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In this issue:

The Distribution of Southeastern Income

District Business Conditions

Banking Notes: Banking at Midyear



The Distribution of Southeastern Income

by William D. Toal

“Three fundamental principles of equity concerning the distribution of income are widely accepted: those who produce the same amount should be rewarded equally (horizontal equity); those who produce more should be rewarded more (vertical equity); and no individual or household should be forced to fall below some minimum standard of consumption regardless of productive potential. Although there is fairly general agreement on these principles, the desirability of any given amount of inequality in the income distribution remains a matter of personal judgment and of social and political debate.”

(The Annual Report of the Council of Economic Advisers, 1974)

Two questions are of importance in evaluating an economy's performance: Given limited resources, how much is being produced and who gets the benefits of this production? How much is produced gets most of the attention. For example, the rapid growth of the Southeast has received much publicity. However, this region still produces less per person (measured by per capita income) than the national average.¹ In other words, total production or income per person is smaller in the Southeast than nationally. But what about the distribution of Southeastern production and income? How is the income pie sliced and how evenly cut are the slices, especially when contrasted to national income distribution?

This article examines the distribution of Southeastern income, first comparing it to the U. S. as a whole. It explores why geographic differences in income distribution still exist. Finally, the article throws light on what happened to income distribution during the Sixties and why.

Why the Interest in the Income Pie?

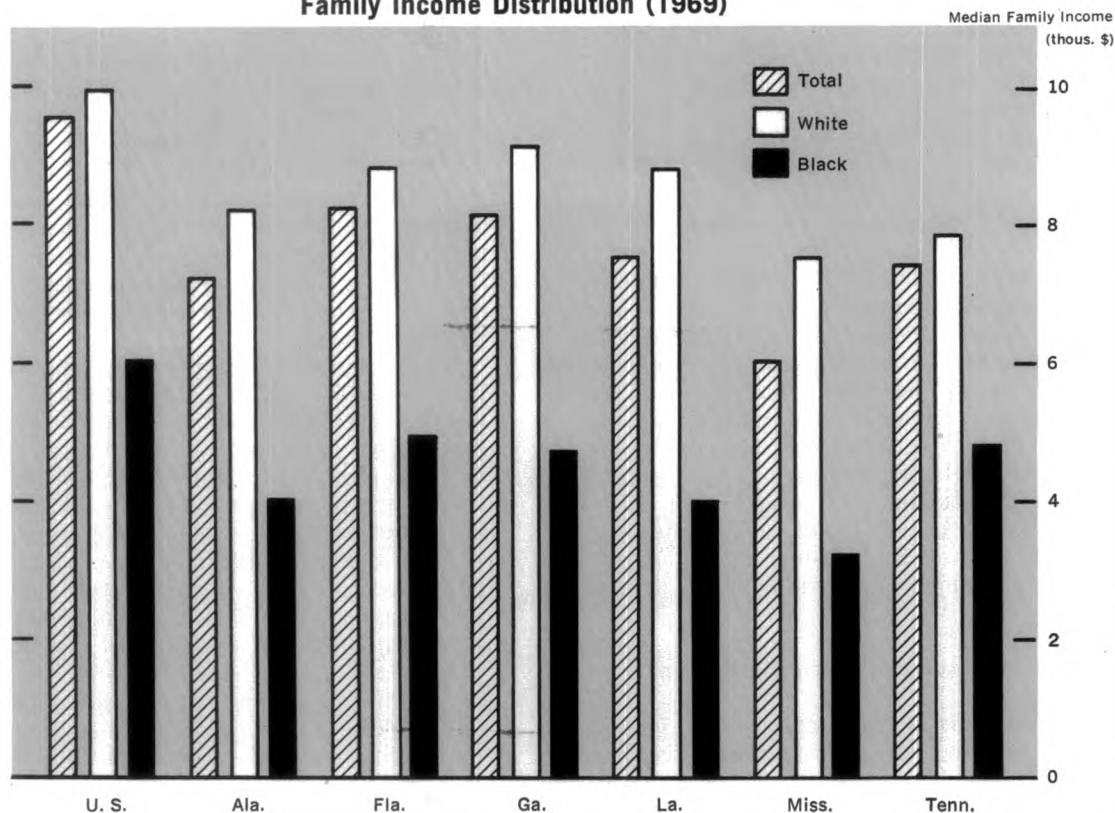
The optimum distribution of income is debatable. But many believe that whatever the overall size of the income pie, the more evenly it is cut, the higher the level of economic well-being. Is the Southeast's income pie becoming more evenly sliced over time? If so, what forces are responsible? This is of general interest, but particularly in the Southeast.

Distribution of income may also have important implications for economic growth. States or regions can obtain outside capital for economic growth much more easily than a country. By the same token, some economists believe a less even distribution of income may reduce consumer spending and, as a

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

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CHART I
Family Income Distribution (1969)



Gini Index of Family Income Concentration (1969)

	U.S.	Ala.	Fla.	Ga.	La.	Miss.	Tenn.
Total	.364	.393	.398	.381	.403	.427	.390
White	.353	.365	.388	.362	.371	.380	.379
Black	.397	.416	.389	.401	.429	.435	.400
Urban	.357	.384	.396	.382	.396	.400	.377
Rural Nonfarm	.363	.380	.390	.369	.402	.418	.377
Rural Farm	.414	.419	.425	.420	.478	.472	.419

consequence, divert resources into capital investment; this would boost economic growth.²

How the income pie is sliced, therefore, may have implications for both economic well-being and growth. A more uneven distribution of income might reduce well-being in the short run but may accelerate economic growth, which eventually would lead to greater well-being. However, at any

given time, a specific distribution of income may result in a trade-off of less growth for more well-being or vice versa.

The Gini Index

This study draws on data from the **1970 Census of Population** and utilizes the Gini index of income concentration. Briefly, this index measures the area between a line of perfect income equality and a line of actual income inequality (called the Lorenz Curve). This area, shaped like a banana, grows bigger as income inequality increases. Conse-

²The relationship, if any, between the distribution of income, savings, and economic growth in the Southeastern states will be examined in a forthcoming article.

quently, the higher the index, the greater the inequality in income.³

This study uses the family as the basic income-receiving unit, since family income is considered a better measure of economic well-being than per capita income. The Gini index has several limitations, however: Before-tax income, representative of a single year (1969), is used and nonmoney income sources are not accounted for.

Where the Southeast Stands

As we might expect, the Southeast's income was less evenly distributed than the nation's at the turn of the decade (1969). The chart points out that each Southeastern state had lower than national average family incomes. To some views, lower income areas typically have more uneven distributions. This is indeed the case in the Southeast (see chart). What is surprising is just how uneven this distribution is in each state. Mississippi has the most uneven distribution in the nation; overall, the six Southeastern states are among the bottom nine in the country in this respect.

Why Such Uneven Distribution?

What are some of the forces affecting income distribution and how well do these forces explain the Southeast's uneven distribution? Several studies have thrown light on these questions.⁴ Some of the most notable factors were level of economic development, racial make-up, extent of urbanization, and importance of different income types (i.e., the functional distribution of income). In some of these studies, age and educational levels, as well as occupational makeup of the labor force, were found to be related to income distribution. In seeing how these factors apply to the Southeast, particular attention will be paid to economic development, racial mix, urban-rural make-up, and income sources.

Many of the forces mentioned above and their importance to the Southeast are shown in Table 1. None is perfectly associated with income distribution (shown in the first line); but, let us see just what influence, if any, economic development, racial make-up, rural-urban mix, and sources of

income have on the Southeast's uneven income distribution.

Economic Development

Does higher economic development tend to equalize an area's distribution of income? A number of studies have examined this relationship, often with conflicting results.⁵ However, greater mobility, both geographic and industrial, greater wage standardization (through unionization), more education, and the declining importance of agriculture generally go with higher economic development. And each of these characteristics would seem to contribute to equalizing the slices of the income pie.

