

# monthly review

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# Food Stamps: A Boost to the Southeastern Economy

by Gene D. Sullivan

Food stamps injected nearly \$415 million of added purchasing power into the Sixth District economy in 1972.<sup>1</sup> The monthly average was about \$34 million. In some District states, 15 percent of the population benefited directly from the program, averaging \$17 a month per person in added food-buying power. In addition, merchants in some areas realized substantial sales volume increases from food stamp purchases. The program has continued to expand rapidly, particularly in Florida where participation began only recently.

The food stamp program was begun as an outgrowth of government surplus food disposal. During the late Fifties and early Sixties, the government had vast supplies of stored food commodities. It was thought that by distributing these commodities to the poor, the government could reduce its substantial storage costs and, at the same time, enhance the well-being of citizens unable to afford adequate nutrition.

To permit more varied diets by allowing individual freedom in food choices and to allow the usual trade channels to participate in food sales, commodity distribution began to give way to food stamps. This was first done in 1961 on a pilot basis and was eventually made permanent by the 1964 Food Stamp Act. About that time, the program reached the Sixth District and began expanding rapidly; however, all counties are not yet participating in food stamp distribution (see Chart I).

Food stamps grew rapidly into a major welfare program. Although the national program began at a net subsidy of less than \$400,000 in 1961, the government food stamp subsidy reached approximately \$2 billion in 1972. The number of participants increased from about 50,000 at the outset to more than 12 million by 1972. The subsidy extended through food stamps overshadowed the combined cost of the food distribution and child nutrition programs and accounted for about 60 percent of the total cost of all USDA food programs (see Table 1).

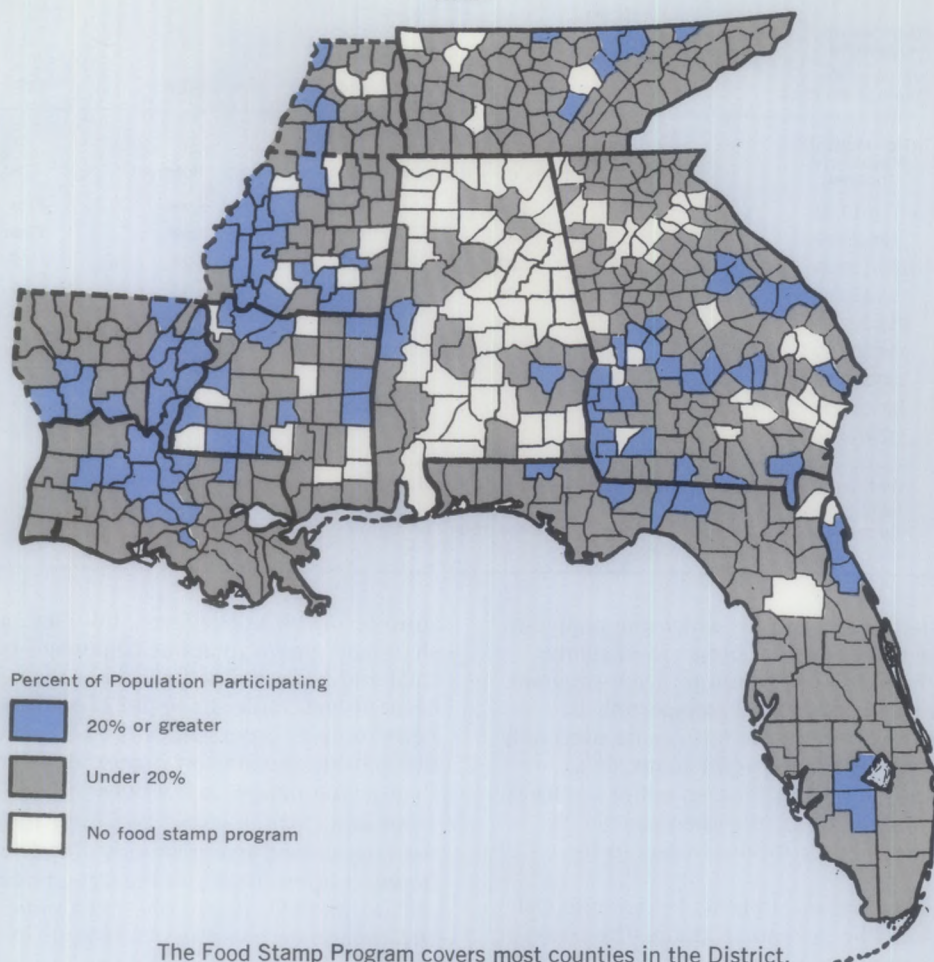
## Operation of the Program

Although the food stamp subsidy refers to the volume of stamps distributed free of charge, most recipients are required to pay some portion of the cost of their total stamp allotment. The payment depends upon a family's income

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<sup>1</sup>The Sixth Federal Reserve District includes all of Alabama, Florida, and Georgia and parts of Louisiana, Mississippi, and Tennessee. The District data reported in this article were drawn from the total area of all six states.

Chart I



level and its estimated normal monthly food expenditure. When the income level is under \$20 per month for one- and two-person households and under \$30 for all others, families are entitled to receive food stamps free of charge (see Table 2). In any case, a family cannot be required to pay more than 30 percent of monthly household income for their food stamp allotment.

Qualified recipients usually buy all their food stamps at the beginning of each month, although they may decide to receive only three-quarters, one-half, or one-quarter of their allotment at that time. They are permitted to purchase stamps only twice a month, however. The allotment is based upon the number of individuals in the family and the amount of money needed to provide that family with adequate nutrition for a month. The average recipient pays for about 55 percent of the total value of food stamps received. The

**TABLE 1**  
**Federal Cost of USDA Food Programs,**  
**In The U. S., 1969-72<sup>1</sup>**  
**(\$ Millions)**

Calendar Year	Bonus Stamps <sup>2</sup>	Food Distribution <sup>3</sup>	Child Nutrition <sup>4</sup>	Total
1969	272	540	340	1,152
1970	1,103	602	491	2,198
1971	1,692	650	772	3,115
1972	1,985	575	953	3,513

<sup>1</sup>Totals may not add due to rounding.

<sup>2</sup>Excludes stamps paid for by the recipient.

<sup>3</sup>Includes cost of food delivered to states for distribution to needy families, schools, and other nonprofit institutions.

<sup>4</sup>Includes funds donated for local purchase of food under the School Lunch, School Breakfast, Special Food, and Special Milk programs.

Source: Economic Research Service, U. S. Department of Agriculture

**TABLE 2**  
**Selected Monthly Allotments and Required Payments<sup>1</sup>**

Number in Household	1	2	4	6	8
Value of Food Stamps Allotted	\$36	\$64	\$112	\$152	\$192
(Net Monthly Household Income)	(\$ Paid by Recipients for Above Stamp Allotment)				
\$ 0-19.99	Free	Free	Free	Free	Free
20-29.99	1	1	Free	Free	Free
100-109.99	18	23	25	27	29
150-169.99	26	36	41	43	45
210-229.99	2	44	59	61	63
290-309.99		2	82	85	87
360-389.99			88	104	108
480-509.99			2	120	134
630-640.00				2	152

<sup>1</sup>Allotments are higher in Alaska and Hawaii because of higher food costs in those states.

<sup>2</sup>Ineligible income level.

Source: Food and Nutrition Service, U. S. Department of Agriculture

stamps allotted over those for which the recipient pays cash are categorized as bonus food stamps and reflect the subsidized portion of the program.

Families may redeem food stamps only at authorized stores, and the stamps can be used only for domestically produced food items. If a customer uses stamps to purchase either nonfood items or imported foods, the merchant's authorization to accept food stamps can be revoked.

The merchant passes along to his commercial bank the stamps he accepts in trade. The bank treats the stamps as a cash deposit, sorts them into even quantities by denomination, and forwards them to the servicing Federal Reserve Bank or Branch. The commercial bank then receives credit for an equivalent amount of cash. The Federal Reserve Bank, in turn, treats these negotiated food stamps as currency and subjects each incoming package to the piece-by-piece accounting procedure used in handling incoming currency.

Once the quantity of stamps by denomination has been verified, they are canceled and subjected to the regular destruction process followed when unfit currency is removed from circulation. Federal Reserve Banks are then reimbursed from the Treasury's account for the full value of stamps thus accepted and destroyed.

