MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

OCTOBER 1970

Getting Inflation Under Control

The pace of the economy during the last nine to twelve months has been slow, and the Gross National Product figures have underscored this trend. Measured in dollars of constant purchasing power, GNP in the last quarter of 1969 declined at an annual rate of 0.9 percent; fell 2.8 percent during the first quarter of 1970; and increased only slightly during the second quarter. Last quarter's increase was probably very modest.

The Sixth District's economy, as suggested by the behavior of manufacturing ouput, continued to expand even after the decline in the national economy started. However, the District economy did not escape the national slowdown. After November 1969, District manufacturing output drifted downward. Whether or not the increase recorded for May through July continued is questionable.

As the figures on real output suggest, the current national slowdown has been relatively mild. However, there have been significant adjustments, and many observers have counted on this slower economic pace to help dampen inflationary pressures. Have inflationary forces lost strength? Or, have prices failed to respond to the slowdown in economic activity; and, if not, will inflation ever be controlled?

American Experience

If we use American history as a guide for what is to come, we would not expect inflation to continue indefinitely. The United States has never had inflation for very long after a period of monetary restraint. Wholesale and consumer prices either have risen at a less rapid rate, stopped rising, or have actually declined during or after business slowdowns and restrictive monetary policy periods.

Recent economic history suggests that when economic activity falls off, an end to persistent price increases is more likely than a substantial price decline. Moreover, the price response to weakening economic activity generally shows up sooner and more tangibly in wholesale rather than in consumer prices.

Why Prices Are "Sticky"

The delayed response of prices to business declines can be traced partly to the characteristics of the American price system. Many prices are

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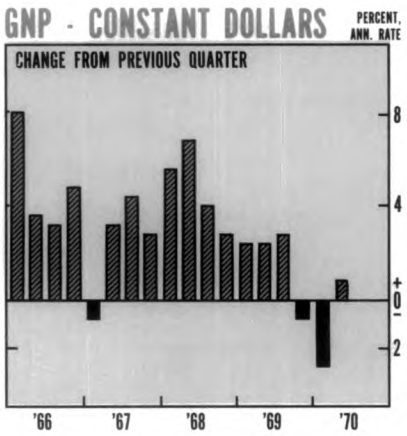
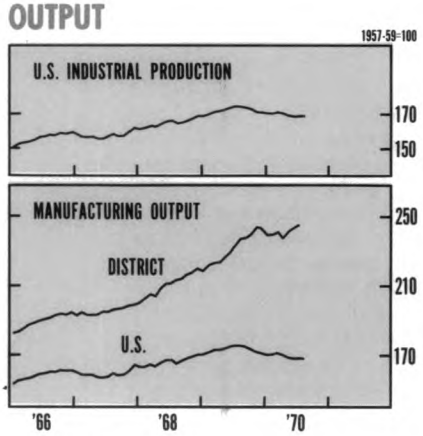
Beginning in late 1969, the pace of the economy, measured by constant dollar GNP, declined. Eventually, sectors in the Sixth District also felt the reduction in activity; for example, manufacturing output.



SEAS. ADJ.
LATEST PLOTTING: 2ND QTR.
Source: U.S. Dept. of Commerce



SEAS. ADJ.
LATEST PLOTTING:
Dist.—July
U.S.—Aug.

not set by the forces of perfect competition, where the seller is unable to influence the price by his own actions. For many products and services, imperfect competition describes conditions more accurately. Some sellers actually control so much of the supply that they are able to exert considerable influence on the price. At the same time, they establish price policies which they change only reluctantly. Under these conditions, the seller may prefer to cut production rather than prices. On the other hand, many elements of competition still operate in the economy, although their effect may be delayed. Even a monopoly cannot escape the effects of declining sales.

Thus, a typical response to declining demands with rising costs and reduced profit margins is to attempt to preserve the price structure as long as possible. When, in the 1957-58, 1960-61, and 1966-67 periods of economic slowdown, manufacturing and trade sales began to fall off, the first response of these firms was to cut production. It was only after inventories built up that the general softening of prices occurred. This price response partly reflected the efforts of manufacturers and others to get their inventories in order.

As an economic slowdown wears on, pressures that keep prices from rising multiply. Customers, including other businesses, begin to shop around more because they wish to cut their costs. Sales staffs increase their efforts; and more and more, even if posted prices are not cut, there are hidden price cuts. Furthermore, if prices are not kept in line, imports are encouraged.

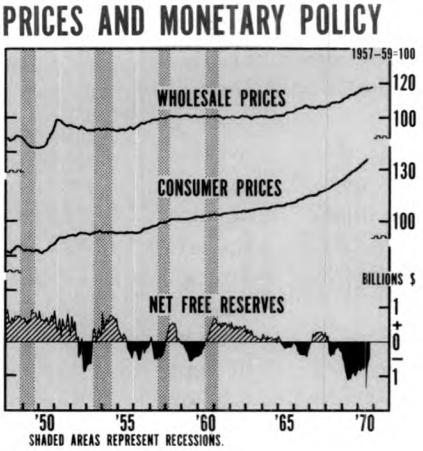
Another reason why prices respond slowly to a drop in economic activity is that declining demands initially bring rising costs. Historically, output per man-hour has either declined or failed to increase during postwar economic slowdowns. Also, during these periods, average hourly earnings have not declined and labor cost per unit of output has increased.

One reason for rising costs is the catching-up process in wage rates. During a rising price cycle, wage increases generally fail to keep up with rising consumer prices. Often, the negotiated wage settlements aimed at restoring lost purchasing power are not completed until after economic activity has begun to slacken. Moreover, with a production slowdown, output per man-hour tends to be reduced so that labor cost per unit of output rises. It is well to note, however, that despite rising costs, a slackening in sales historically has kept prices of manufactured goods from increasing. Therefore, those who predict the behavior of prices solely on wages and other costs have often been proved wrong. Costs are important, but they are not the sole determinant of prices.