Do we find this relationship between income distribution and economic development when we examine the Southeast? The answer is yes and maybe. Two of the more frequently used measures of economic development are average income and importance of manufacturing, though neither measures economic development perfectly. When applied to the Southeast, however, both show this region to be less developed than the nation as a whole (see Table 1, lines 2 and 3). Looked at strictly on a regional basis, then, the Southeast is less developed economically and has a more uneven income distribution than the nation as a whole. However, in individual Southeastern states, any relationship between income distribution and economic development is loose at best. The most one can say is that those states with higher economic development (approximated by income and manufacturing importance) generally have somewhat more evenly sliced income pies.⁶

³Several of the articles mentioned in the previous footnote examine the influence economic development has on income distribution. They refer to this hypothesized relationship as the Kuznets thesis, based on Simon Kuznets' empirical observations on economic development and income distribution among countries. See Simon Kuznets, "Economic Growth and Income Inequality," *The American Economic Review*, Vol. XLV, March 1955, pp. 1-28; ———, "Quantitative Aspects of the Economic Growth of Nations: VIII, Distribution of Income By Size," *Economic Development and Cultural Change*, January 1963, Part 2, pp. 1-80.

⁴For the six Southeastern states, the Spearman rank correlation coefficient between the Gini index and percent of employment in manufacturing of -.6000 was considerably higher than the rank correlation coefficient of the Gini index with median family income of -.3714. However, neither rank correlation coefficients are significantly different from zero at the 95-percent level of confidence.

For the six Southeastern states, percent of employment in manufacturing may be a poor proxy for economic development, particularly in Florida. In fact, the rank correlation coefficient between median family income and percent of employment in manufacturing is negative. Consequently, this variable may be a proxy for some force other than economic development, possibly the extent of unionization as shown in Table 1. The rank correlation between extent of manufacturing and extent of unionization in the Southeastern states is +.7143.

Using some unpublished county Census data on family income concentration, a significant inverse rank correlation between county family incomes and their distributions was found for each Southeastern state.

³A more complete description of the Gini index and its graphic interpretation is given in the Appendix.

⁴See: Almand Al-Samarrie and Herman P. Miller, "State Differentials in Income Concentration," *The American Economic Review*, Vol. LVII, No. 1, March 1967, pp. 59-72; D. V. Aigner and A. V. Heins, "On the Determinants of Income Equality," *American Economic Review*, Vol. LVII, No. 1, March 1967, pp. 175-181; James E. Jonish and James B. Kau, "State Differentials in Income Inequality," *Review of Social Economy*, Vol. 31, No. 2, October 1973, pp. 179-190; and Tom S. Sale, III, "Interstate Analysis of the Size Distribution of Family Income, 1950-1970," *Southern Economic Journal*, Vol. 40, No. 3, January 1974, pp. 434-441.

TABLE 1

FORCES INFLUENCING THE DISTRIBUTION OF FAMILY INCOME

	Mississippi	Louisiana	Florida	Alabama	Tennessee	Georgia	U. S.
Gini Index of Family Income Concentration	.427(1)	.403(2)	.398(3)	.393(4)	.390(5)	.381(6)	.364
Median Family Income	\$6,071(6)	7,530(3)	8,267(1)	7,266(5)	7,447(4)	8,167(2)	9,590
% Employed in Manufacturing	25.9(4)	15.0(5)	14.1(6)	28.6(2)	30.6(1)	27.2(3)	29.9
% of Population Nonwhite	37.2(1)	30.2(2)	15.8(6)	26.4(3)	16.1(5)	26.1(4)	12.5
% of Population Urban	44.5(6)	66.1(2)	80.5(1)	58.4(5)	58.8(4)	60.3(3)	73.5
% of Income From Property	11.3(4)	15.0(2)	17.4(1)	11.2(5)	11.8(3)	11.1(6)	14.3
% of Population Over 65 Years Old	10.0(2)	8.4(5)	14.5(1)	9.8(3.5)	9.8(3.5)	8.0(6)	9.9
Median School Yrs. Completed (25 & over)	10.9(5)	10.8(3)	12.1(1)	10.8(3)	10.6(6)	10.8(3)	12.1
% Nonfarm Labor Force Unionized	14.9(6)	19.2(3)	15.1(5)	22.6(2)	23.5(1)	17.7(4)	30.9

*All statistics are for 1970 except the Gini index and median family income data, which are for 1969.

The numbers in parentheses are rankings by Southeastern states for each statistic from highest numerical value to lowest.

Source: U. S. Department of Commerce

Racial Make-up

Does racial make-up influence income distribution? Other studies have found blacks not only have lower average incomes but also more unevenly distributed incomes than whites. These two characteristics imply that a close relationship should exist between racial make-up and overall income distribution. The greater the percent of nonwhites, the more unevenly distributed incomes should be.

This relationship between racial make-up and income distribution would appear to jibe quite well with the Southeast's income distributions. In each Southeastern state and the nation as a whole, average incomes of black families are below those of white families, and the income distribution of blacks is more uneven than for whites (see chart). The net result is a close relationship between percent of nonwhite population and distribution of family income. Each Southeastern state has a more uneven income distribution and relatively more nonwhites than the U. S. as a whole. And even among the Southeastern states, racial composition and unevenness of income distribution seem to move together (see Table 1, lines 1 and 4).⁷

However, racial make-up only partially explains the Southeast's uneven income distribution. Even within racial groups, family incomes are distributed more unevenly in the Southeast than nationally (see chart). Consequently, other forces must also be responsible for these differences.

Urbanization

Does urbanization affect the distribution of income? Though it probably does, opinions differ on exactly how and in what direction urbanization impacts on income distribution. One view says that urbanized areas have a more even income distribution than rural areas, particularly farms. Nonfarm wage and salary incomes, most of which are earned in urban areas, typically are higher and more evenly distributed than farm incomes. Likewise, urban areas generally have somewhat higher education levels and greater concentration of

nonwhite for the six Southeastern states was +.6000. Although of the expected direction, this correlation was again not significantly different from zero at the 95-percent level of confidence. Using the unpublished county data mentioned in footnote 6, a significant rank correlation was found between these two variables for four of the six Southeastern states, Florida being a notable exception.

There is yet another facet contributing to the Southeast's more uneven than national family income distribution: The difference in family incomes between blacks and whites is greater in the Southeastern states than it is for the nation as a whole (see chart).

⁷The rank correlation coefficient between the Gini family income concentration index and the percent of the population which is

white-collar workers than rural areas, which tends to make urban incomes more evenly distributed.

On the other hand, urbanization is also seen to contribute to a more uneven income distribution compared with rural areas. One sees most dramatically the contradiction of poverty among affluence in cities, where ghettos attest that urbanization does not, of itself, even out income distribution.

For the Southeast, urban areas do have more even income distribution than farms. With some exceptions, rural nonfarm areas fall somewhere in between (see chart). Since the Southeast is generally less urbanized than the rest of the nation, one might think there is a relationship between urbanization and income distribution. But in looking at the individual Southeastern states, there appears to be little if any relationship (see Table 1, lines 1 and 5).

Property Income

What about the source of income itself and its impact on a region or state's distribution of income? The importance of property as an income source would seem to have a close bearing on distribution. Property and its income is much more likely to occur from windfalls or inheritance, with a bigger chance that it will be more unevenly distributed than wages and salaries. It seems reasonable to expect that the more important property income is, the more uneven distribution of income should be.

This thesis is verified to some extent in examining the individual Southeastern states (see Table 1, lines 1 and 6). It explains particularly well Florida's uneven income distribution. Property as a source of income is very important in Florida, perhaps because of the older average population. There is apparently a close relationship between the proportion of a state's over-65 population and the importance of property as an income source (see Table 1, lines 6 and 7).

Any implications drawn so far are based on a very small number of observations, the six Southeastern states. As such, any conclusions drawn are very "iffy"; to enlarge our sphere of observations, we can look at the distribution of family incomes in thirty-three Southeastern metropolitan areas.

