

MONTHLY REVIEW

IN THIS ISSUE:

- A New Measure of Industrial Activity: District Manufacturing Production Index
- Term Lending: A Lagging Respondent to Monetary Restraint
- Banking Notes
- District Business Conditions



FEDERAL RESERVE BANK OF ATLANTA

JUNE 1970

A New Measure of Industrial Activity: District Manufacturing Production Index

A new monthly measure of Sixth District manufacturing production has been developed by the Federal Reserve Bank of Atlanta. This measure of physical production, designated as the "District Manufacturing Production Index," provides an up-to-date monthly output change in the region's major manufacturing industries.

The Production Index and Its Uses

To remove the effects of price changes over a period of time, output has been estimated in constant dollars. Output, for 18 of 21 two-digit SIC (standard industrial classification) industries, is calculated from two factor input variables—man-hours employed and kilowatt hours (KWH) of electric power consumed. These estimates and those for three major industrial groups (durables, nondurables, and total manufacturing), are indexed in relation to their 1957-59 averages and are adjusted to remove the effects of seasonal movements.

The new District manufacturing production index satisfies an important need. By providing a reasonably reliable and up-to-date account of the region's manufacturing activity, the new data add another dimension to the study of one of the regional economy's most dynamic sectors. At the national level, the industrial production index, which is compiled and published by the Board of

Governors of the Federal Reserve System, provides comprehensive, monthly production data on a current basis. However, up until now, there were no comparable data at the Sixth District level. Although U. S. Census publications, such as *Census of Manufactures* and *Annual Survey of Manufactures*, do provide various empirical statistics that pertain to local manufacturing production, their usefulness in current analysis is very limited. They are published with about a two-year lag and contain only yearly gross statistics. Monthly data for manufacturing employment, which are regularly available on a fairly current basis, do reveal something about regional manufacturing activity. However, because of a generally rising trend in labor productivity and because of certain statistical limitations, to be discussed later, regional analysts regard the employment data *per se* as relatively poor substitute measures for current manufacturing production.

Aside from its usefulness for current analysis, the new District production index provides a historical perspective for analyzing and comparing interindustry as well as interregional manufacturing activity over a period of time. Used in this way, it can shed light on various forces affecting regional growth and cyclical behavior. Furthermore, in their decision making, businesses and government agencies will have their needs for regional production data filled by the new data—at least partially. It is often crucial for planners to know something about concurrent changes in productivity factors of individual industries and in their physical output. Changes in these key variables often help point out certain important changes occurring in production ef-

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iciency or in the relative structure of regional industries. For instance, a growing number of manufacturers continuously study their production efficiency for the purposes of cost control and other corporate planning. The new District indexes will facilitate the analytical work needed for this type of study. It should be emphasized that these and related studies have often been hampered by the lack of meaningful regional production data. In this respect, the new District index is a modest step forward in the improvement of regional analysis.

Methodological Orientation

It should be pointed out that it is not economically feasible to derive a production index from actual production figures. First, it is doubtful whether all manufacturing firms maintain reliable monthly output data. Secondly, even if they did, there still would be formidable problems associated with meaningfully aggregating numerous and heterogeneous data.

Consequently, the development of the District production index had to rely on some form of observable input-output relationship. In estimating the new District index, the previously mentioned two input variables—man-hours employed and KWH consumed—were used. The underlying assumption is that the rate of change in physical output is functionally related to the rate of change in these two input factors. Man-hour and KWH data are generally available monthly at the state level for two-digit SIC industries on a relatively current basis.

The new District index, like the U. S. index, is designed on the basis of the "value added" concept. Value added by manufactures, as defined by the U. S. Bureau of Census, "is derived by subtracting the total cost of materials from the value of shipment and other receipts and adjusting the resulting amount by the net change in finished products and work-in-process inventories between the beginning and end of the year." As such, value added data are generally considered the most practical measure of net output produced by individual industries. When value added data of the District's individual industries are aggregated for the entire region, they reflect an approximation of the gross net products originating in the region's manufactures.

Since value added data are not available for the most recent years, current output estimates are partly based on extrapolating the productivity

of the two input factors. Monthly output figures are then carried forward until Census data become available, at which time the output figures are adjusted to the new benchmark data. The concepts and methods used in the District production index are similar to those in the U. S. production index. However, actual physical output data, which account for nearly one-half of the weight of the national index, are not incorporated in the District index.

Man-hour and KWH Data as Output Proxy Measures

The use of the two input factors of production—man-hours and KWH data—as estimating variables for industrial output is based on conceptual and practical considerations. In general, changes in physical output are the results of changes in the quantity and quality of input factors as well as changes in technology used in production. While it is very difficult to isolate empirically these two "effects," a combination of two input variables in the same equation would reflect interaction effects that could not have been taken into account if only one variable had been used.

This point is particularly important, since, in the long run, the ratio between inputs of labor and KWH changes because of changes in technology and worker efficiency. For instance, in many industries a rise in man-hour productivity was accompanied by a decline in KWH productivity. This means that the relative importance of individual input factors changes over time as a result of one factor substituting for another. To make the new District index more reflective of these changes in the relative importance of individual input factors, we made production estimates separately, using man-hour data and KWH data independently. Then, we combined the two output estimates in weighted form to derive the industry index.¹

Using these two inputs in this fashion has still another advantage; namely, it increases the sensitivity of the index to actual changes in production. Because employers are often unable to adjust their labor requirements to the exact production schedule, man-hour data often conceal changes in actual demands for labor during some

¹The weights used were derived from labor and capital coefficients of the production function.

phases of the business cycle, especially when business activity starts downward. The inflexibility of man-hour data is further caused by their being collected only in a single survey week, which always includes the 12th day of the month. These figures (collected by state employment services) are really man-hours paid for by employees rather than the actual hours of production workers. And for certain processing industries in which production methods are highly mechanized and automated (e.g. a number of chemicals), man-hour data are especially poor indicators of physical output.

