monthly review

july

ederal Reserve Bank of Atlanta - 1973

In this issue:

A Profile of Southeastern Poverty

The District: A Note on Revenue Sharing

Banking Notes: Foreign Branches Add to Growth

District Business Conditions

SIXTH FEDERAL RESERVE DISTRICT

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A Profile of Southeastern Poverty

by William D. Toal

The Southeast's economy has, in the past two decades, been caught up in the whirlwind of a rapid economic expansion during which its per capita personal income has risen from 69 percent of the national average in 1950 to 74 percent in 1960 and to over 83 percent in 1972.[1] In the midst of this rapid growth, however, one fact stands out: A sizable minority of this region's population remains poor. Although the Southeast's rapid economic growth has brought a rising level of prosperity to the average citizen, this growth has not been shared evenly by everyone; some have been left behind, those who are called the "poverty stricken."

A careful consideration of the following questions will shed more light on this problem:

1. What is poverty?
2. How much poverty exists in the Southeast?
3. How has the Southeast's poverty profile changed in the Sixties?
4. Who are the Southeast's poor?
5. Where are these poor?
6. What are some general characteristics of an area where poverty is acute?

What is Poverty?

Poverty is a difficult concept to define, akin to defining ugliness or beauty. For example, is poverty an absolute or relative concept? Can the borderline between being poor and not being poor be drawn only in relation to the degree of well-being that exists, on an average basis, throughout a society? Or is there a definite minimum level of subsistence associated with a minimum income level necessary to lift people above poverty? Further, can poverty be quantified in dollar terms? Surely, nonmoney sources of income should be considered in

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[1]The Southeast, as defined here, includes those states entirely or partially within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Monthly Review, Vol. LVIII, No. 7. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

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WEIGHTED AVERAGE POVERTY THRESHOLDS IN 1971

Size of Family	Total	Nonfarm			Farm		
		Total	Male Head[1]	Female Head[1]	Total	Male Head[1]	Female Head[1]
All unrelated individuals	$2,033	$2,040	$2,136	$1,978	$1,727	$1,783	$1,669
Under 65 years	2,093	2,098	2,181	2,017	1,805	1,853	1,715
65 years and over	1,931	1,940	1,959	1,934	1,652	1,666	1,643
All families	3,700	3,724	3,764	3,428	3,235	3,242	3,079
2 persons	2,612	2,633	2,641	2,581	2,219	2,224	2,130
Head under 65 years	2,699	2,716	2,731	2,635	2,317	2,322	2,195
Head 65 years and over	2,424	2,448	2,450	2,437	2,082	2,081	2,089
3 persons	3,207	3,229	3,246	3,127	2,745	2,749	2,627
4 persons	4,113	4,137	4,139	4,116	3,527	3,528	3,513
5 persons	4,845	4,880	4,884	4,837	4,159	4,159	4,148
6 persons	5,441	5,489	5,492	5,460	4,688	4,689	4,656
7 or more persons	6,678	6,751	6,771	6,583	5,736	5,749	5,516

[1]For unrelated individuals, sex of the individual.
Source: Bureau of the Census

any poverty definition. For example, though his money income may be low, the self-sufficient backwoodsman may be better off in a real sense than the middle-class city dweller who spends a sizable portion of his income overcoming the problems of big city life.

As one can see, the problems of defining poverty are numerous. Nevertheless, if a useful analysis of poverty and its related problems is to be undertaken, some definition is necessary. Probably the best poverty statistics are those published by the U. S. Census Bureau based on definitions originally developed in 1964 by the Social Security Administration and later revised in 1969 by a Federal Interagency Committee.[2] The basic concept of these definitions is "a nutritionally adequate food plan ('economy' plan) designed by the Department of Agriculture for 'emergency or temporary use when funds are low.' " Annual cost-of-living adjustments are made in these poverty thresholds based on changes in the Consumer Price Index. Poverty thresholds are also adjusted for farm or nonfarm residence. The farm poverty threshold is 85 percent of the nonfarm level to take account of possible "nonmoney" forms of income in rural areas, such as food grown and consumed on the farm. Other adjustments are made for family size, sex of family head, and age of individuals.

One shortcoming of these poverty thresholds is that they do not account for regional cost-of-living differences. However, as noted above, they do adjust for farm-nonfarm differences, a major influence in regional variations.

The table lists the 1971 poverty thresholds. The general threshold for a family of four was $4,113. However, as one can see, this level varies not only with family size but with sex of family head, age, and farm-nonfarm location. For example, the lowest threshold is for the unrelated female 65 years and over who lives on a farm. The highest is for a male residing in a nonfarm area heading a family with seven or more members. This study of poverty in the Southeast is based largely on these census poverty statistics, as imperfect as they might be.

How Much Poverty Exists in the Southeast?

Paradoxically, the Southeast, despite its rapid economic growth, has the highest concentration of poverty of any region. In 1969, over 1.1 million families and over 5.4 million persons fell below the poverty line. This was 18 percent of Southeastern families and over 22 percent of the area's population. Nationally, less than 11 percent of families and less than 14 percent of the total population were poor. In fact, of the more than 24.7 million poor people in the nation, almost 20 percent are in the Southeast; at the same time, this region makes up only about 12 percent of the nation's population.

Looking at individual Southeastern states further sharpens the contrast with national conditions. Based on 1969 statistics, only Florida has an incidence of poverty (i.e., percent of population below poverty levels) even close to the nation's. Georgia, Tennessee, Alabama, Louisiana, and Mississippi then follow, respectively, in their incidence or acuteness of poverty. Mississippi, after a decade of significant economic growth, still has over one-third of its population below poverty levels, nearly three times the national average. The other four Southeastern states all had over 20 percent of their populations designated poor. Apparently, rapid economic growth of itself cannot wipe out poverty, at least not in a short time.

How Has Poverty Changed in the Sixties?

The data required to analyze poverty changes are,

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[2]See: Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," **Social Security Bulletin** (January 1965).

U. S. Bureau of the Census, **Revision in Poverty Statistics, 1959 to 1968,** Current Population Reports, Series P-23, No. 28 (August 12, 1969).

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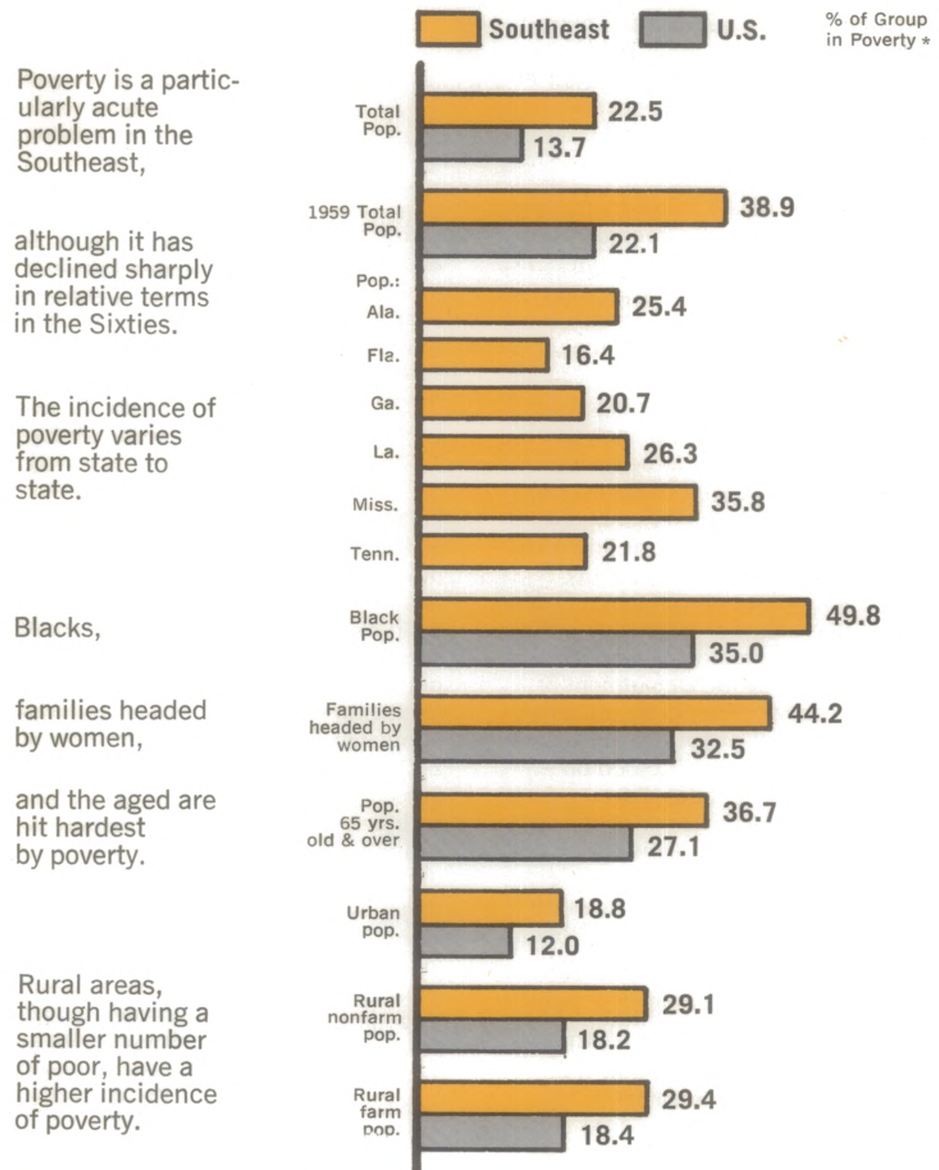
Southeastern Poverty: A Graphic Story



