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In this issue:

The Southeast in 1970: Off-But Ahead of U.S.

The Southeast may not hold a corner on growth. But as regions go, it has been a rapidly growing section of the country for several decades. In fact, during the 1960's the Southeast had the fastest growth rate of personal income in the nation.

In 1970, however, growth took a back seat to sluggishness. Production and employment in the Sixth District states—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—were virtually flat. Unemployment rose almost steadily, and growth in personal income slowed—largely because of weakness in the manufacturing sector. Factory payrolls, for instance, increased only about 4 percent, and even this gain was more illusory than real. When one considers the rise in prices, the typical factory worker received about 2 percent less in wages than he did in 1969.

Why business activity in the Southeast was off last year is no mystery. The Southeastern and national economies are closely related. Thus, business trends in the Southeast never stray far from those in other parts of the country for very long. A recent U.S. Commerce Department study underscores this dominating influence of national developments on regional trends generally and on the Southeast specifically. This study traced 83 percent of the Southeast's growth in personal income to national income developments. Therefore, with business activity in the rest of the country lagging in 1970, a moderation in the region's business tempo was not unexpected. Such national economic events as the General Motors strike and cutbacks in defense and aerospace contributed to the sluggishness.

Last year's economic slowdown, however, affected the Sixth District less than the nation as a whole. As other articles in this **Review** reveal, employment and production held up better in the region; and so did construction and agriculture. When compared with the nation, the District's economic performance was also less hesitant in two other areas: The unemployment rate for the Southeast was less than in the rest of the country, and the percent rise in personal income during the first half of 1970, and probably during the second half, was slightly higher than nationally.

The region's slightly better-than-national showing is traceable, in part, to its lesser dependence on such hard-hit industries in the nation as primary and fabricated metals. The region's economy held up better for still two other reasons. First, such sources of income as

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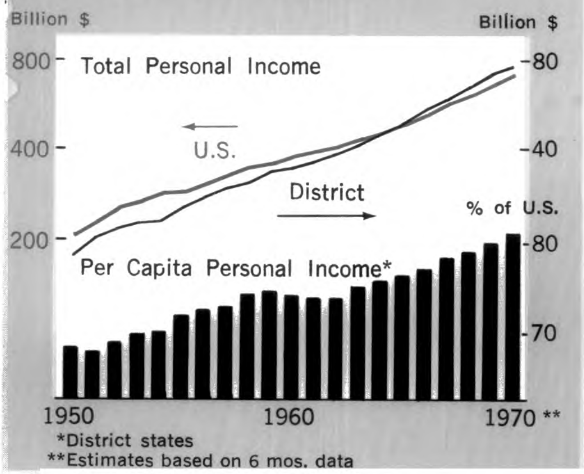
In the past, the region has outdistanced the nation in terms of income growth.

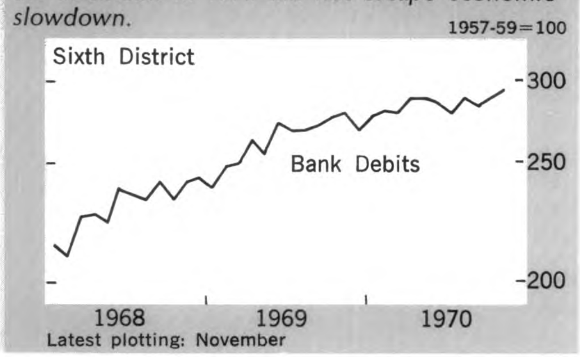


government and transfer payments (including social security benefits), which increased substantially nationwide last year, are more important to the District than to the rest of the nation. Second, the District benefited from its greater dependence on certain sectors of manufacturing, such as citrus processing, that performed well.

Despite these relatively favorable developments, there were exceptions, and some parts of the region—especially those heavily dependent on space and defense—experienced sizable layoffs and a weak business picture in general. Bearing this point out, bank debits, a measure of checkbook spending, declined in 12 of 73 reporting centers last year.[1]

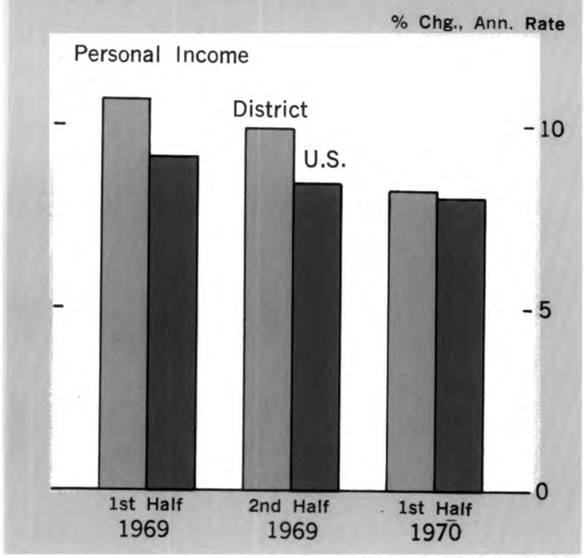
One lesson that 1970 taught was that even a fast-growing region cannot escape nationwide adjustments and recessionary forces; it can

Because of close ties with the national economy, the Southeast in 1970 did not escape economic slowdown.



[1]*Data are based on percentages for the first eleven months from a year ago.*

More recently, the Southeast still outperformed the nation.



experience them only to a lesser degree. Thus, Southerners, as in some years past, found that they could not count on economic growth to continue without interruption.

Like other Americans, Southerners have learned that growth, no matter how desirable, cannot be an end in itself. More attention has been given to the quality of life than ever before, and in the future, it is almost certain to receive more emphasis.

Finally, the Southeast has had to share such national problems as inflation and, as its number of metropolitan areas has grown, the economic and social problems of urbanization and the cities.

While many of these nationwide problems are unlikely to disappear overnight, a strong case can be made for expecting some improvement in the Southeastern economy during early 1971. There were, indeed, signs—just before the GM strike began—that this region's economy had already rounded the corner, although unemployment continued high and the industrial sector weak. The change in monetary policy last year from restriction to moderate stimulation, the recovery in residential construction, expansion in government spending, and current makeup of GM strike losses are widely counted on to strengthen prospects nationally. If realized, these same forces should also contribute to the recovery of the Southeastern economy, which—if past trends are any indication—again stands a good chance of outperforming the country as a whole.

HARRY BRANDT

Industrial Growth: What Happened!

Based on past standards, one would expect the region's industrial sector to outdistance the nation in terms of growth. This past year, however, has raised a new question for the analysts to grapple with, "Relative to the United States, how well does the region's industrial sector perform when national growth is sluggish or nonexistent?"

Though 1969 gave some indication that the region's industrial base might keep growing as the nation's growth was slowing, 1970 has made it quite clear that the region cannot isolate itself from national influences. Defense and aerospace cutbacks, which are partly responsible for the nation's economic doldrums, also affected the region and were reflected in the weak performance of its manufacturing sector. Regionally, Cape Kennedy, New Orleans, and Huntsville (Alabama), areas of heavily concentrated defense and aerospace activity, were hit hardest by the cutbacks. However, in 1970, the region's slump was broadly based, both geographically and industrially. Transportation equipment firms, chemical plants, ordnance, and electrical equipment producers were affected throughout the Southeast during the last year. In turn, the sluggishness caused by these initial cutbacks and the consequent dropoff in purchasing power brought on weakness in other sectors of the District's economy, just as it did nationally.

Despite this downtrend, a review of the various measures of economic activity indicates that the District held up relatively better than the nation in 1970. Nonfarm employment, manufacturing production, and unemployment rates, though far below 1969 performance standards, all compared favorably with national figures. In particular, since December 1969 the District's unemployment rate remained at a consistently lower level than in the U. S.

District's Manufacturing Sector— Strength in Weakness

A closer look at employment changes indicates that the District's area of comparative advantage was in the manufacturing sector. In fact, from an historical point of view, this same sector maintained an advantage over the nation in the 1960-61 period of economic sluggishness.

Although the District's nonmanufacturing growth as measured by employment growth was positive during 1970, it was far below the standards established in the "Soaring Sixties." One contributing factor to 1970's less favorable picture was the large amount of strike activity in the District's construction industry, especially in some of the major cities—Atlanta, Knoxville, and Birmingham. This strike activity more than compensated for the greater growth of Federal Government and trade employment in the District than in the U. S.

The region's manufacturing sector, as expected, felt the sharpest pangs of economic contraction throughout the year. However, it still compared favorably with the nation's manufacturing sector. Even though the District's manufacturing has become more diversified over the years, there is a large concentration of industries that all performed better than their national counterparts. This was basically responsible for the District's advantage.