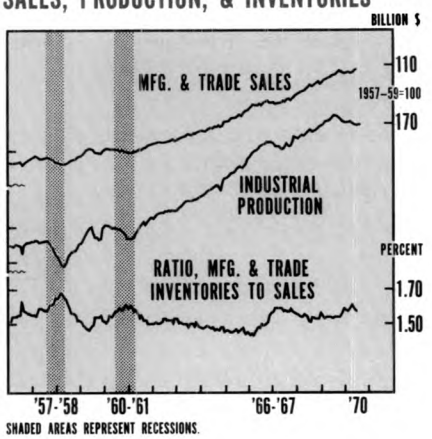
Recent Price Behavior

If the pattern of price behavior established in previous business slowdowns is being repeated, wholesale prices rather than consumer prices should have responded first to the easing in demand. That, indeed, is what has happened. The behavior of consumer prices, however, as indicated by the consumer price index, has only

Prices have typically responded—though with some delay—to declines in economic activity and restrictive monetary policies (measured by negative net free reserves). The first response to falling sales, however, is to cut production; prices usually ease only after production cuts fail to reduce excessive inventories.



LATEST PLOTTING: SEPT., EXCEPT CONSUMER PRICES (AUG.)
Sources: U.S. Dept. of Labor and Board of Governors of the Federal Reserve System

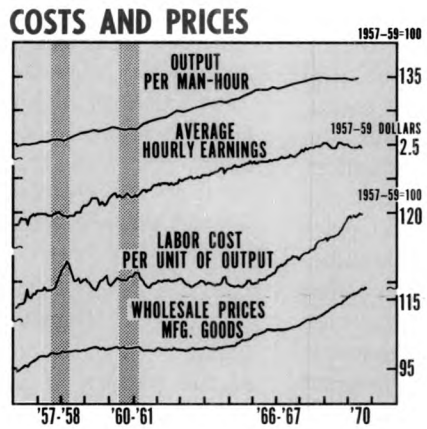


SEAS. ADJ.
LATEST PLOTTING: JUNE, EXCEPT PRODUCTION (AUG.).
Sources: U.S. Dept. of Commerce and Board of Governors of the Federal Reserve System

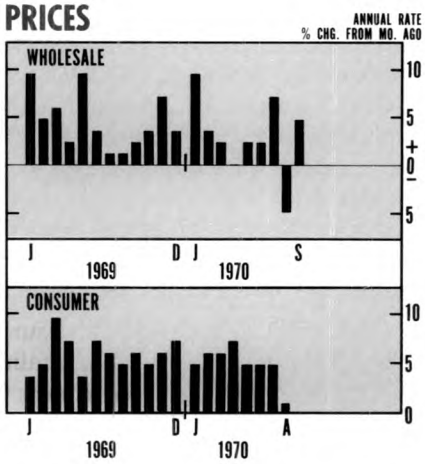
begun to show a similar response to easing demand.

When month-to-month annual rates of change are compared, the reduced rate of price increases is especially evident; month-to-month rises in wholesale prices have definitely averaged lower, although there have been some relatively large swings from month to month because of short-run changes in the prices of farm products. A substantial rise in the index for July resulted primarily from temporary changes in prices of farm products. This was almost entirely counteracted by the sharp decline in the following month. The rise in September chiefly reflected increases in grain prices as a result of the corn blight rather than general inflationary pressures. We can also get a little encouragement from the month-to-month behavior of consumer prices. From May through July, the increases at an annual rate have been slightly below 5 percent. This rate, of

Rising costs also delay price adjustments because output per man-hour falls, and it takes time for wage rates to catch up with consumer prices. Nevertheless, labor costs per unit of output eventually decline and wholesale prices stop rising.



SEAS. ADJ., EXCEPT BOTTOM SERIES
LATEST PLOTTING: JULY, EXCEPT PRICES (SEPT.) AND OUTPUT (2ND QTR.).
Sources: U.S. Depts. of Commerce and Labor



Source: U.S. Dept. of Labor

course, is high, but it is less than the average rate prevailing during late 1969 and early 1970. In August, the increase in consumer prices was half as large as in each of the three previous months.

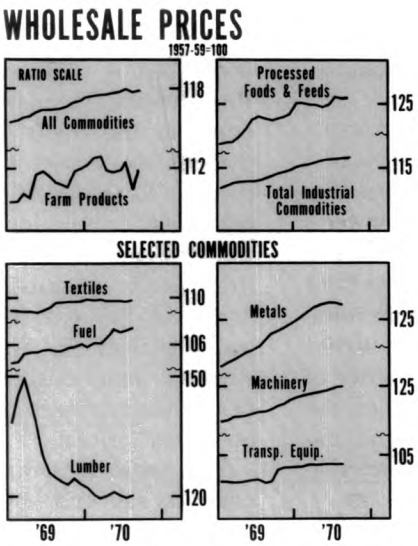
With many prices being "sticky," the slow response of prices to pressures from a restrictive monetary policy and a weakening in economic conditions was not unexpected. As already noted, the initial response to a falloff in sales in the past has been to cut industrial production rather than to cut prices. It is only after reduced production fails to halt a buildup of inventories in relation to sales that many firms begin to try to attract or keep business by making price concessions.

Recent data show that we are going through just that kind of adjustment. Despite the continued cut in industrial production, the inventory-to-sales ratio has increased. Pressure on manufacturing firms to attempt to maintain their market positions by making price concessions has also been increasing.

