MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

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A Federal Reserve Innovation:

One-Week Settlement Period for Country Banks

September 12, 1968, is a date likely to be footnoted in banking textbooks for many years to come. This date marked the inauguration of several changes in reserve accounting procedures including the conversion of so-called country banks from two-week to one-week reserve settlement periods.

Compared with many other actions taken by the Federal Reserve System, this innovation passed relatively unnoticed except by the banks directly concerned. Though unspectacular, changes such as the conversion of country banks to one-week settlement periods are of interest. They illustrate the type of small, unspectacular innovation which the Federal Reserve System makes from time to time to improve the efficiency of the nation's banking system.

Accordingly, this article discusses the conversion of country bank settlement periods in some detail, covering in the process—the basics of reserve settlement and the problems associated with the two-week settlement periods earlier required of country banks. The article concludes with a quantitative assessment of how successful last September's conversion has proved to be.

The Mechanics of Reserve Settlement

As every banker and student of the Federal Reserve System knows, we have a "fractional reserve" banking system. Banking law requires every member bank to set aside assets at least equal to specified fractional proportions of deposit liabilities. Reserve assets are either balances held by the member banks at District Federal Reserve Banks or the cash each bank holds in its vaults.

Implementing the law, the Board of Governors of the Federal Reserve System specifies the reserve accounting rules in its own regulations, which define both reserve assets and deposits that are subject to reserve requirements. In addition, the Board specifies, within legal limits, the fractional reserve requirement applying to each class of deposit. The Board's regulations not only spell out how required reserve totals and reserve asset totals are to be calculated but also specify the time period during which reserve accounts must be settled.

Reserve regulations impose penalties against banks whose reserve assets fall short of their reserve requirements. Excesses are permitted, but they are costly simply because excess reserve assets earn no interest but may be exchanged for earning assets that do. In other words, every dollar of excess reserve assets represents a dollar on which interest could have been earned but was not. Profit-conscious bankers, therefore, have an incentive to keep their excess reserve assets close to zero.

Bankers can adjust their holdings of reserve assets in several ways: acquiring additional reserve assets, when necessary, to meet the reserve requirements against their deposits, or getting rid of reserve assets in excess of these requirements. The most important means for adjustment is the so-called Federal funds market, in which banks

lend reserve assets to each other overnight. The borrowing of reserve assets from the Federal Reserve's discount window and the exchange of interest-bearing securities for reserve assets are other ways in which bankers adjust their reserve asset positions.

Bankers make these adjustments within the framework of the reserve settlement timing specified by the Board's regulations. The reserve settlement period is presently one week. This means that each member bank, regardless of size or location, must maintain reserve assets each week sufficient to cover the average of its required reserves.[1] A bank may fail to meet its reserve requirements for one or more days during the week, provided this deficiency is offset by an excess at some other point in the settlement week.

Each bank's level of reserve assets fluctuates from day to day for technical reasons associated with the cashing of checks through the teller's window and the collection of checks through the Federal Reserve System. This type of fluctuation, though difficult for a banker to predict accurately on a day-to-day basis, tends to even out somewhat over longer periods. The length of the reserve accounting period determines both the degree to which bankers feel they must guard against hard-to-predict fluctuations of reserve assets and the amount of time bankers have to adjust their reserve asset positions. If reserve accounts had to be settled very frequently, bankers would have to adjust their loan and deposit activity very quickly in order to respond to temporary changes in reserve assets. The result would be erratic behavior in the banking system.

[1]Since September 1968, reserve requirements have been calculated on the basis of deposit liabilities outstanding two weeks earlier; vault cash assets are also counted as of two weeks prior to the reserve settlement week.

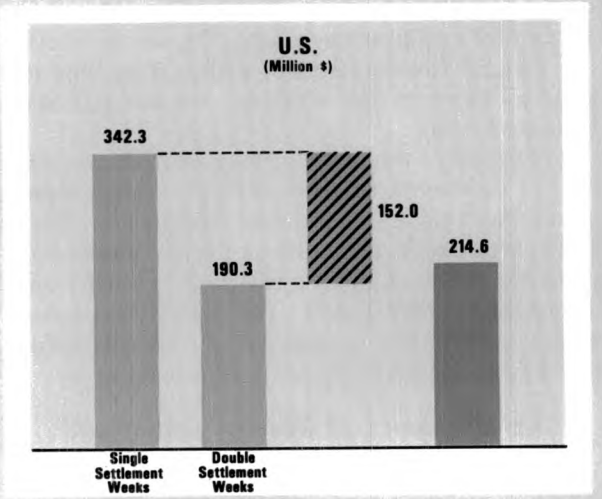
Settlement Periods For Country Banks– Before and After

Before September 12, 1968, "country" banks settled their reserve accounts every two weeks; "reserve city" banks every week. This difference in reserve settlement timing, together with the tendency of country banks to maintain reserve assets well in excess of the reserve requirements, produced a persistent biweekly pattern of excess reserves.

Reserve city banks had a tendency to experience alternating weeks of reserve scarcity and reserve glut, complicating the reserve management activities of reserve city banks and the reserve stabilization activities of the Federal Reserve System. The change from two-week reserve settlement periods to one-week reserve settlement periods was designed to eliminate these biweekly swings.

Chart I shows that during September 1967 to July 1968, (the period in which these banks had two weeks to settle their reserve accounts) the 5,796 country banks maintained excess reserve assets averaging $342.3 million in single settlement weeks. In double settlement weeks, they averaged only $190.3 million. The difference—$152.0 million—was the alternating buildup and rundown of excess reserve assets. The biweekly pattern has disappeared since

Chart I



KEY TO CHARTS

Pre-conversion two-week settlement periods for country banks—September 1967 to July 1968.

After conversion of country banks to one-week settlement periods—September 1968 to July 1969.

On the other hand, the policy link between changes in reserve assets and changes in deposit and loan activity might be significantly weakened if the reserve settlement period were very long. For all these reasons, the timing of reserve settlement importantly affects the way banks do business.