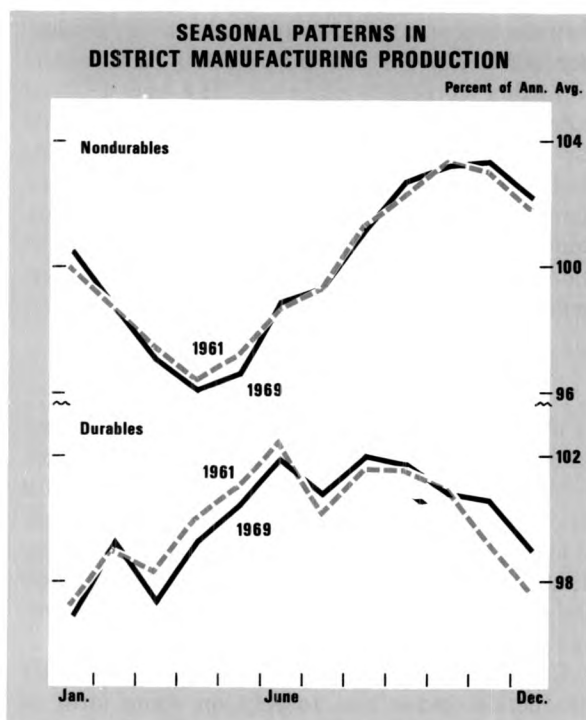
KWH data that are collected by this Bank from major utilities in the District do not have these same drawbacks. They cover the total electric energy consumed by an industry during an entire month. As such, they closely approximate the amount of electric energy used for the firms' actual production. However, KWH data also have certain imperfections. Because utilities companies use cycle-billing methods, the reported monthly KWH data do not necessarily coincide with the actual month in which the energy was consumed. Moreover, electric power use has strong seasonality, which is related to heating and cooling requirements during different times of the year. To overcome these data problems, we first applied a moving average method and seasonal adjustments to output estimates derived from KWH data. Only then, did we combine the estimates with those derived from man-hour data.

After production indexes were computed for the region's individual industries, two indirect tests were performed to assess the empirical validity of the indexes on a monthly basis.² Both tests indicated that the production indexes, as individual components and as aggregate series, are reasonably reliable measures of monthly changes in the output of the region's individual industries.

Seasonal Pattern of District Production

Periodic fluctuations brought on by seasonal factors (such as the harvest rhythms of crops which affect the food processing industry) affect production in many industries. Figure I shows seasonal patterns of durable and nondurable goods industries in 1961 and 1969. These patterns represent aggregates of seasonal movements in individual

Figure I



component industries; as such, they conceal some diverse seasonal movements. However, they reveal a certain persistence of seasonal swings which can be defined and generalized.

Seasonality of both durable and nondurable goods output has not changed significantly between 1961 and 1969. In a typical year, nondurable goods output starts declining from January until midspring when a low point for the year is reached. At this point, nondurable goods output is about 96.0 percent of its annual level. From midspring, output begins to rise—reaching a seasonal peak in late fall. Nondurable goods industries are then operating at about 103 percent of their annual average. This seasonal swing mirrors similar movements in the components; namely, the series for food, tobacco, apparel, printing and publishing, and leather.

Seasonal patterns for durables vary significantly from nondurables. Durable goods production remains low through the winter, begins expanding from early spring until late summer, then begins tapering off in August. When durable goods production reaches a seasonal peak, it is

²The first test relied on a detailed graphic analysis of individual index series; the other test relied on a statistical test designed to measure the empirical relevance of District production indexes against employment and production data.

about 102 percent of its annual average. At seasonal low points, however, durable production is between 97 and 98 percent. Important component industries such as transportation equipment, primary metals, and machinery are largely responsible for these seasonal swings.

Rapid Expansion in District Manufacturing Output

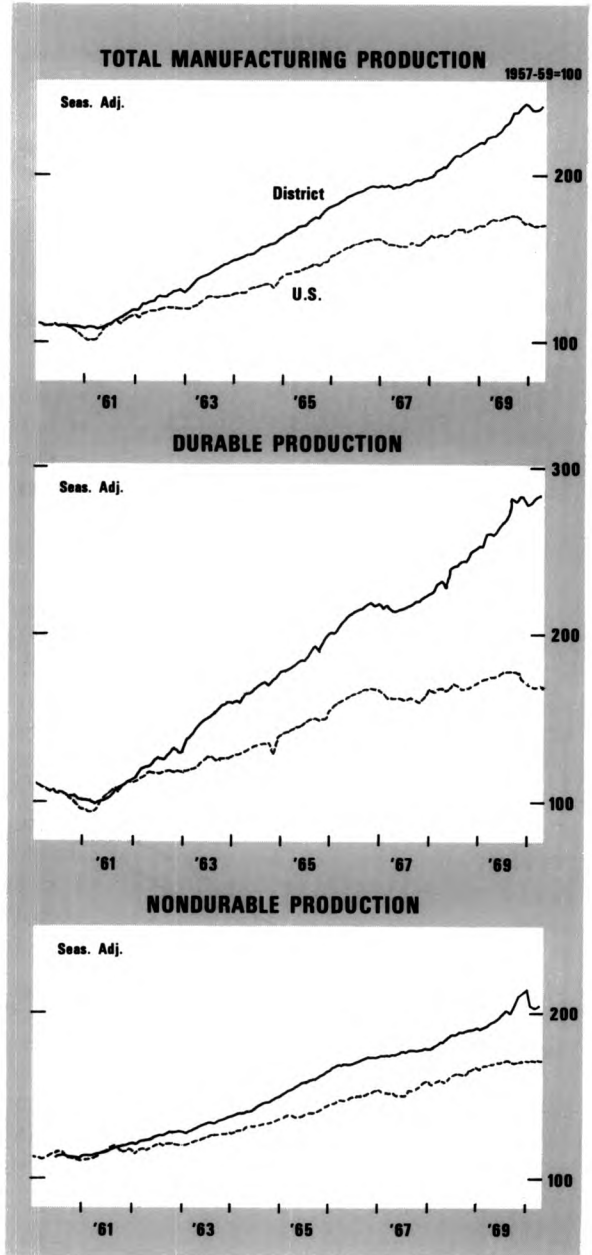
Various changes that occurred in District manufacturing during recent years have influenced the new production indexes, shown in Figure II. The District manufacturing production index more than doubled from 1960 to 1969, whereas the U. S. index increased only 61 percent. This difference is not surprising when the District's faster rate of growth in manufacturing employment is considered. It increased 44 percent between 1960 and 1969, whereas U. S. manufacturing employment gained only 20 percent. Accordingly, the District's share of total U. S. manufacturing employment rose from 8.1 percent in 1960 to 9.7 percent in 1969.

