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In this issue:

Booming Agricultural Loans of Commercial Banks

by Gene D. Sullivan

At the end of 1973, agricultural loans of commercial banks in the Sixth Federal Reserve District were 3.6 times higher than in 1961.[1] They had increased by 55 percent just since 1970. This growth reflects the massive increase in credit used to purchase Southeastern farmland (grown three times more expensive since 1961) and to provide needed funds for farm production expenses (nearly doubled in the same period). Even so, the increase in bank farm lending has not kept up with the District's growth in total bank lending.

Farm Loans Growing at an Increasing Rate

Commercial banks, traditionally an important credit source to farmers, have shared in providing funds for the recent growth in agricultural credit demands. Total farm loans of banks increased from $438 million in 1961 to $1,587 million at the end of 1973 (see Chart I); nearly half of this $1.15-billion growth came within the past five years. Although annual growth in total agricultural loans outstanding was somewhat erratic from year to year, the $270-million increase from 1972 to 1973 was nearly four times the annual increase 10 years earlier.

The rate of growth in farm loans has been most spectacular (over fourfold) in Florida and Georgia, states that also lead the District in volume of farm cash receipts. Their combined marketings account for nearly half of the District total.

Banks Make More Farm Real Estate Loans

The basic makeup of agricultural loans held by banks has changed during the past decade. In 1961 nonreal estate loans (those typically made to supply farmers' operating capital needs) made up well over half of total bank farm lending (see Chart I). By 1967, real estate loans (usually, though not necessarily, to finance land purchases) pulled ahead of the nonreal estate category and

[1]The Sixth Federal Reserve District includes all of Alabama, Florida, and Georgia and portions of Louisiana, Mississippi, and Tennessee.

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CHART I

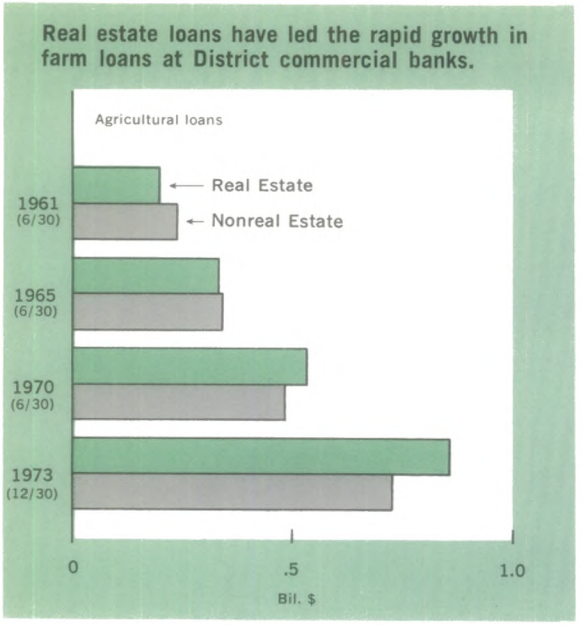
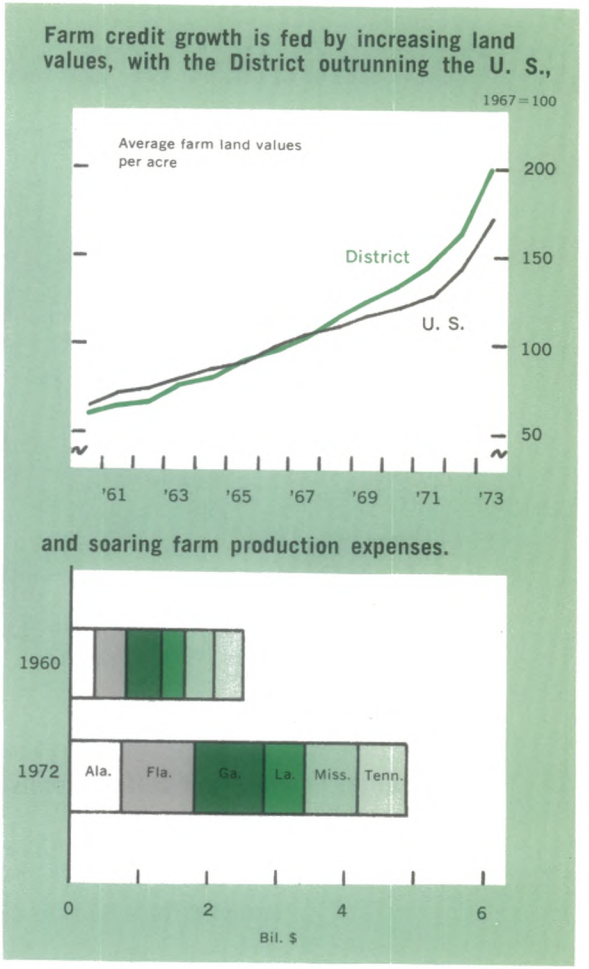


CHART II



have continued to widen their lead since that time. At the end of 1973, District real estate loans were leading nonreal estate loans by $130 million. In percentage terms, the lead was considerably greater in Mississippi, Tennessee and Georgia, states showing the highest increases in real estate prices. (Appendix Tables A-1a and A-1b show nonreal estate and real estate loans, respectively, for each District state.)

Several factors may be responsible for the shift in farm loan portfolios at commercial banks. One of the more obvious explanations is the relative growth of farmland values and production expenses. Land values increased 333 percent from 1960 to 1973, while production expenses increased by 193 percent (see Chart II). Although land values increased each year, the real growth spurt began in 1968; and values doubled within the next five years.

It is interesting to note that growth in District land values trailed the U. S. increase until 1968, when the rate soared above the national average. This is undoubtedly related to the comparatively high percentage of Southeastern real estate sales in which the land was eventually intended for nonagricultural uses. The principal use of land acquired in 1974 was the establishment of residential subdivisions.[2] Bankers' knowledge of the potential or intended uses for such land may well explain the growth in bank financing of farm real estate sales.

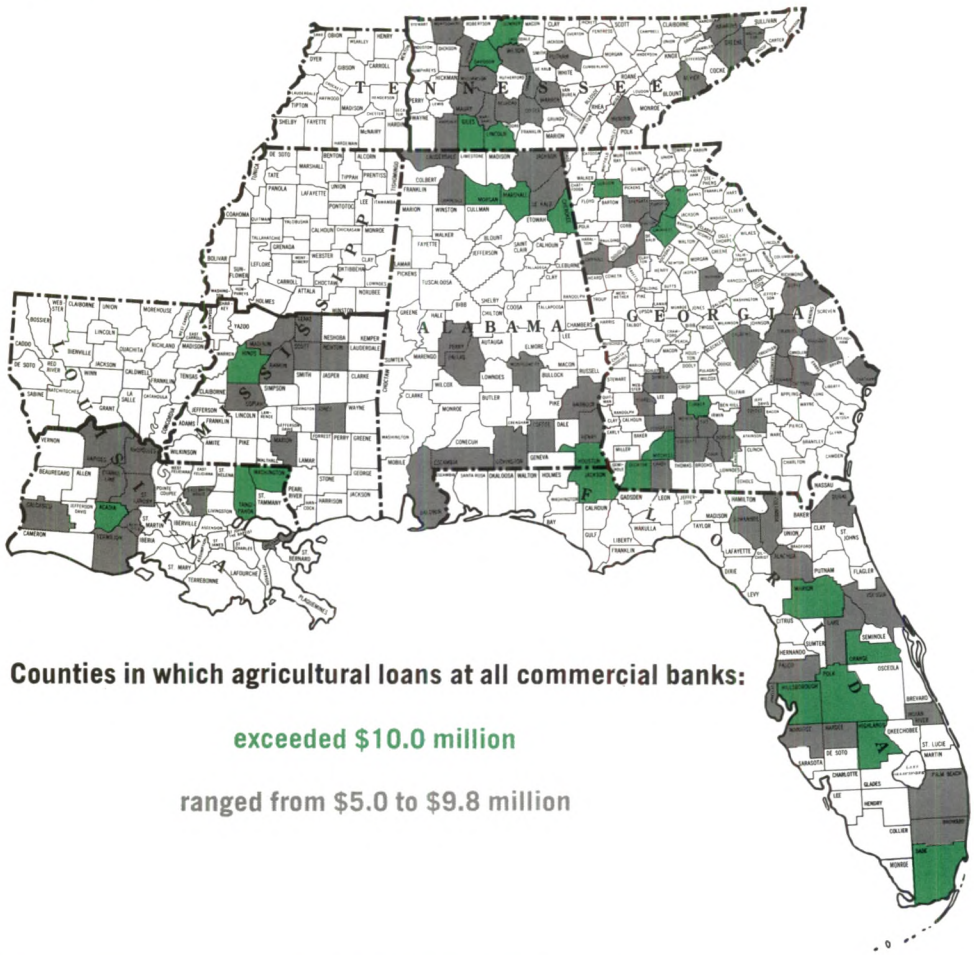
[2]See **Farm Real Estate Market Developments,** Economic Research Service, USDA, July 1974.