### Region Gets a Generous Share

In the early years of the program, Sixth District states accounted for a minor portion of total food stamp coupon value, receiving \$1.1 million or 5.9 percent of the \$18.6-million national food coupon

subsidy in 1963. However, by 1968, the District's share had grown to about 20 percent of the U. S. total and has remained near that share since (see Chart II and Table 3). In 1972, participants numbered only 17.2 percent of the U. S. total, making the subsidy per person higher in the region than in the nation as a whole.

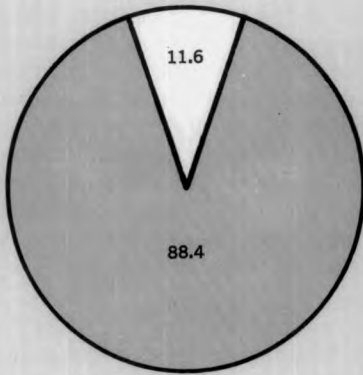
Among District states, Louisiana has received the largest food stamp subsidy. Total value of bonus coupons issued in the state amounted to \$91 million in 1972, nearly one-third more than the \$62 million received by Mississippi in second position. Alabama, with the smallest subsidy, received only \$40 million (see Chart III).

Florida entered the food stamp program during fiscal 1970 and has been responsible for a major share of District growth since that time. The negligible volume of bonus stamps distributed in Florida during the first year increased to \$13 million in 1971 and jumped to \$46 million in fiscal 1972. During early fiscal 1973, Florida's bonus stamp volume exceeded any other District state, indicative of its continuing rapid growth in the program. Even so, Florida participants amounted to only 8 percent of the state population (see Table 4).

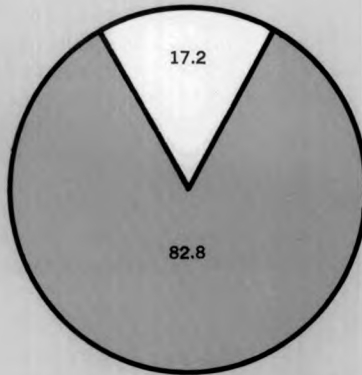
In Mississippi, by comparison, participants made up 15.4 percent of the population, and in Louisiana, 14.4 percent received food stamps. Thus, in Louisiana and Mississippi, the program has had a proportionately larger impact on the population's welfare than in other District states.

The number of recipients is lowest in Alabama, where only 6.3 percent of the population and only 25 of 95 total counties have participated in the

Chart II



Sixth District states  
contain a small part of the  
U. S. population. . .



But provide a higher proportion  
of participants in the  
Food Stamp Program. . .



And receive a still higher share  
of Bonus Food coupons.

program. Although the number of recipients has been higher in Georgia, there, too, total participation amounted to a relatively small portion of the population. Several of the state's most heavily populated counties are still outside the program.

#### Effect on Grocery Sales

Retail grocery sales at the regional level do not appear closely related to the volume of food stamps issued. Although both series have been rising, particularly since 1969, the increase in retail food volume attributable to food stamp purchases is not identifiable. Even in Mississippi, where over 15 percent of the population has been participating, food stamp distribution has not had a measurable effect on statewide retail grocery sales. It is apparent that food stamp purchases

account for such a small proportion of total sales that their effect becomes submerged at the statewide level (see Table 5).

A large grocery chain with stores throughout the Southeast reported increasing sales during the time food stamp distribution was rising. However, the relative proportions of meat and produce in total grocery sales do not appear to have changed significantly in the period from 1970 to 1972 when the program was developing. Also, since sales were increasing at all the chain's stores, it is difficult to attribute increasing sales at a particular establishment to the distribution of food stamps within that area.

On a local level, stamps sometimes do have a substantial impact on sales at individual stores. Although grocery sales figures at county and

**TABLE 3**  
**Bonus Food Stamp Coupons Issued**  
**(\$ Millions)**

Fiscal year	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	Six States	U. S.
1961								0.4
1962				0.6			1.1	13.2
1963	0.4			1.4		0.1	4.1	18.6
1964	1.8					0.9		28.6
1965	1.5		0.01	2.2		1.5	5.2	32.5
1966	1.5		0.3	4.6	1.9	4.1	12.4	64.8
1967	1.6		0.9	5.2	6.1	5.8	19.6	105.6
1968	3.7		2.4	6.5	16.6	9.1	38.3	173.1
1969	6.1		4.8	9.1	17.5	10.3	47.8	228.8
1970	15.4	1.4	11.5	33.7	33.1	25.9	121.0	549.6
1971	36.1	12.8	37.9	87.1	66.1	64.0	304.0	1,522.7
1972 <sup>1</sup>	39.6	46.1	44.7	91.2	62.5	61.2	345.3	1,796.7
1973 <sup>2</sup>	21.0	57.1	27.9	56.0	35.7	33.5	231.2	1,052.1

<sup>1</sup>Preliminary figure

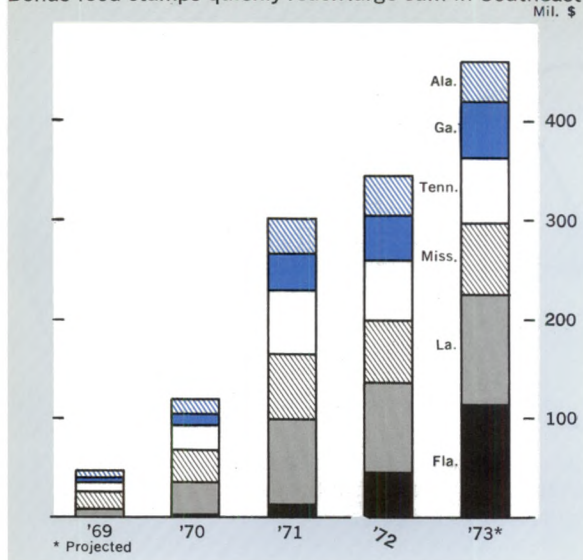
<sup>2</sup>First half of fiscal year

Source: Statistical Summary of Operations, Food Stamp Program, Food and Nutrition Service, USDA



Chart III

Bonus food stamps quickly reach large sum in Southeast.



community levels were not available, some information was obtained by interview in areas where more than 20 percent of the population participated in the food stamp program. Store managers stated that the effect of food stamps on total sales was difficult to quantify, but increased purchases of meat and other more costly food items were evident when new stamps were issued at the beginning of each month. Some managers of smaller "neighborhood" stores indicated that as much as 50 percent of their total business is dependent upon food stamp customers.

In one county where food stamp usage is particularly heavy, local businessmen contend that sudden cessation of the program would result in a sharp economic decline in the community. They report that the effects of food stamp availability are evident not only in grocery sales but also in other merchandise sales. In such cases, nonfood merchandise sales have benefited from funds that otherwise would have been spent for food.

### Food Stamps and Prices

Massive increases in the Consumer Food Price Index, particularly during 1972, have been largely attributable to the growing demand for food products. Some of this demand has stemmed from the added purchasing power that food stamps have placed in the hands of consumers.

But have rising food prices really been caused by the increased use of food stamps? Changes in the Consumer Food Price Index and in food stamp distribution were examined for a statistically identifiable relationship. Also, the meat, poultry, and fish price index was related to changes in

food stamp distribution to determine if food stamps may have had a more selective effect on the prices of grocery items purchased in increasing quantities. Here again, although the food price index has been rising throughout most of the period of increasing food stamp availability, there is no clear indication that price increases have been caused by increasing volumes of food stamps. Though far from a statistically significant relationship, month-to-month changes in the dollar volume of food stamps from April 1969 through 1972 were more closely related to monthly changes in meat prices than to changes in the over-all Consumer Food Price Index.

### Criticisms

Despite recipient benefits, the food stamp program has received a number of criticisms. One of the remarks heard most often at the community level has to do with the inequity between recipients and wage earners who are not recipients. In some communities, it was reported that food stamps often make it possible for people who do not work to enjoy a higher standard of living than those who do. As a result, in some areas potential employees may be discouraged from finding jobs.

Another criticism is that food, although important to the family's well-being, is not the only essential item for the poor, particularly the elderly. Many of these families need personal merchandise and household cleaning goods which are also important to their health but which cannot be purchased with food stamps. Some have voiced the opinion that stamp eligibility should be extended to cover personal hygiene products. This would be particularly helpful to some elderly people who feel they do not need all of the food they can purchase with food stamp allotments.

