

# MONTHLY REVIEW

## IN THIS ISSUE:

- What's Happened to Prices?
- Tennessee Paints an Abstract
- District Business Conditions



FEDERAL RESERVE BANK OF ATLANTA

**Monthly Review, Vol. LIII, No. 9. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.**

# What's Happened to Prices?

Last November, an article in this *Review*<sup>1</sup> pointed out that consumer prices had recently begun to rise very rapidly and that wholesale prices, too, might take off. It was stated that spending in nearly all the major sectors of the economy was very likely to increase at an accelerating rate. The outlook, in short, was one of mounting inflationary pressures.

In fact, this is exactly what happened and eight months of unchecked increases in wholesale prices are now on record. Fortunately, a decline in these prices occurred in August. Although consumer prices had begun to rise at an accelerated rate in June 1967, wholesale prices did not really start a sustained upward climb until December. In both cases, a large part of the explanation for the behavior of the overall indexes lies in food prices. Wholesale prices of farm products rose  $7\frac{3}{4}$  percent between November 1967 and July 1968, or at an annual rate of  $11\frac{2}{3}$  percent; and wholesale prices of processed foods and feeds increased  $4\frac{1}{2}$  percent, or at an annual rate of  $6\frac{2}{3}$  percent. Consumer food prices advanced

nearly 4 percent, or a 5.7-percent annual rate of increase. Food was not the only culprit, however. Industrial wholesale prices, for example, began a sustained upward movement in August 1967. Moreover, the movement of overall indexes, as usual, conceals wide differences in the behavior of individual prices.

## Consumer Prices

Each of the five main components of the consumer price index—food, housing, apparel and upkeep, transportation, and health and recreation—has contributed to the rise in the overall index. Although food prices accelerated the most, housing costs contributed more than any other category to the total increase because of the large weight of this item in household budgets. Table I shows the annual rates of change between November 1967 and July 1968 for these five categories, together with the percentage contribution each made to the overall rise and its weight in the index.

The most slowly rising component is transportation. Unfortunately, it is not very significant in household budgets and therefore did little

<sup>1</sup>"What's Happening to Prices?", November 1967.

Table I  
Changes in Consumer Price Index Components  
November 1967-July 1968

Component	Annual Rate of Change (Percent)	Percentage Contribution to Overall Rise <sup>1</sup>	Relative Importance in December 1967 <sup>1</sup> (Percent)
All items	4.71	100.0	100.00
Transportation	1.91	5.6	13.80
Apparel and upkeep	3.99	9.0	10.64
Health and recreation	4.76	20.1	19.85
Housing	5.19	36.1	32.79
Food	5.72	27.4	22.54

<sup>1</sup>Details do not add to 100 because miscellaneous items are included in total but not in components.

to hold down the overall increase. Public transportation costs advanced fairly rapidly, at an annual rate of 4.3 percent, but private transportation costs (including the price of automobiles, gas, oil, repair costs, etc.) rose much more slowly—1.8 percent—largely because automobile prices changed very little. Typically, new car prices change infrequently, most often at the start of a new model year (as occurred last fall). List prices may then be shaved by dealers in the late spring and summer, as they work off inventory in preparation for the new models.

Apparel and upkeep prices did not rise appreciably until March, but since then, their increase has been quite rapid. The biggest gains have come in footwear. Rising prices of textiles and hides, skins and leather products, and textile and apparel workers' wage increases have no doubt raised apparel manufacturers' costs, but

the rise in retail sales since last October (sparked by rapid growth in personal income) was important as well.

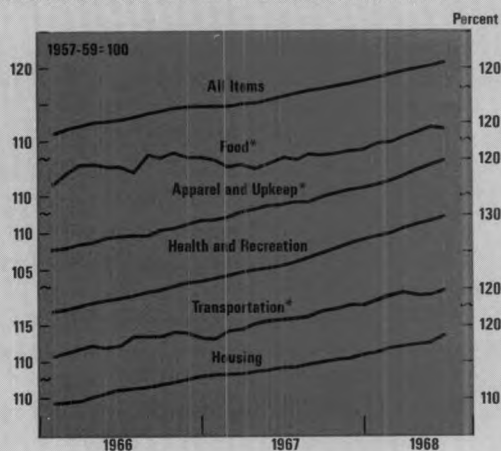
The costs of medical care and reading and recreation (annual rates of increase of 5.8 and 4.8 percent, respectively) provided the major impetus for the substantial rise in the health and recreation category. Personal care (dry cleaning, barber, and beauty shops, etc.) also became more expensive. The prices of other goods and services as a group (tobacco, alcoholic beverages, and funeral, legal, and bank service charges) advanced somewhat more slowly.

Two items, homeownership and household furnishings and operating expense, bulk very large in total housing costs. Rising mortgage interest rates, property taxes, home insurance rates, and home repair costs have driven up the cost of home ownership at a 7.3-percent annual rate. Household furnishings and operation expenses have risen at a 5.2-percent rate. Very small increases in gas and electricity prices (0.7-percent annual rate) and rent (2.5 percent) were not able to prevent an advance in total housing costs of 5.2 percent.

Food price rises showed considerable dispersion, with meat, poultry, and fish going up at a 3.5-percent annual rate, dairy products at a 4.1-percent rate, and fruits and vegetables at an astonishing 19.9-percent rate. The movement in this last category is partly seasonal, but to a large extent reflects poor weather conditions last winter and spring in Florida, south Texas, and Mexico.

