MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

APRIL 1968

THREATS To the Dollar

The dollar was threatened on two fronts, foreign and domestic, during the past few months. One threat to its international position was first posed by the devaluation of sterling, later by a much worsened balance-of-payments deficit, and then, by the gold crisis. The other was the continuing internal decline in the dollar's purchasing power. Though less dramatic than the external developments, its dangers were no less real. Monetary policymakers went to work on both problems. After following a policy of monetary stimulus for more than a year, the Federal Reserve began to firm credit conditions in late 1967.

Once the Federal Reserve changed its posture, it quickly used all of its traditional policy instruments. On November 19, the Board of Governors announced approval of actions by Federal Reserve Banks to increase their discount rate, or interest charged member banks for borrowing, from 4 to 4½ percent. By mid-December, financial markets began to sense a reduction in the rate at which reserves were supplied through open market operations. And if any doubt of a policy shift away from monetary stimulus remained, it was removed on December 27 by the increase in member bank reserve requirements.

In a sense, the hike in the discount rate last November was not so much a move to tighten domestic credit as a reaction to the British devaluation. The devaluation, disturbing to international financial stability, was widely expected to induce an attack on the dollar. To assure confidence, a dramatic response seemed necessary. The discount rate rise, followed by increases in U.S. short-term rates, filled this need and served as a precaution against speculative outflows. The 4-percent discount rate was becoming out of line with market yields on short-term instruments.

Later, on December 12, the Federal Open Market Committee decided that open market operations should be changed to achieve somewhat firmer monetary conditions. During the Committee's discussion various members also favored early consideration of an increase in member bank reserve requirements.

The Board of Governors took this further step in a gradual firming of monetary policy just before year-end. Reserve requirements against demand deposits in excess of $5 million were raised for reserve city banks from 16½ to 17 percent, effective January 11, and for other member banks from 12 to 12½ percent, beginning January 18.

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This action increased required reserves of member banks by $550 million.

No one could mistake why this was done. The Board's press statement itself alluded to inflationary pressures and disequilibrium in the balance of payments.

Almost the same words were used in the announcement of March 14, when the Board of Governors, with the rush on gold in the background, approved increases in the discount rate to 5 percent. Its purpose was to "strengthen the international position of the dollar and to curb inflationary pressures in the domestic economy."

The Domestic Inflation Problem

The threat to price stability in 1967 emerged gradually. In the first half, inflationary pressures were not serious; their intensification later could not be ignored. The "all commodities" wholesale price index, for example, fluctuated in a narrow range from autumn 1966 to autumn 1967. But it jumped sharply in subsequent months and in March was 2 percent above November's level.

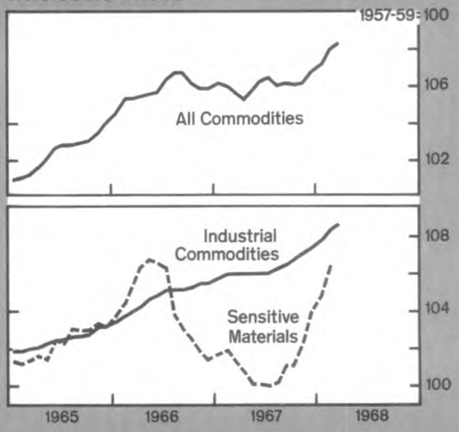
Price pressures have been most marked for industrial commodities. These prices, which had been virtually stable in the first half of 1967, began to climb once more during the summer and have gone up at an annual rate of about 4 percent since October.

The behavior of consumer prices gave additional indications of rising inflationary pressures. After showing little change in the previous six months, the "all items" index, between March 1967 and February 1968, rose at an annual rate of 3¾ percent. Food prices—whose decline was largely responsible for the stability in the overall index in late 1966 and early 1967—turned up and later contributed significantly to the advance in consumer prices, as did also large increases in prices of other commodities. The chief culprit, though, has been the cost of services. Rising at an annual rate of 2.7 percent a year even in 1965, service prices have increased at a 4.3-percent annual rate since March 1967 and at a rate of nearly 5 percent since last autumn.

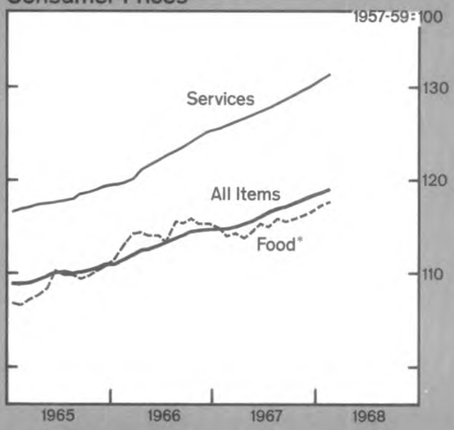
This strong upward price movement was fueled from both supply and demand forces. Unit labor costs in manufacturing exerted upward pressure on prices, as wages rose faster than output per man-hour. With manpower needs large, the unemployment rate fell quickly to 3.7 percent in December, after climbing from 3.8 percent to 4.3 percent between August and October because of strikes. Unemployment during January and February 1968 stayed in the 3.5- to 3.7-percent range, the lowest in years. Labor markets have been particularly tight for skilled workers.

Inflationary pressures, measured by the behavior of wholesale prices, began to intensify in the fall of 1967. Consumer prices have also accelerated because of increased demands and higher costs, as resources (especially for labor) turned scarcer.