Structural Change in District Manufacturing

Rapid growth in District manufacturing output reflects expansion in total production as well as structural change, which brought a broader industrial base. Largely responsible for the fast growth in District total output was the rapid expansion in durable manufacturing. Output for durables increased 155 percent during the 1960's, while nondurable goods output grew only 72 percent. Phenomenal growth in primary metals, electrical and nonelectrical machinery, and transportation equipment was largely responsible. Durable manufacturing employment also increased rapidly. Between 1960 and 1969, durable goods employment increased 63 percent in the District, but only 26 percent in the U. S. This raised the District's share of the U. S. total from 5.7 percent to 7.4 percent. Consequently, nondurable goods manufacturing activity no longer dominates the industrial base as much as it has in the past. District employment in nondurables dropped from 60 percent in 1960 to 55 percent in 1969.

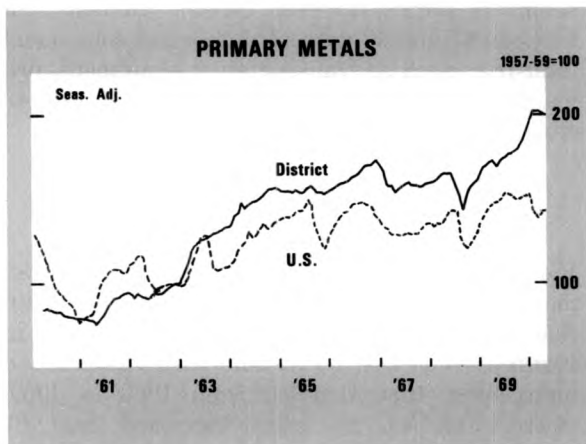
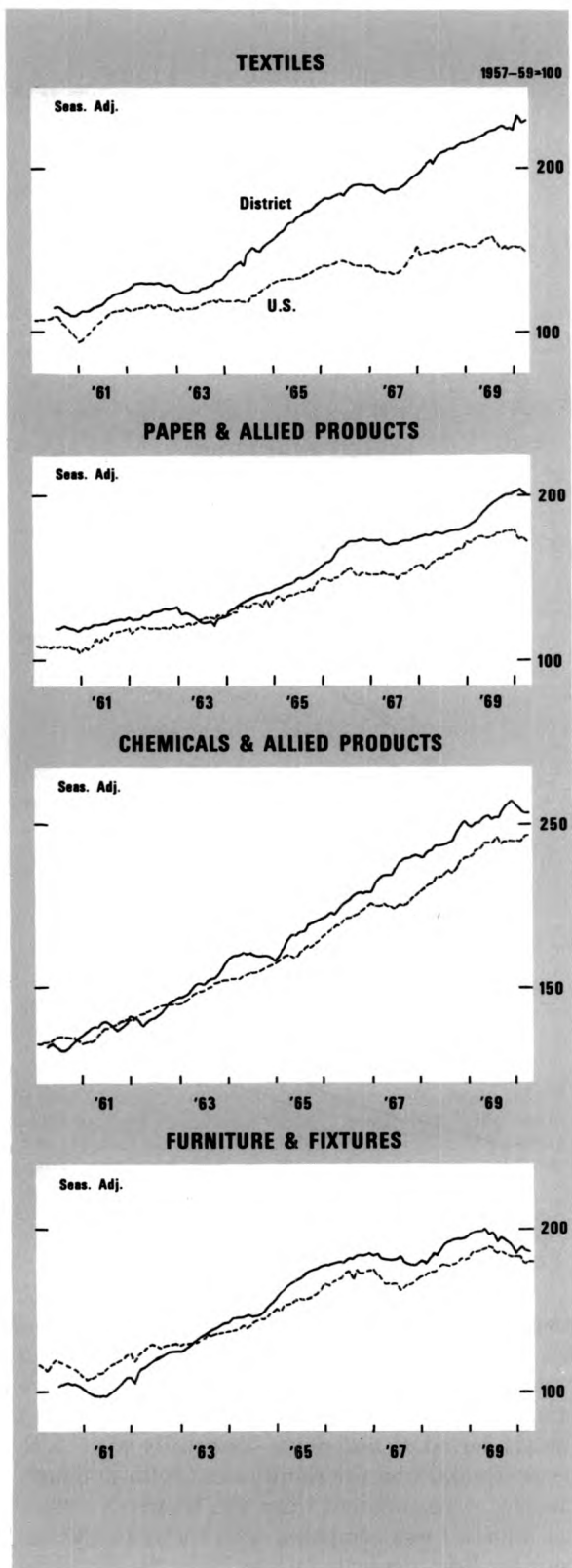
Behavior of Selected Industry Output

District production indexes of selected industries are shown in Figure III. On balance, year-to-year movements almost paralleled those of the cor-



responding U. S. industries. However, changes from month-to-month and during the cycle varied considerably from industry to industry. For instance, output in District textiles and primary metals moved up and down—generally with U. S. counterparts, whereas significant month-to-month changes were apparent when the District's chemical industry was compared with the nation's. Except for brief declines in late 1960, the first half

Figure III



of 1967, and mid-1969, textile output in the District and U. S. showed continuous growth.

Paper output in the District and U. S. also paralleled each other, except in 1963, when District output declined considerably. After 1963, the latter began to outpace the U. S. until mid-1966. U. S. paper production grew sharply during 1968 but slowed down in 1969 while District production again picked up momentum.

Short-run directional movements in District chemical production have consistently run counter to those of the U. S., but long-term movements have usually paralleled the U. S. In some months during 1960, 1961, 1962, and 1964, however, the District's chemical output declined, whereas U. S. chemical production did not. Seasonal and cyclical swings that are unique to the District's chemical industry do not seem to be the main reason for these divergences. Instead, diverse cyclical patterns in different regions tend to counterbalance each other at the national level so that movement of the national series showed less month-to-month variations.

As expected, the District's durable goods industries were highly susceptible to cyclical fluctuations of their national counterpart. Output of the District's primary metals industry, in particular, followed fairly closely the wide cyclical peaks and troughs of U. S. primary metals but with somewhat less erratic swings in overall movements. If taken as groups, nondurables and durables were less affected during the 1960-61 business recession in the District than in the United States. District output of nondurables, such as textile, paper, and chemicals, experienced only mild setbacks.

C. S. PYUN

Technical Note Available

Copies of the *District Manufacturing Production Index: Technical Note and Statistical Supplement* are available upon request at the Research Department, Federal Reserve Bank of Atlanta, Federal Reserve Station, Atlanta, Georgia 30303. This supplement gives a detailed discussion of the methods used in computing the production index. It also contains monthly production indexes for the District's individual industries.