In comparison to land values, District farm production expenses have grown more steadily from year to year. There too, however, the growth rate has accelerated rapidly most recently. Expenditures for land rent, livestock feed, seed, and interest on farm mortgage debt have increased most sharply in recent years. The pattern of growth has closely followed that of the nation, no doubt reflecting a uniform trend in costs of farm production inputs.

Where Most Farm Loans are Made

A look at farm loan volume of commercial banks by counties reveals some surprises about the concentration of agricultural loans. As of the December 31, 1973, Call Date, there were 25 counties within the District (see map) with bank farm loans exceeding $10 million. These counties accounted for more than one-fifth the total agricultural loans held by all District banks.

Concentration of Bank Farm Loans by Counties



Hinds County, Mississippi (containing the city of Jackson), was the undisputed District leader, with a farm loan volume of $36 million. But Hinds was the only county in the Sixth District portion of the state where bank farm loans exceeded $10 million (see Appendix, Table A-2).

Hillsborough County, Florida (containing Tampa), was second, with a volume of $26 million. However, six other Florida counties reported bank farm loans exceeding $10 million. In fact, these seven accounted for 43 percent of total agricultural loans by all Florida banks. The 2.2-percent average ratio of agricultural to total loans is indicative of the urban setting of most of these seven counties, which include two of the state's most populous cities.

Six Georgia counties had bank farm loan volumes exceeding $10 million. None of the state's larger cities were included in these counties, however. Although these counties accounted for only 15 percent of total bank loans to agriculture in Georgia, the average ratio of farm to total loans at banks within the six-county area was 23.6 percent, the highest of similarly classified areas in other states.

Both Alabama and Tennessee had four counties falling within the $10-million-and-over category but accounting for only 19 percent of each state's total agricultural loans by banks. In both states, farm loans were a rather low percentage of the total loans made by the banks within these counties.

Louisiana boasted a comparatively high agricultural to total loan ratio in its three parishes within the $10-million-and-over category. These three somewhat rural parishes accounted for 31 percent of the farm loans extended by Louisiana's District banks.

When those counties reporting $5.0-9.9 million

TABLE 1

RATIO OF AGRICULTURAL TO TOTAL LOANS OF COMMERCIAL BANKS

(Sixth Federal Reserve District)

June 30	Ala.	Fla.	Ga.	La.[1]	Miss.[1]	Tenn.[1]	District
1961	9.8	3.0	7.3	3.7	11.1	7.6	6.2
1962	9.6	3.2	7.2	3.7	11.7	7.5	6.2
1963	9.3	3.5	7.6	3.6	11.5	7.5	6.3
1964	8.8	3.5	7.2	3.6	11.2	7.5	6.1
1965	8.3	3.4	6.7	3.3	11.0	7.2	5.8
1966	8.5	3.4	6.4	3.3	10.4	6.9	5.7
1967	8.3	3.4	6.7	3.3	10.6	7.1	5.7
1968	7.9	3.6	6.7	3.5	11.0	6.9	5.7
1969	7.2	2.9	6.4	3.3	10.0	6.8	5.3
1970	6.9	2.7	6.4	3.2	10.3	6.3	5.1
1971	6.8	2.5	6.3	3.4	9.6	6.0	4.9
1972	6.4	2.2	6.2	3.3	9.1	6.1	4.7
1973	6.3	2.1	5.7	3.2	8.7	5.9	4.4
December 31							
1973	6.1	2.0	5.6	2.9	8.0	5.8	4.3

[1]Includes only the portion of the state lying within the Sixth Federal Reserve District

in agricultural loans are included with the highest group (see Appendix, Table A-3), one-fourth of them account for 61 percent of total bank agricultural loans within the District. The percentage of agricultural loans included in this breakdown is highest in Louisiana and Florida, where a minority of the counties accounted for well over three-fourths of total bank loans to agriculture. In Alabama and Georgia, counties reporting $5.0 million or more in farm loans accounted for slightly less than half of the total within each state. In Georgia, however, only 17 percent of the total counties were represented; the state is unique in that it contains over three times more counties than any other District state.

With relatively few exceptions, District counties where farm loans are heavily concentrated include the major cities within each state. Banks within these metropolitan areas could hardly be classified as agricultural, since their ratios of agricultural to total loans is low and declining. Urban banks are unquestionably a large and growing source of loans for all purposes to District agriculture.

Agricultural and Total Loans Compared

Even though total farm loans by banks have grown rapidly, it is striking that they have not nearly kept pace with growth in total bank loans. Table 1 shows that the District ratio of agricultural to total loans was not large even in 1961 and declined from 6.2 then to 4.3 in December 1973, even though the total volume of agricultural loans more than tripled. Total bank loan volume at the end of 1973 was more than five times larger than 1961's volume. Thus farm loans, though growing rapidly, lost ground with respect to total loans.

The ratio of agricultural to total loans behaved similarly in each District state. Mississippi displayed the highest ratio, averaging above 10 percent for most of the period. Florida's ratio was lowest, ranging from a high of 3.6 to a low of 2.0, also exhibiting the greatest relative decline from its 1968 peak. Louisiana's ratio declined less than that of any other District state.

Commercial Banks' Share of Total Agricultural Credit Has Declined

Total farm loans from all District sources have grown even more rapidly than farm loans of banks. Thus, the share of total farm loans held by banks has decreased since 1960. The decline has been most apparent in nonreal estate farm loans, or credit for purposes of farm operation. Banks accounted for nearly 50 percent of the total at the beginning of the Sixties, but their share of recorded nonreal estate loans to farmers had declined to little more than one-third of the total by 1972.

Bank loans secured by farm real estate were less important at the beginning of the Sixties. At that time, banks accounted for only about 17 percent of District farm real estate loans, and that share has varied only slightly over time. Since 1970, there has been a slight increase in banks' holdings of farm real estate loans as compared with other lenders.

There are probably several reasons behind the declining share of total agricultural loans accounted for by banks. Nonreal estate credit demands of farmers have increased rapidly, to the point that the single operator's loan requests often exceed the individual lending limits of smaller rural banks. Rather than enter participating arrangements with other banks, bankers have frequently allowed large loans to move to other types of lending agencies.

Farm lending has grown more complicated in recent years, requiring that loan officers possess a great deal more specialized agricultural knowledge and expertise than formerly. Many banks have not felt justified in acquiring the expertise needed

to adequately handle complicated agricultural loan requests. Competition is keen among lending agencies whose total business is agricultural credit; they are eager to acquire loans that banks may feel ill equipped to handle.

Finally, and perhaps most important, bankers have had alternative uses for funds which offered more attractive immediate returns than agricultural loans, either because lending costs were lower or because rates were higher or both. That most banks have concentrated more heavily in nonfarm loans is evident by the more rapid rate of growth in nonfarm loan volume since 1960, even though farm loan demand was also growing rapidly.

Agricultural Loans Will Continue to Increase

Developments already looming on the horizon ensure that agricultural credit needs will continue to expand rapidly. Soaring prices of 1974 farm inputs have already produced unusually heavy credit demands; production expenses have been pushed even higher by farmers' efforts to expand production. Larger input supplies will be required in 1975, as farmers attempt to increase output even further in response to continued high crop prices.

The stimulus of high prices may induce many land holders to return acreages to cultivation that have been relegated to low-valued uses for several years. In some cases, pastures have already been planted to row crops because of the greater possible return from land in cultivation. In other cases, timber is being cleared and the land prepared for return to crop production.

The Southeast has vast acreages, currently in marginal uses, that once produced cotton and other row crops. Modern machinery and production techniques will enable farmers to return much of this acreage to cultivation if the profit incentive remains high enough. This expansion of planted acreages will require much larger credit volumes to purchase more machinery, fertilizer, fuel, chemicals and other inputs, all of which are likely to be rising in cost.

The damages of drouth to 1974 crop production has renewed a consciousness among farmers of the value of a supplemental irrigation system. Irrigation is a singularly expensive operation; but research has shown it to be profitable even in years of normal rainfall because of its value in eliminating brief periods of moisture stress on growing crops. Thus, irrigation is an example of one major area where farmers' demands for credit to adopt a capital-intensive practice is likely to soar.