Wholesale Prices

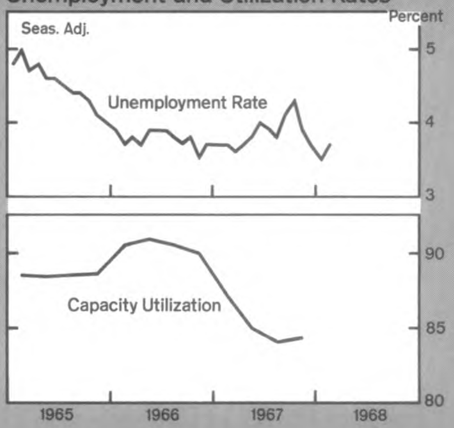


Consumer Prices

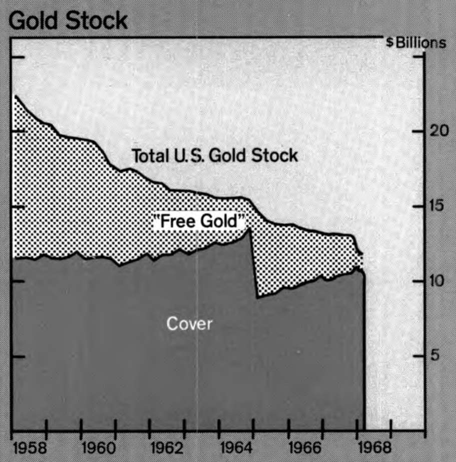


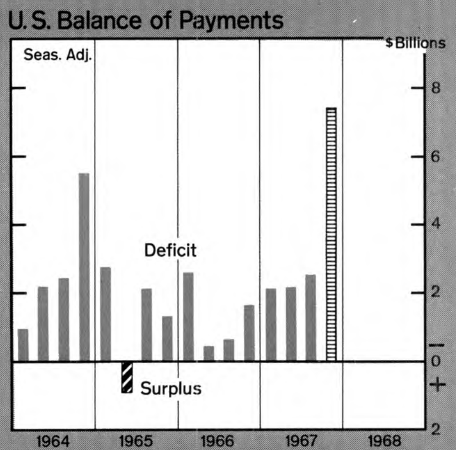
*Seas. Adj.

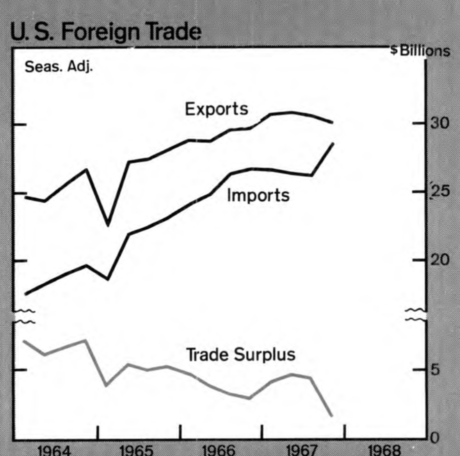
Unemployment and Utilization Rates



The gold crisis caused further heavy losses in our gold stock, all of which is now available to meet our international commitments. The sudden deterioration in our balance-of-payments position in late 1967 partly reflects a worsening in the trade surplus.







Unused manufacturing capacity is still quite large because of very high expenditures on new plant and equipment and relatively little growth in manufacturing output since late 1966. Nevertheless, some industries—notably steel, textile, and capital equipment firms—are currently feeling serious capacity pressures.

On the demand side, inventory building to an increasing extent has been superimposed on a steady growth in final sales. Consequently, the classical, cumulative process of declining inventory accumulation, decreasing production, falling income, and reduced sales did not have a chance to develop, and the contraction in inventory investment during 1967 was limited to two quarters. The marked pick-up in inventory investment during the second half of the year gave strong support to economic activity. Stockpiling of steel against a possible strike after the contract expiration this coming July has been particularly heavy.

Financial Developments

Rising steel and automobile inventories prompted heavier borrowings among these related product firms in late 1967 and early 1968. Yet most other industries borrowed only modest amounts from banks, as corporate Treasurers seemed more willing to issue bonds, especially in the last half of 1967.

With the Federal budget continuing in substantial deficit, the U.S. Treasury was another heavy borrower. In part because of the pause in industrial activity last year, tax receipts in 1967 failed to grow as much as in previous years. This sluggishness, together with a sharp rise in expenditures, resulted in the huge quarterly cash deficit of $4.9 billion in the third quarter. The fourth quarter deficit of $4.5 billion was almost as large, and no respite from additional deficit financing lies ahead. The President's budget, presented to Congress in January, forecasts a deficit of $8 billion on the new unified budget basis for fiscal year 1969. This figure assumes passage of the 10-percent surcharge on personal and corporate tax payments, the renewal of excise taxes, and an acceleration of corporate income tax collections. It makes no allowance for more troops slated for Vietnam.

International Developments

Besides domestic considerations, the change in monetary policy last year was prompted also by two dramatic events in our economic relations with other countries. The first was the British devaluation; the second, the sudden deterioration in the U.S. balance of payments.

The change in the parity of the pound unleashed strong fears about the dollar. As a result, private individuals abroad and some small central banks bought gold in two massive waves. In support of the official $35 per ounce price of gold, the Gold Pool—comprised of the United States, United Kingdom, Germany, Italy, Belgium, the Netherlands, and Switzerland—sold vast sums of gold in the London market. As a member of the Gold Pool, the United States had to share in these losses. We can surmise how large these were by the $900-million drop in our gold stock in December and $62-million decline in January.

