

monthly review

november

Federal Reserve Bank of Atlanta - 1973

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The Southeast's Cutting Up and Needles Trades

by William D. Toal

Clothing is one item which is close to all of us and is so often taken for granted that we rarely consider its contribution to our economy. Apparel manufacturing,¹ or the cutting up and needle trades as it is called, ranks as the Southeast's largest manufacturing employer, with over 245,000 workers in nearly 2,000 plants.²

If you can wear it, this industry makes it—everything from junior's first playsuit to men's dungarees to the skimpiest bikini. In the Southeast, clothesmaking is heavily weighted toward men's and boys' clothing, with men's work clothing particularly important. Over one-half of the apparel jobs in this region are in this type of production as compared with only slightly more than one quarter nationally.

But clothesmaking in the Southeast is not limited to menswear. In Florida, manufacture of women's outerwear accounts for over one-half of apparel jobs (see Table 1). Miami, the home of a mushrooming women's clothing industry, ranks third only to New York City and Los Angeles as a fashion center.

Growth

The movement of clothesmaking out of the home and into the factory received its first real boost with Elias Howe's invention of the sewing machine in 1846. In the Southeast, the growth of the apparel industry has been both internally and externally generated. In other words, plants have sprung up within this region, as well as having moved here from other parts of the country, most notably the Northeast. Although it is very difficult to tell how much of this growth is from each source, since the late Fifties there seems to have been a net shift of apparel plants to this region (see Table 2). While the number of apparel plants with twenty or more workers declined nationally between the years 1959 and 1971, each of the six Southeastern

¹According to government definitions, apparel manufacturing includes establishments producing clothing and fabricating products by cutting and sewing purchased woven or knit textile fabrics and related materials. Not included in this definition are custom tailors or dressmakers; included are all regular manufacturers of apparel items, as well as apparel contractors and jobbers.

²The Southeast is here defined as those states lying totally or partially within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Monthly Review, Vol. LVIII, No. 11. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

TABLE 1
Percent Distribution of Apparel Employment
(1971)

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Sixth District States	U. S.
Men's and Boys' Suits and Coats	3.6	1.8	8.9	N.A.	N.A.	7.7	N.A.	8.5
Men's and Boys' Furnishings	48.9	11.1	48.0	62.3	70.3	57.7	50.8	26.5
Women's and Misses' Outerwear	7.9	51.4	10.6	0.0	5.6	16.3	14.7	31.1
Women's and Children's Undergarments	23.5	5.7	13.0	4.7	8.6	3.9	10.7	8.1
Children's Outerwear	7.6	11.6	4.2	N.A.	N.A.	1.8	4.1	5.8
Other Apparel Items	8.5	18.4	15.3	N.A.	N.A.	12.6	N.A.	20.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

N. A. Not Available

Source: County Business Patterns 1971

states had an increase in such plants. The contrast is particularly noticeable when the Southeast is compared with one of the older apparel centers, New York State, which has shown a sharp drop in apparel manufacturers.

All of the major types of apparel manufacturing had increases in number of plants. However, men's and boys' furnishings and women's and misses' outerwear increased most in number of establishments with twenty or more workers in the Southeast. On a state basis, most of the increase in women's apparel has been in Florida, while men's and boys' clothesmaking has grown most rapidly in Georgia, Mississippi, and Tennessee.

Were locational advantages responsible for plants moving southward, as well as the plants springing up within the South? If three different apparel manufacturers are asked why they located

in the South, they will probably give three different answers. This labor-intensive industry would be expected to move to, and grow most rapidly in, areas where labor and materials are abundant and relatively cheap. Thus, the Southeast, which in the past had an ample supply of labor, has been a natural location and relocation site for many apparel plants. On top of this abundant labor supply, the region's lack of strong union organization provided an additional advantage. Except for large firms with headquarters in the Northeast, most Southeastern apparel plants are nonunionized. Also apparel plants moved South following their largest supplier, textile plants.

The expanding regional market was also important to the Southeastern apparel industry's growth. As employment, income, and purchasing power grew, so did demand, particularly for the

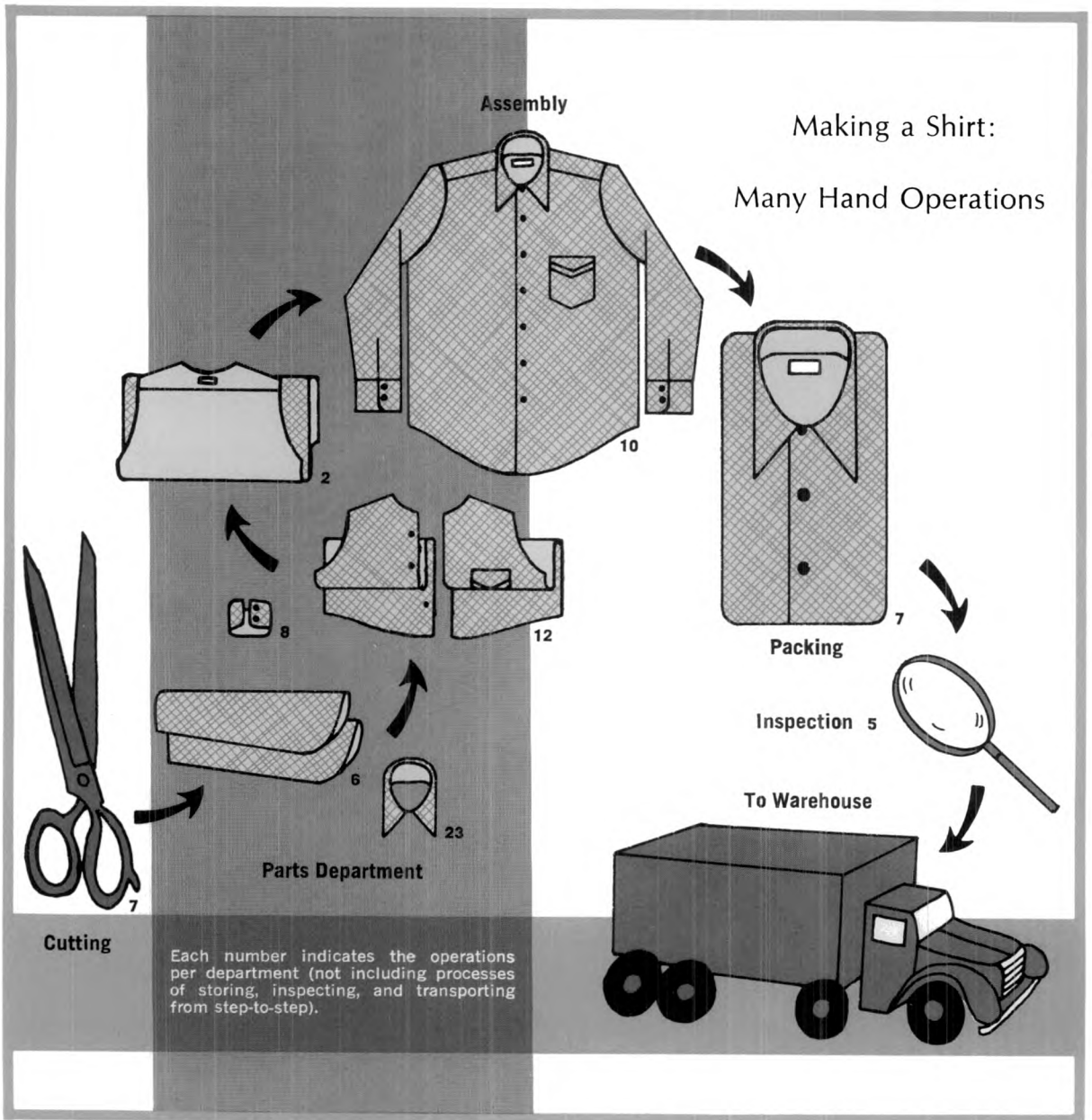
TABLE 2
Change in Number of Apparel Plants With 20 or More Employees
(1959-71)

