monthly review

february

ederal Reserve Bank of Atlanta - 1973

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Steel Production And Import Trends In the Southeast

by Frederick R. Strobel

Imports, construction, and mini-mills are the key words which best characterize recent trends in Southeastern steel. First, the six-state area is a net importer of steel products from both domestic and foreign sources. Second, the steel-consuming industries' mix and import patterns point strongly toward the construction sector as the major consumer of steel products. Finally, since the Southeast's demand for steel products should grow (given present economic trends), a substantial portion of that demand will likely be met by the smaller mini-mills and by foreign imports.[1]

Steel-Consuming Industries

A major boost in regional steel demand has come from expansion of the Southeast's construction industry. As Chart I shows, total construction more than doubled its 1967 base level during 1972. The U.S., in contrast, showed a two-thirds increase over the same period. While a major portion of this expansion has been residential construction, nonresidential construction—consisting primarily of industrial and office buildings—has also increased at a more rapid pace than the nation's. Similarly, nonbuilding construction, such as streets and highways, dams and reservoirs, and communications, has shown a markedly stronger-than-national gain over this period.

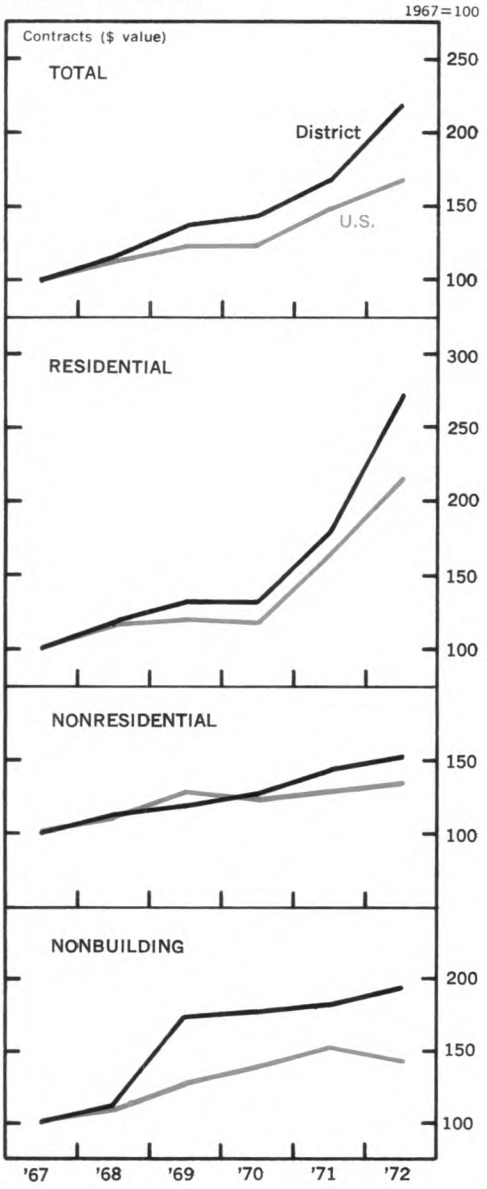
The region's type of residential construction and heating and air-conditioning requirements lends itself especially to high steel consumption. For example, much of Florida's recent condominium building boom requires steel-reinforced

[1]The "Southeast" in this article refers to the Sixth District states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Monthly Review, Vol. LVIII, No. 2. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

CHART I

In the Southeast, construction, a leading steel user, outdistances the nation.



Source: F. W. Dodge Div., McGraw-Hill Info. Systems Co.

concrete for high-rise construction because of that state's vulnerability to hurricanes. These requirements have stimulated both local production of concrete-reinforcing bars and imports of these bars through Florida ports.

The area's climatic conditions, with a higher mean temperature than the nation's norm, have encouraged central air conditioning not only in commercial and industrial buildings but in residential structures as well. This has created a large demand for coated sheet steel for duct work in air-conditioning systems.

Along with rapid expansion in construction has been a rapid growth in the Southeast's metal-fabricating and machinery industries. While the nation's fabricated metals industry showed a 15-percent gain in output between 1967 and September 1972, metal fabricating in this region increased 32 percent. Similarly, both electrical and nonelectrical machinery production in the same period increased by over 60 percent in the Southeast but in the nation by only 10 percent and 7 percent, respectively.

Industry Form and Structure

Eight major companies, which account for about three-fourths of all domestic steel production, dominate the national steel industry. These large producers are vertically integrated from raw materials to finished mill products. They operate iron ore, coal and limestone mines, often large transportation facilities, coke ovens, iron and steel-making furnaces, rolling mills for processing raw steel into varied intermediate products, and, sometimes, fabricating them into end products.

The largest steel consumer in the United States is construction, accounting for approximately 25 percent of all domestic steel shipments. About 20 percent is consumed by the second major market, automobiles and trucks. The other major steel users are machinery and equipment manufacturers, the railroads, and the container and gas industries.

The Birmingham, Alabama, area is the Southeast's major steel-producing center. Alabama contains branch plants of two of the eight major national companies, a United States Steel plant in Fairfield near Birmingham and a Republic Steel plant in Gadsden. The third major steel-producing area in the Southeast is Atlanta, where a medium-size steel mill, Atlantic Steel Company, operates to serve markets principally in Georgia and several nearby states. Atlantic Steel, an older mill, operates with a capacity of over 400,000 tons. Like United States Steel and Republic Steel, Atlantic carries a more complete line of steel products than the mini-mill.

Mini-mills produce the balance of District steel production. Table 1 shows the location and

TABLE 1

"Mini" Steel Plants in the Southeast

Location	Name	Capacity Net Tons Per Year
Alabama		
Birmingham	Connors Steel, Division H. K. Porter Co.	200,000
Birmingham	Southern Electrical Steel (CECO STEEL)	85,000
Florida		
Indiantown	Florida Steel	90,000
Tampa	Florida Steel	90,000
Tennessee		
Harriman	Tennessee Forging Steel	120,000
Knoxville	Knoxville Iron Company	100,000
Mississippi		
Jackson	Mississippi Steel Company	80,000
Louisiana		
Amite	Ross Steel Works	100,000

Source: **The Magazine of Metals Producing,** March 1971

capacity of these mills. The major criteria for such a plant are that the products are not specialty steels, flat-rolled, or forgings exclusively and that the raw steel-making capacity is not more than 400,000 net tons per year. The mini-mill serves a local market and generally operates with a limited product line.

Steel-Making Technology and Economics

Blast furnace reduction of iron ore to molten iron is the first step in the conventional steel-making process. If the molten iron is cast at this point, the product is then called pig iron, which may be further reduced to steel ingots. The latter process is done in the open-hearth furnace or, more recently, in the Basic Oxygen Furnace (BOF). The BOF is newer and more efficient, combining higher steel output per furnace with lower labor costs. Another process is the electric furnace which produces steel directly from steel scrap. Its major advantage is flexibility and efficiency at a wide range of sizes. But, in comparison, the larger the BOF, the more efficient it is.