* All data are 1969 figures unless otherwise indicated.

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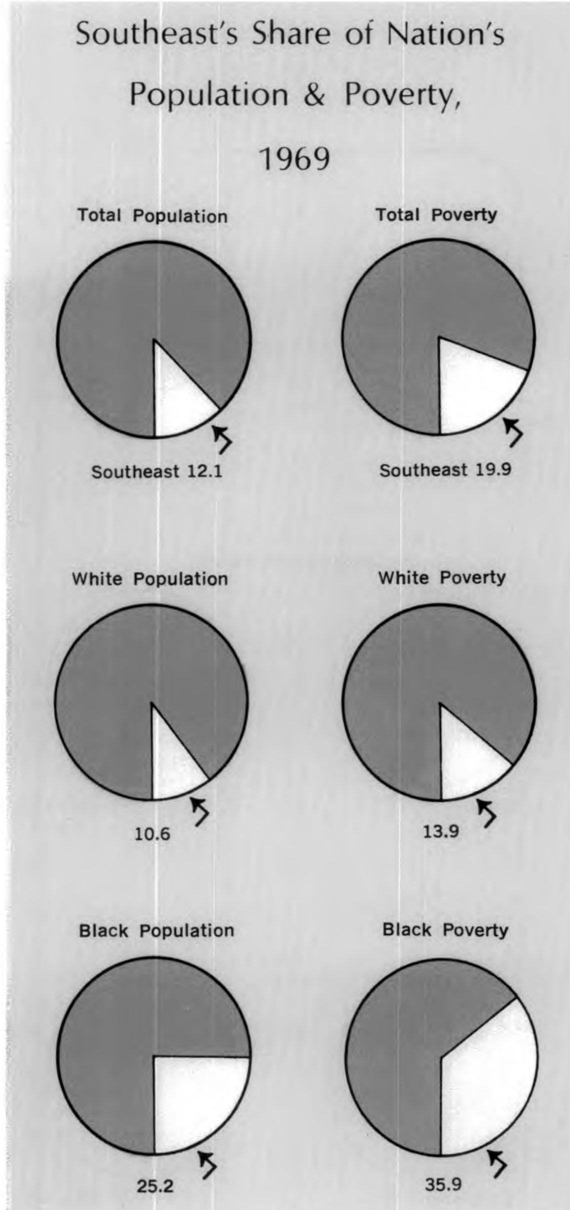
at best, sketchy. Since the poverty statistics used today (i.e., the Census and Social Security definitions) were not developed until 1964, little information exists to form a consistent definition of poverty changes over an entire decade (on a state basis). Some estimates are available from the Office of Economic Opportunity, and these can be compared with more recent data to examine the progress made in eradicating poverty.

Between the years 1959 and 1969, national poverty, both in number of people and as a percent of the population, dropped off sharply. There were over 11.5 million fewer people below poverty levels in 1969 than there were ten years earlier. At the same time, the incidence of poverty dropped from 22.1 percent of the population to 13.7 percent. The number of poor in the six Southeastern states dropped by nearly 2.7 million people between 1959 and 1969, accounting for nearly one-quarter of the total U. S. decline. The net result was a substantial reduction in the incidence of Southeastern poverty (from 38.9 percent of the population to 22.5 percent). The decline, however, was from the very high level existing in 1959. At that time, for example, all Southeastern states except Florida had nearly 40 percent or more of their populations below poverty levels. In fact, Mississippi classified nearly 55 percent of its population as poor in 1959; in other words, "majority" poverty then existed in the state. Bearing these facts in mind, it is little wonder that, although the number of poor has declined sharply in the Southeast, it still remains the country's major poverty area.



Who are the Southeast's Poor?

Overall statistics indicate that today only a minority of the Southeast is poor. These statistics, however, hide the fact that for some groups—blacks, families headed by women (especially blacks), and the aged—conditions of majority poverty still exist.

While poverty hits all segments of the Southeast's population, blacks are most severely affected. According to 1969 statistics, slightly over one-half of the Southeast's poor are black and nearly 50 percent of blacks are poor. Thus, poverty among this group is still a problem affecting more than just a minority. Black poverty in the region contrasts sharply with developments nationally, where less than one-third of the poor are black and where 35 percent of blacks are poor. Alabama, Louisiana, and Mississippi all had over one-half of their black populations below the poverty line; in Mississippi nearly 65 percent of the black population fall below poverty levels. Apparently it takes time to dissolve poverty among this segment of the Southeast's population, where discrimination and lack of job opportunities have historically contributed to poverty conditions.

Families headed by women are also a poverty-prone segment of both the Southeast's and nation's populations. For example, these families make up over 30 percent of the poor in the Southeast (measured in family units); however, 44 percent of all Southeastern families headed by women fall into the poverty category. Again, poverty is more acute in this group in the Southeast than nationally. Families headed by black females have an even higher poverty incidence with over 65 percent classified as poor. The situation is even worse when state variations are considered. For example, in Louisiana over 70 percent, and in Mississippi over 77 percent, of families headed by black females are

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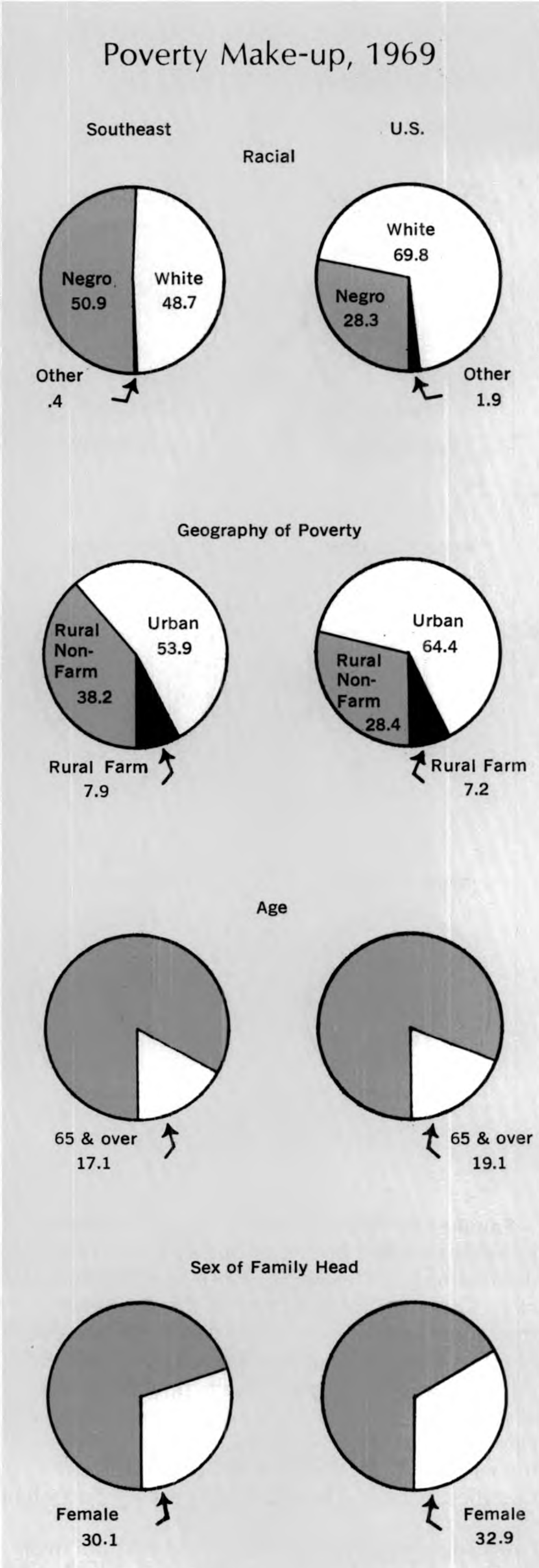

poor, based on 1969 data.

