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In this issue:

Maturity of Negotiable CD's at District Banks

by Arnold A. Dill

The negotiable certificate of deposit (CD) has become an increasingly important source of funds to District banks. At 23 large District banks, the volume outstanding in denominations of $100,000 or more doubled from $850 million at the end of 1970 to $1,743 million at the end of 1972. During the same period, CD's rose from 7.3 to 12 percent of total liabilities at these banks. CD volume at other District banks has also been rising rapidly and is estimated to total over $1 billion.

One little-publicized aspect of this expansion is CD maturity distribution. Yet maturity decisions can have important effects on a bank's interest expenses and liquidity.

These decisions affect interest expenses because CD rates are volatile and vary with maturity. In the past two and one-half years, these rates, in concert with other money market rates, have changed direction four times and have shifted by as much as one percent in a single month. Therefore, depending on the timing of CD issues and redemptions, interest expenses—and their effect on earnings—can change greatly. Banks which manage to group certificate issues when rates are down will have lower interest expenses than banks that do not.

In the past two years, CD's maturing in 30 to 59 days have yielded as much as 1½ percent below those maturing in one year. Given such differences, the pattern and level of a bank's interest expenses will be affected by the maturity of certificates it issues.

CD maturity also affects a bank's liquidity. Maturing certificates must be either refinanced by new issues or increases in other liabilities or else offset by asset sales or loan reductions. The shorter the average maturity of a bank's outstanding CD's, the greater near-term refinancing problem it confronts. Also, the shorter the average maturity, the more often CD's will turn over and the more interest expenses will reflect the volatility of rates. It must be disconcerting to some District bankers that at times over 20 percent of their total liabilities has been interest-sensitive, short-maturity CD's. At the same time, some of those bankers have relied heavily on overnight borrowing in the Fed funds market.

Calculation and Behavior of CD Maturity

The average maturity statistic is calculated from monthly data submitted by 23 large District banks. Each bank reports the dollar volume of CD's maturing in

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WHAT IS A NEGOTIABLE CERTIFICATE OF DEPOSIT?

A negotiable CD is a marketable receipt for funds deposited in a bank for a specific time and rate of interest. Most are issued in denominations of $100,000 or more and in maturities of six months or less. An active secondary market enables the selling of certificates prior to maturity. Most CD's are purchased by sophisticated investors such as corporations, state and local governments, financial institutions, and wealthy individuals. To attract such investors, banks must offer CD rates competitive with those on other money market instruments such as Treasury bills and commercial paper.

each of the next 12 months; these data are totaled for the District maturity distribution (Chart I). Average maturity is then calculated on a weighted average basis. (See Appendix I for details and sample calculation.)

Average CD maturity has ranged from a high of 5.0 months in August 1965 to a low of 2.7 months in December 1969 (Chart II). At some banks, it has ranged from over six months to less than one month. Average CD maturity has also shown sizable month-to-month fluctuations.

CD maturity trended downward from 1965 to 1969. Then, after rebounding in early 1970, maturity declined and in 1971 and 1972 fluctuated around a relatively low 3.2 average.

Average maturity also seems to follow a seasonal pattern. Except for 1972, maturity has declined in the last three months of each year. This pattern occurs because a large amount of District CD's are issued to mature in December. In fact, as high as 20 percent of certificates outstanding at the end of November have been scheduled to mature around mid-December. Businessmen apparently have a large need for cash at that time to make tax and dividend and other payments. However, banks have usually been successful in reissuing CD's in mid-December and dollar volume normally has not declined substantially.

Rate Ceilings Have Big Impact

Under Regulation Q, the Board of Governors sets maximum interest rates banks can pay on various maturity CD's. Whenever rates on competing money market instruments have eclipsed CD rate ceilings, banks have been severely constrained from bidding for certificates, and volume and maturity have declined.

Rate ceilings first affected CD maturity during the credit "crunch" in the latter half of 1966. Money market rates began to move above ceilings about midyear, precipitating a sharp CD runoff. During this period, average maturity declined from four to three months.

A decline in money market rates in early 1967 again allowed banks breathing room under ceilings. A large volume of moderately long CD's were issued and average maturity increased. By November 1967, however, rising money market rates were again restricting banks from competing for CD's maturing in over 90 days. As a result, average maturity of new issues was very low in late 1967 and early 1968.

On April 18, 1968, the Board of Governors raised ceilings on maturities of 60 or more days,

CHART I

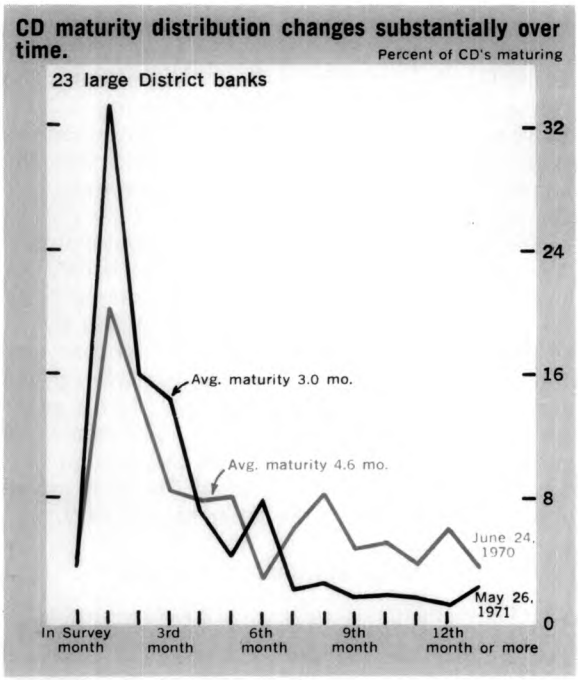
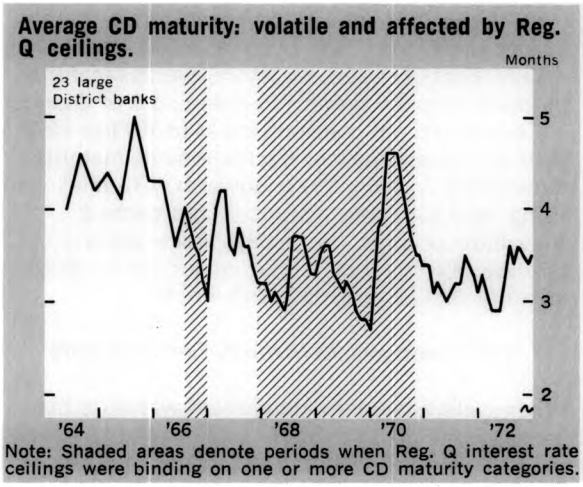


CHART II



Note: Shaded areas denote periods when Reg. Q interest rate ceilings were binding on one or more CD maturity categories.

allowing banks to compete for longer CD's. The maturity of new issues then rose sharply. As 1968 drew to a close, however, competitive money market rates once again were rising above rate ceilings on all maturities. As ceilings remained in effect throughout 1969, CD volume plunged and average maturity fell to a record low of 2.7 months.[1]

The Board of Governors again raised ceilings on January 21, 1970, enabling banks to compete for CD's maturing in 270 days or more. As a result, sales picked up and the average maturity of new issues rose to an all-time high early in the year. However, two developments in early 1970 abruptly reversed this striking maturity rise. First, interest rates on competitive money market instruments turned up after mid-April and began to eclipse rate ceilings on longer-maturity CD's. Because of this, CD sales declined after April and average maturity leveled off. Then, on June 27, 1970, the Board of Governors suspended rate ceilings on certificates maturing in 30 to 89 days. Sales picked up sharply in July and August, but this time banks were selling mainly short CD's and, therefore, average maturity dropped from 4.6 months in June to 3.5 in October.