	Total Apparel	Men's and Boys' Suits and Coats	Men's and Boys' Furnishings	Women's and Misses' Outerwear	Women's and Children's Undergarments	Children's Outerwear
Alabama	+ 69	+ 3	+ 23	+ 16	+ 11	+ 4
Florida	+ 215	+ 2	+ 15	+ 132	+ 5	+ 19
Georgia	+ 123	+ 7	+ 34	+ 31	+ 5	+ 14
Louisiana	+ 11	- 2	+ 7	N.A.	+ 2	- 1
Mississippi	+ 48	+ 2	+ 33	+ 2	+ 8	0
Tennessee	+ 100	+ 6	+ 36	+ 30	+ 5	+ 4
District States	+ 566	+ 18	+ 148	+ 211	+ 36	+ 40
New York	- 1,346	- 73	- 49	- 593	- 127	- 166
U. S.	- 582	- 156	+ 138	- 84	- 217	- 210

N. A. Not Available

Source: County Business Patterns 1959, 1971

Note: Total apparel may not add because only largest apparel classifications are shown here.



more basic nondurables such as clothing. However, many Southeastern manufacturers are quick to point out that they produce for a national and even international market, with only one-fourth to one-half of their production sold in the Southeast.

In some cases, migration southward, particularly of retired people, boosted the region's apparel industry. After living the good life for a few years, many "retirees" became restless and started up small sewing plants, which in some cases mushroomed into full-scale apparel manufacturing operations. In the early Forties, this decision

to come out of retirement was partially motivated by the wiping out of savings in the Great Depression of the Thirties. This is especially true for some of the small plants in the Miami area.

Another factor also may have played an important role in the growth of the Miami area's apparel industry. At least for some lines of women's clothing, the absence of a winter line allows this area to get a jump on their northern rivals in pretesting spring and summer lines. This, along with the glamour of a "fun in the sun" atmosphere, may have lured some women's apparel plants into this area.

Importance to the Southeast

Although reasons for the growth of the Southeast's apparel industry may vary, doubtless the industry has been one of the basic building blocks in the region's economic boom. Apparel and textile plants, which first began to dot the Southeast in the Forties and Fifties, were some of the first signs of rapid industrialization. Today, besides being the Southeast's largest manufacturing employer, apparel manufacturing is the fifth largest producer of goods when measured by the value added in production.

The industry is even more important than these statistics indicate, however. Apparel makers purchase a large quantity of goods and materials from the textile industry, goods which are not counted as value added in making clothes. In fact, nearly 40 percent of the textile industry's output is sold as intermediate products to the apparel industry. Because of close ties with textile suppliers, then, the growth of the apparel industry has also benefited the textile industry, making clothing's total impact on the region's economy much greater than a quick reading of statistics would indicate.

Clothesmaking also generates a sizable payroll. Despite the large amount of processed materials involved and the generally low wages resulting from labor-intensive production techniques, annual apparel manufacturing payrolls amount to over \$1 billion in the Southeast; this total is surpassed by only four other types of manufacturing industries.

Characteristics

The apparel industry has grown in tandem with the Southeast's economy, but while the makeup of the region's economy has changed dramatically, apparel industry characteristics have changed little. Though other manufacturing has become more automated and capital-intensive, apparel manufacturing has for the most part maintained labor-intensive production. Of course, technical advances such as new sewing machines, fabric fusion, and die-cutting processes have been introduced; but most of these have been on a much smaller scale than in other manufacturing industries.

Why have apparel manufacturers failed to automate? The many hand operations involved in making apparel have presented the biggest problem. At least eighty different operations can be counted just in making one man's shirt (see flow chart); and, in general, shirtmaking is more standardized and automated than making most women's apparel. The many different sizes, styles, and fabrics, all subject to sudden changes in consumer demand, also have added to the difficulty of automating most apparel making. In

general, the flexible and stretchable fabrics used do not easily lend themselves to machine processing. The major reason why the apparel industry has not automated, however, is probably that, in the past, labor has been cheap and readily available. Consequently, manufacturers did not spend large sums of money for research and development of labor-saving equipment. As noted, this industry has chosen to relocate production sites rather than to incur automation expenses.

Labor intensity, here measured as the percent payrolls are of value added, is greater for all major types of apparel manufacturing than manufacturing in general (see Table 3). Children's outerwear manufacturing is particularly labor-intensive. Capital expenditures per employee are also much less in apparel making than in manufacturing generally, about one-seventh as much, and account for the industry's greater labor intensity. These 1971 figures represent only a snapshot in time, but they are representative of capital expenditures in the apparel industry.

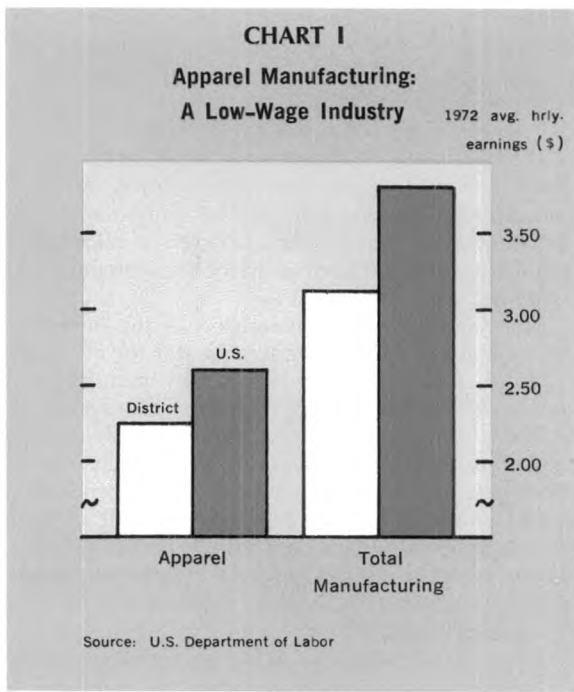
As a result of these low levels of capital spending in apparel manufacturing, both growth and level of productivity (output per man-hour) are less than in general manufacturing. In turn, greater labor intensity, lower capital expenditures, and less productivity and its growth have resulted in lower average wages in apparel than in total manufacturing (see Chart I). Actually, it is difficult to measure average earnings or wages in apparel manufacturing accurately since most work is done on a piecework basis. This leads to a greater spread in wages than would otherwise be the case, but even so, the average wage remains below the region's manufacturing average.

Apparel making's low capital requirements suggest that entry into this industry is relatively

TABLE 3
Labor Intensity and Capital Expenditures
(1971)

	Payrolls as a Percent of Value Added	Capital Expenditures Per Employee
District States		
Total Manufacturing	44%	\$ 1,387
Apparel Manufacturing	54%	\$ 191
Men's and Boys' Furnishings	55%	\$ 157
Women's and Misses' Outerwear	51%	\$ 231
Women's and Children's Undergarments	48%	\$ 189
Children's Outerwear	67%	\$ 147

Source: Annual Survey of Manufactures 1971



easy. Indeed, the very low concentration in apparel manufacturing, coupled with a large number of small manufacturers, attests to the ease with which the enterprising entrepreneur can begin operations. This easy entry, along with sudden changes in fashion demand, also makes clothesmaking a high-failure, low-profit industry, on the average. For any one firm, the profit picture may be bright or dismal in any one year. Boom to bust conditions are prevalent in much of clothes manufacturing, particularly women's garments where the fickleness of fashion can make a million for a designer and producer one year and wipe it out the next.

On the national scale, the industry, especially the larger manufacturer, has vertically integrated. Large corporations have gradually combined both textile and apparel manufacturing under the same corporate name. Some of these have plants in the Southeast, but for the most part this is a region of many independent producers. Except for Louisiana and Florida, where apparel production is concentrated in large metropolitan areas, plants are spread throughout most of the region's counties, both rural and urban (see map). This differs from other parts of the country, particularly the Northeast, where most apparel is manufactured in urban areas. Indeed, the enticement of cheap and abundant labor in rural areas is the major reason for the dense cover of apparel plants.