Midi Madness

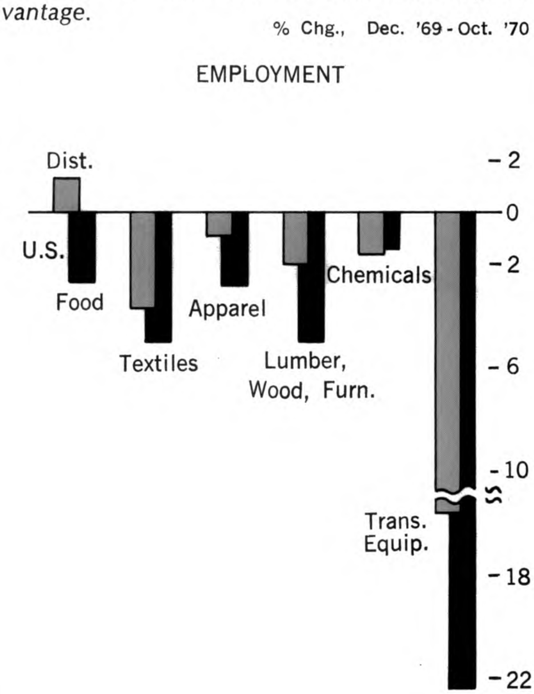
Actually the District's first-and-third-most-important manufacturing employers, apparel and textiles, both sustained employment losses during the year; however, these losses were much smaller (in percentage terms) than those felt by these two industries nationally. States outside the District, where defense cutbacks and foreign competition seem to have had greater impact, felt the brunt of the losses. However, in Georgia, the textile industry has been particularly hard hit because of sluggish demands. Meanwhile, the slow acceptance of some of the new women's styles adversely affected certain apparel plants and threw the industry into a "midi downturn."

The District's second-largest manufacturing employer, food processing, actually showed employment gains in 1970. The strong performance of Florida's citrus food industry, buoyed by the previous year's large citrus crop and by promotional campaigns, played an important role in helping the District outdistance the nation in food processing. The industries that make up the lumber, wood, furniture and fixtures category—a very broad classification—ranked fourth in District manufacturing employment. Although their performance employment-wise, was nothing to crow about, these industries held up better than nationally. This can be partially attributed to the District's somewhat stronger performance in residential construction.

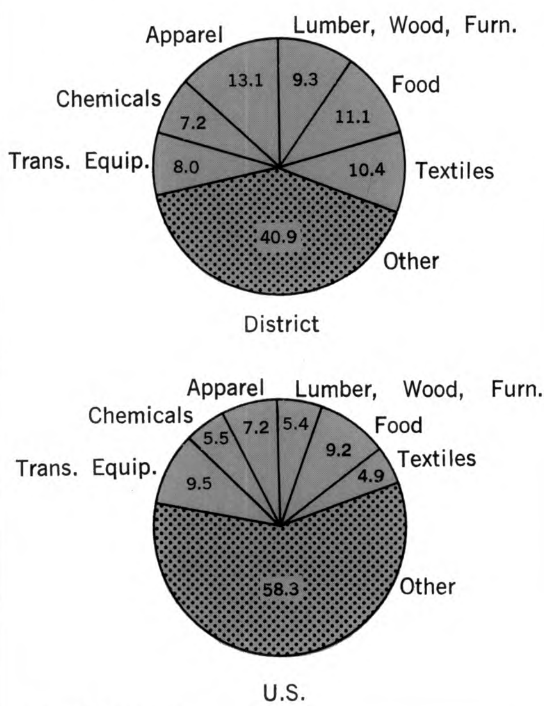
G M Strike

The strike against General Motors, which shut down auto assembly plants in mid-September, also took part of its toll on the Southeast. However, only

A larger concentration of industries that all performed better than their national counterparts accounts for the District's manufacturing advantage.

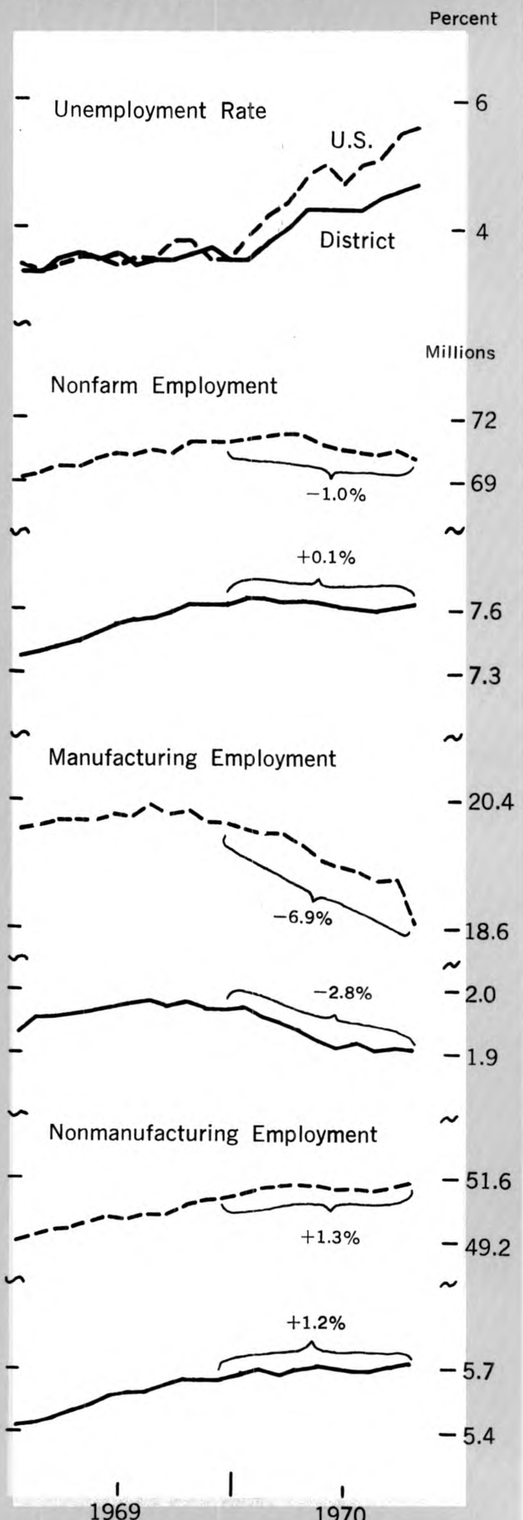


COMPOSITION OF MANUFACTURING EMPLOYMENT*



*As of Sept. '70

A review of the various measures of economic activity indicates that the District has held up better than the nation in 1970.



the Atlanta area, where some 8,750 workers went on strike at the Lakewood and Doraville plants, was significantly affected. Despite a few secondary layoffs in aluminum, textiles, and rubber, along with catering and stevedoring services, the total shock to the economy was much less in the region than in the nation as a whole.

Although the GM strike tended to distort conditions in the transportation equipment industry, it did not hide one fact: Even without the strike, this industry would have had the largest employment losses of any manufacturing segment during 1970, not only in the region but nationally as well. This employer—the District's fifth-largest—reported reductions in work forces in Florida, Alabama, and Louisiana attributable to decreases in aerospace expenditures. Georgia and Tennessee also experienced sharp nosedives in employment. In Georgia problems at Lockheed (near 30-percent employment drop over the year) coupled with sluggishness in automobile sales affected employment. In Tennessee, a plant closing, strikes, and slowdowns in farm implement manufacturing had their impact. On the brighter side, Mississippi is just now starting to feel the effects of the destroyer contract awarded to Ingall's.

In contrast to transportation equipment, the chemical industry—the District's sixth-most important manufacturing employer—sustained sharper employment drop-offs in the District than in the nation, especially in Tennessee. There the industry was particularly hard hit by defense cutbacks. Other areas that produce larger portions of agricultural chemicals fared better.

In 1970, unemployment rates increased in all six states. However, rates varied throughout the District, with Louisiana posting the highest rate and Florida the lowest. Only Florida and Mississippi were able to maintain nonfarm employment gains during the year. These gains were attributed to advances in nonmanufacturing jobs and more than compensated for the declines in manufacturing that occurred in all six District states.

Thus, the District's economy, while feeling the effects of the national economic downturn in 1970, was able to greet the new year in a somewhat better disposition than the nation. The largest manufacturing employers all outperformed their national counterparts.

What does this imply for 1971? Although the region's and the nation's industrial sectors strayed from their long-run growth paths in 1970, the Southeast's deviation was much smaller. Whether or not manufacturing in the region recovers more rapidly and begins to follow this long-run growth path once again remains 1971's unanswered question.

WILLIAM D. TOAL

Banking:
A Rerun in Reverse

In 1970, many of the same factors that affected the operations of banks nationally also had a strong influence on banks in the Southeast. The overall economic climate, credit conditions, and monetary policy were the overriding influences on banks during this last year. Furthermore, those factors affecting banks in 1970 turned out to be almost completely opposite in their direction in comparison with those same factors a year ago.