Bank Announcements

On May 1, **The Lawrence County Bank**, Lawrenceburg, Tennessee, a newly organized member bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are J. E. Jackson, chairman of the board; W. A. Harwell, vice chairman; M. H. Weathers, Jr., president; M. J. Riddle, executive vice president; Carson Johnston, cashier; and Mrs. Zona Edwards, assistant vice president. Capital is \$250,000; surplus and other capital funds, \$500,000.

The First Bank of Clayton County, Morrow, Georgia, a newly organized nonmember bank, opened for business on May 4. Officers are D. Hugh Dickson, president; and James W. Coody, executive vice president. Capital is \$375,000; surplus and other capital funds, \$375,000.

Another newly organized nonmember bank, **Peoples State Bank of New Port Richey**, New Port Richey, Florida, opened for business on May 6. Officers are

G. M. Ross, Sr., chairman; Robert Eugene Prentice, president; and Robert S. White, cashier. Capital is \$316,000; surplus and other capital funds \$284,400.

On May 14, **First Bank of Marco Island**, Marco Island, Florida, opened for business as a newly organized nonmember bank. Officers are R. F. Mackle, chairman of the board; A. W. Roepstorff, president; Neil E. Bahr, vice president; and John Mudd, cashier. Capital is \$490,000; surplus and other capital funds, \$210,000.

On May 18, **Central Park First National Bank**, Orlando, Florida, opened for business as a newly organized member bank. Officers are MacDonell Tyre, president; Thomas W. Long, executive vice president; and Faye C. Gaines, vice president and cashier. Capital is \$200,000; surplus and other capital funds, \$300,000.

Term Lending: A Lagging Respondent to Monetary Restraint

During a period of monetary restraint, banks must make adjustments for rising credit demands and for reduced deposit inflows or deposit losses. The form these adjustments take will be influenced by past experience in credit restraint periods and by bank practices.

In a monetary restraint period, bankers tend to reduce new loan commitments and begin to ration what credit they do extend. Bank lending terms are tightened; interest charges are increased; and more emphasis is placed on enforcing compensating balance requirements. The type of loan, the use of the proceeds, and the customer's relationship with the bank become more important factors to be considered in balancing loan requests with the supply of funds available for lending. For example, the cost of funds to the bank must be weighed against the customer's long-range value to the bank. In addition, bankers may become increasingly reluctant to extend credit for long periods so as not to tie up loanable funds with relatively few loan customers.

But all these adjustments do not take place immediately—a considerable period of time may be involved. Many of the larger banks make substantial commitments to lend funds which may be used by the customer when needed at a future

date. As a result, a large volume of credit will continue to be extended based upon previous agreements. In effect, these commitments isolate some portions of bank lending from the influence of a restrictive monetary policy. To illustrate: Monetary policy moved toward restraint in late 1968. However, a substantial lag occurred between the time monetary policy became restrictive and the time banks came under enough pressure to cut back on new loan commitments. A lag also occurred between the time borrowers used up these commitments and the time bank lending began to decline. This is also the pattern that developed with the volume of term business loans (loans with an original maturity of more than one year)¹ extended at some of the larger commercial banks in the Sixth Federal Reserve District.

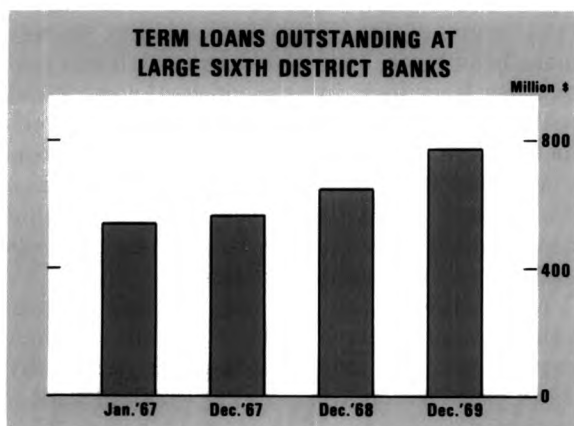
Term loans continued to expand strongly throughout 1969, but some slowdown was evident

¹Term loans also include all outstanding business loans granted under a formal agreement (revolving credit or standby) on which the original maturity of the commitment was in excess of one year. Not included are loans payable on demand, even though they have not been called on over a year, or loans that have been periodically renewed for periods of less than a year but have run for longer than a year.

during the first quarter of 1970, according to monthly reports from twenty-three of the larger District banks.² At the end of 1969, these banks alone accounted for half of total commercial and industrial loans at Sixth District member banks and for more than half of the term loans. At least 50 percent of the commercial and industrial loans are included from each state, except Florida. Term loans make up 30 percent of the business loans at these twenty-three banks.

1969 Marked by Strong Expansion

For the District as a whole, term loans rose \$124 million during the year that ended December 31, 1969, bringing the total to \$774 million. This 19-percent increase is especially noteworthy, since it followed a 15-percent increase in 1968 and contrasts with the reduction in the rate of increase noted for large banks nationally.



Term loans for the region have accounted for slightly more than 50 percent of the aggregate increase in business loans during the last two years, although this lending makes up a much smaller proportion of the business loan total. Most of this surge in term lending came from banks in Georgia and Florida—states with banks that are active in term lending.

Intermediate- and long-term lending provided a major source of bank financing for business firms in 1969. Term lending continued to expand

throughout the year, whereas short-term lending declined. The expansion in longer-term credit during late 1969 was enough to offset the 4-percent decline in short-term business loans. Only a small portion of this short-term lending appears to have been converted into longer-term bank financing.

The increase in term loans during 1969 was concentrated in durable and nondurable goods manufacturing, the transportation sector,³ and wholesale and retail trade. This is not out of line with what we might expect, since the demands for intermediate- and long-term credit, needed in part to finance new plant and equipment and net additions to working capital, continued at a high level. The spending pace of businesses in the Southeast has been expanding rapidly, with needs for longer-term financing geared to the long-run growth in that part of the country. Accordingly, these capital spending plans are especially slow to respond to credit restraint. Generally, companies that provide transportation, electric power, and natural gas fit into this category. Term lending to these firms showed no letup in 1969.

Despite expansion in most categories of term lending, there were weaknesses in some that reflected a slowdown in activity. The construction industry exhibited declines in employment and in building activity, while the service industries⁴ were less expansive than in 1968. Correspondingly, there was an almost complete lack of growth in construction term loans. In Florida and Georgia, the two states that accounted for most of the growth in loans to the service industries, the increase last year was only 40 percent of the 1968 advance. In Florida, loans to the service industries make up nearly 30 percent of the term loan total—twice the proportion of the District average.