Metropolitan Income Distribution

There are large differences among these metropolitan areas in income distribution. Table 2 shows West Palm Beach with the most uneven distribution and Atlanta with the most even. Generally, size of income, race, and property income are the three factors associated with these differences. (Urbanization was obviously not a significant characteristic, since metropolitan areas are largely urban.) These results, then, follow closely

TABLE 2
METROPOLITAN AREA FAMILY INCOME
DISTRIBUTION (1969)

Metropolitan Area	Gini Index of Family Income Concentration
ALABAMA	
Birmingham	.378
Gadsden	.361
Huntsville	.375
Mobile	.379
Montgomery	.398
Tuscaloosa	.398
FLORIDA	
Fort Lauderdale	.399
Gainesville	.403
Jacksonville	.370
Miami	.410
Orlando	.364
Pensacola	.362
Tallahassee	.408
Tampa-St. Petersburg	.383
West Palm Beach	.424
GEORGIA	
Albany	.386
Atlanta	.352
Augusta	.365
Columbus	.379
Macon	.367
Savannah	.376
LOUISIANA	
Baton Rouge	.366
Lafayette	.408
Lake Charles	.356
Monroe	.399
New Orleans	.398
Shreveport	.389
MISSISSIPPI	
Biloxi-Gulfport	.362
Jackson	.398
TENNESSEE	
Chattanooga	.361
Knoxville	.376
Memphis	.386
Nashville-Davidson	.365

Source: U. S. Department of Commerce

the inferences drawn when we made state-by-state comparisons. However, these characteristics actually explain only a little more than one-third of the difference in metropolitan area income distributions.

Property income is a particularly important influence in Florida's metropolitan areas, where property income is abnormally large and distribution is most uneven. West Palm Beach is a case in point.

Changes In Distribution

Are there any signs that the Southeast's income pie may become more evenly distributed in the

years ahead? Recent changes give us a clue. We see that in the Sixties a movement toward more even income distribution in the Southeast did occur. In fact, in the past decade, distribution changed more in this region than for the U. S. as a whole. Each Southeastern state showed some movement toward more even income distributions, with the largest changes taking place in Mississippi and Georgia. Only Florida showed very little change.

This move toward more equal family income was not shared by every other state in the U. S.; in fact, there was only a slight move toward less inequality nationally. In twelve states family income distribution actually grew more uneven. Consequently, the Southeast's move toward more even distribution of the family income pie is all the more impressive. These changes should continue if the past is any indication of the future.

Why These Changes?

Many of the same factors that influence geographic income distribution may have been responsible for the change in the Southeast's income distribution in the Sixties. For example, the fastest growing Southeastern states (measured by family income) also experienced the biggest drop in income inequality. Mississippi was the leading example followed by the other five states, matching growth in income with reductions in inequality; next to Mississippi was Georgia, then Tennessee, Alabama, Louisiana, and Florida (see Table 3). Income growth has apparently had some impact, then, on lessening income inequality in Southeastern states. (At least differences in individual state growth rates correspond to income distribution changes.)

The Southeast's changing racial make-up also may have been responsible for changing income patterns. In the Sixties, each Southeastern state's nonwhite population declined as a percent of total population. This is in opposition to what happened nationally, where the nonwhite percentage increased. These changes are related to migration patterns, particularly by blacks. Each Southeastern state was a net loser of blacks through migration in the Sixties; the rest of the country, recipients of this migration, generally gained blacks.

Because blacks have lower and more uneven incomes than whites, we should then expect to find a close relationship between black out-migration and any change in income distribution. This seems to be true for every Southeastern state. Mississippi, with the sharpest change in family income inequality, had the greatest black out-migration rate. Florida, on the other hand, had the smallest migration and the least change in distribution. Thus, black out-migration and a general narrowing of the black and white family income gap are additional elements in reducing South-

TABLE 3
CHANGES IN FAMILY INCOME DISTRIBUTION

	Gini Index of Family Income Distribution		Percent Change In Median Family Income (1969/1959)
	1969	1959*	
Mississippi	.427	.466	— .039
Georgia	.381	.418	— .037
Tennessee	.390	.424	— .034
Alabama	.393	.424	— .031
Louisiana	.403	.420	— .017
Florida	.398	.399	— .001
U. S.	.364	.371	— .007

*Gini indexes for 1959 are obtained from the Al-Samarrie and Miller study. See Al-Samarrie and Miller, *op. cit.*, p. 63.

eastern income inequality.⁸

Continued urbanization and declining farm employment were still other contributing influences. Though still less urbanized than the nation as a whole, the Southeast's rapid urbanization and sharp farm employment decline in the Sixties probably aided the movement toward more equal incomes. Also, a general reduction in the income difference between urban and rural areas helped reduce inequality.

Summary and Implications

Income remains less evenly distributed in the Southeast than in the rest of the nation. But in the Sixties, this region made significant progress in raising income levels closer to the national average and in spreading income more evenly throughout its population. This move toward a more even income distribution was actually faster than nationally. But substantial geographic differences remain. Income in the Southeast was most uneven in Mississippi and least in Georgia. However, incomes in all six states were among the most unevenly distributed in the nation. The Southeast's rural areas generally showed more uneven

⁸Of course this out-migration is itself related to other influences such as higher wages and job availability in other parts of the country. Indirectly these higher wages in other regions may be partially responsible for the changes in Southeastern family income distribution.

Furthermore, this black out-migration may be responsible for the close association of the growth in family incomes and changes in the distribution of these incomes. That is, this out-migration affects both the growth in average family income levels and the changes in the distribution of income and is responsible for the latter two factors moving so closely together.

distributions than urban areas, although there were exceptions. There were also sharp differences among metropolitan areas, though income was generally more evenly distributed than in non-metropolitan areas. Despite rather high incomes, metropolitan areas in Florida had greater inequality than those in the other five states.

Trying to explain these differences, we reached conclusions similar to other researchers. Race and, to a much lesser extent, urbanization were influencing factors. However, even after these factors are considered, regional and state differences remain. We found income and extent of manufacturing—influences reflecting economic development—to be other determinants of income distribution. The importance of property income was likewise closely associated with inequality, particularly in metropolitan areas.

Income growth appeared closely related to changes in income distribution in the Sixties. Also, the change in racial make-up of the population, associated with black migration, was found to have a particularly strong influence. Those areas with the largest black out-migration showed the sharpest changes (toward less inequality).

This study further showed that income differences between the Southeast and the rest of the

nation and among the Southeastern states and metropolitan areas cannot be entirely explained by the social, demographic, and economic influences mentioned. Indeed, they fail to account for even the greatest portion of these differences and changes. One cannot underestimate the impact mere chance and the historical development of institutions in the region have had on income distribution. The Southeast's agrarian background, coupled with its delayed industrialization and past reliance on the institution of slavery, probably still has an impact on distribution.⁹

However, as economic development continues and per capita income approaches national levels, this income becomes more evenly distributed. As a result, the population increasingly shares in the region's economic growth, as was the case in the Sixties. We can probably expect economic development in the Southeast to continue this trend toward more even income distribution in the years ahead, with a net result of greater overall economic well-being. ■

⁹Thomas R. Atkinson, "Money Income Distribution — South vs. Non-South," *Southern Economic Journal*, Vol. XXIII, July 1956, pp. 26-27.

APPENDIX

Measuring Income Distribution

How do we measure income distribution? The most frequently used method is to rely on data furnished by the **Census of Population**, which gives the number of families or persons in different income intervals (see Chart A-1). Here the number and percent of families and the percent of family income for each income interval are shown. Comparisons can then be made of the percent of family income and percent of families in various income intervals for different geographic units or for the same unit at different points in time. For example, comparing the data in Chart A-1 with similar data for the U. S. as a whole (not shown), we find that in 1969 the Southeast had both a greater percentage of families and of family income in the lowest interval (i.e., less than \$1,000) while it had a smaller percentage of both families and

family income in the highest income interval (i.e., greater than \$25,000). This of itself does not tell us much about differences in income distribution between the Southeast and the U. S., since the Southeast's median family income is lower than the nation's. Only when equal percentages of families are used to compare percentages of total family income can a meaningful comparison about differences in income distribution be obtained. Chart A-2 shows such a standardization by graphing the cumulative percent of families. If perfect equality in family income was present, any given percent of families would have the same percent of family income. For example, 10 percent of the families would have 10 percent of the income. In other words, a perfectly even distribution of income, in which everyone received the same income, would

CHART A-1

Distribution of Southeastern Family Income (1969)

