monthly review

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ederal Reserve Bank of Atlanta · 1972

In this issue:

Sizing Up Textiles

by **Brian D. Dittenhafer**

The present recovery in the national economy is putting some starch back into the textile industry. With consumer spending increasing, demand for all textiles has been growing. However, the dampening effect of import competition and long-term decline in cotton textile production may prevent any real boom in the near future.

Long-Term Trends

The importance of textiles relative to the entire U. S. economy has been diminishing. The technology of textile production can be relatively simple, and this labor-intensive industry is one of the first that developing countries attempt. Textile employment in the United States has declined since 1950, as workers have turned to better paying ways of earning a living. Between 1950 and 1970, textile jobs fell from 1,260,000 to 986,000. However, during this period Sixth District states enlarged their share of the industry from 16 percent in 1950 to 21 percent in 1970 by simply maintaining earlier employment levels. Of course, some states suffered declines while others gained. For example, Louisiana, which had 2,000 workers in 1950, retained only 400 by 1970. Meanwhile, Georgia was adding 7,000 workers to textile payrolls.

Textiles' importance to each state's economy varies widely. Jobs range from 7.2 percent of Georgia's nonfarm total to virtually none in Louisiana and Florida. However, only a small portion of this employment is in large cities, and a particular mill's importance to a small town is hard to overestimate.

Employment Trends

Southeastern trends in textile employment are merely the reflection of trends in the total economy. Nationally, production of woven cottons has been on the decline while synthetics, carpets, and knits have been on the increase. Textiles have been influenced by import competition, increased popularity of synthetics and knit fabrics, and changes in demand caused by the recession of 1970.

Industry employment in the Southeast seems to have bottomed out during 1971, reaching a low point in the late summer and early fall. Since that time, a gradual recovery in employment and production has been under way. An additional 5,000 workers were added to payrolls in the

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twelve months ending in September. However, jobs still have not returned to the high level reached in 1969. In September 1972, employment was still some 6,000 below the 1969 average. Textile recovery has been uneven in the District depending upon which segment of the industry predominates in each state. For example, the decline in cotton textiles in Georgia was only partially offset by growth in other segments; the result was a net decline of 5,000 textile workers between 1969 and the third quarter of 1972. On the other hand, Alabama increased textile employment because it maintained cotton weaving while expanding the yarn and thread and the knitting portions of the industry.

Georgia accounts for more than one-half of textile employment in the Sixth District, and examining major sectors of the industry in that state may help explain the changing pattern of textiles in the Southeast. Georgia's employment in the industry is presently 4 percent below the 1969 average, although it has leveled off from a sharp drop in 1970. The 4-percent decline represents a loss of 5,000 workers and average weekly payrolls of more than half a million dollars.

Within that framework, significant changes have been occurring in the composition of the industry in Georgia. Between 1970 and August 1972, the number of persons employed in producing woven cotton goods, Georgia's largest segment of the industry, declined by 9 percent, or 3,500 workers. Offsetting this loss, jobs in carpet mills grew by more than 12 percent, or 3,200 workers. The third largest segment of Georgia's textiles, yarn and thread mills, maintained employment at about 21,000 during the same period. These three segments accounted for more than three quarters of Georgia's total textile jobs.

But, measured by the Industrial Production Index, textiles have recovered from 1970's woes more quickly in the Southeast than in the rest of the nation. This Bank's regional index jumped 7.5 percent during the latest twelve months and nationally the increase over the same period was only 5.1 percent. The slight increase in District textile employment over the year has apparently been accompanied by a longer average workweek and expanded use of capital equipment.

TABLE 1

Textile Employment

(Thousands)

Average for Year	Alabama	Georgia	Mississippi	Tennessee
1969	43.6	119.8	7.1	36.4
1970	44.7	115.9	6.4	36.0
1971	44.0	112.8	5.7	34.0
1972*	45.1	113.8	6.4	34.2

*NOTE: 1972 figures represent 10 months of seasonally adjusted data.

Carpets

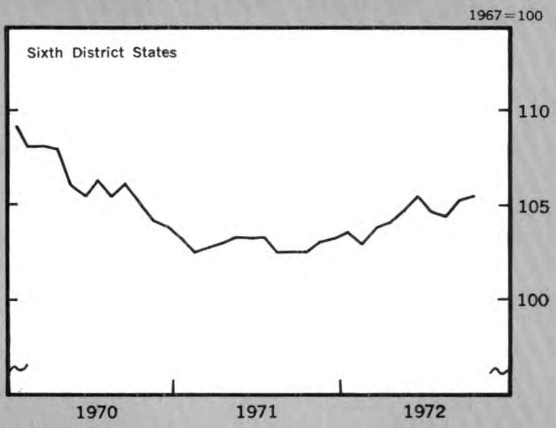
Though textiles are not a growth sector in the Southeastern economy, carpet manufacturing is growing, particularly in Georgia. During 1971, of 27,000 persons in the Southeast producing woven and tufted floor coverings, all but 2,000 were in Georgia which claims more than half the carpet workers in the U. S. The center for Georgia's carpet industry is Dalton, home of many producers of tufted carpets. This type of carpeting has taken over all but the highest priced segment of the U. S. carpet market. Starting from nothing at the end of World War II, makers of tufted carpets have captured 96 percent of the 1971 market, based upon value of shipments.

After increasing at an average rate of more than 8 percent during the Sixties, the value of carpet shipments grew only 3.2 percent during 1970. This slowdown was caused by a combination of price weakness in the industry and the national recession affecting quantity demanded. During 1971, however, expansion of the national economy has caused an 11-percent increase in quantity and a 9-percent gain in value of shipments. In the first half of 1972, both quantity and value of carpet shipments have grown by nearly 20 percent when compared to the same period last year. Moreover, prospects for the carpet industry are quite good. A widely-predicted strong economy in 1973, coupled with sustained record levels of housing starts, provide a very bright short-run outlook for carpet demand.