The number of food stamps issued to a family may be more than enough for its total food needs.

**TABLE 4**  
Comparison of Population and Food Stamp Participants

	Population <sup>1</sup>	Food Stamp Participants <sup>2</sup>	% of Pop. Receiving Food Stamps
Alabama	3,444,148	216,580	6.3
Florida	6,789,383	544,802	8.0
Georgia	4,589,569	318,331	6.9
Louisiana	3,640,442	525,970	14.4
Mississippi	2,216,850	342,062	15.4
Tennessee	3,923,726	325,323	8.3
Total District States	24,604,118	2,273,068	9.2
Total U. S.	204,265,000	12,328,416	6.0

<sup>1</sup>Based on 1970 Census of Population

<sup>2</sup>Number reported in December 1972 by the Food and Nutrition Service

**TABLE 5**  
**Retail Grocery Sales and Bonus Food Stamps**  
**Distributed in Mississippi**

	<b>Grocery Sales</b>	<b>Bonus Stamps</b>	<b>Stamps as % of Sales</b>
	(\$ Millions)		
1970			
Jan.	*	*	—
Feb.	*	*	—
March	*	4.84	—
April	*	4.85	—
May	*	4.84	—
June	*	4.93	—
July	73.20	5.25	7.2
Aug.	72.05	5.32	7.4
Sept.	73.31	5.35	7.3
Oct.	69.95	5.08	7.3
Nov.	65.82	5.41	8.2
Dec.	74.09	5.48	7.4
1971			
Jan.	64.67	5.61	8.7
Feb.	61.92	5.91	9.5
March	69.36	5.98	8.6
April	70.23	5.77	8.2
May	73.00	5.51	7.5
June	76.14	5.38	7.1
July	81.11	5.33	6.6
Aug.	84.79	5.31	6.3
Sept.	74.71	5.22	7.0
Oct.	81.22	5.15	6.3
Nov.	65.50	4.87	7.4
Dec.	79.58	5.00	6.3
1972			
Jan.	75.43	5.12	6.8
Feb.	75.54	5.31	7.0
March	78.20	5.24	6.7
April	83.30	5.22	6.3
May	81.33	5.36	6.6
June	84.08	5.47	6.5
July	87.04	5.93	6.8
Aug.	83.35	6.12	7.3
Sept.	93.25	6.09	6.5
Oct.	85.86	6.03	7.0
Nov.	78.97	5.82	7.4
Dec.	99.85	5.86	5.9

\*Data not available

Source: Grocery sales were published by the Mississippi Business Review. Data for bonus food stamps were provided by the Food and Nutrition Service, USDA.

Because of this, many recipients may become less price conscious in shopping. During the recent run-up in meat prices, some food stamp recipients reportedly were able to continue purchasing expensive meat without regard to price. Also, wasteful and unwise usage of stamps has been observed.

Although the food stamp program is monitored by the USDA, some program abuses apparently escape detection. For example, if a family fails to utilize all its stamps in a particular month, there is no accounting for the unused stamps that may accumulate. The considerable purchasing power represented by accumulations of unused food stamps eventually becomes a temptation to some recipients. In such cases, black markets allegedly have sprung up in which food stamps are acceptable for a wide range of nonfood items.

Purchases with food stamps have been limited to prohibit their use for purchasing imported products, tobacco, alcohol, and other types of nonessential personal goods. Nevertheless, ingenious systems of trading have been devised to avoid the restrictions. If a family wishes to secure

items ineligible for food stamps, it can trade food stamp purchases for such items that other friends and associates have paid for with cash. This has become perhaps one of the more successful means of thwarting the intended purpose of the program.

Store managers and retail clerks find it burdensome to keep account of the items that may be purchased with food stamps. For example, two canned hams sitting side by side on the meat counter may differ in eligibility if one was packed inside the country and the other outside. In addition, it is desirable to know in advance whether a customer intends to purchase groceries with food stamps because a separate tally is required for items that must be paid for with cash.

Merchants complain that frequently the means of purchase is not known in advance and a great deal of time and patience is required to repeat the check-out process in order to be sure that ineligible items have been billed separately. Meanwhile, other customers in line at the check-out counter often become exasperated. In addition, an unknown customer coming into the store may be embarrassed if the merchant inquires whether the individual plans to use food stamps.

The food stamp program necessitates additional work from the first commercial bank that receives these stamps through the Federal Reserve Banks. Although stamps are a substitute for cash at the retail store, they are not negotiable and they must be handled separately in the banking system. Federal Reserve Banks have found it necessary to add numerous employees for the sole purpose of processing food stamps. Neither commercial nor Federal Reserve Banks receive compensation for the additional services required in this special handling. Thus, the full expenses of operating the program are not accounted for in the cost figures published by the Food and Nutrition Service. Critics also feel that the \$2-billion subsidy extended by the 1972 food stamp program is excessive, and they note that the cost of the program is continuing to rise rapidly.

Despite these irregularities, very substantial benefits have been conferred on food stamp recipients. Viewed in perspective, the food stamp program, moreover, is by no means the first or the largest subsidy voted by the U. S. Congress. It has provided millions of Americans with the means of alleviating hunger and malnutrition. Several more costly subsidies are shared by only a fraction of the participants involved in the food stamp program. From the standpoint of cost per recipient, the program has probably been one of the least expensive subsidies. When account is taken of grocery retailers, wholesalers, and distributors, as well as food manufacturers, processors, and producers, who all benefit from the increased food demand, the cost-benefit ratio becomes even more favorable. ■

# Energy and the Economy: A View from the Southeast

by **Brian D. Dittenhafer**

Media reports of an energy crisis have, for the first time, made many people aware of energy's importance to their lives. Energy consumption is highly correlated with economic growth, and, indeed, energy consumption statistics have often been used as rough indexes of industrial development. Therefore, if the Southeast<sup>1</sup> is to continue the rapid growth characteristic of this region for several decades, it must assure itself of adequate energy resources. This article answers two basic questions: First, what are the Southeast's energy resources and, second, what immediate impact will the "energy crisis" have on the Southeast?

## Energy Production in the Southeast

In early 1972, Sixth District states supplied nearly 40 percent of the natural gas, 30 percent of the crude oil, and 4 percent of the coal produced in the United States. They contained 29 percent of the nation's natural gas reserves, 16 percent of its crude oil, and 2.5 percent of coal.

In addition to productive capacity and reserves, District states contain a large and growing share of U. S. crude oil refining capability. This share had grown from 9 percent in 1960 to 19 percent in 1972, and in the last two years, refining capacity in the Southeast jumped by 26 percent. During the same two years, the nation's refining ability increased by only 10 percent, so the region's importance in this industry is still growing. Louisiana is currently making a strong bid to become the site of one of the new "superports" or deepwater facilities for unloading deep draft tankers, and if it is successful in garnering one of these sites, the region's refining capacity is likely to grow even more rapidly in the future.

Louisiana stands first in the Southeast in value of mineral fuels output. Over \$5 billion worth was produced in 1971 and severance tax payments contributed more than \$235 million to the state's treasury in fiscal year 1972. Including Federal offshore leases, the state had the largest increase in crude petroleum output in the nation during 1971 with a gain of 46 million barrels. But in 1972, production of crude petroleum declined slightly as new drilling in the