The composition of the consumer's "market basket" can be arranged another way; that is, divided into services and commodities. From this angle, it is apparent that services have been a major element in the jump in the cost of living. Service prices, on average, rose at a 5.7-percent annual rate from November 1967 to June 1968. Food prices climbed at a 5.2-percent rate, while prices of nonfood commodities advanced at a rate of only 2.9 percent. It is not unusual for service prices to increase faster than others. Thus, in the most recent period of reasonable price stability, 1961-64, when the overall index was advancing at a rate of about 1.2 percent a year, service prices went up at a 1.9-percent rate. Actually, commodity prices have risen more rapidly, relative to service prices, since November 1967, than they did in 1961-64. But this result is not surprising, considering that wholesale prices, which have no direct effect on services but do on consumer commodities, have been rising recently, whereas they were quite stable in the earlier period.

THE SUSTAINED RAPID UPWARD MOVEMENT OF CONSUMER PRICES CONTINUED IN THE FIRST SEVEN MONTHS OF 1968, WITH ALL COMPONENTS CONTRIBUTING TO THE GENERAL INFLATION.



## Wholesale Prices

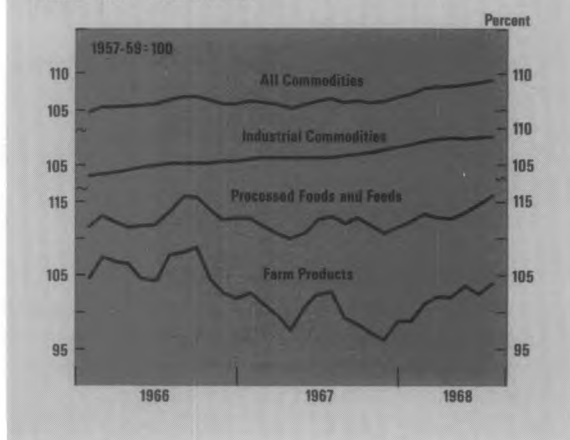
The wholesale price index has three main components: farm products, processed foods and feeds, and industrial commodities. The industrial commodities category is divided into 13 principal subcomponents. There is wide diversity in the behavior of these categories, as can be seen in Table II.

Again, it is clear that the sharp rises in food prices (which constitute the bulk of the farm products and processed foods and feeds categories) have contributed to the overall index far out of proportion to their weights.<sup>2</sup> In particular, fruits and vegetables, live poultry, livestock, dairy products, and meat, poultry, and fish products have been the biggest contributors. Live poultry price rises seem to be almost wholly a seasonal recovery from unusually depressed levels. Livestock and meat prices have risen in response to a cutback in production of feeder cattle, which in turn was a response to low prices in 1967.

Among industrial commodities, textile products and apparel, metals and products, machinery and equipment, and lumber and wood products have contributed most to advancing whole-

<sup>2</sup>The weights in the wholesale price index are based on the net selling value of commodities produced, processed, or imported into the U.S., as revealed in the industrial censuses. For more detail, see "What's Happening to Prices?", Monthly Review, November 1967.

FARM AND FOOD PRICE INCREASES HAVE ALSO CONTRIBUTED SIGNIFICANTLY TO THE RISE IN THE WHOLESALE PRICE INDEX. INDUSTRIAL PRICES, AFTER NINE MONTHS OF RAPID RISE, HAVE LEVELED OFF RECENTLY.



sale prices. The first three bear heavy weights; the last recorded very large price increases.

If we had looked at the situation in March or April, metals prices would have shown a much more rapid rate of increase. This was because the long continued copper strike in this country reduced supplies of this metal to abnormally low levels and forced reliance on higher-priced imports. Steel prices also firmed during the inventory build-up in anticipation of a steel

Table II  
Changes in Wholesale Price Index Components

Component	November 1967-July 1968		November 1967-August 1968 (preliminary)		Relative Importance (Percent)
	Annual Rate of Change (Percent)	Percentage Contribution	Annual Rate of Change (Percent)	Percentage Contribution	
All commodities	4.10	100.0	3.13	100.0	100.000
Farm products	11.67	29.6	7.05	23.6	10.637
Processed foods and feeds	6.77	26.7	4.81	25.1	16.533
Industrial commodities	2.52	43.7	2.24	51.3	72.830
Textile products and apparel	4.08	6.9			7.149
Hides, skins, and leather products	5.33	1.6			1.264
Fuels and related products and power	0.74	1.3			7.130
Chemicals and allied products	0.00	0.0			6.378
Rubber and products	2.42	1.4			2.339
Lumber and wood products	17.58	10.2			2.418
Pulp, paper, and allied products	0.44	0.5			4.877
Metals and products	1.22	3.7			12.799
Machinery and equipment	3.47	10.0			12.110
Furniture and household durables	3.09	2.6			3.584
Nonmetallic mineral products	4.71	3.4			3.040
Transportation equipment	n.a.	n.a.			7.244
Miscellaneous	1.22	0.7			2.498

n.a. Not available.

strike. Settlement of the copper strike produced a sharp price reversal, and steel prices had begun to soften even before a no-strike agreement was reached in that industry at the end of July. Recently, however, most steel companies have announced price increases.