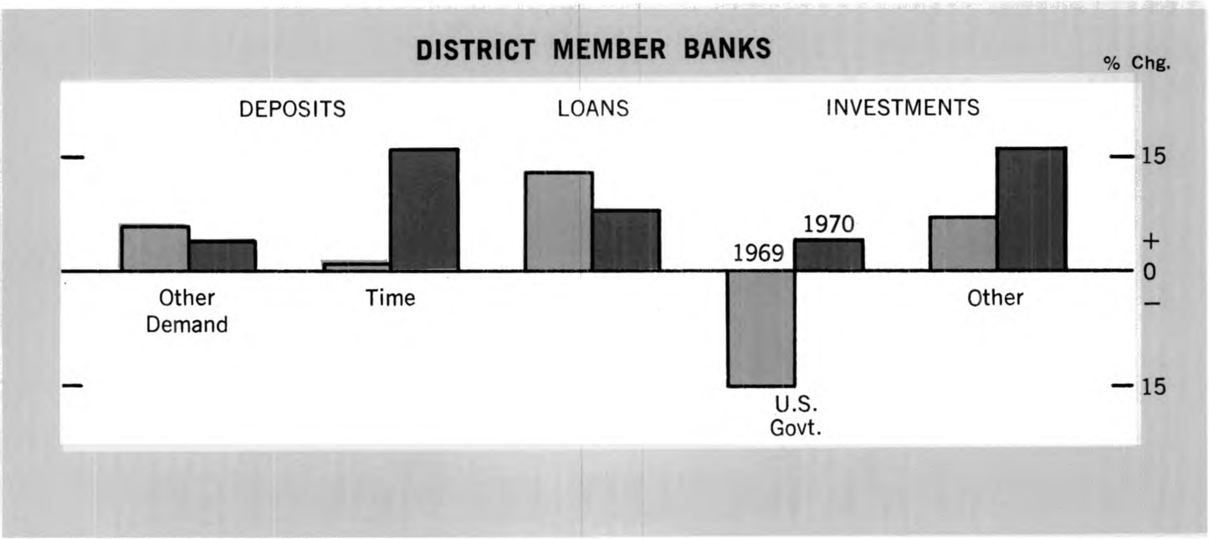
1970 Brings Reversed Banking Conditions

Casting back to the year before—1969—, a restrictive monetary policy, rising demands for credit, and a generally strong economy dominated banking and became more binding as the year wore on. But, in 1970, these conditions were largely reversed; therefore, pressures on banks eased considerably. The demand for bank loans decreased; monetary policy turned moderately expansive; and these changes occurred in the context of reduced economic activity.

Other changes point out the differences between the last two years. When the Federal Reserve System raised the discount rate in December 1968, it, in effect, signaled the intent to pursue a restrictive monetary policy. The Board of Governors increased the reserve requirement on demand deposits and allowed a further increase of one-half percent in the discount rate in April. Other market rates rose throughout the year because of increasing credit demands. Many banks raised their prime rates three times in 1969. On the other hand, declining short-term interest rates marked 1970. Banks lowered the prime rate five times during the year, following reduced demands for bank loans, reductions in other short-term rates, and increased fund availability. The Federal Reserve Banks reduced the discount rate once in November and again in December, bringing it more in line with other market rates; the Board lowered the reserve requirement on time deposits in September.

Time Deposits Spark Deposit Growth

The strong deposit inflows in 1970 point toward the less-restrictive monetary conditions prevailing at District banks, sharply contrasting with the hesitant growth and, in the end, deposit losses during 1969. In early 1970, nearly

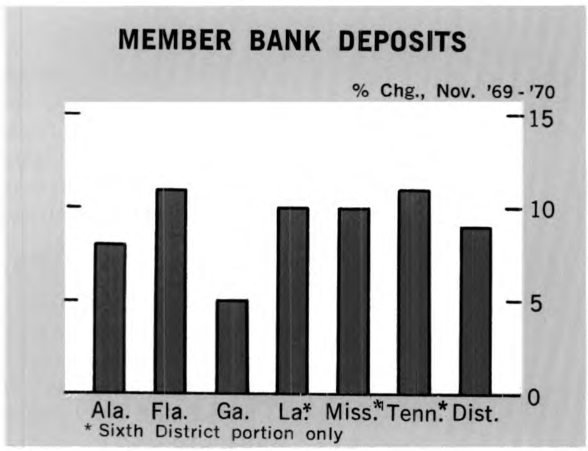


one-fourth of the District member banks reported deposit totals below those of a year ago. Deposit losses were concentrated at the District's larger banks and at banks in Florida.

In part, increased open market operations last year supplied reserves to banks and enhanced their ability to expand deposits. However, a major influence in the deposit expansion came from the Board of Governors' increase in the maximum interest rates that member banks are allowed to pay on time and savings deposits. Rates on all interest-bearing deposits rose, and consumers responded favorably to the higher rates. By year-end, consumers held nearly half of their time deposits in the newly offered one- and two-year maturity time deposits that pay rates of 5½ percent and 5¾ percent, respectively.

For some of the "money market" banks in the District's larger cities, the relaxation in interest rate regulations and the decline in rates on other financial instruments have meant that they could once again successfully compete for short-term funds by selling large-denomination CD's. The initial January relaxation allowed banks to offer rates that ranged between 6¼ percent on maturities of 30-59 days and 7½ percent on maturities of 280 days and over. The runoff of CD's was then halted and through June, large District banks—but primarily those outside Atlanta—attracted a substantial volume of longer-term funds from state and local governmental bodies.

In June, many large finance companies were unable to roll over their commercial paper in the wake of the Penn-Central bankruptcy. The Board of Governors feared a liquidity crisis could develop and suspended rate limitations on 30- to 89-days CD's. The larger banks quickly offered to pay rates of more than 7½ percent on these deposits,

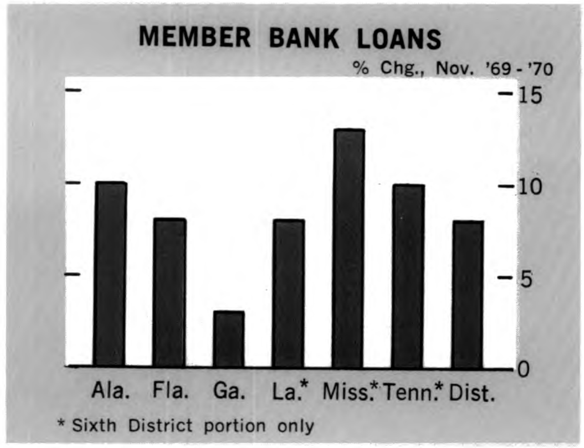


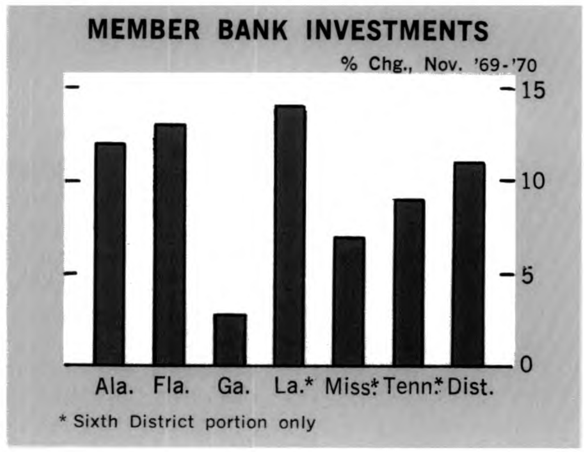
with the result that the total volume of CD's rose sharply. Banks then channeled funds back to those hard-pressed business firms that, up until then, were relying on financing from the commercial paper market.

Since June, the larger Atlanta banks were responsible for most of the District's increase in short-term CD's, attracting funds mainly from businesses and individuals. In August and September, the larger part of this CD gain represented the substitution of these "money market" instruments for commercial paper that the banks' subsidiaries were then issuing. In September, the Board subjected the latter's commercial paper to reserve requirements for the first time.

At the end of 1970, the volume of CD's outstanding at the larger District banks totaled $850 million. This volume was more than double the outstanding last February—the low point of the runoff—and greatly exceeded the previous peak reached in late 1968 when banks could still attract these deposits.

The dramatic turnabout in deposit inflows greatly reduced the necessity to use borrowed funds for reserve purposes. In late 1969, District banks' purchases of Federal funds exceeded sales by $400 million. However, by the end of 1970, the sales of these overnight reserves were about $200 million more than their purchases. Less reserve pressure on the banks as the year progressed was also indicated by the drop in borrowing at the discount window of the Federal Reserve Bank of Atlanta. The level of borrowing averaged nearly $90 million in the final quarter of 1969 but dropped off to only minimum use in the latter part of 1970. Banks in towns outside the larger District cities have not been large borrowers since late 1969, whereas the larger banks did not clearly show a decline in discount activity until late the following summer. In part, the reduced level of discount activity reflects the increased availability of and a decline in the relative costs of funds obtained from other sources. Banks have generally regarded the discount window as a secondary, not a primary, source for meeting reserve requirements.





Bank Credit Proves More Expansive

In 1969, the inability of banks to expand deposits caused a serious strain on their lending ability. Many, particularly the larger ones, were forced to sell off large amounts of U. S. Treasury securities in order to meet the rising demands for bank loans.