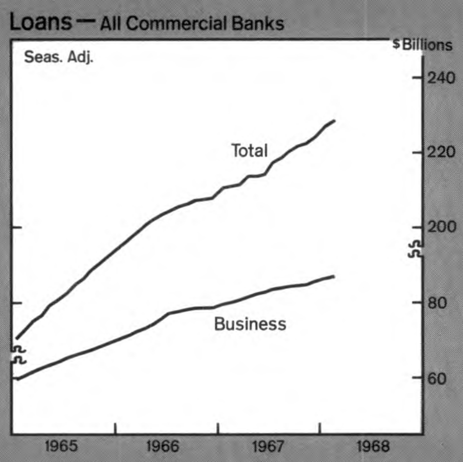
A third wave of gold buying in March was triggered by speculation about a possible change in U.S. gold policy. It culminated in the temporary closing of the London gold market on March 15 and a decision by Gold Pool members to cease Gold Pool operations and henceforth deal in gold only with governments. Here again, the costs to our gold stock through the operations of the Gold Pool, although exceedingly heavy, are not fully known. However, the U.S. Treasury gold holdings declined by $1.4 billion in March, because of transfers to the Exchange Stabilization Fund. With gold reserve requirements against Federal Reserve notes recently repealed, there is now no question that all of our remaining gold stock is available to meet international commitments.

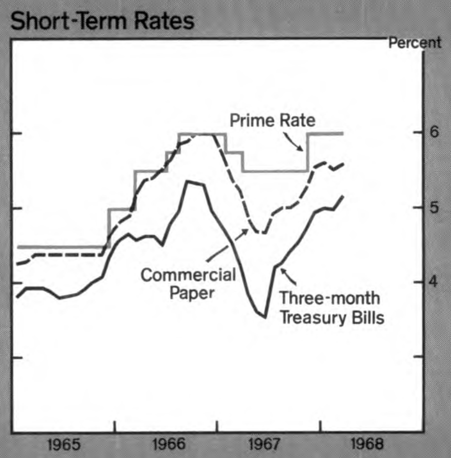
Although the speculative attack on the dollar was contained, our balance of payments worsened significantly, particularly in the fourth quarter of last year. The estimated deficit for 1967, one of the highest since the end of World War II, approaches the very serious level of 1960. This rather sudden increase led the President to announce on January 1 a drastic new program for reducing the deficit in 1968. The move to a somewhat firmer monetary policy was also intended to help reduce the deficit. And to the extent that cooperation among central banks through the swap network and other means calmed the exchange markets, the strength of the dollar was also maintained. But all of these measures did no more than buy time to attain equilibrium in the overall U.S. payments position.

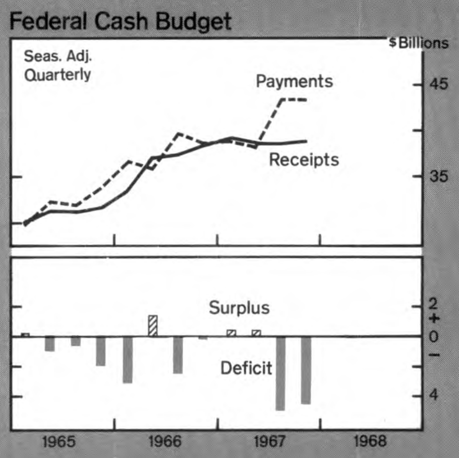
Impact of Policy Shift

Although it is too early to assess the effects of the monetary policy shift on prices or international transactions, its impact on certain financial variables is already discernible. Member banks responded to the closer rationing of reserves by trimming excess reserves and borrowing more heavily from Federal Reserve Banks. Such borrowings, averaging $133 million in November,

Although bank loan demands are relatively moderate and monetary policy until late 1967 easy, short-term interest rates have expanded rapidly since mid-1967. Heavy Federal deficit financing is part of the explanation.

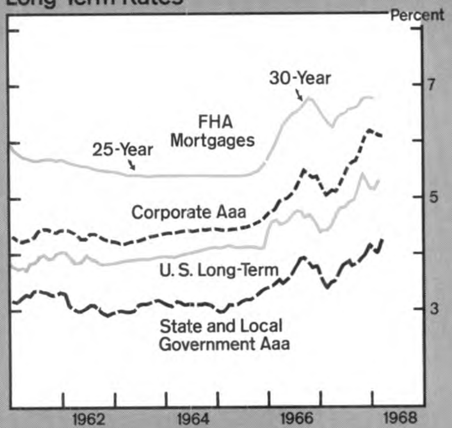




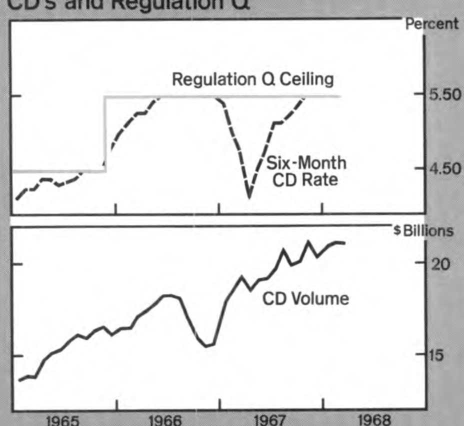


Long-term interest rates also advanced substantially before the shift in monetary policy. With rates on negotiable certificates of deposit reaching the ceiling, the inflow of this source of funds has slowed down, as has the flow of funds to savings and loan associations.

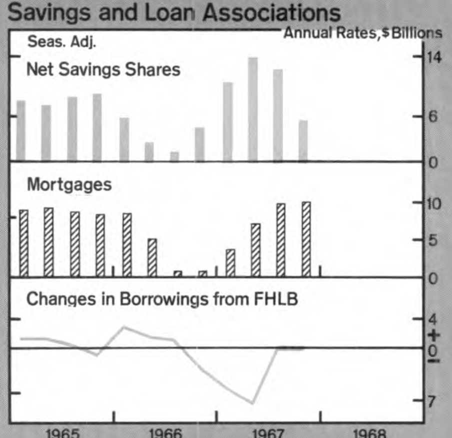
Long-Term Rates



CD's and Regulation Q



Savings and Loan Associations



climbed to almost $800 million in mid-March.