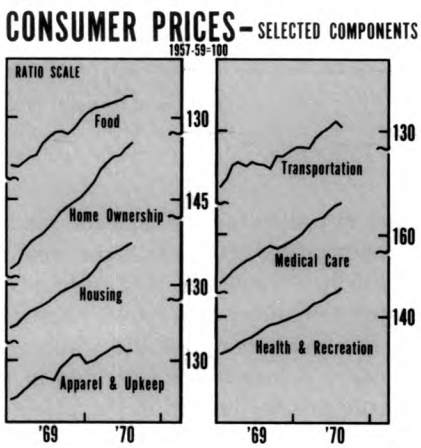
It is not unusual for price concessions to show up when—with economic slowdown wearing on—productivity begins to increase. Output per man-hour rose in the second quarter of 1970 after showing little or no improvement during 1969. Despite the substantial advance in some hourly rates under recently negotiated union contracts, average hourly earnings have also slowed —as in similar past periods—because of less overtime and premium pay and the use of fewer marginal workers. As a result, labor cost per unit of output has stopped rising as fast as it did in the latter half of 1969. Partly in response to these forces, the index of wholesale prices of manufactured goods leveled off in August for the first time in many months; it was virtually unchanged in September.

Efforts to retain or attract sales by means of price competition often appear in the form of special individual price concessions, rather than changes in the list prices—upon which the price indexes rely heavily. When we asked District businessmen several months ago if any such concessions were being made they could give few examples. Now, more and more are being mentioned. Moreover, the press is beginning to report individual instances of the use of price competition. For example, there have been announcements of postponements in price increases of certain steel products for fear of competition from other materials. And, in response "to the competi-

Following historical precedent, moderation in inflationary pressures showed up first in wholesale prices rather than in consumer prices. Although the decline in prices of farm products was responsible for a major part of the decline in wholesale prices for all commodities, prices of various industrial commodities have also reflected lower demands.

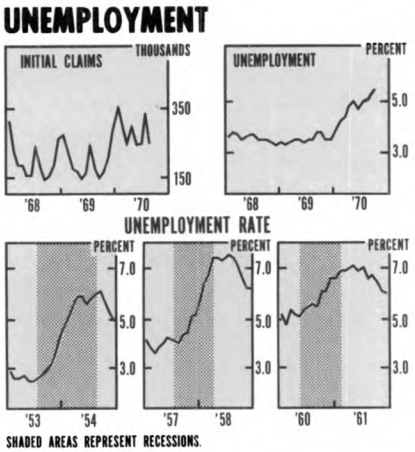


LATEST PLOTTING:
TOP PORTION—SEPT.
BOTTOM PORTION—AUG.
Source: U.S. Dept. of Labor



LATEST PLOTTING: AUG.
Source: U.S. Dept. of Labor

During the 1969-70 slowdown, prices have failed to moderate promptly because the decline in economic activity (measured by unemployment) has been relatively mild and because of widespread expectations that inflationary pressures would continue indefinitely.



SEAS. ADJ., EXCEPT CLAIMS
LATEST PLOTTING: CLAIMS (AUG.), UNEMP. (SEPT.)
Source: U.S. Dept. of Labor

tive situation in the market place," there have even been reductions in some steel product prices.

Further evidence that prices do respond to lower demand can be found when we look at some of the components of the wholesale price index. Weaker demands are reflected in the stability of textile prices, the slip in the prices of lumber, the tapering-off in the rise of metal prices, and the relative stability of the prices of transportation equipment.

The future trend in the prices of farm products, of course, depends to a considerable extent upon the supply situation. Unless supplies are seriously affected by the corn blight, the general outlook for agricultural production during the remainder of the year is for a greater volume of farm products, accompanied by reduced pressure on prices.

Meanwhile, the major components of the consumer price index continue to climb, but as noted before, that is not unusual. In the past periods of disinflation, consumer prices were slow to respond and, indeed, during some periods of declining business activity did not stop rising until after the economy began to expand.

The long period of inflation that preceded the current economic slowdown is one of the reasons why prices are now responding reluctantly to the weakness in the economy. Inflationary elements have become embedded in business practices. Still another reason why anti-inflationary pressures have been weak is that the current business slowdown has been relatively mild in comparison with previous ones. For example, the September unemployment rate of 5.5 percent is lower than the rates reached in the 1953-54, 1957-58, and 1960-61 recessions.

Inflationary Expectations

We are now beginning to reap, in the form of reduced inflationary pressures, the rewards of monetary and fiscal restraint that have slowed down the pace of the economy. Progress may have been slow; but if these developments are given a chance to continue, the prospects for eventually achieving reasonable price stability should be good.

Nevertheless, when businessmen and bankers are asked if they expect inflation to continue, they frequently answer, "Yes." Ordinarily they point to the high wage settlements negotiated through collective bargaining agreements. According to the U. S. Bureau of Labor Statistics, collective bargaining settlements made during the first and second quarters of 1970 resulted in first-year wage rate increases that averaged 10.2 and 15.4 percent, respectively. Although such wage settlements apply to only a minority of workers, many businessmen see in them evidence of further increases in costs and the inevitability of higher prices.

Yet, there is a difference between what businessmen say and how some of them act. Strong inflationary expectations have helped explain in the past the acceptance of high interest rates and, despite some unused capacity, high spending plans for capital investment. If prices are going to keep on going up forever, why postpone expenditures? But the latest information on planned plant and equipment expenditures obtained in the joint Commerce Department and Securities and Exchange Commission survey during July and August of this year suggests that many manufacturers are having second thoughts about the likelihood of inflation forever. Lower sales and profits are having an impact on their plans.

The performance of profits in the immediate past is one of the factors considered in preparing for the future. When American manufacturing

corporations were planning their plant and equipment expenditures during the first quarter of 1970, they expected to increase capital spending by 9.2 percent from 1969 to 1970.

When it was time to take another look at their plans, first-quarter 1970 profit figures were down considerably from those of the last quarter of 1969. Perhaps this was one of the reasons why plans for 1970 were revised down from a 9.2-percent increase to 3.7 percent. When plans were reviewed in the third quarter of 1970, they were revised down once again, this time to a 1.2-percent increase. Data on planned spending on plant and equipment by all business (including mining, transportation, public utilities, communications, and other organizations) also showed progressive scaling down in spending plans, but a slightly larger increase—6.6 percent over 1969—than for manufacturing corporations alone. Those who were making these plans did not act as though they expected the inflation to continue indefinitely.