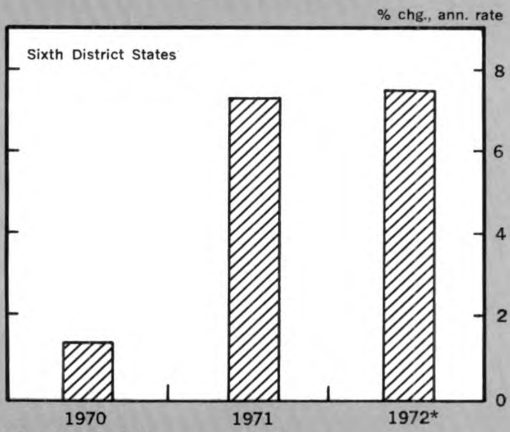
Investment

As is expected in a market economy, the pattern of capital expenditures in the textile industry followed the pattern of consumer demand. On the average, capital expenditures in textiles increased at an 11.3-percent annual rate from 1958 to 1970, but the rate for cotton weaving, largest segment of the industry in the Sixth District, was only 3.7 percent. Capital expenditures in knit fabric mills jumped at a 23-percent rate during the same period. Producers of tufted carpets enlarged their capital at an annual rate averaging just under 20 percent during the Sixties. Thus, those segments showing a strong demand growth have been making the necessary capital expenditures; those segments showing declines in value of shipments have been reluctant to invest. Recent Department of

Textile employment recovers gradually . . .

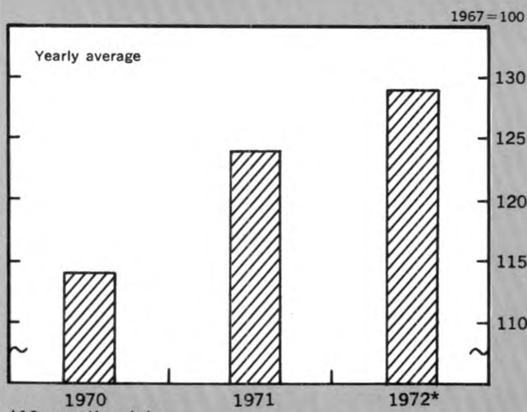


but production rebounds sharply . . .



*7 months data

and lending follows suit.



*10 months data
Note: Loans outstanding at 23 large banks to textile, apparel, and leather concerns

Commerce data (September 1972) show investments in textile manufacturing occurring at an annual rate of $770 million, 26 percent above the depressed level of 1971, but still below the 1966 record. Although no information on which segments are investing these funds is yet available, in all probability, money is flowing to those portions experiencing the strongest demand—carpets, knits, and synthetics. Private estimates of investments indicate a slight decline in planned capital expenditures for 1973 as compared to 1972.

Profits

Textile profits have improved substantially from the extremely low levels of 1970, but are still well under those for manufacturing as a whole and for the industry itself in the late Sixties. After-tax profits averaged only 5.1 percent of stockholders' equity in 1970, reflecting that year's national economic problems. In 1971, profits crept back up to a 6.6-percent rate and in the first half of 1972 averaged 6.9 percent. However, for the five-year period ending in 1969, after-tax profits averaged 9.0 percent of stockholders' equity; therefore, profit rates are still far from matching those expansion years.

Textiles generally are considered a low-profit manufacturing field, and recent trends confirm this. During the first half of 1972, the profit rate for all industries averaged 10.4 percent, compared with the 6.9-percent textile rate. The lending of Sixth District banks to textile and apparel firms over the last few years seems to conform to the relatively low profit pattern of textiles. These firms have increased their borrowing from leading District banks only moderately since 1967. Such borrowing did pick up somewhat in 1971 and 1972 as textile profits increased.

Imports

The long-term decline of cotton textile production in the United States can be partly explained by growth in imports. Countries attempting to expand manufacturing find textile production easily introduced to a newly industrialized work force. Consequently, for many years American manufacturers have been troubled by low-priced import competition. As measured by volume, imports of all textile products increased by 7 percent during the first half of 1972. Imports of man-made fibers and textile products made from such fibers declined by 5 percent, reflecting trade agreements signed last year with South Korea, Japan, Hong Kong, and Taiwan. These countries, largest exporters of man-made fiber products to the U. S., agreed to limit exports of these goods to the U. S. market, and during the first half of 1972, imports of these products from those four countries did decline by 10 percent. In contrast, cotton yarn, fabric, and apparel imports increased during the first seven months of the year at an annual rate of 46 percent. Cotton textile imports will certainly be higher in 1972 than in the previous peak year of 1966, and this fact is of major concern to Southeastern producers of cotton yarns and fabrics. The rise in import competition and a waning national market have combined to force a drop in employment in this portion of the industry in the last few years.

The Outlook

The overall outlook for textiles seems to be for continued moderate expansion in shipments. The Department of Commerce shows shipments of all textile products at a $27.6-billion annual rate for the first six months of this year, nearly 13 percent above 1971. Strong expansion of personal income during 1972 and its expected continuation in 1973 should create more demand for textile products. In particular, the rate of new housing starts for most of 1972 has been significantly above two million, creating a strong demand for textile-related household furnishings such as carpets, drapes, and upholstery.

Long-term demand for textile products grows at about the same rate as disposable personal income, so long-term annual growth of about 4 percent is to be expected in production. However, value added per production worker increased at an annual rate of about 5 percent during the decade of the Sixties, so the chances of overall growth in employment are not too encouraging.

In summary, a continued moderate expansion in textile output seems probable, but significant gains in textile employment do not■

Bank Announcements

October 27, 1972
WEST DADE BANK
Miami, Florida

Opened for business as a par-remitting nonmember. Officers: Fred B. Dykstra, president; Calvin L. Clearly, vice president and cashier. Capital, $600,000; surplus and other capital funds, $400,200.

November 1, 1972
EXECUTIVE BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business as a par-remitting nonmember. Officers: Willard S. Bowman, president; Harold F. Beyer, vice president. Capital, $700,000; surplus and other capital funds, $300,000.

November 8, 1972
CITIZENS NATIONAL BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business. Officers: Henry D. Perry, Jr., chairman; Charles W. Lantz, president and chief executive officer; C. Edward Hogg, vice president and manager; J. Robert Breen, vice president; Mrs. Loretta S. Pennell, vice president and cashier. Capital, $666,670; surplus and other capital funds, $333,335.

November 10, 1972
FIRST NATIONAL BANK OF SEMINOLE
Seminole, Florida

Opened for business. Officers: Robert G. Wagner, chairman and president; E. James Coulter, Jr., vice president and cashier; Julian B. Mathews, vice

(Continued on p. 213)

The Impact Of Insurance Companies On Farm Lending

by Gene D. Sullivan

Insurance companies do more than sell insurance. They also make loans, and they are an important source of long-term credit for farmers in Sixth District states. In fact, insurance company lending to District farmers has grown rapidly since 1950, although the rate of growth has been less constant than for most other lenders.

Data published by the USDA show that insurance companies have accounted for more than one-tenth of the total credit supplied to District farmers during most of the past two decades. However, these data do not reveal the loan volume of particular insurance companies. To determine the amount of farm credit provided by companies headquartered outside the District, loan data of individual insurance companies were analyzed, using two sources: the insurance company yearbook, *The Spectator,* and annual reports filed with state insurance commissioners.