The turn in monetary policy also caused an immediate rise in short-term rates, which had already climbed sharply by the time of the discount rate hike in November. In early 1968, upward pressures on these rates lessened, but increased beginning in early March. Long-term borrowing costs which, except for mortgages, also fell in early 1968 in partial response to the payments program, rose during March.

With loan demand remaining fairly moderate, many banks have neither experienced great pressures on their liquidity position nor felt a precipitous drop in deposits. Demand deposits increased in January, held unchanged in February, and advanced in March. Time deposits have also continued to expand so far this year, though more slowly than last autumn. With short rates rising, many banks, however, have no leeway under Regulation Q ceilings to attract large inflows of corporate time deposits. Savings and loan associations are likewise finding it more difficult to garner savings, although their flow of funds in January and February was better than expected.

New Threats?

At the moment the threat to the dollar, from the international side at least, has subsided. Inflationary symptoms, on the other hand, are continuing.

Monetary policymakers can build defenses against both of these dangers. But since many domestic and international developments are not influenced directly by American monetary policy, the resolution of these problems rests heavily on other shoulders. Fiscal restraint, confidence abroad, and international cooperation will largely determine the answer—not U.S. monetary policy alone.

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

Bank Announcements

The **Gwinnett Bank and Trust Company,** Norcross, Georgia, a new nonmember bank, opened on March 1 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are J. Grady Coleman, president; W. Leon Maloney, vice president; and Paul S. Penn, Jr., cashier. Capital is $250,000; surplus and other capital funds, $250,000.

The Exchange Bank of Springfield, Springfield, Georgia, a nonmember bank, also began to remit at par on March 1.

Another nonmember bank, **The Park Avenue Bank,** Valdosta, Georgia, began to remit at par on March 15.

Gold Policy Communiqué

The Governors of the Central Banks of Belgium, Germany, Italy, the Netherlands, Switzerland, the United Kingdom, and the United States met in Washington on March 16 and 17, 1968, to examine operations of the gold pool, to which they are active contributors. The Managing Director of the International Monetary Fund and the General Manager of the Bank for International Settlements also attended the meeting.

The Governors noted that it is the determined policy of the United States Government to defend the value of the dollar through appropriate fiscal and monetary measures and that substantial improvement of the U.S. balance of payments is a high priority objective.

They also noted that legislation approved by Congress makes the whole of the gold stock of the nation available for defending the value of the dollar.

They noted that the U.S. Government will continue to buy and sell gold at the existing price of $35 an ounce in transactions with monetary authorities. The Governors support this policy and believe it contributes to the maintenance of exchange stability.

The Governors noted the determination of the U.K. authorities to do all that is necessary to eliminate the deficit in the U.K. balance of payments as soon as possible and to move to a position of large and sustained surplus.

Finally, they noted that the Governments of most European countries intend to pursue monetary and fiscal policies that encourage domestic expansion consistent with economic stability, avoid as far as possible increases in interest rates or a tightening of money markets, and thus contribute to conditions that will help all countries move toward payments equilibrium.

The Governors agreed to cooperate fully to maintain the existing parities as well as orderly conditions in their exchange markets in accordance with their obligations under the Articles of Agreement of the International Monetary Fund. The Governors believe that henceforth officially-held gold should be used only to effect transfers among monetary authorities and, therefore, they decided no longer to supply gold to the London gold market or any other gold market. Moreover, as the existing stock of monetary gold is sufficient in view of the prospective establishment of the facility for Special Drawing Rights, they no longer feel it necessary to buy gold from the market. Finally, they agreed that henceforth they will not sell gold to monetary authorities to replace gold sold in private markets.

The Governors agreed to cooperate even more closely than in the past to minimize flows of funds contributing to instability in the exchange markets, and to offset as necessary any such flows that may arise.

In view of the importance of the pound sterling in the international monetary system, the Governors have agreed to provide further facilities which will bring the total of credits immediately available to the U.K. authorities (including the IMF standby) to $4 billion.

The Governors invite the cooperation of other central banks in the policies set forth above.

Shifting Sands In Georgia's Economy

Watching the grains of sand slowly and continually drop in the hourglass is boring and monotonous. Such is not the case with watching the indicators of Georgia's economic climate. During the last three years, while Georgia has continued to expand, many indicators have not only drifted off the path but have changed directions abruptly from year to year.

Construction and agricultural developments in Georgia last year reversed completely those of 1966. Most measures of activity in the state moved up rather hesitantly. Personal income, increasing 8.8 percent, was one of the few significant indicators recording a growth rate better than the previous year's and better than the nation's. However, not all sectors contributed equally to the growth.

Employment and Investment

Employment continued its ascent, but slowed down appreciably. Nonfarm employment advanced at half speed, compared with 1966's performance. The deceleration was shared unequally by the manufacturing and nonmanufacturing sectors. While the 4.6-percent growth in nonmanufacturing employment was only 75 percent of the 1966 rise, this drop was mild, compared with the shriveled 1.6-percent advance in manufacturing jobs. On the brighter side, both Federal and state and local government employment climbed impressively, and the total unemployment rate remained low.

