	+4
Athens	92,594	76,290	80,644	+21	+15
Brunswick	50,141	47,673	43,010	+5	+17
Dalton	97,139	95,468	82,010	+2	+18
Elberton	14,617	15,476	14,707	−6	−1
Gainesville	75,285	68,102	75,004	+11	+0
Griffin	37,567	37,378r	38,892	+1	−3
LaGrange	22,155	23,078	23,796	−4	−7
Newnan	28,114	23,487	26,885	+20	+5
Rome	76,308	78,245	73,073	−2	+4
Valdosta	62,862	60,411	57,473	+4	+9
Abbeville	14,186	11,247	12,772	+26	+11
Alexandria	148,401	132,540r	146,901	+12	+1
Bunkie	8,610	7,176	7,272	+20	+18
Hammond	38,828	39,496r	37,730	−2	+3
New Iberia	37,982	38,264	40,630	−1	−7
Plaquemine	14,867	11,437	12,649	+30	+18
Thibodaux	31,472	27,757	29,692	+13	+6
Biloxi-Gulfport	112,722	105,037	100,503	+7	+12
Hattiesburg	62,267	55,861	57,199	+11	+9
Laurel	37,517	37,027	34,126	+1	+10
Meridian	72,613	69,321	70,915	+5	+2
Natchez	41,063	40,535	39,632	+1	+4
Pascagoula-Moss Point	70,150	56,162	58,288	+25	+20
Vicksburg	44,119	41,382	44,302	+7	−0
Yazoo City	31,326	27,481	27,924	+14	+12
Bristol	85,146	80,152	77,237r	+6	+10
Johnson City	85,911	78,413	78,004	+10	+10
Kingsport	163,574	160,006	144,853	+2	+13
SIXTH DISTRICT, Total	35,743,669	33,205,302r	31,375,671r	+7	+14
Alabama‡	4,504,700	4,092,348	4,198,429r	+10	+7
Florida‡	11,710,724	10,061,834	9,844,809	+16	+19
Georgia‡	8,971,922	8,888,347r	7,677,091r	+1	+17
Louisiana†*	4,485,559	4,087,018	4,342,362	+10	+3
Mississippi†*	1,543,836	1,610,339r	1,375,473	−4	+12
Tennessee†*	4,526,928	4,462,727	3,952,071r	+1	+15

*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.

Despite caution in some sectors, the District's economy remains upward bound. Nonfarm jobs advanced in January, keeping the unemployment rate at a low level. Though plagued by rising mortgage costs and exceptionally poor building weather, construction continued its recovery. Consumers spent their earnings reluctantly and restricted their borrowings. Overall loan growth was hesitant in February, with most gains occurring at smaller banks. Farmers are preparing for the upcoming crop year.

Nonmanufacturing employment sparked the January job advance, but crosscurrents clouded developments within manufacturing. Even though manufacturing jobs increased, the average workweek contracted because of a sharply reduced workweek in the textile-apparel industries and inclement weather.

Construction was still recovering from the low levels of early 1967, as the new year got under way. The dollar value of total construction contracts for January rose further to a level substantially above that of a year ago. The dollar volume of nonresidential contracts also exceeded its December level, and was sharply higher than in January 1967. Demand factors for housing remained strong. Foreclosure rates and inventories of new houses for sale declined further during fourth quarter 1967. Although savings inflows at savings and loan associations slowed in January, mortgage acquisitions increased at a rate substantially above that of January 1967.

Investment acquisitions dominated bank credit growth in February. Large District banks were avid buyers of the 15-month 5⅝ percent Treasury notes. Although loans advanced at smaller banks, moderate declines in business loans at larger banks were indicative of the generally cautious mood of corporate borrowers. Time-deposit growth was healthy, especially at smaller banks.

Outstanding consumer instalment debt at banks declined slightly during January as repayments on existing loans exceeded new loan extensions. All categories of instalment lending dropped; but with the exception of other consumer goods loans, year-ago increases were registered. Total retail spending improved very little in January, as did automobile sales.

In the southern parts of the District some farmers are starting preliminary field work. In other regions snow and unusually cold weather have been rough on livestock. Prices received by Florida orange growers have more than tripled because production is 32 percent below last year's. Cotton prices weakened considerably from the last quarter of 1967, but are well above those of a year ago. Seasonal prices for broilers and eggs are expected to improve further.

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