Undoubtedly inflationary expectations persist, and their persistence delays deflationary adjustments. Nevertheless, as long as the economy is under some slack, we shall see more and more examples of actions that demonstrate that those who say inflation will continue forever do not really believe it.

The economic adjustments of the past several months closely resemble those that in previous periods have produced an unwinding of inflation. The delayed response of prices to the current economic slowdown is not unique in American economic history. Nevertheless, because the process is slow, some persons conclude that inflation can never be controlled. They are tempted to relax before the task is completed rather than allow economic forces to continue to work toward abating inflationary pressures. Impatience of this kind could be the greatest threat to completing the job.

CHARLES T. TAYLOR

Bank Announcements

On September 1, **Bank of Cowan,** Cowan, Tennessee, a nonmember bank began to remit at par for all checks drawn on it when received from the Federal Reserve Bank.

Also on September 1, **The Commercial Bank at Pine Castle,** Pine Castle, Florida, opened for business as a newly organized nonmember bank. Officers are E. G. Banks, chairman of the board and president; Dwight M. Mentzer, vice president and cashier; John B. Burke, assistant vice president; and Thomas W. Gurley, III, assistant cashier. Capital is $600,000; surplus and other capital funds, $300,000.

Riverland Bank, Fort Lauderdale, Florida, a newly organized nonmember bank, opened for business on September 10. Officers are Thomas B. Manuel, chairman; J. Edward Houston, president; Jack D. Webb, executive vice president; and Bertram G. Pullman, assistant vice president and cashier. Capital is $700,000; surplus and other capital funds, $210,000.

On September 14, **Raceland Bank and Trust Company,** Raceland, Louisiana, began to remit at par for checks drawn on it when received from the Federal Reserve Bank.

Eglin National Bank, Fort Walton Beach, Florida, a newly organized member bank, opened for business on September 22. Officers are A. L. Nabors, president; Harold J. Harrison, vice president and cashier; and Johnnie T. Sirmans, vice president. Capital is $300,000; surplus and other capital funds, $450,000.

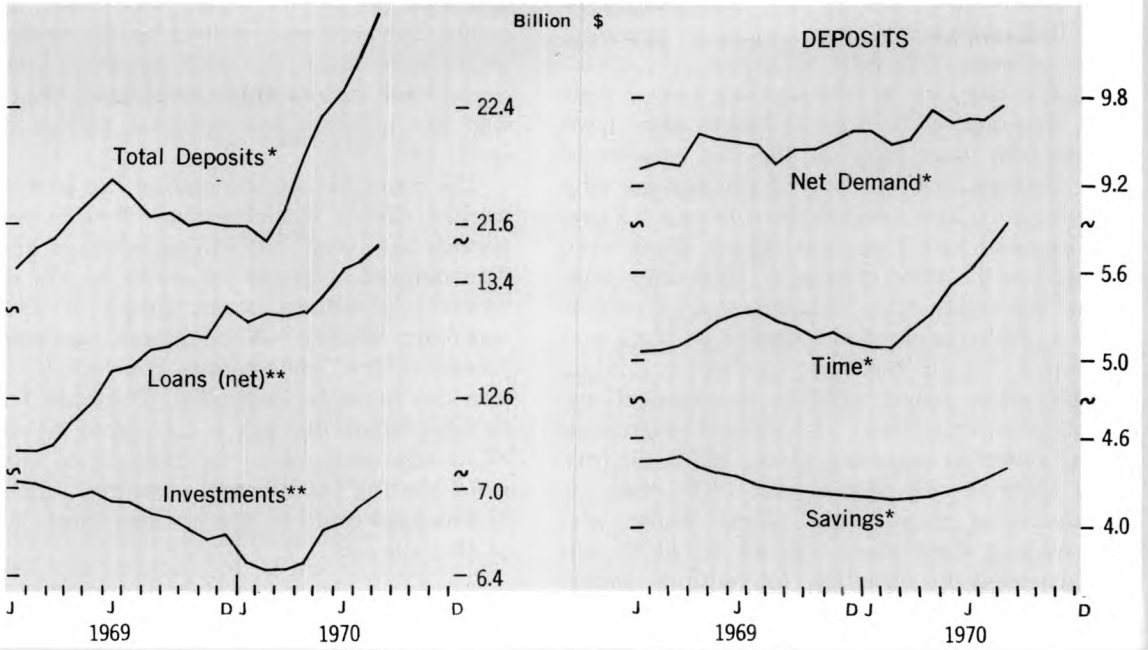
On September 25, **Merritt Island Bank,** Merritt Island, Florida, opened for business as a newly organized nonmember bank. Officers are A. Loriz, president; and J. W. McCullough, vice president and cashier. Capital is $400,000; surplus and other capital funds, $300,000.

Monroe County Bank, Sweetwater, Tennessee, opened for business on September 28 as a newly organized member bank. Officers are Inman Moss, chairman of the board; B. F. Holt, vice chairman of the board; James Pedigo, secretary to the board; and Samuel L. Hardin, president and cashier. Capital is $200,000; surplus and other capital funds, $400,000.

On September 29, **First Community Bank,** Largo, Florida, opened for business as a newly organized nonmember bank. Officers are Jesse W. Johnson, chairman of the board; Richard C. Johnson, vice chairman of the board; Charles H. Block, president; T. A. Johnson, vice president; Nick R. Kadlen, vice president; Edward E. Lacey, vice president; William R. Young, vice president and cashier; and Thomas M. Lassiter, assistant cashier. Capital is $250,000; surplus and other capital funds, $250,000.