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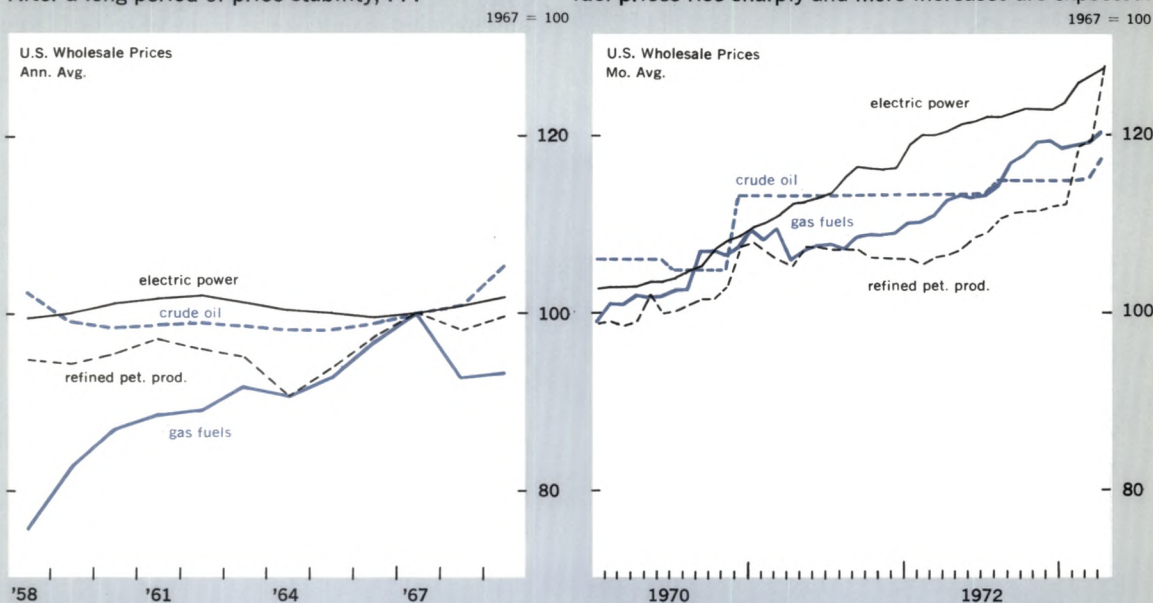
<sup>1</sup>For the purposes of this article, the Southeast is synonymous with the Sixth District states (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee).



Chart I

After a long period of price stability, . . .

fuel prices rise sharply and more increases are expected.



more productive offshore areas was halted by environmental legal action. Drilling lease sales were resumed in September 1972 and drilling activity increased significantly as exploration of new areas began. In 1972 a relatively small increase in output (2.5 percent) caused Louisiana to pass Texas as the nation's largest producer of natural gas. Most of this increase was from new offshore production.

Nationwide, Mississippi ranked ninth in petroleum and tenth in natural gas production. Fuels valued at \$236 million, primarily derived from crude oil production, contributed significantly to the state's economy in 1971. During that year, wages and salaries totaled \$48 million, and nearly \$13 million in severance taxes were paid to the state's treasury from petroleum and natural gas output. Natural gas ranked second, accounting for 9.4 percent of the total value of minerals produced in the state. Petroleum production has not been expanding in recent years and, in fact, was slightly lower in the first quarter of 1973 than during the same period in 1972.

Mineral fuels valued at more than \$190 million were produced in Alabama in 1971. Wages and salaries earned in fuel output were \$57 million, although this amounted to less than one percent of all wages paid in the state during the year. Severance tax payments, primarily from coal, totaled \$2.8 million in 1972. The most important mineral produced in the state, bituminous coal, increased output 7½ percent during 1971. Alabama's natural gas and petroleum production is currently small, but areas bordering both Florida and Mississippi hold promise. Petroleum output

increased by 30 percent during 1972 and prospects appear good for a continuation of that trend.

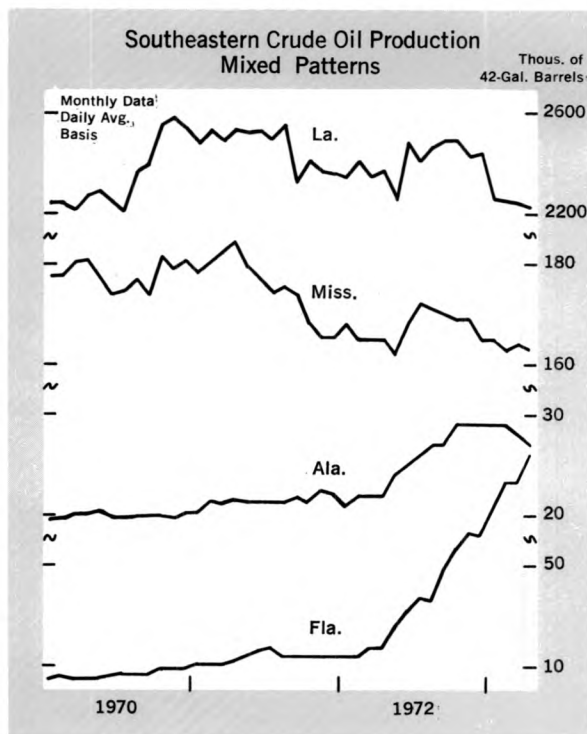
In Florida, mineral fuels, primarily crude petroleum, increased 75 percent in volume and 92 percent in value during 1971. Virtually all the growth came from development of the Jay oil field in the Florida Panhandle. Crude oil in this area has a high sulphur content, and full production had to await facilities to remove the sulphur from the oil, thus "sweetening" the crude. Completion of some of these processing plants in the spring of 1972 allowed a 58-percent increase in daily average output between the first and second quarters of that year. During all of 1972, the volume of crude petroleum and natural gas liquids produced grew by more than 500 percent as the facilities were developed.

### The Summer of '73

The importance of mineral fuels and energy production to economic growth naturally raises the question of where the Southeast stands in the energy crisis. Since mineral fuel markets are both national and international, no assessment can be made of mineral fuel reserves and supplies for particular areas of the country. It is, however, instructive to look at the near-term national energy situation in order to evaluate the Southeast's overall position vis-a-vis total energy supplies.

Petroleum is the most important single source of energy in the United States, accounting for more than 40 percent of total consumption in 1972. The largest percentage is refined into gasoline for motor fuel and at the close of the first quarter of 1973,

Chart II



gasoline reserves were nearly 11 percent below their year-ago levels. Gasoline consumption, meanwhile, had increased 7 percent, the largest annual increase ever recorded. In short, the demand for gasoline has outrun the supply. The immediate reason for this is in the refining process itself and in the fears of a cold snap late last winter.

Within limits, refineries can obtain different proportions of gasoline and distillate fuel oils from the same barrel of crude petroleum. If more gasoline is produced, less fuel oil is obtained. The specter of a heating oil shortage in the late winter of 1972-73 caused refineries to produce a higher proportion of fuel oil than normal. During this time, motor gasoline reserves would normally have been built up so that the peak demands of the summer driving months could be met. In early 1973 this did not occur, so the high consumption season begins with increasing rates of usage and lower reserves than were evident in 1972. Thus, chances are very good that more gasoline shortages will occur this summer.

### What About Electric Power?

While fears of bottlenecks in power supply are very real in some parts of the country, the prospect of such bottlenecks in the Southeast is remote in the immediate future. Peak electricity demand in this area occurs during the summer when air conditioning draws heavily on the generating system. According to the Federal Power Commission, the Southeast will have a generating capacity 18.2

percent higher than is necessary to meet expected peak demand this summer. This does not mean a breakdown in the system is impossible, however, since reserves can be quickly depleted by unscheduled maintenance of any of several large generators. Further, this reserve is lower in the eastern part of the area, with the indicated reserve for Tennessee, Florida, Georgia, and Alabama ranging from 13.5 percent to 18 percent. Forecasts of spare capacity assume that fuels will be available to drive the generators and that no widespread power or energy emergency will take place. If such an emergency did occur, the Southeast would be expected to share any extra capacity with other parts of the country; therefore, no part of the nation would be completely immune from the consequences of a widespread electrical power failure.

The power companies of the Southeast are also planning for the region's future growth. During the next three years, electric companies serving the area plan to add generating ability equal to 60 percent of peak capacity in 1970.

### Capital Requirements are Large

It is a long jump from planning for future power requirements and actually building that capacity. Every phase of energy production requires large amounts of capital, and providing that capital may not be as easy during the next decade as in the past. The precise amount of capital necessary to meet regional energy needs during the next ten years will naturally depend upon how fuel will be produced and converted to its final form, but no matter what the assumptions, the amount of capital required is extremely large. Nationally, estimates of total capital needed between now and 1985 to develop, process, and provide primary distribution of fuels cluster around the \$300-billion mark, and capital needs for electricity generation and distribution approach \$200 billion. Thus, total estimates range from \$400 to \$500 billion, more than double the capital expenditures of the last 13 years. (All estimates are in 1970 constant dollars.)

If the energy industries are to provide the facilities necessary to meet the economy's needs, they must realize a return on investment sufficient to compete successfully for funds in capital markets. Recent rates of return to these companies have been below the average for all manufacturing industries despite the steadily rising prices of energy products. Part of the reason for this paradox has been the need to make capital expenditures which are not productive of current income, such as those for pollution control.