But an expansive monetary policy brought a return to deposit inflows and less pressure on the District banks' lending capacity. Results began to show up from the cutback in (1) lending commitments and (2) in the establishment of more stringent terms and conditions for evaluating loan requests. Total lending was much less expansive than in 1969. Business loans proved noticeably weak, a reflection of both the general slowdown in economic activity and the attempts by business to refinance a portion of their short-term bank credit in the long-term capital markets. Almost all commercial and industrial categories of business loans posted smaller gains or outright declines in 1970, in contrast with a nearly 12-percent advance in 1969. The volume of term loans, an unusually expansive type of business loan in previous years, fell slightly.

As banks attempted to rebuild their liquidity, they stopped selling off U. S. Government securities. Faltering loan demand and record-high returns on municipal obligations caused many banks to add a substantial volume of tax-exempt issues to their investment portfolios. District banks were in a position to expand credit more comfortably in 1970, despite greater volume. Member bank credit—total loans and investments—increased more than 6 percent in 1970, compared with less than 3 percent in 1969.

1970—A Better Year for Banking

As in the rest of the country, 1970 turned out to be a better year for District banks than the year before. Many of the restrictive conditions influencing banks changed, and pressures steadily became less binding. The lifestream of commercial banks—an inflow of deposits—supplied reserves to banks, allowing them to reduce their dependence upon borrowed funds. Bank lending became less expansive, and banks turned to rebuilding liquidity. Because of these improved conditions, Southeastern banks should now be better able to meet the credit demands they are likely to feel from a more expansive economy during 1971.

JOHN M. GODFREY

The Consumer: A Reluctant Spender

Throughout most of 1970, unsettled economic conditions in the Sixth District, as elsewhere, generated a mood of uncertainty that particularly affected the consumer. As a result, the first year of this decade contrasted sharply with the overall performance of the "Soaring Sixties" and never quite got off the ground. This was partly because apprehensive consumers responded to uncertain, changing economic conditions by keeping a tight rein on their purse strings.

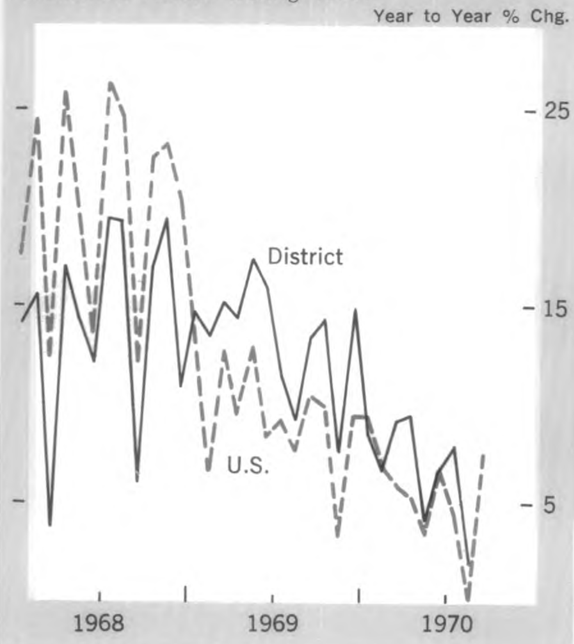
A steady diet of rising unemployment nurtured the anxiety of Southern consumers, as demonstrated by the sagging performance of District department store sales. Based on dollar volume, the rate of increase in sales continued to fall during the year, a trend that actually began in 1969. Even the largest metropolitan areas in the District, Atlanta, Miami, and New Orleans, were not spared the adverse effects of consumer anxiety and experienced lackluster sales activity.

The sluggishness of department store sales was representative of retail sales in general. The number of domestically produced cars sold in the region during the first half of 1970 fell below 1969 levels. Although recovery appeared in the making during July and August, the extended General Motors strike, which began in mid-September, sharply reversed the previous two months of improved sales. Southerners also spent less for higher-priced merchandise, such as furniture, televisions, and luxury goods.

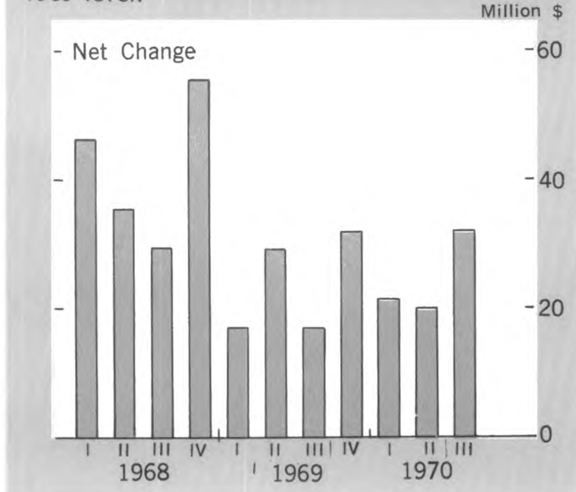
Although moderating gradually, consumer price increases remained relatively large and were one source of consumer uneasiness. The Atlanta Consumer Price Index during the first quarter of 1970 climbed at a 6-percent annual rate, but in the second quarter, the increase eased to 5.2 percent. During the third quarter, the rate of change slowed further, to 4.0 percent. In Atlanta, as in the U. S., rising food and apparel prices and sizable increases in the costs of home ownership and medical care were largely responsible for the increases in the overall index.

District consumers' reluctance to spend freely was reflected in the moderate use of instalment credit. For the first three quarters of 1970, the expansion in consumer instalment credit at commercial banks was only slightly greater than during the same period in 1969. There were several reasons for this: Sluggish auto sales retarded the growth of auto loans, which make up a sizable total of new consumer loan volume. As previously mentioned, the slowdown

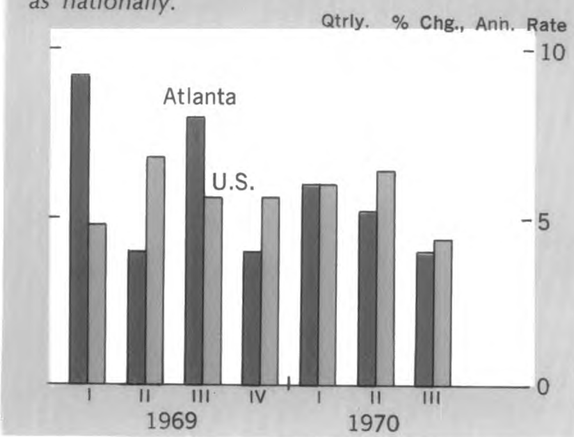
The performance of department store sales weakened further during 1970.



Consumers' reliance on instalment credit from banks showed little net change from the reduced 1969 level.



Although slowing gradually during the year, the cost of living increased in Atlanta about as much as nationally.



in the purchases of high-ticket merchandise limited the increase in loans for nonautomotive consumer goods. And consumers continued to repay their debt obligations at relatively high levels for most of the year.

Increases in personal income could have supported a higher rate of consumer spending, but this was not the case. District personal income growth, though slowing during the first quarter, picked up again in the second quarter. Obviously, consumers were not in a spending mood. Hence, it was not surprising to discover that a relatively large portion of the average consumer's income, besides being used to pay off past instalment debt obligations, was put into some form of savings. Increased inflows of time deposits to commercial banks and savings inflows to savings and loan associations bear this out. Such inflows are influenced by changes in interest rates and the availability of credit market instruments. Nevertheless, they were also, to some extent, a reflection of consumer anxiety. Additionally, the national personal saving rate for the third quarter was at the highest level in more than two years.

In summary, 1970 was a year of changing economic conditions—a period of uncertainty that was characterized by an economic slowdown. And consumers, hearing and reading more discouraging—rather than encouraging—economic news were repaying their debts, bolstering their savings, and holding their spending down to a minimum.

What course the economy takes in 1971 will depend partly on whether or not consumers reverse their conservative behavior by spending more and saving less.

EMERSON ATKINSON

Construction: Stunted Growth

Construction activity in the Southeast continued to increase during 1970; however, its rate of growth was less than half of that recorded in 1969.[1] Although residential construction was unchanged from a year ago, nonresidential construction expanded enough to push total construction above 1969 levels. While this increase in total construction was smaller than in 1969 or in 1968, it was sufficient to bring the region's rate of growth in construction activity above the nation's for the third consecutive year.

A combination of higher construction costs, financing problems, changes in national economic conditions, and special local factors influenced all types of construction in the Southeast during 1970. But residential and nonresidential construction do not always react in the same way to these influences and, therefore, will be considered separately.

No Gains for Residential Construction

According to conventional wisdom, economic sluggishness frees resources for use in residential construction, thereby promoting an increase in residential construction activity. But in 1970, this was not the case. Although the nation and the Southeast experienced less-intensive demand for resources, increasing credit availability, and declining credit costs, the region's residential construction activity showed very little growth.