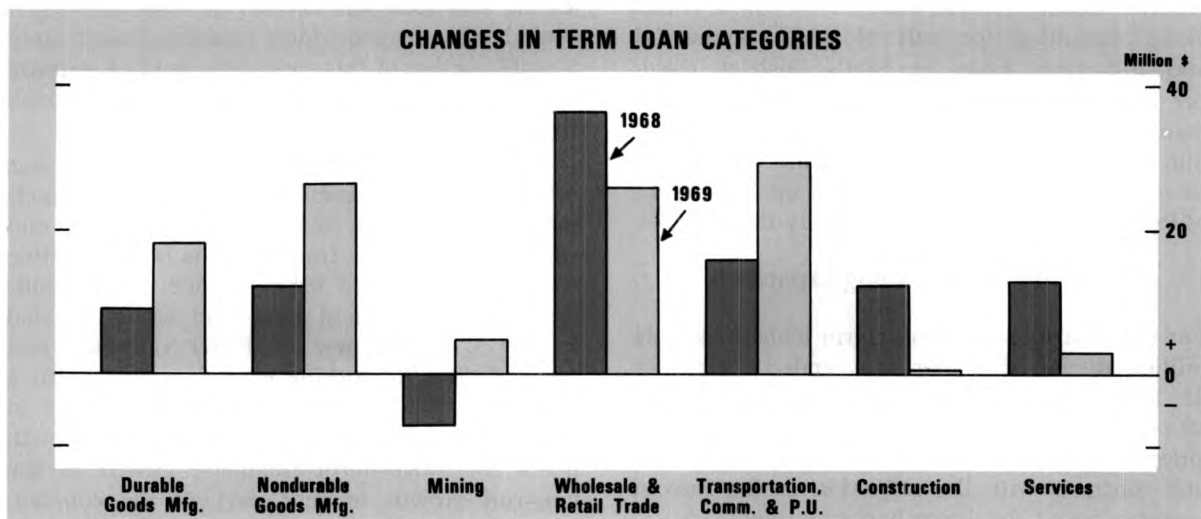
Even though there has been some shifting in the term-loan categories that have made up the expansion in 1969, the structure of the District's term loan totals has basically been left unchanged. Loans to firms providing transportation account for 20 percent of total term loans and

³This sector includes: railroads, airlines, buslines, motor freight carriers, and water transportation.

⁴Includes such nonbusiness services as: lodging, amusement, recreation, medical, legal, and educational services.

²This group of banks includes all District banks that had \$40 million outstanding in commercial and industrial loans at the inception of this series in 1967.

CHANGES IN TERM LOAN CATEGORIES



are the largest term-loan category. These loans are important in all District states. Term loans for durable and nondurable goods manufacturing combined make up over one-fourth of all term loans. Durable goods loans comprise about 28 percent of Alabama's term loans, whereas nondurable goods loans are the most important category in Tennessee. While crude petroleum and natural gas exploration (mining) involves only 5 percent of District term loans, this category is relatively more important to southern Louisiana banks. All of last year's net growth in this field can be attributed to banks in southern Louisiana and Mississippi.

Term lending during the last several years has been most heavily concentrated during the period from August to January. In the case of businesses directly serving the public—the trade and service industries, with the latter heavily influenced by lending in Florida—seasonality plays a part. Why there is a strong demand for term loans in some of the other categories during that time of year is less apparent. It may, however, represent a tendency by individual businesses to consolidate and convert short-term bank and trade credit into long-term bank borrowing prior to the end of the calendar or fiscal year.

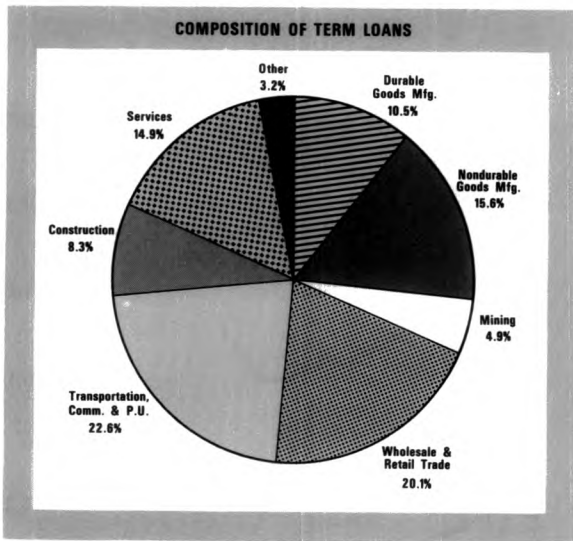
Banks Adjust to Loan Requests

In spite of the large term loan expansion last year, banks, in general, had difficulty in meeting

credit demands. Losing deposits at an accelerated rate, many of the larger banks began to rely more heavily on expensive borrowed funds and on sales from their investment portfolios. Faced with these restraining conditions, loan commitments were cut back, especially for new borrowers and those outside the normal trade area. Even many firmly-established customers found new commitments reduced below their requests and the payoff period accelerated.

Meanwhile, banks were either bound by previous commitments or felt they had to honor requests for loans from long-standing (and many times, large national) customers who had seldom requested access to a line of credit before. This helps explain the accelerated growth of District term loans and the slight slowdown of such lending in the nation as a whole.

To the bank involved, such an increase in term lending has an additional drawback. When funds are tied up for an average of from five to seven years, term lending adds to a bank's liquidity problems during a tight money period. Banks, however, do have some incentives in term lending beyond that of establishing a closer relationship with business customers. To compensate for reduced liquidity and greater lending risks of long-term loans, a particular borrower is generally charged more for term loans than short-term business loans. Even term loans made prior to the current time have not escaped high interest rates charged on current loans. In many cases, the



Note: Due to rounding, figures do not add to 100.0%

charge on the unpaid loan balance is pegged to the level of the current prime rate. Some term loans have provisions (through an “equity kicker”) allowing the bank to share in the future profits of the borrower—although this practice apparently is not widespread.

Faster Growth Spans Three Decades

For a long time, the proportion of term loans in the business loan total has been increasing. Al-

though the data in most cases are not strictly comparable, the general movement is clear—larger District banks have made great strides in approaching the proportion of term lending exhibited by major banks in other areas. According to a survey taken in the spring of 1939, only 5 percent of District weekly reporting banks had business loans with maturities of one year or more, whereas banks nationally averaged 25 percent. The New York City banks averaged 39 percent.