Relative Importance of Insurance Companies

According to this analysis, more than 300 individual insurance companies have made mortgage loans of some type within the Sixth District in the period from 1950-1970. In each state, however, less than fifteen companies have accounted for more than 90 percent of the agricultural loan volume.

Individual company data further reveal that only a minor portion of credit comes from companies located within southern states. Table 2 shows that of the total insurance company credit in the District, 98 percent of farm loans and 74 percent of other mortgage loans are supplied by companies headquartered outside the South. Thus, farmers are provided with a significant source of funds from nonlocal lenders. In fact, a handful of

TABLE 1

Agricultural Loans in Sixth District States

	Total $ Million	Insurance Companies $ Million	% of Total
1950	874.1	72.1	8.3
1954	1,296.6	146.1	11.3
1959	1,625.0	225.3	13.9
1964	2,912.6	380.0	13.0
1970	5,977.6	690.5	11.6

Source: Compiled from data furnished by the Economic Research Service, USDA.

companies headquartered in four northeastern states—New Jersey, New York, Connecticut, and Massachusetts—provide 90 percent of the agricultural loan volume.

Lending Trends

Insurance company lending has grown with expanded use of agricultural credit. District farm loans by insurance companies amounted to $72 million in 1950, but increased 9½ times to $690 million by 1970. Total farm credit increased slightly less, about 6.8 times.

Insurance companies tend to restrict loans to larger and more successful farms, especially to those with relatively low risk of loss. In this District, farm loan departments have favored the more productive types of farming such as cotton, peanut, citrus, rice, and sugar production. Therefore, insurance companies have not viewed District states as equals in potential for profitable use of funds. They have shown strong preferences for operations in Florida and Mississippi where loan growth patterns have been similar, increasing from less than $30 million to approximately $200 million in each state from 1951 to 1970.

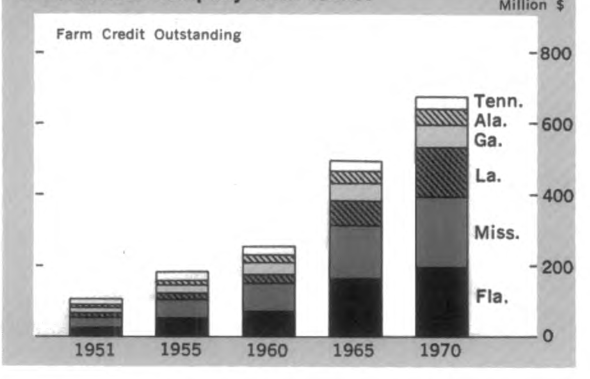
Louisiana was the only other District state displaying a pattern of loan growth similar to Florida and Mississippi. Insurance company loans in Louisiana did not begin to increase dramatically, however, until 1963. This volume has since expanded by well over $100 million, showing the most spectacular growth in 1966.

In the other three District states, such loans have grown more moderately. Georgia's volume in 1970 was twice that of Tennessee, with Alabama's falling between the two.

Ratio of Agricultural to Other Loans

Although agricultural loans have traditionally made up a very small portion of the mortgage

Sixth District states have attracted varying amounts of insurance company farm loans.



loans extended by insurance companies, they have fluctuated significantly over the years. We can see this from examining the ratio of agricultural to other types of insurance company loans. This ratio grew about half the time over the 1951-1970 period; otherwise it declined or remained relatively stable.

More specifically, the ratio rose rather sharply from 1951 to 1952, then trended downward through 1960. Beginning in 1961, it began to increase again, and that growth continued almost without interruption for seven years. In 1969, this ratio again turned down, followed by a drop in actual dollar volume of loans in 1970, a period remembered for extremely tight credit.

The Influence of Money Market Conditions

Fluctuations in farm lending are related to changes in credit conditions and interest rates.

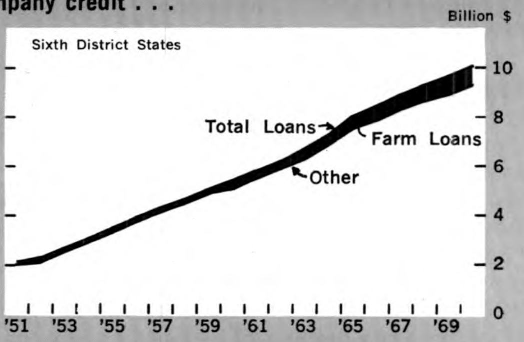
TABLE 2

Head Office Locations of Insurance Companies Supplying Credit to Sixth District States, 1951-70

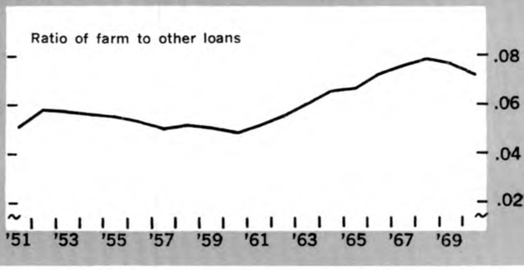
Location of Headquarters	% of Dollar Volume: Farm Loans	Other Loans
Sixth District States	1.10	18.73
Other Southern States	0.70	7.34
Outside South	98.25	73.92
All Areas	100.00	100.00

NOTE: Detail will not necessarily add to totals due to rounding.

Farm loans are a small proportion of total insurance company credit . . .



but that proportion has varied significantly from year to year.



Since interest on loans is a prime source of income to insurance companies, they attempt to keep available funds employed where they earn the most money. When interest rates are high and non-farm uses offer higher returns than agricultural loans, insurance companies typically move rather quickly to divert new funds into fields other than agriculture.[1] In contrast, local lenders such as bankers have a sense of loyalty to customers in their communities and are usually more reluctant to shift funds to other areas during such periods. Those lenders who might be inclined to do so have fewer opportunities for alternate uses of funds than do national insurance companies.

When interest rates recede to a point where agricultural loans are again attractive compared to other uses of funds, insurance companies typically resume farm lending. This vacillating pattern of credit extensions is part of the evidence indicating that agriculture experiences an increase or decrease in credit availability as a result of changes in monetary policy and general credit conditions.