### Prices — Nowhere To Go But Up

Prices of all fuels have been increasing rapidly and with new regulations on natural gas allowing further

increases, prices are likely to continue to rise. The most promising areas for production of domestic petroleum are either in very deep formations onshore or in offshore locations. In either case, recovery costs are high, and no real hope of lower cost sources of domestic petroleum energy is currently foreseen by experts. In the past, fuel prices have been held down by a combination of Federal regulation, low-cost strip-mined coal, and low-price oil imports. For one reason or another, all these influences are now disappearing. New regulations will permit the price of natural gas to rise rapidly. Overcapacity in the coal industry has been eliminated, and production costs have been increased by new strip mining regulations and safety standards. Finally, the cartel formed by the Organization of Petroleum Exporting Countries has raised the price of foreign crude oil. Thus, these low-priced energy sources are rapidly disappearing, and there seems little doubt that energy will become substantially more expensive during the next decade.

If the current trend continues and major price increases do occur in the next decade, it will be a major change from the past 25 years of relatively stable energy prices. While unwelcome to the consumer, a rise in energy prices, which most observers see as inevitable, will help alleviate shortages in two ways. Higher prices for fuels will slow growth in demand by encouraging more efficient use of energy, while higher prices spur energy supply. Regulations protecting the environment will further raise the cost of producing energy and the resultant

higher market prices should approximate more closely energy's true cost to society.

The workings of the market are illustrated by the case of natural gas. The Federal Power Commission has made various moves since 1971 which have caused an increase in natural gas prices. These moves have stimulated exploration activity, and during 1972, exploratory drilling surpassed the 1969 record. The industry's rapid response to the price incentive should lead to increased natural gas supplies in the future, and the fuel's higher price will encourage consumers to economize in its use, thereby slowing growth in demand.

### When is a "Crisis" Not a Crisis?

Thus, the energy "crisis," which has received so much attention during recent months, is not a crisis in the true sense of the word. The present "crisis" was neither sudden nor unpredictable, and the solution to our energy problems will not be easy or fast. Energy supplies are not so low in the United States that any widespread, serious emergency is likely to develop in the near future. The energy pinch has caused severe inconvenience to some and will likely affect more, but this is not of widespread concern to the general public. However, current shortages do point out the need for more effective energy usage in the United States.

The energy message sent to Congress by the President in early April emphasizes the need to seek long-term solutions to the energy problems we now face. We are likely to have to live with an energy "crisis" for several years until proposed actions can become effective. ■

## Bank Announcements

May 9, 1973

### FIRST NATIONAL BANK OF ENGLEWOOD

*Englewood, Florida*

Opened for business. Officers: R. Earl Warren, chairman; J. D. Tate, president; N. Douglas Webb, executive vice president; John W. Hinck, cashier. Capital, \$1,000,000; surplus and other funds, \$500,000.

May 9, 1973

### UNIVERSITY ATLANTIC BANK

*Jacksonville, Florida*

Opened for business as a par-remitting nonmember. Officers: T. E. Doss, Jr., chairman; L. D. Alvarez, president; J. T. King, vice president; L. R. Shugarts, cashier. Capital, \$300,000; surplus and other funds, \$300,000.

May 14, 1973

### FIRST NATCHEZ BANK

*Natchez, Mississippi*

Opened for business as a par-remitting nonmember. Officers: Jack D. Hill, president; Donald Estes, vice president and cashier. Capital, \$500,000; surplus and other funds, \$500,000.

May 18, 1973

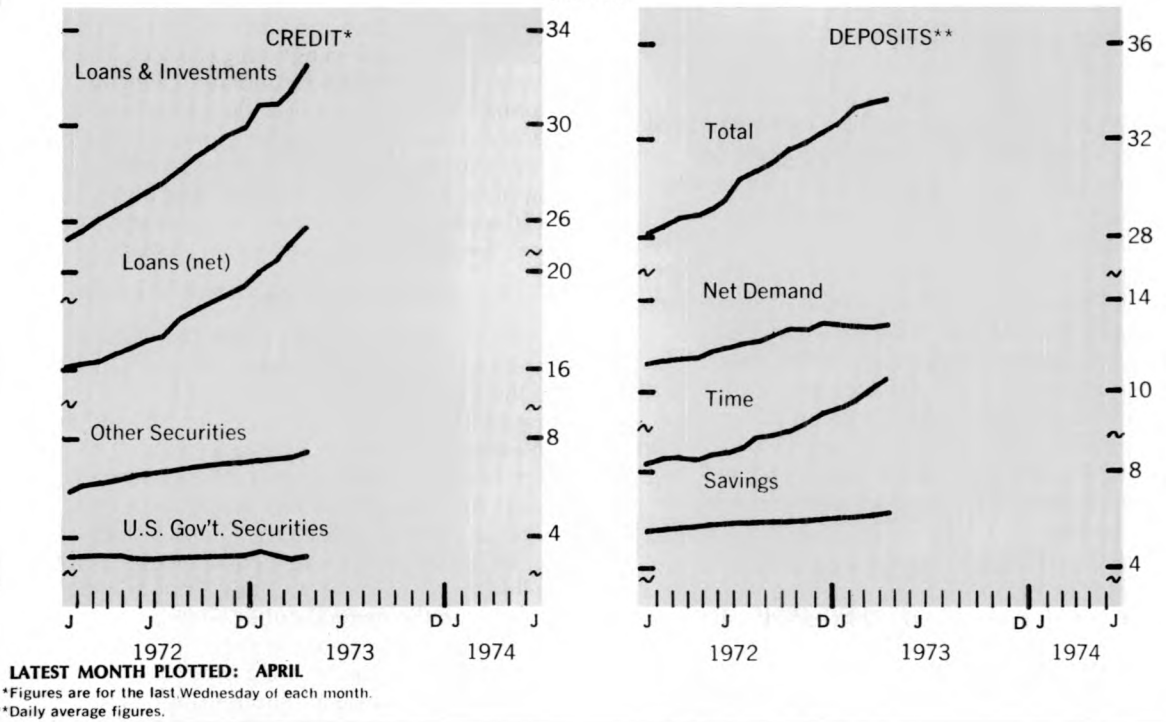
### FIRST FINANCIAL NATIONAL BANK OF TAMPA

*Tampa, Florida*

Opened for business. Officers: Anders L. Ekman, chairman; David G. Marshall, president; J. Douglas Seymour, Jr., vice president and cashier; Mrs. Lucy S. Durham, assistant vice president; Mrs. Barbara N. Hollifield, assistant cashier. Capital, \$400,000; surplus and other funds, \$600,000.

## BANKING STATISTICS

Billion \$



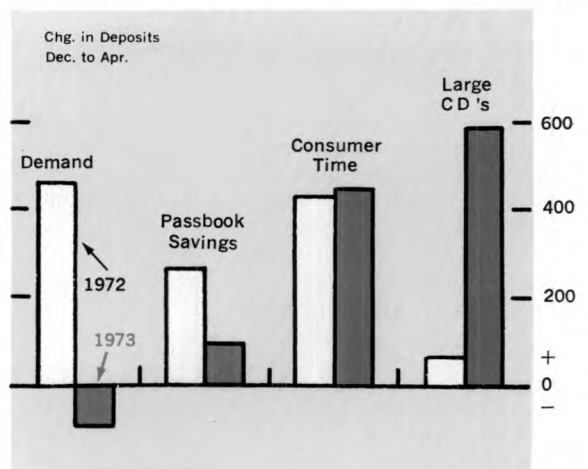
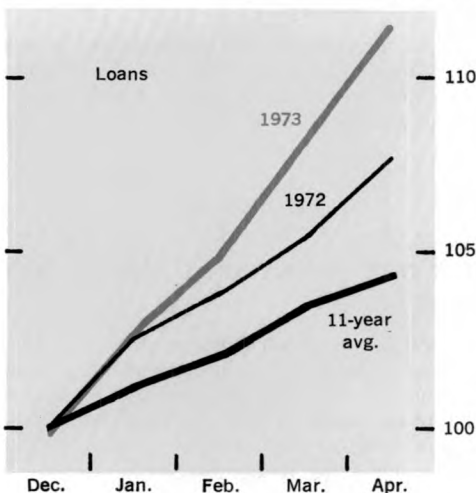
## SIXTH DISTRICT BANKING NOTES

# Impact of Strong Loan Demands

## LOANS AND DEPOSITS

Dec. = 100

Mil. \$



Note: Figures cover all member banks and, except for large C. D.'s, are seasonally adjusted.