Ceilings did not constrain banks in 1971 or 1972 and, as a consequence, fluctuations in maturity diminished. In early 1973, however, CD rates were rising, and for some maturities approached prevailing ceilings. As ceilings once again become effective on some maturities, average maturity should be greatly influenced.

The Importance of Maturity Considerations

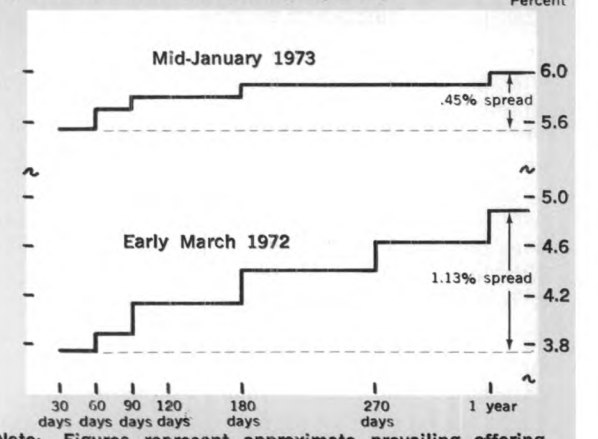
When ceilings were binding, there was little that banks could do to influence CD maturity. During such times, most banks stood ready to issue, at ceiling rates, all the CD's of any maturity that they could. However, even when free of ceilings, only a few large District banks have made maturity an important consideration in liability management.

These banks typically estimate the volume of funds they will need to raise in the money market over some future period. Then they adopt a strategy regarding liability mix and maturity, aimed at minimizing the cost of obtaining these funds subject to some liquidity constraint. In conjunction with this, these banks develop a plan to maximize returns on their investment trading accounts and portfolios.

The optimum liability strategy depends to a large extent on the outlook for Fed funds and CD interest

CHART III

Rates on long CD's exceed those on short CD's, but spread and level can change quickly.



Note: Figures represent approximate prevailing offering rates at New York City banks.

rates and the prevailing maturity structure of CD rates. Generally, if a bank foresees a rise in these rates, it will try to issue long maturities to lock in prevailing rates. For the same reason, a bank may increase its desired CD volume and cut purchases of overnight Fed funds. Conversely, when a bank expects rates to fall, it will avoid issuing long maturities and may also let CD's run off and increase Fed funds purchases.

A bank must also weigh its interest rate forecast against the current maturity structure of CD rates. Banks usually have to offer an interest-rate premium to induce investors to extend maturity, and this premium is large when rates are expected to rise. This was true in March 1972, for example, when rates were about 1 1/8 percent higher on one-year CD's than on those maturing in 30 to 59 days (Chart III). In this case, a cost-minimizing bank would issue a one-year CD only if it thought short-term rates would be rising substantially during the next year.

Several bankers interviewed did not feel that the 1 1/8 percent premium prevailing in March 1972 was justified. In other words, they thought interest costs over the coming year would be minimized by issuing a succession of short CD's rather than one long one. This partly explains the low average maturity figures in the first half of 1972. As the year progressed, the premium on long CD's shrank and more bankers probably felt that the cost of lengthening maturity was justified. This may explain the rise in maturity in the latter half of 1972.

The Puzzle of Interbank Differences

CD maturity behavior differs widely among banks. For instance, among the 12 largest CD issuers in the District, the average of maturity in 1971 ranged

[1] CD maturity during 1969 is biased upward by CD's issued by large Tennessee banks. Beginning in April of that year, these banks were allowed to pay more than 4-percent interest on CD's. When Tennessee banks adjusted their rates from 4 percent to the Federal Reserve rate ceilings (ranging from 5 1/4 percent on 30-59 day maturities to 6 1/4 percent on one year or longer maturities), they attracted an inflow of CD's at the same time other District banks were rapidly losing them. The average maturity of outstanding CD's rose at Tennessee banks in 1969, contrary to behavior elsewhere in the District.

from 4.0 months to 2.2 months. Maturity has trended up at some banks and down at others and varied in volatility.

One might suspect that banks with conservative management philosophies would have longer CD maturity than more aggressive banks. And it is true that, among the 12 largest CD issuers, one conservative bank has consistently had the longest average maturity. Aside from this, however, maturity behavior seems to bear little relationship to management philosophy. Also, over time, there has been no significant correlation between average maturity and bank size, CD volume, ratio of CD's to total deposits, or portion of CD's issued to state and local governments.

Maturity Will Be Increasingly Important

Most large banks interviewed expect the negotiable certificate of deposit to become an even more important source of funds. They forecast growing credit demands that will provide a profitable outlet for CD funds. As a result, competition for CD's will likely increase and more banks will begin to issue them. As the liquid funds of state and local governments, businesses, and individuals grow, the potential supply of CD funds should also rise rapidly. In addition, District banks have been improving access to national money markets by issuing CD's to investment bankers in New York who, in turn, distribute them to investors. CD's issued by District banks could become even more attractive as the secondary market in these instruments develops, increasing their liquidity.

As the CD grows in importance as a source of funds, so will CD interest costs grow in importance in total bank expenses. As this happens, bankers will devote greater attention to CD management and better appreciate the earnings and liquidity implications of maturity.

Several banks in the District are already in the process of increasing the sophistication of their liability management, including CD policies. As District bankers delve into the economics of liability management, they can be expected to ask several questions about CD maturity:

1. What is the minimum CD maturity one can prudently have?
2. What maturity strategy will minimize the average interest cost of CD funds over a given period?
3. How much would be added to interest costs over a given period if CD maturity is extended?

Because maturity affects bank costs and liquidity, the answer to the first question is important. Especially when rate premiums on long maturity CD's are larger than bankers think justified, they will be tempted to keep maturity very short to cut interest expenses. Conversely, they may worry about becoming too dependent on short CD's.

The question of minimum maturity can be answered only after analyzing a bank's overall liquidity and objectives. CD maturity should be considered only along with the following factors: maturity of other liabilities; total reliance on interest-sensitive funds; the quality, liquidity, and maturity of assets; and the ability of the bank to raise funds in the money markets. Regarding this last point, most money managers at large District banks have grown increasingly confident of their ability to place CD's and other money market liabilities at their discretion. Also, they say that once they have incurred the development cost of establishing their CD-issuing and Fed-funds borrowing capabilities, operating costs are little affected by changes in the maturity or composition of money market borrowing.

However, bankers are apt to become uneasy (and so might bank regulators) if a further CD expansion should significantly reduce the average maturity of bank liabilities, especially if there is not a compensating fall in the average maturity of bank assets. The more asset maturity exceeds liability maturity, the greater the potential for interest costs to deviate from interest income. A bank with short liability and long asset maturity experiences more rapid increases in interest expenses than interest income when rates rise. At the same time, the capital value of a bank's investments would likely decline and customer loan demands would intensify. Because of these risks, it might be assumed that bankers would try to maintain a reasonable balance between asset and liability maturity, perhaps by increasing the average level of CD maturity from the low levels of 1971 and 1972. However, as bankers continue to grow more confident of their ability to issue CD's at will, they will be tempted to keep maturity short if they think this will significantly reduce costs.

Turning to the second question, development of a cost-minimizing CD strategy requires a projection of the interest rates needed to attract various maturity CD's over a given planning period. Given such a projection, it would be relatively easy to simulate various maturity strategies and determine the minimum cost strategy (see Appendix II), though, of course, this strategy would have to be revised each time interest rate projections were updated.

Once a projection of CD rates has been made and the interest-cost-minimizing strategy determined, the question of the least expensive way of extending maturity could be calculated with relative ease (see Appendix II). An array of average interest costs and associated CD maturity could be developed to illustrate the cost of extending maturity and for use in arriving at an optimal combination of interest cost and maturity. Getting answers to the above questions should prove well worth the cost.■

APPENDIX I

Calculation of Average Maturity of Outstanding Negotiable CD's

On the last Wednesday of each month, 23 large District banks report to the Federal Reserve Bank of Atlanta the dollar volume of outstanding negotiable CD's in denominations of $100,000 or more that mature in the remaining days of the survey month and in each of the next 12 months or more. These data are then aggregated for District totals published along with an average maturity statistic in this Bank's release entitled "Maturity Distribution of Outstanding Negotiable Certificates of Deposit." These data are forwarded to the Board of Governors where they are combined with data from other Districts and published in the Federal Reserve statistical release G.9.