The aged are also more likely to be poverty-stricken. Approximately 17 percent of the Southeast's poverty is found in the 65-and-over age group. Again, the incidence of poverty for this group is higher than nationally, nearly 37 percent of the total 65-and-over population contrasted with 27 percent nationally. The proportion would be even higher except for Florida's comparatively low figures brought about by the influx of relatively well-to-do retirees. For the other five Southeastern states, over 40 percent of the 65-and-over population were poor. In Mississippi, over one-half of its older citizens were below poverty levels.

Where are the Southeast's Poor?

Up to this point we have discussed geographic differences in poverty only by comparisons of national, Southeastern, and individual state poverty incidences. Poverty can also be spread unevenly throughout a state. For example, rural-urban differences as well as differences among the major metropolitan areas may be evident. Also, poverty may be more concentrated in some rural areas than in others, based on past developments in agriculture, mining, and the differential impact of economic growth.

The conventional view is that Southeastern poverty is a rural phenomenon, while in other regions of the country the poor reside mainly in large metropolitan areas (partly as a result of the poor migrating from the rural South to the urban North). This conception is only partially true. Actually, the Southeast has slightly more poor people in urban areas than in rural areas. However, the contrast between urban and rural poverty is much less in the Southeast than nationally where there are nearly twice as many urban as rural poor. When viewed in terms of incidence, poverty is much more acute in Southeastern rural areas than in urban areas. This should be expected because of the larger proportion of the Southeast's population living in cities than in rural areas. While approximately 19 percent of Southeastern urban populations are poor, over 29 percent of rural populations are, according to 1969 statistics. Differences also exist nationally in the acuteness of poverty between urban and rural areas, but these differences are more pronounced in the Southeast.

These urban-rural distinctions exist in varying degrees in each Southeastern state. Florida, with the smallest incidence of poverty, also has the least difference between urban and rural areas. On the other hand, Mississippi, the state with the most acute poverty, also has the largest disparity between its urban and rural poor.

Even in urban areas, the incidence of poverty varies greatly, although usually it is less acute than in rural areas. Looking specifically at the Southeastern metropolitan areas, only two, Fort

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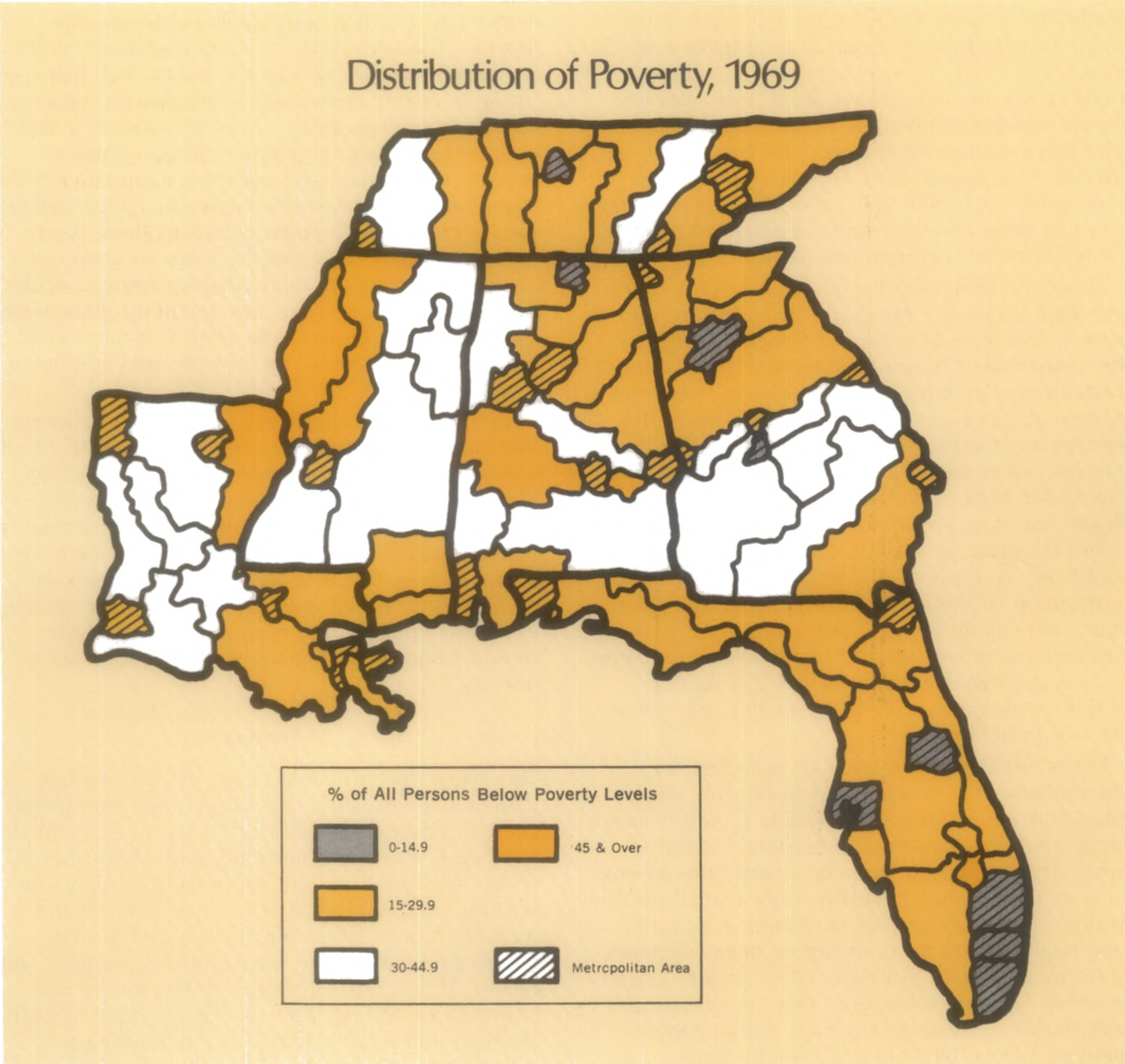

Lauderdale and Atlanta, had less than 10 percent of their family units below poverty levels. (Also, in terms of total population, poverty was the least acute in these two areas.) Those having the most acute poverty still had only 18 to 20 percent of family units categorized as poor. These areas were generally in Alabama, Louisiana, and Mississippi, states which, on an overall basis, suffer most from poverty. Thus, although metropolitan and urban areas are not as likely to have as great a proportion of poor as are rural areas, still, urbanization of itself will not remove all traces of acute poverty.

The map presents a more closely defined view of the Southeast's poor. This division of poverty is based on State Economic Areas as defined by the U. S. Bureau of the Census. As shown, the intensity of poverty varies considerably within a state.

The most acute poverty lies in northeastern Louisiana, northwestern Mississippi and south central Alabama. The population of each of these areas is at least 45 percent poor. Again, a large portion of these poor reside in rural areas. Also, these high-poverty areas seem to have one other feature in common—a generally older average population. Only Florida is free of high poverty concentration (i.e., 30 percent or over) and even in this state the northern areas contain some pockets of rural poverty.

Characteristics of Poverty Areas

We have mentioned that poverty is found most often in the black, the aged, and female populations. It logically follows, then, that those areas

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heavily weighted with blacks, the aged, and families headed by females would be more likely to have high concentrations of poor. It only takes a quick glance at Florida, however, to see that these implications do not always hold true. Because Florida's older population is weighted toward relatively wealthy retirees, an older population has not meant a poorer one. Likewise, while some correlation can be found in other Southeastern areas between population age and the extent of poverty, the relationship is at best very weak.