A first-quarter surge put residential activity well ahead of 1969 levels; however, this lead was overcome as declines from 1969 levels appeared later in the year. The first-quarter surge was a continuation of a series of substantial monthly increases in residential activity that began in mid-1969. These increases resulted primarily from a large volume of activity in southern Florida. When this activity declined after the first quarter of 1970, the region's residential construction totals were reduced. The depressing effects would have been even more severe if residential construction in Florida's

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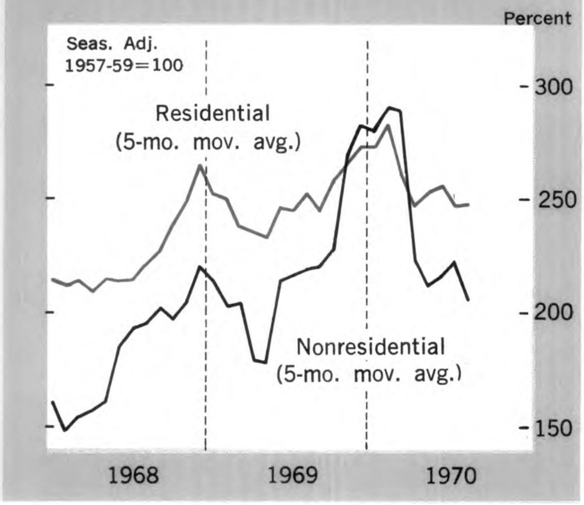
[1] *Construction activity is measured by the dollar value of construction contracts awarded. This is an acceptable proxy for construction expenditures. Normal seasonal variations are accounted for in the analysis of these data.*

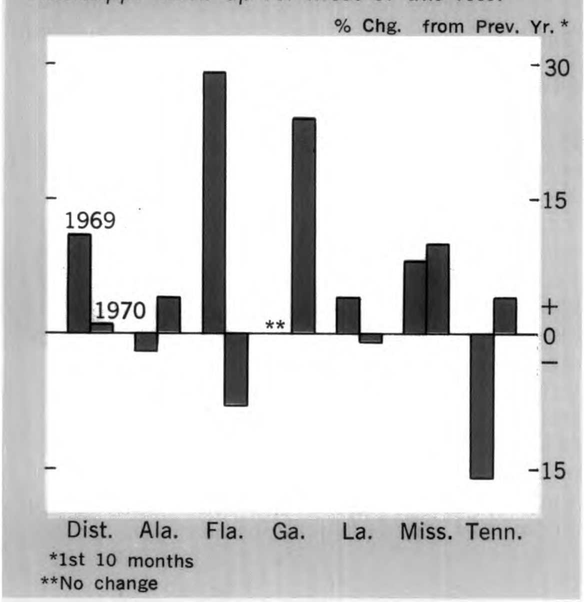
Construction contract volume in both residential and nonresidential sectors declined after reaching new highs early in 1970.



Tampa-St. Petersburg area and in Georgia and Mississippi had not maintained a substantial edge over year-earlier activity.

Weakness in residential construction appeared primarily in a slowing of activity on multi-unit projects. While the drop in such activity was most pronounced in southern Florida, permits for five-or-more unit projects fell—both absolutely and as a portion of total building permits—in each of the District states except Georgia.

Residential construction contract volume fell in Florida, but increasing volume in Georgia and Mississippi made up for most of this loss.



A Balancing Act

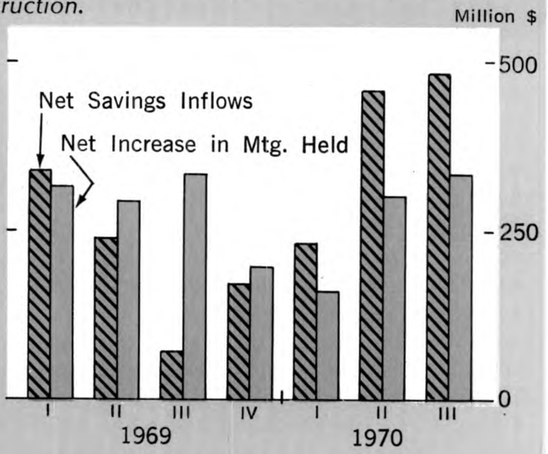
Forces that worked to inhibit the region's residential construction activity were balanced by other forces that worked to increase this activity during 1970. On the one hand, the upward push of substantial unsatisfied demand for housing was reinforced by subsidy programs for low-cost residential construction. On the other hand, downward pressure was exerted by the fading building boom in southern Florida and adverse elements, such as rising building costs and restricted credit and financing commitment availability early in the year.

A large backlog of unsatisfied demand for housing was the most important expansionary influence on residential construction activity during 1970. The Southeast began the 1960's well behind the rest of the nation in the adequacy and quality of its housing. At present, much of the area remains behind, although the region's relatively rapid rise in income and population in recent years has prompted gains in residential construction. Continued low vacancy rates for both rented and owner-occupied housing and low rates of mortgage foreclosures give evidence of intensive use of the existing housing stock. In 1970, such intensive use gave a strong impetus to housing demand, in spite of generally rising construction and land costs and local declines in economic activity.

Strong housing demand was reinforced by Government subsidies of low-cost housing. Most of these subsidies were provided by programs that subsidize interest payments on mortgages for families with low incomes or for owners of low-rent housing. The subsidy programs were partly responsible for last year's increases in the proportion of residential building outside the major metropolitan areas. Such programs set a maximum dollar price on housing that qualifies for subsidies. With land and building costs lower in small towns and rural areas, better housing can be provided within established price limits. This encourages this type of construction outside major cities.

These upward forces might have increased residential construction if depressing forces had not also exerted an influence. Residential construction activity during 1970 was adversely affected by restricted deposit and cash flows to important lenders during the first quarter. Financing commitments were restricted during this crucial planning period. Consequently, many builders were forced to cancel, reduce, or string out planned residential construction. Such actions adversely influenced the volume of residential construction activity for the entire year; although deposit and cash flows recovered in late 1970.

Low savings inflows in late 1969 and early 1970 adversely influenced lending for residential construction.



Southern Florida's declining residential construction activity helped to depress the regional totals even further. Since 1965, this area has accounted for more than twenty percent of the region's residential construction. It has had large increases in residential construction in each of the last three years while builders responded to rapidly rising population and to an increase in demand for second homes in the area. But in 1970, residential construction fell in each of southern Florida's three major metropolitan areas. Close links between demand for housing in southern Florida and the buoyant national economy had benefited the area during the period of rapid economic expansion prior to 1970; however, sluggish economic activity and a falling stock market combined to depress demand for luxury and retirement homes during 1970. Moreover, by 1970, builders had made significant progress in meeting unsatisfied demand for housing in southern Florida and were beginning to reduce the rate at which they were adding to the stock of housing in that area.

Some Increase for Nonresidential Construction

In January, a large volume of contract awards for manufacturing plants, electric generating facilities, and other nonbuilding construction in Alabama, Louisiana, and Tennessee got the year off to a flying start. Later, large electric generating plant contracts in Florida, Louisiana, and Tennessee buoyed nonresidential construction. But as the year progressed, unused manufacturing capacity increased; the rate of growth in corporate investment diminished; and the volume of contracts for manufacturing plants fell. Consequently, the impressive first-quarter gains over 1969's nonresidential construction levels had been cut considerably by year-end.

Although there was only a small change in its level, the mix of nonresidential construction changed markedly. Electric generating facilities made up a much larger proportion of this activity in 1970 than in 1969, but government construction and building of hospital and educational buildings declined. This change in mix parallels changes at the national level. Increased construction of electric generating facilities in the Southeast coincides with a national effort of electric power producers to keep their capacity ahead of unexpectedly large growth in demand for electric power. High credit costs adversely affected construction activity on governmental, educational, and hospital projects. Several state and local governments in the region were forced to postpone long-term borrowing until late in the year, when market interest rates fell below levels that these governments were allowed to pay. Further adverse effects resulted from a squeeze put on many governmental, educational, and hospital units by operating costs that increased at faster rates than revenues.

Implications for 1971

Although both residential and nonresidential construction declined as 1970 progressed, these declines should not necessarily be taken as an ill portent for 1971. In the residential sector, unsatisfied demand and subsidy programs remain to give an upward push, while financing problems have been significantly mitigated by large deposit and cash flows to lenders during 1970. The reactions of housing customers to rising building costs and the possibility of continued slow income growth remain as potential depressing forces.

In the nonresidential sector, large additions to electric generating capacity are likely to continue. Financing problems of state and local governments have already been reduced, since market interest rates have fallen. On the other hand, the level of corporate investment has an important influence on nonresidential construction. Low contract volumes in 1970 have already assured some restraint of this activity in 1971. If the region also continues to follow national corporate investment patterns and if predictions of little growth in corporate investment in the nation during 1971 are well-founded, little contribution to growth in nonresidential construction can be expected from commercial and manufacturing plant construction.

BOYD F. KING

Agriculture: A Year of Bountiful Production

District crop production soared in 1970, in spite of several setbacks. Early summer drought and then torrential rainfall during the harvest season threatened most crops. Leaf blight took its toll on District corn production. During early spring and late fall, severe cold struck sharp blows to fruits and vegetables.

Paralleling the growth in total crop output, livestock production also increased, responding to 1969's high prices. Prices were declining rapidly, however, as 1970 drew to a close.