The capital needs that will be generated by adopting the agricultural technology already within view appear to be large. When allowance is made for new developments as yet unseen but almost certain to come, there can be little doubt that the opportunities for making agricultural loans in the Southeast will grow at an increasing rate as the future unfolds. ■

APPENDIX

TABLE A-1a

NONREAL ESTATE AGRICULTURAL LOANS OF COMMERCIAL BANKS

(Sixth Federal Reserve District)
($000)

June 30	Ala.	Fla.	Ga.	La.[1]	Miss.[1]	Tenn.[1]	District
1961	66,124	32,978	59,348	17,860	20,029	42,308	238,647
1962	67,570	39,905	63,664	19,118	25,759	45,284	261,300
1963	72,537	50,539	71,274	20,341	28,297	50,616	293,604
1964	75,355	60,434	75,602	22,477	31,544	55,376	320,788
1965	81,112	62,246	81,039	24,362	34,255	57,889	340,903
1966	89,131	73,900	88,075	28,829	39,520	61,794	381,249
1967	90,654	84,862	96,942	30,539	41,903	68,202	413,102
1968	90,396	87,388	102,092	37,723	47,223	72,483	437,305
1969	90,998	92,741	118,176	38,107	43,213	79,233	462,468
1970	93,963	94,267	128,346	40,360	47,057	80,631	484,624
1971	104,627	102,347	141,239	45,668	55,181	83,604	532,666
1972	116,696	101,388	158,068	53,171	58,312	97,411	585,046
1973	141,496	136,820	185,519	67,792	70,216	118,087	719,930
December 31							
1973	142,183	145,721	182,135	68,379	69,862	120,024	728,304

[1]Includes only Sixth District portion of state

TABLE A-1b

FARM REAL ESTATE LOANS OF COMMERCIAL BANKS

(Sixth Federal Reserve District)
($000)

June 30	Ala.	Fla.	Ga.	La.[1]	Miss.[1]	Tenn.[1]	District
1961	35,182	27,809	56,284	17,161	23,385	39,629	199,450
1962	38,523	31,514	60,933	18,965	25,287	42,237	217,459
1963	43,607	38,717	75,019	21,273	29,164	48,959	256,739
1964	48,383	46,482	83,974	24,689	32,745	59,399	295,672
1965	54,913	57,499	94,163	28,002	36,659	65,193	336,429
1966	63,847	60,581	107,841	32,017	40,383	72,270	376,939
1967	72,319	63,621	122,863	34,580	47,092	79,606	420,081
1968	77,800	89,917	140,597	36,160	54,399	85,687	484,560
1969	84,086	80,856	160,237	38,369	60,750	94,484	518,782
1970	85,637	76,552	169,192	41,125	69,573	92,887	534,966
1971	92,656	73,219	186,684	46,344	65,814	98,452	563,169
1972	106,496	87,250	231,754	56,805	74,614	120,319	677,238
1973	126,953	103,395	276,397	67,150	83,096	155,483	812,474
December 31							
1973	134,042	111,522	291,009	70,459	82,652	169,011	858,695

[1]Includes only Sixth District portion of state

TABLE A-2

COUNTIES WITH COMMERCIAL BANK FARM LOAN VOLUME OVER $10 MILLION

(December 31, 1973)

County	Banks	Principal Town	Farm Loans ($000)	Ratio Farm To Total Loans
		Alabama		
Morgan	5	Decatur	$ 20,533	6.9
Houston	7	Dothan	10,806	8.6
Marshall	8	Guntersville	10,534	15.1
Cherokee	3	Centre	10,434	34.6
Total	23		$ 52,307=19%[1]	10.0
		Florida		
Hillsborough	35	Tampa	$ 26,166	3.0
Polk	23	Lakeland	18,583	5.2
Orange	34	Orlando	16,729	2.1
Marion	8	Ocala	16,621	12.8
Jackson	4	Marianna	12,372	34.5
Dade	84	Miami	10,567	1.2
Highlands	4	Sebring	10,440	14.7
Total	192		$111,478=43%[1]	2.2
		Georgia		
Gwinnett	8	Lawrenceville	$ 15,509	15.6
Turner	2	Ashburn	12,787	56.7
Hall[3]	3	Gainesville	11,485	13.6
Mitchell	4	Camilla	10,841	45.7
Decatur	2	Bainbridge	10,116	41.5
Gordon	2	Calhoun	10,076	22.4
Total	21		$ 70,814=15%[1]	23.6
		Louisiana[2]		
Tangipahoa	4	Hammond	$ 15,658	15.5
Washington	3	Bogalusa	14,455	20.3
Acadia[3]	6	Crowley	10,815	19.8
Total	13		$ 40,928=29%[1]	18.0
		Mississippi[2]		
Hinds	9	Jackson	$ 36,450=24%[1]	4.0
		Tennessee[2]		
Davidson	8	Nashville	$ 18,828	2.2
Giles	4	Pulaski	14,770	30.3
Sumner	7	Gallatin	11,280	26.1
Lincoln	4	Fayetteville	10,027	26.4
Total	23		$ 55,905=19%[1]	2.8
District Total	**281**		**$366,882=23%[1]**	**4.0**

[1]Proportion of state's total bank loans to agriculture.
[2]Includes only Sixth District portion of state.
[3]Based on loan volume as of June 30, 1973 because agricultural loans dropped below $10 million as of December 31, 1973.

TABLE A-3

COUNTIES WITH COMMERCIAL BANK FARM LOAN VOLUME RANGING FROM $5.0 - 9.9 MILLION

(December 31, 1973)

County	Banks	Principal Town	Farm Loans ($000)	Ratio Farm to Total Loans
		Alabama		
Baldwin	7	Bay Minette	$ 8,632	15.1
Barbour	7	Clayton	6,069	14.6
Coffee	5	Enterprise	5,881	15.8
Covington	6	Andalusia	5,913	12.5
Dallas	6	Selma	8,351	12.1
DeKalb	6	Fort Payne	6,519	22.4
Escambia	5	Brewton	5,570	14.3
Henry	4	Abbeville	6,868	26.9
Jackson	3	Scottsboro	5,164	14.1
Lauderdale	6	Florence	5,369	7.5
Lawrence	2	Moulton	5,451	32.2
Montgomery	5	Montgomery	9,450	2.3
Perry	4	Marion	5,687	38.3
Total	66		$ 84,924 = 30%[1]	9.5
		Georgia		
Berrien	4	Nashville	$ 7,279	42
Bulloch	3	Statesboro	8,718	20
Burke	4	Waynesboro	4,929	27
Carroll	6	Carrollton	7,067	14
Chatham	7	Savannah	6,490	0.3
Cherokee	4	Canton	5,172	15
Coffee	5	Douglas	8,621	29
Colquitt	4	Moultrie	9,584	18
Cook	3	Adel	5,418	46
Dougherty	4	Albany	8,482	6
Emanuel	4	Swainsboro	5,341	21
Forsyth	2	Cumming	8,742	25
Fulton	17	Atlanta	5,095	0.2
Grady	3	Cairo	6,067	44
Laurens	7	Dublin	6,806	11
Putnam	2	Eatonton	7,239	53
Sumter	3	Americus	5,095	20
Tattnall	4	Reidsville	8,005	43
Terrell	2	Dawson	7,840	37
Tift	4	Tifton	9,350	21
Toombs	4	Vidalia	5,248	25
Worth	2	Sylvester	7,335	40
Total	98		$153,923 = 33%[1]	3.9
		Louisiana[2]		
Avoyelles	8	Marksville	$ 8,430	22
Calcasieu	5	Lake Charles	5,399	2
East Baton Rouge	9	Baton Rouge	9,596	1
Evangeline	4	Ville Platte	5,846	24
Lafayette	4	Lafayette	6,718	4
Orleans	10	New Orleans	5,647	0.3
Rapides	6	Alexandria	8,296	4
St. Landry	9	Opelousas	7,570	10
Vermilion	7	Abbeville	6,737	17
Total	62		$ 64,239 = 49%[1]	1.9
		Florida		
Alachua	12	Gainesville	$ 6,989	5.4
Broward	63	Fort Lauderdale	6,194	0.6
Columbia	3	Lake City	7,894	23.3
Duval	33	Jacksonville	5,964	4.0
Hardee	49	Wauchula	6,189	35.8
Indian River	6	Vero Beach	6,883	9.2
Lake	11	Leesburg	7,397	5.8
Manatee	11	Bradenton	5,263	2.8
Palm Beach	38	West Palm Beach	7,000	0.9
Pasco	12	Dade City	5,919	4.0
Pinellas	52	Clearwater	6,928	0.6
Suwannee	3	Live Oak	8,581	31.6
Volusia	21	Daytona Beach	5,999	2.2
Total	314		$ 87,200 = 34%[1]	1.7

County	Banks	Principal Town	Farm Loans ($000)	Ratio Farm to Total Loans
		Mississippi[2]		
Copiah	4	Hazelhurst	$ 6,005	23
Jones	3	Laurel	7,061	11
Leake	4	Carthage	6,272	34
Madison	3	Canton	8,537	35
Marion	3	Columbia	7,487	28
Newton	3	Decatur	8,420	16
Ranking	2	Brandon	6,444	25
Scott	4	Forest	5,745	23
Yazoo	2	Yazoo City	6,492	22
Total	28		$ 62,463=41%[1]	22
		Tennessee[2]		
Bedford	3	Shelbyville	$ 9,472	25
Cannon	4	Woodbury	5,116	34
Cheatham	3	Ashland City	1,772[3]	12
Coffee	4	Manchester	6,137	17
Greene	3	Greenville	6,104	10
Hawkins	2	Rogersville	8,450	25
Lawrence	4	Lawrenceburg	7,814	26
McMinn	6	Athens	7,212	14
Marshall	5	Lewisburg	6,539	23
Maury	3	Columbia	5,122	10
Montgomery	3	Clarksville	8,589	11
Putnam	4	Cookeville	8,389	11
Sevier	5	Sevierville	7,420	20
Warren	4	McMinnville	7,880	18
Washington	4	Johnson City	5,593	4
Williamson	3	Franklin	7,156	12
Wilson	3	Lebanon	6,773	17
Total	63		$115,538=40%[1]	17
District Total	**631**		**$568,287=38%[1]**	**7.8**

[1]Indicates proportion of total bank farm loans extended in counties reporting agricultural loans ranging from $5.0-9.9 million.
[2]Includes only the region lying within the Sixth District.
[3]Agricultural loans exceeded $5.0 million on June 30, 1973, but fell below $5.0 million on December 31, 1973.