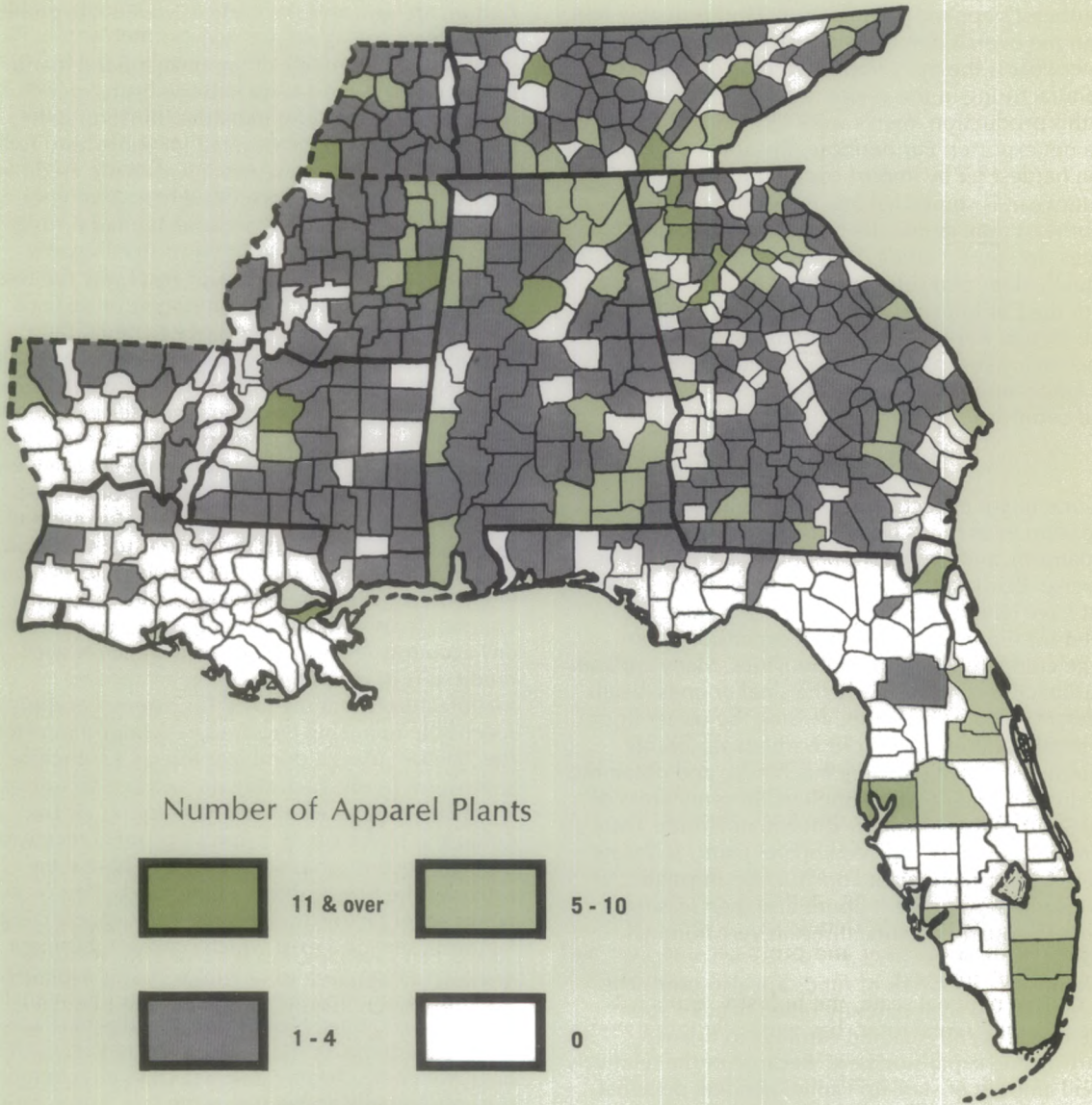
Although Southeastern apparel manufacturers are scattered, production usually takes place on a larger scale than in other parts of the country. Employees per Southeastern apparel plant average 127 compared with 57 nationally. This difference stems from the region's heavier concentration of menswear production, which is usually a larger-scale operation than making womenswear. In Florida, however, where women's garments make up most of apparel production, the average plant employs only about one-third as many workers as the rest of the Southeast. This difference in size of plants accounts for Florida having the largest apparel industry when measured by number of plants, while Georgia is largest when ranked by number of jobs.

The labor force engaged in making clothes is, to no one's surprise, heavily weighted toward women. In the Southeast, women hold over 80 percent of apparel jobs, slightly more than nationally. Nearly all sewing operations are performed by women; only in patternmaking and cutting are men heavily employed. Blacks make up approximately 13 percent of the region's apparel labor force. Because of the Southeastern population's high proportion of blacks, it is not unexpected that the area's apparel jobs are more heavily weighted toward blacks than is true nationally. Even so, the proportion of blacks in Southeastern apparel jobs, though increasing in the past ten years, is less than in the region's total manufacturing sector.

Apparel making, particularly in women's garments, has traditionally been seasonal in nature. The summer, spring, fall, and winter lines, long a part of ladies' fashions in this country, have been responsible for the seasonal pattern in women's garmentmaking. On the other hand, men's apparel, which is somewhat less fashion-oriented, generally has a less pronounced seasonal pattern. In the Southeast, only Florida, with a high concentration in women's fashion, has a noticeable seasonal pattern in apparel jobs. Employment reaches a peak in March, begins to decline until reaching a July low, and then picks back up as the industry prepares for the spring and summer fashion season. For the rest of the Southeast, apparel jobs generally remain stable.

Apparel marketing involves many facets which can only be briefly sketched here. Many manufacturers sell direct to retailers; others operate their own outlets. Some apparel manufacturers start by selling their product line to a large chain store, thereby assuring their market at least for a short span of time. Other apparel makers begin strictly as contractors; that is, they do only the contract work for larger apparel manufacturers and jobbers. Apparel contracting is practiced extensively in women's dressmaking and, as

Geographic Distribution of Apparel Plants



expected in the Southeast, the largest portion of this contracting is in Florida.

Foreign Trade Developments

Import competition has been a major problem facing the U.S. apparel industry. Apparel wages, though low compared to other U.S. industries, are four to five times higher than in countries such as

Japan, Hong Kong, Taiwan, and South Korea, which compete for the domestic market. Other U.S. industries, despite high wages, have competed successfully in international trade by adapting new techniques and, thereby, obtaining large gains in productivity; but these gains have not appeared in apparel manufacturing. Consequently, in the Sixties, net value of apparel imports (i.e., value of imports minus value of exports) rose sharply, both in dollar

terms and as a percent of U.S. apparel shipments. The 1971 trade agreements limiting the imports of man-made fiber and wool textile and apparel products, as well as currency realignments, have helped curb apparel imports, at least temporarily.

Import competition has also affected the Southeast's apparel manufacturers but probably less than the overall domestic industry. Men's and boys' outerwear is the most important type of apparel manufacturing in this region, and one major part of this production, men's work clothing, actually is a net exporter. Furthermore, the apparel production hardest hit by import competition, children's outerwear, is somewhat less important in the Southeast than nationally or in the Northeastern states. In south Florida, the ladies' garment industry actually does a sizable amount of export business with the Caribbean Islands and Central America. The picture here is somewhat muddled, though, since many sewing contract operations, attracted by labor supplies, are now moving to these islands and countries.