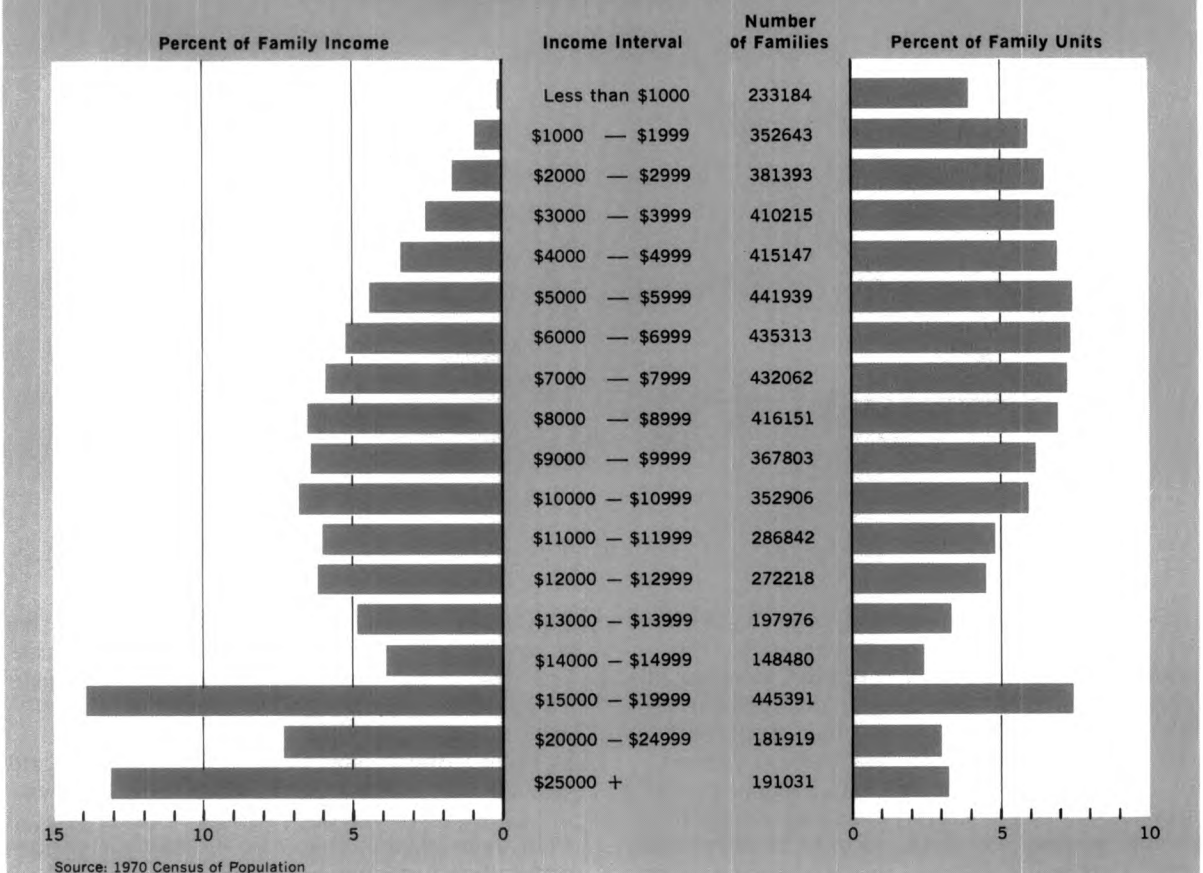
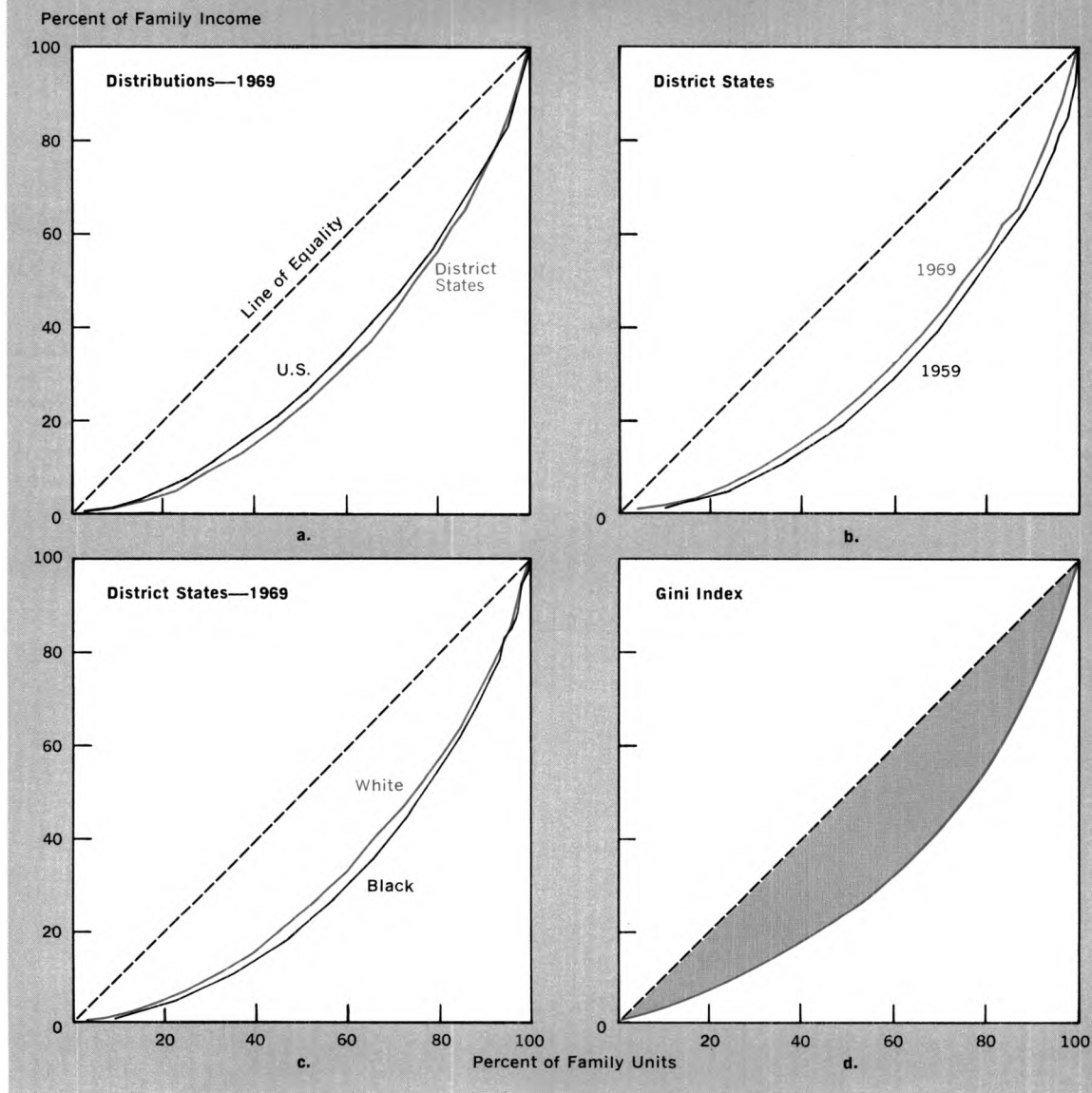


CHART A-2 **Lorenz Curves and Income Inequality**



appear as the straight line rising from the origin of the graph at a forty-five degree angle. The actual data from Chart A-1, plotted in cumulative percentages, is shown by the colored line in Chart A-2-a. Here we can see that 20 percent of the households obtain far less than 20 percent of the total family income; 40 percent of the families, far less than 40 percent of the total family income, etc. Thus, income is distributed much less equally than if perfect equality were

present. In general, the greater this graphed line is bowed away from the straight forty-five degree line, the greater is the inequality in income distribution. This line, which plots cumulative percentages of families, is called a Lorenz Curve. Plotted in black is the Lorenz Curve for the United States derived from national data similar to that shown in Chart A-1 for the Southeast. As can be seen from these graphic measures, in 1969 the nation's distribution of family income was more even than

that of the Southeast. As long as these Lorenz Curves do not intersect, they give us a clear comparison of income distribution. The curve which is more bowed out, in this case the Southeast's curve, represents the more unequal state of inequality in income distribution.