A Revised Manufacturing Production Index for the Southeast

by Frederick R. Strobel

In June 1970, the Federal Reserve Bank of Atlanta introduced a manufacturing production index for the Sixth Federal Reserve District.[1] The index as originally published showed monthly production for 18 industries, as well as for durable goods, nondurable goods, and total manufacturing production. Since then, industrial production data have been further refined by this Bank. Computerization has enabled further experimentation with state production indexes; in May 1973, an industrial production index for the State of Georgia was published.[2] More recently, the original District production index has been revised, as reported here.

The District production indexes are patterned on a two-factor input model. Manufacturing industries output is determined by a pair of productive inputs, namely, labor and capital. By applying historical ratios between labor and capital on the one hand and production on the other, output can be estimated. Man-hours worked measure labor input; kilowatt hours consumed measure capital input. Output in all production indexes is measured by value added in manufacturing, adjusted for price changes. Thus, the Sixth District index shares a basic affinity with the national industrial production index, in that it is computed on the Census value-added concept.[3]

Necessity for Revision

In the original index, actual value-added data were used to compute productivity factors for both man-hours and kilowatt hours from 1960 to 1966. Productivity factors are defined in the index as value added per kilowatt hour and per man-

[1] C. S. Pyun, "A New Measure of Industrial Activity: District Manufacturing Production Index," this **Review,** June 1970.
[2] F. R. Strobel, "An Industrial Production Index for Georgia," this **Review,** May 1973.
[3] The national Industrial Production Index is computed and maintained by the Board of Governors of the Federal Reserve System.

hour. From 1967 on, these productivity factors were projected on the basis of historical experience.

Since publication of the original index, additional value added data by industry have become available from the Bureau of the Census through the year 1971. In the revised index, then, actual productivity factors are now being used for the years 1960-1971. From 1972, productivity factors are projected on the basis of the average productivity trends from 1960-1971. Thus, the revised index should now represent industrial production on a more accurate basis; it contains a larger volume of actual value-added data, and projections of value-added productivity factors are now drawn from a larger historical sample.

Industrial Expansion Since 1967

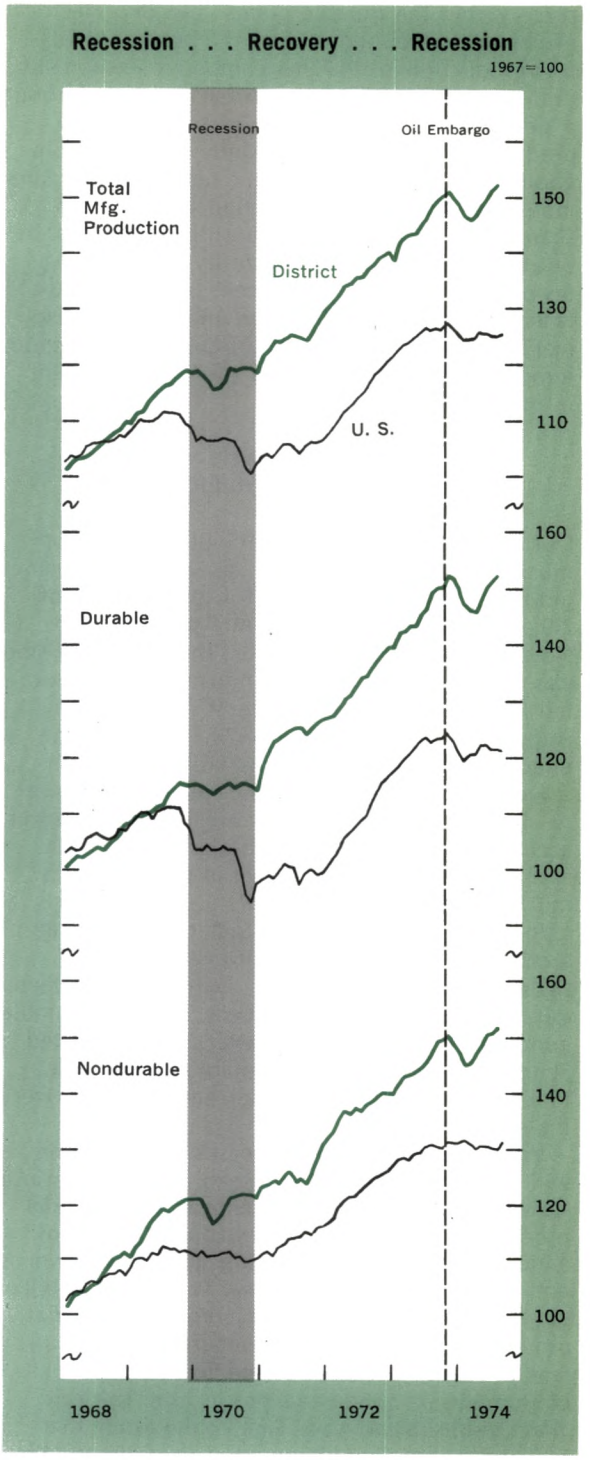
As reported in this **Review's** June 1970 issue, Southeastern manufacturing production expanded much more throughout the 1960's than national manufacturing production. The revised index, which now incorporates actual value-added data throughout the 1960's rather than projected data from 1967 on, substantiates the estimates made four years ago. District expansion in both durable and nondurable goods production has been balanced. By August of this year, each of these sectors had expanded approximately 52 percent above its 1967 average. Nationally, these categories increased about 20 and 30 percent, respectively.

Looking at individual industries, the District growth pattern is somewhat similar to the nation's. However, 14 of 17 regional industries grew faster than their national counterparts. Rubber and plastics and electrical machinery, the District's most rapidly growing industries, have far outpaced national growth rates. Chemicals, the second fastest-growing U. S. industry, was nonetheless bested by the Southeastern expansion in that industry; paper products were also slightly edged out by the District's growth rate. The expansion in three other major Southeastern industries can be attributed largely to the region's booming construction sector, namely, stone, clay, and glass; lumber; and furniture. As of August 1974, all three had expanded by well over 50 percent of their 1967 average.

Only three industries have trailed U. S. growth since 1967: fabricated metals, primary metals, and petroleum products. These collectively represent about 10 percent of the Southeast's total output. Therefore, the District's industrial production index reflects what other employment and income data have been showing: The Southeast's economy has grown more rapidly than the nation's.

Structural Changes

Since both durable and nondurable goods expanded at the same pace in the Southeast since 1967, no structural change has taken place in the region's durable and nondurable goods mix. In 1974 as in 1967, durable goods production accounts for about 38 percent of total regional production. Nonetheless, several important shifts have taken



place within the durable goods category. Electrical machinery, which represented 4.6 percent of District production in 1967, has climbed to 7.8 percent. Primary and fabricated metals each dropped about a percentage point in terms of total regional production. The two major shifts in nondurable goods were the chemicals and rubber and plastics industries. Chemicals production increased its share of the total by 2.0 percent; this sector stands out as the South's leading industry, representing (as of August 1974) 19.5 percent of total manufacturing production. Rubber and plastics also markedly increased its share of District production, jumping from 1.67 percent in 1967 to 3.9 percent in mid-1974.

The Business Cycle and Manufacturing Production

During the last recession, the Southeast held up much better than the U. S. as a whole. District industrial production showed a total decline of 2.9 percent over a five-month period (from November 1969 to April 1970). The U. S. recession was much more prolonged; industrial production fell 7.2 percent over the 13-month period from August 1969 to September 1970 (excluding the effects of the General Motors strike).

How are we faring during the current slowdown? At this point all of the facts are not in. However, according to the latest available data, the Southeast has not felt the slowdown in production as much as the United States.

In August 1974, total District manufacturing production was up 2.7 percent over year-ago figures. Gains were evenly distributed between durable goods, up 2.0 percent, and nondurable goods, up 3.0 percent. However, for the United States, all three categories (durable, nondurable, total) were off close to a percentage point over the same period.