The History of Reserve Settlement Timing

Partly because the Federal Reserve Act of 1913 imposed no specific requirements for reserve settlement timing, the individual Federal Reserve Banks set up requirements for themselves in the period from 1914 to 1919. Different Districts decided on different specifications, ranging from daily settlements to settlements on the basis of daily averages calculated each month. Other Districts required their banks to settle weekly or semi-monthly.

These disparities were further complicated by the existence of three classes of member banks, each of which was subject to different reserve accounting rules. Larger banks in the cities with Federal Reserve Banks and branches, comprising the so-called central reserve city and reserve city bank classifications, were expected to settle their reserve accounts relatively frequently. Their size and their proximity to Federal Reserve facilities presumably offered them means to adjust their reserve balances more efficiently than other banks.[2] The remaining banks were included in the reserve accounting category of so-called country banks.

It was not until 1919 that the Board of Governors published regulations designed to standardize reserve computation periods among the

[2]Central reserve city banks were absorbed into the reserve city classification in 1962.

conversion. No biweekly fluctuation is associated with this average.

Chart II illustrates a similar pattern for the 546 country banks in the District. In the pre-change period, these banks' excess reserves fell, on average, from $42.3 million in single settlement weeks to $33.5 million in double settlement weeks—a swing of $8.8 million. In the post-change period, excess reserve assets have averaged $30.2 million.

Chart III shows a comparable change in average excess reserve assets at a "typical" Sixth District country bank.

Chart II

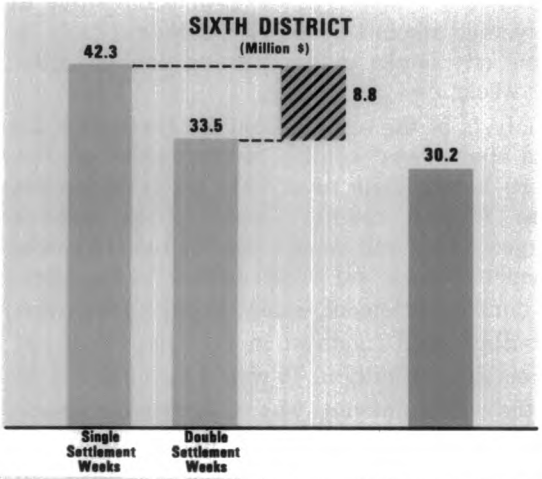
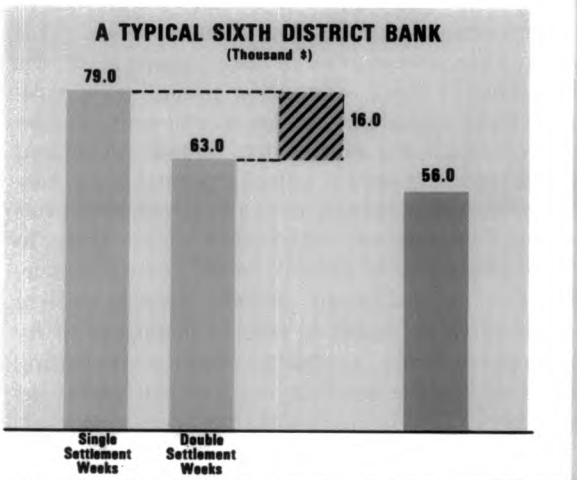


Chart III



twelve Federal Reserve districts. By 1923, all central reserve city and reserve city banks were settling their reserve accounts every week, whereas country banks were required to settle over semimonthly periods. In 1962, country bank computation periods were made biweekly. All country banks settled every other week; all reserve city banks settled weekly. This was the situation immediately prior to the reserve accounting changes put into effect in September 1968.

Why the Change?

The historical trend toward uniformity in the timing of reserve settlement suggests one reason why country banks were converted to one-week accounting periods last September: Reserve city banks were already settling weekly; therefore, the move made the reserve settlement timing uniform for the two groups of banks, country and reserve city.[3]

But uniformity of reserve accounting rules, as such, was not the main reason for the September conversion. The main reason was a persistent biweekly seesaw pattern in reserve availability, a pattern attributable to the difference in accounting periods. When country banks settled every other week, they piled up excess reserves during the "single settlement" week, so called because only the single class of reserve city banks settled their reserve accounts. Excess reserves that were stockpiled at country banks in the single settlement weeks were withheld from the reserve city banks, who sought to balance their own reserve accounts.

During the ensuing double settlement weeks, when *both* groups of banks settled their accounts, the country banks chose to release excess reserve assets accumulated in the previous week. This offset their excess reserve asset position in the first week of their accounting period with a reserve asset deficiency in the second half. Particularly toward the end of the double settlement weeks, excess reserves became plentiful as they flowed from the country banks into money market centers, and reserve city banks were likely to experience a glut of reserve assets. The difference, therefore, in settlement periods, coupled with a conservative approach to reserve management by the country banks, tended to produce alternating weeks of reserve scarcity and reserve plenty at the reserve city banks and in the money market.

The alternating pattern of scarcity and plenty was partially counteracted by the Federal Reserve System's open market operations. During single settlement weeks when reserve assets moved out of the money markets and into the balances of cautious country banks, the System injected compensating reserve assets by buying securities. When the piled-up reserves reentered the money markets in each double settlement week, the System then reabsorbed the injected reserves by selling securities. Although the rise and fall of reserves was regular, the sizes of the flows were not easily predictable. Therefore, one more significant complication was added to the System's management of total banking system reserves. It was hoped that the elimination of the reserve period disparity would remove the seesaw pattern and the problems associated with that pattern.

The Results

A study made at the Federal Reserve Bank of Atlanta helps to quantify this biweekly reserve availability pattern. During the 21 single settlement weeks from September 1967 to July 1968, country bank excess reserves across the nation averaged $342 million per day. In the alternate double settlement weeks, however, their excess reserves were only $190 million per day—a significant difference of $152 million per day on average. Nationally and on average, country banks built up their excess reserves by approximately $150 million during the first half of their settlement period. Then they ran them back down by a similar amount in the following double settlement week. An average of about $150 million in reserve assets was withheld from reserve city banks in single settlement weeks, relative to the average amount of reserve assets available to reserve city banks in the ensuing double settlement weeks.