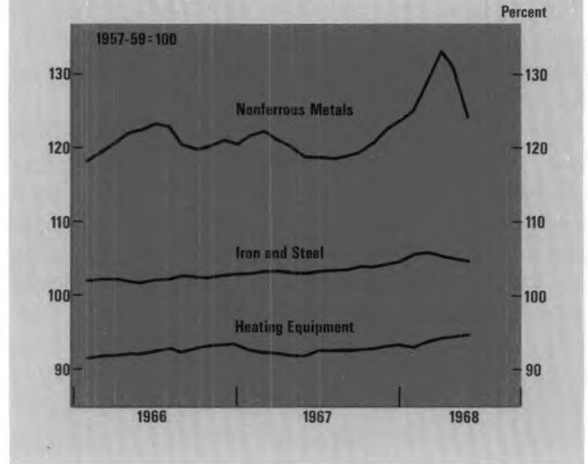
Machinery and equipment prices have risen strongly almost across the board, but the biggest increases have come in construction machinery and equipment. Lumber and wood prices have risen phenomenally, at nearly a 17-percent annual rate, partly because of a reduced supply of logs, stemming from drought last summer and a six-month strike in western Canada, and partly because of continued strong demand for lumber in housing construction. Elsewhere, hides and skins, leather products, furniture, prepared paint, and paper prices have advanced strongly.

On the other hand, some prices have hardly changed, while others experienced actual declines. Tire and tube prices did not change at all after the increase announced last fall at the beginning of the new car season. In July, however, two companies announced price increases ranging from 3 percent to 5 percent. Industrial chemicals, drugs and pharmaceuticals, and home electronic equipment prices all declined slightly. Competition from imports no doubt played a role here. Gas fuels prices, however, fell at nearly a 14-percent annual rate because of very rapid growth in production capacity for liquefied propane gas and a general world over-supply of residual fuels.

### The Outlook

Prospects are good that both consumer and

THE PRICE OF NONFERROUS METALS CURVED WITH THE COPPER STRIKE AND ITS SETTLEMENT. PRICES FOR HEATING EQUIPMENT ROSE.



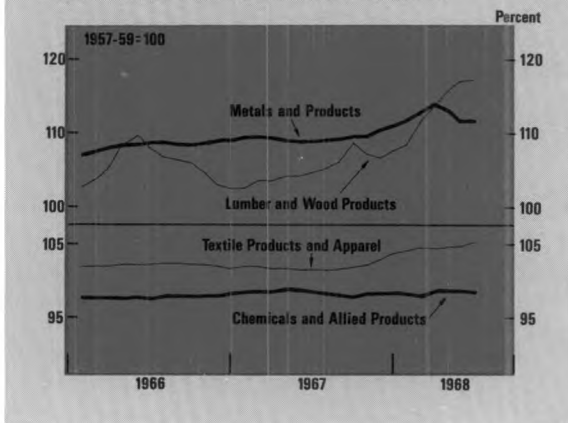
wholesale prices will have slowed their rates of increase before the end of the year, but they will not have stopped.

The extraordinary gain in food prices, which has fueled much of the inflation since last November, should top out soon. Indeed, consumer food prices, seasonally adjusted, declined slightly in June, although they jumped back up in July. But wholesale prices of both farm products and processed foods and feeds fell substantially in August. Harvests of vegetables in the northern growing areas and in California are expected to be above last year's levels, resulting in abundant supplies in August and September. Larger marketings of cattle and greater shipments to feeder lots should satisfy a continued strong consumer demand at fairly stable prices. Poultry and egg prices may continue to rise from the unusually depressed levels that have discouraged many producers, but the pace of advance should slow.

More generally, the passage of the tax bill will tend to bank the inflationary fires both because it will dampen the growth of consumers and corporations' spendable income and because, under the terms of the bill, Federal government expenditures must be reduced below budgeted figures. The impact of the fiscal action should be greatest in those areas in which price pressures have come mainly from rapidly growing demand rather than from restrictions of supply. Services and luxury goods most nearly fit this description.

There are, however, no grounds for unbridled optimism. Wholesale industrial prices have gone, on average, practically nowhere since April; and with food prices probably due to level off, more

THE BEHAVIOR OF METALS AND LUMBER AND WOOD PRODUCTS PRICES IS PRIMARILY THE RESULT OF STRIKES AND SPECIAL SUPPLY CONDITIONS, WHILE TEXTILE AND APPAREL PRICES HAVE RESPONDED TO DEMAND FORCES AND CHEMICAL PRICES HAVE REMAINED QUITE STABLE.



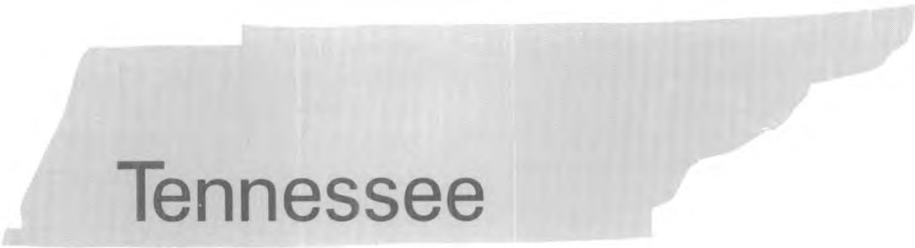
or less, one might think that the wholesale price index would display considerable stability. But this would be to reckon without the lagged effect of prior price increases on wage demands and therefore on industrial costs. Union contracts are made for one, two, or three years. It sometimes happens that wage raises negotiated many months ago are outrun by advances in the cost of living; current negotiations, then, are designed to provide, not only for rises that would have been demanded in the absence of inflation, but for compensation for additional increases in the cost of living *that have already occurred*.