Chart A-2-b reproduces the Southeast's Lorenz Curve for both 1969 and 1959. The more bowed 1959 curve indicates that family income distribution has grown more even in the Sixties. Chart A-2-c shows Lorenz Curves for white and black Southeastern families in 1969. The more bowed Lorenz Curve for blacks shows their income to be less evenly distributed than white family income.

When Lorenz Curves intersect, comparisons

of income distribution become more uncertain. In these cases, a quantifiable measure of income distribution is needed. The Gini concentration index is derived from the Lorenz Curve. It measures a ratio of the area between the straight forty-five degree line and the Lorenz Curve, the shaded area in Chart A-2-d, to the total area bounded under the straight forty-five degree line. The higher this index, the more concentrated or uneven the distribution of income. In 1969, the Southeast's Gini concentration index was .395, as compared to .364 for the U. S. These indexes confirm the graphic approach shown in Chart A-2. Throughout the body of this article, Gini concentration indexes have been used to analyze family income distribution.

Bank Announcements

June 13, 1974

THE COUNTY BANK

Palmetto, Florida

Opened for business as a par-remitting nonmember.

June 17, 1974

FIRST CITIZENS BANK

Fayetteville, Georgia

Opened for business as a par-remitting nonmember. Officers: T. B. McLeod, president; Alton D. Brown, chairman of the board; Travis R. Hardy, vice president; H. Crawford Hewell, cashier. Capital, \$525,000; surplus and other funds, \$247,000.

July 1, 1974

AMERICAN CITY BANK

Tullahoma, Tennessee

Opened for business as a par-remitting nonmember. Officers: Duane Thorpe, president; George S. Vibbert, Jr., vice president. Capital, \$400,000; surplus and other funds, \$400,000.

July 1, 1974

EAST RIDGE CITY BANK

East Ridge, Tennessee

Opened for business as a par-remitting nonmember.

July 10, 1974

BARNETT BANK OF NORTH PENSACOLA

Pensacola, Florida

Opened for business as a par-remitting nonmember. Officers: Allan L. McLeod, Jr., president; Mary Lor Hobby, vice president and cashier; Rudolph Polise, Jr., assistant vice president. Capital, \$400,000; surplus and other funds, \$200,000.

July 12, 1974

PEOPLES BANK OF GRACEVILLE

Graceville, Florida

Opened for business as a par-remitting nonmember. Officers: Robert F. McRae, Sr., chairman; Donald R. Graham, president; Marvin T. Dixon, cashier. Capital, \$250,000; surplus and other funds, \$200,000.

July 15, 1974

BANK OF VICKSBURG

Vicksburg, Mississippi

Opened for business as a par-remitting nonmember.

July 15, 1974

UNITED SOUTHERN BANK OF MORRISON

Morrison, Tennessee

Opened for business as a par-remitting nonmember.

July 17, 1974

ATLANTIC WESTSIDE BANK OF

PALM BEACH COUNTY

West Palm Beach, Florida

Opened for business as a par-remitting nonmember.

July 24, 1974

GADSDEN MALL BANK

Gadsden, Alabama

Opened for business as a par-remitting nonmember.

July 25, 1974

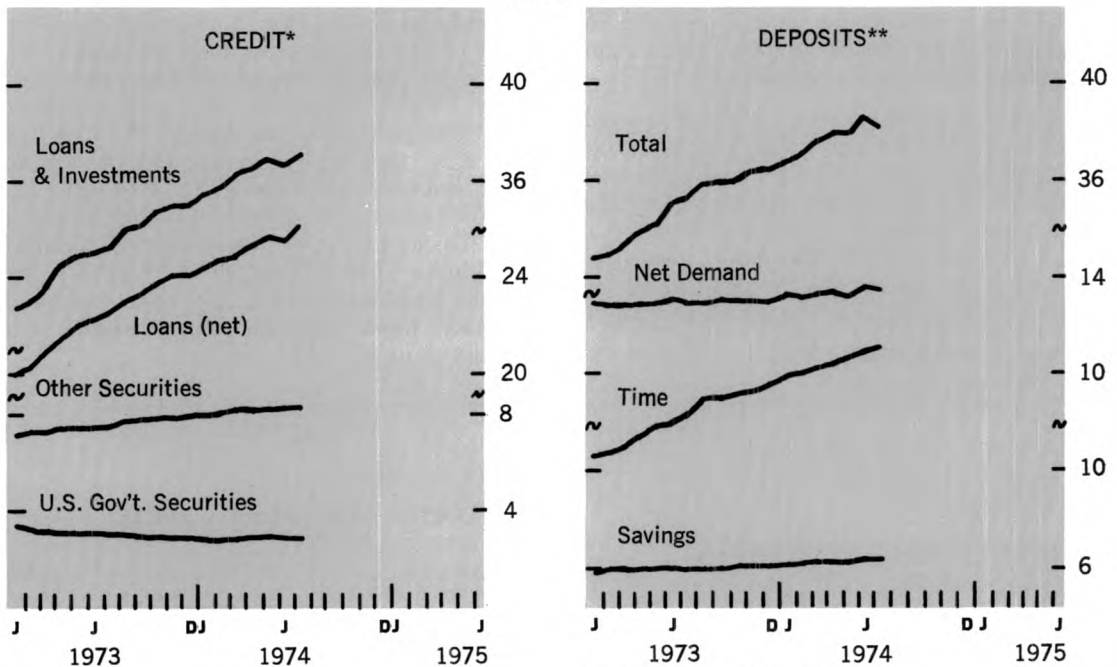
BANK OF CANTONMENT

Cantonment, Florida

Opened for business as a par-remitting nonmember. Officers: J. Barnett Jones, president; Ms. Willigem Crocker, vice president and cashier. Capital, \$370,000; surplus and other funds, \$555,000.

BANKING STATISTICS

Billion \$



LATEST MONTH PLOTTED: JULY

*Figures are for the last Wednesday of each month

**Daily average figures

SIXTH DISTRICT BANKING NOTES

Banking at Midyear

SIXTH DISTRICT MEMBER BANK LOANS

(Seasonally Adjusted)

June 1974

	Amount (million \$)	% Change First Half 1974		Amount (million \$)	% Change First Half 1974
DISTRICT	28,447.0	+ 7.5	GEORGIA	6,200.9	+ 7.1
ALABAMA	3,770.9	+ 7.9	Atlanta	4,785.7	+ 9.8
Anniston-Gadsden	205.7	+ 6.8	Augusta	392.1	+ 3.5
Birmingham	1,766.9	+ 9.4	Columbus	268.9	+ 11.7
Dothan	182.9	+ 9.4	Macon	249.0	- 0.8
Mobile	660.4	+ 6.7	Savannah	470.2	+ 0.6
Montgomery	637.2	+ 2.3	South Georgia	141.8	+ 7.6
FLORIDA	9,657.9	+ 8.7	LOUISIANA*	3,402.4	+ 6.7
Jacksonville	1,117.3	+ 4.1	Alexandria-Lake Charles	318.0	+ 7.1
Miami	4,416.9	+ 8.1	Baton Rouge	503.1	+ 11.7
Orlando	1,328.9	+ 5.3	Lafayette-Iberia-Houma	235.4	+ 16.0
Pensacola	240.2	+ 5.3	New Orleans	2,367.8	+ 3.0
Tampa-St. Petersburg	2,574.2	+ 14.8	TENNESSEE*	3,930.4	+ 7.9
MISSISSIPPI*	1,484.5	+ 1.2	Chattanooga	777.7	+ 17.7
Jackson	995.2	+ 0.5	Knoxville	598.5	+ 8.2
Hattiesburg-Laurel-Meridian	322.0	+ 6.7	Nashville	2,673.0	+ 6.7
Natchez	82.4	+ 11.8	Tri-Cities	151.0	+ 10.4

NOTE: Figures shown are for trade and banking areas, which include several counties surrounding central cities. Boundaries of some areas do not coincide with state lines.

*Represents that portion of the state in the Sixth District.

District member banks expanded their loans a solid 7.5 percent during the first six months of 1974. The \$2.0-billion net increase in loans reflected strong demands for bank funds, especially by businesses. Even this large credit extension, however, did not approach the extraordinary 13-percent pace which banks set in the same months of 1973.