Expansion in Georgia's manufacturing sector proceeded in low gear in 1967 after racing ahead in 1965 and 1966. Accompanying a faltering expansion in jobs was a contraction in the average factory workweek and a reduction in payroll increases. However, this slowdown was much less drastic than that in employment, since average weekly earnings for production workers continued to move up strongly. Job losses, centered in the apparel, chemical, and lumber industries, were barely offset by gains in other industries. Among those showing improvement were three of Georgia's top employers—food, textiles, and transportation equipment.

Despite the trend in manufacturing employment, optimism remained high. In fact, 1967 was a record year of industrial growth in Georgia, with fixed capital expenditures reaching a new high. (See Georgia Tech's *Georgia Development News*, February 1968.) Taking over the lead was the rubber and plastics industry; the 1966 champion, the chemical industry, slipped to fourth place. Following tradition, the textile industry was once again a major investor. Additional major investments were made in transportation equipment, food processing, apparel, and the paper and pulp industry.

Meanwhile, government activity in the state heightened. Defense contracts, moving up by around 25 percent a year for several years, leaped ahead by almost 50 percent. Much of this went for the gigantic C-5A military cargo plane whose debut in Marietta last month prompted a visit from the President of the United States. As noted previously, the Federal government was also one of Georgia's expanding employers.

Construction

The construction picture changed in 1967. Residential construction made a strong recovery, "all other" construction abated, and the total dollar value of construction contracts awarded showed almost no growth. The opposite was true in 1966, when the dollar value of residential contracts awarded fell off the deep end and the value of "all other" contracts shot up by almost 40 percent, pushing the total for the year up by 12 percent.

Why the switch? For one thing, more funds were available for home loans in 1967. Georgia's savings and loan institutions alone experienced a net savings inflow of almost $165 million, representing an increase of more than 300 percent over 1966. Furthermore, mortgage repayments were much improved. Even with mortgage costs rising as the year progressed, the demand for funds by homebuilders remained strong. At the end of the year mortgage loan holdings in sav-

Percentage Changes in Georgia's Economic Indicators 1964-1967	Percentage Changes		
	1964-65	1965-66	1966-67
Employment			
Nonfarm	5.9	6.3	3.6
Nonmanufacturing	5.6	6.1	4.6
Manufacturing	6.6	6.8	1.6
Manufacturing			
Payrolls	12.1	12.4	6.3
Average Weekly Earnings	6.0	4.2	4.3
Average Weekly Hours	1.5	0.0	− 1.5
Dollar Value of Construction Contracts Awarded			
Residential Contracts	9.6	−13.0	14.4
All Other Contracts	− 1.5	39.4	− 8.4
Total Contracts	4.0	12.0	0.9
Agriculture			
Crop Receipts	3.2	− 7.6	17.6
Livestock and Livestock Products Receipts	14.8	15.1	− 8.9
Total Receipts	9.5	5.3	1.1
Prices Received by Farmers	4.5	0.1	− 3.2
Broiler Prices	5.8	0.0	−15.9
Banking			
Member Bank Deposits	14.7	11.6	8.9
Member Bank Loans	17.7	16.4	5.6
Bank Debits	12.7	12.4	14.6
Time Deposits	30.9	20.6	17.4
Personal Income	9.8	8.2	8.8

ings and loan institutions were 7 percent greater than in December 1966, and net acquisitions for the year were up over 40 percent.

Performances in construction activity by major metropolitan areas in Georgia were quite varied. The Atlanta and Macon areas followed state trends closely. However, Albany and Augusta experienced booms in nonresidential construction, as the value of these contracts awarded more than doubled last year. Albany welcomed a number of new manufacturing plants, including a multimillion dollar tire plant and increased activity at the Naval Air Station, formerly Turner Air Force Base. In Augusta most of the growth was in public-owned college and medical facilities.

Agriculture

Another sector of Georgia's economy shifting its position was agriculture. Two counteracting forces, falling prices and increased production, held total cash receipts from farm marketings to about the same level as in 1966. In that year excellent broiler, egg, and red meat prices caused livestock cash receipts to soar while crop receipts were held down by poor weather and reduced cotton acreages under the revised cotton program. The outstanding advance in livestock receipts not only offset the loss in crop receipts but pushed total receipts up by over 5 percent. In 1967 broiler and egg prices dropped sharply, causing a decline in livestock receipts. On the other hand, crop receipts turned in a much better performance, as a more favorable growing season increased most crop yields. Preliminary figures show rises in yields and production for corn, soybeans, and peanuts.

The status of the soybean in Georgia merits special attention. A very minor contributor a few years ago, soybean acreages and production in Georgia have grown by leaps and bounds in the past few years. Receipts from soybeans accounted for 1.7 percent of total crop receipts in 1965 and 4.7 percent in 1966; while final figures are not available for 1967, production again more than doubled. Cotton yields were below their 1961-65 average, and prices were depressed until fourth quarter. A decrease in cotton acreages, as well as modest gains in government diversion and price support payments, reflected further modification of the cotton program.

Economic Outlook

When 1967 came to a close, most measures of economic activity in the state pointed upward. But the new year brought winter weather which left its mark. Although employment advanced in January, snow and ice prevented many workers from arriving at their jobs on time and caused partial shutdowns in some plants. Consequently, factory payrolls, hours, and weekly earnings all took a plunge from December levels. The scene brightened in February, with most indicators resuming their climb. One of the few exceptions was manufacturing employment. The February decline was concentrated in the Atlanta area, where labor disputes in glass container plants, supply shortages at automobile assembly plants, and contract completions in aircraft took their toll. Then, in March approximately 5,800 workers walked out at three automobile assembly plants. Now, with most disputes settled, a substantial growth in employment is expected this month. Georgia appears to be on her way to another year of expansion.