Whether or not the Southeast's good fortune will continue remains to be seen. That we are in a slowdown is evident, since Southeastern industrial production normally increases about 10 percent annually. However, measuring this slowdown is complicated by several factors. Probably the big question mark in measuring the region's industrial production is the effect of the energy shortage (and the resultant reduction in kilowatt-hour consumption) on industrial production. This can affect results in two ways. First, to the extent that reduced reporting of kilowatt-hour consumption is attributable to energy conservation measures and not actual production declines, then industrial indexes could be biased downward. Second, production could also be reduced because of energy availability shortages, such as natural gas, oil, and such fuels. In these cases, production could be made up at a later time.

That the energy shortage has had a marked effect on the economy is evident. Both District and U. S. industrial production (seasonally adjusted) fell off during the winter months of this year and then recovered in the summer months. However, a more recent slowing pattern is becoming apparent. National data have shown a slow slide since June. In October, the national index fell a full point. While District production recovered through the summer months, preliminary data for September indicate a fall-off.

Whether or not the District's slowdown will be as bad as the nation's remains to be seen. The Southeast has two basic factors to its advantage. First, it is less reliant on the durable goods sector. Durables make up about 38 percent of total regional production; in the U. S., about 52 percent. Since durable goods are usually hit harder than nondurables in a recession, the Southeast may stand to fare somewhat better in this respect. Second, the energy crisis has had a particularly damaging effect on automobile production, which is of less than national importance in this District.

However, there is one troublesome element in the current slowdown which could markedly slow regional industrial production, namely, the recession in construction and home building. For years, the Southeastern construction industry has been stronger than the nation's and has added substantially to the region's greater-than-national growth rate. During the current slowdown, however, regional construction activity has slowed more than nationally. For the first nine months of 1974, total construction contracts declined by 11 percent from the same year-ago period; in the U. S., the decline was 5 percent. In Florida, Georgia, and Mississippi, the declines have been 18, 16, and 21 percent, respectively. Residential construction has been particularly hard hit. Nationally, housing contracts declined 23 percent. All District states, with the exception of Alabama, have declined at a greater-than-national rate in this category.

This rapid decline in construction may begin to affect related industrial production in the region. Furniture and fabricated metals production have already dropped markedly. Further, since much Southeastern steel production is construction-related, primary metals may eventually slow, particularly steel.

The quantitative effects of the Southeast's favorable and unfavorable positions vis-a-vis the nation are not yet known. It is probably safe to say, however, that unless the construction industry turns around soon there is little optimism that the current Southeastern slowdown will be any less severe than the nation's. Thus, the region's better-than-national performance during the 1969-1970 recession may not necessarily be repeated during the current economic downturn.■

TABLE 1

DISTRICT INDUSTRIES RANK BY EXPANSION SINCE 1967

Industry	August 1974 1967=100 District States	U. S.	Difference
Rubber and Plastics	357.3	168.0	189.3
Electrical Machinery	255.3	122.6	132.7
Chemicals	169.5	156.0	19.0
Nonelectrical Machinery	157.5	132.0	25.5
Stone, Clay, & Glass	156.6	125.7	30.9
Lumber	154.2	122.1	32.1
Furniture	154.1	128.1	26.0
Textile Mill Products	147.4	124.6	22.8
Paper Products	138.1	134.2	3.9
Transportation Equipment	137.3	99.6	37.7
Printing	135.9	115.1	20.8
Food	135.9	126.8	9.1
Apparel	135.9	101.5	34.4
Leather Products	134.1	72.1	62.0
Fabricated Metals	122.1	130.0	− 7.9
Primary Metals	110.3	123.3	− 13
Petroleum Products	105.6	126.5	− 20.9
Durable Goods	152.7	120.5	32.2
Nondurable Goods	151.8	130.5	21.3
Total Manufacturing	152.2	124.7	27.5

TABLE 2

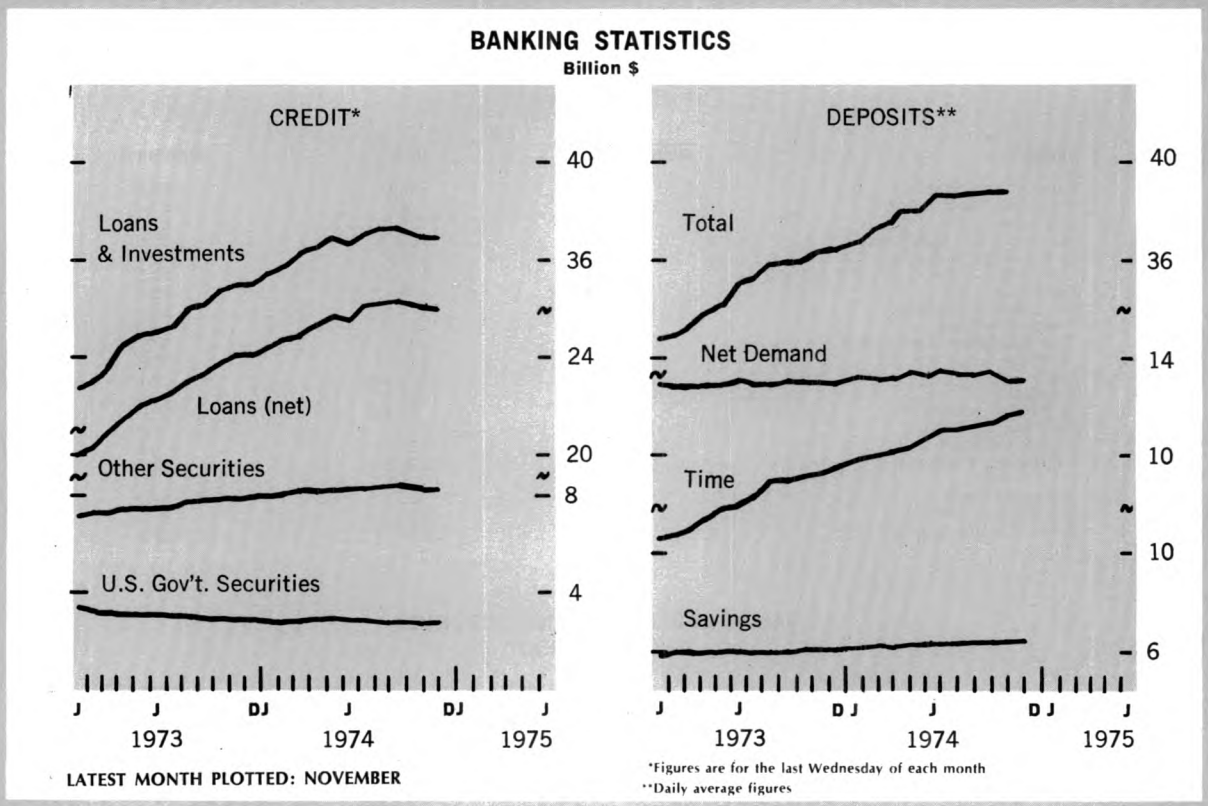
VALUE ADDED BY MANUFACTURING SIXTH DISTRICT

Industry	1967 Average Value Added ($Mil.)	1967 Average Deflated* Value Added ($000)	1967 Average Total Percent Distribution	August 1974 Deflated* Value Added ($000)	August 1974 Total Percent Distribution
Food (20)	2,515.0	2,368,550	12.6	3,218,859	11.2
Tobacco (21)	58.5	56,304	0.3	30,348	0.1
Textiles (22)	1,624.6	1,622,977	8.6	2,392,268	8.4
Apparel (23)	1,405.1	1,325,566	7.1	1,801,444	6.3
Lumber & Wood (24)	750.8	678,843	3.6	1,046,775	3.7
Furniture & Fixtures (25)	441.6	408,889	2.2	630,098	2.2
Paper (26)	1,596.9	1,517,966	8.1	2,096,311	7.3
Printing & Publishing (27)	745.8	706,919	3.8	960,703	3.4
Chemicals (28)	3,184.9	3,283,402	17.5	5,565,366	19.5
Petroleum (29)	399.3	385,797	2.1	407,402	1.4
Rubber (30)	307.3	313,892	1.7	1,121,536	3.9
Leather (31)	174.7	152,576	0.8	204,604	0.7
Stone, Clay, & Glass (32)	816.5	788,889	4.2	1,235,400	4.3
Primary Metals (33)	1,090.6	1,004,236	5.3	1,107,672	3.9
Fabricated Metals (34)	1,069.5	995,810	5.3	1,215,884	4.3
Nonelectrical Machinery (35)	815.7	738,859	3.9	1,163,703	4.1
Electrical Machinery (36)	883.8	869,027	4.6	2,218,626	7.8
Transportation Equipment (37)	1,657.7	1,560,923	8.3	2,143,147	7.5
Durable Goods	7,526.2	7,045,476	37.5	10,761,305	37.7
Nondurable Goods	12,012.1	11,733,949	62.5	17,798,841	62.3
Total Manufacturing	19,538.3	18,779,425	100.0	28,560,146	100.0

Source: U. S. Bureau of Census, **Census of Manufactures, 1967** for 1967 data. Federal Reserve Bank of Atlanta for 1974 value-added data.