In seeking lendable funds to meet these tempered but still robust credit demands, member banks made increased use of large negotiable CD's and nondeposit sources of funds. As seen in the chart, such liabilities at large banks reached \$3.3 billion in June, surpassing the historically high levels achieved the previous year. The strong increase in CD's reflected bankers' competitive efforts to make up for the relatively slow growth of demand deposits and consumer savings deposits.

The combination of strong borrower demand for bank funds and sluggish growth in the more traditional deposit sources of bank funds also placed upward pressure on bank loan rates, both nationally and in the Southeast. The prime rate, after declining in February and March to 8¾ percent, increased in eight rapid steps, beginning in late March, and reached 11½ percent in May. The prime rate increased further to 12 percent during July.

While total loan growth at this region's banks kept pace with the strong national expansion, the composition of loan demand differed. While headlines focused on exceptional business loan growth at large banks nationally, District business loans remained sluggish in the early months of the year. Strong local demand for real estate loans, however, took up the slack.

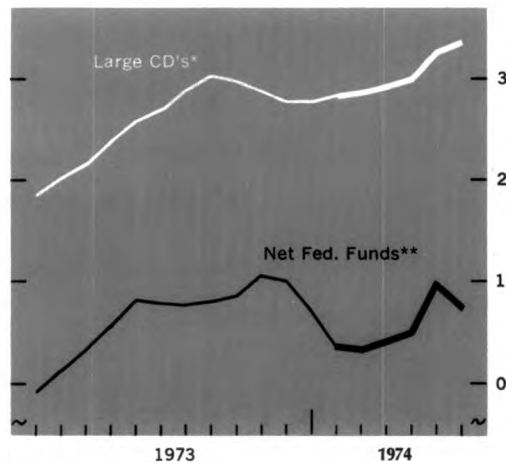
In April, though, District banks faced a surge in commercial loan demand not only from their local customers, but also from national customers who began drawing heavily on previously committed lines of credit at regional banks. Business loans accelerated at a seasonally adjusted 26-percent annual rate before dropping back sharply in May and June.

The April spillover from national business loan demand contributed to loan growth primarily in large regional centers such as Atlanta, New Orleans, Nashville, Tampa, and Birmingham. The table shows that the growth rate of total loans, though, was equally strong in other trade areas such as Dothan, Columbus, Baton Rouge, Chattanooga, and Tri-Cities because of local consumer and real estate demands. Also, agricultural lending in these areas rebounded from last fall's substantial loan payoffs.

In contrast to the loan behavior, District bank demand deposits increased only 2.6 percent in the first half of 1974. Savings deposit growth was also moderate. Other time deposits, in contrast, advanced a strong 10.1 percent, led by a \$160-million increase in consumer four-year certificates through May and the rapid build-up of large money market CD's. Bankers actively competed for CD's as a sub-

Sources of Funds

Bil. \$



*32 large banks
**All member banks

stitute for demand deposits. The shift to CD's was enhanced by the Board of Governors' reduction of the marginal reserve requirement on CD's from 11 percent to 8 percent last December.

After declining early this year, CD interest rates rose rapidly beginning in March as banks sought to attract funds to replace a large volume of CD's maturing that month and to accommodate the growing April loan demand. After rising to 11¼ percent in May, short-term CD rates eased to 11 percent by June. These rates surged upward again later in the month.

In addition to the certificates of deposit, banks also relied heavily on borrowings both from the Federal Reserve and from other banks in the Federal funds market. Borrowings from the Federal Reserve Bank reached a high daily average of \$251 million in June. Net Federal funds purchases also shot up to a May high of \$971 million, boosted by country banks that sharply reduced funds sales as they sought to meet increased local loan demands.

Not only were member banks able to accommodate a large volume of new loans during the first half of the year, but they also added to their investments by \$266 million. Although holdings of U. S. Government securities declined \$5 million, an unusual \$271-million increase occurred primarily in state and municipal obligations. Country banks were especially strong purchasers of tax-exempt securities until April, when their holdings leveled off.

In sum, Southeastern banks have provided funds for strong local loan demands and also accommodated national business loan customers who faced unusual credit needs. High loan interest rates reflected the increase in the demand for bank credit, but banks were able to meet the demand principally through a record increase in large certificates of deposit.