During the first four months of 1973, the South-east's booming economic expansion had a major impact on District member banks. In that time, these banks extended \$2.2 billion in loans, thus permitting many business firms and consumers to carry out desired spending plans. Banks, meanwhile, were compelled to compete aggressively for money market CD's and to rely more heavily on other borrowed funds as the previously strong growth in demand deposits and consumer time and savings deposits slowed sharply.

The combination of these developments led to upward pressure on bank lending rates. Although the Committee on Interest and Dividends has constrained lending rates since late 1972, the prime rate for large business customers advanced in a series of five steps from 6 percent in late 1972 to 7¼ percent in late May. Rates to smaller businesses moved up by lesser amounts, while rates on consumer and real estate mortgage loans have remained relatively stable.

Bank loans normally recede during the first months of the year. Not until March or April does volume reach the level of the previous December. This year, however, proved exceptional. Bank loans actually rose in January and February as the volume of new takedowns exceeded volume being paid off.

Thus, after seasonal adjustment, District bank loans rose an unprecedented 11.5 percent during the first four months of 1973—a sharp contrast to the 4.3-percent average of the last decade. And by way of further contrast, the current advance greatly exceeds 1972's record 7.7 percent. While the strong economic expansion was responsible for much of the increased borrowing, bank loans were inexpensive when compared to alternative sources of credit such as commercial paper.

The strongest loan demands developed at the District's largest banks, where business firms increased their borrowing \$520 million, a 14.8-percent gain through April. The previous strongest loan gain was in early 1965 when lending increased 12.4 percent, but loans rose only \$229 million at that time. In earlier years, business loans have advanced an average of only 3.6 percent in the first four months of the year. A 23-percent increase in business term loans accounted for almost one-half of the total business loan increase and lends support to the proposition that most of the District's business loan gain was not a substitute for borrowing in the commercial paper market.

Based upon developments at some of the District's larger banks, demand was also quite strong in other lending areas. Consumer, real estate mortgage, and other types of bank loans posted strong gains.

While banks were being called on to meet these loan requests, deposit growth from previously strong sources slowed. Demand deposits have shown a small decline, and U. S. Government deposits have been the only real source of demand deposit strength. Since the Treasury does not generally leave its deposits with the banks for any

length of time, this trend is apt to reverse itself soon.

As a result of sluggish demand deposit growth, banks have relied more heavily on time deposits, though again they have had to turn to different sources than last year. In spite of strong gains in personal income and unusually large Federal tax refunds, consumer time and savings deposit gains have fallen below last year's gains. Banks have been able to offset an unusual weakness in passbook savings by attracting longer-maturity and higher-yielding consumer time deposits. In total, though, gains in consumer interest-bearing accounts during the first four months have fallen about 25 percent below those experienced last year.

Because of reduced deposit gains from more normal sources, banks turned increasingly to issuing large-denomination negotiable CD's to business firms and state and local governments. Through the first four months of this year, actual CD gains averaged nearly \$147 million each month, representing a substantial increase over the same period last year when the average monthly gain was \$17 million. So far this year, these money market CD's are up a total of \$588 million, a 34-percent gain, and the strength is further underscored by April's unusually strong gain of \$193 million.

Until mid-May, interest rate ceilings effectively constrained banks from issuing very many large CD's with maturities of more than 89 days. In recent months, almost 80 percent of new CD's issued matured in less than three months. Interest rates have moved steadily upward on shorter-maturity CD's, from 5½ percent at the first of the year to about 7¼ percent in late May.

Banks have greatly increased their use of borrowed reserves during the first part of 1973. District banks shifted from being net sellers of about \$120 million in Federal funds during December to a net purchasing position of almost \$550 million in April. The larger banks, particularly in Atlanta, have accounted for over four-fifths of the rise in net purchases of Federal funds. As banks are relying more on these overnight reserves, rates have exceeded 8 percent in May, up from 5½ percent at the first of the year.

Discount activity also advanced in recent months. Borrowings averaged \$56 million in January when about ten banks were borrowing at any one time. In April, over 30 banks increased the daily level of borrowings to \$130 million, and on some days in May, requests for \$240 million were being met by this Bank. The bigger District banks accounted for about one-half of the increased volume, although a substantially larger number of small- and medium-size banks are also being accommodated. The discount rate moved from 4½ percent at the first of the year to the late May level of 6 percent. In part, the greater use of the discount window reflects the growing interest rate differential between the discount rate and the cost of other borrowed funds.