Average maturity is calculated on a weighted average basis. All CD's are assumed to mature in the middle of the month. Those maturing in the survey month are assumed to mature in the middle of the period between the survey date and the end of the calendar month in which the survey is taken. The weights are the percent of outstanding CD's maturing in each month or fraction thereof; starting date for calculations is the survey date.

A downward bias in calculated average maturity develops because all CD's maturing in more than 12 months after the survey date are lumped together. These are assumed to mature in the middle of the twelfth full month after the survey date, regardless of their actual, but unknown, maturity. In some cases, this formula can seriously understate maturity at individual banks. For example, one District bank recently issued a $10-million negotiable CD to mature in 10 years. Such a CD is treated as maturing in 12.5 months under the current formula.

Sample Calculation
Sixth District, December 27, 1972

	Period of Maturity	Maturity Distribution: Mil. $	Maturity Distribution: Percent (A)	Maturity Multiplier* (B)	(A) × (B) / 100
1972	Remainder of December	66.1	3.8	4/31 × 1/2	.0025
1973	January	559.3	32.2	4/31 + 1/2	.2025
	February	222.8	12.8	(4/31 + 1/2) + 1	.2085
	March	219.5	12.6	(4/31 + 3/2) + 1	.3313
	April	108.4	6.2	(4/31 + 5/2) + 1	.2250
	May	86.0	4.9	(4/31 + 7/2) + 1	.2268
	June	120.5	6.9	(4/31 + 9/2) + 1	.3884
	July	77.9	4.5	(4/31 + 11/2) + 1	.2983
	August	46.0	2.6	(4/31 + 13/2) + 1	.1984
	September	55.1	3.2	(4/31 + 15/2) + 1	.2761
	October	44.2	2.5	(4/31 + 17/2) + 1	.2407
	November	42.8	2.5	(4/31 + 19/2) + 1	.2657
	December	33.9	1.9	(4/31 + 21/2) + 1	.2210
1974	January or later	60.1	3.4	(4/31 + 23/2) + 1	.4494
	Total	1,742.6	100.0		3.5346 = average maturity

*Formulas for maturity multipliers:

December	= midpoint of the remainder of December	= remaining days of December / days in December	× 1/2
January	= midpoint of January	= portion of December remaining	+ 1/2
February	= midpoint of February	= midpoint of January	+ 1
March	= midpoint of March	= midpoint of February	+ 1
etc.			

APPENDIX II

Maturity Strategy to Minimize the Interest Cost of a Given Volume of CD's

A projection of the interest rates needed to attract various maturity CD's to a bank is necessary to develop the cost-minimizing maturity strategy. Whether or not the strategy would actually minimize costs depends on the accuracy of the rate forecast. The strategy would have to be revised each time the interest rate projection was updated.

Given the hypothetical projection in Table 1 for a future year, various maturity strategies can be tried and average monthly interest cost calculated. In this case, interest costs would be minimized by issuing a series of three 30-day maturity CD's beginning January 1, a 180-day CD on April 1 and, again, a series of three 30-day CD's beginning October 1. This would produce a monthly average interest cost of 4.25 percent. If a series of twelve 30-day maturity CD's had been issued instead, the average cost would have been about 4.75 percent. A series of four 90-day CD's would have produced an average cost of about 5.15 percent. If either successive 180-day CD's or one 360-day CD had been issued, average cost would have been 5.65 percent.

The cost of lengthening maturity can be derived by modifying the cost-minimizing strategy. For example, if a 270-day maturity CD were issued April 1 (alternative strategy #1) instead of a 180-day CD (the cost-minimizing strategy), the average of maturity for the year would be increased from approximately 2.25 to 4 months. Surprisingly, this would increase the average interest cost by only about .01 percent. However, the intrayear pattern of interest costs would differ with each strategy. If two successive one-month CD's were followed by a ten-month CD issued on March 1 (alternative strategy #2), the maturity average would rise to 4.8 months and the average interest cost to 4.35 percent. Continuing this process, it would be possible to develop a table showing combinations of maturity and interest-rate averages associated with various maturity strategies. (See Table 2).

Table 1

Hypothetical Projection of Interest Rates Needed to Attract Various Maturity CD's for a Future Year*

	CD's maturing in			
	30-89 days	90-179 days	180-359 days	1 year and over
January 1	5.50	5.65	5.65	5.65
February 1	4.25	4.50	4.65	4.65
March 1	3.90	4.00	4.25	4.25
April 1	3.65	3.75	4.15	4.50
May 1	4.40	4.60	4.25	5.13
June 1	4.75	5.00	5.40	5.50
July 1	5.25	5.50	5.65	6.00
August 1	5.50	5.75	5.90	6.00
September 1	5.00	5.15	5.50	5.75
October 1	5.50	5.65	5.75	5.75
November 1	4.75	5.00	5.10	5.15
December 1	4.50	4.75	4.90	5.15

*This was approximately the course of CD rates in 1971.

Table 2

Maturity and Interest Cost Trade-offs for a Future Year

	Maturity Average	Monthly Average CD Rate
Cost-minimizing strategy	2.25	4.25
Alternative strategy #1	4.00	4.26
Alternative strategy #2	4.80	4.35
	etc.	etc.

Louisiana Shares in Economic Recovery

by Joseph E. Rossman, Jr.

In late fall of 1971 when we last reviewed Louisiana's economy, the aftereffects of the 1970 recession were still very much in evidence. The state's nonfarm employment was still below prerecession levels and the unemployment rate was nudging 7 percent. The economic recovery under way in both the nation and Louisiana was clearly weaker than previous ones. However, 1971's uncertain rally gathered strength in 1972, and today the nation is in the midst of a strong expansion approaching boom proportions in some sectors. Louisiana's indicators show that it, too, has shared in this economic strengthening, although some sectors still remain depressed.

The Bayou State's nonfarm employment, an important gauge of economic health, has registered considerable growth since late 1971. In fact, since the end of 1970 when recovery is generally acknowledged to have begun, its growth in nonfarm employment has been as strong as the nation's. This growth represents nearly 50,000 jobs—22,000 in 1971 and 27,000 in 1972.

Growth in nonmanufacturing employment was responsible for all of the 1971 and 1972 nonfarm employment increases. Manufacturing employment, with a declining durable goods work force and a virtually constant nondurable goods work force, still remains below 1969 levels.

Two categories—trade and state and local government—account for most job gains in nonmanufacturing. Only temporarily slowed by the recession, each category has trended strongly upward since it ended. However, growth in nonmanufacturing was not limited to just these categories. Except for transportation and utilities, all experienced sufficient growth to bring 1972 employment above 1969's.

Construction employment, which had steadily declined since mid-1960, also made strong gains during 1971 and the first half of 1972. However, labor management conflict once again took its toll, as strikes involving 5,000 Lake Charles construction workers during July and August 1972 reduced job gains. Except for the Lake Charles and Lafayette areas, construction employment showed growth in 1972 in all major areas. Comparisons of fourth-quarter 1971 and 1972 figures show increases ranging from 1.1 percent in the New Orleans area to 12.4 percent in the Alexandria area. Sluggish construction employment in Lake Charles can be partially traced to curtailed expansion of local oil refineries and completion of most oil refinery projects started over the past two years.