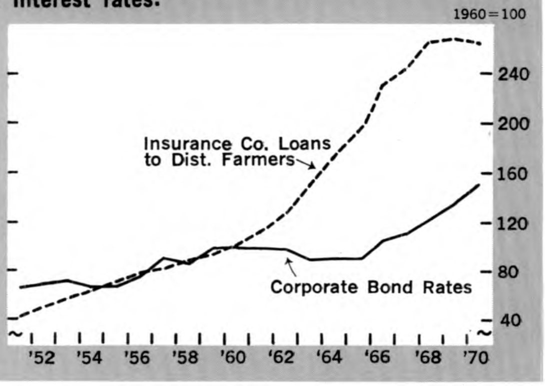
Agricultural Loans Related to Interest Rate Variations

The accompanying chart shows the relationship between agricultural loan volume of insurance companies and long-term interest rates (corporate bond rates). When interest rates moved up, the growth of insurance company lending to Sixth District farmers tended to slow down. Loan volume actually declined when interest rates were exceptionally high.[2]

The volume of agricultural credit held by insurance companies grew at a rather steady rate from 1951 through 1956. In 1957, an abrupt slackening in loan volume growth coincided with a sharp rise in long-term interest rates. In 1958, when long-term rates were rather steady and actually tended to pull back somewhat, the growth of agricultural loan volume showed a revival and that growth rate even accelerated somewhat until 1968. There were no significant increases in long-term interest rates during this period until the latter portion of the Sixties. In fact, rates on long-term corporate bonds actually declined slightly from 1960 through 1965, the period when the volume of District agricultural loans held by insurance companies was making the most rapid growth.

Although long-term rates began to climb rapidly in 1966 and continued to rise irregularly

Insurance company loans tend to move opposite to interest rates.



[1]Usury laws sometimes prohibit insurance companies from making agricultural loans at competitive interest rates. Emanuel Melichar in **Agricultural Finance Review,** Vol. 33, July 1972, mentions two other important influences on the volume of farm credit provided by insurance companies: (1) the trend in their cash flow, which depends in turn on trends in policy premiums, policy loans, and the repayment rate of previous loans and investments, and (2) that farm lending has relatively short commitment periods and so can be expanded or contracted on short notice when the cash flow of insurance companies either exceeds or falls short of outstanding commitments in commercial lending.

[2]Changes in the farm loan volume of insurance companies were negatively correlated with changes in long-term corporate bond rates although the coefficient of —.218 was not statistically significant.

through 1970, it was not until 1969 that the growth in insurance company farm loan volume appeared to be curbed. These loans showed little growth from 1968 to 1969 and actually shrank in 1970. It was during 1969 and 1970 that the increase in policy loans and delay in some loan repayments severely curtailed the flow of funds available to insurance companies. Many farm loan offices of insurance companies virtually ceased operations, drying up a source of funds for new agricultural loans.

The Future of Insurance Company Loans to Agriculture

Fluctuations in farm lending will undoubtedly continue to occur as business conditions change, but farm loans are expected to offer a relatively safe and profitable investment for insurance company funds over the long run. Growth in farm size and increased capitalization of commercial farm operations have enlarged credit demands of individual farmers as well as of agriculture as a whole. Insurance company management typically prefers to make large loans because of the economies involved in handling large amounts of money in single transactions. Paper work connected with servicing and collecting large loans is in many cases no greater than that involved in servicing relatively small loans. Thus, the cost of lending money is substantially reduced when loans are made to large farming operations and the opportunity to make those large loans is increasing.

Insurance companies will continue to be a prime source of long-term credit for farmers, particularly in areas of well established and highly productive types of agriculture. It is not likely, however, that farmers in the marginal high-risk categories will enjoy any freer access to insurance company funds than in the past. The management of farm loan departments will probably continue to avoid credit demands of such farming operations.■

Bank Announcements

(Continued from p. 209)

president; John C. Matthews, vice president. Capital, $750,000; surplus and other capital funds, $750,000.

November 14, 1972
NORTHWESTERN BANK OF BROWARD COUNTY
Margate, Florida

Opened for business. Officers: Robert L. Kester, president and chairman; Paul E. Basye, assistant to the president; Samuel C. Phillips, executive vice president; Robert E. Hunnicutt, Jr., cashier. Capital, $500,000; surplus and other capital funds, $500,000.

November 15, 1972
SUNSHINE STATE BANK
South Miami, Florida

Opened for business as a par-remitting nonmember. Officers: A. D. Harrison, Sr., president; Harry Joe King, executive vice president. Capital, $800,000; surplus and other capital funds, $400,000.

November 16, 1972
EXCHANGE NATIONAL BANK OF PINELLAS PARK
Pinellas Park, Florida

Opened for business. Officers: H. E. Long, chairman and president; Edward G. Jenkins, vice president; Richard M. Hayes, cashier. Capital, $500,000; surplus and other capital funds, $500,000.

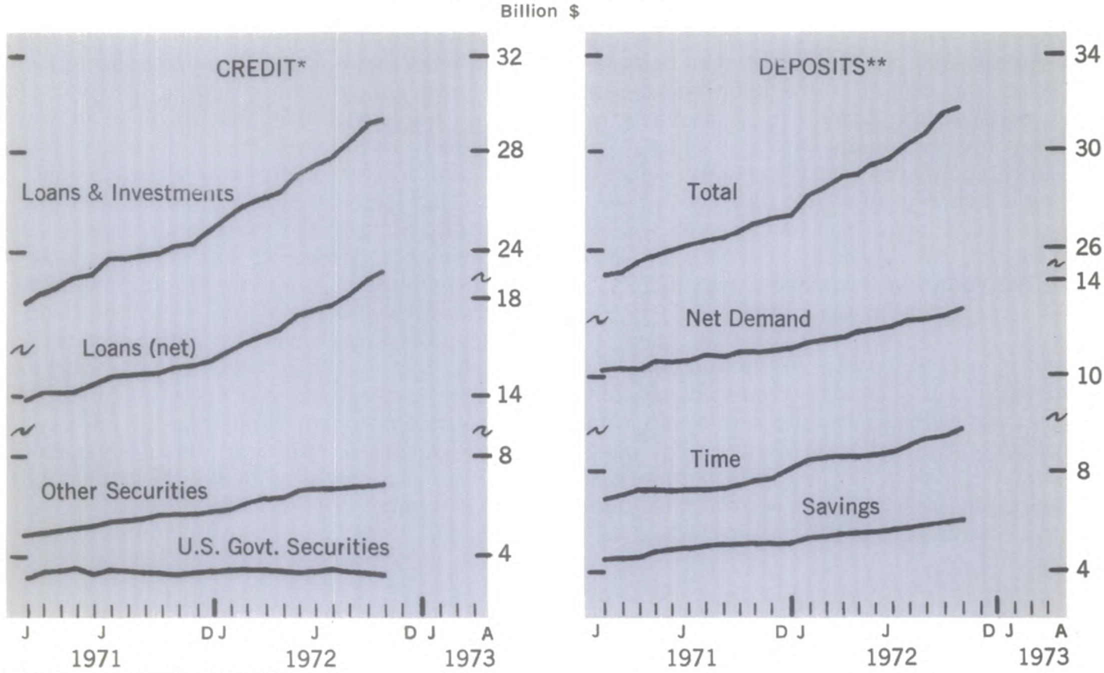
November 16, 1972
LIBERTY BANK AND TRUST COMPANY
New Orleans, Louisiana

Opened for business as a par-remitting nonmember. Officers: Alden J. McDonald, Jr., president; John S. Keller, vice president. Capital, $1,200,000; surplus and other capital funds, $950,000.