Since then, the proportion of term loans in the District has climbed from 14 percent in 1946 to 22 percent in 1957 to 26 percent in 1967. At the end of December 1969, 30 percent of the District’s business loans had original maturities of one year or more, but this percentage still trailed large banks in the New York and Chicago Federal Reserve Districts, which average over 50 percent in term loans.

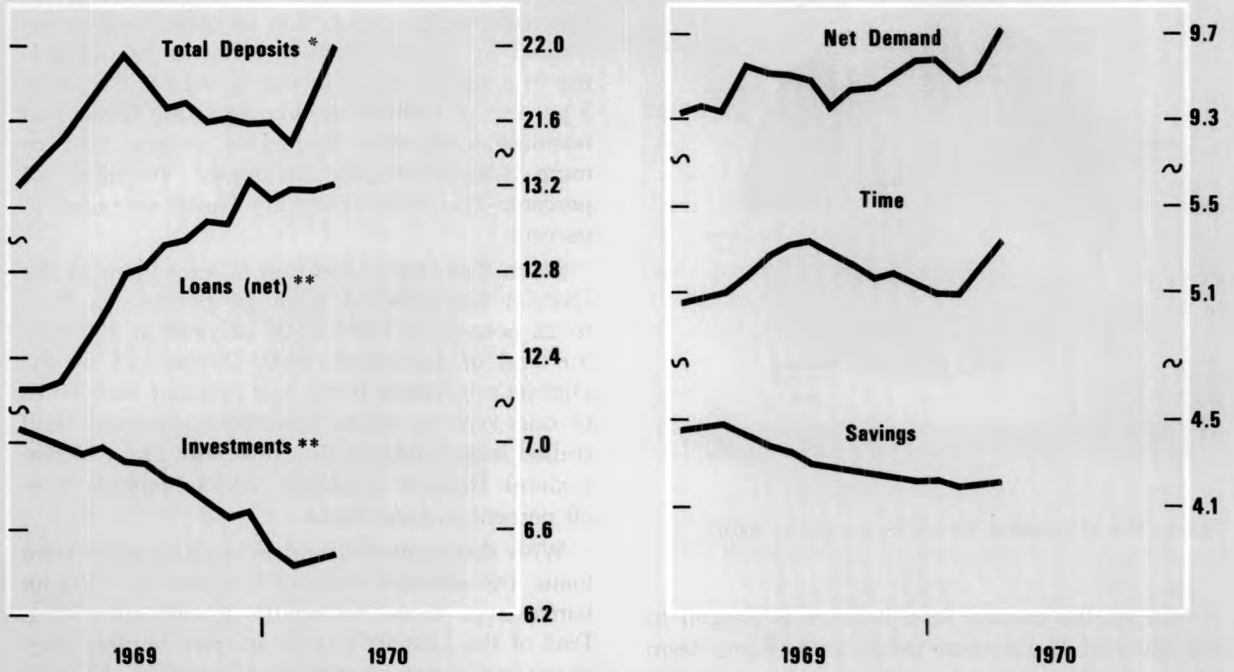
With this upward trend in making more term loans, the stronger showing last year by District banks over those nationally is not surprising. Part of the District’s gains in term lending may have come at the expense of larger banks elsewhere that were under greater pressure to restrict lending. This in itself could have caused some national firms to switch their borrowing to District banks.

JOHN M. GODFREY

SIXTH DISTRICT BANKING STATISTICS

BILLION \$

DEPOSITS *

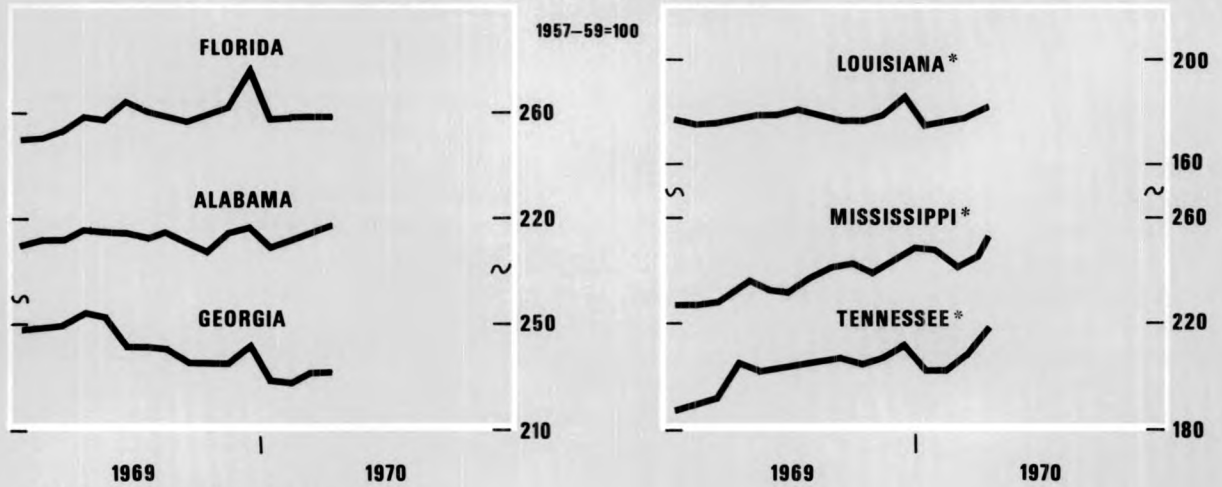


*Daily average figures. **Figures are for the last Wednesday of each month.

Note: All figures are seasonally adjusted and cover all member banks.

SIXTH DISTRICT BANKING NOTES

TOTAL DEPOSITS SIXTH DISTRICT MEMBER BANKS



*Sixth District portion only

Note: Figures shown are seasonally adjusted indexes and are for the last Wednesday of each month.

After many months of deposit outflows—or at best, hesitant growth—Sixth District member banks as a group experienced moderate growth in total deposits (seasonally adjusted) during March and April of 1970. The advance since February totaled 2.8 percent. Though small, the previous runoff during much of last year lasted for such a long period of time that the peak reached in June 1969 was not exceeded again until April 1970. However, what has been true of District banks collectively has not held for each state or for banks individually. At the end of April, nearly one-fifth of all District member banks reported deposit totals below those of a year ago. For the most part, those banks with lower deposit totals were located in the larger cities of Florida and Georgia.