Despite significant job gains in the past two years, unemployment still stays high across Louisiana. In January 1973, 6.8 percent of the civilian labor force remained unemployed (seasonally adjusted). This continued high unemployment rate can be attributed in part to a rapidly growing labor supply. The Bayou State's labor force increased by 12,000 between 1968 and 1970 and by

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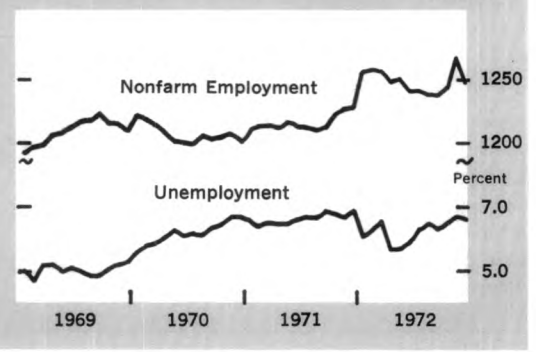
Note: This is one of a series of articles in which economic developments in each of the Sixth District states are discussed.

Louisiana nonfarm employment rebounded; unemployment remained fairly high.



nearly 45,000 between 1970 and 1972. A growing number of teen-agers seeking jobs, reductions in the Armed Forces, and normal population growth all contributed to this expansion. In addition, more adult women either landed jobs or were actively seeking them.

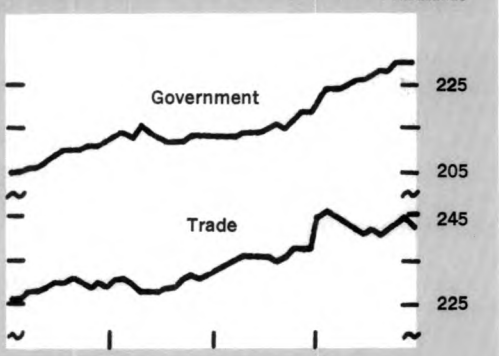
Labor Department statistics, which classify 150 major employment centers according to employment conditions, further discourage the thought that all is well in Louisiana. Until October 1972, Baton Rouge, and until February 1973, New Orleans, were listed as "D category" areas (substantial unemployment of 6.0 to 8.9 percent) while Shreveport throughout 1972 was classified as a "C category" area (moderate unemployment of 3.0 to 5.9 percent). In addition, many smaller labor centers were classified as "substantial" or "persistent" unemployment areas, of which the largest were Alexandria and Lake Charles.

Each of the major Louisiana labor markets experiencing "substantial" unemployment during 1972 showed a general weakness in manufacturing and in a nonmanufacturing category consisting of the self-employed, unpaid family workers, and domestics. New Orleans' manufacturing job weakness was centered in shipbuilding and repair, which declined by 1,600 workers during 1972; that of Baton Rouge and Lake Charles was centered in chemical and petroleum production.

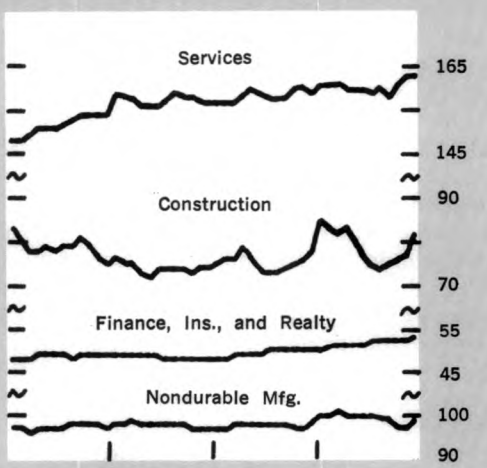
Some Bright Spots

Construction played an important role in improving Louisiana's economy in 1971 and 1972. The value of total construction in 1971 increased 25 percent. Figures through November indicate that 1972 should be still another year of substantial construction, with a 21-percent contracts increase over 1971. Residential construction gains in value of 30 percent and nonbuilding construction value gains of 54 percent were balanced by a 21-percent decline in the value of nonresidential building contracts. This apparent weakness in nonresidential building largely reflects the impact of the New Orleans Superdome on 1971 contract figures. During 1972, contracts for nonresidential building grew dollarwise throughout the state except for New Orleans.

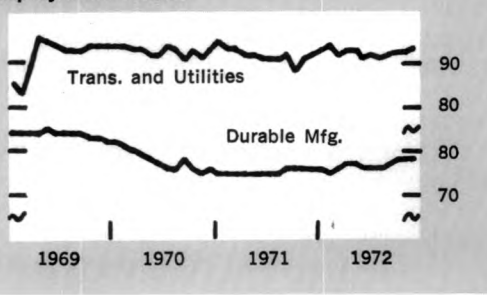
Government and trade accounted for most of the post-recession job growth . . .



Other sectors also registered gains . . .



But some still remain below 1969 employment levels.



Consumers Step Up Spending as Incomes Grow

Higher employment and income levels, longer workweeks, and improved unemployment rates appear to have encouraged the Louisiana consumer to step up his spending. Automobile sales were a particularly important part of 1971's increases and remain high today even though Phase I freezes on automobile prices have long been relaxed. In addition, retail sales of general merchandise, building materials, and furniture all grew substantially in 1971, and continued to quicken during 1972. Retail merchandise sales during the Christmas holidays were especially strong.

Capital investment for new plant and equipment totaled $669 million in 1971, a 10-percent increase over 1970 levels and the second highest figure in the state's history, according to the Louisiana Department of Commerce and Industry. A $115-million expansion in the Continental Can Company papermaking plant in Hodge, Louisiana, was the largest single project. Petroleum refining and petrochemical firms accounted for three-fifths of total investments.

Capital investments reached a record $1.89 billion in 1972, exceeding the previous record set in 1967 by $1.1 billion. Growth included $1.23 billion in nuclear power facilities and $664 million in conventional manufacturing facilities. Perhaps even more important than the dollar amounts of these investments are the estimated 22,000 construction jobs and 7,696 permanent jobs accompanying these projects.

One of the state's most important industries—oil—has faced many of the same problems faced by the nation's oil industry during the last two years. Lingering aftereffects of the 1970 recession kept industrial demand for oil down during early 1971. Mild winters in 1970 and 1971 lessened oil demand still further. As pollution control became a greater factor in management's decision to expand existing plants or build new ones, more investment dollars went into pollution control equipment. This produced construction employment but did not increase the number of permanent jobs.

A continuing embargo on the sale of offshore oil leases during 1971 and through September 1972 had a detrimental impact not only on the state's oil industry but on its entire economy, particularly in southern Louisiana. Curtailment of the erection and operation of drilling platforms has an impact that spreads beyond the workers directly involved into retail and service industries.

The embargo was lifted in September. Resulting offshore-lease sales, which totaled $590 million in late September and $1.67 billion in December, are already stimulating the industry. Billions of dollars of oil and gas reserves are believed to lie in the newly leased offshore lands.

ECONOMIC IMPROVEMENT SPREADS ACROSS STATE

	Unemp. Rate		Nonfarm Emp.		
	Fourth Quarter		Fourth Quarter		Percent Change
	1971	1972	1971	1972	
Alexandria	8.5	7.8	36 125	37 725	+4.4
Baton Rouge	5.9	4.5	108 117	114 767	+6.2
Lafayette	3.5	3.5	37 325	38 300	+2.6
Lake Charles	9.1	8.0	42 058	42 433	+0.9
Monroe	5.8	5.6	39 100	40 000	+2.3
New Orleans	6.0	5.5	377 267	387 267	+2.7
Shreveport	5.4	4.6	94 658	99 725	+5.4

Ironically, Louisiana, which sits on about one-fourth of U. S. natural gas reserves, has been one of the hardest hit in the current nationwide gas shortage. Interstate pipelines, which transport out of the state nearly 70 percent of Louisiana's natural gas production, have been sharply cutting supplies to Louisiana's industrial customers and utilities this winter (1972). A year-old Federal Power Commission ruling that gives residential and institutional heating needs priority over industrial needs has provided the rationale for the cutbacks. These cutbacks have forced many industrial customers to limit production because manufacturers counted on an abundance of natural gas and did not equip their plants to burn alternative fuels such as coal or oil. Petrochemical plants, too, have already been affected because natural gas is used both as a power source and as a raw material in production. One Lake Charles petrochemical company laid off 3,500 workers for a week in January 1973 and another, also located in Lake Charles, planned to shut down for three weeks in February 1973.