The extent to which business management is willing to resist wage demands or, having granted them, is able to pass them on in the form of

higher prices, depends largely on how actively consumers respond to price increases. The more slowly disposable income grows, the greater consumer reaction, other things being equal. With rather restrictive fiscal policies, disposable income—and therefore consumer spending—will undoubtedly grow more slowly in the second half of 1968 than it did in the first. But it is not to be expected that the change will be sufficient to stop inflation in its tracks.

Recently, we have seen price rise announcements hard on the heels of wage increases in both textiles and steel. There may be other, similar cases. Inflation has a momentum that is hard to stop. But at least the brakes are on.

LAWRENCE F. MANSFIELD



# Tennessee

## Paints

### An Abstract

Pictures come in different sizes, shapes, and colors. Pictures of economic conditions come in different degrees, directions, and frequencies. Tennessee has painted a bright economic picture for most of this decade. Although the picture dulled somewhat in 1967, it has taken on a slightly brighter hue this year.

Income is probably one of the more glowing features of Tennessee's economy. In terms of personal income, the state has increased at a seasonally adjusted annual rate of 23.3 percent from the end of 1967 through June, according to Bank estimates. The total gain for 1967 was 5.6 percent. The largest advances this year occurred in the first two months and were associated with more than seasonal changes in many sectors.

The picture appears slightly different from the standpoint of employment. The seasonally adjusted annual rate of increase in total nonfarm jobs differed little from full year 1967. But a comparison of the first six months of 1968 with the same timespan of 1967 reveals wide variations in employment changes from industry to industry and area to area.

Overall, manufacturing jobs have improved in both the durable and nondurable areas. All of the major durable goods industries are faring better this year than during the comparable period last year except the combination of precision instruments and ordnance. Employers in furniture and

fixtures and fabricated metals have added workers, thus making up for last year's losses. Jobs in the electrical machinery industry declined less, percentagewise.

Totals for nondurables showed an increase this year, compared with a decrease for last year. A look at some of the subsectors reveals less job gains in food products but an increase in apparel jobs, compared with no change for the first six months of 1967. Employment in textile mills is advancing after suffering a loss last year, and chemicals are decreasing less.

The three largest state employers—government, retail trade, and services—are in non-manufacturing. Both government and services have increased less than during the same 1967 period. Jobs in retail trade have declined more.

Of the Standard Metropolitan Statistical Areas (SMSA's) in Tennessee, Knoxville, Memphis, and Nashville have shared gains in nonagricultural employment during the first half of 1968. Chattanooga is the only SMSA exhibiting a decline, but it is less than that of the same period last year. In Chattanooga government and primary metals have played large roles in the drop, while construction has increased substantially. The construction sector has displayed significant strength in the state as a whole.

Agriculture, on the other hand, has been a little less rosy. Total farm cash receipts (un-



adjusted for seasonal changes) from the end of 1967 through May 1968 were down slightly from the corresponding period last year. The breakdown of total farm cash receipts shows receipts for crops down and livestock up.

The gain in livestock can be attributed mainly to price increases. The prices for milk, eggs, broilers, cattle, and calves have remained at, or above, last year's levels, while the price of hogs has declined. The decrease in crops can also be explained by prices. Compared with the first half of last year, the prices of cottonseed, corn, and soybeans were down. The price for cotton was lower than during the last few months of 1967 when it was above normal.

The picture in banking is also quite mixed. The banking situation varies with location and depends on whether or not one looks at seasonally adjusted figures. In the District portion of Tennessee seasonally adjusted loans at member banks are up considerably this year, whereas growth in deposits has been slightly less.

Comparing each trade and banking area (T&BA) within the District portion of the state during the first seven months of this year with the same period last year shows a different and very mixed picture. In the Chattanooga Trade and Banking Area, demand deposits (other than bank) have increased more this year and time deposits have increased less, while loans have increased more. In Knoxville (T&BA) demand deposits have increased, time deposits have gained less, and loans have remained the same. In Nashville (T&BA) demand deposits have dropped, time deposits have advanced less, and

## TENNESSEE PAINTS AN ABSTRACT . . .

### IN EMPLOYMENT

	Percentage Change	
	Dec. 1966- Dec. 1967	Annual Rate Through June 1968
Farm	-21.1	-25.4
Nonfarm	1.5	1.4
Manufacturing	1.4	1.4
Nonmanufacturing	1.5	0

### IN INCOME

	Percentage Change	
	Dec. 1966- Dec. 1967	Annual Rate Through May 1968
Personal Income	5.6	23.3

### IN BANKING

	Percentage Change	
	Dec. 1966- Dec. 1967	Annual Rate Through July 1968
Member Bank Loans*	7.3	18.3
Member Bank Deposits*	8.2	7.7

\*For Sixth District area only. Other figures are for entire state. Seasonally adjusted data.

Sources: Tennessee Department of Employment and Federal Reserve Bank of Atlanta.

loans have risen more. In Tri-Cities (T&BA) demand deposits and loans have decreased less, but time deposits have increased more. Thus, the banking picture is abstract, as is that of the state's economy. Whether the abstract will remain depends heavily on national developments.

C. WILLIAM SCHLEICHER, JR.

*This is one of a series of articles in which economic developments in each of the Sixth District states are discussed.*

## Bank Announcements

**The State Bank of Arlington**, Jacksonville, Florida, a newly organized nonmember bank, opened on August 9 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are R. H. Norton, president; W. H. Doeschler, vice president; and Mrs. Laverne A. Thomas, cashier. Capital is \$250,000; surplus and other capital funds, \$150,000.