Economic characteristics of Southeastern states and State Economic Areas are, of course, related to poverty and provide some additional insights into the chances and means of eliminating it.[3] Almost by definition, poverty is closely related to average income in states and areas; that is, the lower the average income in a state or area, the greater the intensity of poverty. This relationship holds exactly for each of the six Southeastern states and closely for State Economic Areas within and among states. However, states with high average income could still have a high incidence of poverty if the distribution of this income were skewed unequally. Thus, particularly when Southeastern metropolitan areas are examined, areas of higher average income, as well as greater equality in the distribution of this income, generally have smaller concentrations of poor.

Labor market conditions as reflected by unemployment rates appeared to be only weakly related to the incidence of poverty in Southeastern states, metropolitan areas, and State Economic Areas. The variation in unemployment rates among areas of the Southeast explains only a small portion of this region's geographic variations in poverty. One might expect areas of higher unemployment to be more closely associated with greater poverty intensity. Several explanations may account for this lack of a strong relationship. First, the unemployment statistics often fail to account for those working only part-time and those reporting that they are employed even when they are not. This underreporting of unemployment is particularly prevalent in rural areas.

More importantly, however, the lack of a strong relationship between poverty and unemployment rates may be associated with the nature of a sizable portion of Southeastern poverty. That is, the high incidence of poverty among the aged and families with female heads, groups not normally in the labor force, weakens this relationship. Meanwhile, there appears to be some correlation between the degree of poverty and the participation of males (under 65 years of age) in the labor force, particularly among individual Southeastern states and metropolitan areas. Those areas with a higher incidence of poverty generally have a smaller percent of their working age male population in the labor force. Possibly discouragement, lack of skills, discrimination, or a combination of these cause male workers of prime working age to drop out of the labor force in areas where poverty is acute. This would also weaken any relationship between poverty incidence and area unemployment rates since these "dropouts" are not counted among the unemployed.

The net result of this weak relationship between the incidence of poverty and labor market conditions (as reflected by unemployment rates) is that poverty may not be completely responsive to economic growth or industrialization. Consequently, there is a real question whether, particularly in rural areas of the Southeast, economic growth of itself can reduce poverty to insignificant levels in a short time. Rather, in these areas, attention should be given to the special nature of existing poverty.

In Summary

This article has probably raised more questions than it has answered. Its major contribution has been to point out how much poverty exists in the Southeast, who these poor are, and where they reside. Certainly, an efficient means to eliminate poverty completely has not as yet been found. As long as poverty remains as a sizable portion of a region's economy, unanswered questions will persist. This is not surprising; as this article has pointed out, though poverty has declined in both absolute and relative terms in the Southeast, it still remains the lot of a majority of specific groups in certain areas.

Poverty remains a vexing problem in the Southeast. Although it hits only a minority of the region's population, still over 20 percent are poor. The Southeast, after two decades of rapid economic growth, still remains the nation's most poverty-prone region. Poverty has declined sharply in the Southeast in the Sixties, but this fact provides little solace for those segments of the population where it is particularly acute—blacks, the aged, families headed by women, and the rural population. "Majority" poverty has turned into "minority" poverty in the Southeast in the last twenty years. But this type of poverty, centered in "those left behind," may be an even more difficult and pressing problem to conquer.

[3]This section does not consider the more basic long-run causes of poverty differences in Southeastern areas. For example, though income variations exist among both rural and urban areas of the Southeast, how has mechanization in agriculture and changes in industry structure contributed to these differences? Further, how has migration of the poor between areas of the Southeast, as well as to other regions of the country, caused variations in poverty?

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The District: A Note on Revenue Sharing

by Arnold A. Dill

In early July, District state and local governments received, with few strings attached, checks totaling nearly $200 million. This is their quarterly instalment of Federal revenue-sharing money. Under a law passed last October, the Federal Government will be sharing a total of $30 billion with state and local governments from 1972 to 1976.

Federal aid to state and local governments has grown rapidly in the past two decades, particularly categorical grants tying aid to specific programs such as health and welfare. Under the revenue-sharing form, however, state and local governments determine how aid will be spent.

Who Got How Much?

Among District states, the 1972 per capita revenue-sharing payment ranged from $21.60 in Florida to $39.87 in Mississippi. How much each state got depended on its per capita income and tax effort. (Tax effort is defined as total state and local taxes divided by total personal income.) The less a state's per capita income or the greater its tax effort, the greater its allotment of total shared revenues. Mississippi received the highest per capita payment in the District because of a per capita income nearly 20 percent below that of any other District state and the second highest tax effort (see chart). Conversely, Florida's low payment reflects its high per capita income and a below-average tax effort.

Except for Florida, District states fared well in revenue sharing in the sense that the percent of total funds received exceeded the percent of Federal income taxes paid (Table 1). For instance, while Mississippi received 1.67 percent of 1972 funds, it contributed only .47 percent to total Federal personal income taxes in 1969 (latest year for which data are available). This happened because District per capita income is substantially below the national average and the formula gives relatively large payments to low-income states. High-income Florida, on the other hand, contributed 3.04 percent to Federal personal income taxes but received only 2.77 percent of shared revenue.

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TABLE 1

States	Portion of 1972 Revenue-Sharing Funds Received[1] (% of U. S.)	Portion of 1969 Federal Personal Income Taxes Paid[2] (% of U. S.)
Alabama	1.71	1.04
Florida	2.77	3.04
Georgia	2.07	1.78
Louisiana	2.31	1.21
Mississippi	1.67	.47
Tennessee	1.87	1.41

[1]U. S. Congress, Staff of the Joint Committee on Internal Revenue Taxation.
[2]Department of the Treasury, Internal Revenue Service.

A state government receives one-third of that state's total allocation and the remaining two-thirds is distributed among counties primarily according to tax effort and per capita income. On the same basis, each county's payment is divided between county and local governments. As with states, those local governments with low per capita incomes and high tax efforts get relatively large allocations.

Among large District cities, New Orleans received by far the biggest payment in 1972, reflecting a low per capita income and high tax effort (Table 2). Intercity comparisons are hazardous, however, because cities and counties vary in their division of functions and tax-collecting powers. New Orleans' tax effort is increased since its city and county governments are one. On the other hand, Atlanta's low payment reflects in part the fact that Fulton County, containing most of the city limits, provides a relatively large amount of services. When the total allocation made to Fulton County's local governments is divided by the population, the per capita revenue-sharing payment is $20.35, much higher than Atlanta's $11.99.

How Is It Being Spent?

Two points are worth mentioning about the spending of shared revenue. One is that these funds are relatively insignificant to state governments but fairly important to local ones; payments amount only to between 1 and 2 percent of state budgets but up to 8 to 16 percent of county and municipal budgets. Second, it is difficult to analyze the full impact of revenue sharing on total budgets. Although governments will have to submit reports on shared-revenue expenditures, there is no way of measuring how these funds affect other spending and taxing decisions.

For example, a government may use shared revenue to purchase a fire engine instead of funding it with a bond issue. In this case, revenue sharing would not, in the final analysis, affect the allocation or level of a government's spending; rather, it would reduce future bond retirement and interest charges.

Judging from interviews and published budgets, District state governments intend to take the conservative approach of using shared revenue for nonrecurring expenses, hoping to avoid a reduction of services if these funds are cut back later. Many state governments do not want to commit this money permanently until they assess the impact of cutbacks in Federal categorical grants. If these reductions are substantial, perhaps exceeding revenue-sharing payments, some shared revenue may well be substituted.

Building and road construction appear to have been beneficiaries of early revenue-sharing payments to state governments. However, shared revenue may also have been responsible for reducing taxes or postponing tax increases. For example, the timing and size of a $50-million Georgia tax-relief measure have been influenced by these funds.

Generally speaking, county and municipal governments also intend to spend the money on capital outlays, although published budgets indicate several Georgia counties have used the bulk of their funds on operating expenses. Here again, payments to local governments may postpone tax increases or offset Federal cutbacks.

What Are The Prospects?