Financing

As one might expect with so diverse an industry, the sources of funds used to finance growth, expansion, and everyday operations are equally as diverse. Being labor-intensive, clothesmaking does not have large capital requirements. Hence, the need for funds for start-up and expansion is not large compared with other industries. Many apparel manufacturers, particularly the smaller ones, begin operations on a shoestring, leasing the upper floor of an old building or an old warehouse, leasing equipment (mainly sewing machines), and obtaining credit from their textile suppliers. In some areas of the Southeast, particularly outside of Florida, local communities have enticed apparel plants to locate there by financing plant construction through industrial development bonds and then leasing them to apparel manufacturers at very nominal rates.

Many other sources of funds are also used. The larger firms have apparently relied heavily upon equity issues and retained earnings to finance start-up and expansion here. Because of the relatively small amount of start-up capital needed, personal contacts and friends are often sufficient to supply these funds. Commercial banks and insurance companies have also made intermediate-term loans to apparel firms.

Despite all these sources of long-term funds, the ties to the Northeast garment centers and financial community apparently still exist. Southeastern manufacturers do resort to commercial banks in these outside areas, though Southeastern banks have played a role in regional growth of the apparel industry. Only a few Southeastern banks lend substantial amounts to apparel manufacturers, usually specializing in this type of lending. This

specialization stems from high lending risks to apparel firms, which typically have a high failure rate. The important criterion for a sound apparel loan, according to one commercial banker, is not collateral or financial standing but knowledge of the industry's ins and outs, that is, awareness of fashion, design, and the trade as well as adaptability to change.

Financial statements of regional apparel manufacturers show short-term liabilities substantially outweighing long-term liabilities, illustrating this labor-intensive industry's need for short-term funds. A number of sources are used, with trade credit and factoring of accounts receivable most prominent. Trade credit refers to the terms extended firms by their textile suppliers. When firms first began to move south, one of their major fears was the loss of trade credit from northern suppliers. These fears were unfounded, however, since trade credit of northern and, increasingly, southern suppliers have continued to provide for short-term credit needs.

Most apparel manufacturers themselves extend short-term credit to customers and, consequently, create accounts receivable on their balance sheets. Credit needs resulting from these accounts receivable vary depending upon the size of the apparel firm involved. The larger firms are usually able to handle their own financing of accounts receivable, while the smaller firms, which usually work on a contract basis with a larger company, have few if any accounts receivable and little need for such credit. It is in the mid-size range of apparel manufacturers that the need for external accounts receivable financing becomes very important. Here the "factor" plays a dominant role as a source of short-term funds. Factoring or "old line factoring" is actually not an extension of credit at all but rather the purchase of a firm's accounts receivable on a nonrecourse basis.³ Such a purchase then provides the firm with operating funds. Today, many commercial factors (i.e., private firms specializing in factoring services) exist which purchase business accounts receivable but, along with these purchases, provide accounting services as well as credit analysis of retail customers. Needless to say, this package of services, along with the sale of accounts receivable, does not come cheaply. Interest charges generally run substantially above the prime rate, and on top of this, a commission or service charge running from one to one and one-half percent is usually added to cover accounting and credit analysis services. For the intermediate-size firm, these costs are still relatively small compared with those of setting up their own credit analysis and accounting departments. Only the largest firms find it financially

³A nonrecourse purchase means that if the purchaser of goods should default in payment, the factor and not the apparel firm has to bear the loss.

feasible to provide their own accounting services and credit analysis.

Commercial factors and banks have both provided services to apparel firms. Previously, factoring was done primarily by private commercial factors. Today commercial banks have become increasingly important in this field, either starting their own factoring departments or buying private commercial factors. Southeastern commercial banks have been pioneers in this field. One major Atlanta bank became the first to establish a factoring department back in 1939. In the past ten years, several Southeastern banks or affiliates have begun offering these services. Also, many banks, as well as financial institutions, do provide accounts receivable financing for apparel firms, though they do not offer "old line factoring" services.

The Present and Beyond

Over two years of strong economic growth and large gains in personal income have had a favorable impact on both the national and Southeastern apparel industry. A return to more traditional fashions has also had a stabilizing impact on the apparel industry. Apparel sales, production, jobs, and profits have risen sharply. However, everything is not a bed of roses for the apparel industry. Prices of textile materials have been soaring. Wool, cotton, and synthetic fiber prices have all risen dramatically since early 1971; but despite these increased costs, apparel prices have risen less than total consumer prices. The pressure of further apparel goods price increases is all too real, however.

Actual labor shortages are probably the biggest problem now facing the Southeast's apparel industry. The abundant labor which first brought apparel manufacturers south has apparently dried up in many areas. The out-migration of people as well as the in-movement of industry has tightened Southeastern labor markets dramatically over the past twenty years. Today shortages are reported in many areas, with skilled workers in even shorter supply. In the Miami area, shortages are particularly acute. Cuban refugees provided an abundant and skilled labor supply in the early and mid-Sixties, but this labor source has also disappeared. Some firms have avoided this shortage by contracting work to plants in the Caribbean Islands and Central American countries, where labor is more readily available. Home contracting, where sewing is done at individual residences, is also rumored to be common practice in certain areas, but its illegality will probably make it short-lived.

What are the prospects for the Southeast's apparel industry? Recent developments suggest the course the industry will follow. Both nationally and in the Southeast, the slowing in population growth which has already occurred will have a depressing effect on the expansion of clothing expenditures. This

decline in fertility rates, along with the changing age structure of the population brought about by the postwar baby boom, will also affect the composition of apparel spending. These developments probably imply an expansion of adult clothing production relative to the children's and infants' portion. Of course, future changes in fertility rates will greatly affect the extent of these compositional changes.

Growth of personal income and increased leisure time will affect not only the amount, but also the composition of apparel sales and output. Growth in national personal consumption expenditures is usually tied closely to income growth; and apparel sales have been, in the past, a rather stable 7 percent of total retail sales. Thus, as income grows, we can expect apparel sales to rise in tandem. At the same time, a rising level of well-being, together with increased leisure and a gradual shift to a more service-oriented economy, will also bring a change in clothes-buying patterns. Leisure wear will probably continue to increase its share of apparel output at the expense of work clothing. Since work clothing is presently important to apparel manufacturing in the Southeast, the region's industry may not continue its past growth pace.

There is little doubt, then, that clothing expenditures will continue to grow, though possibly at a somewhat reduced rate. The remaining question is "Who will meet this demand?" Will it be the domestic apparel industry or foreign rivals? If the domestic industry is to meet future demands, present production techniques must change. Labor shortages indicate that the abundant supply the industry has relied upon is now a thing of the past. As Southeastern labor shortages become more acute, apparel manufacturers will have little alternative than to move to labor-substituting capital equipment. This shift to more capital-intensive techniques and the resultant increased productivity will be necessary to meet future demand and, at the same time, keep costs and prices in competition with imports. Capital expenditures for research and the development of new equipment will then be an important determinant of the domestic apparel industry's future. The commercial banking system can play an important role in stimulating this move toward greater capital intensity by providing the necessary funds. This will probably also imply larger plants than at present, resulting in some consolidation of the existing industry. As usual, the big get bigger.

The Southeast's apparel industry will remain a vital cog in the region's economy in the years ahead. But its growth, held back by slower population growth and less emphasis on work clothing, will, no doubt, be slower than in the past and rely more on capital investment to meet further increases in demand. ■

The Money Stock

by William N. Cox, III

Federal Reserve policy actions in the 1970's have become increasingly concerned with controlling the nation's money stock.¹ As a result, the public has become increasingly interested in the money stock figures compiled and published each week by the Fed.

These money stock figures, like all national economic data, are imperfect estimates. They reflect compromise solutions bridging differences between the economist's concepts of money and the money stock, on the one hand, and the availability of appropriate figures, on the other. Despite efforts of the Fed, commercial banks, and other reporting financial institutions, published money stock figures contain imperfections and inconsistencies. This article discusses some of them, in simple terms.

What Is Money?