**The First Bank of Deltona**, Deltona, Florida, opened on August 15 as a newly organized nonmember bank and

began to remit at par. Officers are Charles S. Johnson, president; Neil E. Bahr, vice president; and Dewey Kern, cashier. Capital is \$280,000; surplus and other capital funds, \$120,000.

**The Bank of Griffin**, Griffin, Georgia, also a newly organized nonmember bank, opened on August 25 and began to remit at par. J. L. Savage is president, and A. M. Stewart, cashier. Capital is \$250,000; surplus and other capital funds, \$250,000.

# Sixth District Statistics

## Seasonally Adjusted

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

	Latest Month (1968)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1968)	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>									
<b>INCOME AND SPENDING</b>									
Personal Income (Mil. \$, Annual Rate) . . . . .	June 65,623	64,771r	64,011r	60,091	Manufacturing . . . . .	July 163	164	160	159
Manufacturing Payrolls . . . . .	July 229	229	224	205	Nonmanufacturing . . . . .	July 159	157	156	152
Farm Cash Receipts . . . . .	June 121	135	148	166	Construction . . . . .	July 110	108	107	104
Crops . . . . .	June 184	170	152	193	Farm Employment . . . . .	July 84	91	88	83
Livestock . . . . .	June 154	151	154	149	Unemployment Rate (Percent of Work Force) . . . . .	July 2.9	2.8	2.6	3.1
Instalment Credit at Banks* (Mil. \$)					Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.4	41.9	41.5	42.3
New Loans . . . . .	July 327	315	317	316	<b>FINANCE AND BANKING</b>				
Repayments . . . . .	July 319	278	270	281	Member Bank Loans . . . . .	July 303	295	289	270
Retail Sales . . . . .	June 183r	180	168	170	Member Bank Deposits . . . . .	July 234	227	223	202
					Bank Debits** . . . . .	July 232	241	222	197
<b>PRODUCTION AND EMPLOYMENT</b>									
Nonfarm Employment . . . . .	July 141	141	141	138	<b>GEORGIA</b>				
Manufacturing . . . . .	July 140	140	140	137	<b>INCOME</b>				
Apparel . . . . .	July 172	172	172	170	Personal Income (Mil. \$, Annual Rate) . . . . .	June 12,782	12,638r	12,507r	11,668
Chemicals . . . . .	July 136	134	133	130	Manufacturing Payrolls . . . . .	July 234	234	229	308
Fabricated Metals . . . . .	July 158	159	156	153	Farm Cash Receipts . . . . .	June 159	145	152	151
Food . . . . .	July 114	116	114	114	<b>PRODUCTION AND EMPLOYMENT</b>				
Lbr., Wood Prod., Furn. & Fix. . . . .	July 105	104	104	104	Nonfarm Employment . . . . .	July 142	142	141	138
Paper . . . . .	July 123	123	122	120	Manufacturing . . . . .	July 136	135	134	134
Primary Metals . . . . .	June 125	126	131	130	Nonmanufacturing . . . . .	July 146	145	144	140
Textiles . . . . .	July 110	110	109	107	Construction . . . . .	July 144	145	143	135
Transportation Equipment . . . . .	July 182	185	181	185	Farm Employment . . . . .	July 58	52	52	63
Nonmanufacturing . . . . .	July 142	141	141	138	Unemployment Rate (Percent of Work Force) . . . . .	July 3.4	3.9	3.3	3.5
Construction . . . . .	July 127	127	129	120	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.2	41.1	40.8	40.4
Farm Employment . . . . .	July 66	62	62	68	<b>FINANCE AND BANKING</b>				
Unemployment Rate (Percent of Work Force) . . . . .	July 3.8	3.9	3.7	4.1	Member Bank Loans . . . . .	July 292	288	284	263
Insured Unemployment (Percent of Cov. Emp.) . . . . .	July 1.9	1.8	1.8	2.5	Member Bank Deposits . . . . .	July 231	225	227	210
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.1	41.3	41.1	40.7	Bank Debits** . . . . .	July 267	274	251	235
Construction Contracts* . . . . .	July 197	194	207	166	<b>LOUISIANA</b>				
Residential . . . . .	July 213	202	240	193	<b>INCOME</b>				
All Other . . . . .	July 183	187	180	144	Personal Income (Mil. \$, Annual Rate) . . . . .	June 9,936	9,950r	9,956r	9,231
Electric Power Production** . . . . .	June 150	153	151	145	Manufacturing Payrolls . . . . .	July 198	203	201	189
Cotton Consumption** . . . . .	July 131	107	107	110	Farm Cash Receipts . . . . .	June 154	155	170	155
Petrol. Prod. in Coastal La. and Miss.** Aug.	233	230	225	270	<b>PRODUCTION AND EMPLOYMENT</b>				
<b>FINANCE AND BANKING</b>									
Loans*					Nonfarm Employment . . . . .	July 131	130	131	128
All Member Banks . . . . .	July 282	276	273	256	Manufacturing . . . . .	July 121	122	121	118
Large Banks . . . . .	July 249	242	241	228	Nonmanufacturing . . . . .	July 133	132	133	130
Deposits*					Construction . . . . .	July 137	138	149	121
All Member Banks . . . . .	July 214	208	208	193	Farm Employment . . . . .	July 61	62	64	64
Large Banks . . . . .	July 186	178	181	174	Unemployment Rate (Percent of Work Force) . . . . .	July 4.9	4.9	4.7	5.5
Bank Debits** . . . . .	July 235	238	223	208	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.8	42.4	42.6	42.6
<b>ALABAMA</b>									
<b>INCOME</b>									
Personal Income (Mil. \$, Annual Rate) . . . . .	June 8,505	8,454r	8,400r	7,952	<b>FINANCE AND BANKING</b>				
Manufacturing Payrolls . . . . .	July 200	198	199	180	Member Bank Loans* . . . . .	July 239	233	232	234
Farm Cash Receipts . . . . .	June 150	132	144	151	Member Bank Deposits* . . . . .	July 174	170	169	164
<b>PRODUCTION AND EMPLOYMENT</b>									
Nonfarm Employment . . . . .	July 127	126	127	126	Bank Debits** . . . . .	July 193	192	182	184
Manufacturing . . . . .	July 125	125	128	125	<b>MISSISSIPPI</b>				
Nonmanufacturing . . . . .	July 127	126	126	126	<b>INCOME</b>				
Construction . . . . .	July 115	114	115	116	Personal Income (Mil. \$, Annual Rate) . . . . .	June 5,140	5,042r	5,014r	4,768
Farm Employment . . . . .	July 74	64	66	82	Manufacturing Payrolls . . . . .	July 267	265	260	225
Unemployment Rate (Percent of Work Force) . . . . .	July 4.5	4.8	4.6	4.3	Farm Cash Receipts . . . . .	June 189	153	146	210
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.7	41.7	40.7	40.7	<b>PRODUCTION AND EMPLOYMENT</b>				
<b>FINANCE AND BANKING</b>									
Member Bank Loans . . . . .	July 260	256	251	238	Nonfarm Employment . . . . .	July 143	142	142	140
Member Bank Deposits . . . . .	July 205	197	199	187	Manufacturing . . . . .	July 151	152	151	146
Bank Debits** . . . . .	July 219	213	202	200	Nonmanufacturing . . . . .	July 140	138	138	137
<b>FLORIDA</b>									
<b>INCOME</b>									
Personal Income (Mil. \$, Annual Rate) . . . . .	June 19,118	18,697r	18,274r	17,085	Construction . . . . .	July 136	134	141	140
Manufacturing Payrolls . . . . .	July 287	286	277	261	Farm Employment . . . . .	July 62	53	49	58
Farm Cash Receipts . . . . .	June 180	188	165	175	Unemployment Rate (Percent of Work Force) . . . . .	July 4.5	4.8	4.7	5.3
<b>PRODUCTION AND EMPLOYMENT</b>									
Nonfarm Employment . . . . .	July 159	158	156	153	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July 41.1	41.2	40.8	39.9
<b>FINANCE AND BANKING</b>									
Member Bank Loans* . . . . .	July 339	328	327	309	<b>FINANCE AND BANKING</b>				
Member Bank Deposits* . . . . .	July 244	239	240	232	Member Bank Loans* . . . . .	July 339	328	327	309
Bank Debits** . . . . .	July 248	235	211	202	Member Bank Deposits* . . . . .	July 244	239	240	232
					Bank Debits** . . . . .	July 248	235	211	202