The Louisiana Chemical Association has estimated that adding fuel-converting facilities would cost industries nearly $2 billion. A continued shortage, requiring firms to consider alternative fuel sources, may eliminate one of industry's big inducements to locate in Louisiana—access to abundant and relatively cheap fuel.

Farming: An Important Sector of Louisiana Economy

Farm commodities reached new highs, with cash receipts in 1971 totaling $748 million, up 6 percent from 1970. Cattle and calves made the largest single contribution to farm income, soybeans were second, and rice was third.

When all figures are in, cash receipts for 1972 are expected to top $750 million and may reach $800 million, according to Louisiana's Commissioner of Agriculture, Dave L. Peace. In 1972, state farmers planted the greatest acreage since World War II.

Favorable factors supporting increased cash receipts include high rice and soybean prices during 1972.

Overall, 1971 was a busy year for the Port of New Orleans. While total tonnage handled by the Port was down slightly, the value of tonnage did increase over 1970. The decline in tonnage handled was largely the result of the longshoremen's strike in late 1971. Other factors affecting 1971's tonnage included the imposition of import surcharges and a maritime strike in Japan, one of the Port's principal trade partners. According to the New Orleans Executive Port Director, E. S. Reed, a strike of Japanese ports in the first 100 days of 1972, recession in Europe, and dollar devaluation all worked to produce a slack the first six months of the year. Activity did pick up in the last half, partially as a result of U. S. wheat sales to Russia through the Port of New Orleans.

Although often overshadowed by New Orleans, Louisiana's other two ocean ports—Baton Rouge and Lake Charles—are important employment and income sources for their respective areas. Lake Charles suffered the greatest loss from strike activity during 1971, with tonnage down 7 percent from 1970. Baton Rouge was least affected, achieving a 3-percent growth. Preliminary figures through September 1972 show greater tonnage traveling through both Baton Rouge and Lake Charles.

Latest figures from Louisiana's Tourist Commission show visitors funneled $650 million into the state's economy during fiscal 1971-1972. Nearly 40 percent of these dollars—$275 million—was spent in New Orleans by an estimated 3.6 million visitors. This represents a greater than 14-percent increase in tourism and convention trade over the previous fiscal year.

Prospects of a superport financed by public funds brightened with the release of a U. S. Maritime Commission report designating offshore Louisiana as the most economic site for a deepwater port in the Gulf of Mexico. Concurrently, Loop, Inc., Louisiana's offshore oil port, is seeking to privately finance, build, and operate an offshore oil terminal with tentative completion in 1976. Composed of ten major oil companies, Loop has an option for 1,450 acres of land in Lafourche Parish to allow onshore developments for an offshore port.

Banks Seek to Satisfy Strengthened Loan Demand

Strong deposit inflows, which began in 1970, continued throughout 1971. Aided by deposits of funds from the New Orleans Superdome bond sales, time deposit growth was especially strong for member banks in the state's District portion (southern two-thirds). While banks had ample funds throughout 1971, loan demand was generally sluggish early in the year and banks added to investment holdings. As 1971 progressed, however, loan demand strengthened and investment activity declined.

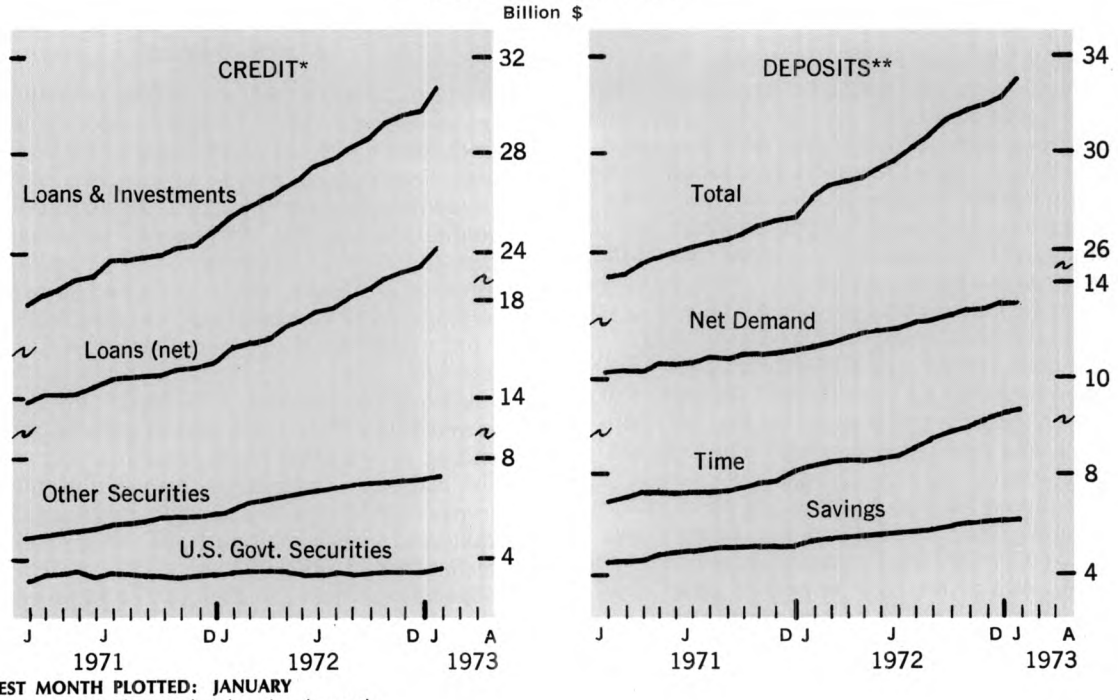
Although still healthy, 1972 deposit inflows slowed below 1971's near-record rates. Bank lending, on the other hand, continued to grow with real estate and business loans noticeably stronger. Reflecting this strengthened loan demand, additions to investment portfolios were much smaller than in either 1970 or 1971.

Savings and loan associations also experienced strong growth. Louisiana savers added over $340 million to their accounts in 1971, a 17-percent increase over 1970. This increase was an all-time high in both dollar amount and percentage gain. Growth in 1972 evidently was even greater as savings increased $365 million through the first 11 months of 1972. Helping to support the residential boom, savings and loan associations increased outstanding mortgages during 1971 by $290 million, a 14-percent rise. Outstanding mortgages increased by $280 million as of November 1972.