Conceptually, "money" is whatever assets people are willing to accept as payment. The test of whether something is money or not might be "Can you buy your lunch with it?" This **acceptability** of money is what is essential; other characteristics, such as legal tender status or the issuer's integrity or backing by gold, only serve to enhance and assure that acceptability.²

In our economy, at least two assets meet this criterion of acceptability: (1) U.S. currency (and coin) in circulation, and (2) demand deposit balances (checking accounts) at commercial banks. These are the two assets incorporated in Federal Reserve estimates of the "narrow" money stock, or M_1 .

Restricting the money stock to these two assets is the first and perhaps most important compromise involved in estimating the money stock. Personal checks drawn on demand deposit accounts are not always acceptable in payment. They can be converted into currency, of course,

¹"Controlling Money with Bank Reserves," this *Review*, April 1973.

²Acceptability is what enables money to serve as a "medium of exchange" in the economy.

but so can many other assets, like passbook savings accounts, which nevertheless are excluded from the narrow money stock. We shall return to this question.

Aggregating the nation's money assets into the nation's money stock is much more than a long addition problem. In the economist's concept, the money stock should include only money assets of those whose spending and investment decisions are influenced by the amount of their holdings. For this reason, money assets held by commercial banks, the Federal Reserve System, and the U. S. Treasury are excluded.

The "narrow" money stock defined and published by the Fed, therefore, represents the currency and demand deposit holdings of individuals, businesses, nonbank financial institutions, state and local governments, and foreigners.

Currency as Money

Everyone agrees that currency and coin serve as money in our economy and that the public's holdings should be included in the money stock. But even in this situation, there are some differences between the concept we would like to measure and the published estimates of that concept.

First, the basis of the currency component is the amount of currency and coin outstanding (as shown on the books of the Treasury and the Federal Reserve Banks) rather than the amount of currency actually circulating as money. The difference arises because some unknown amount has been destroyed or otherwise lost to the public.

Second, since money assets of commercial banks should not be included in the money stock, their holdings of "vault cash" must be deducted. The only direct measurement of vault cash held by banks that are not members of the Federal Reserve System comes but twice a year, however; so this deduction has to be estimated from member-bank data.

Demand Deposits as Money

Conceptually, the way to measure the demand-deposit or checking-account component of the money stock is to contact each U.S. commercial bank and ask it to report the amount of demand deposits on its books owned by everyone except other commercial banks and the U.S. Treasury. Member banks supply much of this information when they prepare their reserve requirements report.³ For nonmember commercial banks, however, just as in the case of vault cash,

the necessary demand deposit information is available only twice a year and, again, must be estimated using statistical techniques. This is a significant difficulty.

Member bank reports and nonmember bank estimates, as mentioned, reflect the total demand deposits of individuals, businesses, state and local governments, foreigners, and nonbank financial institutions. But even this definition includes some demand deposit balances which, conceptually, should not be in the money stock. Non-Treasury Government accounts are counted. Also included are some foreign-owned deposits which are not likely to influence our domestic economy; but dollar demand deposits at overseas banks, which may well exert such an influence, are excluded.⁴

Many business demand deposits, moreover, are used as compensating balances against loans and are not, therefore, available for use. Similarly, many individuals maintain extra balances in their personal checking accounts to qualify for "free" checking account services. It is questionable whether these balances should be included in the money stock. In practice, however, there is no way of measuring the size or changes in these immobilized balances, so they are included.

The "Cash Items" Deduction

If payments were transferred from one demand deposit to another simultaneously (in the sense that the payer's checking account were debited at the same time on the same day the payee's account were credited), then there would be no timing problems associated with the demand deposit component of the money stock. But in practice, most such payments are made by checks credited to the depositor's account one or more days before they are deducted from the check-writer's account. During this period when checks are in transit, demand deposits being transferred are double-counted in the demand deposit component of the money stock.

Checks moving through the transit process are called "cash items in the process of collection." For the most part, member banks report these amounts to the Fed as part of their reserve-requirement calculations. In the Fed's compilation of money-stock demand deposits, it deducts these "cash item" totals in an attempt to compensate for the double-counting problem.⁵

The compensation is far from perfect, however, for several reasons. First, the "cash items"

⁴The money stock also includes the deposits held by foreign central banks at Federal Reserve Banks.

⁵The deduction also includes Federal Reserve float.

³"Meeting Reserve Requirements," this *Review*, October 1973.

ESTIMATES OF THE MONEY STOCK

According to Federal Reserve estimates, the nation's narrowly-defined money stock averaged \$263.9 billion, on a seasonally adjusted basis, during the month of August 1973. This table illustrates (1) the components from which the estimate was derived, and (2) the further estimation of broader definitions of money.

The estimation begins with the **GROSS DEMAND DEPOSITS** at U. S. commercial banks, as reported by banks which are members of the Federal Reserve System, and as estimated for those which are not members. From these gross demand deposits are subtracted,

first, domestic **INTERBANK DEMAND DEPOSITS**, as reported by member banks and as estimated for non-members, and,

second, **U. S. GOVERNMENT DEMAND DEPOSITS**, as shown by the records kept for the U. S. Treasury by the Federal Reserve, thereby yielding an estimate of

PRIVATE DEMAND DEPOSITS. This estimate is further modified. . .

. . . to exclude **ADJUSTED CASH ITEMS** in an attempt to eliminate double-counted demand deposits (see article), . . .

. . . to exclude **FEDERAL RESERVE FLOAT** for the same reason, . . .

. . . and to include **FOREIGN DEPOSITS AT THE FEDERAL RESERVE BANKS**.

The resulting figure is the **DEMAND DEPOSIT COMPONENT OF THE MONEY STOCK**. Seasonal adjustment, which is designed to allow for "typical" August behavior in previous years, produces the "seasonally adjusted" estimate of the demand deposit component shown at the far right. To this is added . . .

. . . the amount of **CURRENCY AND COIN** outside the Treasury, the Federal Reserve Banks, and vaults of commercial banks. This addition results in . . .

. . . the **NARROWLY-DEFINED OR M₁ MONEY STOCK**, seasonally adjusted (right) and unadjusted (left). For a broader measure of the money stock, one can add . . .

. . . the **TIME AND SAVINGS DEPOSITS AT COMMERCIAL BANKS** (excluding their large-denomination "negotiable" certificates of deposit) to get. . .

. . . the **M₂ MONEY STOCK**, seasonally adjusted and unadjusted. For an even broader measure, one can add estimates of . . .

. . . **DEPOSITS AT SAVINGS AND LOAN ASSOCIATIONS AND MUTUAL SAVING BANKS** to get, finally . . .

. . . the **M₃ MONEY STOCK**.

Bil. \$
258.0

(-) 27.6

(-) 4.0

(=) 226.4

(-) 20.5

(-) 5.4

(+) 0.3

(=) 200.8 Seas. Adj.
204.2

(+) 60.0 59.7

(=) 260.7 263.9

+ 286.3 286.6

(=) 547.0 550.5

(+) 315.8 315.9

(=) 862.8 866.4

include checks drawn on all demand deposit accounts, not just those demand deposit accounts included in the money stock. They also include other inappropriate items, such as money orders, redeemed savings bonds, and food stamps. Second, the cash items do not include certain checks deposited into Treasury tax-and-loan accounts maintained by Federal Reserve Banks but not yet deducted from the check-writers' demand deposit accounts.

A third difficulty is that some checks in transit are not picked up in "cash items" at all but are instead reflected in interbank correspondent accounts. Ironically, such checks used to be roughly offset by another accounting practice called "remittance bias," which disappeared as a result of regulatory changes in November 1972.⁶ Thus, the cash items deduction does not compensate for the double-counting produced by these payments.