The electric furnace makes all types of steel and all stainless steel and more sophisticated alloys. The electric furnace is widely used in the scrap reduction process of steel making and is the only type of furnace capable of operating on a 100-percent scrap charge.[2]

[2]Charge is defined as the content of the steel-producing material loaded into the furnace, i.e., ingots, scrap, pellets, etc.

The proximity of the necessary iron ore, coal, and limestone resources or the steel-consuming industries or both tends to determine the location of major integrated steel producers. Such is the case in Alabama. After most of Alabama's iron- and steel-making capacity was destroyed during the Civil War, the 1870's witnessed a rapid rebuilding of the industry. Fundamental to this was the proximity of low-grade iron ore to coal and flux (limestone). In 1871, the City of Birmingham was founded in an area close to both coal and iron ore deposits. This same nearness to natural resources was primary in establishing the iron- and steel-producing area in Gadsden.[3]

Hence, in Alabama, the major steel-producing industries were initially located near raw materials and subsequently attracted metal and steel-fabricating industries. Distinguishing the South from the major steel-producing U.S. areas, however, is a lack of steel fabrication for automobiles and trucks.

One steel expert has described the Southern steel industry's development, until 1955, as one of concentration into large plants.[4] Thereafter, steel-making capacity diffused, but blast furnace capacity for pig iron production remains concentrated. In other words, large Southern steel mills which produce pig iron may have reached a natural limit on size, given the nature of the area's steel-consuming industries. Thus, absence of a large consumer of sophisticated steel products, such as automobile manufacturing, may have slowed down expansion of the major mills.

This region has generally followed a pattern of decentralization in steel production mainly for the construction market. Construction requires a wider variety of steel products. Many of these are relatively lighter than those needed to make autos and trucks.

Accordingly, two directions for Southeastern steel seem likely. First, steel production for local markets by smaller mills will probably increase. This is especially true with the advent of the electric furnace and the increased supply of available scrap steel. Because steel is expensive to ship, it may be more feasible to produce steel locally with a less sophisticated product line and in smaller lot sizes for construction. Second, again considering transportation costs plus the Southeast's several major ports, foreign imports should remain prominent in this region's steel markets.

[3]Today, however, local iron ore has been largely depleted, so that it must be imported.

[4]Hogan, William J., **Economic History of the Iron and Steel Industry in the United States,** Vol. 4, (Lexington, D.C. Heath and Company, 1971), p. 1473.

Technology also figures in the import picture. In many cases, relatively simple products can be imported which do not require a close customer-seller relationship. Thus, transportation costs and relatively small individual orders for less sophisticated steel products have combined to produce an expansion of both imports and local steel production by smaller mills. Therefore, it is no accident that Southeastern mini-mills have expanded greatly in recent years in view of their ability to serve local markets. Except the major mills in Fairfield and Gadsden, Alabama, all have electric furnaces. A strong demand for steel-reinforced concrete, commonly used for construction and often a major mini-mill product, has enhanced their profitability.

TABLE 2

Shipments of Steel Products
(Millions of Net Tons)

Year	United States	Southeastern States *	Southeast % of U.S.
1968	91.9	6.2	6.7
1969	93.9	5.0	5.3
1970	90.1	4.7	5.1
1971	87.0	5.7	6.5

* Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee

Production Patterns and Imports

Steel production has lately kept pace with national output. Table 2 indicates recent trends in steel shipments. Production spurted in 1971 in response both to booming construction activity and a threatened steel strike during that summer. These same conditions also prompted a sharp rise in imports through Savannah, Miami, Tampa, Mobile, and New Orleans.

The data in Table 3 underscore the importance of these steel imports. During 1971, three Customs Districts increased their national share. New Orleans increased its steel tonnage by over 65 percent, and Savannah and Mobile by 45 percent each. Tampa and Miami were below the U.S. rise of 34 percent in 1971.

Import Trends in the Southeast

Table 4 illustrates the pattern of steel imports and how it compares with domestic production. Regional and national steel mills in recent years have reduced their production of wire products. Supporting evidence is the large (relative to domestic production) importation of wire products in general and wire rods in particular. Several factors explain these large imports of wire rods for domestic wire production. First, many wire consumers have recently found it more economical to

TABLE 3

Domestic Shipments and Imports of Steel Products

Year	United States Shipments (Net Tons, Mil.)	United States Imports (Net Tons, Mil.)	U.S. Imports Percent of U.S. Shipments	Southeast Shipments (Net Tons, Mil.)	Southeast Imports (Net Tons, Mil.)	S.E. Imports Percent of S.E. Shipments
1968	91.9	18.5	20.1	6.2	2.7	43.5
1969	93.9	14.6	15.5	5.0	2.1	42.0
1970	90.1	14.0	15.5	4.7	1.9	40.4
1971	87.0	18.9	21.7	5.7	2.8	49.1

TABLE 4

IMPORTS AND DOMESTIC PRODUCTION OF STEEL PRODUCTS
1971

	Percent of Total Steel Imports			Percent of Total Domestic Production	
	District[1] Ports	District Ports Less New Orleans	All U.S. Ports	United States	Major Use
Wire Rods	12.6	17.5	8.4	1.8	Production of Wire*
Wire Products	6.2	8.4	5.2	3.3	Construction*
Structural Shapes	11.2	13.5	8.1	6.0	Construction*
Plates	11.6	6.9	8.6	9.1	Heavy Machinery*-Shipbuilding*-Construction*
Concrete Reinforcing Bars	2.6	3.7	2.8	5.2	Construction*
Bar Shapes Under 3″	4.2	6.4	3.0	9.4	Automotive-Machinery*-Construction*
Bars—Hot Rolled	4.6	5.1	4.4		Automotive-Machinery*-Construction*
Pipe and Tubing	11.3	11.4	10.1	8.6	Construction* and Furniture*
Sheets—Hot Rolled	8.8	4.5	14.6	13.5	Automotive
Sheets—Cold Rolled	15.0	5.6	20.2	17.1	Automotive-Equipment*-Appliances*
Sheets—Coated	8.3	11.7	7.7	7.2	Construction*
Other	3.4	5.3	6.9	18.8	
**Total	100.00	100.00	100.00	100.00	

*Major use in Southeast
[1]Customs Districts of Savannah, Miami, Tampa, Mobile, and New Orleans
Source: American Iron and Steel Institute
**Totals may not agree because of rounding.

buy wire-drawing machines and make their own wire from rods. This development has encouraged purchases from foreign rather than domestic sources. Wire and wire rods are low technology items without the critical specifications which might give a domestic mill an advantage. This trend to import wire rods shows up in total imports of wire products. The latter make up 8.4 percent of total dollar value of steel mill products for District ports (less New Orleans) but only 5.2 percent nationally. U.S. production of wire products has dropped, making up only 3.3 percent of total domestic steel output.