Crops

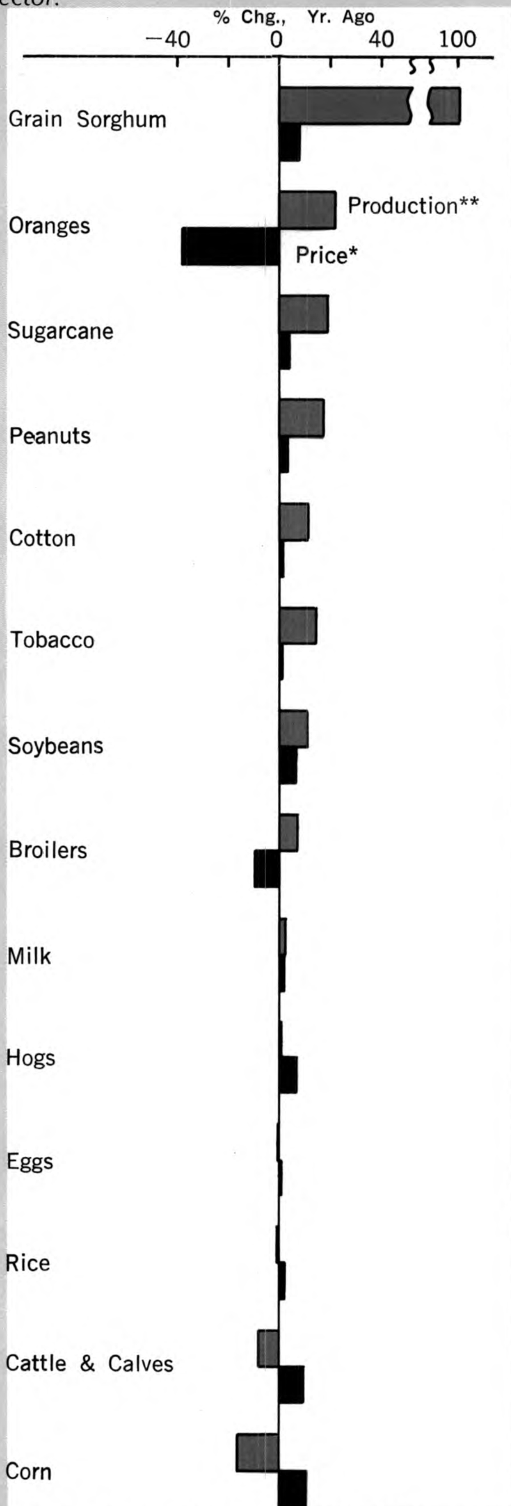
Production of most of the District's crops increased by at least 10 percent during 1970. Only corn, hit hard by leaf blight, and rice suffered production declines. Rice production actually held up well in view of the 15-percent acreage reduction in 1970. Louisiana producers managed to maintain production at the 1969 level, in spite of the acreage cut.

The large increase in grain sorghum output appears particularly bright, since the prospect for next year's corn production is dismal. Although total production amounted to less than 10 percent of the corn crop, output more than doubled in 1970 and even tripled in Mississippi. Grain sorghum has a good future as a District feed grain crop. It will substitute for corn in the rations of the District's growing livestock industry and reduce the region's dependence on a disease-troubled crop.

Most crop farmers were doubly blessed by an increase in both production and prices. Even the steep drop in corn output was somewhat offset by a price increase. Florida orange growers were not so fortunate, however. Their bumper crop, for which there is no guaranteed support price, cut prices nearly in half.

Livestock

Soaring livestock prices of a year ago stimulated farmers to increase output of hogs, broilers, and milk. Although the slaughter of cattle and calves within the District was down, total production was probably up, since a major share of the calf crop is moved outside the District for finishing and is not accounted for in the District's slaughter statistics. For this reason, Bountiful production and higher prices for most commodities characterized 1970's agricultural sector.



*Price Change from first 10 months of 1969 thru first 10 months of 1970.

**Crop Changes based on October 1970 estimates.

the increase in District hog production is also understated. Hog slaughter for the nation as a whole increased dramatically during the last half of 1970, causing hog prices to move down sharply.

District egg output and prices changed little from a year ago. However, broiler output increased more than any other form of livestock production in 1970 and suffered the greatest drop in price.

Dairy farmers were the only producers in the livestock group that experienced increased output and higher prices during the year. Such bright economic circumstances for 1970's milk industry have, no doubt, been responsible for slowing the long-term slide in milk cow numbers both nationally and within the District.

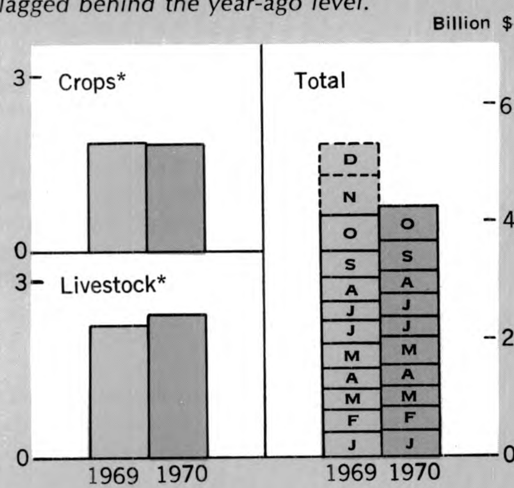
Cash Receipts

In spite of increased production, sharply lower prices were translated into reduced incomes for broiler and citrus producers. Essentially because of these losses, farm cash receipts for the District were only slightly ahead of 1969's level. Florida, the leading state in farm income, suffered an 8-percent reduction in cash farm receipts, reflecting the loss of citrus income. Other District states had gains in cash receipts of as much as 5 percent over 1969 levels, offsetting Florida's income losses. Most of these gains were realized in the crop sectors of Georgia and Alabama and the livestock sector of Tennessee.

Credit

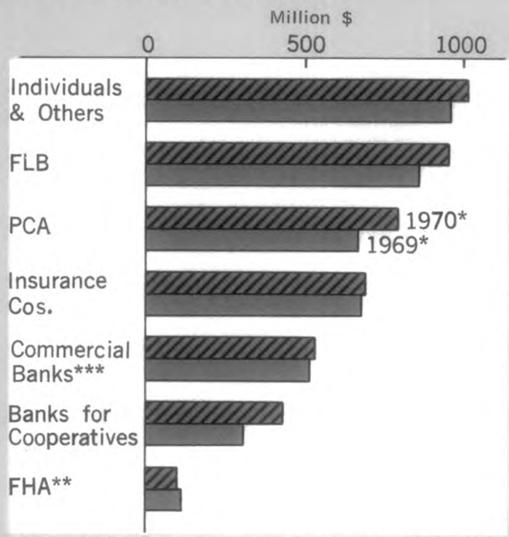
Although higher interest rates predominated throughout much of last year, farmers' use of

Total income was up slightly, but crop receipts lagged behind the year-ago level.



*10 mos. total

The use of farm credit increased, but lenders did not share equally in the growth.



*Data for FLB, PCA, and commercial banks are as of June 30 of each year. January 1 data are shown for all other lenders.

**Direct farm loans only.

*** Real estate loans only.

credit continued to grow, but at a reduced rate from 1969. The farmer-owned credit agencies and individual lenders shared most of the growth in loans outstanding. Banks and insurance companies experienced only mild growth in agricultural loan volume, whereas the Farmers Home Administration decreased its direct lending. There was little evidence of declining total demand for credit; however, there was a noticeable shift toward short-term loans, such as those offered by production credit associations.

Outlook

The extremely favorable prices that farmers received for most crops in 1970 should stimulate production during 1971. Acreages of soybeans and feed grains, in particular, are likely to expand as producers respond to higher profits. Along with this expansion will come additional use of credit, both for production expenses and for new acreages that are brought into production. Livestock producers will experience a year of adjustment when heavy supplies of meats are brought back into balance with consumer demand and available feed supplies. With loan funds becoming more plentiful, interest rates are expected to decline, thereby helping farmers to weather the expected continuation of the price-cost squeeze.

GENE D. SULLIVAN

ANNOUNCEMENT

The Federal Reserve System paid the U.S. Treasury $3,493,000,000 during 1970. Under a policy adopted by the Board of Governors at the end of 1964, the Federal Reserve Banks' net earnings (after statutory dividends to member banks and additions to surplus) are turned over to the U.S. Treasury as interest on Federal Reserve notes. The Reserve Banks' net earnings in 1970 amounted to $3,567 million; dividends, $41 million; and additions to surplus, $33 million.

Bank Announcements

CHANGE IN PAR STATUS

Effective January 1, 1971, checks drawn on all banks in Tennessee may be cleared through the Federal Reserve System at par. This is the result of recent legislation in Tennessee.

DECEMBER 4, 1970

PLANTERS TRUST & SAVINGS BANK
Opelousas, Louisiana

Began to remit at par.

DECEMBER 15, 1970

HOMOSASSA SPRINGS BANK
Homosassa Springs, Florida

Opened for business as a nonmember. Officers: George H. Brannen, chairman of the board and president; George H. Brannen, II, vice president; and Rayburn N. Joyner, cashier. Capital, $180,000; surplus and other capital funds, $180,000.