Analysis of the same period for Sixth District banks shows very similar results, although the pattern is not quite as striking as it is for the nation. District country banks' excess reserves averaged $42.3 million per day in the 21 single settlement weeks and $33.5 million in the alternate double settlement weeks, implying an average buildup and rundown in the District of approximately $9 million. It would be incorrect to say that this amount was alternatively made available and withheld from Sixth District reserve city banks, however, since the financial markets through which excess reserves are redistributed are national rather than local in scope.

This biweekly pattern of reserve availability, clearly evident before September 1968 in both the

[3] Differences remain, however, in the reserve requirements applying to reserve city and country banks. For every dollar of demand deposits in excess of $5 million, for instance, a reserve city bank must maintain 17-1/2 cents of reserve assets, a country bank 13 cents (as of November 30, 1969).

nation and the Sixth District, was expected to be reduced when country banks converted to one-week accounting periods. Was it reduced? The results of further studies suggest that it was.

Analysis of the period from September 1968 to July 1969, a year later than the coverage of results mentioned earlier shows no significant buildup and rundown. The average swing was $3.5 million in the post-changed period, compared with the $152-million average buildup in the period prior to the change. Country bank excess reserves after the conversion averaged about $214 million, slightly higher than the pre-change double settlement week average of $190 million but much less than the corresponding single settlement week average of $342 million. The results, in other words, make good sense. The post-change $214-million average may be lower than "normal," however, because excess reserves in the banking system as a whole have been scarce during the recent period of monetary restraint.

Sixth District data yield the same conclusion: Conversion of the country bank settlement periods has successfully eliminated the earlier biweekly reserve pattern. After the change, the excess reserve buildup for country banks in the District was $0.3 million, compared with $8.8 million previously.

WILLIAM N. COX, III

Appendix

This study employed regression analysis of the simple model:

$$(1)\quad XR_c = a + bD + e$$

where XR_c is weekly country bank excess reserves (averaged over the days in each week); D is a dummy variable equal to one in single settlement weeks and zero in double settlement weeks; and (e) is a stochastic term. The model presumes that each week's aggregate of country bank excess reserves may be linearly decomposed into the constant (a), the adjustment single settlement week status (b), and the random term (e).

This study makes use of a fundamental property of regression analysis: that the mean of the residual —the regression estimate of (e)—is zero. This implies that the estimate of (a) is the average of country bank excess reserves during the double settlement weeks covered by the regression, and that (a+b) is the average of country banks' excess reserves during the single settlement weeks.

The results are shown in the accompanying table. Regression N-1, covering national country banks during the September 1967 to July 1968 period prior to the conversion of country banks to one-week accounting periods, shows that the above model offers a highly significant explanation of excess reserve behavior. The biweekly pattern of buildup and rundown, captured by the estimate of regression coefficient (b), is both large and significant. Results of similar quality were drawn from Sixth District data for the same period; these are shown in regression D-1.

To see whether the biweekly pattern persisted after the reserve period change, the same model was applied to the September 1968 to July 1969 period. As expected, results of regression N-2 and D-2 for the nation and the District show that the biweekly coefficient (b), instead of being large and significant as it had been previously, had become small and insignificant.

COUNTRY BANK EXCESS RESERVE BEHAVIOR—REGRESSION RESULTS

Regression Number	Period	Number of Observations	Estimate of (a) ($ millions)	Estimate of (b) ($ millions)	Σe^2	R^2(adj.)	Durbin-Watson
N-1	Sept. '67-July '68	42	190.3	152.0** (5.61)	308,957	.65**	2.23
N-2	Sept. '68-July '69	42	212.9	3.5 (0.24)	86,360	.00	1.07
N-3	Both Periods	85	203.4	75.3** (4.15)	580,027	.40**	2.22
	CHOW TEST OF NATIONAL DATA: F = 18.7**						
D-1	Sept. '67-July '68	42	33.5	8.8** (2.81)	4,083.5	.38**	2.03
D-2	Sept. '68-July '69	42	30.1	0.3 (0.05)	14,099.7	.00	1.60
D-3	Both Periods	85	32.0	4.6 (1.36)	20,045.6	.10	1.63
	CHOW TEST OF DISTRICT DATA: F = 3.49*						

* significant at 5% level. ** highly significant at 1% level.

Farm Prices Have Trended Downward: Will Consumers Benefit?

Agricultural prices are sometimes regarded as an important bellwether of general business conditions and price movements. Historically, prices of farm products have often been first to rise during economic upswings but have typically fallen throughout periods of recession. Thus, movements of agricultural prices are among those indicators that may be scrutinized for clues as to what lies ahead during periods of business uncertainty.

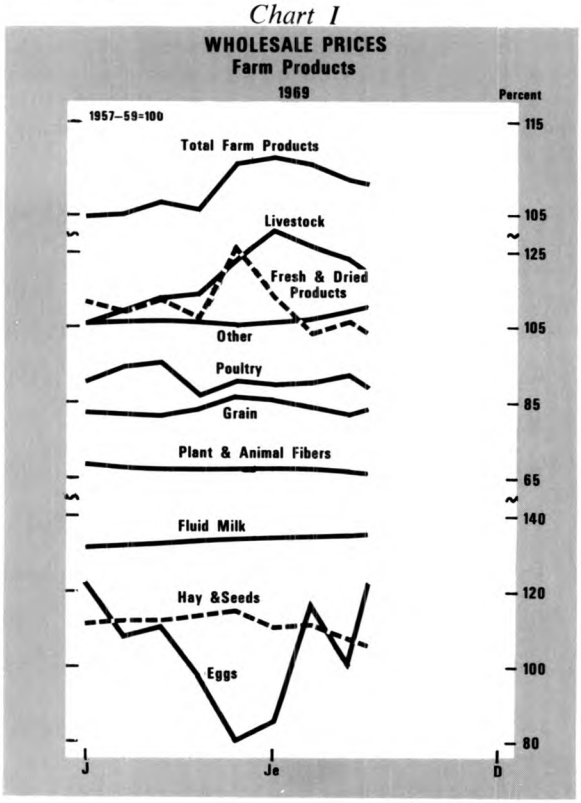
1969 Prices of Wholesale Farm Products

The first half of 1969 was marked by spectacular changes in wholesale prices of farm products. Prices rose rapidly during five of the first six months of the year but began an irregular decline in July. Has this decline signaled a long awaited break in the recent inflationary period?