JOHN M. GODFREY

# Sixth District Statistics

## Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago		Latest	Month	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>						<b>Unemployment Rate</b>					
<b>INCOME AND SPENDING</b>						<b>(Percent of Work Force)</b>					
Manufacturing Payrolls	Apr.	159	158	157	145	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	4.1	4.3	4.2	5.3
Farm Cash Receipts	Mar.	173	161	168	146		Apr.	41.5	41.0	41.7	41.2
Crops	Mar.	184	169	189	193	<b>FINANCE AND BANKING</b>					
Livestock	Mar.	179	170	166	143	Member Bank Loans	Apr.	208	204	200	172
Installment Credit at Banks* (Mil. \$)						Member Bank Deposits	Apr.	182	179	180	157
New Loans	Apr.	660.6	670.0	715.7	528.4	Bank Debits**	Apr.	197	204	194	167
Repayments	Apr.	569.3	514.7	587.1	439.4	<b>FLORIDA</b>					
<b>EMPLOYMENT AND PRODUCTION</b>						<b>INCOME</b>					
Nonfarm Employment	Apr.	125	125	124	120	Manufacturing Payrolls	Apr.	156	157	153	145
Manufacturing	Apr.	114	114	114	110	Farm Cash Receipts	Mar.	151	147	135	175
Nondurable Goods	Apr.	112	112	112	110	<b>EMPLOYMENT</b>					
Food	Apr.	105	105	104	104	Nonfarm Employment	Apr.	140	139	138	131
Textiles	Apr.	110	110	110	107	Manufacturing	Apr.	119	118	117	113
Apparel	Apr.	110	111	111	110	Nonmanufacturing	Apr.	144	143	142	135
Paper	Apr.	111	110	110	109	Construction	Apr.	178	174	172	160
Printing and Publishing	Apr.	122	122	122	118	Farm Employment	Apr.	99	103	93	97
Chemicals	Apr.	106	105	105	105	Unemployment Rate					
Durable Goods	Apr.	116	116	116	110	(Percent of Work Force)	Apr.	3.1	2.9	3.0	3.6
Libr., Wood Prods., Furn. & Fix.	Apr.	110	110	111	105	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	41.4	41.9	41.9	41.6
Stone, Clay, and Glass	Apr.	120	120	121	114	<b>FINANCE AND BANKING</b>					
Primary Metals	Apr.	109	110	111	106	Member Bank Loans	Apr.	251	251	248	190
Fabricated Metals	Apr.	127	127	126	119	Member Bank Deposits	Apr.	216	212	213	178
Machinery	Apr.	139	137	137	125	Bank Debits**	Apr.	259	263	247	208
Transportation Equipment	Apr.	107	108	109	107	<b>GEORGIA</b>					
Nonmanufacturing	Apr.	129	129	128	123	<b>INCOME</b>					
Construction	Apr.	134	134	133	128	Manufacturing Payrolls	Apr.	161	158	156	144
Transportation	Apr.	122	121	121	116	Farm Cash Receipts	Mar.	184	161	171	136
Trade	Apr.	131	131	131	124	<b>EMPLOYMENT</b>					
Fin., ins., and real est.	Apr.	135	134	134	128	Nonfarm Employment	Apr.	122	123	122	119
Services	Apr.	133	133	133	128	Manufacturing	Apr.	109	109	109	108
Federal Government	Apr.	101	102	102	101	Nonmanufacturing	Apr.	128	129	128	125
State and Local Government	Apr.	131	131	130	125	Construction	Apr.	128	130	127	125
Farm Employment	Apr.	81	90	92	89	Farm Employment	Apr.	84	92	95	86
Unemployment Rate						Unemployment Rate					
(Percent of Work Force)	Apr.	3.7	3.6	3.6	4.1	(Percent of Work Force)	Apr.	3.5	3.5	3.6	3.6
Insured Unemployment						Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	41.1	40.8	40.2	41.2
(Percent of Cov. Emp.)	Apr.	1.6	1.8	1.8	2.3	<b>FINANCE AND BANKING</b>					
Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	41.2	41.0	41.1	41.3	Member Bank Loans	Apr.	233	220	210	167
Construction Contracts*	Apr.	227	281	249	213	Member Bank Deposits	Apr.	179	169	170	146
Residential	Apr.	285	353	288	271	Bank Debits**	Apr.	285	260	226	193
All Other	Apr.	170	211	211	156	<b>LOUISIANA</b>					
Electric Power Production**	Dec.	188	187	186	168	<b>INCOME</b>					
Cotton Consumption**	Mar.	85	81	84	91	Manufacturing Payrolls	Apr.	145	145	143	136
Petroleum Production**	May	114	116	116	114	Farm Cash Receipts	Mar.	143	146	151	122
Manufacturing Production	Mar.	291	288	281	268	<b>EMPLOYMENT</b>					
Nondurable Goods	Mar.	242	239	236	231	Nonfarm Employment	Apr.	114	114	115	112
Food	Mar.	187	186	185	184	Manufacturing	Apr.	105	106	105	103
Textiles	Mar.	284	282	282	264	Nonmanufacturing	Apr.	115	116	117	113
Apparel	Mar.	294	287	273	287	Construction	Apr.	100	103	103	101
Paper	Mar.	223	222	220	211	Farm Employment	Apr.	73	81	87	82
Printing and Publishing	Mar.	164	162	161	164	Unemployment Rate					
Chemicals	Mar.	307	306	305	294	(Percent of Work Force)	Apr.	5.4	5.5	5.3	5.4
Durable Goods	Mar.	349	348	336	314	Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	41.8	42.4	42.1	42.5
Lumber and Wood	Mar.	200	200	195	190	<b>FINANCE AND BANKING</b>					
Furniture and Fixtures	Mar.	191	191	186	179	Member Bank Loans*	Apr.	197	196	191	154
Stone, Clay, and Glass	Mar.	207	206	192	187	Member Bank Deposits*	Apr.	166	165	167	150
Primary Metals	Mar.	234	231	223	202	Bank Debits*/**	Apr.	172	166	175	149
Fabricated Metals	Mar.	285	283	283	266	<b>MISSISSIPPI</b>					
Nonelectrical Machinery	Mar.	436	435	421	396	<b>INCOME</b>					
Electrical Machinery	Mar.	771	778	755	652	Manufacturing Payrolls	Apr.	173	172	175	161
Transportation Equipment	Mar.	459	453	433	425	Farm Cash Receipts	Mar.	245	210	260	162
<b>FINANCE AND BANKING</b>						<b>EMPLOYMENT</b>					
Loans*						Nonfarm Employment	Apr.	122	122	122	118
All Member Banks	Apr.	226	223	218	173	Manufacturing	Apr.	126	127	127	122
Large Banks	Apr.	214	208	202	160	Nonmanufacturing	Apr.	120	120	119	116
Deposits*						Construction	Apr.	114	115	118	117
All Member Banks	Apr.	190	186	187	160	Farm Employment	Apr.	64	88	88	88
Large Banks	Apr.	168	162	163	143	<b>ALABAMA</b>					
Bank Debits*/**	Apr.	232	228	214	181	<b>INCOME</b>					
<b>ALABAMA</b>						Manufacturing Payrolls	Apr.	156	156	157	139
<b>INCOME</b>						Farm Cash Receipts	Mar.	200	198	195	171
Manufacturing Payrolls	Apr.	156	156	157	139	<b>EMPLOYMENT</b>					
Farm Cash Receipts	Mar.	200	198	195	171	Nonfarm Employment	Apr.	114	115	115	111
<b>EMPLOYMENT</b>						Manufacturing	Apr.	111	112	113	108
Nonfarm Employment	Apr.	114	115	115	111	Nonmanufacturing	Apr.	115	115	115	112
Manufacturing	Apr.	111	112	113	108	Construction	Apr.	114	113	113	112
Nonmanufacturing	Apr.	115	115	115	112	Farm Employment	Apr.	74	79	81	82
Construction	Apr.	114	113	113	112	<b>FLORIDA</b>					
Farm Employment	Apr.	74	79	81	82	<b>INCOME</b>					

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Apr.	4.2	3.7	3.8	4.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	40.6	40.2	40.9	41.0

#### FINANCE AND BANKING

Member Bank Loans*	Apr.	212	216	214	175
Member Bank Deposits*	Apr.	183	184	182	160
Bank Debits/**	Apr.	221	211	199	173

#### TENNESSEE

##### INCOME

Manufacturing Payrolls	Apr.	165	162	161	150
Farm Cash Receipts	Mar.	175	167	156	147

\*For Sixth District area only; other totals for entire six states

\*\*Daily average basis

#### EMPLOYMENT

Nonfarm Employment	Apr.	124	124	118
Manufacturing	Apr.	115	115	111
Nonmanufacturing	Apr.	129	129	122
Construction	Apr.	123	125	121
Farm Employment	Apr.	83	88	92
Unemployment Rate (Percent of Work Force)	Apr.	2.9	2.8	3.4
Avg. Weekly Hrs. in Mfg. (Hrs.)	Apr.	40.8	40.6	40.9

#### FINANCE AND BANKING

Member Bank Loans*	Apr.	213	215	210	168
Member Bank Deposits*	Apr.	177	177	181	155
Bank Debits/**	Apr.	184	186	180	155

†Preliminary data

‡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.