CHARLES D. SALLEY

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					Unemployment Rate¹ (Percent of Work Force) June 4.1 4.1 4.1 4.0 Avg. Weekly Hrs. in Mfg. (Hrs.) June 41.1 40.6 40.5 41.4				
INCOME AND SPENDING					FINANCE AND BANKING				
Manufacturing Payrolls June	179	175	172	168	Member Bank Loans June	253	251	249	214
Farm Cash Receipts May	215	173	203	114	Member Bank Deposits June	205	206	202	186
Crops May	289	188	218	239	Bank Debits** June	254	260	245	205
Livestock May	200	179	203	184	FLORIDA				
Installment Credit at Banks*† (Mil. \$)					INCOME				
New Loans June	679	668r	687	661	Manufacturing Payrolls June	191	185	182	180
Repayments June	625	579r	643	570	Farm Cash Receipts May	244.5	169.1	175.6	213.8
EMPLOYMENT AND PRODUCTION					EMPLOYMENT				
Nonfarm Employment June	132.6	132.4	132.6	129.7	Nonfarm Employment June	153.7	152.7	152.5	149.2
Manufacturing June	118.1	117.9	118.5	118.1	Manufacturing June	128.7	128.4	128.2	126.9
Nondurable Goods June	115.6	115.2	115.6	116.1	Nonmanufacturing June	158.5	157.7	157.2	153.5
Food June	103.6	105.9	106.5	102.9	Construction June	201.7	198.7	215.4	204.7
Textiles June	112.8	112.6	112.4	113.6	Farm Employment June	98.8	99.1	96.2	102.8
Apparel June	113.5	113.1	113.5	117.4	Unemployment Rate ¹				
Paper June	113.2	112.6	112.5	113.5	(Percent of Work Force) June	3.5	3.6	3.4	2.7
Printing and Publishing June	129.3	129.8	129.0	127.7	Avg. Weekly Hrs. in Mfg. (Hrs.) June	40.5	40.1	39.7	40.9
Chemicals June	111.0	108.1	109.0	108.5	FINANCE AND BANKING				
Durable Goods June	121.3	121.3	121.8	121.9	Member Bank Loans June	315	309	306	263
Lbr., Wood Prods., Furn. & Fix. June	110.5	111.0	111.4	112.9	Member Bank Deposits June	247	246	240	224
Stone, Clay, and Glass June	128.5	129.7	129.4	128.0	Bank Debits** June	312	301	311	270
Primary Metals June	113.3	112.4	112.3	111.8	GEORGIA				
Fabricated Metals June	129.5	131.9	133.1	128.8	INCOME				
Machinery June	157.3	156.8	157.2	152.9	Manufacturing Payrolls June	169	167	163	157
Transportation Equipment June	111.1	110.3	112.3	115.1	Farm Cash Receipts May	222.0	180.7	220.6	177.7
Nonmanufacturing June	137.7	137.6	137.6	133.8	EMPLOYMENT				
Construction June	143.6	145.6	152.9	145.2	Nonfarm Employment June	128.9	129.9	130.0	127.2
Transportation June	126.1	127.2	127.2	124.5	Manufacturing June	111.4	111.9	112.6	113.4
Trade June	138.2	137.7	137.2	135.3	Nonmanufacturing June	136.9	138.1	137.9	133.6
Fin., ins., and real est. June	147.1	147.4	146.9	144.1	Construction June	140.5	145.3	146.2	140.6
Services June	150.3	149.6	148.1	144.1	Farm Employment June	83.4	92.7	85.9	80.9
Federal Government June	102.8	104.2	103.8	99.0	Unemployment Rate ¹				
State and Local Government June	138.3	136.8	136.4	131.5	(Percent of Work Force) June	4.5	5.1	4.8	3.9
Farm Employment June	81.5	84.1	83.8	84.0	Avg. Weekly Hrs. in Mfg. (Hrs.) June	40.1	39.9	39.8	40.5
Unemployment Rate ²					FINANCE AND BANKING				
(Percent of Work Force) June	4.2	4.3	4.2	3.7	Member Bank Loans June	269	266	269	232
Insured Unemployment					Member Bank Deposits June	196	196	186	182
(Percent of Cov. Emp.) June	2.3	2.2	2.2	1.8	Bank Debits** June	328	327	364	264
Avg. Weekly Hrs. in Mfg. (Hrs.) June	40.4	40.1	39.7	40.8	LOUISIANA				
Construction Contracts* June	202	222	225	267	INCOME				
Residential June	214	216	250	308	Manufacturing Payrolls June	158	157	154	154
All other June	190	228	200	226	Farm Cash Receipts May	162.1	170.4	177.6	233.8
Cotton Consumption** May	80	79	86	80	EMPLOYMENT				
Petroleum Production** June	101	101	104	114	Nonfarm Employment June	116.0	117.2	118.1	114.5
Manufacturing Production Feb.	299.4	297.0	300.0	288.5	Manufacturing June	103.8	105.4	106.8	105.0
Nondurable Goods Feb.	241.9	243.4	247.7	238.8	Nonmanufacturing June	118.6	119.7	120.4	116.5
Food Feb.	189.9	190.0	191.5	185.5	Construction June	85.0	89.7	96.8	86.1
Textiles Feb.	298.4	304.5	301.7	281.8	Farm Employment June	66.4	68.1	64.1	75.7
Apparel Feb.	294.1	293.0	291.9	286.8	Unemployment Rate ¹				
Paper Feb.	202.6	204.5	226.9	222.1	(Percent of Work Force) June	6.7	6.4	6.2	6.4
Printing and Publishing Feb.	156.4	156.0	155.9	161.7	Avg. Weekly Hrs. in Mfg. (Hrs.) June	40.0	40.0	39.4	41.6
Chemicals Feb.	311.7	323.5	320.9	305.9	FINANCE AND BANKING				
Durable Goods Feb.	368.1	361.3	362.5	347.6	Member Bank Loans* June	246	255	249	214
Lumber and Wood Feb.	207.2	205.9	206.3	199.6	Member Bank Deposits* June	189	189	189	173
Furniture and Fixtures Feb.	177.4	186.4	188.7	190.6	Bank Debits** June	235	229	225	187
Stone, Clay, and Glass Feb.	231.1	229.9	216.5	207.0	MISSISSIPPI				
Primary Metals Feb.	273.6	273.9	272.2	231.0	INCOME				
Fabricated Metals Feb.	310.9	310.6	308.0	283.3	Manufacturing Payrolls June	202	198	191	172
Nonelectrical Machinery Feb.	472.7	468.8	478.9	435.9	Farm Cash Receipts May	191.9	197.1	290.4	117.8
Electrical Machinery Feb.	865.8	855.9	835.0	778.1	EMPLOYMENT				
Transportation Equipment Feb.	419.9	392.1	416.0	453.2	Nonfarm Employment June	129.4	129.6	129.5	126.0
FINANCE AND BANKING					Manufacturing June	130.6	130.2	130.0	130.2
Loans*					Nonmanufacturing June	128.9	129.4	129.3	126.1
All Member Banks June	276	274	272	234	Construction June	127.5	132.4	134.3	129.1
Large Banks June	259	257	254	218	Farm Employment June	74.0	78.8	81.3	80.9
Deposits*					ALABAMA				
All Member Banks June	215	215	210	195	INCOME				
Large Banks June	187	186	181	173	Manufacturing Payrolls June	181	177	175	168
Bank Debits** June	288	285	293	236	Farm Cash Receipts May	255.4	193.1	217	61.8
ALABAMA					EMPLOYMENT				
INCOME					Nonfarm Employment June	121.4	120.2	120.3	119.0
Manufacturing Payrolls June	181	177	175	168	Manufacturing June	117.3	117.3	117.6	116.4
Farm Cash Receipts May	255.4	193.1	217	61.8	Nonmanufacturing June	123.3	121.5	121.5	120.3
EMPLOYMENT					Construction June	128.0	127.8	128.8	129.4
Nonfarm Employment June	121.4	120.2	120.3	119.0	Farm Employment June	81.8	66.7	72.7	70.1

	Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate ² (Percent of Work Force) June	3.9	3.6	3.8	3.8	EMPLOYMENT				
Avg. Weekly Hrs. in Mfg. (Hrs.) June	39.8	39.8	39.2	40.7	Nonfarm Employment June	129.0	128.1	128.7	125.8
FINANCE AND BANKING					Manufacturing June	119.5	117.7	118.6	118.8
Member Bank Loans* June	265	268	257	228	Nonmanufacturing June	134.5	133.9	134.3	129.7
Member Bank Deposits* June	219	221	216	195	Construction June	130.7	136.0	140.1	132.0
Bank Debits*/** June	256	256	260	219	Farm Employment June	87.2	93.6	90.5	92.6
TENNESSEE					Unemployment Rate ² (Percent of Work Force) June	3.5	3.6	3.5	3.0
INCOME					Avg. Weekly Hrs. in Mfg. (Hrs.) June	40.5	40.2	39.4	40.3
Manufacturing Payrolls June	182	177	175	170	FINANCE AND BANKING				
Farm Cash Receipts May	277.2	186.0	205.3	252.3	Member Bank Loans* June	265	261	258	219
					Member Bank Deposits* June	201	203	203	182
					Bank Debits*/** June	264	274	265	178

*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; 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.

¹Data benchmarked to June 1971 Report of Condition.

²Unemployment rates for all District States except Florida have been estimated using new techniques developed by the U. S. Dept. of Labor. New seasonal factors have been developed for all six District States. These new seas. adj. rates are not comparable with previously published unemp. rates.