Wholesale prices indexes which include the total and component commodity groups of farm products through September 1969 are shown in Chart I. Before July—when the overall price decline began—the index fell only once in 1969. In April, a drop in poultry, eggs, and fresh and processed fruits and vegetables resulted in a one-percent decline in the index.

Dip in April. The decline in poultry prices was primarily precipitated by heavier supplies but may have also reflected a lower rate of increase in the prices of poultry's main competitors, beef and pork. It appeared at that time that the market for meat and poultry had begun to reach the saturation point. By May, however, consumers had apparently substituted a sufficient quantity of poultry for high-priced beef and pork to reverse April's sharp downward turn in wholesale poultry prices.

Chart I

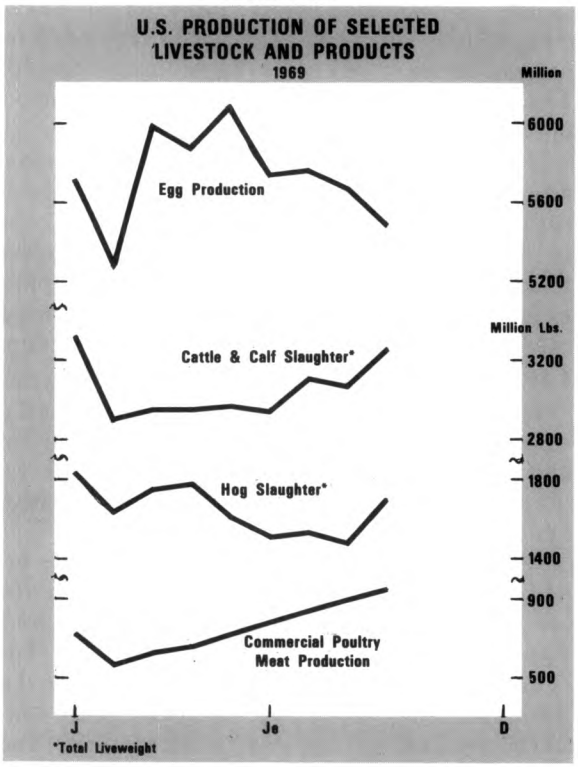


Although the supply of poultry meat has grown steadily since February (See Chart II), the rate of growth was not large enough to account for the sudden price dip in April. Output during the first seven months of 1969 substantially exceeded that of the same period in 1968, however.

Egg prices, although accounting for the smallest proportion of the total index of wholesale prices, dropped more dramatically than other prices and continued falling through May. This was not unusual, however, since egg production tends to increase in the spring with an accompanying lowering of prices (Chart II).

Prices of fresh and dried fruits and vegetables, the only other series to show a notable decline in April, also typically move downward with increasing supplies as the season progresses. But in early 1969, supplies were down slightly from a year earlier, reflecting reduced plantings of most vegetable crops. Hence, the decline in prices may have signified that consumers were becoming more budget conscious and were attempting to trim food expenditures by reducing purchases of relatively high-cost items, such as fruits and vegetables.

Chart II



Rise in May. Wholesale farm prices rose sharply in May, reflecting abrupt increases in prices of livestock, fresh and dried fruits and vegetables, poultry, and grain.

The sharp increase in May, as well as the rising trend in livestock prices throughout early 1969, was attributable to a brisk consumer demand in the face of a shrinking supply of meat. Total livestock production in the first half of 1969 actually declined from the year-earlier level. Monthly cattle and calf slaughter decreased in February (See Chart II) and had not regained the January level by September. Monthly hog slaughter actually declined by 350 million pounds from January to August, largely because of disease losses and bad weather. In May, a sharp drop in slaughter accompanied the abrupt increase in livestock prices.

Farm prices of fruit and fresh market vegetables also rose dramatically in May from April. Exceptional price increases were registered for cabbage, carrots, celery, sweet corn, lettuce, and snap beans. Reduced acreages and unfavorable spring weather that delayed maturity of the smaller crop contributed to temporary shortages. Demand in May seemed to be strengthened largely because of increasing incomes and large Government purchases.

Basically, the May increase in poultry prices appeared to be a correction of the excessive downward adjustment that occurred in April. Poultry supplies were actually increasing rather rapidly at this time, but hog slaughter was dropping.

Farm prices of grain began advancing in April and contributed heavily to the rise in the total index in May. Dwindling free stocks of corn, in the face of growing demands from the livestock feeding sector, were responsible for the price increases.

Declines Since June. Prices of farm products reached a peak in June and began an irregular downward movement in July. Livestock prices exerted the major influence, turning downward when growing supplies began to finally overtake the rapidly increasing demand.

As temporary shortages were alleviated, prices of fresh and dried fruits and vegetables were also falling sharply, returning to a more normal midsummer pattern. As expectations of a plentiful new crop materialized, grain prices also began dropping.

The only other series trending downward noticeably at this point was hay and seed prices, reflecting primarily lower prices of soybeans. These lower prices were attributable to a large carryover in the 1968 crop and to an announced reduction in the support price.

Egg prices have been moving counter to the total price index throughout most of the year. The July decline in the total index coincided with the sharpest jump in egg prices during the year.

A temporary shortage of eggs resulted from unusually hot weather. With the relief of cooler temperatures, an oversupply of eggs developed in August, causing prices to again drop sharply. This pattern of erratic fluctuation has continued through the fall months.

The downturn in total wholesale farm prices was further strengthened in August by falling cotton prices (See plant and animal fibers, Chart I). Cotton prices began to decline when projections for the 1969 crop indicated an ample supply to meet domestic requirements and a substantial carryover from the 1968 crop appeared certain. Later revisions lowered the new crop estimates. Heavy August rains severely damaged the southeastern crop, stimulating rank growth—boll rot and insect damage. Drought in other areas reduced yields more than had been anticipated, and cotton prices turned up again.