The 1972 Revenue-Sharing Bill initiated an experiment in the form of Federal aid to state and local governments. The reluctance of local officials to become dependent on revenue-sharing funds is an indication of their uncertainty about the program's future.

It is too early to tell if revenue sharing will substantially replace the categorical grant. Shared revenue will become more important if Federal and local officials become convinced that it is the most efficient means of raising money for state and local governments and will result in wiser spending of this aid.

TABLE 2

Cities	1972 Per Capita Revenue-Sharing Payment	1970 Per Capita Income	Tax Effort Factor*
Atlanta	$11.99	$3156	2.92
Birmingham	16.21	2568	2.49
Jacksonville	14.88	2853	2.91
Miami	19.25	2821	3.95
Nashville	16.49	3003	3.29
New Orleans	27.94	2705	4.00

*Taxes per $100 of personal income
Source: Department of the Treasury, Office of Revenue Sharing

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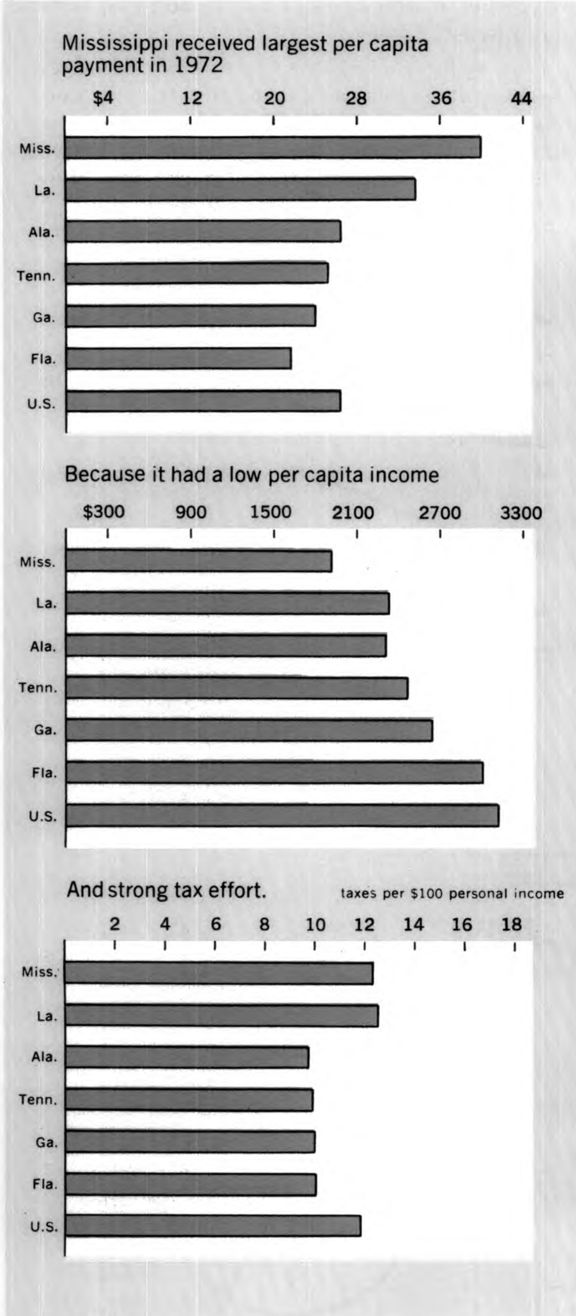

An expansion of revenue sharing also will require that Federal legislators relinquish more control over the allocation of aid to local governments. Local officials will give their support if shared revenue does not result in a reduction of total Federal aid.

If revenue sharing does become more important, there will be many interesting debates about the volume of Federal aid to states and the formulas used to allocate such funds. ■

Bank Announcements

June 1, 1973

FIRST COMMERCIAL BANK OF MANATEE COUNTY

Bradenton, Florida

Opened for business as a par-remitting nonmember. Officers: S. K. McKenzie, president; Thomas N. Furgason, Jr., vice president. Capital, $450,000; surplus and other funds, $450,000.

June 1, 1973

STATE BANK OF THE GULF

Gulf Shores, Alabama

Opened for business as a par-remitting nonmember. Officers: Andrew Cooper, president; John H. Pelt, cashier. Capital, $200,000; surplus and other funds, $300,000.

June 7, 1973

EDGEWOOD BANK

Jacksonville, Florida

Opened for business. Officers: H. G. Williams, chairman; W. W. Gay, vice chairman; Carl E. Graham, president; Eva M. Feagin, vice president and cashier; Loran G. Brashear, vice president. Capital, $500,000; surplus and other funds, $500,000.

June 12, 1973

NORTH RIDGE BANK

Oakland Park, Florida

Opened for business as a par-remitting nonmember. Officers: Al Della-Donna, president; Ralph H. Mittendorf, vice president and cashier. Capital, $780,000; surplus and other funds, $420,000.

June 14, 1973

THE ARCADIAN BANK

Thibodaux, Louisiana

Opened for business as a par-remitting nonmember. Officers: Michael M. Gauthier, president; P. J. Aucoin, Jr., vice president and cashier. Capital, $500,000; surplus and other funds, $500,000.

June 14, 1973

ELLIS NATIONAL BANK OF CLEARWATER

Clearwater, Florida

Opened for business. Officers: James M. Conn., chairman; Jack D. Triggs, president; Lowrey C. Embry, vice president and cashier; Charles K. Idelson, assistant cashier. Capital, $500,000; surplus and other funds, $250,000.

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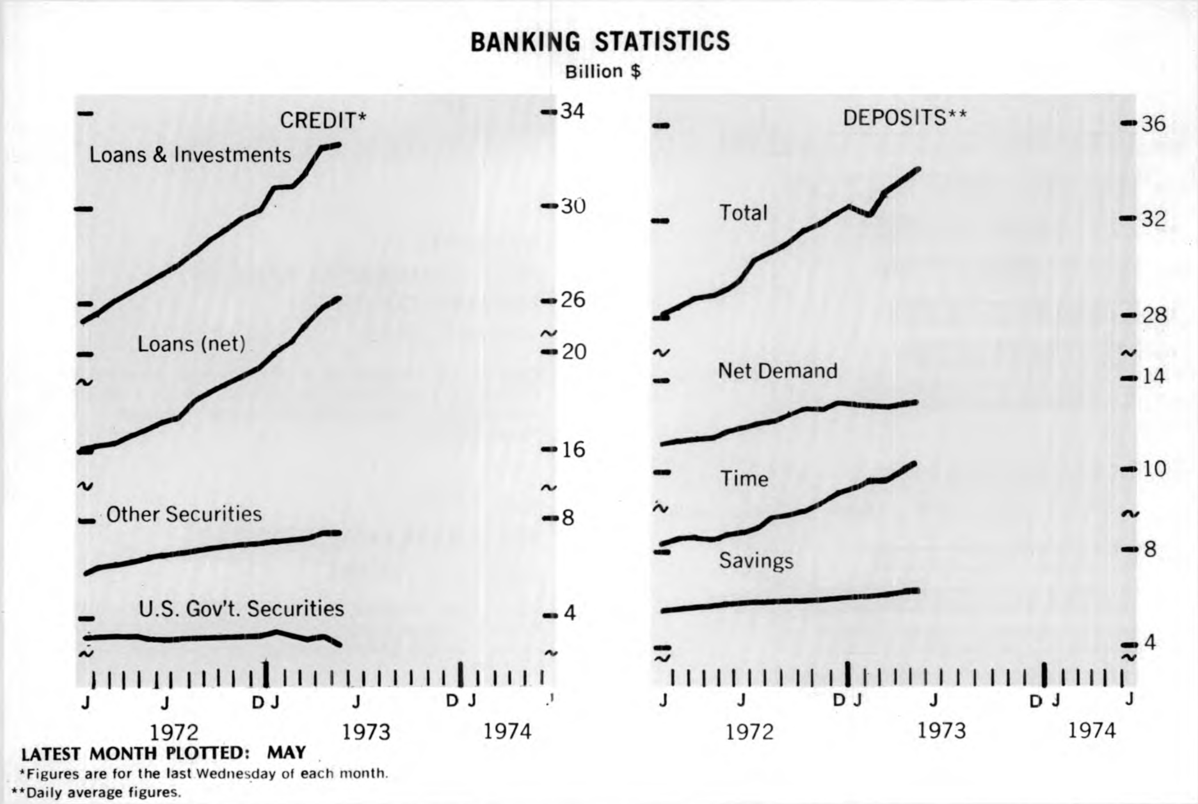
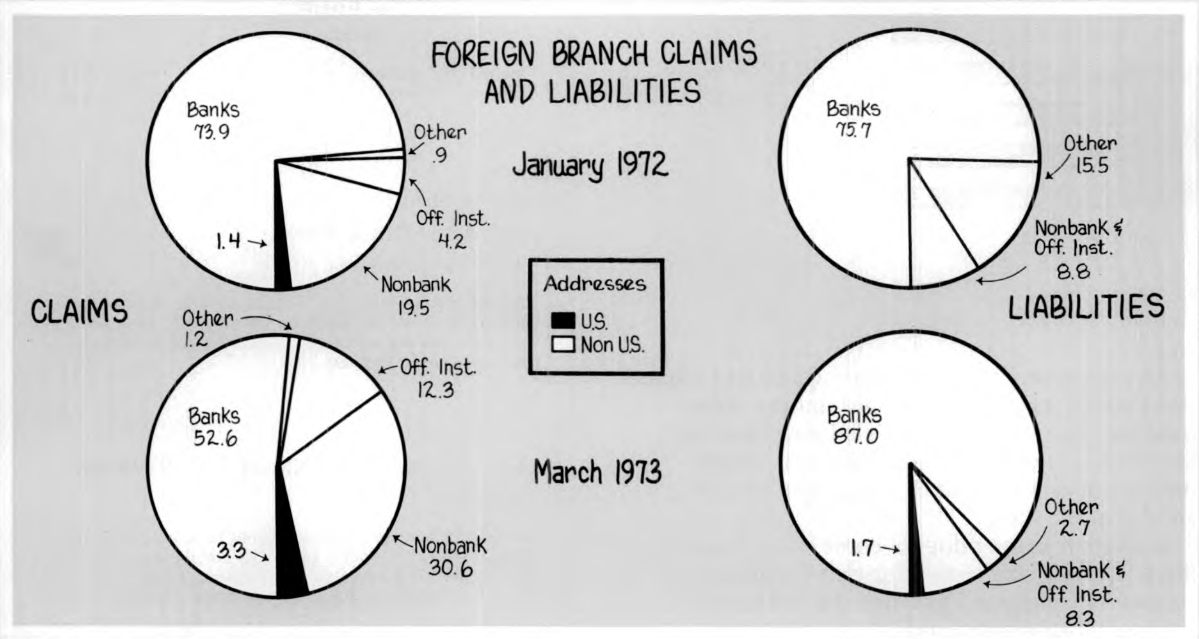