Some new problems in estimating the money stock appeared in the 1970's. A substantial portion of measured "cash items" resulted from certain transactions of international banks, which did not reflect double-counting in the money stock's demand deposit portion. To reduce these distortions, the Federal Reserve revised the money stock definition in 1970 and 1973.⁷ This difficulty illustrates the dynamic nature of money definition, for these international cash items were unimportant ten years ago. In like manner, we can expect future changes in accounting and financial practices to bring changes in the Fed's definitions and measurement procedures.

Broader Estimates of Money

Thus far we have focused on the "narrow" or M_1 money stock, which incorporates currency and demand deposits to the exclusion of all other financial assets. Many economists have argued that various other assets should be included in the money stock, either because they are acceptable as payment under some circumstances and therefore function as money or because they are regarded as close substitutes for demand deposits and currency.

Recognizing this disagreement about which assets should be included in the money stock, the Federal Reserve has taken an eclectic approach by publishing, along with monthly estimates of narrow money stock, two broader estimates of money called M_2 and M_3 .

The M_2 estimate includes M_1 assets and, ex-

cept for large-denomination negotiable certificates of deposit (CD's), all time and savings deposits at commercial banks. Many economists have argued that these deposits are close substitutes for money because high interest rates, increasing consumer sophistication, and new ways of shifting funds have induced individuals to put their money into interest-bearing time deposits rather than interest-free demand deposits. At the same time, however, a growing proportion of consumer time deposits have moved out of liquid passbook accounts into time certificates, which the consumer cannot convert to a demand deposit or currency without incurring a penalty.

The third and broadest definition of the money stock, M_3 , continues this building-block approach by including not only M_2 , but also deposits at savings and loan associations and mutual savings banks. These assets are generally regarded as being close substitutes for currency and demand deposits and, in two states, can be directly transferred between depositors through the use of "negotiable orders of withdrawal." Although conceptually the M_3 definition should not include demand deposit balances held by savings and loan associations and mutual savings banks, they are included.

This chain of close substitutes could be extended further, of course. Large-denomination bank CD's, Treasury bills, and similar "money market" assets substitute for currency and demand deposits in some instances. Money orders and nonbank traveler's checks function as money. But none of these assets, as yet, have been included in any of the Fed's money-stock measures.

Finally, there are credit cards which are widely accepted as payment and function to a considerable extent as money. Credit card activity is excluded from the money stock, however. Payment with a credit card does not involve the transfer of an asset, as when payment is made with currency or check; instead it involves the assumption of a liability.

The Money Stock Estimates

In describing the money stock estimates published by the Fed each week, we have not touched on the problems involved with blending diverse data from different financial institutions covering different time periods. Neither have we mentioned the formidable problem of seasonal adjustment of the money stock. (The Fed publishes its estimates both before and after such adjustment.) These further difficulties simply reinforce the implication of the previous discussion, which is that the published money stock figures should be regarded as imperfect estimates—adequate estimates, hopefully, but imperfect nevertheless. ■

⁶Federal Reserve Bulletin, February 1973.

⁷Federal Reserve Bulletin, December 1970 and February 1973.

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
SIXTH DISTRICT						UNEMPLOYMENT RATE (Percent of Work Force)					
INCOME AND SPENDING						Avg. Weekly Hrs. in Mfg. (Hrs.)					
Manufacturing Payrolls	Sept.	166	162	161	150	Sept.	4.1	4.2	4.3	4.8	
Farm Cash Receipts	Aug.	210	217	180	138	Sept.	41.1	40.7	40.4	41.2	
Crops	Aug.	163	267	189	140	FINANCE AND BANKING					
Livestock	Aug.	243	198	191	142	Member Bank Loans	Sept.	225	224	219	183
Installment Credit at Banks** (Mil. \$)						Member Bank Deposits	Sept.	191	190	190	168
New Loans	Sept.	735	677r	686	583	Bank Debits**	Sept.	206	211r	214	181
Repayments	Sept.	624	568r	588	502	FLORIDA					
EMPLOYMENT AND PRODUCTION						INCOME					
Nonfarm Employment	Sept.	125.8	125.9	125.6	121.4	Manufacturing Payrolls	Sept.	166	165	164	146
Manufacturing	Sept.	113.2	113.5	113.9	112.2	Farm Cash Receipts	Aug.	185	279	197	140
Nondurable Goods	Sept.	112.0	111.8	111.9	111.0	EMPLOYMENT					
Food	Sept.	99.8	100.1	101.1	102.6	Nonfarm Employment	Sept.	143.5	144.4	143.8	134.1
Textiles	Sept.	109.2	109.3	110.1	108.1	Manufacturing	Sept.	121.9	121.6	120.8	116.7
Apparel	Sept.	111.3	110.9	111.1	110.2	Nonmanufacturing	Sept.	147.7	148.8	148.2	137.5
Paper	Sept.	111.2	110.7	111.3	109.9	Construction	Sept.	182.8	181.8	179.9	160.4
Printing and Publishing	Sept.	124.8	124.5	123.5	120.6	Farm Employment	Sept.	102.4	106.1	113.8	105.5
Chemicals	Sept.	107.5	106.8	107.4	105.7	Unemployment Rate					
Durable Goods	Sept.	117.3	117.7	116.5	113.7	(Percent of Work Force)	Sept.	2.7	2.7	2.7	3.0
Lbr., Wood Prods., Furn. & Fix.	Sept.	110.2	110.6	110.4	109.1	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.0	40.6	40.8	41.4
Stone, Clay, and Glass	Sept.	121.7	121.5	120.2	116.1	FINANCE AND BANKING					
Primary Metals	Sept.	113.0	112.4	108.9	110.5	Member Bank Loans	Sept.	277	273	268	213
Fabricated Metals	Sept.	127.2	127.0	126.8	120.6	Member Bank Deposits	Sept.	233	230	230	197
Machinery	Sept.	143.6	143.9	141.9	132.8	Bank Debits**	Sept.	283	306	284	227
Transportation Equipment	Sept.	108.0	109.5	108.3	108.5	GEORGIA					
Nonmanufacturing	Sept.	130.2	130.3	129.7	124.7	INCOME					
Construction	Sept.	135.4	134.0	132.2	126.9	Manufacturing Payrolls	Sept.	163	156	159	149
Transportation	Sept.	122.6	122.3	121.9	117.4	Farm Cash Receipts	Aug.	153	176	174	115
Trade	Sept.	132.6	131.9	132.1	125.7	EMPLOYMENT					
Fin., ins., and real est.	Sept.	138.0	137.1	136.6	131.1	Nonfarm Employment	Sept.	123.1	122.7	121.2	120.1
Services	Sept.	135.3	135.0	134.2	130.7	Manufacturing	Sept.	108.6	109.2	108.5	108.1
Federal Government	Sept.	100.9	99.9	99.3	100.5	Nonmanufacturing	Sept.	129.7	129.0	127.7	125.6
State and Local Government	Sept.	132.8	135.6	134.3	127.5	Construction	Sept.	130.2	128.6	127.5	125.7
Farm Employment	Sept.	82.1	83.8	85.5	83.7	Farm Employment	Sept.	85.2	87.1	82.1	83.9
Unemployment Rate	Sept.	3.7	3.7	3.7	3.9	Unemployment Rate					
(Percent of Work Force)						(Percent of Work Force)	Sept.	3.5	3.7	3.8	3.8
Insured Unemployment	Sept.	1.7	1.8	1.8	2.1	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.9	40.3	40.6	41.2
(Percent of Cov. Emp.)						FINANCE AND BANKING					
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.0	40.7	40.6	41.3	Member Bank Loans	Sept.	234	241	239	190
Construction Contracts*	Sept.	241	283	242	217	Member Bank Deposits	Sept.	182	183	185	157
Residential	Sept.	293	288	281	314	Bank Debits**	Sept.	282	278	261	209
All Other	Sept.	190	278	204	123	LOUISIANA					
Electric Power Production**	Dec.	188	187	186	168	INCOME					
Cotton Consumption**	Aug.	79	82	84	78	Manufacturing Payrolls	Sept.	153	150	149	139
Petroleum Production**	Sept.	113	114	115	128	Farm Cash Receipts	Aug.	319	211	159	173
Manufacturing Production	July	297	301	292	275	EMPLOYMENT					
Nondurable Goods	July	244	245	242	235	Nonfarm Employment	Sept.	113.3	113.2	113.2	111.4
Food	July	188	189	188	185	Manufacturing	Sept.	104.6	104.7	104.2	104.0
Textiles	July	293	291	285	271	Nonmanufacturing	Sept.	115.1	115.0	115.0	112.9
Apparel	July	291	298	291	282	Construction	Sept.	95.2	93.9	93.4	93.1
Paper	July	225	224	223	220	Farm Employment	Sept.	73.3	75.9	74.5	75.9
Printing and Publishing	July	159	161	161	161	Unemployment Rate					
Chemicals	July	309	310	308	295	(Percent of Work Force)	Sept.	6.2	6.2	5.6	5.9
Durable Goods	July	360	367	352	323	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.7	41.7	41.9	42.6
Lumber and Wood	July	203	203	198	198	FINANCE AND BANKING					
Furniture and Fixtures	July	192	193	191	188	Member Bank Loans*	Sept.	218	224	214	167
Stone, Clay, and Glass	July	203	206	206	182	Member Bank Deposits*	Sept.	171	171	172	158
Primary Metals	July	253	253	241	213	Bank Debits*/**	Sept.	179	191	192	163
Fabricated Metals	July	286	288	289	267	MISSISSIPPI					
Nonelectrical Machinery	July	485	472	452	449	INCOME					
Electrical Machinery	July	829	870	797	713	Manufacturing Payrolls	Sept.	187	184	182	164
Transportation Equipment	July	448	462	447	405	Farm Cash Receipts	Aug.	249	238	202	161
FINANCE AND BANKING						EMPLOYMENT					
Loans*						Nonfarm Employment	Sept.	123.2	122.4	121.2	118.8
All Member Banks	Sept.	242	243	238	193	Manufacturing	Sept.	126.6	126.3	126.4	123.3
Large Banks	Sept.	213	229	223	179	Nonmanufacturing	Sept.	121.6	120.7	118.9	116.8
Deposits*						Construction	Sept.	113.5	113.3	110.0	111.3
All Member Banks	Sept.	200	198	198	174	Farm Employment	Sept.	76.3	71.5	82.6	82.9
Large Banks	Sept.	176	174	175	154	ALABAMA					
Bank Debits*/**	Sept.	244	252r	246	199	INCOME					
ALABAMA						EMPLOYMENT					
INCOME						INCOME					
Manufacturing Payrolls	Sept.	165	160	157	149	Manufacturing Payrolls	Sept.	187	184	182	164
Farm Cash Receipts	Aug.	266	266	205	157	Farm Cash Receipts	Aug.	249	238	202	161
EMPLOYMENT						EMPLOYMENT					
Nonfarm Employment	Sept.	115.6	115.9	115.3	112.4	Nonfarm Employment	Sept.	123.2	122.4	121.2	118.8
Manufacturing	Sept.	113.1	113.0	112.7	110.9	Manufacturing	Sept.	126.6	126.3	126.4	123.3
Nonmanufacturing	Sept.	116.8	117.2	116.5	113.1	Nonmanufacturing	Sept.	121.6	120.7	118.9	116.8
Construction	Sept.	123.8	120.3	118.9	118.1	Construction	Sept.	113.5	113.3	110.0	111.3
Farm Employment	Sept.	70.5	69.9	72.4	72.4	Farm Employment	Sept.	76.3	71.5	82.6	82.9