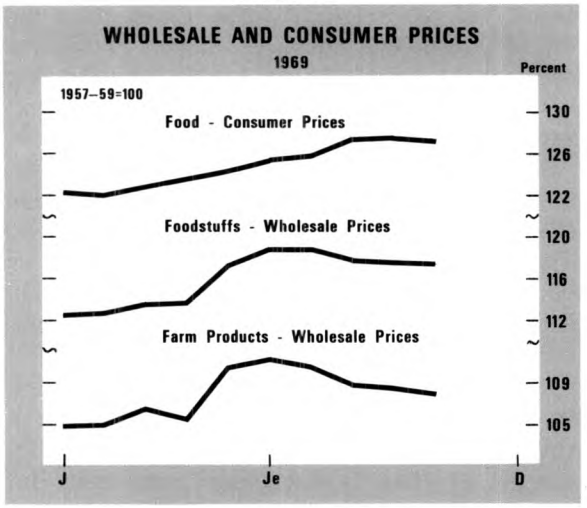
Toward the end of the year, the wholesale index has been pushed upward again by sharp price advances in eggs and fresh fruits and vegetables.[1] Egg production has declined through the fall months, putting pressures on supplies. Brisk demand, fed by excessive speculation in future contracts, resulted in historically high prices. The supply of fruits and vegetables has also declined more than seasonally—contributing to unusual price increases.

Relationship of Food Prices to Farm Prices

The food items that consumers purchase are processed farm products. Thus, it is reasonable to expect consumer food prices to reflect the downward movement in wholesale farm prices since July. The index of consumer food prices, however, does not closely follow wholesale prices of either farm products or foodstuffs, as shown in Chart III. All three price series have moved upward since 1963, but the advance in consumer food prices has been the smoothest of the three. A relatively close correlation is evident between wholesale prices of farm products and foodstuffs.

That consumer food prices tend to stick at high levels is clearly demonstrated. Increases in wholesale farm prices are nearly always accompanied by rising consumer food prices. The latter are slow to decline, however, when wholesale prices drop. In fact, lower wholesale prices are usually reflected in the consumer price index by a slower rate of increase or by a sidewise movement. Since 1963, consumer prices have declined only after four or five consecutive months of falling wholesale farm prices. Cases in point are the substantial declines in wholesale farm prices registered from February to June and September to December of 1966; and from January to April and July to November of 1967.

Chart III



From February to June 1966, for example, the index of farm wholesale prices declined three points, but only after the fourth consecutive month of falling wholesale prices did the consumer food prices index decline. Farm prices regained the three-point loss in July 1966; in August, food prices jumped about three points.[2]

Beginning in September 1966, wholesale farm prices began a decline that continued for seven months, except for a brief rise in January 1967. Consumer food prices, however, did not decline appreciably until January 1967 and had only dropped less than two points when they reached their low in April. In comparison, the wholesale farm products index dropped more than ten points in the corresponding period. In May, when prices of farm products rose, food prices began to rise immediately.

In The Months Ahead

In much of 1969, food prices have led the rapid advance in the consumer price index. In addition, substantial declines in wholesale prices of farm products from July to October have not developed

[1] Preliminary data indicate a sharp rise in the November index of wholesale farm prices.

[2] The first differences, as well as one, two, and three-month lags of monthly wholesale prices of both farm products and foodstuffs were regressed on the first differences of monthly consumer food prices. The best fit was obtained when the first differences of monthly wholesale farm prices, lagged by one month, were regressed on the first differences of consumer food prices. The coefficient of determination (r^2) obtained was 0.24. Although relatively low, it was statistically significant and 9 percent above that of the best alternative equation. Changes in consumer prices, therefore, were more closely related to changes in wholesale farm prices in the preceding month than in any other period tested and more closely related to wholesale food prices.

at the retail level. Some leveling in food prices was evident, however, in early fall, although in late 1969 the housewife was faced with sharply higher prices for eggs, fruits and vegetables.

Barring other unforeseen disturbances in agricultural products, such as the egg shortage, the consumer price index for food will probably continue its leveling tendency in early 1970. Past performance indicates that significant declines in food prices occur only after farm prices drop for a four- to five-month period. Further price declines are in prospect, since supplies of most food items are projected to build up in the months ahead. Specific projections for the predominant livestock group indicate that heavier marketings of fed cattle are anticipated through next spring. A larger supply—coupled with indications that consumers are substituting lower-priced meats for beef—would make for a continuation of the downward trend in meat prices that began in July.

A further seasonal decrease in pork production is anticipated, reflecting reduced farrowings last spring that resulted in fewer pigs available for feeding during the summer and fall months. Because of more competition from projected larger supplies of beef and poultry, however, there is likely to be little increase in pork prices. Rather than pay higher prices for pork, consumers probably will buy increasing amounts of beef and chicken.

Broiler production is expected to continue increasing through the first half of 1970. With beef output also increasing, lower poultry prices are in prospect as a result of the more plentiful meat supply.

Egg production will continue to increase because of a slight buildup in the size of the laying flock. Prices should decline from recent high levels as overall supplies of animal proteins become more plentiful.

Grain and soybean prices are likely to show leveling tendencies through early 1970. Heavy demands for feeds from the livestock sector will provide some support to prices that would otherwise decline in response to plentiful grain and soybean crops.

If current signs of less exuberant economic advances continue, the demand for food products is also likely to slow its brisk pace, particularly for the more expensive food items. Demand projections beyond early 1970 are clouded by uncertainties in the economic and fiscal outlook.

The Recap

In summary, wholesale agricultural prices rose rapidly during the first half of 1969 but began dropping at mid-year, essentially reflecting changes in livestock prices. Consumer food prices, though not closely following wholesale price movements, reflected falling wholesale prices by leveling off in early autumn.

Like most indicators of business conditions, agricultural price changes alone are not always a reliable indication of coming economic conditions. Nevertheless, the behavior in wholesale prices of farm products since July may have signaled a change in economic direction that apparently is being confirmed by other evidence as 1969 draws to a close. How profound and durable these changes will be are matters that remain to be seen.