SIXTH DISTRICT BANKING NOTES

Foreign Branches Add to Growth



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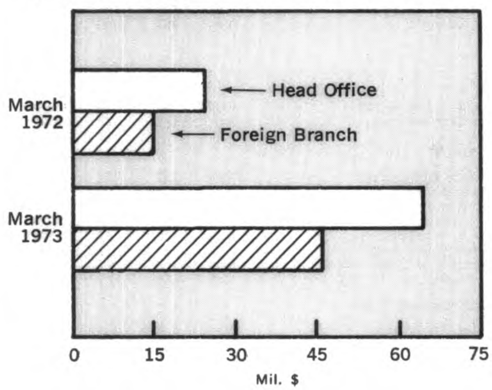
District member banks have added an important new dimension to their international banking activity in recent years by establishing foreign branches. Since May 1969, District banks have opened ten such branches, six in the last eighteen months. Eight of these are located in Nassau. The two newest branches, however, carry a Cayman Islands address, undoubtedly reflecting current uncertainty over the Bahamas' future political environment. Banks in Atlanta, Miami, New Orleans, and Nashville have participated in the trend toward opening foreign branches. These offices more than doubled their total volume of assets since 1972 and currently add approximately $150 million to the assets of their parent banks.

The expansion in the number of foreign branches and in their business volume marks the growing commitment of District banks to expansion of international activities. Moreover, the more rapid growth of loans to nonbank foreigners at branches than at head offices suggests that branches have also assumed increasing importance within banks' overall international operations.

Loans to nonbank foreign borrowers have grown faster at foreign branches than at head offices.



Giving additional impetus to the establishment of foreign branches are several factors constraining the amount of this activity conducted from a U.S. location. These include the Voluntary Foreign Credit Restraint (VFCR) Program which, with certain exceptions, places a ceiling on the volume of foreign assets that a U. S. bank may acquire, and the Interest Equalization Tax (IET), which taxes the acquisition of foreign assets with maturities greater than one year. Thus, a foreign branch, which is exempt from the VFCR and IET, provides its head office with a channel for expanding foreign loans and other claims on foreigners.

On the other hand, such branches have not actively channeled funds to their head offices, as indicated by the very small proportion of total assets represented by claims on U. S. addresses. Marginal-reserve requirements charged against U.S. banks on borrowings from their foreign branches and the availability of domestic funds have tended to discourage the use of foreign branches as a source of funds for domestic purposes. (However, these reserve requirements have been lowered from 20 to 8 percent and reserve-free bases are being eliminated.)

During the fifteen months from January 1972 through March 1973, the pattern of District foreign branch operations has changed substantially. At the beginning of this period, loans and liabilities to foreign banks each accounted for approximately 75 percent of total assets and total liabilities of these branches. Claims on official institutions and nonbank foreigners represented less than one-fourth of total assets, and liabilities to nonbank foreigners and official institutions accounted for less than 10 percent of total liabilities. This heavy concentration of activity with foreign banks probably reflects attempts by newly established branches to make themselves known in the Eurodollar market by borrowing and relending before developing commercial loan customers.

By March 1973, District foreign branches had increased their dependence upon other foreign banks for funds to over 85 percent of total liabilities. In contrast, they reduced the proportion of claims on foreign banks in their loan portfolios to half of total claims, and increased the proportion of claims on nonbank foreigners and official institutions to almost 43 percent. This pattern suggests that District foreign branches have become increasingly dependent upon foreign banks as a net source of funds for financing a growing volume of loans to nonbank foreign borrowers and official institutions.

As the loan volume to nonbank foreigners has grown, loan maturity structure has changed. Thus, in January 1972, all District foreign branch claims on nonbanks foreign borrowers had a maturity of less than one year. Currently, nearly two-thirds of these claims have maturities exceeding one year. In contrast, the proportion of long-term maturities in claims on foreign banks has risen only slightly, from 19 to 23 percent.

District foreign branches have also changed the degree of their involvement in foreign currency operations. In January 1972, over 6 percent of total liabilities and 8 percent of claims were denominated in nondollar currencies. More recently, however, foreign currency claims and liabilities account for a negligible part of total business. Branches probably have reduced foreign currency borrowing and lending to avoid risks in light of recent foreign exchange uncertainties.