DOROTHY F. ARP

This is one of a series of articles in which economic developments in each of the Sixth District states are discussed. Developments in Alabama's economy were analyzed in the March 1968 REVIEW, and a discussion of Mississippi's economy is scheduled for a forthcoming issue. • Copies of A REVIEW OF ALABAMA'S ECONOMY, 1959-68, are now available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Sixth District Statistics

Seasonally Adjusted

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

SIXTH DISTRICT

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income (Mil. $ Annual Rate)	Jan.	61,447	60,043r	60,141r	57,224
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	Feb.	293	287r	300	289
Repayments	Feb.	265	256	263	258
Retail Sales	Jan.	170p	175	168	152
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	140	139	138	136
Manufacturing	Feb.	139	139	139	137
Apparel	Feb.	169	169	169	170
Chemicals	Feb.	132	132	134	132
Fabricated Metals	Feb.	157	157	156	156
Food	Feb.	116	116	115	114
Lbr., Wood Prod., Furn. & Fix.	Feb.	106	106	106	107
Paper	Feb.	120	120	120	118
Primary Metals	Feb.	132	133	133	128
Textiles	Feb.	109	109	108	107
Transportation Equipment	Feb.	181	183	183	177
Nonmanufacturing	Feb.	141	139	138	136
Construction	Feb.	136	132	129	133
Farm Employment	Feb.	67	66	67	70
Unemployment Rate (Percent of Work Force)	Feb.	3.6	4.0	3.8	3.4
Insured Unemployment (Percent of Cov. Emp.)	Feb.	2.1	2.4	2.1	2.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	40.1	41.4	41.2	41.4
Construction Contracts*	Feb.	173	196	187r	146r
Residential	Feb.	186	224	230r	132r
All Other	Feb.	162	173	151	159
Electric Power Production**	Jan.	152	150	149	146
Cotton Consumption**	Jan.	112	120	105	120
Petrol. Prod. in Coastal La. and Miss.**	Jan.	265	255	251	217
FINANCE AND BANKING					
Loans*					
All Member Banks	Feb.	267	266	262	245
Large Banks	Feb.	238	239	236	222
Deposits*					
All Member Banks	Feb.	204	203	200	183
Large Banks	Feb.	181	181	180	167
Bank Debits*/**	Feb.	210	213	218	193

ALABAMA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $ Annual Rate)	Jan.	8,161	7,979r	7,923r	7,683
Manufacturing Payrolls	Feb.	196	192	192	184
Farm Cash Receipts	Dec.	113	100	94	112
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	127	127	127	125
Manufacturing	Feb.	128	127	127	126
Nonmanufacturing	Feb.	127	127	126	125
Construction	Feb.	115	112	118	119
Farm Employment	Feb.	68	65	70	80
Unemployment Rate (Percent of Work Force)	Feb.	4.3	4.3	4.3	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	41.3	41.3	41.3	41.1
FINANCE AND BANKING					
Member Bank Loans	Feb.	251	247	244	231
Member Bank Deposits	Feb.	195	194	191	181
Bank Debits**	Feb.	199	205	204	186

FLORIDA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $ Annual Rate)	Jan.	17,137	16,987r	17,278r	15,784
Manufacturing Payrolls	Feb.	249	252	252	235
Farm Cash Receipts	Dec.	160	162	165	126
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	153	150	150	146
Manufacturing	Feb.	156	158	158	154
Nonmanufacturing	Feb.	153	148	148	145
Construction	Feb.	108	107	106	111
Farm Employment	Feb.	96	77	104	96
Unemployment Rate (Percent of Work Force)	Feb.	2.9	3.0	3.0	2.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	41.3	41.7	42.2	41.6
FINANCE AND BANKING					
Member Bank Loans	Feb.	279	279	276	252
Member Bank Deposits	Feb.	215	216	214	183
Bank Debits**	Feb.	205	216	207	184

GEORGIA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $ Annual Rate)	Jan.	11,981	11,948r	11,564r	11,137
Manufacturing Payrolls	Feb.	213	203	219	205
Farm Cash Receipts	Dec.	152	134	127	134
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	141	140	139	137
Manufacturing	Feb.	133	133	133	132
Nonmanufacturing	Feb.	145	143	142	139
Construction	Feb.	153	144	142	147
Farm Employment	Feb.	58	64	59	59
Unemployment Rate (Percent of Work Force)	Feb.	3.2	3.2	3.1	3.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	40.9	39.6	41.3	40.6
FINANCE AND BANKING					
Member Bank Loans	Feb.	279	276	273	257
Member Bank Deposits	Feb.	225	224	217	204
Bank Debits**	Feb.	236	237r	252	219

LOUISIANA

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $ Annual Rate)	Jan.	9,798	9,375r	9,273r	9,092
Manufacturing Payrolls	Feb.	194	187	194	181
Farm Cash Receipts	Dec.	150	166	149	132
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	132	131	130	126
Manufacturing	Feb.	121	120	119	117
Nonmanufacturing	Feb.	134	134	132	129
Construction	Feb.	156	153	145	149
Farm Employment	Feb.	61	55	56	64
Unemployment Rate (Percent of Work Force)	Feb.	4.7	4.4	4.7	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	43.8	42.5	42.1	42.6
FINANCE AND BANKING					
Member Bank Loans*	Feb.	229	235	235	221
Member Bank Deposits*	Feb.	169	170	168	156
Bank Debits*/**	Feb.	176	173	175	161