November 16, 1972
WALKER COUNTY BANK
Lafayette, Georgia

Opened for business as a par-remitting nonmember. Officers: H. J. Middleton, Jr., president; K. Lamar Thomas, vice president. Capital, $350,000; surplus and other capital funds, $350,000.

BANKING STATISTICS



LATEST MONTH PLOTTED: OCTOBER

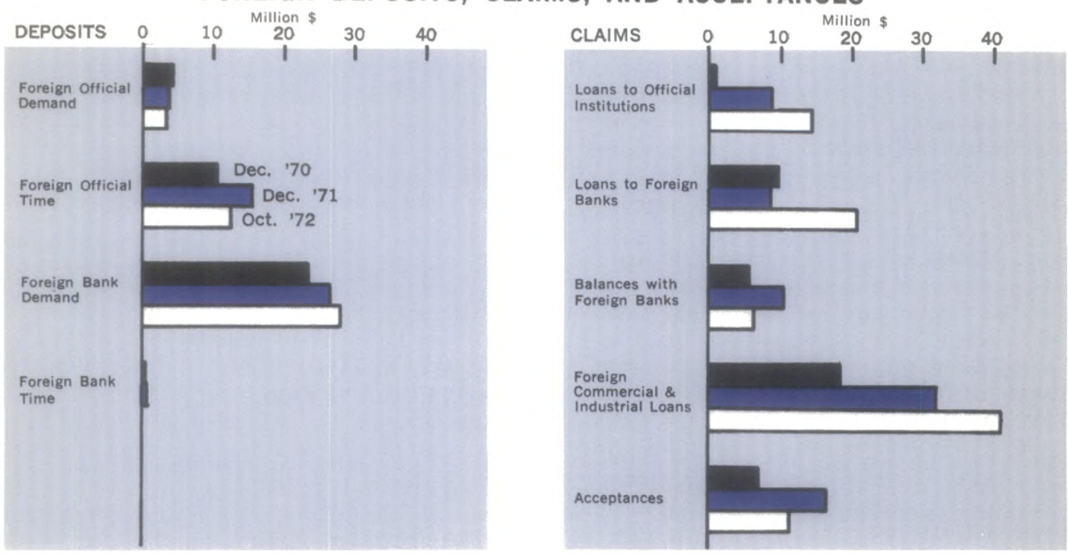
* Figures are for the last Wednesday of each month.

** Daily average figures

SIXTH DISTRICT

BANKING NOTES

FOREIGN DEPOSITS, CLAIMS, AND ACCEPTANCES



Note: Figures cover 32 large Sixth District commercial banks

District international banking activity has surged to unprecedented levels during the past two years, despite the turmoil accompanying the breakdown of the Bretton Woods world monetary system. According to available data, international departments of large District member banks have expanded acceptances (on U. S. residents and foreigners) and reported claims on foreigners to nearly two and one-half times their level at the end of 1970. Foreign deposits are also up substantially.

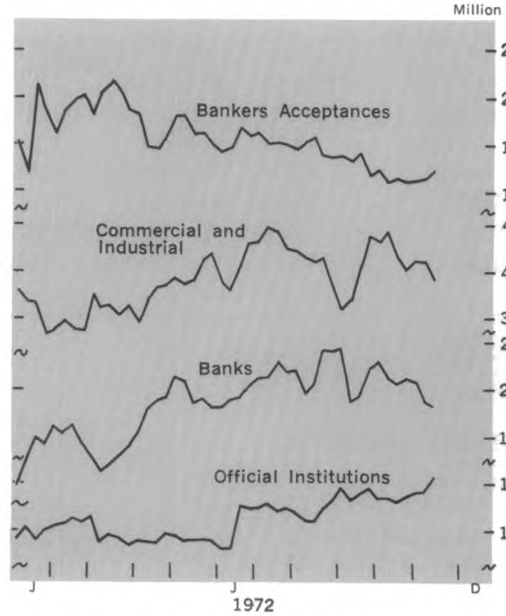
District banks also opened four new branches outside the United States since the end of 1970, bringing the total to six. These branches, as of September 1972, added $111 million to the international assets of their parent banks. Eight new Edge Act corporations established during the same period have further augmented the volume of District international banking activity. (Edge Act corporations are U. S. bank subsidiaries formed to carry out international banking and investment activities exclusively.) The total number of Edge Act units in the region stands at ten; six belong to banks outside the Sixth District.

All international asset categories of large District member banks advanced since the end of 1970, with commercial and industrial loans and loans to foreign official institutions registering the greatest volume of these gains. This high rate of expansion reflects several influences. Added to the strong underlying growth of District foreign trade, plentiful funds throughout much of the period encouraged District banks to enlarge international portfolios. Competitive forces unleashed by new Edge Act subsidiaries opened within the Southeast by non-District banks may have further increased interest in international activity.

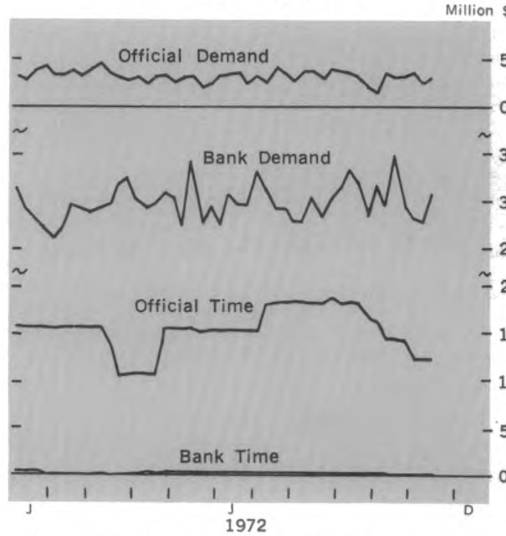
Paradoxically, exchange rate uncertainties, especially during 1971, may have boosted demand for U. S. dollar credits as a means of hedging against a decrease in the foreign exchange value of the dollar. (As the dollar depreciated in value on foreign exchange markets, exchange costs of repaying dollar loans fell.) Moreover, these exchange rate uncertainties probably account for sharp, but temporary increases in District correspondent balances held with foreign banks in April, July, and December 1971 and January 1972.