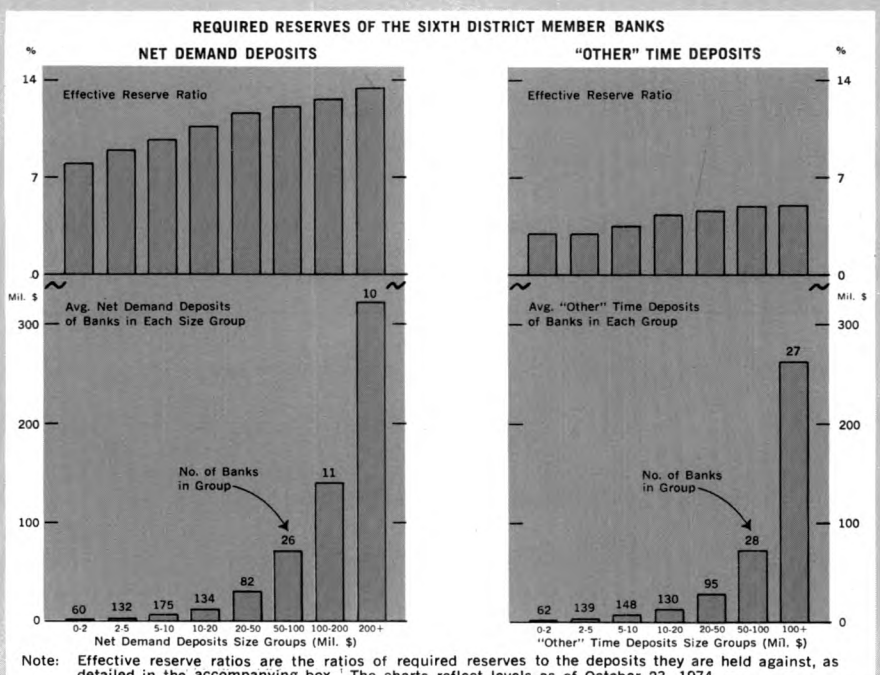
*Deflator = Regional (District) Wholesale Price Index, 1963 dollars.

Copies of the revised Sixth District Production Index, containing monthly data for 18 two-digit SIC industries are contained in Sixth District and Georgia Manufacturing Production Indexes, Technical Note and Statistical Supplement, January 1975. Single copies are available on request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.



SIXTH DISTRICT BANKING NOTES

Effects of Regulation D Changes



Note: Effective reserve ratios are the ratios of required reserves to the deposits they are held against, as detailed in the accompanying box. The charts reflect levels as of October 23, 1974.

Member banks must maintain reserves equal to a certain fraction of their deposits. Under current Federal Reserve regulations, smaller banks maintain a lower percentage of deposits as reserves.[1] Though preserving this historical advantage to smaller banks, the four Regulation D changes announced Wednesday, November 13, 1974, (see box) will apparently benefit the District's larger banks more than the smaller ones.

This District has only two banks with net demand deposits in excess of $400 million. The half-percent cut applying to the highest net demand deposit bracket (from 18 to 17½ percent) will free up less than one million dollars for each bank or less than one percent of their required reserves on net demand deposits. In effect, this will involve a reduction in their effective reserve ratios on demand deposits by less than 0.1 percent, from 14.4 to 14.3 percent. None of the other 627 District member banks will be affected by this part of the November 13 change because they hold less than $400 million in net demand deposits. Even though they did not benefit from this change, they already have an effective reserve ratio lower than 14.3 percent.

Secondly, elimination of marginal reserve requirements, which apply only to relevant deposit liabilities in excess of $10 million, also works in favor of larger banks. About 90 member banks, generally the largest in the District, previously maintained approximately $2 million in marginal reserve requirements. This implies that the 500-odd smaller banks will not benefit from eliminating the marginal reserve requirement; the two reserve city banks mentioned will get about 65 percent of this District's resulting dollar benefit.

The third and fourth parts of the action, a pair of changes in the "other time deposit" category, may benefit some smaller banks more than larger ones, but probably only initially. The very smallest (whose "other time deposits" fall below $5 million) will not benefit at all. For banks larger than that, the benefit directly relates to the extent they have (or can shift) more than one third of their reservable "other time" liabilities into issue maturities of 180 days or longer. (This is because the decrease from 5 to 3 percent on longer maturities is twice the increase from 5 to 6 percent on shorter maturities.)

We have no firm data yet on the breakout of consumer certificates under and over six months' maturity, so our assessment of the impact according to bank size is still partly a matter of conjecture. The information available at this writing, however, suggests that the initial impact of the "other time" changes will be distributed as follows: (1) banks reporting less than $5 million in other time deposits will be unaffected, as mentioned above; (2) banks in the $5-50 million category will find their required reserves against these deposits cut by about 20 percent, since most of their holdings are in longer-maturity consumer certificates; (3) banks in the $50-100 million category will find their required reserves against these deposits cut by about 10 percent; and (4) banks in the $100 million-plus category will receive little net impact, since most of their holdings are in short-maturity negotiable certificates.

After banks have had time to react to the new reserve requirement structure, however, the picture is likely to reverse. Banks which can sell longer-maturity negotiable CD's subject to the new 3-percent requirement will find their cost of funds reduced by about 25 basis points, at current interest rates. Banks should accordingly be able to sell more of these longer-maturity CD's, especially if investors think interest rates are coming down. The larger banks selling negotiable CD's should then be able to increase their liabilities in the category bearing the lower reserve requirement. Smaller banks, whose other time deposits are predominantly in consumer instruments, will not be able to shift their holdings into longer maturities so easily, both because of the Regulation Q limits on consumer CD's and because many consumer holders are accustomed to rollover periods of about three months. Most likely, then, after three or four months the larger banks will benefit most from this change too.

WILLIAM N. COX, III

[1]See "Meeting Reserve Requirements," this **Review,** October, 1973.

The Board of Governors on November 13, 1974, approved a restructuring of reserve requirements that will help meet the seasonal need for bank reserves over the coming weeks.

Actions taken by the Board will:

1. Reduce from 5 percent to 3 percent the reserve requirement on all time deposits with an initial maturity of 6 months or longer.[1]

2. Increase from 5 percent to 6 percent the reserve requirement on all time deposits with an initial maturity of less than 6 months.[1] (The first $5 million of such deposits at each member bank will be subject to a 3-percent reserve requirement.)

3. Reduce from 18 percent to 17½ percent the reserve requirement on net demand deposits over $400 million.

4. Remove the remaining marginal reserve requirement of 3 percent on large certificates of deposit (CD's) issued to mature in less than 4 months.

All changes apply to deposits outstanding in the week beginning November 28 and will release reserves in the week beginning December 12. (Federal Reserve **Bulletin,** November 1974, page 799.)

[1]The Board initially announced a maturity of 4 months but changed to 6 months on November 18.

INDEX FOR 1974

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Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

		Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Oct.	179	179	180	174
Farm Cash Receipts	Sept.	172	186	196	188
Crops	Sept.	167	170	260	129
Livestock	Sept.	177	182	178	276
Instalment Credit at Banks*/[1] (Mil. $)					
New Loans	Oct.	632	636r	624	655
Repayments	Oct.	691	638r	597	574
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Oct.	132.3	132.2	132.1	132.0
Manufacturing	Oct.	116.0	116.9	117.4	119.6
Nondurable Goods	Oct.	114.4	114.7	114.7	115.7
Food	Oct.	102.8	103.9	103.4	102.6
Textiles	Oct.	107.4	109.5	110.3	112.6
Apparel	Oct.	111.8	111.3	112.3	118.8
Paper	Oct.	112.4	112.6	112.9	112.8
Printing and Publishing	Oct.	127.1	127.8	128.7	129.3
Chemicals	Oct.	111.7	113.3	111.7	108.5
Durable Goods	Oct.	118.9	120.0	120.6	123.7
Lbr., Wood Prods., Furn. & Fix.	Oct.	105.5	108.0	109.6	112.6
Stone, Clay, and Glass	Oct.	124.4	126.3	127.5	132.0
Primary Metals	Oct.	113.7	114.8	113.7	114.0
Fabricated Metals	Oct.	130.3	131.6	130.3	132.3
Machinery	Oct.	157.4	156.3	155.1	156.5
Transportation Equipment	Oct.	106.8	107.6	110.0	116.5
Nonmanufacturing	Oct.	138.0	137.7	137.8	136.4
Construction	Oct.	143.1	140.9	140.7	152.6
Transportation	Oct.	125.3	124.7	124.6	125.9
Trade	Oct.	138.5	139.1	138.8	137.8
Fin., ins., and real est.	Oct.	148.1	147.7	147.4	146.9
Services	Oct.	152.6	151.6	150.8	147.6
Federal Government	Oct.	105.3	105.0	104.5	101.3
State and Local Government	Oct.	137.7	137.2	139.1	132.5
Farm Employment	Oct.	74.7	70.6	81.4	84.3
Unemployment Rate (Percent of Work Force)	Oct.	5.6	5.2	4.9	4.1
Insured Unemployment (Percent of Cov. Emp.)	Oct.	3.0	2.7	2.3	1.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	39.9	40.0	40.1	41.5
Construction Contracts*	Oct.	207	256	198	269
Residential	Oct.	155	174	159	303
All other	Oct.	257	338	237	236
Cotton Consumption**	Sept.	74	77	82	79
Petroleum Production**	Oct.	101	98	99	116
Manufacturing Production	Aug.	152	151	150	148
Nondurable Goods	Aug.	152	151	150	147
Food	Aug.	136	136	136	136
Textiles	Aug.	147	150	148	145
Apparel	Aug.	136	136	141	142
Paper	Aug.	138	138	138	135
Printing and Publishing	Aug.	136	137	137	139
Chemicals	Aug.	170	166	163	155
Durable Goods	Aug.	153	152	151	150
Lumber and Wood	Aug.	154	155	153	144
Furniture and Fixtures	Aug.	154	160	161	161
Stone, Clay, and Glass	Aug.	157	159	157	147
Primary Metals	Aug.	110	108	107	107
Fabricated Metals	Aug.	122	124	125	136
Nonelectrical Machinery	Aug.	158	153	153	147
Electrical Machinery	Aug.	255	251	246	234
Transportation Equipment	Aug.	137	134	132	141
FINANCE AND BANKING					
Loans*					
All Member Banks	Oct.	278	277	279	248
Large Banks	Oct.	264	262	264	235
Deposits*					
All Member Banks	Oct.	215	215	214	199
Large Banks	Oct.	188	190	187	177
Bank Debits*/**	Oct.	289	301	304	247
ALABAMA					
INCOME					
Manufacturing Payrolls	Oct.	180	183	183	168
Farm Cash Receipts	Sept.	162	267	225	215
EMPLOYMENT					
Nonfarm Employment	Oct.	119.8	119.8	121.1	120.5
Manufacturing	Oct.	115.4	117.0	117.9	117.6
Nonmanufacturing	Oct.	122.0	121.1	122.5	121.8
Construction	Oct.	125.2	124.3	123.5	133.3
Farm Employment	Oct.	59.9	54.1	68.9	74.4
Unemployment Rate (Percent of Work Force)	Oct.	4.8	4.6	4.3	3.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.2	40.5	40.7	41.2
FINANCE AND BANKING					
Member Bank Loans	Oct.	264	257	254	228
Member Bank Deposits	Oct.	210	215	206	194
Bank Debits**	Oct.	259	275	267	215
FLORIDA					
INCOME					
Manufacturing Payrolls	Oct.	188	188	192	183
Farm Cash Receipts	Sept.	241	166	197	252
EMPLOYMENT					
Nonfarm Employment	Oct.	152.8	153.4	153.3	152.5
Manufacturing	Oct.	127.4	129.1	129.0	130.5
Nonmanufacturing	Oct.	157.7	158.1	159.7	156.8
Construction	Oct.	190.5	191.3	193.2	216.8
Farm Employment	Oct.	92.6	92.1	102.5	91.6
Unemployment Rate (Percent of Work Force)	Oct.	6.2	5.5	5.2	4.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.2	40.1	40.2	41.0
FINANCE AND BANKING					
Member Bank Loans	Oct.	314	314	316	274
Member Bank Deposits	Oct.	245	247	248	226
Bank Debits**	Oct.	169	166	169	162
GEORGIA					
INCOME					
Manufacturing Payrolls	Oct.	169	166	169	162
Farm Cash Receipts	Sept.	180	128	195	179
EMPLOYMENT					
Nonfarm Employment	Oct.	128.7	128.5	128.2	129.4
Manufacturing	Oct.	108.8	109.1	110.1	113.3
Nonmanufacturing	Oct.	137.8	137.4	136.4	136.7
Construction	Oct.	135.7	135.8	135.3	150.8
Farm Employment	Oct.	85.4	80.0	84.3	85.4
Unemployment Rate (Percent of Work Force)	Oct.	5.4	5.1	4.8	3.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	39.4	39.4	39.8	40.4
FINANCE AND BANKING					
Member Bank Loans	Oct.	263	269	270	251
Member Bank Deposits	Oct.	190	192	188	181
Bank Debits**	Oct.	323	337	344	282
LOUISIANA					
INCOME					
Manufacturing Payrolls	Oct.	164	165	159	161
Farm Cash Receipts	Sept.	164	273	236	188
EMPLOYMENT					
Nonfarm Employment	Oct.	116.8	116.5	115.6	115.9
Manufacturing	Oct.	102.4	103.2	101.2	104.7
Nonmanufacturing	Oct.	119.8	119.2	118.5	118.2
Construction	Oct.	87.8	88.1	87.8	88.8
Farm Employment	Oct.	52.9	50.8	61.3	79.3
Unemployment Rate (Percent of Work Force)	Oct.	6.9	7.1	6.6	6.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.6	40.7	40.0	41.3
FINANCE AND BANKING					
Member Bank Loans*	Oct.	257	249	252	226
Member Bank Deposits*	Oct.	195	188	189	174
Bank Debits*/**	Oct.	244	244	248	193
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Oct.	199	202	201	196
Farm Cash Receipts	Sept.	150	191	214	154
EMPLOYMENT					
Nonfarm Employment	Oct.	129.6	130.0	129.3	128.7
Manufacturing	Oct.	126.4	128.5	129.3	131.0
Nonmanufacturing	Oct.	131.0	130.7	129.2	127.7
Construction	Oct.	126.2	125.6	124.3	137.9
Farm Employment	Oct.	81.5	69.1	75.9	84.1

	Latest Month 1974		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Oct.	4.8	4.1	4.2	3.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	39.3	39.1	39.6	40.8
FINANCE AND BANKING					
Member Bank Loans*	Oct.	258	261	264	244
Member Bank Deposits*	Oct.	214	211	218	209
Bank Debits*/**	Oct.	264	259	262	213
TENNESSEE					
INCOME					
Manufacturing Payrolls	Oct.	183	183	183	182
Farm Cash Receipts	Sept.	148	217	182	185
EMPLOYMENT					
Nonfarm Employment	Oct.	129.4	128.6	128.5	128.1
Manufacturing	Oct.	117.6	117.4	118.2	121.3
Nonmanufacturing	Oct.	136.0	134.9	134.2	131.8
Construction	Oct.	146.4	138.8	135.7	135.5
Farm Employment	Oct.	76.7	84.0	95.7	89.0
Unemployment Rate (Percent of Work Force)	Oct.	4.6	4.0	3.9	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	39.9	40.2	40.3	40.7
FINANCE AND BANKING					
Member Bank Loans*	Oct.	271	266	272	233
Member Bank Deposits*	Oct.	206	203	203	189
Bank Debits*/**	Oct.	269	286	290	194

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

Note: All indexes: 1967 = 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.

[1]Data benchmarked to June 1971 Report of Condition.