MISSISSIPPI

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $ Annual Rate)	Jan.	4,748	4,562r	4,501r	4,408
Manufacturing Payrolls	Feb.	241	230	248	227
Farm Cash Receipts	Dec.	113	149	118	102
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	143	142	141	140
Manufacturing	Feb.	151	151	150	150
Nonmanufacturing	Feb.	140	139	138	135
Construction	Feb.	160	156	148	153
Farm Employment	Feb.	59	60	56	62
Unemployment Rate (Percent of Work Force)	Feb.	4.5	4.6	4.5	4.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	41.0	40.3	41.6	40.7
FINANCE AND BANKING					
Member Bank Loans*	Feb.	340	330	324	298
Member Bank Deposits*	Feb.	242	241	237	222
Bank Debits*/**	Feb.	226	217	243	209

TENNESSEE		Latest Month	One Month Ago	Two Months Ago	One Year Ago
INCOME					
Personal Income (Mil. $, Ann. Rate)	Jan.	9,622	9,192r	9,602r	9,120
Manufacturing Payrolls	Jan.	199	204	202	193
Farm Cash Receipts	Dec.	104	117	109	110
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	140	139	138	139
Manufacturing	Feb.	149	149	148	146
Nonmanufacturing	Feb.	136	135	134	135
Construction	Feb.	180	172	166	169
Farm Employment	Feb.	70	69	70	70
Unemployment Rate (Percent of Work Force)	Feb.	3.6	3.9	4.1	3.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	39.4	40.7	41.0	40.6
FINANCE AND BANKING					
Member Bank Loans*	Feb.	257	260	249	238
Member Bank Deposits*	Feb.	188	186	185	173
Bank Debits*/**	Feb.	223	221	240	208

*For Sixth District area only. Other totals for entire six states. **Daily average basis. r-Revised. p-Preliminary estimate.

Debits to Demand Deposit Accounts

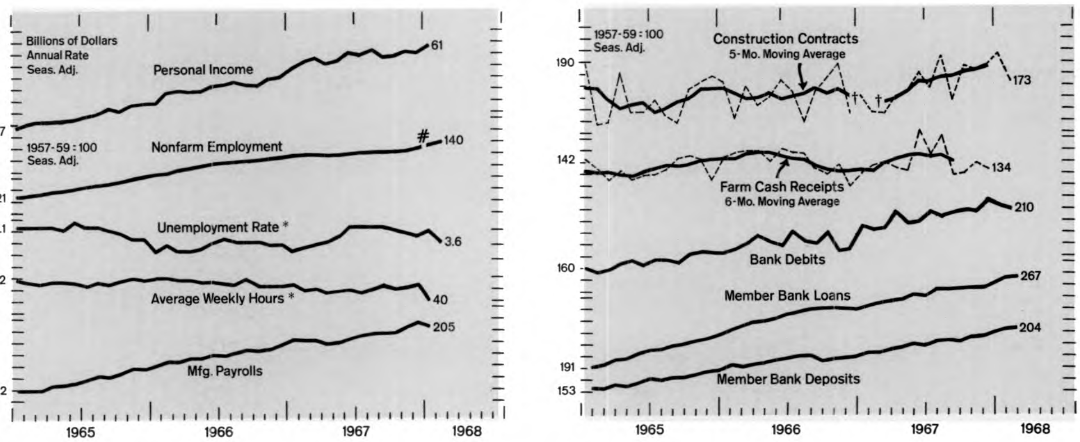
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Feb. 1968	Jan. 1968	Feb. 1967	Percent Change: Feb. 1968 from Jan. 1968	Percent Change: Feb. 1968 from Feb. 1967	Percent Change: Year-to-date 2 months 1968 from 1967
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,481,690	1,700,776	1,318,176	−13	+12	+8
Gadsden	57,953	66,500	54,090	−13	+7	+7
Huntsville	173,989	193,946	159,435	−10	+9	+5
Mobile	491,036	571,223	421,095r	−14	+17	+13
Montgomery	300,810	320,277	272,077	−6	+11	+7
Tuscaloosa	98,966	117,622	88,077	−16	+12	+15
Ft. Lauderdale—Hollywood	701,356	930,513	598,690	−25	+17	+19
Jacksonville	1,447,095	1,690,593	1,404,259	−14	+3	+7
Miami	2,490,100	2,996,284	2,028,491	−17	+23	+25
Orlando	571,439	748,594	484,221	−24	+18	+19
Pensacola	202,015	221,634	179,245	−9	+13	+13
Tallahassee	147,886	151,113	138,815	−3	+7	+8
Tampa—St. Petersburg	1,507,485	1,752,034	1,212,802	−14	+24	+21
W. Palm Beach	487,148	582,167	415,839	−16	+17	+19
Albany	88,281	110,297	77,550	−20	+14	+15
Atlanta	4,847,883	5,626,301	4,306,546r	−14	+13	+17
Augusta	282,774	304,065	257,794	−7	+10	+6
Columbus	218,235	243,019	187,845r	−10	+16	+13
Macon	247,939	280,259	211,107	−12	+17	+16
Savannah	268,713	305,460	235,022	−12	+14	+12
Baton Rouge	558,917	640,229	494,962	−13	+13	+13
Lafayette	127,728	150,118	111,002	−15	+15	+13
Lake Charles	147,024	179,819	131,780	−18	+12	+10
New Orleans	2,396,285	2,627,433	2,044,584r	−9	+17	+8
Jackson	673,221	692,575	589,355	−3	+14	+15
Chattanooga	578,437	662,433	509,581	−13	+14	+8
Knoxville	433,595	522,004	411,410	−17	+5	+8
Nashville	1,593,531	1,782,033	1,444,260	−11	+10	+15
OTHER CENTERS						
Anniston	65,930	67,836	54,590	−3	+21	+12
Dothan	59,725	71,196	53,610	−16	+11	+13
Selma	45,956	45,716r	40,071	+1	+15	+12
Bartow	30,634	50,260	36,793	−39	−16	−6
Bradenton	77,400	102,749	61,052	−25	+27	+21
Brevard County	215,415	270,656	192,396	−20	+12	+10
Daytona Beach	87,400	105,782	73,901	−17	+18	+17
Ft. Myers—N. Ft. Myers	106,650	113,887	70,836	−6	+51	+35
Gainesville	88,398	98,588	74,508	−10	+19	+16
Lakeland	125,377	154,014	116,403	−19	+8	+9
Monroe County	35,181	40,517	32,058	−13	+10	+5
Ocala	63,590	66,926	57,079	−5	+11	+10
St. Augustine	18,597	24,251	17,370	−23	+7	+2
St. Petersburg	341,539	411,638	267,507r	−17	+28	+16
Sarasota	120,732	158,668	92,631	−24	+30	+31
Tampa	798,462	911,255	612,060	−12	+30	+24
Winter Haven	69,110	81,796	59,228	−16	+17	+9
Athens	77,751	92,594	66,700	−16	+17	+16
Brunswick	40,863	50,141	34,725	−19	+18	+17
Dalton	87,379	97,139	71,669	−10	+22	+20
Elberton	12,486	14,617	11,949	−15	+4	+2
Gainesville	62,228	75,285	65,660	−17	−5	−2
Griffin	33,886	37,567	29,157	−10	+16	+5
LaGrange	19,833	22,155	20,280	−10	−2	−5
Newnan	24,974	28,114	22,466	−11	+11	+8
Rome	70,844	76,308	63,650	−7	+11	+8
Valdosta	51,369	62,862	47,419	−18	+8	+9
Abbeville	12,094	14,186	10,015	−15	+21	+15
Alexandria	123,665	154,467r	132,604	−20	−7	−0
Bunkie	6,145	8,610	5,727	−29	+7	+14
Hammond	35,602	38,828	34,608	−8	+3	+3
New Iberia	31,801	38,828r	30,843	−18	+3	−1
Plaquemine	11,995	14,867	11,634	−19	+3	+11
Thibodaux	21,181	31,472	19,508	−33	+9	+7
Biloxi-Gulfport	107,493	112,722	90,445	−5	+19	+15
Hattiesburg	54,545	62,267	49,393	−12	+10	+10
Laurel	37,016	37,517	31,546	−0	+17	+13
Meridian	63,355	72,613	58,616	−13	+8	+5
Natchez	37,895	41,063	33,495	−8	+13	+8
Pascagoula—Moss Point	58,209	70,150	50,177	−17	+16	+18
Vicksburg	43,764	44,119	38,442	−1	+14	+6
Yazoo City	27,232	31,326	23,809	−13	+14	+13
Bristol	78,407	85,146	55,345	−8	+42	+23
Johnson City	70,907	85,911	68,611	−17	+3	+7
Kingsport	145,247	163,574	135,172	−11	+7	+10
SIXTH DISTRICT, Total	31,013,029	35,743,669	27,137,567r	−13	+14	+14
Alabama‡	3,931,013	4,504,700	3,503,836r	−13	+12	+10
Florida‡	9,749,186	11,710,724	8,337,548	−17	+17	+18
Georgia‡	7,819,002	8,971,922	6,918,029r	−13	+13	+15
Louisiana†*	4,102,170	4,485,559	3,567,214r	−9	+15	+9
Mississippi†*	1,439,634	1,543,836	1,265,822	−7	+14	+13
Tennessee†*	3,981,677	4,526,928	3,545,127	−12	+12	+13