	Latest Month	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate				
(Percent of Work Force)	Sept. 3.8	3.9	4.1	3.9
Avg. Weekly Hrs. in Mfg.(Hrs.)	Sept. 40.3	40.6	40.5	40.7
FINANCE AND BANKING				
Member Bank Loans*	Sept. 239	236	225	198
Member Bank Deposits*	Sept. 204	196	193	173
Bank Debits**	Sept. 204	200	227	183

TENNESSEE

INCOME

Manufacturing Payrolls	Sept. 169	166	163	155
Farm Cash Receipts	Aug. 217	197	202	148

EMPLOYMENT

	Latest Month	One Month Ago	Two Months Ago	One Year Ago
Nonfarm Employment	Sept. 121.8	121.9	123.1	120.3
Manufacturing	Sept. 110.2	111.2	114.8	113.3
Nonmanufacturing	Sept. 128.3	127.8	127.7	124.2
Construction	Sept. 120.7	119.7	119.7	121.4
Farm Employment	Sept. 93.7	96.3	93.2	90.8
Unemployment Rate				
(Percent of Work Force)	Sept. 3.0	3.1	3.4	3.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept. 41.0	40.7	40.5	41.2

FINANCE AND BANKING

Member Bank Loans*	Sept. 225	226	221	190
Member Bank Deposits*	Sept. 185	182	182	167
Bank Debits**	Sept. 213	205	191	177