GENE D. SULLIVAN

Bank Announcements

On November 1, **Bank of Clayton,** Clayton, Georgia; **Bank of Eastman,** Eastman, Georgia; **Bank of Warner Robins,** Warner Robins, Georgia; and **Citizens State Bank,** Warner Robins, Georgia—all nonmember banks—began to remit at par for checks drawn on them when received from the Federal Reserve Bank.

A newly organized nonmember bank, **First Bank of South DeKalb,** Decatur, Georgia, opened for business on November 3 and began to remit at par. Officers are Joseph C. Bagwell. Jr., president; Wilbur T. Tomberlin, vice president; and Martin C. Avery, cashier. Capital is $325,000; surplus and other capital funds, $325,000.

On November 15, **The Meigs County Bank,** Decatur, Tennessee, a nonmember bank, began to remit at par.

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Sixth District Statistics

Seasonally Adjusted

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

	Latest Month 1969		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	71,792	71,717	65,110
Manufacturing Payrolls	Oct.	250	248	248	233
Farm Cash Receipts	Sept.	142.8	177.3	196.1	133.5
Crops	Sept.	98.5	167.4	154.3	92.6
Livestock	Sept.	185.5	177.9	200.6	169.0
Instalment Credit at Banks* (Mil. $)					
New Loans	Oct.	329.7	325.8	303.9	343.6
Repayments	Oct.	297.2	287.4	300.6	270.0
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	148	148	148	144
Manufacturing	Oct.	147	146	147	143
Apparel	Oct.	176	175	175	176
Chemicals	Oct.	142	141	141	137
Fabricated Metals	Oct.	172	170	169	161
Food	Oct.	115	113	114	113
Lbr., Wood Prod., Furn. & Fix.	Oct.	107	107	106	106
Paper	Oct.	128	128	129	125
Primary Metals	Oct.	142	140	139	129
Textiles	Oct.	113	113	113	111
Transportation Equipment	Oct.	204	202	217	195
Nonmanufacturing†	Oct.	149	149	149	142
Construction	Oct.	139	140	137	133
Farm Employment	Oct.	52.2	48.5	58.3	54.9
Unemployment Rate (Percent of Work Force)†	Oct.	3.6	3.7	3.5	3.8
Insured Unemployment (Percent of Cov. Emp.)	Oct.	2.0	1.9	1.9	1.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.3	41.3	40.8	41.0
Construction Contracts*	Oct.	211	196	310	228
Residential	Oct.	249	217	275	271
All Other	Oct.	179	178	340	191
Electric Power Production**	Sept.	161	160	164	149
Cotton Consumption**	Sept.	103	99	102	104
Petrol. Prod. in Coastal La. and Miss.**	Oct.	234	251	256	220
FINANCE AND BANKING					
Loans*					
All Member Banks	Oct.	334	331	330	294
Large Banks	Oct.	281	276	272	258
Deposits*					
All Member Banks	Oct.	227	226	229	220
Large Banks	Oct.	189	189	191	190
Bank Debits*/**	Oct.	275	271	269	235
ALABAMA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	8,874	8,960	8,064
Manufacturing Payrolls	Oct.	215	211	210	195
Farm Cash Receipts	Sept.	131.0	176.9	189.2	110.6
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	131	130	130	128
Manufacturing	Oct.	133	132	131	129
Nonmanufacturing	Oct.	130	130	130	128
Construction	Oct.	127	126	126	127
Farm Employment	Oct.	53.5	51.1	64.4	54.7
Unemployment Rate (Percent of Work Force)†	Oct.	4.0	4.2	4.1	4.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.1	40.9	40.7	41.3
FINANCE AND BANKING					
Member Bank Loans	Oct.	299	294	304	270
Member Bank Deposits	Oct.	209	212	214	207
Bank Debits**	Oct.	227	225	241	214
FLORIDA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	22,303	22,261	19,847
Manufacturing Payrolls	Oct.	322	329	337	297
Farm Cash Receipts	Sept.	195.7	178.2	179.9	187.1
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	170	170	170	163
Manufacturing	Oct.	169	170	171	167
Nonmanufacturing	Oct.	170	170	169	162
Construction	Oct.	131	134	132	115
Farm Employment	Oct.	83.6	78.2	80.5	80.5
Unemployment Rate (Percent of Work Force)†	Oct.	2.7	2.6	2.7	2.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.0	41.0	41.8	41.6
FINANCE AND BANKING					
Member Bank Loans	Oct.	373	374	374	320
Member Bank Deposits	Oct.	260	258	260	243
Bank Debits**	Oct.	293	282	277	242
GEORGIA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	14,117	14,015	12,746
Manufacturing Payrolls	Oct.	263	260	274	234
Farm Cash Receipts	Sept.	155.9	156.1	135.6	141.1
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	149	148	149	144
Manufacturing	Oct.	142	142	144	138
Nonmanufacturing	Oct.	152	152	152	147
Construction	Oct.	149	148	147	147
Farm Employment	Oct.	51.7	44.7	57.6	53.7
Unemployment Rate (Percent of Work Force)†	Oct.	3.2	3.4	2.9	3.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	42.4	42.3	40.9	40.9
FINANCE AND BANKING					
Member Bank Loans	Oct.	343	341	338	305
Member Bank Deposits	Oct.	236	236	242	242
Bank Debits**	Oct.	327	319r	308	264
LOUISIANA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	10,125	10,082	9,410
Manufacturing Payrolls	Oct.	192	191	188	179
Farm Cash Receipts	Sept.	115.7	244.7	247.0	108.1
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	134	134	134	132
Manufacturing	Oct.	123	123	122	123
Nonmanufacturing	Oct.	137	137	137	134
Construction	Oct.	137	135	132	143
Farm Employment	Oct.	52.0	45.1	50.1	58.3
Unemployment Rate (Percent of Work Force)†	Oct.	5.2	5.0	4.9	5.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	42.7	41.8	41.3	41.5
FINANCE AND BANKING					
Member Bank Loans*	Oct.	274	275	268	244
Member Bank Deposits*	Oct.	178	178	179	177
Bank Debits*/**	Oct.	204	203	208	192
MISSISSIPPI					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	5,304	5,296	4,997
Manufacturing Payrolls	Oct.	265	270	263	253
Farm Cash Receipts	Sept.	100.8	184.1	263.1	108.3
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	148	147	147	145
Manufacturing	Oct.	158	157	156	156
Nonmanufacturing	Oct.	143	143	143	140
Construction	Oct.	156	159	148	144
Farm Employment	Oct.	38.3	34.0	49.7	45.1
Unemployment Rate (Percent of Work Force)†	Oct.	4.5	4.7	4.6	4.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.4	41.0	40.1	41.2
FINANCE AND BANKING					
Member Bank Loans*	Oct.	403	396	388	349
Member Bank Deposits*	Oct.	268	272	270	247
Bank Debits*/**	Oct.	283	301	259	237