Demand deposits (net of interbank deposits) have risen nearly 2.5 percent since February. The strong advance of these deposits in March and April more than offset mild declines in the first two months of the year combined.

A major source of deposit growth came from inflows of total time and savings deposits that have occurred after the Board of Governors in January allowed banks to pay more competitive rates on such deposits. The gain in savings deposits has not been large, but at least the previous trend of savings outflows has now been reversed.

Time deposits (excluding savings) rose about 5 percent from February through April, making it the largest upward surge of all types of deposits. Although the larger banks have been especially successful in attracting time deposits in denominations of \$100,000 and over, they have registered declines in the smaller denomination “consumer-type” time deposits.

In the three months since the new regulations have been in effect, there has been a net increase of \$128 million in large-denomination, negotiable time certificates of deposit. This amounted

to an increase of more than 30 percent. At the same time, banks considerably lengthened the maturity of these “money market” instruments. Of the \$200 million in new and maturing CD’s issued in April, the average maturity was six months, with a sizable portion being written for a year or more. As a result, the average maturity of all CD’s at the end of April increased to slightly more than five months, compared with an average of three and a half months’ maturity in January. The major purchasers of CD’s were states and political subdivisions—not private business firms or individuals. States and municipalities accounted for nearly two-thirds of the CD purchases in recent months, thus giving the banks holding government time deposits the advantage of relatively greater deposit stability. Unlike business firms and individuals last year, state and local governments generally did not withdraw their CD’s from the banks in order to reinvest their money in higher-yielding short-term financial instruments.

While large commercial banks have recently experienced inflows of large-denomination time deposits, smaller banks have boosted their “consumer-type” time deposits by more than 15 percent. Those banks that offered the new, longer-maturity certificates of deposit with increased interest rates quite noticeably attracted deposits. More than half of these consumer-held certificates outstanding at the end of April had an original maturity of at least one year, and one-fifth of the total volume outstanding had maturities of two or more years. Apparently, savers are willing to commit funds to banks for longer periods of time if given the added incentive of a higher rate of return on their savings. For District banks collectively, this means that after a long period of deposit outflows, deposit totals have again increased.