Structural steel shapes, used mainly in heavy construction, have also shown in recent years a substantial increase in imports. They now command a larger percentage of U.S. imports than of domestic production. In the Southeast, the import of structural shapes as a percent of the total import mix is even more prominent. Structurals have increased at all District ports but especially in New Orleans. Some of these shipments go further inland via the Mississippi River and are not necessarily for the Southeast. However, even if we disregard New Orleans, District imports of structural steel are significant.

Concrete-reinforcing bars is one market in which Southeastern steel producers have competed effectively with imports. As mentioned, much regional construction, particularly in Florida, requires reinforced concrete. Local steel producers have become increasingly competitive, both on a price and service basis. Some producers also fabricate bars, cutting and bending them to specific orders. Florida mills have been particularly aggressive in seeking out the construction market on a special order basis. Consequently, the imports of these bars have fallen dramatically in the

Southeast. In 1967, 133,000 tons were imported, falling to 108,000 tons in 1969 and to 68,000 tons in 1971 despite the region's construction boom.

Pipe and tubing is another construction-related import. The main variety of pipe imported into Southeastern ports is structural (i.e., used for supports and columns but not necessarily made to pressure specifications such as pipe which handles liquid or gas). Metal tubing is commonly used for metal furniture production.

Sheet metal imports again point to the construction industry. As Table 4 indicates, hot and cold rolled sheets make up over 23 percent of total steel imports when considering all District ports. If imports through New Orleans are subtracted, they fall to just over 10 percent. This figure implies that hot and cold rolled sheets, like structural shapes, are shipped further inland for automotive uses.

Turning to the category of coated sheets such as galvanized steel, District ports allot an 8.3-percent share of all steel imports to it. If New Orleans is left out, this share rises to 11.7 percent—a pattern consistent with greater-than-national emphasis on duct-type central heating and air-conditioning systems in residential construction.

From the foregoing, one can see that the Southeast's import mix, when compared with the nation's import and production mix, reinforces the conclusion that construction is the major market for Southeastern steel. Southeastern construction directly consumes about 43 percent of the regional steel market; nationally, construction consumes about 16 percent. Adding the portion of shipments which go first to steel service centers (intermediate distribution firms), the figure would probably approach 50 percent. The total national construction market would be about 25 percent, including steel shipped from service centers. Assuming a favorable outlook for construction, further expansion both of regional imports and production via smaller mills for local markets is likely.

Industrial Use of Steel

In addition to construction's growing steel demand, the Southeast has witnessed, as already noted, above-average growth rates in fabricated metals and electrical and nonelectrical machinery. Florida's metal-fabricating sector has shown large output gains since 1967, and so has Mississippi's smaller industry.[5] Tennessee and Alabama, with well established metal-fabricating facilities, have also expanded solidly in recent years.

Already leading the District states in 1967, Tennessee's production of nonelectrical machinery has almost doubled since then. In nonelectrical

[5]As measured by kilowatt hour consumption

TABLE 5

Imports of Iron and Steel Into Southeastern Ports and U. S.

	000 Tons					% Change	
	1960	1965	1968	1970	1971	'60-70	'60-71
Savannah	41.3	100.0	207.1	193.0	280.5	366.9	578.4
Tampa	235.7	515.5	415.3	337.0	390.2	208.4	245.4
Miami			240.7	154.3	188.3		
Mobile	81.1	311.3	477.5	258.3	376.4	218.6	364.2
New Orleans	317.5	843.6	1,539.6	1,019.8	1,658.9	221.2	422.5
*District Total	675.7	1,770.5	2,880.3	1,962.4	2,894.4	190.4	328.4
United States	4,087.6	11,963.7	19,563.2	14,609.4	19,611.3	257.4	379.8
District—% of U.S.	16.5	14.8	14.7	13.4	14.8		

Source: American Iron & Steel Institute

* Totals may not agree because of rounding.

machinery, Tennessee has maintained its number-one ranking, while all District states have shown marked advances. Florida, whose output has grown from about one-third of Tennessee's in 1967 to over half its level in 1971, headed gains in electrical machinery. Additionally, the packaging industry is using a sizable amount of steel. Therefore, even though construction is still king in steel consumption, the growth of these other industries has served to diversify regional steel demand. While further growth in construction will tend to benefit the smaller mills and imports, expansion in industrial uses will help the larger mills.

Port Activity

Notable shifts have taken place in District steel imports, which generally have grown slower than nationally. Despite Florida's construction boom, steel imports through Miami and Tampa have trended downward, suggesting increased reliance of construction on local domestic steel sources (see Table 5). Part of Savannah's increased overall tonnage in recent years has resulted from a marked rise in steel imports. Hence, the threat of foreign competition is definitely present—especially when one considers the jump in total District steel imports during 1971—although Southeastern producers have been, to some extent, successful in competing with imports.

A Look at the Future

Recent trends in regional steel consumption have favored imports and the smaller producer, but there is no evidence that major producers are giving up on the Southeastern market. Its largest producer, U.S. Steel, has announced plans for installing two Q-BOP steel-making furnaces. The Q-BOP is a more technologically advanced version of the Basic Oxygen Furnace. These will replace 12 existing open-hearth furnaces, enlarge capacity, and meet existing and anticipated air and water pollution regulations.

Regionally and nationally, steel producers face common problems of import competition and costly pollution control requirements. Larger Southeastern mills may have an edge over smaller ones in that the larger the mill, the smaller the percentage pollution control equipment is of total investment. Both large and small producers should benefit from increased industrial activity which should serve to diversify steel demands. Some regional producers have succeeded in meeting foreign competition. Should this success spread, it would bode well for the Southeastern steel industry. A continuance of this region's faster-than-national economic growth would also be a plus for steel.■

Bank Announcements

January 2, 1973
CITIZENS CENTRAL BANK
Murfreesboro, Tennessee

Opened for business as a par-remitting nonmember. Officers: Donald E. Moser, president; Eugene Roberts, vice president; Vester Waldron, chairman. Capital, $650,000; surplus and other funds, $861,250.

January 2, 1973
COMMUNITY STATE BANK
Independence, Louisiana

Began to remit at par.

January 3, 1973
NORTHEAST BANK OF CLEARWATER
Clearwater, Florida

Opened for business as a par-remitting nonmember. Officers: John R. Sanders, president; Clinton E. Branch, vice-president. Capital, $600,000; surplus and other funds, $400,000.