Since early summer of this year, international loan activity has grown at a less exhilarating pace. In fact, bankers' acceptances held by District banks' portfolios have followed a declining trend since early spring. Some of this deceleration represents repayments of U. S. bank credits by Japanese banks and trading companies. These repayments resulted from Japan's encouragement of capital outflows in order to avert another revaluation of the yen. The revival of U. S. demand for bank credit, stemming from domestic economic recovery, also may have induced District banks to redirect their attention toward domestic loans.

ACCEPTANCES AND FOREIGN LOANS



FOREIGN DEPOSITS



Note: Figures cover 32 large Sixth District commercial banks

While total foreign deposits for large District banks expanded since 1970, this expansion was more uneven than for international claims. Foreign official demand deposits have declined moderately, and foreign official time deposits, while still above December 1970 levels, have fallen back this year.

In contrast to foreign loans, which accelerated during the first half of 1972 but have dropped off in recent months, the level of foreign deposits has remained stable throughout the year.

JOHN LEIMONE

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June	94-108	December	206-220

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1972		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Oct.	151	149	147	132
Farm Cash Receipts	Sept.	122	138	167	104
Crops	Sept.	94	140	191	96
Livestock	Sept.	154	142	158	123
Instalment Credit at Banks* (Mil. $)					
New Loans	Oct.	505	444	455	411
Repayments	Oct.	424	388	381	347
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Oct.	118	117	116	113
Manufacturing	Oct.	110	109	109	106
Nondurable Goods	Oct.	109	109	108	107
Food	Oct.	103	102	102	101
Textiles	Oct.	106	105	104	103
Apparel	Oct.	107	107	106	108
Paper	Oct.	111	110	110	110
Printing and Publishing	Oct.	117	116	116	114
Chemicals	Oct.	105	105	104	105
Durable Goods	Oct.	111	110	110	105
Lbr., Wood Prods., Furn. & Fix.	Oct.	105	104	103	101
Stone, Clay, and Glass	Oct.	113	112	111	108
Primary Metals	Oct.	110	110	108	102
Fabricated Metals	Oct.	119	118	118	115
Machinery	Oct.	130	128	128	118
Transportation Equipment	Oct.	103	103	104	104
Nonmanufacturing	Oct.	120	120	119	115
Construction	Oct.	112	111	109	109
Transportation	Oct.	118	116	116	112
Trade	Oct.	120	119	119	116
Fin., ins., and real est.	Oct.	127	127	126	122
Services	Oct.	125	125	124	121
Federal Government	Oct.	99	99	98	101
State and Local Government	Oct.	127	127	126	119
Farm Employment	Oct.	85	84	82	86
Unemployment Rate (Percent of Work Force)	Oct.	4.1	4.1	4.2	4.7
Insured Unemployment (Percent of Cov. Emp.)	Oct.	2.0	2.1	2.2	2.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.0	41.2	40.9	40.6
Construction Contracts*	Oct.	310	218	228	177
Residential	Oct.	358	320	309	195
All Other	Oct.	263	119	150	159
Electric Power Production**	June	179	174	173	170
Cotton Consumption**	Sept.	80	78	87	87
Petrol. Prod. in Coastal La. and Miss.**	Nov.	122	129	126	120
Manufacturing Production	Aug.	279	275	277	255
Nondurable Goods	Aug.	234	235	237	219
Food	Aug.	185	185	187	175
Textiles	Aug.	275	271	272	252
Apparel	Aug.	275	282	290	269
Paper	Aug.	221	220	218	200
Printing and Publishing	Aug.	161	161	163	161
Chemicals	Aug.	297	295	298	252
Durable Goods	Aug.	332	323	325	298
Lumber and Wood	Aug.	199	198	197	189
Furniture and Fixtures	Aug.	188	188	187	178
Stone, Clay, and Glass	Aug.	183	182	182	170
Primary Metals	Aug.	214	213	208	197
Fabricated Metals	Aug.	268	267	268	247
Nonelectrical Machinery	Aug.	444	449	428	413
Electrical Machinery	Aug.	750	713	720	626
Transportation Equipment	Aug.	428	405	423	384
FINANCE AND BANKING					
Loans*					
All Member Banks	Oct.	196	193	189	160
Large Banks	Oct.	180	179	175	146
Deposits*					
All Member Banks	Oct.	178	174	171	151
Large Banks	Oct.	157	154	150	135
Bank Debits*/**	Oct.	202	199	198	165
ALABAMA					
INCOME					
Manufacturing Payrolls	Oct.	145	144	142	131
Farm Cash Receipts	Sept.	131	157	176	112
EMPLOYMENT					
Nonfarm Employment	Oct.	109	109	108	107
Manufacturing	Oct.	109	108	108	107
Nonmanufacturing	Oct.	110	109	108	107
Construction	Oct.	100	100	96	104
Farm Employment	Oct.	80	72	76	78