DECEMBER 18, 1970

FARMERS AND MARINE BANK
Bayou La Batre, Alabama

Opened for business as a par-remitting nonmember. Officers: Clarence M. Frenkel, Jr., president; and Willie W. Dowling, vice president and cashier. Capital, $250,000; surplus and other capital funds, $250,000.

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month 1970		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Nov.	262	260r	262	257
Farm Cash Receipts	Oct.	167	142	167	155
Crops	Oct.	124	102	149	112
Livestock	Oct.	175	179	169	188
Instalment Credit at Banks* (Mil. $)					
New Loans	Nov.	323	338	341	320
Repayments	Nov.	327	329	304	298
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment†	Nov.	152	152r	152	152
Manufacturing	Nov.	144	144r	145	150
Apparel	Nov.	174	175r	174	176
Chemicals	Nov.	141	142r	141	143
Fabricated Metals	Nov.	174	174	175	182
Food	Nov.	120	118	118	116
Lbr., Wood Prod., Furn. & Fix.	Nov.	106	106	106	110
Paper	Nov.	126	123	124	131
Primary Metals	Nov.	131	131	127	137
Textiles	Nov.	111	112	113	117
Transportation Equipment	Nov.	179	179	192	210
Nonmanufacturing†	Nov.	154	155r	154	152
Construction	Nov.	131	130	128	140
Farm Employment	Nov.	54	53	55	56
Unemployment Rate (Percent of Work Force)†	Nov.	4.8	4.8r	4.6	3.7
Insured Unemployment (Percent of Cov. Emp.)	Nov.	3.0	3.1	3.3	1.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.3	40.1	40.0	40.8
Construction Contracts*	Nov.	217	201	246	200
Residential	Nov.	230	233	216	216
All Other	Nov.	207	174	271	187
Electric Power Production**	Sept.	168	165	168	161
Cotton Consumption**	Oct.	101	102	96	101
Petrol. Prod. in Coastal La. and Miss.**	Nov.	311	311	310	268
Manufacturing Production	Oct.	246	245r	244	241
Nondurable Goods	Oct.	209	207r	207	203
Food	Oct.	169	167	166	161
Textiles	Oct.	235	234r	236	229
Apparel	Oct.	266	260r	262	254
Paper	Oct.	196	195	194	201
Printing and Publishing	Oct.	167	165	165	169
Chemicals	Oct.	269	268	262	263
Durable Goods	Oct.	290	290r	288	286
Lumber and Wood	Oct.	169	168	168	168
Furniture and Fixtures	Oct.	184	184	182	192
Stone, Clay and Glass	Oct.	170	169r	167	170
Primary Metals	Oct.	202	202	199	200
Fabricated Metals	Oct.	241	241	238	244
Nonelectrical Machinery	Oct.	356	370	361	376
Electrical Machinery	Oct.	655	615r	605	583
Transportation Equipment	Oct.	360	378	382	367
FINANCE AND BANKING					
Loans*					
All Member Banks	Nov.	362	360	358	335
Large Banks	Nov.	299	300	302	282
Deposits*					
All Member Banks	Nov.	252	247	249	229
Large Banks	Nov.	204	203	206	189
Bank Debits*/**	Nov.	293	287	282	278
ALABAMA					
INCOME					
Manufacturing Payrolls	Nov.	230	232r	231	220
Farm Cash Receipts	Oct.	114	133	153	118
EMPLOYMENT					
Nonfarm Employment†	Nov.	132	132r	131	134
Manufacturing	Nov.	133	133	133	137
Nonmanufacturing	Nov.	131	131r	131	133
Construction	Nov.	100	100r	103	125
Farm Employment	Nov.	53	49	52	60
Unemployment Rate (Percent of Work Force)†	Nov.	5.3	5.1	5.1	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.4	40.4r	40.1	40.9
FINANCE AND BANKING					
Member Bank Loans	Nov.	332	327	323	300
Member Bank Deposits	Nov.	233	230	231	215
Bank Debits**	Nov.	258	246	240	239

	Latest Month 1970		One Month Ago	Two Months Ago	One Year Ago
FLORIDA					
INCOME					
Manufacturing Payrolls	Nov.	351	349r	362	327
Farm Cash Receipts	Oct.	286	198	154	222
EMPLOYMENT					
Nonfarm Employment†	Nov.	180	181r	181	177
Manufacturing	Nov.	174	173r	173	178
Nonmanufacturing	Nov.	181	182r	182	176
Construction	Nov.	128	130	129	135
Farm Employment	Nov.	90	93	89	84
Unemployment Rate (Percent of Work Force)†	Nov.	4.2	3.9	3.7	2.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	41.6	41.2r	40.8	41.3
FINANCE AND BANKING					
Member Bank Loans	Nov.	408	402	401	378
Member Bank Deposits	Nov.	292	286	288	263
Bank Debits**	Nov.	312	309	302	294
GEORGIA					
INCOME					
Manufacturing Payrolls	Nov.	258	251r	255	275
Farm Cash Receipts	Oct.	129	172	136	149
EMPLOYMENT					
Nonfarm Employment†	Nov.	152	152	151	154
Manufacturing	Nov.	135	136	138	146
Nonmanufacturing	Nov.	160	160r	158	157
Construction	Nov.	145	141r	129	152
Farm Employment	Nov.	48	48	49	52
Unemployment Rate (Percent of Work Force)†	Nov.	4.0	4.1	4.0	3.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	39.0	39.0	39.0	40.5
FINANCE AND BANKING					
Member Bank Loans	Nov.	357	358	355	344
Member Bank Deposits	Nov.	252	246	247	236
Bank Debits**	Nov.	340	331	326	322
LOUISIANA					
INCOME					
Manufacturing Payrolls	Nov.	229	222r	230	216
Farm Cash Receipts	Oct.	187	116	269	164
EMPLOYMENT					
Nonfarm Employment†	Nov.	132	132r	131	133
Manufacturing	Nov.	119	119	120	122
Nonmanufacturing	Nov.	135	135r	134	135
Construction	Nov.	118	116	119	129
Farm Employment	Nov.	49	43	43	49
Unemployment Rate (Percent of Work Force)†	Nov.	6.6	6.6r	6.6	5.4
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	43.1	41.9r	41.8	42.0
FINANCE AND BANKING					
Member Bank Loans*	Nov.	295	295	296	270
Member Bank Deposits*	Nov.	198	195	198	179
Bank Debits*/**	Nov.	221	213	209	207
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Nov.	297	290r	287	278
Farm Cash Receipts	Oct.	131	78	173	131
EMPLOYMENT					
Nonfarm Employment†	Nov.	152	152	152	150
Manufacturing	Nov.	160	159	159	160
Nonmanufacturing	Nov.	149	149	148	146
Construction	Nov.	159	160	163	167
Farm Employment	Nov.	46	43	46	46
Unemployment Rate (Percent of Work Force)†	Nov.	5.1	5.2r	5.0	4.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.0	40.0r	40.4	40.8
FINANCE AND BANKING					
Member Bank Loans*	Nov.	460	449	436	407
Member Bank Deposits*	Nov.	301	298	295	273
Bank Debits*/**	Nov.	314	297	290	304

		Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME					
Manufacturing Payrolls	Nov.	247	249r	247	245
Farm Cash Receipts	Oct.	122	116	159	121
EMPLOYMENT					
Nonfarm Employment†	Nov.	148	148	148	149
Manufacturing	Nov.	152	153r	153	156
Nonmanufacturing	Nov.	147	146r	145	145
Construction	Nov.	157	154	149	162
Farm Employment	Nov.	53	57	60	56
Unemployment Rate (Percent of Work Force)†	Nov.	4.9	5.2r	4.8	3.7
Avg. Weekly Hours in Mfg. (Hrs.)	Nov.	39.5	39.7r	39.4	40.4
FINANCE AND BANKING					
Member Bank Loans*	Nov.	347	355	354	317
Member Bank Deposits*	Nov.	230	226	230	206
Bank Debits*/**	Nov.	277	284	285	278