JOHN M. GODFREY

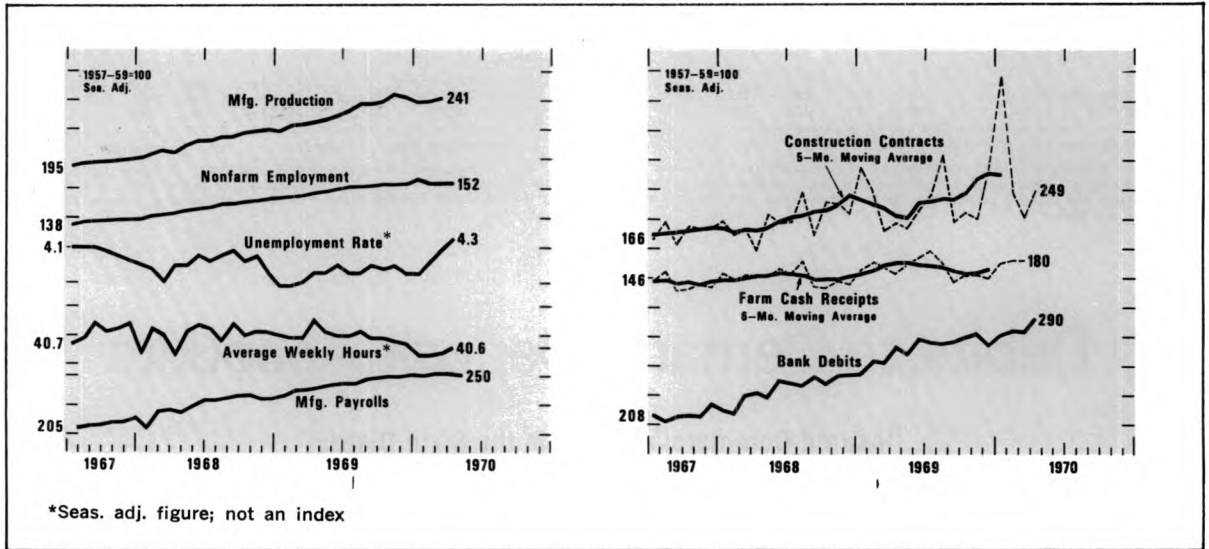
Sixth District Statistics

Seasonally Adjusted

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

	Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					FLORIDA				
INCOME AND SPENDING					INCOME				
Manufacturing Payrolls	Apr. 250	252	252	240	Manufacturing Payrolls	Apr. 345	340	344	314
Farm Cash Receipts	Mar. 180	180	175	168	Farm Cash Receipts	Mar. 125	189	172	175
Crops	Mar. 129	177	153	173	EMPLOYMENT				
Livestock	Mar. 201	189	203	170	Nonfarm Employment†	Apr. 178	177	177	170
Instalment Credit at Banks* (Mil. \$)					Manufacturing	Apr. 177	177	179	179
New Loans	Apr. 359	328	311	358	Nonmanufacturing	Apr. 178	176	177	168
Repayments	Apr. 317	316	276	314	Construction	Apr. 139	139	142	118
EMPLOYMENT AND PRODUCTION					Farm Employment	Apr. 82	81	79	81
Nonfarm Employment†	Apr. 152	152	152	148	Unemployment Rate				
Manufacturing	Apr. 147	148	149	149	(Percent of Work Force)†	Apr. 3.2	3.1	2.9	2.3
Apparel	Apr. 174	174	174	174	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 40.9	41.2	40.9	41.5
Chemicals	Apr. 137	142	144	142	FINANCE AND BANKING				
Fabricated Metals	Apr. 176	178	178	174	Member Bank Loans	Apr. 391	391	384	358
Food	Apr. 120	120	121	115	Member Bank Deposits	Apr. 260	260	258	259
Lbr., Wood Prod., Furn. & Fix.	Apr. 107	107	109	110	Bank Debits**	Apr. 303	279	287	273
Paper	Apr. 129	129	129	130	GEORGIA				
Primary Metals	Apr. 128	133	133	129	INCOME				
Textiles	Apr. 114	114	115	117	Manufacturing Payrolls	Apr. 258	261	258	247
Transportation Equipment	Apr. 198	197	200	211	Farm Cash Receipts	Mar. 188	175	201	174
Nonmanufacturing†	Apr. 154	153	154	148	EMPLOYMENT				
Construction	Apr. 140	142	145	132	Nonfarm Employment†	Apr. 153	153	153	151
Farm Employment	Apr. 54	55	56	58	Manufacturing	Apr. 141	142	141	144
Unemployment Rate					Nonmanufacturing	Apr. 158	158	158	154
(Percent of Work Force)†	Apr. 4.3	4.0	3.8	3.6	Construction	Apr. 144	147	150	153
Insured Unemployment					Farm Employment	Apr. 50	51	51	50
(Percent of Cov. Emp.)	Apr. 2.6	2.3	2.3	1.8	Unemployment Rate				
Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 40.6	40.4	40.3	41.5	(Percent of Work Force)†	Apr. 3.6	3.3	3.5	2.8
Construction Contracts*	Apr. 249	204	246	193	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 40.6	40.3	39.9	41.7
Residential	Apr. 262	247	246	225	FINANCE AND BANKING				
All Other	Apr. 238	166	246	165	Member Bank Loans	Apr. 345	348	347	333
Electric Power Production**	Mar. 158	165	166	154	Member Bank Deposits	Apr. 233	233	229	255
Cotton Consumption**	Mar. 105	103	103	210	Bank Debits**	Apr. 328	340	340	302
Petrol. Prod. in Coastal La. and Miss.**	Apr. 277	273	271	257	LOUISIANA				
Manufacturing Production	Mar. 241	240	239	223	INCOME				
Nondurable Goods	Mar. 206	205	205	193	Manufacturing Payrolls	Apr. 198	194	199	188
Food	Mar. 162	161	160	151	Farm Cash Receipts	Mar. 193	196	158	180
Textiles	Mar. 229	228	233	219	EMPLOYMENT				
Apparel	Mar. 257	252	254	245	Nonfarm Employment†	Apr. 132	133	134	132
Paper	Mar. 200	203	204	186	Manufacturing	Apr. 122	123	124	123
Chemicals	Mar. 257	258	259	251	Nonmanufacturing	Apr. 135	136	136	137
Durable Goods	Mar. 284	281	280	260	Construction	Apr. 128	132	134	130
Primary Metals	Mar. 200	201	202	173	Farm Employment	Apr. 47	48	50	57
Stone, Clay and Glass	Mar. 172	176	170	168	Unemployment Rate				
Fabricated Metals	Mar. 247	246	246	234	(Percent of Work Force)†	Apr. 6.0	5.9	5.5	5.4
Transportation Equipment	Mar. 370	353	361	336	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 42.1	41.6	41.4	41.8
FINANCE AND BANKING					FINANCE AND BANKING				
Loans*					Member Bank Loans*	Apr. 287	280	282	253
All Member Banks	Apr. 348	345	342	318	Member Bank Deposits*	Apr. 182	179	177	178
Large Banks	Apr. 293	287	287	274	Bank Debits**	Apr. 215	198	203	197
Deposits*					MISSISSIPPI				
All Member Banks	Apr. 231	228	225	231	INCOME				
Large Banks	Apr. 194	187	185	198	Manufacturing Payrolls	Apr. 268	271	272	265
Bank Debits*/**	Apr. 290	279	280	266	Farm Cash Receipts	Mar. 231	189	190	179
ALABAMA					EMPLOYMENT				
INCOME					Nonfarm Employment†	Apr. 133	133	134	131
Manufacturing Payrolls	Apr. 215	217	218	205	Manufacturing	Apr. 134	134	136	134
Farm Cash Receipts	Mar. 215	187	193	154	Nonmanufacturing	Apr. 133	133	133	130
EMPLOYMENT					Construction	Apr. 123	121	123	122
Nonfarm Employment†	Apr. 133	133	134	131	Farm Employment	Apr. 53	55	56	61
Manufacturing	Apr. 134	134	136	134	Unemployment Rate				
Nonmanufacturing	Apr. 133	133	133	130	(Percent of Work Force)†	Apr. 4.7	4.3	4.0	4.0
Construction	Apr. 123	121	123	122	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 40.4	40.5	40.5	41.6
Farm Employment	Apr. 53	55	56	61	FINANCE AND BANKING				
Unemployment Rate					Member Bank Loans	Apr. 315	311	311	279
(Percent of Work Force)†	Apr. 4.7	4.3	4.0	4.0	Member Bank Deposits	Apr. 218	216	213	216
Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr. 40.4	40.5	40.5	41.6	Bank Debits**	Apr. 255	253	249	233

District Business Conditions



The slowdown in economic activity has spread to more sectors. Farming, however, is a major exception. In April, labor conditions slackened; manufacturing employment declined; and total unemployment rose for the third consecutive month. Consumer spending remained sluggish, and credit demands from banks by businesses began to show signs of easing. Construction contract volume rebounded in April, since both residential and "all other" types showed strength. The possibility of an early recovery in single-family housing remains somewhat uncertain, however.

In most areas, farm income in April was higher than a year ago. The District's livestock sector continues to show strength in spite of price declines for hogs, eggs, and broilers. Increasing output and strong cattle prices have bolstered incomes. Lower vegetable and citrus prices have sharply reduced Florida's crop income, however, and Louisiana's crop sector is suffering from lingering effects of last year's drought. Dry weather in May damaged crops in much of the District.

An April rebound in nonresidential construction contracts and continued strength in the residential sector reversed a two-month decline in total contract awards. Some very large awards in January for utilities and other type of construction produced an exceptional bulge in volume, which was not repeated in February or March. April's strength indicates that what appeared to be a slowdown in total construction has not yet materialized. Inflows of funds to thrift institutions have increased only slightly since the very sharp decline earlier this year. This slight improvement does not warrant much optimism for an early recovery of the single-family housing market.

Based upon preliminary reports from member banks, lending advanced only marginally in May. Bankers at the larger banks indicate that the demand for business credit may be subsiding, and this letup would seem to be substantiated by the unchanged volume of business loans in April. April's large inflows of demand deposits are now ebbing; however, time and savings deposits continue to increase.

Consumers remained apprehensive. Auto sales continued to trail behind their April 1969 performance. However, indications are that department store sales fared slightly better than they did at this time last year. Total consumer credit outstanding exhibited a slim increase.

Overall labor market conditions continued to weaken in April. Total nonfarm employment was unchanged, with a gain in nonmanufacturing roughly offsetting a decline in manufacturing. Manufacturing employment was depressed again by a continued employment decline in chemicals, primary metals, and other durable goods. The unemployment rate rose for the third consecutive month. However, manufacturing production rose in March.