JOHN E. LEIMONE

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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	May	160	161	160	144
Farm Cash Receipts	Apr.	166	173	161	133
Crops	Apr.	153	184	169	140
Livestock	Apr.	183	179	170	139
Instalment Credit at Banks*/¹ (Mil. $)					
New Loans	May	628.2	684.1r	670.0	528.4
Repayments	May	525.2	562.1r	514.7	481.1
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	May	125	125	125	120
Manufacturing	May	114	114	114	111
Nondurable Goods	May	112	112	112	111
Food	May	102	104	105	103
Textiles	May	110	110	110	108
Apparel	May	110	110	111	109
Paper	May	111	111	110	110
Printing and Publishing	May	123	123	122	119
Chemicals	May	107	106	105	105
Durable Goods	May	116	116	116	111
Lbr., Wood Prods., Furn. & Fix	May	110	110	110	107
Stone, Clay, and Glass	May	120	121	120	114
Primary Metals	May	110	109	110	107
Fabricated Metals	May	127	127	127	120
Machinery	May	139	138	137	128
Transportation Equipment	May	106	107	108	106
Nonmanufacturing	May	129	128	129	123
Construction	May	132	133	134	125
Transportation	May	123	122	121	117
Trade	May	131	131	131	125
Fin., ins., and real est.	May	136	135	134	129
Services	May	134	132	133	129
Federal Government	May	101	101	102	102
State and Local Government	May	131	131	131	125
Farm Employment	May	86	81	90	90
Unemployment Rate (Percent of Work Force)	May	3.7	3.7	3.6	4.3
Insured Unemployment (Percent of Cov. Emp.)	May	1.7	1.6	1.8	2.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	40.8	41.2	41.0	41.0
Construction Contracts*	May	202	227	281	226
Residential	May	275	285	353	260
All Other	May	131	170	211	193
Electric Power Production**	Dec.	188	187	186	168
Cotton Consumption**	Apr.	79	85	82	85
Petroleum Production**	June	114	114	116	125
Manufacturing Production	April	292	291	289	269
Nondurable Goods	April	244	242	239	234
Food	April	188	188	186	185
Textiles	April	288	284	282	266
Apparel	April	297	294	287	290
Paper	April	223	223	222	215
Printing and Publishing	April	164	164	162	164
Chemicals	April	306	307	306	299
Durable Goods	April	349	349	348	311
Lumber and Wood	April	200	200	200	193
Furniture and Fixtures	April	191	191	191	183
Stone, Clay, and Glass	April	207	207	207	185
Primary Metals	April	232	234	231	200
Fabricated Metals	April	289	285	283	267
Nonelectrical Machinery	April	445	436	436	398
Electrical Machinery	April	770	772	778	650
Transportation Equipment	April	454	459	453	413
FINANCE AND BANKING					
Loans*					
All Member Banks	May	231	226	223	177
Large Banks	May	216	214	208	163
Deposits*					
All Member Banks	May	194	190	186	166
Large Banks	May	171	168	162	147
Bank Debits*/**	May	234	232	228	184
ALABAMA					
INCOME					
Manufacturing Payrolls	May	157	155	155	138
Farm Cash Receipts	Apr.	209	200	198	165
EMPLOYMENT					
Nonfarm Employment	May	115	114	115	111
Manufacturing	May	112	111	112	109
Nonmanufacturing	May	116	116	116	113
Construction	May	116	113	113	111
Farm Employment	May	80	74	79	83

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	May	4.3	4.1	4.3	5.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	41.0	41.3	41.0	41.0
FINANCE AND BANKING					
Member Bank Loans	May	213	208	204	174
Member Bank Deposits	May	185	182	179	162
Bank Debits**	May	194	197	204	166
FLORIDA					
INCOME					
Manufacturing Payrolls	May	167	169	170	145
Farm Cash Receipts	Apr.	149	151	147	131
EMPLOYMENT					
Nonfarm Employment	May	141	140	139	132
Manufacturing	May	119	119	118	113
Nonmanufacturing	May	145	144	143	135
Construction	May	177	177	174	156
Farm Employment	May	105	99	103	96
Unemployment Rate (Percent of Work Force)	May	2.8	3.3	2.9	3.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	41.0	41.6	41.9	41.2
FINANCE AND BANKING					
Member Bank Loans	May	259	251	251	194
Member Bank Deposits	May	224	216	212	186
Bank Debits**	May	267	259	263	210
GEORGIA					
INCOME					
Manufacturing Payrolls	May	155	158	155	142
Farm Cash Receipts	Apr.	185	184	161	128
EMPLOYMENT					
Nonfarm Employment	May	122	122	123	120
Manufacturing	May	109	109	109	108
Nonmanufacturing	May	128	127	129	125
Construction	May	126	127	130	123
Farm Employment	May	86	84	92	87
Unemployment Rate (Percent of Work Force)	May	3.8	3.6	3.5	3.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	40.5	41.1	40.8	40.8
FINANCE AND BANKING					
Member Bank Loans	May	230	233	220	174
Member Bank Deposits	May	183	179	169	152
Bank Debits**	May	261	283r	260	197
LOUISIANA					
INCOME					
Manufacturing Payrolls	May	147	148	148	136
Farm Cash Receipts	Apr.	143	143	146	120
EMPLOYMENT					
Nonfarm Employment	May	113	114	114	112
Manufacturing	May	105	105	106	104
Nonmanufacturing	May	115	115	116	113
Construction	May	97	100	103	98
Farm Employment	May	76	73	81	85
Unemployment Rate (Percent of Work Force)	May	6.0	5.4	5.5	5.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	41.8	41.9	42.4	41.9
FINANCE AND BANKING					
Member Bank Loans*	May	211	197	196	154
Member Bank Deposits*	May	169	166	166r	154
Bank Debits*/**	May	175	172	166	151
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	May	171	175	173	160
Farm Cash Receipts	Apr.	205	245	210	169
EMPLOYMENT					
Nonfarm Employment	May	122	122	122	118
Manufacturing	May	126	126	127	122
Nonmanufacturing	May	120	120	120	116
Construction	May	113	114	115	113
Farm Employment	May	82	64	88	91

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	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)	May	4.2	4.2	3.7	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	40.2	40.7	40.2	40.8
FINANCE AND BANKING					
Member Bank Loans*	May	220	212	216	180
Member Bank Deposits*	May	189	183	184	163
Bank Debits*/**	May	217	221	211	184
TENNESSEE					
INCOME					
Manufacturing Payrolls	May	166	166	162	149
Farm Cash Receipts	Apr.	159	175	167	134

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment	May	124	124	124	118
Manufacturing	May	115	115	115	113
Nonmanufacturing	May	128	129	129	122
Construction	May	121	123	125	118
Farm Employment	May	84	83	88	91
Unemployment Rate					
(Percent of Work Force)	May	2.8	2.9	2.8	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	May	40.7	40.9	40.6	40.8
FINANCE AND BANKING					
Member Bank Loans*	May	214	213	215	172
Member Bank Deposits*	May	178	177	177	159
Bank Debits*/**	May	183	184	186	154

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

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

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; cotton consumption, U.S. Bureau of Census; construction contracts, F. W. Dodge Div., McGraw-Hill Information Systems Co.; petrol. prod., U.S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

[1]Data benchmarked to June 1971 Report of Condition

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	May 1973	April 1973	May 1972	Percent Change: May 1973 From April 1973	May 1972	Year to date 5 mos. 1973 from 1972
STANDARD METROPOLITAN STATISTICAL AREAS**						
Birmingham	3,251,777	3,293,314	2,833,438	− 1	+15	+19
Gadsden	98,600	90,810	84,430	+ 9	+16	+20
Huntsville	305,283	286,235	272,913	+ 7	+12	+14
Mobile	1,056,940	910,275	864,611	+16	+22	+12
Montgomery	619,006	587,971	519,443	+ 5	+19	+22
Tuscaloosa	217,036	194,450	166,270	+12	+31	+25
Bartow-Lakeland-Winter Haven	748,261	750,277r	593,443	− 0	+26	+26
Daytona Beach	362,849	368,027	294,014	− 1	+23	+23
Ft. Lauderdale-Hollywood	1,778,040	1,932,627	1,582,039	− 8	+12	+17
Ft. Myers	320,666	321,905	253,706	− 0	+26	+34
Gainesville	241,844	254,071	203,616	− 5	+19	+20
Jacksonville	3,688,497	3,346,902	3,071,254	+10	+21	+25
Melbourne-Titusville-Cocoa	443,185	438,144	341,301	+ 1	+30	+28
Miami	6,613,924	6,630,616	5,044,354	− 0	+31	+26
Orlando	1,464,200	1,499,657	1,230,821	− 2	+19	+22
Pensacola	418,450	406,899	379,386	+ 3	+10	+11
Sarasota	481,536	524,844	327,911	− 8	+47	+46
Tallahassee	911,258	879,637	653,238	+ 4	+39	+46
Tampa-St. Pete	3,840,789	3,711,563	3,064,748	+ 3	+25	+23
W. Palm Beach	1,233,882	1,311,732	890,782	− 6	+38	+37
Albany	186,459	189,895	162,675	− 2	+15	+21
Atlanta	15,333,669	16,166,654	11,061,322	− 5	+39	+42
Augusta	514,352	503,059	423,352	+ 2	+21	+18
Columbus	375,412	420,036	369,367	−11	+ 2	+ 9
Macon	519,144	510,165	425,540	+ 2	+22	+19
Savannah	525,302	508,790	439,209	+ 3	+20	+20
Alexandria	235,908	232,277	206,353	+ 2	+14	+19
Baton Rouge	1,242,160	1,096,667	1,123,759	+13	+11	+ 9
Lafayette	266,460	269,932	230,598	− 1	+16	+23
Lake Charles	220,726	215,871	212,938	+ 2	+ 4	+ 9
New Orleans	4,156,968	3,804,267	3,470,721	+ 9	+20	+ 8
Biloxi-Gulfport	281,968	266,451	219,213	+ 6	+29	+23
Jackson	1,436,628	1,420,563	1,219,777	+ 1	+18	+24
Chattanooga	1,232,366	1,222,049	948,851	+ 1	+30	+19
Knoxville	860,827	925,378	731,012	− 1	+18	+20
Nashville	3,209,257	3,063,630	2,647,139	+ 5	+21	+23
OTHER CENTERS						
Anniston	115,068	111,628	96,214	+ 3	+20	+17