January 5, 1973
SECURITY BANK
Pinellas Park, Florida

Opened for business as a par-remitting nonmember. Officers: John A. Jenkins, chairman of the board and president; Henry B. Glover, vice chairman of the board; David E. Kern, executive vice president. Capital, $625,000; surplus and other funds, $375,000.

January 9, 1973
PAN AMERICAN BANK OF WEST DADE
Miami, Florida

Opened for business as a par-remitting nonmember. Officers: Stanley H. Wolff, chairman; Ignatius J. Fazio, president; Al Jaffe, senior vice president. Capital, $500,000; surplus and other funds, $250,000.

January 9, 1973
SOUTHPORT AMERICAN NATIONAL BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business. Officers: J. Hugh Funk, president; Daniel R. Bralski, vice president; Richard E. Campbell, vice president; O. E. Hutchison, Jr., vice president; Lee A. Ringeman, vice president and controller. Capital, $800,000; surplus and other funds, $1,200,000.

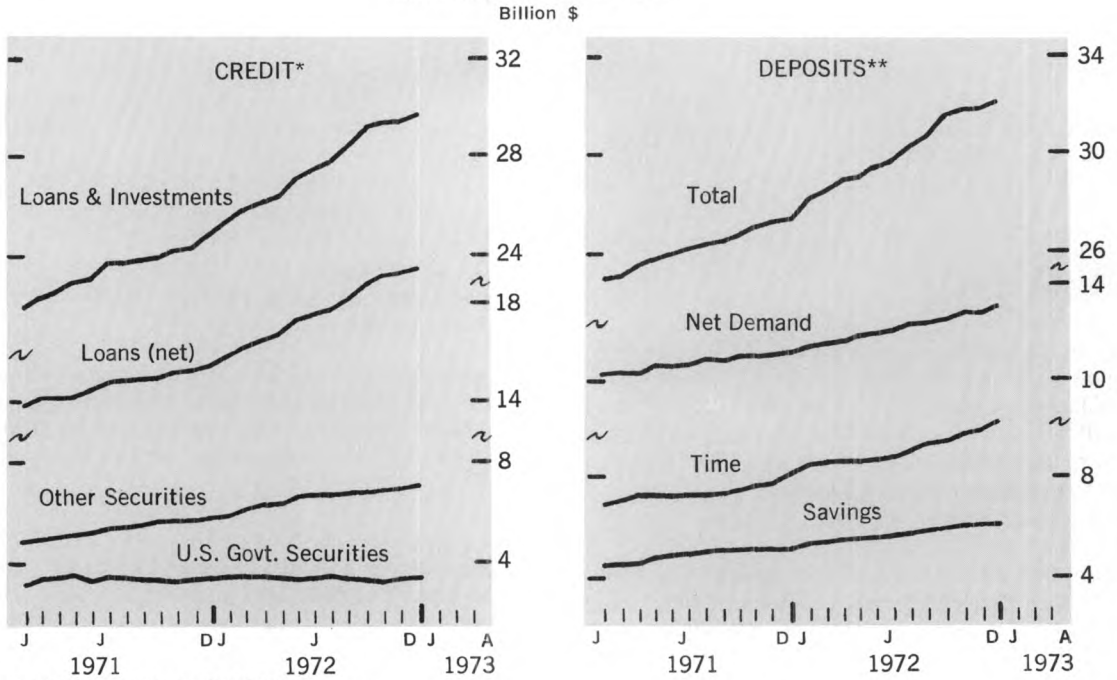
January 16, 1973
BANK OF MADISON
Madison, Florida

Opened for business as a par-remitting nonmember. Officers: J. W. Grant, president; Griffin Bishop, vice president and cashier. Capital, $325,000; surplus and other funds, $325,000.

January 19, 1973
ATLANTIC BANK OF CASSELBERRY
Casselberry, Florida

Opened for business as a par-remitting nonmember. Officers: William E. Edmands, director and president; William B. Gossett, director and vice president. Capital, $400,000; surplus and other funds, $400,000.

BANKING STATISTICS



LATEST MONTH PLOTTED: DECEMBER

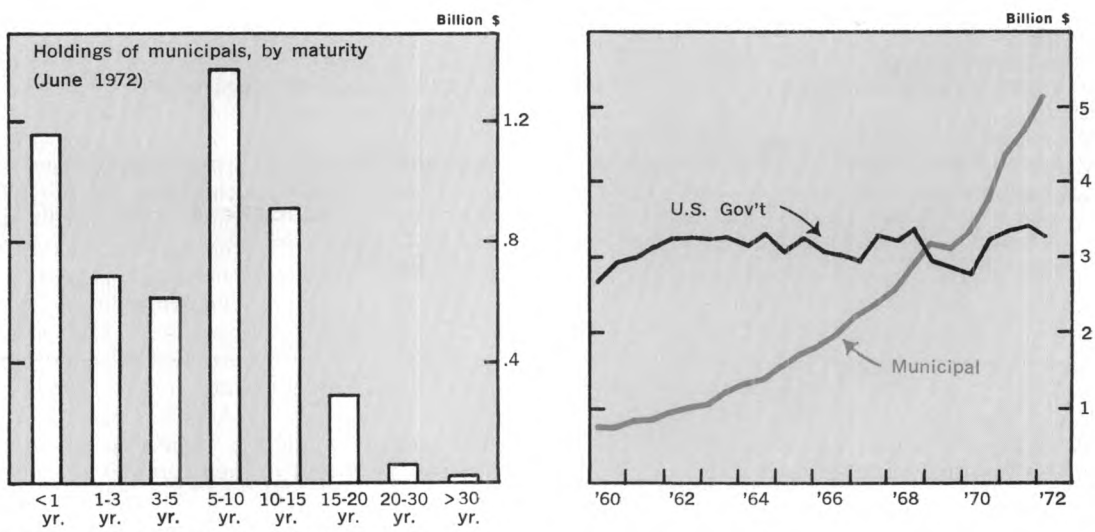
* Figures are for the last Wednesday of each month.

** Daily average figures

SIXTH DISTRICT BANKING NOTES

Use of Municipals Increases

SECURITIES



Note: Figures cover District member banks

District bankers continue to add increasing amounts of state and local government securities to their investment portfolios, the result of a fundamental change in bank portfolio management. Many bankers realize that, to a large extent, municipal obligations can provide investment income, adequate liquidity, and satisfactory collateral for pledging against public deposits as well as if not better than U.S. Government securities. As a result, District member bank holdings of municipal obligations increased nearly 19 percent in the year ending June 1972 and have continued to grow at nearly that pace since then.

Perhaps the best evidence that municipals are replacing Treasury issues is the change in bank portfolios. In 1960, municipals comprised 21 percent of member banks' securities and Governments, 76 percent; in mid-1972, municipals were 52 percent and Governments, 33. Alternatively, of the $6.4-billion increase in total securities during this period, municipals accounted for 70 percent of the gain and Governments only 9 percent. The remaining increase was in Federal agency and corporate issues.