Another newly organized nonmember bank, **The Atlantic Bank of Orlando,** Orlando, Florida, opened for business on September 30. Officers are B. J. Walker, chairman of the board; J. Blair Culpepper, president; Paul P. Macomber, vice president; Billy D. Hurst, cashier; and Thomas I. Johnson, assistant vice president. Capital is $750,000; surplus and other capital funds, $750,000.

BANKING STATISTICS



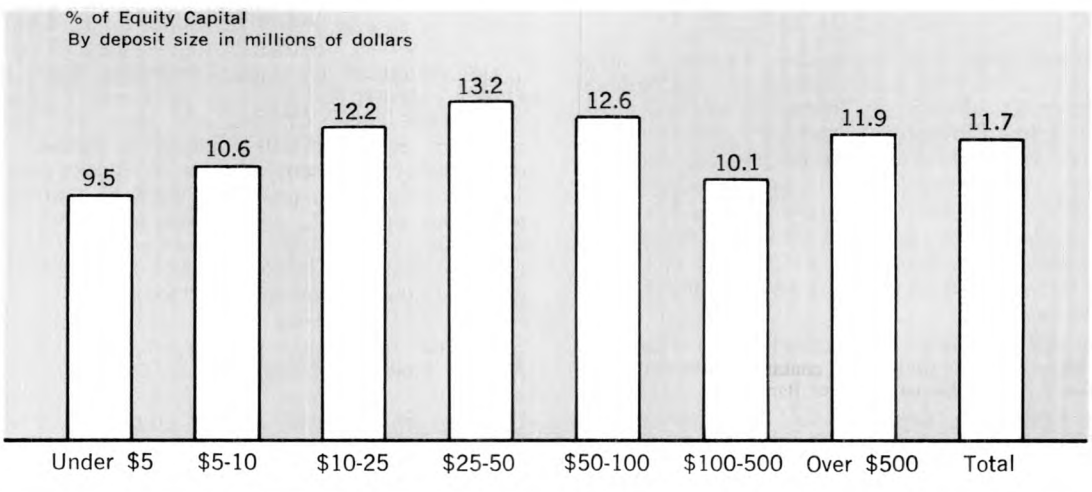
LATEST MONTH PLOTTED: AUGUST

Note: All figures are seasonally adjusted and cover all Sixth District member banks.
*Daily average figures. **Figures are for the last Wednesday of each month.

SIXTH DISTRICT

BANKING NOTES

INCOME AFTER TAXES — 1969



Note: Figures shown are before securities gains/losses and cover all Sixth District member banks.

While bankers are likely to remember 1969 as a period of monetary restraint and all the pressures associated with it, they should consider that, as a whole, 1969 was a good year for profitability. Profits rose from levels in previous years and District member banks combined had nearly a 12-percent return on equity capital after taxes.[1]

When these same banks were compared according to deposit size, there were some noteworthy differences in the profitability and operating ratios. Generally, the District's medium-size banks, those having at least $10 million but less than $100 million in deposits, tended to be the most profitable. This group accounted for 60 percent of the 526 member banks covered in the tabulation. Those with deposits ranging from $25 million to $50 million earned the most—more than a 13-percent return on equity capital. Differences in earnings also showed up among the six different states and among the various size categories in each state. To some extent, the different interstate earnings reflected the size distribution of the banks within the state.

These operating ratios point out another characteristic of different size banks in the District. The smaller banks, those having deposits of less than $10 million, not only tended to earn less, but also paid out a smaller proportion of their net income in the form of cash dividends. The small banks paid out an average of only 20 percent or less in cash dividends, while at the largest banks the payout averaged nearly 50 percent. These wide differences among banks probably reflect the necessity for smaller banks to increase their capital internally. On the other hand, larger banks can more easily raise capital externally by selling securities.

Profitability cannot be related entirely to the rate of return and to the type and proportion of earning assets held by different size banks, since it is necessary to know what expenses and other costs are involved for the banks. However, some interesting differences in rates of return and asset mix were noticeable among the different size banks. The smaller banks tended to receive above average returns on U. S. Treasury securities; at the same time, these banks also held more of these investments than the larger banks. The medium and large banks, those with the relatively higher tax burden, turned out to be the institutions that had higher than average earnings from municipal obligations—securities that are tax exempt. The medium-size banks also had above-average amounts of municipal obligations in their portfolios.

Selected Operating Ratios—1969

Return on securities	
U.S. Treasury	5.86
U.S. Gov't. Agencies	4.77
States and subdivisions	3.62
All other	5.88
Return on loans	
Incl. Federal funds	8.25
Excl. Federal funds	7.59

NOTE: Covers Sixth District member banks.

The mean rate of return on nonbank loans was remarkably similar for banks of all sizes and was the highest earning asset for every group. However, when account is taken of the additional revenue generated by the sale of Federal funds—characteristic of small banks—one finds that the smaller the bank, the higher the earnings on loans. District member banks had about half of their assets in the form of loans, except for the very small and very large banks. The former had a lower, and the latter a higher, percentage of assets in loans than the average bank.

Differences among banks also appear in the type of loans various size banks make. The larger the bank, the higher the proportion of loans made for commercial and industrial purposes. On the other hand, the smaller banks had a larger percent of consumer loans, real estate loans, and not surprisingly, loans to farmers.

JOHN M. GODFREY

[1]Data are based upon information contained in "1969 Operating Ratios, Sixth District Member Banks" and are subject to the footnotes and explanatory remarks contained therein. Copies of this release are available upon request.