	Latest Month 1969		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME					
Personal Income (Mil. $, Annual Rate)	Sept.	N.A.	11,069	11,103	10,046
Manufacturing Payrolls	Oct.	241	239	240	221
Farm Cash Receipts	Sept.	126.2	148.6	197.9	113.9
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Oct.	147	146	145	144
Manufacturing	Oct.	156	155	155	154
Nonmanufacturing	Oct.	142	142	140	139
Construction	Oct.	165	164	161	161
Farm Employment	Oct.	51.2	52.7	58.0	51.9
Unemployment Rate (Percent of Work Force)†	Oct.	3.8	3.7	3.6	3.8
Avg. Weekly Hours in Mfg. (Hrs.)	Oct.	40.3	40.5	40.1	40.4
FINANCE AND BANKING					
Member Bank Loans*	Oct.	319	312	304	284
Member Bank Deposits*	Oct.	206	203	205	195
Bank Debits*/**	Oct.	273	279	286	255

*For Sixth District area only. Other totals for entire six states. **Daily average basis. †Preliminary data. r-Revised. N.A. Not available

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; cotton consumption, U.S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U.S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

Debits to Demand Deposit Accounts

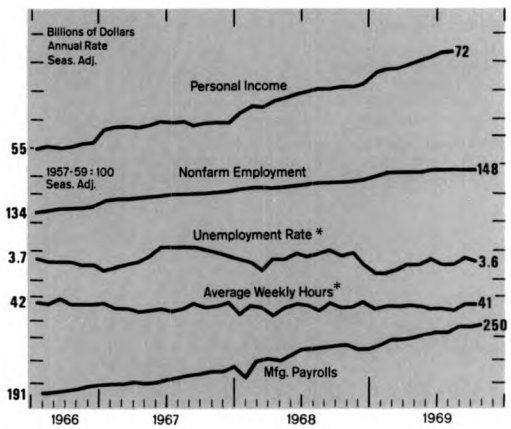
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