Debits to Demand Deposit Accounts

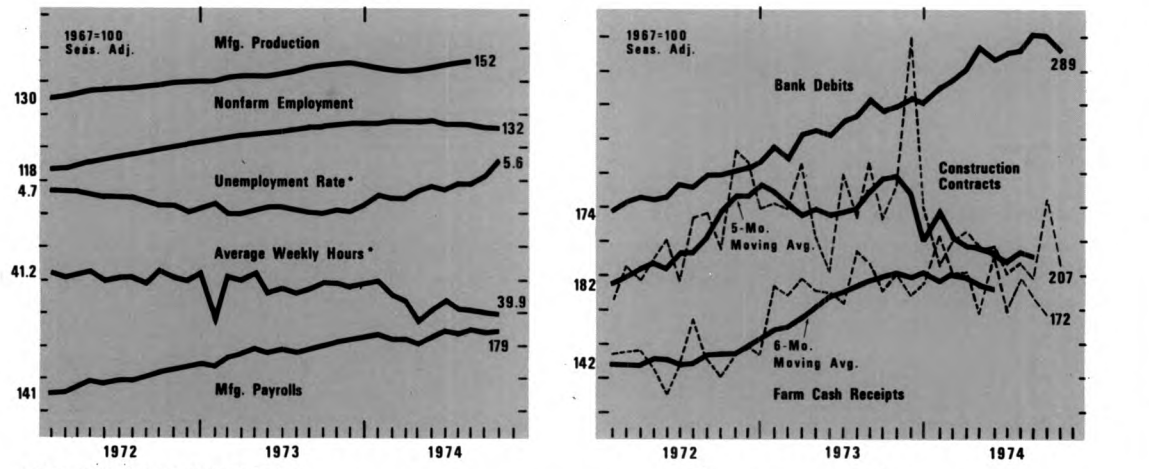
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Oct. 1974	Sept. 1974	Oct. 1973	Percent Change: Oct 1974 from Sept. 1974	Percent Change: Oct 1974 from Oct. 1973	Year to Date 10 mos. 1974 from 1973
STANDARD METROPOLITAN STATISTICAL AREAS[2]						
Birmingham	4,676,193	5,167,451	3,748,969	−10	+25	+34
Gadsden	112,189	103,975	101,693	+ 8	+10	+14
Huntsville	431,139	390,029	332,078	+11	+30	+23
Mobile	1,357,555	1,172,986	1,242,779	+16	+ 9	+22
Montgomery	719,734	676,672	687,660	+ 6	+ 5	+12
Tuscaloosa	257,760	231,610	230,244	+11	+12	+22
Bartow-Lakeland-Winter Haven	849,265	779,109	744,580	+ 9	+14	+13
Daytona Beach	469,361	461,429	415,024	+ 2	+13	+19
Ft. Lauderdale-Hollywood	2,075,812	1,807,955	1,830,477	+15	+13	+13
Ft. Myers	370,739	346,730	338,653	+ 7	+ 9	+24
Gainesville	286,960	267,013	299,166	+ 7	− 4	+11
Jacksonville	4,973,441	4,956,118	4,079,798	+ 0	+22	+21
Melbourne-Titusville-Cocoa	403,203	446,609	432,454	−10	− 7	+ 9
Miami	7,796,720	7,025,325	7,056,992	+11	+10	+15
Orlando	1,557,454	1,413,232	1,584,732	+10	− 2	+ 7
Pensacola	542,219	507,192	439,912	+ 7	+23	+18
Sarasota	563,274	508,881	527,071	+11	+ 7	+15
Tallahassee	958,476	902,369	836,076	+ 6	+15	+ 8
Tampa-St. Pete	4,118,052	4,094,398	4,122,812	+ 1	− 0	+12
W. Palm Beach	1,244,638	1,143,929	1,288,635	+ 9	− 3	+ 7
Albany	220,940	194,081	204,542	+14	+ 8	+ 9
Atlanta	19,591,189	18,755,706	17,321,905	+ 4	+13	+26
Augusta	772,234	713,380	548,473	+ 8	+41	+29
Columbus	512,454	447,489	447,618	+15	+14	+18
Macon	835,890	806,734	612,444	+ 4	+36	+51
Savannah	764,447	618,699	556,656	+24	+37	+22
Alexandria	302,190	293,937	273,806	+ 3	+10	+20
Baton Rouge	1,992,298	1,866,479	1,335,841	+ 7	+49	+44
Lafayette	378,350	332,567	323,782	+14	+17	+21
Lake Charles	311,736	253,649	244,101	+23	+28	+22
New Orleans	5,391,182	4,896,931	4,319,319	+10	+25	+21
Biloxi-Gulfport	285,162	271,945	251,264	+ 5	+13	+ 5
Jackson	1,889,777	1,655,154	1,398,181	+14	+35	+26r
Chattanooga	1,343,836	1,296,606	1,420,533	+ 4	− 5	+12
Knoxville	2,062,368	2,011,020	1,025,375	+ 3	+101	+115
Nashville	4,405,511	4,216,116	3,494,745	+ 4	+26	+28
OTHER CENTERS						
Anniston	126,451	121,695	111,862	+ 4	+13	+12
Dothan	219,423	198,771	213,269	+10	+ 3	+ 9
Selma	87,656	78,286	90,312	+12	− 3	+ 9
Bradenton	222,091	182,450	186,649	+22	+19	+18
Monroe County	127,565	116,236r	77,699	+10	+64	+48
Ocala	203,069	199,507	214,183	+ 2	− 5	+ 2
St. Augustine	45,590	48,053	37,861	− 5	+20	+37
St. Petersburg	1,010,335	1,032,856	1,039,137	− 2	− 3	+ 3
Tampa	2,111,519	2,117,830	1,912,109	− 0	+10	+16
Athens	172,201	169,927	163,165	+ 1	+ 6	+ 6
Brunswick	112,195	104,428	104,038	+ 7	+ 8	+ 8
Dalton	193,589	183,179	187,003	+ 6	+ 4	+ 5
Elberton	24,602	23,216	23,683	+ 6	+ 4	+14
Gainesville	178,782	152,916	151,932	+17	+18	+19
Griffin	86,494	78,841	82,578	+10	+ 5	+20
LaGrange	38,027	49,056	43,600	−22	−13	+11
Newnan	52,606	56,321	57,940	− 7	− 9	− 7
Rome	147,285	144,035	156,094	+ 2	− 6	+ 9
Valdosta	125,023	118,359	100,636	+ 6	+24	+17
Abbeville	18,700	18,613	19,249	+ 0	− 3	+ 6
Bunkie	24,814	16,363	15,051	+52	+65	+36
Hammond	106,891	97,683	87,246	+ 9	+23	+15
New Iberia	67,700	69,928	67,530	− 3	+ 0	+19
Plaquemine	27,793	31,587	30,431	−12	− 9	+ 2
Thibodaux	42,851	40,204	37,587	+ 7	+14	+10
Hattiesburg	138,051	117,505	134,885	+17	+ 2	+ 7
Laurel	85,703	82,780	78,503	+ 4	+ 9	+15
Meridian	142,965	130,898	130,758	+ 9	+ 9	+12
Natchez	68,117	60,998	56,607	+12	+20	+14
Pascagoula-Moss Point	161,500	167,240	168,719	− 3	− 4	+13
Vicksburg	132,093	96,696	86,859	+37	+52	+44
Yazoo City	58,343	50,154	45,527	+16	+28	+27
Bristol	161,102	148,886	135,508	+ 8	+19	+ 6
Johnson City	167,032	148,898	182,808	+12	− 9	+ 2
Kingsport	343,657	315,161	275,222	+ 9	+25	+19
District Total	91,285,374	87,145,092r	78,614,643	+ 5	+16	+12r
Alabama	10,580,133	10,525,532	8,915,324	+ 1	+19	+26
Florida	28,598,388	27,248,912r	26,904,841	+ 5	+ 6	+14r
Georgia	27,002,607	25,692,789	23,629,898	+ 5	+14	+25
Louisiana[1]	9,924,638	9,172,602	7,871,426	+ 8	+26	+25
Mississippi[1]	3,861,107	3,485,744	3,151,000	+11	+23	+20r
Tennessee[1]	11,318,501	11,019,513	8,142,154	+ 3	+39	+37

[1]District portion only.
[2]Conforms 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
Latest plotting: Oct., except mfg. production, Aug., and farm cash receipts, Sept.

Economic activity continues to flounder in the Southeast. Weakness in farm incomes and manufacturing payrolls have slowed the rise in personal income. In response, consumer spending remains weak. Labor market conditions softened still further, with the unemployment rate rising. Both residential and commercial construction activity slowed, while bank lending, reflecting the slowing economic pace, declined.

Prices of agricultural products increased in October. Despite continued sharp declines in cattle prices, increased crop prices were sufficient to raise the month's agricultural price level. Prices remain below year-ago levels, however, because of sharply lower prices in the livestock sector. Preliminary reports of declines for both crop and livestock prices indicate that agricultural prices have dropped in recent weeks. Farmers are rapidly completing generally good harvests of District crops.

Consumers reduced their indebtedness to commercial banks in October. Loan repayments continued at high levels, while new loan extensions were very sluggish. Auto loans outstanding declined substantially for the fifth consecutive month, while outstandings in other categories were nearly unchanged. When compared to the same month last year, retail sales indicators were flat or down in real terms; unit auto sales plunged.

The District's unemployment rate continued to rise, reaching 5.6 percent in October. Job losses were recorded in most manufacturing industries; payrolls showed little change. Labor markets have weakened substantially since October 1973. Industries hit hardest have been construction, textiles, apparel, transportation equipment, and construction-related manufacturing. Business failures for the first nine months of 1974 are well above the same period a year ago; the rise in failures has been centered in construction and manufacturing industries.

The value of construction contracts dipped to its second lowest level of the year in October. Residential contracts dropped sharply after an unexpected jump in September. Most areas of the District felt the decline. Inflows at savings and loan associations were small, and residential mortgage rates remained stable. The value of nonresidential contracts also dropped, as weakness showed most prominently in commercial buildings.

Business borrowing continues weak at the larger District banks. Loan declines are concentrated at textile and apparel firms, mining and extractive industries, and transportation, communication, and other public utilities. Recent loans trends and lower interest costs for borrowed funds have allowed many large banks to post a $10^1/_2$-percent prime rate by the end of November. After declining in previous months, net demand deposits advanced strongly at District banks, according to preliminary November data.

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