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
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Aug.	258	262	261	258
Farm Cash Receipts	July	210	178	205	196
Crops	July	228	167	154	154
Livestock	July	197	183	230	201
Instalment Credit at Banks* (Mil. $)					
New Loans	Aug.	342	344	336	280
Repayments	Aug.	314	326	302	297
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment†	Aug.	151	151	151	151
Manufacturing	Aug.	145	146	145	150
Apparel	Aug.	174	175	172	175
Chemicals	Aug.	141	140	136	144
Fabricated Metals	Aug.	173	173	173	178
Food	Aug.	118	118	120	115
Lbr., Wood Prod., Furn. & Fix.	Aug.	105	106	105	111
Paper	Aug.	125	127	127	130
Primary Metals	Aug.	127	129	130	133
Textiles	Aug.	112	113	112	117
Transportation Equipment	Aug.	196	192	196	227
Nonmanufacturing†	Aug.	153	153	154	151
Construction	Aug.	130	132	134	139
Farm Employment	Aug.	55	55	57	56
Unemployment Rate (Percent of Work Force)†	Aug.	4.5	4.3	4.3	3.5
Insured Unemployment (Percent of Cov. Emp.)	Aug.	3.0	2.9	2.8	1.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.3	40.4	40.4	41.1
Construction Contracts*	Aug.	220	229	230	310
Residential	Aug.	263	276	247	275
All Other	Aug.	183	189	214	340
Electric Power Production**	July	168	168	167	164
Cotton Consumption**	July	110	99r	100	102
Petrol. Prod. in Coastal La. and Miss.**	Aug.	294	283	286	275
Manufacturing Production	July	245	244	241	233
Nondurable Goods	July	208	206	203	201
Food	July	166	167	164	158
Textiles	July	235	229	226	228
Apparel	July	261	262	256	251
Paper	July	194	192r	197	197
Printing and Publishing	July	166	168	167	167
Chemicals	July	261	252r	253	256
Durable Goods	July	290	289r	287	271
Lumber and Wood	July	168	170	169	167
Furniture and Fixtures	July	181	185r	182	193
Stone, Clay and Glass	July	166	169r	167	170
Primary Metals	July	199	198	198	192
Fabricated Metals	July	238	239	242	233
Nonelectrical Machinery	July	382	362	354	372
Electrical Machinery	July	610	611r	600	559
Transportation Equipment	July	383	378	379	339
FINANCE AND BANKING					
Loans*					
All Member Banks	Aug.	356	352	350	330
Large Banks	Aug.	298	298	290	272
Deposits*					
All Member Banks	Aug.	242	237	235	229
Large Banks	Aug.	200	196	190	191
Bank Debits*/**	Aug.	288	280	286	269
ALABAMA					
INCOME					
Manufacturing Payrolls	Aug.	196	227	221	217
Farm Cash Receipts	July	194	171	163	189
EMPLOYMENT					
Nonfarm Employment†	Aug.	133	133	133	133
Manufacturing	Aug.	133	134	132	135
Nonmanufacturing	Aug.	133	133	133	132
Construction	Aug.	122	123	119	129
Farm Employment	Aug.	57	51	55	60
Unemployment Rate (Percent of Work Force)†	Aug.	5.0	4.9	4.8	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.3	40.1	39.5	41.4
FINANCE AND BANKING					
Member Bank Loans	Aug.	326	321	317	304
Member Bank Deposits	Aug.	230	226	219	214
Bank Debits**	Aug.	249	236	239	241

	Latest Month 1970		One Month Ago	Two Months Ago	One Year Ago
FLORIDA					
INCOME					
Manufacturing Payrolls	Aug.	361	352	367	343
Farm Cash Receipts	July	220	174	176	180
EMPLOYMENT					
Nonfarm Employment†	Aug.	179	180	180	174
Manufacturing	Aug.	175	176	178	179
Nonmanufacturing	Aug.	180	181	181	174
Construction	Aug.	130	133	136	134
Farm Employment	Aug.	93	97	91	88
Unemployment Rate (Percent of Work Force)†	Aug.	3.5	3.3	3.3	2.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.4	40.9	41.4	41.7
FINANCE AND BANKING					
Member Bank Loans	Aug.	398	395	395	374
Member Bank Deposits	Aug.	276	269	267	260
Bank Debits**	Aug.	305	289	300	277
GEORGIA					
INCOME					
Manufacturing Payrolls	Aug.	268	267	270	277
Farm Cash Receipts	July	207	166	227	136
EMPLOYMENT					
Nonfarm Employment†	Aug.	151	151	152	153
Manufacturing	Aug.	139	139	139	148
Nonmanufacturing	Aug.	157	157	158	155
Construction	Aug.	128	130	140	152
Farm Employment	Aug.	47	46	51	51
Unemployment Rate (Percent of Work Force)†	Aug.	3.7	3.7	3.7	2.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.1	40.3	40.4	41.2
FINANCE AND BANKING					
Member Bank Loans	Aug.	355	350	351	338
Member Bank Deposits	Aug.	240	238	234	242
Bank Debits**	Aug.	333	332	339	308
LOUISIANA					
INCOME					
Manufacturing Payrolls	Aug.	224	221	213	212
Farm Cash Receipts	July	234	185	162	247
EMPLOYMENT					
Nonfarm Employment†	Aug.	131	131	131	133
Manufacturing	Aug.	119	120	121	123
Nonmanufacturing	Aug.	134	134	133	135
Construction	Aug.	117	118	116	129
Farm Employment	Aug.	44	47	51	50
Unemployment Rate (Percent of Work Force)†	Aug.	6.4	6.2	6.1	5.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	41.4	41.2	41.7	41.9
FINANCE AND BANKING					
Member Bank Loans*	Aug.	295	287	286	268
Member Bank Deposits*	Aug.	194	189	187	179
Bank Debits*/**	Aug.	226	212	213	208
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Aug.	281	284	287	272
Farm Cash Receipts	July	239	203	268	263
EMPLOYMENT					
Nonfarm Employment†	Aug.	151	150	150	150
Manufacturing	Aug.	157	158	157	160
Nonmanufacturing	Aug.	148	147	146	145
Construction	Aug.	162	160	157	160
Farm Employment	Aug.	46	48	48	48
Unemployment Rate (Percent of Work Force)†	Aug.	5.2	4.9	4.8	4.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.1	40.6	40.0	40.6
FINANCE AND BANKING					
Member Bank Loans*	Aug.	433	433	427	388
Member Bank Deposits*	Aug.	300	291	291	270
Bank Debits*/**	Aug.	292	264	285	259