Economic Prospects

Most economic forecasters look for strong economic growth in the nation for the rest of 1973. This, in turn, should have a favorable impact on Louisiana's economy. Local events, such as renewed offshore oil exploration and drilling, continued construction of nearly $2 billion in new capital investments, and growing port activity should further stimulate the state's economy. Continued employment growth, with a gradual decline in unemployment rates, seems likely for the remainder of 1973.■

BANKING STATISTICS



LATEST MONTH PLOTTED: JANUARY

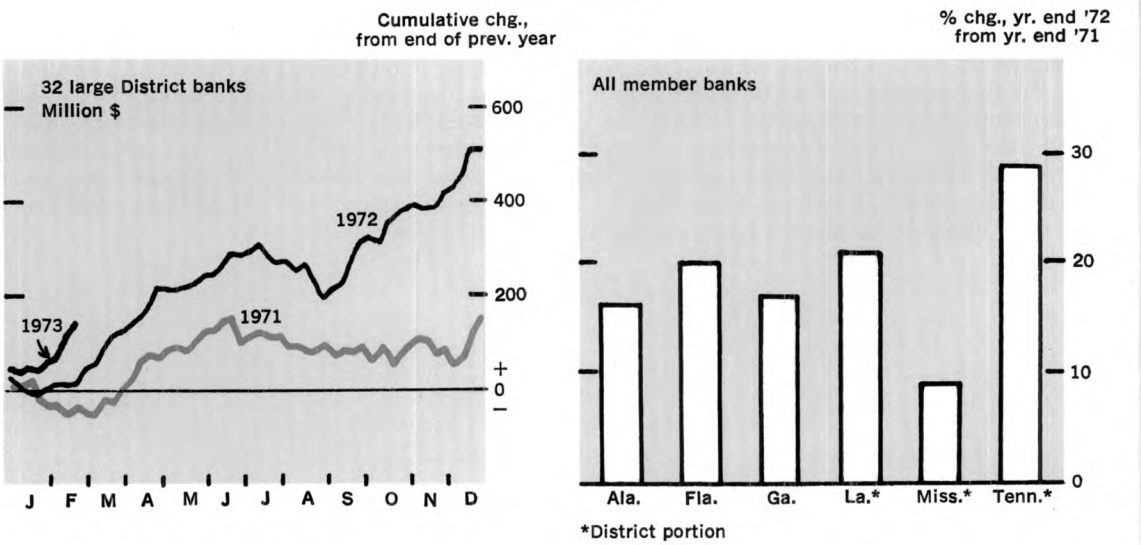
* Figures are for the last Wednesday of each month.

** Daily average figures

SIXTH DISTRICT BANKING NOTES

Business Loans Accelerate

BUSINESS LOANS



*District portion

Business loan demand strengthened substantially this past year. Seeking to satisfy this demand, large District banks increased outstanding commercial loans by nearly half a billion dollars during 1972, a 15-percent growth rate. This sharply contrasts with 1971 when business loans rose nearly 5 percent. And one must go back to 1966 and 1967 to find greater growth.

Unlike much of the nation, which did not experience substantial strengthening in business loan demand until the second half of 1972, the District began to show such signs in December 1971. Sizable gains were recorded at that time, even after allowing for the usual strong seasonal increases in December. Growth continued evenly through the first three quarters of 1972, each showing a seasonally adjusted annual rate of 12 percent. Fourth-quarter figures show accelerated growth at an annual rate of 22 percent. This acceleration has continued through January and the first half of February of this year, when loan demand typically declines.

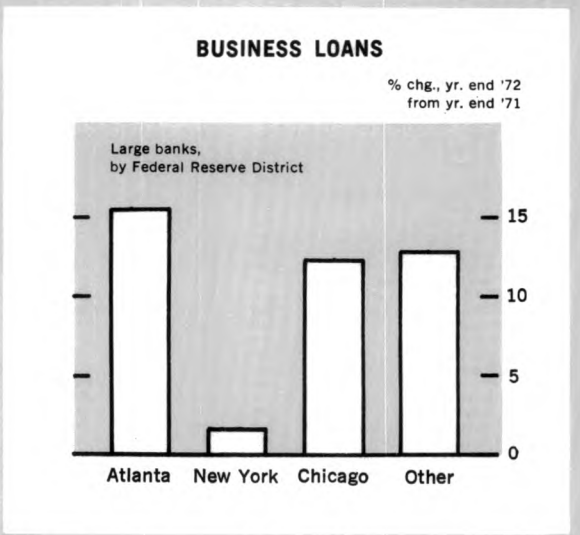
The majority of large District banks shared in business loan growth during 1972. Those that did not either kept their business loans constant or experienced only small declines. Twenty-three large banks that report loans by borrowers' type of business showed increases in all major categories. However, nearly half of the dollar gains in business loans at these banks were in two categories—wholesale and retail trade and the service industry. Loans to construction firms also showed large gains, and, percentagewise, showed the strongest growth of major categories with a 30-percent increase. Strength in business lending was also evident in subcategory loans which more clearly define the borrower's business. Only two subcategories—"other" nondurable goods and public utilities other than transportation and communication—failed to increase. Retail trade loans showed the greatest percentage and dollar gains.

During 1972, increased economic activity in both the Southeast and the nation was an important factor in the strengthening of business loan demand. More confident consumers helped fuel expansion with a faster rate of spending on such items as household appliances and furniture. Manufacturers sought funds to increase payrolls and build up inventories in order to expand production. Construction firms seeking to satisfy a strong demand for residential dwellings needed more money to begin new projects.

Banks were in a relatively good position to meet business loan demands during 1972. An inflow of time and savings deposits began in 1970 and continued throughout 1971 and 1972 as consumers added heavily to passbook savings accounts and "other" time deposits. Monetary policy, generally expansive during the year, was aimed at stimulating economic growth.

BUSINESS LOANS AT 23 LARGE DISTRICT BANKS

	Change From Previous Year (Million $)		
	1972	1971	1970
Durable Goods Mfg.	+ 54	− 4	+ 6
Nondurable Goods Mfg.	+ 41	−42	+20
Mining	+ 3	+ 1	− 8
Wholesale and Retail Trade	+110	−10	+ 9
Transp., Comm., & P. U.	+ 19	+17	−19
Construction	+ 90	−14	−28
Services	+110	+23	+ 6



Business loan growth at large District banks was considerably stronger than at large banks in the nation. Indeed, only two other Districts—Richmond and Minneapolis—achieved greater growth during 1972.

As in the Sixth District, the nation showed considerable increases in loans to wholesale and retail trade and to service and construction firms. On the other hand, loans to transportation, communication, and other public utilities grew more rapidly in the nation than in the District. And whereas all major business loan categories increased in the District, the nation exhibited declines in loans to business firms engaged in the mining of coal, crude petroleum, and natural gas.

JOSEPH E. ROSSMAN, JR.