	May 1973	April 1973	May 1972	Percent Change: May 1972 From April 1973	May 1972	Year to date 5 mos. 1973 from 1972
Dothan	170,437	161,029	134,417	+ 6	+27	+25
Selma	75,671	76,379	63,307	− 1	+20	+30
Bradenton	178,016	189,892	144,136	− 6	+24	+30
Monroe County	72,570	75,534	58,614	− 4	+24	+26
Ocala	194,903	198,944	140,249	− 2	+39	+34
St. Augustine	26,956	27,184	29,081	− 1	− 7	−10
St. Petersburg	1,012,003	1,007,073	725,713	+ 0	+40	+36
Tampa	1,846,631	1,720,121	1,488,399	+ 7	+23	+18
Athens	153,196	156,366	138,282	− 2	+11	+16
Brunswick	101,606	101,942	82,093	− 0	+24	+23
Dalton	182,160	184,007	158,848	− 1	+15	+20
Elberton	21,787	23,355	24,025	− 7	− 9	+10
Gainesville	133,617	138,641	104,667	− 4	+28	+30
Griffin	70,621	66,048	58,353	+ 7	+21	+24
LaGrange	37,807	38,626	31,087	− 2	+22	+21
Newnan	65,846	71,890	43,770	− 8	+50	+52
Rome	135,697	134,063	119,340	+ 1	+14	+17
Valdosta	96,493	92,313	80,481	+ 5	+20	+13
Abbeville	16,061	15,649	15,130	+ 3	+ 6	+ 0
Bunkie	9,626	9,490	9,179	+ 1	+ 5	+24
Hammond	81,669	74,896	60,319	+ 9	+35	+32
New Iberia	57,748	51,921	53,942	+11	+ 7	+12
Plaquemine	26,895	21,996	16,317	+22	+65	+55
Thibodaux	37,132	35,410	34,189	+ 5	+ 9	+ 9
Hattiesburg	125,723	117,795	105,931	+ 7	+19	+18
Laurel	72,984	69,972	62,771	+ 4	+16	+22
Meridian	120,384	111,030	101,847	+ 8	+18	+18
Natchez	51,664	49,996	47,957	+ 3	+ 8	+ 9
Pascagoula-Moss Point	152,649	149,154	139,364	+ 2	+10	+28
Vicksburg	65,622	67,937	58,720	− 3	+12	+24
Yazoo City	39,456	40,804	38,858	− 3	+ 2	+ 2
Bristol	111,779	114,173	123,084	− 2	− 9	+ 2
Johnson City	175,303	155,980	140,369	+12	+25	+16
Kingsport	261,944	255,448r	225,651	+ 3	+16	+18
District Total	72,258,607	72,076,528	58,256,740	+ 0	+24	+26
Alabama	7,876,763	7,724,765	6,839,805	+ 2	+15	+18
Florida	24,956,948	24,754,332	19,838,430	+ 1	+26	+26
Georgia	21,120,817	21,946,982	15,972,472	− 4	+32	+36
Louisiana[1]	7,357,955	6,760,070	6,360,722	+ 9	+16	+23
Mississippi[1]	3,066,320	2,973,140	2,627,258	+ 3	+17	+21
Tennessee[1]	7,879,804	7,917,239	6,617,783	− 1	+19	+20

[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.

** Conforms to SMS definitions as of December 31, 1972.

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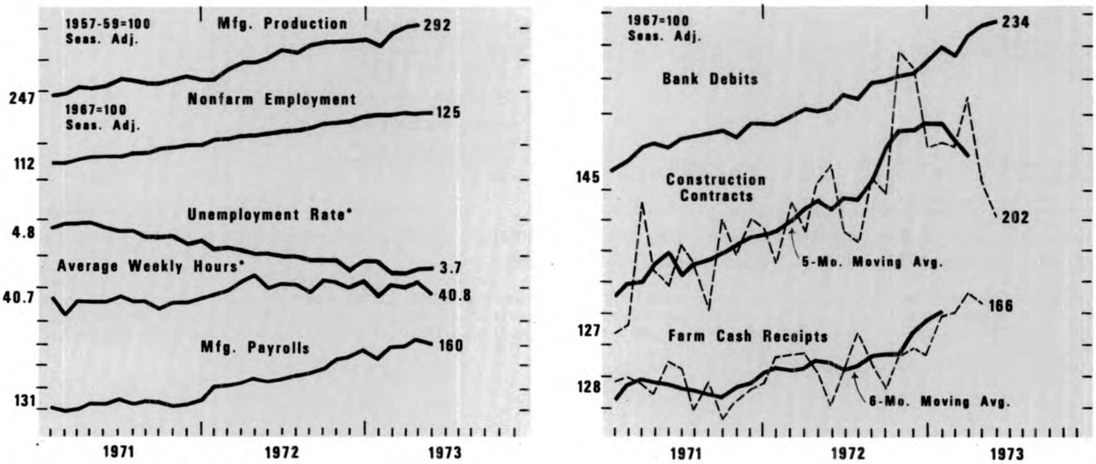
District Business Conditions



*Seas. adj. figure; not an index.
Latest plotting: May, except mfg. production and farm receipts, April.

Signs of a moderate slowing in the region's rapid growth were evident again in May. Consumer indicators, though mixed, showed some weakening. Commercial bank loans expanded rapidly but less so than in previous months. Labor markets remained tight, but job losses occurred in some industries. Construction activity, particularly nonresidential, slowed considerably. Agricultural prices and income continued to rise, but spring floods have delayed or prevented crop plantings.

Consumer borrowing slowed in May, the third consecutive month of less vigorous growth. Although still strong, new lending to consumers by commercial banks was the lowest this year, with the slowdown evident in all consumer loan categories. Unit sales of domestically produced autos rebounded in May, and other retail sales indicators remained robust.

Total loans at all banks continued to expand rapidly in May and early June, although at a rate somewhat below the previous two months. Business loans at large banks, however, grew more slowly. Deposits rose strongly in May, especially large-denomination CD's, and member bank borrowing also continued to increase. On June 11, this Bank raised its discount rate from 6 to $6^{1}/_{2}$ percent and, on July 2, to 7 percent. By early July, most District banks had increased their prime rate for larger business customers to 8 percent.

May's unemployment rate remained at 3.7 percent. Nonfarm employment bounced back after dipping slightly in April. Construction and nondurable manufacturing employment decreased; all other industries recorded job gains. Louisiana and Tennessee suffered small job declines. Flooding conditions and industrial disputes in the construction industry were primarily responsible for Louisiana's job losses. Collective bargaining activity should pick up throughout the remainder of this year since a number of contracts in key Southeastern industries will expire.

Weakness appeared in both residential and nonresidential construction activity in May. The value of contract awards for residences was at its lowest level in eleven months; after a strong first quarter, the value of nonresidential awards fell below levels prevalent during most of the eighteen months ending last December. Large contracts were few and far between. Deposit inflows at thrift institutions continued to slow; some areas reported mortgage fund shortages.

Sharply rising crop prices pulled up May's index of prices received by farmers in spite of declines in the livestock sector. Soybean prices posted a one-third advance from April's level, reflecting runaway demand in the face of rain-delayed plantings of the new crop. Floods have prevented farmers from planting some cotton acreage in the Delta states. In late June, there were reports of curtailed agricultural production resulting from the price freeze. District farm cash receipts through April of 1973 were up 17 percent from 1972's level.

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