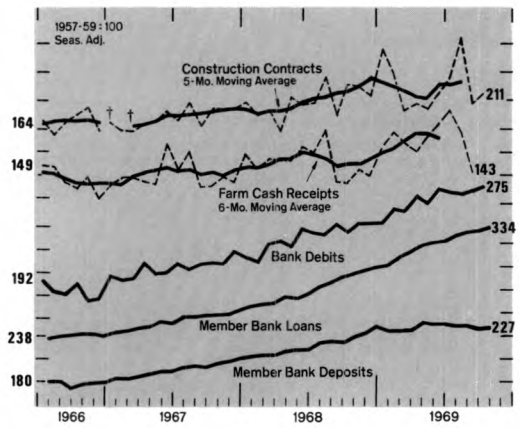
	October 1969	September 1969	October 1968	Percent Change: October 1969 From Sept. 1969	Percent Change: October 1969 From Oct. 1968	Year to date 10 mos. 1969 from 1968
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,919,166	1,810,454	1,894,262	+ 6	+ 1	+ 9
Gadsden	72,505	67,234	67,774	+ 8	+ 7	+ 5
Huntsville	224,896	208,930	211,570	+ 8	+ 6	+ 7
Mobile	638,570	608,416	556,573	+ 5	+15	+13
Montgomery	395,066	364,291	358,002	+ 8	+10	+11
Tuscaloosa	134,769	123,132	112,916	+ 9	+19	+14
Ft. Lauderdale—Hollywood	1,120,002	953,124	856,496	+18	+31	+30
Jacksonville	2,021,659	1,998,953	1,835,593	+ 1	+10	+16
Miami	3,707,019	3,298,022	2,984,016	+12	+24	+19
Orlando	777,739	694,344	640,760	+12	+21	+12
Pensacola	261,797	248,208	219,406	+ 5	+19	+12
Tallahassee	187,497	178,989	152,407	+ 5	+23	+18
Tampa—St. Pete.	2,199,811	1,892,153	1,760,199	+16	+25	+21
W. Palm Beach	616,788	566,036	516,107	+ 9	+20	+24
Albany	118,065	116,959	105,504	+ 1	+12	+11
Atlanta	7,623,742	7,448,622	6,464,307	+ 2	+18	+20
Augusta	335,953	309,786	318,863	+ 8	+ 5	− 3
Columbus	301,117	300,968	260,234	+ 0	+16	+15
Macon	329,130	340,567	292,412	− 3	+13	+17
Savannah	357,808	346,828	320,308	+ 3	+12	+10
Baton Rouge	720,779	721,878	610,821	− 0	+18	+ 6
Lafayette	172,250	165,817	150,368	+ 4	+15	+17
Lake Charles	178,302	165,843	173,594	+ 8	+ 3	+ 7
New Orleans	2,872,795	2,630,658	2,792,254	+ 9	+ 3	+ 4
Biloxi-Gulfport	179,876	156,573	127,812	+15	+41	+17
Jackson	934,492	904,548	785,525	+ 3	+19	+13
Chattanooga	836,096	805,826	684,022	+ 4	+22	+20
Knoxville	621,096	597,826	563,579	+ 4	+10	+10
Nashville	2,019,117	1,859,623	2,092,756	+ 9	− 4	+16
OTHER CENTERS						
Anniston	84,606	71,258	77,680	+19	+ 9	+ 6
Dothan	93,226	86,611	81,276	+ 8	+15	+17
Selma	57,485	52,024	58,200	+10	− 1	+ 6
Bartow	35,559	34,119	33,239	+ 4	+ 7	+10
Bradenton	98,280	94,777	87,283	+ 4	+13	+17
Brevard County	223,599	209,522	241,368	+ 7	− 7	− 2
Daytona Beach	114,142	93,399	97,488	+22	+17	+ 5
Ft. Myers—N. Ft. Myers	128,132	121,087	103,122	+ 6	+24	+31
Gainesville	115,425	108,904	105,679	+ 6	+ 9	+10
Lakeland	178,122	139,013	164,094	+28	+ 9	+15
Monroe County	39,550	37,875	39,661	+ 4	− 0	+ 4
Ocala	87,365	87,283	68,669	+ 0	+27	+32
St. Augustine	24,045	27,095	25,051	−11	− 4	+15
St. Petersburg	480,630	398,823	408,439	+20	+17	+20
Sarasota	185,214	171,262	140,910	+ 8	+31	+27
Tampa	1,192,410	1,043,683	926,326	+14	+29	+22
Winter Haven	77,293	69,587	62,130	+11	+24	+13
Athens	103,620	101,998	94,924	+ 2	+ 9	+14
Brunswick	54,131	52,827	46,167	+ 2	+17	+13
Dalton	129,767	133,005	122,569	− 2	+ 6	+16
Elberton	16,954	18,119	17,664	− 6	− 4	+11
Gainesville	91,845	87,585	79,623	+ 5	+15	+11
Griffin	42,344	40,832	38,426	+ 4	+10	+ 4
LaGrange	23,629	23,488	23,566	+ 1	+ 0	+11
Newnan	25,039	27,104	26,787	− 8	− 7	− 2
Rome	98,779	93,946	86,225	+ 5	+15	+11
Valdosta	64,247	68,340r	56,226	− 6	+14	+ 7
Abbeville	14,092	15,022	13,332	− 6	+ 6	+ 9
Alexandria	173,149	157,637	164,566	+10	+ 5	+18
Bunkie	9,749	7,562	7,772	+29	+25	+16
Hammond	46,030	42,334	41,656	+ 9	+11	+11
New Iberia	44,578	40,229	39,736	+11	+12	+10
Plaquemine	14,878	14,275	13,588	+ 4	+ 9	+ 8
Thibodaux	24,996	26,948	24,993	− 7	+ 0	+10
Hattiesburg	82,828	84,929	70,289	− 2	+18	+17
Laurel	56,268	51,216	43,705	+10	+29	+19
Meridian	95,498	89,535	76,362	+ 7	+25	+24
Natchez	46,997	46,960	43,885	+ 0	+ 7	+12
Pascagoula—Moss Point	91,194	84,232	76,102	+ 8	+20	+23
Vicksburg	51,446	48,246	45,307	+ 7	+14	+ 6
Yazoo City	28,723	32,155	28,617	−11	+ 0	− 4
Bristol	98,773	98,634	87,469	+ 0	+13	+14
Johnson City	108,625	103,199	91,840	+ 5	+18	+16
Kingsport	188,949	176,735	182,214	+ 7	+ 4	+10
SIXTH DISTRICT TOTAL	43,509,077	40,026,827r	37,526,594	+ 9	+16	+15
Alabama‡	5,055,952	4,736,765	4,762,823	+ 7	+ 6	+ 8
Florida‡	13,814,242	12,474,207	11,434,656	+11	+21	+19
Georgia‡	12,255,005	11,184,594r	9,919,920	+10	+24	+17
Louisiana†*	4,968,360	4,643,637	4,677,123	+ 7	+ 6	+ 7
Mississippi†*	2,034,542	1,965,078	1,701,422	+ 4	+20	+14
Tennessee†*	5,380,976	5,022,546	5,030,650	+ 7	+ 7	+17

*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.

Recent economic indicators in the District show comparatively little change. Nonfarm employment in October was essentially unchanged, although manufacturing payrolls increased. Consumer credit exhibited only slight gains. Lower farm production and prices indicate sharply reduced incomes are in prospect for most crop farmers. Lending activity at member banks slowed considerably in November, reflecting a decline in lending at the large banks. Total construction contract volume continued to increase during October.

Loans and investments at member banks were virtually unchanged in October and in the first half of November. Loan growth nearly offset sales of investments. After a large expansion in October, the large banks have curtailed their business loans during the first three weeks of November. Total deposits at all member banks increased after declining in October.

Extensions of new consumer instalment credit at commercial banks increased slightly in October but remained below the year-ago figure for the second consecutive month. Automobile loans accounted for most of the increase, whereas other loan categories decreased or exhibited minor gains.

With cotton, rice, and sugarcane production lower, most District farmers face a sizable reduction in cash receipts. The large reduction expected in the District's corn crop indicates a significant shrinkage in locally produced feed supplies for District livestock. Soybean production is up but not enough to counteract the depressing effect of the lower soybean support price on farm incomes. Total farm prices in October continued to decline. Prices of crops as well as livestock moved lower. Price declines in cotton and citrus outweighed increases in prices of vegetables. Lower broiler and beef cattle prices were mainly responsible for the reduction in livestock prices.

Manufacturing employment in October was about the same as in September, but factory payrolls increased. Other nonfarm employment also remained unchanged. With accelerated layoffs at the Kennedy Space Center and departures of idled workers to seek employment elsewhere, the labor force of Brevard County, Florida, diminished. The departures, however, were not enough to prevent a significant rise in the unemployment rate there over last year.

Florida's boom continued to push the District's total construction contract volume to new highs. Through the first ten months in 1969, total volume was higher than during the same period in 1968. Residential building contracts, supported by the continuing heavy volume of large projects in Florida, were also up for the same period but to a lesser extent. Meanwhile, the pull of high yields on Aaa corporate securities and other direct investments increased the pressure on the District's savings institutions.

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