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	Jan.	N.A.	155	152	141
Farm Cash Receipts	Dec.	144	148	141	126
Crops	Dec.	159	164	125	142
Livestock	Dec.	154	164	149	132
Instalment Credit at Banks* (Mil. $)					
New Loans	Jan.	481	461	487	388
Repayments	Jan.	429	370	415	351
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Jan.	122	121	121	117
Manufacturing	Jan.	113	113	112	108
Nondurable Goods	Jan.	112	112	111	109
Food	Jan.	107	105	105	105
Textiles	Jan.	110	110	109	106
Apparel	Jan.	109	110	110	108
Paper	Jan.	110	111	110	108
Printing and Publishing	Jan.	120	120	120	116
Chemicals	Jan.	106	106	107	104
Durable Goods	Jan.	115	114	114	107
Lbr., Wood Prods., Furn. & Fix	Jan.	112	110	110	105
Stone, Clay, and Glass	Jan.	120	118	118	112
Primary Metals	Jan.	111	110	110	104
Fabricated Metals	Jan.	124	123	122	114
Machinery	Jan.	135	135	134	121
Transportation Equipment	Jan.	105	106	106	104
Nonmanufacturing	Jan.	125	123	123	120
Construction	Jan.	124	122	121	117
Transportation	Jan.	121	120	119	115
Trade	Jan.	123	123	124	120
Fin., ins., and real est.	Jan.	130	130	129	124
Services	Jan.	130	130	129	125
Federal Government	Jan.	102	102	102	103
State and Local Government	Jan.	128	128	128	123
Farm Employment	Jan.	91	87	84	94
Unemployment Rate (Percent of Work Force)	Jan.	4.0	4.0	3.8	4.4
Insured Unemployment (Percent of Cov. Emp.)	Jan.	1.9	1.9	2.0	2.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	N.A.	41.2	41.0	40.8
Construction Contracts*	Jan.	253	250	282	182
Residential	Jan.	333	331	325	222
All Other	Jan.	175	170	240	143
Electric Power Production**	July	186	179	174	167
Cotton Consumption**	Dec.	83	77	80	90
Petroleum Production**	Feb.	112	116	123	119
Manufacturing Production	Nov.	282	281	281	258
Nondurable Goods	Nov.	235	234	234	222
Food	Nov.	184	184	185	176
Textiles	Nov.	278	276	275	257
Apparel	Nov.	275	272	275	269
Paper	Nov.	222	221	219	205
Printing and Publishing	Nov.	159	158	159	161
Chemicals	Nov.	304	303	298	267
Durable Goods	Nov.	337	337	336	302
Lumber and Wood	Nov.	198	198	199	193
Furniture and Fixtures	Nov.	189	188	188	181
Stone, Clay, and Glass	Nov.	189	194	188	174
Primary Metals	Nov.	219	222	219	195
Fabricated Metals	Nov.	283	279	274	250
Nonelectrical Machinery	Nov.	433	439	446	401
Electrical Machinery	Nov.	763	740	751	635
Transportation Equipment	Nov.	435	440	438	398
FINANCE AND BANKING					
Loans*					
All Member Banks	Jan.	213	207	202	171
Large Banks	Jan.	198	192	189	157
Deposits*					
All Member Banks	Jan.	185	179	176	156
Large Banks	Jan.	162	159	155	140
Bank Debits*/**	Jan.	218.8	208.5	203.7	173.5
ALABAMA					
INCOME					
Manufacturing Payrolls	Jan.	156	153	152	140
Farm Cash Receipts	Dec.	155	145	128	135
EMPLOYMENT					
Nonfarm Employment	Jan.	114	114	114	110
Manufacturing	Jan.	113	112	112	108
Nonmanufacturing	Jan.	115	114	115	111
Construction	Jan.	112	116	118	110
Farm Employment	Jan.	85	82	76	85
Unemployment Rate (Percent of Work Force)	Jan.	4.3	4.4	4.3	5.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	41.6	40.9	40.9	41.1
FINANCE AND BANKING					
Member Bank Loans	Jan.	196	197	194	167
Member Bank Deposits	Jan.	177	174	172	151
Bank Debits**	Jan.	192.0	178.6	183.3	169.1
FLORIDA					
INCOME					
Manufacturing Payrolls	Jan.	152	154	154	136
Farm Cash Receipts	Dec.	145	177	197	151
EMPLOYMENT					
Nonfarm Employment	Jan.	130	130	130	124
Manufacturing	Jan.	114	114	114	109
Nonmanufacturing	Jan.	134	134	133	127
Construction	Jan.	144	143	140	128
Farm Employment	Jan.	96	95	94	98
Unemployment Rate (Percent of Work Force)	Jan.	3.4	3.4	3.1	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	41.3	41.2	41.3	41.4
FINANCE AND BANKING					
Member Bank Loans	Jan.	239	233	224	188
Member Bank Deposits	Jan.	210	263	200	177
Bank Debits**	Jan.	241.6	240.0	237.5	192.6
GEORGIA					
INCOME					
Manufacturing Payrolls	Jan.	149	159	153	140
Farm Cash Receipts	Dec.	154	130	166	136
EMPLOYMENT					
Nonfarm Employment	Jan.	122	121	121	119
Manufacturing	Jan.	109	109	109	107
Nonmanufacturing	Jan.	128	126	127	124
Construction	Jan.	130	127	128	126
Farm Employment	Jan.	93	94	84	93
Unemployment Rate (Percent of Work Force)	Jan.	3.6	3.7	3.6	3.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	39.1	41.4	40.6	41.1
FINANCE AND BANKING					
Member Bank Loans	Jan.	209	197	197	164
Member Bank Deposits	Jan.	168	163	156	141
Bank Debits**	Jan.	234.5	229.8	218.4	182.3
LOUISIANA					
INCOME					
Manufacturing Payrolls	Jan.	139	143	138	132
Farm Cash Receipts	Dec.	148	160	128	109
EMPLOYMENT					
Nonfarm Employment	Jan.	110	108	108	108
Manufacturing	Jan.	104	102	101	102
Nonmanufacturing	Jan.	111	109	109	109
Construction	Jan.	95	90	87	95
Farm Employment	Jan.	78	82	80	85
Unemployment Rate (Percent of Work Force)	Jan.	6.8	6.4	6.0	6.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	40.4	43.7	41.7	42.4
FINANCE AND BANKING					
Member Bank Loans*	Jan.	189	180	176	152
Member Bank Deposits*	Jan.	169	160	160	150
Bank Debits*/**	Jan.	201.5	171.2	160.8	140.5
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Jan.	164	171	166	157
Farm Cash Receipts	Dec.	187	127	108	135
EMPLOYMENT					
Nonfarm Employment	Jan.	122	119	120	116
Manufacturing	Jan.	126	125	124	118
Nonmanufacturing	Jan.	120	116	118	115
Construction	Jan.	121	114	113	117
Farm Employment	Jan.	86	78	81	98

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Jan.	4.0	4.4	4.2	4.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	38.6	40.8	40.7	40.8
FINANCE AND BANKING					
Member Bank Loans*	Jan.	212	206	201	174
Member Bank Deposits*	Jan.	180	176	173	153
Bank Debits*/**	Jan.	193.9	190.9	192.5	165.5
TENNESSEE					
INCOME					
Manufacturing Payrolls	Jan.	N.A.	162	159	144
Farm Cash Receipts	Dec.	110	206	126	109
EMPLOYMENT					
Nonfarm Employment	Jan.	124	122	121	116
Manufacturing	Jan.	116	116	114	112
Nonmanufacturing	Jan.	128	126	125	120
Construction	Jan.	128	123	123	122
Farm Employment	Jan.	97	86	86	94
Unemployment Rate (Percent of Work Force)	Jan.	3.2	3.3	3.2	3.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan.	N.A.	40.7	40.9	41.1
FINANCE AND BANKING					
Member Bank Loans*	Jan.	208	201	198	168
Member Bank Deposits*	Jan.	179	171	171	152
Bank Debits*/**	Jan.	187.5	174.9	171.4	153.7

*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.

Employment and labor force data for Alabama, Georgia, Mississippi, and Tennessee have been adjusted to new bench marks.

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.

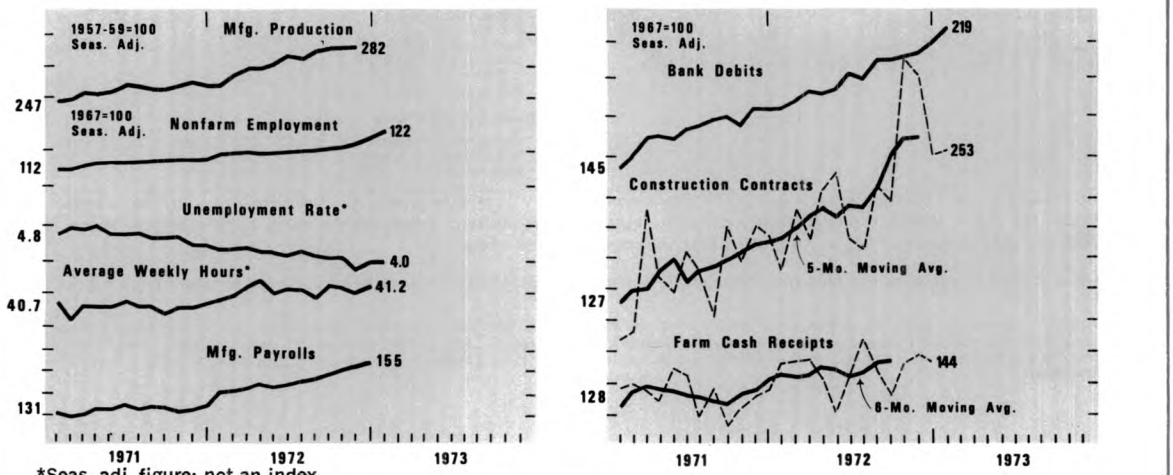
Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District
(In Thousands of Dollars)