	Latest Month (1968)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1968)	One Month Ago	Two Months Ago	One Year Ago	
<b>TENNESSEE</b>					Nonmanufacturing . . . . .	July	133	134	134	132
<b>INCOME</b>					Construction . . . . .	July	155	161	164	153
Personal Income (Mil. \$, Ann. Rate)	June 10,142	9,990r	9,860r	9,387	Farm Employment . . . . .	July	64	62	66	69
Manufacturing Payrolls . . . . .	July 217	219	216	193	Unemployment Rate (Percent of Work Force) . . . . .	July	3.9	3.8	3.6	4.5
Farm Cash Receipts . . . . .	June 147	124	131	141	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	July	40.1	40.6	40.7	39.7
<b>PRODUCTION AND EMPLOYMENT</b>					<b>FINANCE AND BANKING</b>					
Nonfarm Employment . . . . .	July 137	139	139	138	Member Bank Loans* . . . . .	July	276	272	271	246
Manufacturing . . . . .	July 146	148	140	137	Member Bank Deposits* . . . . .	July	193	191	194	187
					Bank Debits** . . . . .	July	251	253	252	231

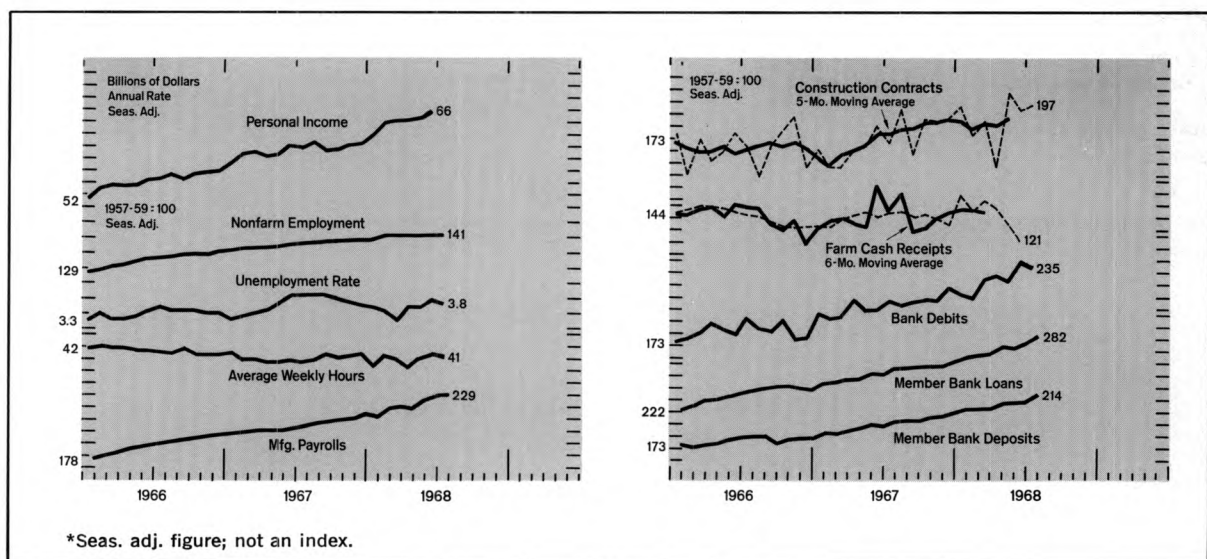
\*For Sixth District area only. Other totals for entire six states. \*\*Daily average basis. r-Revised. p-Preliminary estimate.

# Debits to Demand Deposit Accounts

## Insured Commercial Banks in the Sixth District (In Thousands of Dollars)

	Percent Change						Percent Change						
	Year-to-Date 7 months						Year-to-Date 7 months						
	July 1968	June 1968	July 1967	June 1968	July 1967	from 1967	July 1968	June 1968	July 1967	June 1968	July 1967	from 1967	
<b>STANDARD METROPOLITAN STATISTICAL AREAS†</b>													
Birmingham . . . . .	1,851,431	1,628,938	1,540,886r	+14	+20	+9	Lakeland . . . . .	152,281	118,870	123,027	+28	+24	+8
Gadsden . . . . .	68,399	66,728	57,809	+3	+18	+9	Monroe County . . . . .	39,025	36,593	32,089	+7	+22	+9
Huntsville . . . . .	198,356	182,980	176,276	+8	+13	+5	Ocala . . . . .	68,149	60,658	56,128	+12	+21	+11
Mobile . . . . .	548,876	494,140	490,263	+11	+12	+10	St. Augustine . . . . .	26,310	22,267	21,798	+18	+21	+11
Montgomery . . . . .	354,520	293,039	282,629	+21	+25	+12	St. Petersburg . . . . .	379,961	322,810	310,438r	+18	+22	+5
Tuscaloosa . . . . .	111,948	97,071	97,380	+15	+15	+9	Sarasota . . . . .	152,778	109,941r	101,273	+39	+51	+28
							Tampa . . . . .	854,300	779,164	685,195	+10	+25	+23
Ft. Lauderdale—							Winter Haven . . . . .	69,291	65,886	54,014	+72	+28	+25
Hollywood . . . . .	793,654	775,910	602,758	+2	+32	+23							
Jacksonville . . . . .	1,712,873	1,556,183	1,385,776	+10	+24	+9	Athens . . . . .	95,030	84,794	73,804	+12	+29	+19
Miami . . . . .	2,985,304	2,767,338	2,159,795	+8	+38	+25	Brunswick . . . . .	53,475	44,177	43,879	+21	+22	+13
Orlando . . . . .	611,588	611,588	543,296	+20	+35	+17	Dalton . . . . .	106,425	100,488	76,871	+6	+38	+27
Pensacola . . . . .	225,062	207,983	192,544	+8	+17	+9	Elberton . . . . .	16,290	15,098	14,269	+8	+14	+4
Tallahassee . . . . .	158,217	150,213	138,785	+5	+14	+11	Gainesville . . . . .	83,231	68,325	71,210	+22	+17	+1
Tampa—							Griffin . . . . .	38,332	35,181	34,264	+9	+12	+7
St. Petersburg . . . . .	1,632,781	1,461,115	1,326,006	+12	+23	+19	LaGrange . . . . .	26,320	22,832	20,766	+15	+27	+3