Yields on municipals have risen in recent years and generally provide higher returns to banks than Treasury issues when account is taken of their tax-exempt feature. In late 1972, coupon rates on prime municipal obligations ranged from 3.2 percent for one-year maturities to 4.9 percent for twenty-year maturities. During 1969 and 1970 when peak rates were reached, one-year maturities returned 6.25 percent and twenty-year maturities, 6.8 percent. These contrast with average returns of around 2 percent in the early Fifties and 3.5 percent in the early Sixties.

Just as the smaller banks hold most Treasury securities, they also hold most of the District's municipal obligations. Country banks have 83 percent of the $5.2-billion total. Florida member banks lead District states with $2.1 billion, or 41 percent of the total. Banks in the District portion of the other states hold $600 to $800 million, except for Louisiana banks which have only $200 million.

Many bankers apparently took advantage of the record-high coupons offered in 1969 and 1970 to obtain high current income and, wherever possible, to "lock up" some eventual capital gains for municipal bond portfolios. Those securities held in June 1972 and maturing in over ten years carry, on average, a higher redemption value than their book value. For bonds with over twenty years maturity, this premium averages over 6 percent. But for those maturing in less than ten, bankers were apparently willing to pay about one percent over the eventual redemption value.

District banks evidently view their purchases as permanent investments to be held to maturity. Municipals, however, do provide considerable liquidity, though some may be less marketable than U.S. Governments. Nearly one-half of total District bank holdings mature in less than five years. These are less subject to price fluctuations induced by changing interest rates than are longer maturities. About 22.5 percent of total holdings mature in less than one year, and about one-third of these are bills, notes, and warrants with an original maturity of under one year. Only 7.6 percent of total holdings mature in over ten years, and only 0.6 percent in over twenty.

The larger reserve city banks hold shorter maturity municipals than do the smaller country banks. Average maturity at these banks is 6.1 years, with 29 percent maturing in under one year. Larger banks appear to make a concerted effort to buy municipals with original maturities of under one year. At country banks, only 20 percent mature in under one year, and average maturity is 6.5 years.

The average maturity of municipal obligations at District member banks seems to be increasing slightly. In 1961, 47 percent matured in five years or more; in 1965, 50 percent fell in this range. By mid-1972, this proportion had risen to 52 percent. However, compared to either 1961 or 1965, a larger proportion of the mid-1972 total matured in under one year.

In addition to providing a higher rate of return and considerable liquidity, many "home-state" municipals are also eligible for pledging by banks against their rapidly increasing public deposits. And because nearly all this increase has been interest-bearing, there is more pressure on banks to expand earning assets. State and local government deposits at District member banks totaled $3.6 billion in June 1972, up over 19 percent from the previous year. Time deposits accounted for all of 1972's advance, increasing $659 million. Demand deposits dropped $75 million. In 1960, public deposits totaled only $980 million and time deposits just $133 million. From 1960 to 1972, then, public deposits rose $2.6 billion and interest-bearing deposits accounted for over 80 percent of the gain. Therefore, the structure of deposit increases alone has exerted considerable pressure to acquire higher-yielding earning assets.

Judging by the tremendous growth in bank purchases of municipals, these issues must be meeting banking needs for higher-yielding investment portfolios, adequate liquidity, and sufficient pledging against public deposits. And in meeting these investment needs, municipals appear to be supplanting Treasury securities in their formerly dominant role.

JOHN M. GODFREY

Board of Directors

Federal Reserve Bank of Atlanta and Branches

Effective January 1, 1973

ATLANTA

Class C[1]

John C. Wilson (Chairman)—1973
President, Horne-Wilson, Inc.
Atlanta, Georgia

H. G. Pattillo (Deputy Chairman)—1974
President, Pattillo Construction Company, Inc.
Decatur, Georgia

*__F. Evans Farwell__—1975
President, Milliken and Farwell, Inc.
New Orleans, Louisiana

BIRMINGHAM BRANCH

Appointed by Board of Governors

David Mathews (Chairman)—1973
President, University of Alabama
University, Alabama

William C. Bauer—1974
President, South Central Bell Telephone Company
Birmingham, Alabama

+**Frederick G. Koenig, Jr.**—1975
President, Alabama By-Products Corporation
Birmingham, Alabama

Appointed by Federal Reserve Bank

W. D. Malone, Jr.—1973
President and Chairman, The First National Bank
Dothan, Alabama

C. Logan Taylor—1973
Chairman of the Board, The First State Bank
Oxford, Alabama

W. Eugene Morgan—1974
President, The First National Bank
Huntsville, Alabama

+**John T. Oliver, Jr.**—1975
President, First National Bank
Jasper, Alabama

JACKSONVILLE BRANCH

Appointed by Board of Governors

Henry Cragg (Chairman)—1973
Vice President, The Coca-Cola Company Foods Division
Winter Park, Florida

Gert H. W. Schmidt—1974
President, TeLeVision 12 of Jacksonville
Jacksonville, Florida

+**James E. Lyons**—1975
President, Lyons Industrial Corporation
Winter Haven, Florida

Appointed by Federal Reserve Bank

Malcolm C. Brown—1973
President and Chairman, Florida First National Bank at Brent
Pensacola, Florida

A. Clewis Howell—1973
Chairman, Marine Bank & Trust Company
Tampa, Florida

Guy W. Botts—1974
Vice Chairman, Barnett Bank of Jacksonville, N. A.
Jacksonville, Florida

+**Michael J. Franco**—1975
Chairman, City National Bank of Miami
Miami, Florida

NOTE: Expiration dates of terms occur on December 31 of the year beside each name.

[1]Nonbankers appointed by Board of Governors, Federal Reserve System
*Reappointed for three-year term

Class B[2]

Hoskins A. Shadow—1973
President, Tennessee Valley Nursery, Inc.
Winchester, Tennessee

Owen Cooper—1974
President, Mississippi Chemical Corporation and Coastal Chemical Corporation
Yazoo City, Mississippi

+**George W. Jenkins**—1975
Chairman, Publix Super Markets, Inc.
Lakeland, Florida

Class A[3]

A. L. Ellis—1973
Chairman, First National Bank
Tarpon Springs, Florida

Jack P. Keith—1974
President, First National Bank
West Point, Georgia

+**Sam I. Yarnell**—1975
Chairman, American National Bank and Trust Company
Chattanooga, Tennessee

NASHVILLE BRANCH

Appointed by Board of Governors

James W. Long (Chairman)—1973
Farmer
Springfield, Tennessee

Edward J. Boling—1974
President, The University of Tennessee
Knoxville, Tennessee

*__John C. Tune__—1975
Partner; Butler, McHugh, Butler, Tune and Watts
Nashville, Tennessee