	Latest Month 1970		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME					
Manufacturing Payrolls	Aug.	247	250	238	243
Farm Cash Receipts	July	164	174	220	198
EMPLOYMENT					
Nonfarm Employment†	Aug.	146	147	148	147
Manufacturing	Aug.	151	153	151	157
Nonmanufacturing	Aug.	144	144	145	142
Construction	Aug.	140	143	152	153
Farm Employment	Aug.	58	57	58	57
Unemployment Rate (Percent of Work Force)†	Aug.	4.8	4.5	4.4	3.6
Avg. Weekly Hours in Mfg. (Hrs.)	Aug.	40.2	40.1	40.0	40.2
FINANCE AND BANKING					
Member Bank Loans*	Aug.	343	344	337	304
Member Bank Deposits*	Aug.	223	218	220	205
Bank Debits*/**	Aug.	280	297	293	281

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

Sources: Manufacturing production 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 Div., McGraw-Hill Information Systems Co.; 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

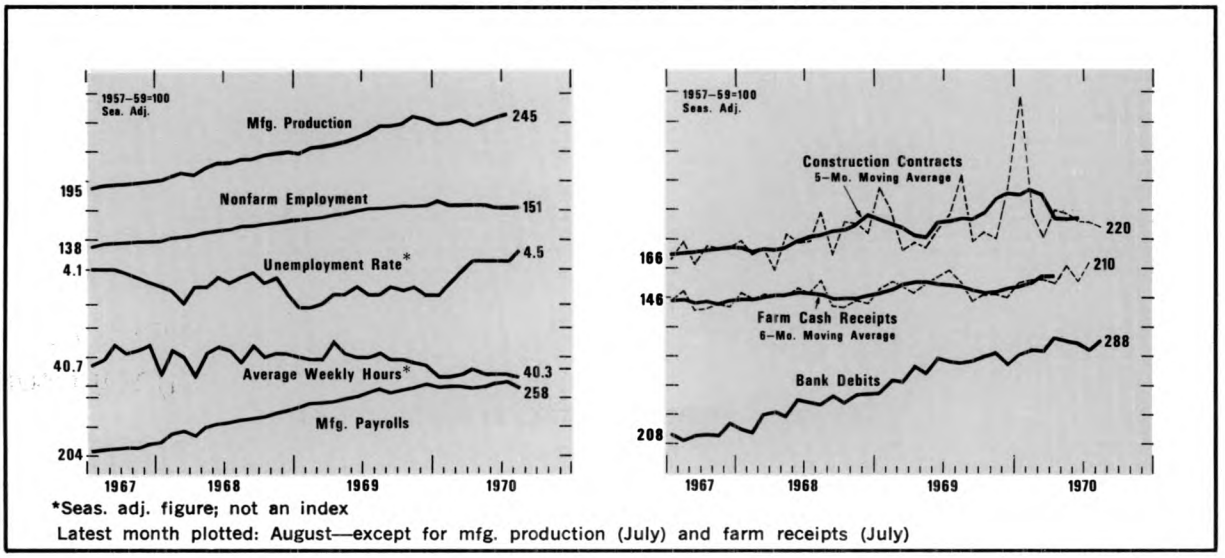
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Aug. 1970	July 1970	Aug. 1969	Percent Change: Aug. 1970 From July 1970	Aug. 1969	Year to date 8 mos. 1970 from 1969
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,914,094	2,003,777	1,862,732	− 4	+ 3	+ 5
Gadsden	72,172	75,604	64,169	− 5	+12	+ 6
Huntsville	213,145	229,569	192,894	− 7	+10	+10
Mobile	643,896	711,771	615,397	−10	+ 5	+18
Montgomery	371,027	419,993	344,794	−12	+ 8	+ 6
Tuscaloosa	121,281	145,770	124,711	−17	− 3	+ 4
Ft. Lauderdale–Hollywood	1,005,185	1,139,512	911,759	−12	+10	+ 9
Jacksonville	1,892,075	2,081,868	1,773,173	− 9	+ 7	+ 6
Miami	3,414,793	4,059,481	3,106,575	−16	+10	+12
Orlando	771,279	899,956	642,999	−14	+20	+15
Pensacola	276,713	290,426	231,744	− 5	+19	+13
Tallahassee	220,258	224,634	203,127	− 2	+ 8	+14
Tampa–St. Pete.	2,043,640	2,181,213	1,738,016	− 6	+18	+15
W. Palm Beach	587,656	683,310	542,564	−14	+ 8	+10
Albany	123,813	131,659	106,117	− 6	+17	+15
Atlanta	7,421,614	8,496,832	6,863,448	−13	+ 8	+17
Augusta	293,241	329,784	300,911	−11	− 3	+ 5
Columbus	289,011	312,750	266,998	− 8	+ 8	+ 4
Macon	346,458	382,333	328,954	− 9	+ 5	+ 5
Savannah	313,375	340,961	317,733	− 8	− 1	+ 1
Baton Rouge	895,860	968,483	671,606	− 7	+33	+35
Lafayette	165,875	178,920	152,425	− 7	+ 9	+ 6
Lake Charles	163,393	165,638	165,671	− 1	− 1	− 2
New Orleans	2,591,434	2,909,777	2,500,879	−11	+ 4	+ 5
Biloxi–Gulfport	163,455	163,805	109,330	− 0	+50	+27
Jackson	873,377	883,591	741,418	− 1	+18	+13
Chattanooga	884,235	891,956	770,555	− 1	+15	+12
Knoxville	572,265	635,394	548,974	− 10	+ 4	+ 3
Nashville	1,838,571	2,418,608	2,066,904r	−24	−11	+ 8
OTHER CENTERS						
Anniston	78,786	88,355	73,067	−11	+ 8	+ 4
Dothan	89,012	83,853	78,599	+ 6	+13	+12
Selma	47,664	51,721	47,219	− 8	+ 1	+ 2
Bartow	33,187	40,447	32,275	−18	+ 3	− 5
Bradenton	82,095	107,640	80,471	24	+ 2	+ 5
Brevard County	195,118	226,729	220,143r	−14	− 3	− 2
Daytona Beach	97,679	120,250	96,507	−19	+ 1	+ 5
Ft. Myers–N. Ft. Myers	119,495	128,647	111,873	− 7	+ 7	+ 3
Gainesville	112,280	117,218	110,054	− 4	+ 2	+11
Lakeland	148,865	181,589	131,924	−18	+13	+10
Monroe County	40,190	43,762	35,263	− 8	+14	+ 8
Ocala	94,295	104,423	76,871	−10	+23	+21
St. Augustine	23,847	26,073	23,817	− 9	+ 0	− 7
St. Petersburg	452,197	508,071	369,372	−11	+22	+14
Sarasota	147,014	180,364	151,545	−18	− 3	+13
Tampa	1,125,235	1,143,282	951,250	− 2	+19	+18
Winter Haven	73,144	83,887	65,314	−13	+12	+14
Athens	129,999	132,454	98,780	− 2	+32	+19
Brunswick	62,008	57,077	52,365	+ 9	+18	+11
Dalton	115,572	116,899	121,592	− 1	− 5	− 3
Elberton	18,099	19,667	16,797	− 8	+ 8	+10
Gainesville	91,021	99,284	77,579	− 8	+17	+19
Griffin	43,182	45,774	37,274	− 6	+16	+15
LaGrange	23,231	23,308	25,650	− 0	− 9	− 9
Newnan	27,526	34,007	23,317	−19	+18	+22
Rome	86,409	98,255	83,540	−12	+ 5	+ 7
Valdosta	82,118	71,959	72,047	+14	+14	+ 9
Abbeville	13,300	14,382	12,373	− 8	+ 7	+ 1
Alexandria	150,952	162,100	162,093	− 7	− 7	− 7
Bunkie	7,419	8,310	7,720	−11	− 4	− 5
Hammond	46,931	51,482	41,164	− 9	+14	+ 7
New Iberia	38,871	45,816	37,395	−15	+ 4	+ 5
Plaquemine	14,157	14,468	13,689	− 2	+ 3	− 3
Thibodaux	23,965	27,235	22,961	−12	+ 4	+ 2
Hattiesburg	60,447	68,903	58,591	−12	+ 3	−13
Laurel	50,001	54,430	49,016	− 8	+ 2	+11
Meridian	78,634	84,998	85,841	− 7	− 8	− 5
Natchez	39,907	45,666	44,353	−13	−10	− 4
Pascagoula–Moss Point	91,393	96,528	75,473	− 5	+21	+ 9
Vicksburg	47,628	53,022	45,114	−10	+ 6	+13
Yazoo City	24,855	39,424	25,274	−37	− 2	+ 1
Bristol	93,591	102,930	86,553	− 9	+ 8	+ 6
Johnson City	100,344	113,402	89,325	−12	+12	+12
Kingsport	173,290	193,286	163,107	−10	+ 6	− 2
SIXTH DISTRICT Total	40,513,070	45,568,199	37,791,156r	−11	+ 7	+10
Alabama‡	4,865,127	5,242,869	4,703,468	− 7	+ 3	+ 7
Florida‡	12,847,710	14,603,290	11,676,367	−12	+10	+11
Georgia‡	11,103,437	12,485,393	10,294,106	−11	+ 8	+14
Louisiana†*	4,816,766	5,281,609	4,428,921	− 9	+ 9	+ 8
Mississippi†*	1,843,544	1,989,554	1,631,516	− 7	+13	+10
Tennessee†*	5,036,486	5,965,484	5,056,778r	−16	− 0	+ 7