*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 non mfg. 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					
	September 1973	August 1973	September 1972	September 1973 from		September 1972	August 1973	September 1972	September 1973 from		
				1973	1972				1973	1972	
STANDARD METROPOLITAN STATISTICAL AREA**											
Birmingham	3,086,684	3,419,883	2,946,912	-10	+5	+17					
Gadsden	70,477	94,719	86,094	-26	-18	+12					
Huntsville	272,921	304,522	261,306	-10	+4	+16					
Mobile	912,034	1,114,594	878,565	-18	+4	+14					
Montgomery	550,598	649,516	496,033	-15	+11	+21					
Tuscaloosa	201,345	229,371	168,911	-12	+19	+27					
Barlow-Lakeland-											
Winter Haven	649,942	771,170	537,024	-16	+21	+25					
Daytona Beach	371,981	419,204r	342,110	-11	+9	+24					
Ft. Lauderdale-											
Hollywood	1,593,570	1,792,969	1,438,348	-11	+11	+15					
Ft. Myers	270,910	310,066	223,965	-13	+21	+34					
Gainesville	225,854	255,148	194,598	-11	+16	+22					
Jacksonville	3,661,377	4,473,763	3,017,220	-18	+21	+24					
Melbourne-											
Titusville-Cocoa	348,832	441,574	335,656	-21	+4	+25					
Miami	6,031,794	7,012,022r	4,914,849	-14	+23	+29					
Orlando	1,310,936	1,726,967	1,179,575	-24	+11	+23					
Pensacola	394,474	458,445	356,157	-14	+11	+12					
Sarasota	427,248	496,229	341,505	-14	+25	+46					
Tallahassee	756,027	1,039,437	546,053	-27	+38	+45					
Tampa-St. Pete	2,945,382	4,095,161	2,823,042	-28	+4	+24					
W. Palm Beach	1,094,774	1,229,556	817,312	-11	+34	+38					
Albany	180,662	197,582	162,943	-9	+11	+18					
Atlanta	15,248,845	16,565,116	10,902,473	-8	+40	+41					
Augusta	476,968	579,611	420,688	-18	+13	+18					
Columbus	387,222	447,232	390,459	-13	-8	+10					
Macon	532,673	562,126	437,722	-5	+20	+19					
Savannah	470,462	540,088	420,133	-13	+12	+19					
Alexandria	230,081	252,073	201,833	-9	+14	+18					
Baton Rouge	1,092,846	1,325,293	1,002,584	-18	+9	+13					
Lafayette	253,437	275,046	229,605	-8	+10	+19					
Lake Charles	202,961	228,681	190,117	-11	+7	+10					
New Orleans	3,619,812	4,197,218	3,473,298	-14	+4	+12					
Biloxi-Gulfport	225,059	256,273	215,613	-12	+4	+18					
Jackson	1,182,087	1,408,506	1,076,601	-16	+10	+22					
Chattanooga	1,271,195	1,379,980	964,233	-8	+19	+27r					
Knoxville	841,070	943,944	745,035	-11	+13	+20					
Nashville	3,309,938	3,481,033	2,736,730	-5	+12	+21					
OTHER CENTERS											
Anniston	96,095	109,770	93,706	-12	+3	+12					
Dothan	187,360	203,298	141,601	-8	+32	+34					
Selma	72,419	81,984	64,232	-12	+13	+26					
Bradenton	145,978	180,894	126,079	-19	+16	+30					
Monroe County	63,193	87,611	52,954	-28	+19	+28					
Ocala	175,298	207,291	145,832	-15	+20	+33					
St. Augustine	37,743	43,947	31,086r	-14	+21	+20					
St. Petersburg	928,202	1,001,026	726,117	-7	+28	+36					
Tampa	1,719,245	2,023,327	1,369,727	-15	+26	+21r					
Athens	136,913	182,408	150,850	-25	-9	+11					
Brunswick	87,804	110,657	69,154	-21	+27	+23r					
Dalton	182,193	195,560	151,198	-7	+20	+19					
Elberton	21,174	21,888	17,190	-3	+23	+4					
Gainesville	128,504	143,651	105,929	-11	+21	+28					
Griffin	68,931	77,261	56,575	-11	+22	+24					
LaGrange	56,177	41,900	31,385	+34	+79	+30					
Newnan	58,068	50,318	49,988	+15	+16	+34					
Rome	126,781	147,597	128,550	-14	-1	+14					
Valdosta	93,737	98,668	87,228	-5	+7	+12					
Abbeville	16,138	15,636	15,448	+3	+4	+5					
Bunkie	9,470	10,290	8,718	-8	+9	+23					
New Iberia	55,005	67,140	58,099	-10	+35	+36					
Plaquemine	25,102	26,605	15,576	-6	+72	+61					
Thibodaux	33,114	42,243	34,047	-22	+3	+15					
Hattiesburg	114,301	131,620	112,619	-13	+1	+20					
Laurel	60,482	72,749	62,295	-17	-3	+17					
Meridian	107,923	121,143	112,006	-11	-4	+16					
Natchez	53,279	54,852	48,586	-3	+10	+7r					
Pascagoula-											
Moss Point	136,139	86,593	135,940	+57	+0	+8					
Vicksburg	69,499	69,595	57,297	-1	+21	+24					
Yazoo City	43,661	38,930	38,417	+12	+14	+10					
Bristol	101,723	115,391	119,099	-12	-15	-8					
Johnson City	154,220	176,756	136,450	-13	+13	+17					
Kingsport	243,330	267,978	212,975	-9	+14	+17					
District Total	68,031,903	76,888,068r	57,007,751	-12	+19	+26					
Alabama	7,423,130	8,492,754r	6,884,239	-13	+8	+18					
Florida	22,708,650	27,035,026r	18,886,800	-16	+20	+26					
Georgia	20,746,600	22,525,134	15,873,460	-8	+31	+34					
Louisiana	6,523,218	7,572,819	6,126,864	-14	+6	+20					
Mississippi	2,683,967	2,901,233	2,507,491	-7	+7	+17					
Tennessee	7,946,338	8,445,954	6,728,897	-6	+18	+20					

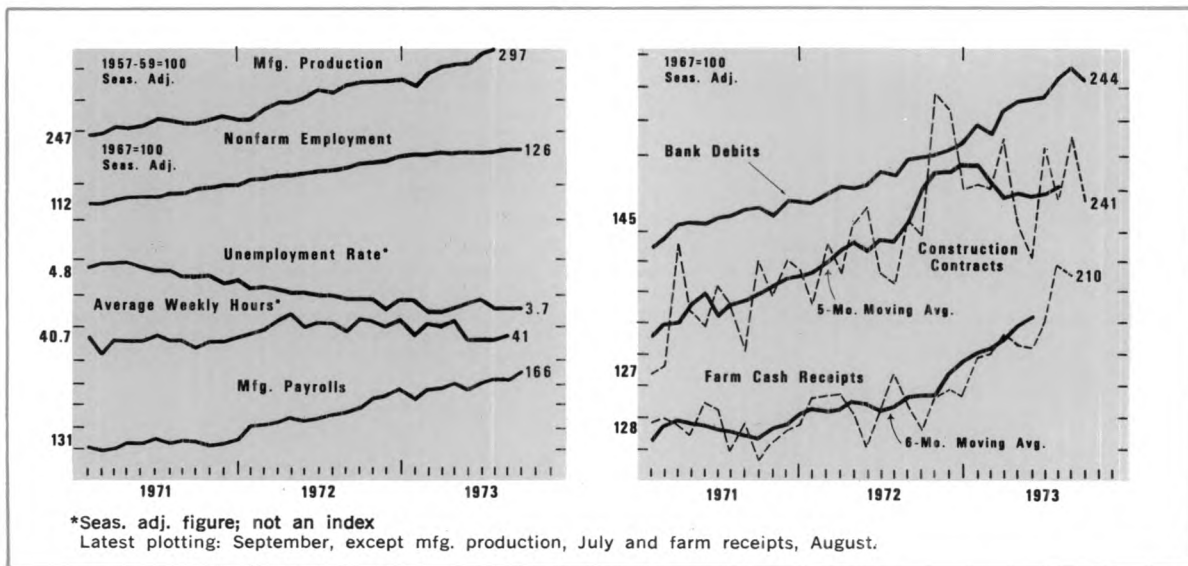
† District portion only

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 SMSA definitions as of December 31, 1972.

District Business Conditions



The Southeastern economy continues to grow but at a more deliberate pace than earlier this year. Job gains are spotty, but the unemployment rate remains low. Consumer spending and bank lending continue to grow at a moderate pace. Increased livestock marketings and forecasts of abundant crop production produced declines in agricultural prices. Construction contract activity eased in September.

A mixture of gains and losses netted little change in nonfarm employment during September. Alabama, Florida, and Tennessee registered declines in nonfarm jobs, while small gains occurred in Georgia, Louisiana, and Mississippi. The most noticeable losses were in state and local government employment, particularly in Florida. The unemployment rate either remained unchanged or declined in all District states. Scattered evidence suggests that manufacturing production has slowed.

Agricultural prices fell sharply in September as hogs, broilers, and soybeans declined 20 percent or more from their August levels. Prices of nearly all livestock items registered more moderate decreases, but cotton, cottonseed, and rice prices made partially offsetting advances. Bountiful crop forecasts and increased livestock marketings have produced continuing price reductions through mid-October. As of October 1, only Louisiana's rice crop, which suffered storm damage, was forecast to be substantially below month-earlier projections. In mid-October, broiler placements were exceeding the levels of a month ago. Farm cash receipts continue to show substantial gains from year-earlier levels.

Consumer instalment credit continues to expand at more moderate rates than early in the year. Lend-

ing to purchase nonautomotive consumer goods, however, was particularly strong, although all categories except auto lending had gains exceeding the previous month. Sales indicators also show a slowing in the important auto category but at a level above last year's. Department store sales in major metropolitan areas resumed their strong growth following a summer pause.

Growth of bank deposits moderated in September as a result of a sharp reduction in large-denomination CD's. New loan extensions at reporting banks have also moderated somewhat, though takedowns on previously committed lines of credit remained strong. Various banks had reduced their prime rate for national customers to 9³/₄ percent by mid-October, but the rate for most local loan customers has remained firm. Bank borrowing from the Federal Reserve has slowed, though purchases of Federal funds have not yet abated.

The value of construction contract awards fell moderately. Housing contract values in September stayed at the levels of the past two months, while nonresidential awards were down from last month's record levels. Florida continues to lead the area in expansion of residential construction; Louisiana and Mississippi have experienced declining contract awards in this sector over the year.

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