Debits to Demand Deposit Accounts

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

Percent Change						Percent Change							
			Year to date 6 mos. 1974						Year to date 6 mos. 1974				
June 1974	May 1974	June 1973	May 1974	June 1973	from 1973	June 1974	May 1974	June 1973	May 1974	June 1973	from 1973		
STANDARD METROPOLITAN STATISTICAL AREAS ¹													
Birmingham	4,352,202	4,790,846	3,323,085	- 9	+ 31	+ 30	Dothan	196,279	214,468	175,024	- 8	+12	+27
Gadsden	100,021	112,073	100,427	-11	- 0	+ 8	Selma	69,215	81,271	71,148	-15	- 3	+13
Huntsville	360,988	403,859	330,191	-11	+ 9	+18	Bradenton	210,668	225,108	168,488	- 6	+25	+17
Mobile	1,252,576	1,321,131	1,035,244	- 5	+21	+24	Monroe County	90,554	96,598	70,210	- 6	+29	+53
Montgomery	650,987	730,704	577,406	-11	+13	+14	Ocala	197,052	196,724	194,952	+ 0	+ 1	+ 3
Tuscaloosa	242,836	260,331	210,117	- 7	+16	+27	St. Augustine	46,665	54,718	40,542	-15	+15	+53
							St. Petersburg	1,006,707	1,090,277	988,644	- 8	+ 2	+ 6
							Tampa	2,051,712	2,139,985	1,808,967	- 4	+13	+18
Bartow-Lakeland- Winter Haven	842,355	843,829	716,103	- 0	+18	+13	Athens	159,399	169,474	162,051	- 6	- 2	+ 6
Daytona Beach	459,651	453,292	347,569	+ 1	+32	+22	Brunswick	106,463	104,639	96,591	+ 2	+10	+12
Ft. Lauderdale							Dalton	185,923	192,799	179,908	- 4	+ 3	+ 5
Hollywood	1,839,566	1,976,033	1,776,008	- 7	+ 4	+11	Elberton	24,926	23,952	22,667	+ 4	+10	+16
Ft. Myers	343,831	400,678	308,846	-14	+11	+25	Gainesville	145,385	151,897	126,714	- 4	+15	+19
Gainesville	252,896	282,645	241,649	-11	+ 5	+15	Griffin	81,750	91,103	65,919	-10	+24	+26
Jacksonville	4,917,529	5,605,487	3,641,502	-12	+35	+41	LaGrange	60,447	45,869	47,522	+32	+27	+23
Melbourne							Newnan	59,470	55,351	67,223	+ 7	-12	-10
Titusville-Cocoa	491,293	466,367	446,998	+ 5	+10	+10	Rome	145,450	161,607	139,004	-10	+ 5	+11
Miami	7,208,788	7,517,573	6,418,014	- 4	+12	+17	Valdosta	108,582	113,446	94,583	- 4	+15	+13
Orlando	1,558,489	1,619,776	1,473,773	- 4	+ 6	+12	Abbeville	15,822	18,172	16,546	-13	- 4	+10
Pensacola	511,860	530,749	432,957	- 4	+18	+14	Bunkie	12,976	15,154	10,882	-14	+19	+23
Sarasota	538,703	592,722	502,901	- 9	+ 7	+18	Hammond	84,509	100,067	77,054	-16	+10	+14
Tallahassee	734,797	1,009,132	763,134	-27	- 4	+ 9	New Iberia	61,606	70,988	53,163	-13	+16	+20
Tampa-St. Pete	4,096,729	4,287,075	3,812,678	- 4	+ 7	+11	Plaquemine	26,081	26,955	25,472	- 3	+ 2	+ 2
W. Palm Beach	1,218,065	1,352,458	1,141,515	-10	+ 7	+11	Thibodaux	39,904	44,407	38,504	-10	+ 4	+10
Albany	207,486	219,880	194,594	- 6	+ 7	+12	Hattiesburg	147,266	144,418	133,233	+ 2	+11	+11
Atlanta	18,999,103	19,711,332	15,184,118	- 4	+25	+32	Laurel	79,795	92,903	67,402	-14	+18	+13
Augusta	591,271	674,399	496,861	-12	+19	+26	Meridian	124,962	135,705	113,730	- 8	+10	+13
Columbus	474,575	518,696	406,285	- 9	+17	+20	Natchez	55,812	60,895	51,280	- 8	+ 9	+10
Macon	774,598	895,095	515,173	-13	+50	+52	Pascagoula						
Savannah	625,881	645,404	504,621	- 3	+24	+16	Moss Point	149,798	168,036	139,563	-11	+ 7	+ 6
Alexandria	271,428	295,841	225,932	- 8	+20	+21	Vicksburg	75,886	93,843	67,619	-19	+12	+25
Baton Rouge	1,784,110	1,799,235	1,295,321	- 1	+38	+36	Yazoo City	66,470	51,014	48,019	+30	+38	+31
Lafayette	311,731	325,521	254,304	- 4	+23	+19	Bristol	135,088	146,255	114,982	- 8	+17	+ 1
Lake Charles	247,700	280,107	212,866	-12	+16	+20	Johnson City	155,694	181,774	166,638	-14	- 7	+ 7
New Orleans	4,852,841	5,307,890	4,086,837	- 9	+19	+17	Kingsport	277,190	303,630	254,935	- 9	+ 9	+14
Biloxi-Gulfport	267,387	260,523	268,126	+ 3	- 0	+ 1	District Total	84,509,559	90,662,834	71,494,120	- 7	+18	+23
Jackson	1,560,047	1,784,184	1,390,882	-13	+12	+22	Alabama	9,690,386	10,623,567	8,040,573	- 9	+21	+24
Chattanooga	1,308,253	1,530,700	1,210,253	-15	+ 8	+21	Florida	27,274,092	28,287,351	24,459,076	- 4	+12	+17
Knoxville	1,929,050	2,069,166	846,598	- 7	+128	+107	Georgia	25,135,230	26,601,426	20,877,609	- 6	+20	+27
Nashville	3,903,072	4,080,654	3,141,170	- 4	+24	+27	Louisiana ¹	8,865,699	9,580,394	7,284,519	- 7	+22	+21
OTHER CENTERS							Mississippi ¹	3,363,521	3,648,913	2,994,069	- 8	+12	+17
Annisston	118,532	125,657	110,670	- 6	+ 7	+ 7	Tennessee ¹	10,180,631	11,921,183	7,838,274	-15	+30	+35

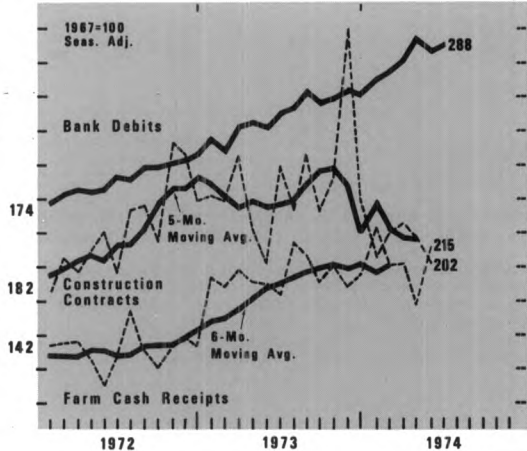
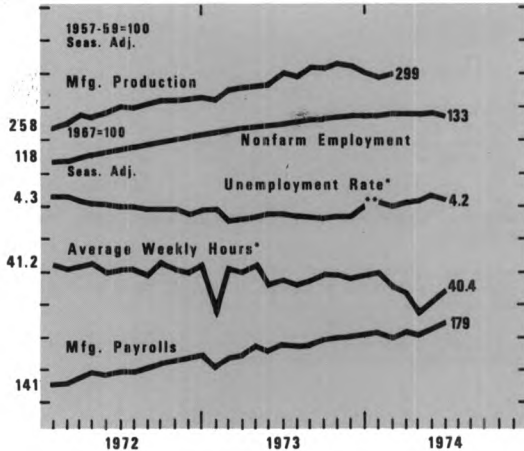
¹District portion only.

²Conforms to SMSA definitions as of December 31, 1972.

r-Revised

Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover by Board of Governors of the Federal Reserve System."

District Business Conditions



*Seas. adj. figure; not an index

**Unemployment rates are based on new estimating techniques and concepts and are not comparable with earlier data.

Latest plotting: June, except mfg. production, Feb., and farm cash receipts, May.

Business conditions in the Southeast have stabilized at midsummer, with some sectors displaying improvement. General labor market conditions changed little, but some indicators of manufacturing activity were positive. Consumer spending is holding up reasonably well, while growth in bank lending is moderate. Total value of construction contracts declined slightly. Hot, dry weather reduced crop prospects and pushed up farm prices in July.

Total lending by member banks in June and early July changed no more than usual. Major banks posted a 12-percent prime lending rate early in July and maintained it throughout the rest of the month. Consumer time and savings deposits were weak over the midyear interest-crediting and reinvestment date. At the same time, many large banks are letting some money market CD's run off rather than roll them over at current high rates. Discount activity receded during early July but returned to previous peak levels later in the month.

Growth in consumer spending has come mainly from price increases. Bank instalment lending to consumers was up in June, indeed more than in any previous month in 1974, although this gain was only one half the average month last year. The only weakness was again centered in auto loans, while growth of loans outstanding in other categories was near normal. Auto sales have turned up but are still substantially below the comparable year-ago month.

Nonfarm employment remained about unchanged in June. Louisiana and Mississippi had substantial increases in unemployment rates. Factory hours rose; manufacturing payrolls, boosted by new contract settlements and higher minimum wages, increased sharply. Collective bargaining activity is

expected to remain heavy the rest of this year. Business failures have risen to well above year-ago levels, with the increase centered in retail and construction firms.

There was little change in the value of residential construction contracts in June, but weakness in the nonresidential sector brought a decline in value of total contracts. The value of residential contracts remained at levels recorded in May but was 30 percent below year-ago levels. Mortgage rates continued to rise. A paucity of large contracts and continued declines in engineering construction accounted for the weakness in the nonresidential sector.

Prices of farm commodities registered further declines in June, but brisk recoveries were evident in July, particularly for hogs and fed cattle. Prices of corn and soybeans have also advanced sharply, amid reports that dry weather has drastically reduced yield prospects. Withering pastures placed cattlemen under pressure in some areas. Prices for the new tobacco crop are higher than a year ago. Farm cash receipts continued to lead the year-ago figure but by a progressively shrinking margin. Farm credit agencies report increases in loans from both month-earlier and year-ago levels.

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