*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

Latest month plotted: August—except for mfg. production (July) and farm receipts (July)

Various economic indicators show the Southeastern economy to be rocking along. Latest data reveal that nonfarm employment went down, with most of the District's major industries showing further reductions in workers. Consumers increased their use of instalment credit only sparingly. With loan demand remaining weak, District banks continued to add municipal obligations to their portfolios. Construction contract awards declined further.

Labor market conditions eased in August, reflecting the national trend. Nonfarm employment drifted downward; both manufacturing and nonmanufacturing sectors suffered losses. The GM strike will make these statistics look even less satisfactory. In August, a labor dispute in southern Florida's painting trade depressed construction employment while the apparel industry—the region's largest manufacturing employer—and primary metals and textiles showed further employment losses. Industrial production advanced in July for the third month in a row.

In August, consumers remained as reluctant as they have been most of the summer to make additional use of instalment credit at commercial banks. The combination of reduced repayments and new loan volume resulted in a slim increase in total instalment credit outstanding. After exceeding 1969 sales in June and July, auto sales in August fell short of the year-ago monthly total.

Prices received by farmers in August fell below year-earlier levels for the first time this year. Both crop and livestock prices dropped abruptly from the July level. The most noticeable price declines were for hogs, eggs, and vegetables; only milk and rice prices moved upward significantly. Crop conditions have been good, with the exception of corn, and harvesting is being helped by generally favorable weather.

Following a period of business loan declines and reductions in money market rates, most large District banks joined banks nationally in reducing their prime lending rate. Strong deposit inflows continued to provide banks with additional reserves, thereby reducing their dependency upon borrowed reserves. Purchases of municipal obligations provided most of the increase in investments for the last several months.

Total construction contract awards declined slightly in August, marking the fourth consecutive monthly decline in this series. It now appears that last year's pattern of a very strong first quarter followed by gradual tapering will be repeated. Strong gains in savings flows and new mortgage loan commitments continued to characterize the District's savings and loan associations.

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