	Jan. 1973	Dec. 1972	Jan. 1972	Percent Change Jan. 1973 From Dec. 1972	Percent Change Jan. 1973 From Jan. 1972
STANDARD METROPOLITAN STATISTICAL AREAS					
Birmingham	3,463,148	2,957,432	3,009,116	+17	+16
Gadsden	98,715	90,500	79,288	+ 9	+25
Huntsville	306,761	284,712	253,165	+ 8	+21
Mobile	1,016,862	903,794	825,270	+13	+23
Montgomery	608,096	552,763	493,637	+10	+23
Tuscaloosa	186,934	169,375	158,045	+10	+18
Bartow-Lakeland-Winter Haven	777,425	704,472	600,820	+10	+29
Daytona Beach	388,195	310,088	306,556	+25	+27
Ft. Lauderdale-Hollywood	2,046,210	1,674,233	1,649,429	+22	+24
Ft. Myers	355,433	277,104	248,456	+28	+43
Gainesville	226,061	214,895	187,288	+ 5	+21
Jacksonville	3,708,643	3,275,363	2,549,274	+13	+45
Melbourne-Titusville-Cocoa	459,112	408,358	307,677	+12	+49
Miami	6,784,200	6,496,434	5,323,533	+ 4	+27
Orlando	1,456,569	1,370,059	1,118,567	+ 6	+30
Pensacola	423,123	374,764	367,611	+13	+15
Sarasota	503,977	431,794	343,011	+17	+47
Tallahassee	840,952	557,437	537,185	+51	+57
Tampa-St. Pete	4,049,988	3,437,938	3,055,627	+18	+33
W. Palm Beach	1,357,384	1,025,086	904,004	+32	+50
Albany	199,880	183,321	156,462	+ 9	+28
Atlanta	13,589,470	12,837,098	9,537,008	+ 6	+42
Augusta	473,547	406,916	388,376	+16	+22
Columbus	419,374	384,386	350,840	+ 9	+20
Macon	499,470	473,799	430,868	+ 5	+16
Savannah	559,786	578,650	418,170	− 3	+34
Alexandria	238,496	204,312	199,807	+17	+19
Baton Rouge	1,197,197	1,028,586	1,011,807	+16	+18
Lafayette	263,489	250,590	205,789	+ 5	+28
Lake Charles	235,152	205,172	209,808	+15	+12
New Orleans	5,743,787	4,049,729	3,222,736	+42	+78
Biloxi-Gulfport	217,675	216,117	203,398	+ 1	+ 7
Jackson	1,268,713	1,302,266	1,009,009	− 3	+26
Chattanooga	1,157,708	1,054,164	1,038,272	+10	+12
Knoxville	890,595	806,185	684,197	+10	+30
Nashville	3,266,594	3,055,542	2,390,714	+ 7	+37
OTHER CENTERS					
Anniston	106,977	99,140	88,917	+ 8	+20
Dothan	149,192	127,009	115,929	+17	+29
Selma	84,362	79,785	58,806	+ 6	+43
Bradenton	201,274	151,712	131,403	+33	+53
Monroe County	79,114	64,959	54,094	+22	+46
Ocala	185,380	148,752	139,565	+25	+33
St. Augustine	28,277	30,526	30,305	− 7	− 7
St. Petersburg	1,071,370	854,651	738,706	+25	+45
Tampa	1,807,213	1,559,183	1,464,147	+16	+23
Athens	161,541	166,787	126,405	− 3	+28
Brunswick	91,909	84,279	79,203	+ 9	+16
Dalton	174,997	161,183	151,990	+ 9	+15
Elberton	21,315	20,974	16,282	+ 2	+31
Gainesville	134,109	115,483	99,881	+16	+34
Griffin	69,831	63,945	52,695	+ 9	+33
LaGrange	36,869	36,927	32,018	− 0	+15
Newnan	57,380	57,871	39,388	− 1	+46
Rome	142,926	129,306	114,376	+11	+25
Valdosta	104,046	95,236	88,658	+ 9	+17
Abbeville	17,713	17,444	16,985	+ 2	+ 4
Bunkie	12,474	11,671	9,006	+ 7	+39
Hammond	70,978	61,824	59,853	+15	+19
New Iberia	68,193	59,442	54,136	+15	+26
Plaquemine	27,772	21,839	17,746	+27	+56
Thibodaux	43,207	37,399	41,343	+16	+ 5
Hattiesburg	115,590	105,776	97,632	+ 9	+18
Laurel	70,395	67,902	53,772	+ 4	+31
Meridian	120,953	111,539	94,554	+ 8	+28
Natchez	54,735	52,248	49,602	+ 5	+10
Pascagoula-Moss Point	160,787	136,781	107,512	+18	+50
Vicksburg	78,207	68,268	54,368	+15	+44
Yazoo City	44,756	40,410	39,117	+11	+14
Bristol	136,797	128,314	112,588	+ 7	+22
Johnson City	160,079	147,933	126,215	+ 8	+27
Kingsport	241,689	209,673	200,071	+15	+21
District Total	73,395,410	65,574,129	54,684,875r	+12	+34
Alabama	8,170,263	7,108,893	6,830,616	+15	+20
Florida	25,920,693	22,821,149	19,267,132r	+14	+35
Georgia	19,527,210	18,576,063	14,166,723	+ 5	+38
Louisiana[1]	8,954,567	6,889,536	5,899,654	+30	+52
Mississippi[1]	2,840,518	2,779,873	2,291,201	+ 2	+24
Tennessee[1]	7,982,159	7,398,615	6,229,549	+ 8	+28

[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: January, except mfg. production, November, and farm receipts, December.
January data not yet available for avg. weekly hrs. and mfg. payrolls.

Winter weather cooled the region's economy somewhat, but a good performance is indicated. Employment gains continued, despite the effects of bad weather. Business borrowing from banks remained strong, but consumer borrowing slowed. Construction activity did not grow. Agricultural prices soared, and farmers enjoyed a record rise in cash receipts.

Adverse weather conditions affected the region's labor market in January. The factory workweek and payrolls dropped sharply because of ice storms and fuel shortages. Georgia's, Louisiana's, and Mississippi's labor markets suffered most from winter's wrath. Despite foul weather, however, construction job gains helped total nonfarm employment rise.

Bank lending posted an exceptionally strong advance in January, a pattern that continued through late February. At the larger District banks, manufacturers, trade, service, and construction firms are taking down sizable amounts of new credit. During the last week in February, most of these same banks raised their prime lending rate to 6¼ percent. Effective February 27, the Federal Reserve Bank of Atlanta increased the discount rate to 5½ percent in recognition of the recent rise in short-term money market rates.

Consumer instalment credit outstanding at commercial banks increased more slowly in January despite sharp increases in new lending. Repayments also rose considerably in all consumer loan categories. Unit sales of domestically produced autos declined somewhat from December's high level but were substantially above January of last year.

The value of total construction contract awards was unchanged in January. Residential awards, up strongly in most of 1972, were stable in January after growing more slowly than in previous months. Some decline in the rate of deposit inflows at thrift institutions has become apparent, though mortgage rates have been relatively stable. Nonresidential awards changed little in January after a large December drop.

Prices received by District farmers in January were sharply higher than both the month-ago and year-ago levels. Nearly all commodity prices were strong. Despite higher prices, soaring feed costs have curtailed poultry production throughout the District. Freezes, muddy field conditions, and a shortage of natural gas forced farmers to abandon a portion of Louisiana's sugar cane crop. Some progress was made in harvesting the Mississippi and Tennessee soybean crops, but substantial acreages remained in the fields in late February. District farm cash receipts reached a record high of $6.6 billion in 1972, compared with $6.0 billion in 1971. Tennessee farmers enjoyed the largest increase in income.

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