†Data benchmarked to June 1971 Report of Condition

# Debits to Demand Deposit Accounts

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

Percent Change						Percent Change					
			April 1973 From			Year to date 4 mos. from 1973			April 1973 From		
April 1973	Mar. 1973	April 1972	April 1973	Mar. 1973	April 1972	April 1973	Mar. 1973	April 1972	April 1973	Mar. 1973	April 1972
<b>STANDARD METROPOLITAN STATISTICAL AREAS**</b>											
Birmingham	3,293,314	3,487,487	2,686,666	- 6	+23	+20					
Gadsden	90,810	96,009	80,392	- 5	+13	+20					
Huntsville	286,235	288,221	240,627	- 1	+19	+14					
Mobile	910,275	902,314	834,661	+ 1	+ 9	+10					
Montgomery	587,971	617,626	460,303	- 5	+28	+23					
Tuscaloosa	194,450	193,139	149,194	+ 1	+30	+23					
Bartow-Lakeland											
Winter Haven	750,227	758,571	563,095	- 1	+33	+26					
Daytona Beach	368,027	348,738	293,554	+ 6	+25	+23					
Ft. Lauderdale											
Hollywood	1,932,627	1,826,078	1,515,806	+ 6	+27	+18					
Ft. Myers	321,905	305,335	230,302	+ 5	+40	+35					
Gainesville	254,071	236,238	193,492	+ 8	+31	+20					
Jacksonville	3,346,902	3,601,834	2,705,866	- 7	+24	+26					
Melbourne											
Titusville											
Coca	438,144	391,781	317,701	+12	+38	+28					
Miami	6,630,616	6,632,476	4,996,580	- 0	+33	+25					
Orlando	1,499,657	1,459,406	1,235,180	+ 3	+21	+23					
Pensacola	406,899	409,336	354,551	- 1	+15	+11					
Sarasota	524,844	537,917	340,541	- 2	+54	+46					
Tallahassee	879,637	852,925	584,763	+ 3	+50	+47					
Tampa-St. Pete	3,711,563	3,798,212	2,995,096	- 2	+24	+22					
W. Palm Beach	1,311,732	1,162,779	896,686	+13	+46	+37					
Albany	189,895	187,019	148,930	+ 2	+28	+22					
Atlanta	16,166,654	14,612,954	9,874,733	+11	+64	+44					
Augusta	503,059	493,243	398,412	+ 2	+26	+17					
Columbus	420,036	386,289	342,346	+ 9	+23	+11					
Macon	510,165	513,985	397,715	- 1	+28	+19					
Savannah	508,790	503,555	418,260	+ 1	+22	+21					
Alexandria	232,277	235,168	181,871	- 1	+28	+21					
Baton Rouge	1,096,667	1,042,749	985,664	+ 5	+11	+ 9					
Lafayette	269,932	248,356	194,711	+ 9	+39	+25					
Lake Charles	215,871	217,613	182,416	- 1	+18	+10					
New Orleans	3,804,267	3,720,534	3,154,009	+ 2	+21	+33					
Biloxi-Gulfport	266,451	257,477	183,441	+ 3	+45	+21					
Jackson	1,420,563	1,316,644	984,978	+ 8	+44	+26					
Chattanooga	1,222,049	1,183,253	882,787	+ 3	+38	+16					
Knoxville	925,378	860,556	718,600	+ 8	+29	+21					
Nashville	3,063,630	3,052,217	2,520,684	+ 0	+22	+23					
<b>OTHER CENTERS</b>											
Anniston	111,628	103,755	87,234	+ 8	+28	+16					
Dothan	161,029	157,543	113,469	+ 2	+42	+25					
Selma	76,379	73,176	54,849	+ 4	+39	+32					
Bradenton	189,892	185,332	150,537	+ 2	+26	+32					
Monroe County	75,534	75,254	59,285	+ 0	+27	+27					
Ocala	198,944	183,384	137,244	+ 8	+45	+32					
St. Augustine	27,184	26,875	29,992	+ 1	- 8	-10					
St. Petersburg	1,007,073	966,146	715,793	+ 4	+41	+34					
Tampa	1,720,121	1,793,996	1,430,203	- 4	+20	+17					
Athens	156,366	150,111	131,299	+ 4	+19	+17					
Brunswick	101,942	91,307	73,593	-12	+39	+22					
Dalton	184,007	190,275	148,285	- 3	+24	+22					
Elberton	23,355	20,660	18,818	+13	+24	+16					
Gainesville	138,641	129,863	101,222	+ 7	+37	+31					
Griffin	66,048	66,255	54,413	- 0	+21	+25					
LaGrange	38,626	41,123	31,068	- 6	+24	+21					
Newnan	71,890	67,007	37,505	+ 7	+92	+52					
Rome	134,063	133,254	113,652	+ 1	+18	+17					
Valdosta	92,313	86,006	78,666	+ 7	+17	+11					
Abbeville	15,649	14,195	15,479	+10	+ 1	- 1					
Bunkie	9,490	10,827	7,965	-12	+19	+29					
Hammond	74,896	73,531	57,533	+ 2	+30	+31					
New Iberia	51,921	52,382	47,803	- 1	+ 9	+13					
Plaquemine	21,996	22,623	14,403	- 3	+53	+52					
Thibodaux	35,410	36,442	29,414	- 3	+20	+ 9					
Hattiesburg	117,795	118,419	98,994	- 1	+19	+17					
Laurel	69,972	74,628	60,209	- 6	+16	+23					
Meridian	111,030	111,659	95,303	- 0	+17	+19					
Natchez	49,996	57,616	44,655	-13	+12	+ 9					
Pascagoula											
Moss Point	149,154	152,228	116,030	- 2	+29	+33					
Vicksburg	67,937	72,555	56,114	- 6	+21	+28					
Yazoo City	40,804	35,444	39,238	+15	+ 4	+ 3					
Bristol	114,173	110,261	115,233	+ 3	- 1	+ 4					
Johnson City	155,980	158,650	134,552	- 2	+16	+13					
Kingsport	255,498	294,633	209,470	-13	+22	+18					
District Total	72,076,528	70,123,388	54,098,230r	+ 3	+33	+27					
Alabama	7,724,765	7,869,432	6,341,802	- 2	+22	+19					
Florida	24,754,332	24,669,076	19,071,101r	+ 0	+30	+26					
Georgia	21,946,982	20,329,939	14,472,675	+ 8	+52	+37					
Louisiana†	6,760,070	6,616,480	5,670,674	+ 2	+19	+25					
Mississippi†	2,973,140	2,920,325	2,264,309	+ 2	+31	+22					
Tennessee†	7,917,239	7,718,136	6,277,669	+ 3	+26	+21					

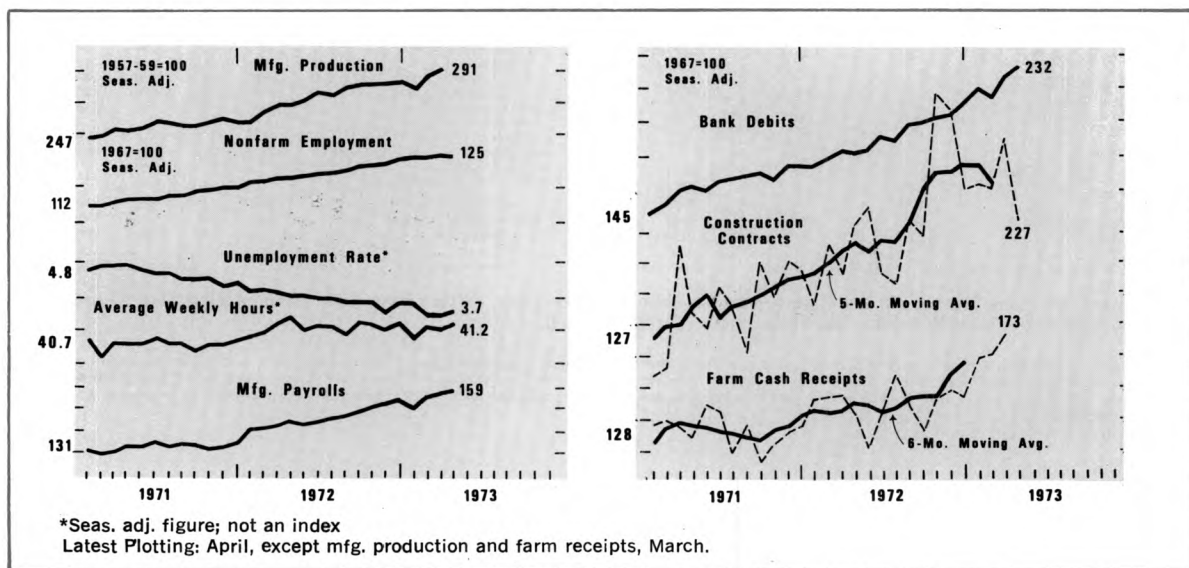
† District portion only

‡ 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.

\*\* Conforms to SMA definitions as of December 31, 1972.

# District Business Conditions



The region's strong economic advance paused in late spring. Construction contracts declined. The labor market softened slightly, and the growth of both consumer spending and bank loans slowed. The farm sector continued to receive high prices and increasing income, but floods seriously threatened future production.

Softness appeared in both residential and non-residential construction activity in April. The value of contract awards for residences was at its lowest level in ten months; after a strong first quarter, the value of nonresidential awards fell back to last December's level as large contracts were few and far between. Deposit inflows at thrift institutions continued to show some weakness, but these institutions have not curtailed mortgage lending.

After over 30 months of steady gains, nonfarm employment dipped slightly in April. All District states, with the exception of rapidly growing Florida, shared in these job losses. The unemployment rate inched upward to 3.7 percent. The manufacturing labor market remains tight, however, despite small job reductions. Factory hours lengthened from an already high level, and manufacturing payrolls advanced strongly. The latest data also reveal a broad expansion in output by almost every major manufacturing industry.

Growth of consumer instalment credit at commercial banks slowed sharply in April. The slowdown was most pronounced in net extensions of loans to buy autos and other consumer goods; gains in all categories were small. Unit sales of

domestically produced autos declined from the hot pace of recent months but were still above April of last year.

Banks are making increasing use of borrowed funds to offset weak deposit gains. Large-denomination CD's provide the only major source of deposit strength at many large banks. Bank lending continues to rise, although at a much slower rate than in previous months. On May 11, this Bank raised its discount rate to 6 percent, while most District banks as of late May posted a 7 $\frac{1}{4}$ -percent prime rate for their larger business customers.

Prices of farm products rose less rapidly in April, reflecting declines in most livestock items. However, most crop prices increased through early May because of heavy rains and record floods that have delayed crop plantings and may have prevented the planting of much cotton acreage in the Mississippi Delta. Reflecting rising money market rates, a large farm credit agency recently announced the second one-fourth percent increase in loan rates since the end of April. District farm cash receipts through March exceeded year-ago levels by more than 13 percent even though Florida experienced a decline.

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