Appointed by Federal Reserve Bank

Dan B. Andrews—1973
President, First National Bank
Dickson, Tennessee

Edward G. Nelson—1973
President, Commerce Union Bank
Nashville, Tennessee

+**W. Bryan Woodard**—1974
President, Kingsport National Bank
Kingsport, Tennessee

+**Robert E. Curry**—1975
President, First National Bank
Pulaski, Tennessee

NEW ORLEANS BRANCH

Appointed by Board of Governors

Broadus N. Butler—1973
President, Dillard University
New Orleans, Louisiana

Fred Adams, Jr. (Chairman)—1974
President, Cal-Maine Foods, Inc.
Jackson, Mississippi

+**Edwin J. Caplan**—1975
President, Caplan's Men's Shops, Inc.
Alexandria, Louisiana

Appointed by Federal Reserve Bank

Tom A. Flanagan, Jr.—1973
President, Lakeside National Bank
Lake Charles, Louisiana

Lawrence A. Merrigan—1973
President, The Bank of New Orleans and Trust Company
New Orleans, Louisiana

Archie R. McDonnell—1974
President, The Citizens National Bank
Meridian, Mississippi

+**Ernest F. Ladd, Jr.**—1975
Chairman, Merchants National Bank
Mobile, Alabama

MEMBER, FEDERAL ADVISORY COUNCIL

Harry Hood Bassett—1973
Chairman of the Board, The First National Bank
Miami, Florida

[2]Nonbankers elected by member banks
+New member

[3]Member bank representatives elected by member banks

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Dec.	155	152	151	135
Farm Cash Receipts	Nov.	148	141	122	98
Crops	Nov.	164	125	94	105
Livestock	Nov.	164	149	154	112
Instalment Credit at Banks* (Mil. $)					
New Loans	Dec.	461	487	505	414
Repayments	Dec.	370	415	424	342
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Dec.	118	118	118	114
Manufacturing	Dec.	111	110	110	107
Nondurable Goods	Dec.	110	109	109	108
Food	Dec.	103	103	103	102
Textiles	Dec.	107	106	106	103
Apparel	Dec.	108	108	107	108
Paper	Dec.	112	111	111	109
Printing and Publishing	Dec.	117	117	117	113
Chemicals	Dec.	105	105	105	105
Durable Goods	Dec.	112	111	111	105
Lbr., Wood Prods., Furn. & Fix.	Dec.	106	105	105	100
Stone, Clay, and Glass	Dec.	114	114	113	109
Primary Metals	Dec.	110	110	110	102
Fabricated Metals	Dec.	121	120	119	114
Machinery	Dec.	133	132	130	120
Transportation Equipment	Dec.	103	103	103	104
Nonmanufacturing	Dec.	121	121	120	116
Construction	Dec.	115	113	113	111
Transportation	Dec.	119	118	117	114
Trade	Dec.	119	120	120	115
Fin., ins., and real est.	Dec.	128	128	127	123
Services	Dec.	126	126	125	122
Federal Government	Dec.	100	100	99	101
State and Local Government	Dec.	129	128	128	120
Farm Employment	Dec.	87	84	85	92
Unemployment Rate (Percent of Work Force)	Dec.	4.1	3.9	4.1	4.5
Insured Unemployment (Percent of Cov. Emp.)	Dec.	1.9	1.8	2.0	2.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	41.2	41.0	41.1	40.7
Construction Contracts*	Dec.	247	297	310	195
Residential	Dec.	331	324	358	236
All Other	Dec.	165	270	263	155
Electric Power Production**	July	186	179	174	167
Cotton Consumption**	Nov.	77	80	79	86
Petroleum Production**	Jan.	116	123	122	120
Manufacturing Production	Sept.	280.6	278.7	275.2	255.1
Nondurable Goods	Sept.	234.3	234.6	234.9	218.6
Food	Sept.	185.4	185.1	185.2	174.8
Textiles	Sept.	275.0	274.2	271.1	251.1
Apparel	Sept.	274.8	275.8	281.9	266.2
Paper	Sept.	219.0	221.1	219.7	201.4
Printing and Publishing	Sept.	159.1	160.9	161.0	160.8
Chemicals	Sept.	298.2	296.9	295.3	247.4
Durable Goods	Sept.	336.3	331.2	323.1	298.4
Lumber and Wood	Sept.	198.9	198.4	198.3	189.9
Furniture and Fixtures	Sept.	187.8	187.4	187.7	177.4
Stone, Clay, and Glass	Sept.	187.6	183.3	182.1	165.9
Primary Metals	Sept.	218.8	214.4	213.1	196.9
Fabricated Metals	Sept.	273.7	268.4	267.1	249.8
Nonelectrical Machinery	Sept.	445.7	442.4	448.7	410.9
Electrical Machinery	Sept.	750.9	745.6	712.8	642.2
Transportation Equipment	Sept.	437.9	427.9	404.8	378.7
FINANCE AND BANKING					
Loans*					
All Member Banks	Dec.	207	202	196	165
Large Banks	Dec.	191	188	180	151
Deposits*					
All Member Banks	Dec.	179	176	178	152
Large Banks	Dec.	157	153	157	135
Bank Debits*/**	Dec.	209	204	202	174
ALABAMA					
INCOME					
Manufacturing Payrolls	Dec.	150	147	145	136
Farm Cash Receipts	Nov.	145	128	131	101
EMPLOYMENT					
Nonfarm Employment	Dec.	110	110	110	107
Manufacturing	Dec.	110	109	109	106
Nonmanufacturing	Dec.	110	111	110	108
Construction	Dec.	100	102	103	100
Farm Employment	Dec.	82	76	80	89
Unemployment Rate (Percent of Work Force)	Dec.	4.4	4.4	4.4	5.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	40.9	41.2	40.8	41.1
FINANCE AND BANKING					
Member Bank Loans	Dec.	197	194	187	162
Member Bank Deposits	Dec.	174	172	171	146
Bank Debits**	Dec.	179	183	179	158
FLORIDA					
INCOME					
Manufacturing Payrolls	Dec.	154	154	154	131
Farm Cash Receipts	Nov.	177	197	169	129
EMPLOYMENT					
Nonfarm Employment	Dec.	130	130	129	123
Manufacturing	Dec.	114	114	114	108
Nonmanufacturing	Dec.	133	133	132	126
Construction	Dec.	144	140	139	131
Farm Employment	Dec.	95	94	99	97
Unemployment Rate (Percent of Work Force)	Dec.	3.4	3.1	3.3	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	41.2	41.3	41.6	40.6
FINANCE AND BANKING					
Member Bank Loans	Dec.	233	224	220	181
Member Bank Deposits	Dec.	203	200	202	170
Bank Debits**	Dec.	240	238	235	196
GEORGIA					
INCOME					
Manufacturing Payrolls	Dec.	152	147	145	138
Farm Cash Receipts	Nov.	130	166	105	84
EMPLOYMENT					
Nonfarm Employment	Dec.	116	117	116	114
Manufacturing	Dec.	106	106	106	104
Nonmanufacturing	Dec.	121	122	121	118
Construction	Dec.	110	112	112	110
Farm Employment	Dec.	94	84	84	99
Unemployment Rate (Percent of Work Force)	Dec.	3.8	3.8	4.2	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	41.3	40.6	40.6	40.6
FINANCE AND BANKING					
Member Bank Loans	Dec.	197	198	187	155
Member Bank Deposits	Dec.	163	156	160	136
Bank Debits**	Dec.	230	218	209	182
LOUISIANA					
INCOME					
Manufacturing Payrolls	Dec.	144	139	141	118
Farm Cash Receipts	Nov.	160	128	95	105
EMPLOYMENT					
Nonfarm Employment	Dec.	108	108	108	106
Manufacturing	Dec.	102	101	101	100
Nonmanufacturing	Dec.	109	109	109	107
Construction	Dec.	90	87	86	89
Farm Employment	Dec.	82	80	80	85
Unemployment Rate (Percent of Work Force)	Dec.	6.6	6.7	6.5	6.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	43.7	41.7	42.4	41.6
FINANCE AND BANKING					
Member Bank Loans*	Dec.	180	176	170	149
Member Bank Deposits*	Dec.	160	160	161	145
Bank Debits*/**	Dec.	171	161	165	150
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Dec.	173	168	168	151
Farm Cash Receipts	Nov.	127	108	99	92
EMPLOYMENT					
Nonfarm Employment	Dec.	117	116	116	113
Manufacturing	Dec.	123	122	121	116
Nonmanufacturing	Dec.	114	114	113	112
Construction	Dec.	95	92	94	95
Farm Employment	Dec.	78	81	86	83