*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.** **†New series.**
#Data prior to December not yet revised to new benchmark used for latest data.

With the advent of spring, the District's economy has continued its warming trend. Most indicators of consumer spending picked up steam in February after expanding slowly for several months. The unemployment rate persisted at a low level, and nonfarm jobs jumped. Lending activity at large commercial banks increased slightly in March. Residential construction continues to exhibit relatively greater strength than other sectors of construction. March 1 planting intentions indicate that District farmers will expand 1968 major crop acreages by 2 percent.

February automobile sales were up substantially from the previous month's and year's volume. Reflecting the improved sales picture, automobile loans at banks rose, as did other consumer instalment loans. Total extensions of new loans at banks outpaced repayments by a wide margin so that outstanding consumer credit increased sharply.

Despite a reduction in workers, manufacturing payrolls advanced in February because of higher wage rates and a longer workweek. Manufacturing jobs changed little from the previous month. The Florida teachers' strike in early 1968 and strikes at some Atlanta auto assembly plants in March had an unfavorable effect on the employment level.

Business customers borrowed modestly from large commercial banks in March. Loans to other customers advanced slightly. Although a small run-off of large denomination certificates of deposit occurred, depositors were active suppliers of funds, allowing most banks to add further to their investment portfolios. The Federal Reserve Bank of Atlanta's discount rate increased from 4½ to 5 percent, effective March 15, 1968.

District savings and loan associations are still providing substantial amounts of conventional mortgage funds, but their rate of expansion has slowed. February net savings flows improved somewhat over January, but the total for the first two months of the year is running sharply below that of early 1967. Nonresidential building has continued to show weakening tendencies.

Early reports indicate that District farmers will plant larger acreages of most major crops in 1968. The greatest expansion is expected in rice and cotton acreages. Plantings of feed grain and tobacco will be reduced. The price index declined slightly in February because sharp reductions in cotton and egg prices offset slight price increases for most other crops and livestock items. Realized gross income per farm rose in each District state except Alabama during 1967, while realized net income was lower in every state except Louisiana and Mississippi.

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