	Latest Month 1972		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Oct.	4.7	4.8	4.8	5.4
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.8	41.0	41.2	40.7
FINANCE AND BANKING					
Member Bank Loans	Oct.	187	183	180	157
Member Bank Deposits	Oct.	171	168	165	146
Bank Debits**	Oct.	179	181	182	148
FLORIDA					
INCOME					
Manufacturing Payrolls	Oct.	152	150	150	130
Farm Cash Receipts	Sept.	169	140	213	133
EMPLOYMENT					
Nonfarm Employment	Oct.	129	128	128	123
Manufacturing	Oct.	114	113	112	109
Nonmanufacturing	Oct.	133	131	131	125
Construction	Oct.	139	135	133	130
Farm Employment	Oct.	99	106	100	99
Unemployment Rate (Percent of Work Force)	Oct.	3.3	3.3	3.3	4.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.5	41.4	41.2	40.6
FINANCE AND BANKING					
Member Bank Loans	Oct.	220	213	208	174
Member Bank Deposits	Oct.	202	197	193	169
Bank Debits**	Oct.	235	227	230	185
GEORGIA					
INCOME					
Manufacturing Payrolls	Oct.	145	145	140	135
Farm Cash Receipts	Sept.	105	115	133	126
EMPLOYMENT					
Nonfarm Employment	Oct.	116	116	115	114
Manufacturing	Oct.	106	105	105	104
Nonmanufacturing	Oct.	121	121	120	118
Construction	Oct.	112	110	108	110
Farm Employment	Oct.	84	84	82	83
Unemployment Rate (Percent of Work Force)	Oct.	4.2	3.9	3.9	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.6	41.2	40.2	40.4
FINANCE AND BANKING					
Member Bank Loans	Oct.	187	190	184	152
Member Bank Deposits	Oct.	160	157	151	134
Bank Debits**	Oct.	209	209	206	170
LOUISIANA					
INCOME					
Manufacturing Payrolls	Oct.	141	140	141	118
Farm Cash Receipts	Sept.	95	173	166	89
EMPLOYMENT					
Nonfarm Employment	Oct.	108	107	106	105
Manufacturing	Oct.	102	102	102	100
Nonmanufacturing	Oct.	109	108	107	106
Construction	Oct.	85	85	84	84
Farm Employment	Oct.	80	76	73	78
Unemployment Rate (Percent of Work Force)	Oct.	6.5	6.3	6.5	6.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	42.2	42.6	42.6	41.7
FINANCE AND BANKING					
Member Bank Loans*	Oct.	170	167	166	144
Member Bank Deposits*	Oct.	161	158	157	146
Bank Debits*/**	Oct.	165	163	165	149
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Oct.	167	166	163	144
Farm Cash Receipts	Sept.	99	161	206	75
EMPLOYMENT					
Nonfarm Employment	Oct.	116	115	115	112
Manufacturing	Oct.	121	121	121	115
Nonmanufacturing	Oct.	113	112	112	111
Construction	Oct.	94	92	91	98
Farm Employment	Oct.	86	83	77	90

	Latest Month 1972		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)	Oct.	3.9	3.9	4.2	4.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.9	40.7	40.6	40.3
FINANCE AND BANKING					
Member Bank Loans*	Oct.	197	198	189	165
Member Bank Deposits*	Oct.	172	173	172	145
Bank Debits*/**	Oct.	196	183	187	154
TENNESSEE					
INCOME					
Manufacturing Payrolls	Oct.	158	156	153	135
Farm Cash Receipts	Sept.	164	148	152	98

	Latest Month 1972		One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment	Oct.	117	116	115	112
Manufacturing	Oct.	111	110	109	106
Nonmanufacturing	Oct.	120	120	119	115
Construction	Oct.	116	117	117	112
Farm Employment	Oct.	85	91	88	86
Unemployment Rate					
(Percent of Work Force)	Oct.	3.3	3.4	3.7	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	41.0	41.2	40.8	40.4
FINANCE AND BANKING					
Member Bank Loans*	Oct.	193	190	185	160
Member Bank Deposits*	Oct.	172	167	165	143
Bank Debits*/**	Oct.	177	177	166	151

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

Note: Indexes for bank debits, construction contracts, cotton consumption, employment, farm cash receipts, loans, petroleum production, and payrolls: 1967=100. All other indexes: 1957-59=100.

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)