*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

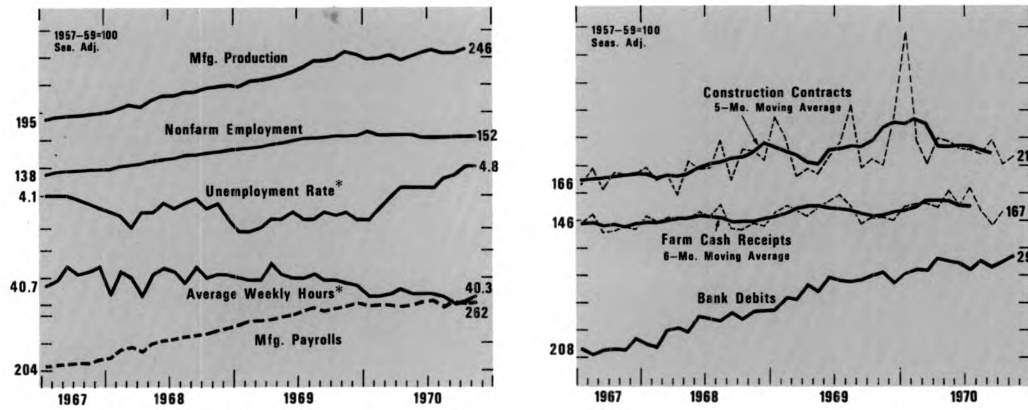
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Nov. 1970	Oct. 1970	Nov. 1969	Percent Change: Nov. 1970 From Oct. 1970	Nov. 1970 From Nov. 1969	Year to date 11 mos. 1970 from 1969
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	2,074,560	2,087,052	1,702,253	− 1	+22	+ 7
Gadsden	70,488	74,207	66,123	− 5	+ 7	+ 6
Huntsville	216,401	226,012	191,343	− 4	+13	+ 8
Mobile	592,923	611,177	592,488	− 3	+ 0	+13
Montgomery	407,256	440,125	349,216	− 7	+17	+ 7
Tuscaloosa	130,176	122,355	119,162	+ 6	+ 9	+ 4
Ft. Lauderdale—Hollywood	1,096,614	1,149,324	979,708	− 5	+12	+ 9
Jacksonville	2,068,112	1,952,513	1,769,752	+ 6	+17	+ 6
Miami	3,665,857	3,715,605	3,384,575	− 1	+ 8	+ 9
Orlando	803,671	796,234	667,996	+ 1	+20	+14
Pensacola	264,498	280,841	213,455	− 6	+24	+13
Tallahassee	221,555	216,047	188,134	+ 3	+18	+14
Tampa—St. Pete.	2,177,820	2,279,058	1,879,741	− 4	+16	+14
W. Palm Beach	651,673	679,663	556,534	− 4	+17	+10
Albany	126,903	132,611	104,887	− 4	+21	+15
Atlanta	7,589,829	8,043,263	6,784,007	− 6	+12	+14
Augusta	292,417	319,094	282,727	− 8	+ 3	+ 4
Columbus	279,894	304,515	257,619	− 8	+ 9	+ 4
Macon	338,757	349,204	311,033	− 3	+ 9	+ 5
Savannah	358,261	343,080	293,235	+ 4	+22	+ 1
Baton Rouge	797,328	754,250	735,198	+ 6	+ 8	+20
Lafayette	176,105	174,986	145,595	+ 1	+21	+ 6
Lake Charles	166,939	175,034	157,451	− 5	+ 6	+ 1
New Orleans	2,668,292	2,812,745	2,348,985	− 5	+14	+ 5
Biloxi—Gulfport	257,318	251,825	158,559	+ 2	+62	+31
Jackson	864,163	838,765	872,327	+ 3	− 1	+ 7
Chattanooga	876,231	900,506	780,045	− 3	+12	+11
Knoxville	607,687	657,840	518,500	− 8	+17	+ 4
Nashville	1,788,069	1,907,281	1,907,892	− 6	− 6	+ 5
OTHER CENTERS						
Anniston	79,134	82,316	70,375	− 4	+12	+ 5
Dothan	91,390	100,733	84,247	− 9	+ 8	+12
Selma	53,072	56,609	55,426	− 6	− 4	+ 0
Bartow	36,399	35,034	33,718	+ 4	+ 8	− 3
Bradenton	88,574	100,033	80,818	−11	+10	+ 5
Brevard County	206,232	208,515	193,520	− 1	+ 7	− 2
Daytona Beach	92,231	104,736	102,152	−12	−10	+ 2
Ft. Myers—N. Ft. Myers	129,966	137,595	111,027	− 6	+17	+ 5
Gainesville	118,940	124,405	100,667	− 4	+18	+11
Lakeland	157,778	158,831	140,928	− 1	+12	+ 8
Monroe County	44,918	42,685	34,278	+ 5	+31	+ 9
Ocala	94,965	100,875	83,629	− 6	+14	+19
St. Augustine	20,959	21,366	21,335	− 2	− 2	− 8
St. Petersburg	513,586	518,947	396,816	− 1	+29	+15
Sarasota	165,502	168,987	174,806	− 2	− 5	+ 7
Tampa	1,148,556	1,229,203	1,038,662	− 7	+11	+14
Winter Haven	80,427	81,487	67,138	− 1	+20	+13
Athens	129,334	132,709	89,674	− 3	+44	+22
Brunswick	54,951	59,296	49,434	− 7	+11	+10
Dalton	124,357	124,307	124,364	+ 0	− 0	− 3
Elberton	17,743	18,075	17,780	− 2	− 0	+ 9
Gainesville	89,082	97,874	77,287	− 9	+15	+16
Griffin	39,840	47,378	38,148	−16	+ 4	+14
LaGrange	23,276	25,181	18,033	− 8	+29	− 4
Newnan	32,086	33,905	22,669	− 5	+42	+24
Rome	90,370	96,488	88,273	− 6	+ 2	+ 5
Valdosta	67,722	71,630	62,785	− 5	+ 8	+ 8
Abbeville	12,358	13,385	11,982	− 8	+ 3	+ 0
Alexandria	157,589	173,419	150,945	− 9	+ 4	− 5
Bunkie	11,046	8,030	8,747	+38	+26	− 3
Hammond	46,200	51,576	39,674	−10	+16	+ 7
New Iberia	42,135	43,737	37,872	− 4	+11	+ 5
Plaquemine	13,452	13,784	13,005	− 2	+ 3	− 3
Thibodaux	26,638	24,644	23,212	+ 8	+15	+ 1
Hattiesburg	76,226	86,204	53,034	−12	+44	− 4
Laurel	48,063	55,744	44,190	−14	+ 9	+ 9
Meridian	74,170	81,126	94,528	− 9	−22	− 9
Natchez	41,961	41,587	41,617	+ 1	+ 1	− 5
Pascagoula—Moss Point	86,825	88,856	82,823	− 2	+ 5	+ 6
Vicksburg	57,883	58,975	48,289	− 2	+20	+15
Yazoo City	30,943	32,488	28,728	− 5	+ 8	+ 4
Bristol	100,158	99,049	84,902	+ 1	+18	+ 6
Johnson City	93,335	101,939	95,642	− 8	− 2	+ 7
Kingsport	172,588	179,514	161,385	− 4	+ 7	− 1
SIXTH DISTRICT, Total	41,915,404	43,419,018	37,788,357	− 3	+11	+ 9
Alabama‡	5,127,966	5,254,981	4,506,785	− 2	+14	+ 7
Florida‡	13,632,199	13,919,596	12,198,333	− 2	+12	+ 9
Georgia‡	11,232,053	11,889,743	10,090,371	− 5	+11	+11
Louisiana†*	4,817,095	4,955,187	4,285,753	− 3	+12	+ 6
Mississippi†*	2,019,295	2,045,298	1,857,167	− 2	+ 9	+ 7
Tennessee†*	5,086,799	5,354,213	4,849,948	− 5	+ 5	+ 6

*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 plotting: November—except mfg. production and farm receipts, October

Latest available figures reveal that Southeastern economic activity continues to shuffle along. Although the unemployment rate was unchanged in November, nonfarm employment decreased. Construction contract awards rose only slightly. As the harvest of bumper crops neared completion, agricultural prices held steady. The prime rate was cut again in response to weak loan demand and continued increases in loanable funds. Restraint in consumer borrowing and spending continued.

November's unemployment rate remained steady at 4.8 percent. However, nonfarm employment declined after two consecutive monthly gains. Nonmanufacturing employment, especially in Florida's construction and trade industries, accounted for most of the loss. Though depressed by the effects of the GM strike, manufacturing employment held steady in November. Gains in manufacturing payrolls were largely attributed to an increase in average weekly hours worked.

Construction contract awards rose slightly in November. Buoyed by several public projects, nonresidential contract volume was solely responsible for this increase. Although residential contract volume was virtually unchanged, a continuation of large deposit inflows at savings and loan associations—evidence of greater mortgage credit availability—and small declines in mortgage credit costs have brightened the outlook for this sector's activity in the near future.

Agricultural prices in November were unchanged from October but were 7 percent below the 1969 level. Neither crops nor livestock showed much overall price movement. Pork prices continued to slide, but milk and poultry prices offset this decline. Also, higher vegetable and oilseed prices largely made up for price declines for citrus crops. Improved weather for harvesting sharpened expectations of bumper yields. Latest estimates indicate that 1970 will show a 10- to 20-percent increase over 1969 in the level of output for most District crops. In spite of lower than year-ago prices, farm income remained slightly higher.

Bank lending picked up during mid-December; however, the rise in bank loans was still weak in comparison with previous year-end advances. A general weakness in demand for all types of loans brought further declines in interest rates, including 1970's fifth cut in the prime lending rate. The larger banks have not been aggressively seeking to expand CD's.

Consumers continued their scrooge-like behavior during December, as evidenced by practically no improvement in department store and auto sales from year-ago levels. During November, consumers concentrated more on paying off their instalment debt at commercial banks than on acquiring new obligations. As a result, total consumer credit outstanding declined.

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