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)	Dec.	4.2	4.0	3.9	4.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	40.7	40.7	40.9	40.6
FINANCE AND BANKING					
Member Bank Loans*	Dec.	206	201	197	168
Member Bank Deposits*	Dec.	176	173	172	149
Bank Debits*/**	Dec.	191	193	196	158
TENNESSEE					
INCOME					
Manufacturing Payrolls	Dec.	162	159	159	138
Farm Cash Receipts	Nov.	206	126	164	107
EMPLOYMENT					
Nonfarm Employment	Dec.	118	117	117	113
Manufacturing	Dec.	113	111	112	107
Nonmanufacturing	Dec.	121	120	120	117
Construction	Dec.	119	118	117	118
Farm Employment	Dec.	86	86	85	92
Unemployment Rate					
(Percent of Work Force)	Dec.	3.5	3.4	3.3	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	40.7	40.9	41.1	40.3
FINANCE AND BANKING					
Member Bank Loans*	Dec.	201	198	193	162
Member Bank Deposits*	Dec.	171	171	172	146
Bank Debits*/**	Dec.	175	171	177	154

*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

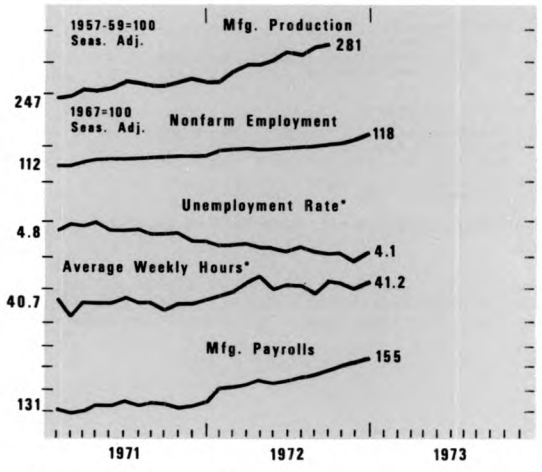
Insured Commercial Banks in the Sixth District

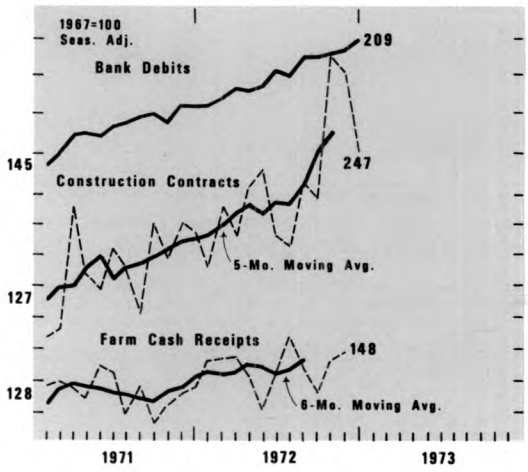
(In Thousands of Dollars)