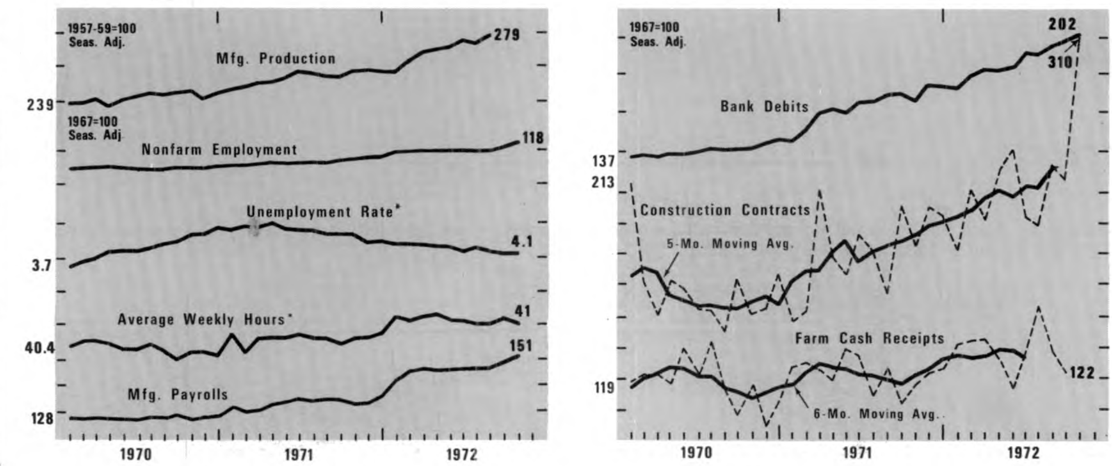
				Percent Change		
				Oct. 1972 From		Year to date 10 mos. 1972 from 1971
	Oct. 1972	Sept. 1972	Oct. 1971	Sept. 1972	Oct. 1971	
STANDARD METROPOLITAN STATISTICAL AREAS						
Birmingham	3,023,461	2,946,912	2,254,465	+ 3	+34	+ 27
Gadsden	92,580	86,094	83,997	+ 8	+10	+ 4
Huntsville	283,066	261,306	247,261	+ 8	+14	+ 9
Mobile	907,283	878,565	760,533	+ 3	+19	+ 18
Montgomery	548,489	496,033	470,387	+11	+17	+ 9
Tuscaloosa	171,510	168,911	145,893	+ 2	+18	+ 11
Bartow-Lakeland-Winter Haven	643,000	537,024	463,341	+20	+39	+ 23
Daytona Beach	317,796	342,110	238,345	− 7	+33	+ 31
Ft. Lauderdale-Hollywood	1,716,641	1,438,348	1,164,322	+19	+47	+ 25
Ft. Myers	234,365	223,965	200,204	+ 5	+17	+ 8
Gainesville	214,205	194,598	172,707	+10	+24	+ 18
Jacksonville	3,380,509	3,017,220	2,488,391	+12	+36	+ 26
Melbourne-Titusville-Cocoa	356,517	335,656	275,921	+ 6	+29	+ 16
Miami	5,599,451	4,914,849	4,291,435	+14	+30	+ 14
Orlando	1,260,926	1,179,575	1,015,909	+ 7	+24	+ 25
Pensacola	391,017	356,157	328,869	+10	+19	+ 14
Sarasota	385,244	341,505	258,457	+13	+49	+ 29
Tallahassee	591,182	546,053	394,054	+ 8	+50	+ 82
Tampa-St. Pete	3,077,531	2,823,042	2,445,896	+ 9	+26	+ 20
W. Palm Beach	933,709	817,312	727,745r	+14	+28	+ 16
Albany	187,010	162,943	145,785	+15	+28	+ 17
Atlanta	11,633,008	10,902,473	9,008,406	+ 7	+29	+ 19
Augusta	456,140	420,688	390,131	+ 8	+17	+ 14
Columbus	402,086	390,459	376,767	+ 3	+ 7	+ 10
Macon	466,195	437,722	407,397	+ 7	+14	+ 14
Savannah	474,635	420,133	422,746	+13	+12	+ 12
Alexandria	221,804	201,833	178,781	+10	+24	+ 15
Baton Rouge	1,125,578	1,002,584	1,030,040	+12	+ 9	+ 11
Lafayette	255,391	229,605	205,645	+11	+24	+ 16
Lake Charles	199,538	190,117	191,404	+ 5	+ 4	+ 8
New Orleans	3,680,063	3,473,298	3,142,234	+ 6	+17	+ 8
Biloxi-Gulfport	218,712	215,613	177,756	+ 1	+23	+ 17
Jackson	1,272,787	1,076,601	988,904	+18	+29	+ 15
Chattanooga	1,013,028	964,233	946,956	+ 5	+ 7	+ 1
Knoxville	827,056	745,035	738,809	+11	+12	+ 8
Nashville	2,931,020	2,736,730	2,264,577	+ 7	+29	+ 21
OTHER CENTERS						
Anniston	99,782	93,706	96,176	+ 6	+ 4	+ 9
Dothan	146,627	141,601	120,618	+ 4	+22	+ 15
Selma	74,529	64,232	56,784	+16	+31	+ 15
Bradenton	141,334	126,079	123,077	+12	+15	+ 20
Monroe County	57,947	52,954	44,327	+ 9	+31	+ 18
Ocala	158,305	145,832	120,826	+ 9	+31	+ 45
St. Augustine	21,979	22,214	24,476	− 1	−10	+ 6r
St. Petersburg	817,121	726,117	604,621	+13	+35	+ 21
Tampa	1,398,670	1,369,727	1,229,263	+ 2	+14	+ 14
Athens	159,570	150,850	149,337	+ 6	+ 7	− 14
Brunswick	81,299	69,154	68,984	+18	+18	+ 21
Dalton	167,643	151,198	145,122	+11	+16	+ 16
Elberton	18,923	17,190	16,636	+10	+14	+ 24
Gainesville	121,337	105,929	100,938	+15	+20	+ 7
Griffin	61,630	56,575	52,118	+ 9	+18	+ 10
LaGrange	34,508	31,385	30,043	+10	+15	− 1
Newnan	61,155	49,988	38,477	+22	+59	+ 35
Rome	129,482	128,550	110,901	+ 1	+17	+ 15
Valdosta	91,195	87,228	77,748	+ 5	+17	+ 14
Abbeville	14,568	15,448	15,170	− 6	− 4	+ 5
Bunkie	13,241	8,718	8,943	+52	+48	+ 12
Hammond	60,043	58,099	55,409	+ 3	+ 8	+ 11
New Iberia	53,125	50,019	48,006	+ 6	+11	+ 7
Plaquemine	18,220	14,576	13,141	+25	+39	+ 13
Thibodaux	29,630	34,047	29,265	−13	+ 1	+ 6
Hattiesburg	116,005	112,619	91,622	+ 3	+27	+ 18
Laurel	69,359	62,295	54,770	+11	+27	+ 18
Meridian	110,578	112,006	90,422	− 1	+22	+ 21
Natchez	50,960	48,586	44,313	+ 5	+15	+ 10
Pascagoula-Moss Point	157,138	135,940	93,966	+16	+67	+ 36
Vicksburg	68,061	57,297	66,537	+19	+ 2	+ 2
Yazoo City	40,609	38,417	31,803	+ 6	+28	+ 3
Bristol	128,625	119,099	117,171	+ 8	+10	+ 8
Johnson City	143,641	136,450	121,493	+ 5	+18	+ 18
Kingsport	225,401	212,975	190,503	+ 6	+18	+ 14
District Total	62,047,089	57,007,751	49,415,082	+ 9	+26	+ 17
Alabama	7,183,268	6,884,239	5,802,623r	+ 4	+24	+ 20
Florida	21,130,133	18,886,800	16,091,740	+12	+31	+ 20
Georgia	17,020,965	15,873,460	13,526,487	+ 7	+26	+ 18
Louisiana[1]	6,591,936	6,126,864	5,723,119r	+ 8	+15	+ 9
Mississippi[1]	2,803,264	2,507,491	2,175,262	+12	+29	+ 17
Tennessee[1]	7,317,523	6,728,897	6,095,851r	+ 9	+20	+ 12

[1] District portion only

r-Revised

Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

District Business Conditions



*Seas. adj. figure; not an index
Latest plotting: October, except mfg. production, August, and farm receipts, September.

Economic growth in the Southeast remains brisk and broadly based. Every major industry reported employment gains in October. Bank loan demand strengthened, consumer borrowing hit new highs, and construction contracts increased once again. Farmers are receiving higher prices and income than a year ago, though wet weather has caused some crop deterioration.

Every major industry posted employment gains in October, a circumstance which normally would have reduced the District's (4.1-percent) rate of unemployment. Nevertheless, the unemployment rate held steady because of similar gains in the labor force. Factory payrolls posted increases from the previous month.

Loan demand has developed considerable strength at member banks in recent months. A large part of the lending advance is centered in the leading cities where all major phases—business, consumer, and real estate loans—are strong. With increasing loan demands, banks, particularly the larger ones, have lightened their holdings of U. S. Government securities. Banks continue to make moderate use of the discount window as a source of reserves.

October's increase in consumer instalment credit outstanding was slightly greater than September's. All loan categories shared in the increase. Newly extended auto loans and unit auto sales rose sharply in tandem in October; auto sales were well above year-ago totals. Department store sales apparently remain strong.

Overall construction activity, as measured by contract awards, increased sharply in October for the third straight month. Monthly residential awards again rose to a record level, with the major impetus coming from Florida. Residential mortgage rates in major cities dropped slightly. Nonresidential awards rose to the second highest monthly level ever with a boost from power plant contracts in Georgia and Florida.

Prices received by farmers continued to move upward in October, led by strong advances in grain and citrus prices. Sharp declines in the prices of eggs, broilers, and vegetables partially offset this rise. Preliminary data for November indicate that egg prices have recovered, but that livestock prices trended downward. Higher average prices and increasing production have contributed to a substantial rise in cash receipts from 1971's level. Farm employment has also increased more than seasonally as farmers harvest an enlarged output. Excessive rainfall has delayed the harvest of cotton and soybean crops and resulted in some crop deterioration.

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