W. Palm Beach . . . . .	505,513	485,686	376,481	+4	+34	+21	Newnan . . . . .	25,240	25,171	24,778	+0	+2	+6
							Rome . . . . .	89,603	77,051	68,016	+16	+32	+13
Albany . . . . .	105,822	97,782	84,382	+8	+25	+15	Valdosta . . . . .	60,949	62,765	53,327	-3	+14	+10
Atlanta . . . . .	6,177,709	5,530,541	4,740,804r	+12	+30	+15							
Augusta . . . . .	326,621	295,369	284,733	+11	+15	+10	Abbeville . . . . .	12,275	11,414	11,197	+8	+10	+8
Columbus . . . . .	269,242	235,089	207,550	+15	+30	+14	Alexandria . . . . .	153,312	141,819	127,738	+8	+20	+7
Macon . . . . .	287,017	261,417	244,073	+10	+18	+12	Bunkie . . . . .	7,536	6,267	7,105	+20	+6	+3
Savannah . . . . .	333,257	281,397	258,680	+18	+29	+13	Hammond . . . . .	43,926	35,653	38,086	+23	+15	+2
							New Iberia . . . . .	41,124	33,053	35,185	+24	+17	+6
Baton Rouge . . . . .	678,904	610,404	523,088	+11	+30	+12	Plaquemine . . . . .	14,137	11,941	11,369	+18	+24	+22
Lafayette . . . . .	144,868	132,758	126,595	+9	+14	+13	Thibodaux . . . . .	26,148	22,312	22,032	+17	+19	+8
Lake Charles . . . . .	177,104	141,977	147,250	+25	+20	+10							
New Orleans . . . . .	2,668,445	2,389,935	2,374,956	+12	+12	+6	Biloxi-Gulfport . . . . .	137,905	108,011	106,117	+28	+30	+15
							Hattiesburg . . . . .	66,457	61,906	56,191	+7	+18	+11
Jackson . . . . .	701,776	663,706	568,504	+6	+23	+11	Laurel . . . . .	45,604	37,933	31,544	+20	+45	+20
							Meridian . . . . .	72,578	66,384	65,816	+9	+10	+5
Chattanooga . . . . .	695,729	624,345	571,171	+11	+22	+10	Natchez . . . . .	48,224	36,422	34,953	+32	+38	+10
Knoxville . . . . .	547,073	482,369	445,659	+13	+23	+11	Pascagoula—						
Nashville . . . . .	1,954,351	1,707,472	1,535,269	+14	+27	+14	Moss Point . . . . .	72,020	60,774	54,519	+19	+32	+21
							Vicksburg . . . . .	44,914	38,529	40,463	+17	+11	+5
<b>OTHER CENTERS</b>							Yazoo City . . . . .	32,360	29,736	31,100	+9	+4	+6
Anniston . . . . .	75,833	70,059	62,489	+8	+21	+14							
Dothan . . . . .	73,424	63,598	55,861	+15	+31	+12	Bristol . . . . .	84,881	77,529	74,788	+9	+13	+24
Selma . . . . .	45,862	45,777	44,712	+0	+3	+6	Johnson City . . . . .	91,096	77,952	76,830	+17	+19	+8
							Kingsport . . . . .	180,337	148,708	144,769	+21	+25	+11
Bartow . . . . .	36,333	34,265	32,386	+6	+12	-1	<b>SIXTH DISTRICT, Total</b>	<b>36,650,697</b>	<b>33,069,072</b>	<b>29,450,131r</b>	<b>+11</b>	<b>+24</b>	<b>+14</b>
Bradenton . . . . .	94,032	74,306	73,953	+27	+27	+16	Alabama‡ . . . . .	4,631,509	4,120,519	3,865,263	+12	+20	+12
Brevard County . . . . .	242,472	230,704	221,452	+5	+9	+8	Florida‡ . . . . .	11,179,400	10,419,807	8,661,157r	+7	+29	+18
Daytona Beach . . . . .	112,601	91,129	93,540	+24	+20	+9	Georgia‡ . . . . .	9,634,720	8,652,483	7,585,735r	+11	+27	+14
Ft. Myers—							Louisiana*† . . . . .	4,582,026	4,102,433	3,792,865	+12	+15	+8
N. Ft. Myers . . . . .	94,363	95,091	75,254	-1	+25	+30	Mississippi*† . . . . .	1,792,291	1,443,927	1,325,302	+24	+35	+13
Gainesville . . . . .	104,511	94,124	74,639	+11	+40	+18	Tennessee*† . . . . .	4,830,751	4,329,933r	4,039,809	+12	+20	+12