	Dec. 1972	Nov. 1972	Dec. 1971	Percent Change Dec. 1972 From Nov. 1972	Percent Change Dec. 1972 From Dec. 1971	Year to date 12 mos. 1972 from 1971
STANDARD METROPOLITAN STATISTICAL AREAS						
Birmingham	2,957,432	2,942,239	2,647,599	+ 1	+12	+25
Gadsden	90,500	98,264	86,511	− 8	+ 5	+ 5
Huntsville	284,712	266,141	287,991	+ 7	− 1	+ 8
Mobile	903,794	887,200	866,841	+ 2	+ 4	+16
Montgomery	552,763	549,299	536,428	+ 1	+ 3	+ 9
Tuscaloosa	169,375	166,860	159,548	+ 2	+ 6	+10
Bartow-Lakeland-Winter Haven	704,472	631,373	594,036	+12	+19	+23
Daytona Beach	310,088	298,111	272,308	+ 4	+14	+29
Ft. Lauderdale-Hollywood	1,674,233	1,557,095	1,564,506	+ 8	+ 7	+23
Ft. Myers	277,104	235,650	254,063	+18	+ 9	+ 9
Gainesville	214,895	217,245	207,106	− 1	+ 4	+16
Jacksonville	3,275,363	3,212,638	2,786,278	+ 2	+18	+25
Melbourne-Titusville-Cocoa	408,358	410,035	368,068	− 0	+11	+16
Miami	6,496,434	5,726,406	5,407,192	+13	+20	+15
Orlando	1,370,059	1,235,508	1,224,925	+11	+12	+23
Pensacola	374,764	378,791	393,675	− 1	− 5	+12
Sarasota	431,794	402,089	332,976	+ 7	+30	+30
Tallahassee	557,437	626,657	502,742	−11	+11	+69
Tampa-St. Pete	3,437,938	3,140,511	3,116,269	+ 9	+10	+19
W. Palm Beach	1,025,086	935,655	876,009	+10	+17	+17
Albany	183,321	170,215	160,246	+ 8	+14	+16
Atlanta	12,837,098	11,592,317	10,704,780	+11	+20	+20
Augusta	406,916	426,164	440,484	− 5	− 8	+12
Columbus	384,386	399,515	391,972	− 4	− 2	+ 9
Macon	473,799	450,480	447,549	+ 5	+ 6	+12
Savannah	578,650	443,883	463,550	+30	+25	+13
Alexandria	204,312	200,679	187,292	+ 2	+ 9	+15
Baton Rouge	1,028,586	1,070,896	975,801	− 4	+ 5	+11
Lafayette	250,590	234,664	212,692	+ 7	+18	+16
Lake Charles	205,172	192,027	206,580	+ 7	− 1	+ 6
New Orleans	4,049,729	3,419,266	3,688,732	+18	+10	+ 8
Biloxi-Gulfport	216,117	214,311	190,013	+ 1	+14	+16
Jackson	1,302,266	1,258,590	1,093,226	+ 3	+19	+15
Chattanooga	1,054,164	964,787	1,101,485	+ 9	− 4	− 0
Knoxville	806,185	801,052	779,798	+ 1	+ 3	+ 8
Nashville	3,055,542	2,808,189	2,575,624	+ 9	+ 9	+20
OTHER CENTERS						
Anniston	99,140	97,124	95,391	+ 2	+ 4	+ 9
Dothan	127,009	131,979	124,647	− 4	+ 2	+13
Selma	79,785	73,541	69,282	+ 8	+15	+15
Bradenton	151,712	163,490	142,781	− 7	+ 6	+20
Monroe County	64,959	58,991	54,261	+10	+20	+18
Ocala	148,752	145,347	139,085	+ 2	+11	+37
St. Augustine	30,526	25,022	33,079	+22	− 8	+ 4
St. Petersburg	854,651	792,481	732,346	+ 8	+17	+20
Tampa	1,559,183	1,443,782	1,656,174	+ 8	− 6	− 0
Athens	166,787	146,658	146,543	+14	+14	−11
Brunswick	84,279	76,391	86,628	+10	− 3	+17
Dalton	161,183	168,637	162,092	− 4	− 1	+14
Elberton	20,974	17,890	18,788	+17	+12	+21
Gainesville	115,483	114,697	102,017	+ 1	+13	+ 8
Griffin	63,945	57,975	55,351	+10	+16	+11
LaGrange	36,927	32,940	32,616	+12	+13	+ 1
Newnan	57,871	48,828	47,505	+19	+22	+33
Rome	129,306	129,355	123,832	− 0	+ 4	+14
Valdosta	95,236	93,506	85,722	+ 2	+11	+15
Abbeville	17,444	15,001	19,291	+16	−10	+ 3
Bunkie	11,671	13,159	10,487	−11	+11	+ 9
Hammond	61,824	59,144	61,180	+ 5	+ 1	+10
New Iberia	59,442	55,824	55,123	+ 6	+ 8	+ 8
Plaquemine	21,839	23,130	15,859	− 6	+38	+19
Thibodaux	37,399	34,763	36,346	+ 8	+ 3	+ 5
Hattiesburg	105,776	104,126	98,435	+ 2	+ 7	+16
Laurel	67,902	67,944	58,594	− 0	+16	+18
Meridian	111,539	109,124	98,391	+ 2	+13	+21
Natchez	52,248	50,764	52,037	+ 3	+ 0	+ 9
Pascagoula-Moss Point	136,781	150,712	120,470	− 9	+14	+34
Vicksburg	68,268	66,628	60,248	+ 2	+13	+ 3
Yazoo City	40,410	40,138	36,982	+ 1	+ 9	+ 4
Bristol	128,314	114,264	127,017	+12	+ 1	+ 1
Johnson City	147,933	132,888	138,967	+11	+ 6	+16
Kingsport	209,673	218,714	206,276	− 4	+ 2	+13
District Total	65,574,129	60,710,183	57,674,421	+ 8	+14	+17
Alabama	7,108,893	7,050,633	6,603,507	+ 1	+ 8	+18
Florida	22,821,149	20,969,156	19,882,883	+ 9	+15	+19
Georgia	18,576,063	16,820,862	15,587,731	+10	+19	+18
Louisiana[1]	6,889,536	6,209,634	6,333,226	+11	+ 9	+ 9
Mississippi[1]	2,779,873	2,734,497	2,405,834	+ 2	+16	+17
Tennessee[1]	7,398,615	6,925,401	6,861,240	+ 7	+ 8	+11

[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: December, except mfg. production, September, and farm receipts, November.

Signs point to a strong and sustained economic performance in the region. A growing labor market was evidenced, despite a slight rise in the unemployment rate. Consumer borrowing and spending were vigorous at year-end. Construction activity was off slightly from its peak. Prices received by farmers continue to advance. Bank deposits rose at a more moderate pace in early January.

Nonfarm employment continued its steady rise, marking the eighth straight month of uninterrupted gains in this important sector. The District unemployment rate, however, inched up to 4.1 percent in December. Manufacturing employment, payrolls, and weekly work hours expanded. Georgia's, Louisiana's, and Mississippi's transportation equipment industries were largely responsible for the gains in hours and payrolls. Construction employment, particularly in Florida, posted a strong increase.

Consumer instalment credit at commercial banks grew vigorously again in December and showed a record gain for the year. The largest relative gain in December was in nonautomotive consumer goods, while all other categories grew less than during recent months. Department store sales in major metropolitan areas were exceptionally strong at the close of the year. Auto sales also closed out the year on a strong note. December sales were substantially above year-ago levels, even though dealers continued to complain of inventory shortages of the most popular and heavily advertised models.

Prices received by farmers increased in December, as soybeans, feed grains, eggs, and hogs all registered sharp price increases. Declines were, however, registered in orange, tobacco, and vegetable prices. Up to one-fourth of the Mississippi and Tennessee soybean crop remained in the field in late January, and prospects for completing the harvest appeared grim. Despite lagging harvests, cash receipts through November were greater than during the comparable months of 1971. For 1973, District farmers plan a 6-percent increase in corn acreage and a 7-percent increase in soybean acreage, while cotton acreage will decline by 6 percent.

The value of total construction contract awards fell in December for the second month in a row but remained relatively high. Nonresidential awards dropped by one-third after two near-record months, and residential awards remained near November's boom level. Inflows at thrift institutions were somewhat below record levels established in the first half of 1972, while lending by thrift institutions continued to climb.

Following exceptionally strong deposit growth during December, time deposit increases in January (according to preliminary data) continued large, but demand deposit gains were considerably smaller. During early January, bank lending has exhibited greater strength than is usually noted in the first month of the year. This Bank raised the discount rate from 4½ to 5 percent on January 15, 1973, in order to bring the rate into better alignment with a substantial rise in short-term market interest rates.

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