# District Business Conditions



The burgeoning District economy shows little signs of summer doldrums. In July consumer spending spurred upward concomitantly with deposits and loans at District banks. A drop in the unemployment rate and a marked increase in nonmanufacturing jobs counterbalanced some fall-off in manufacturing jobs. The construction and agricultural sectors remained strong, as building activity and agricultural cash receipts continued climbing.

Retail sales rose sharply in July, with automobile sales especially high, even as withholdings under the new surtax increased during the latter part of the month. New instalment loans at District banks also rose substantially from the June level, sparked by advances in automobile loans and credit-card and check-credit loans.

Nonmanufacturing employment continued its uptrend in July, accompanied by a moderate decline in the unemployment rate. The automobile model changeover and the near-term steel contract deadline were primarily responsible for the decline in manufacturing jobs and the average workweek. Crude petroleum production increased in August, but allowable production has been lowered for September.

Deposits rose substantially in August, with large denomination certificates of deposit accounting for most of the growth at large banks. Business loans were stronger than usual for August, despite a sharp drop in the final week of the month. Consumer and real estate loans also increased. Investment portfolios declined, as banks reduced their holdings of Government and other securities. The discount rate of the Federal Reserve

Bank of Atlanta was lowered from  $5\frac{1}{2}$  to  $5\frac{1}{4}$  percent, effective August 30, 1968.

Through the first six months of 1968 cash receipts from farm marketings were well above year-ago levels, reflecting strength in both crop and livestock sectors. Income from current flue-cured tobacco sales in Florida and Georgia lag behind 1967 receipts, however. The August 1 estimates of 1968 crop production indicate that corn and peanuts output will drop below 1967 levels, but increased acreages of soybeans, rice, cotton and burley tobacco will enhance production gains. Prices for most crops continue below year-earlier levels, with the expectation of higher livestock prices.

A high level of activity in residential building, which has boosted the construction sector in the first half of 1968, showed no signs of slowing in July. Apartment building has boomed, particularly in the Miami-Fort Lauderdale-Hollywood area. Nonresidential construction remains robust throughout the District except for Mississippi.

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