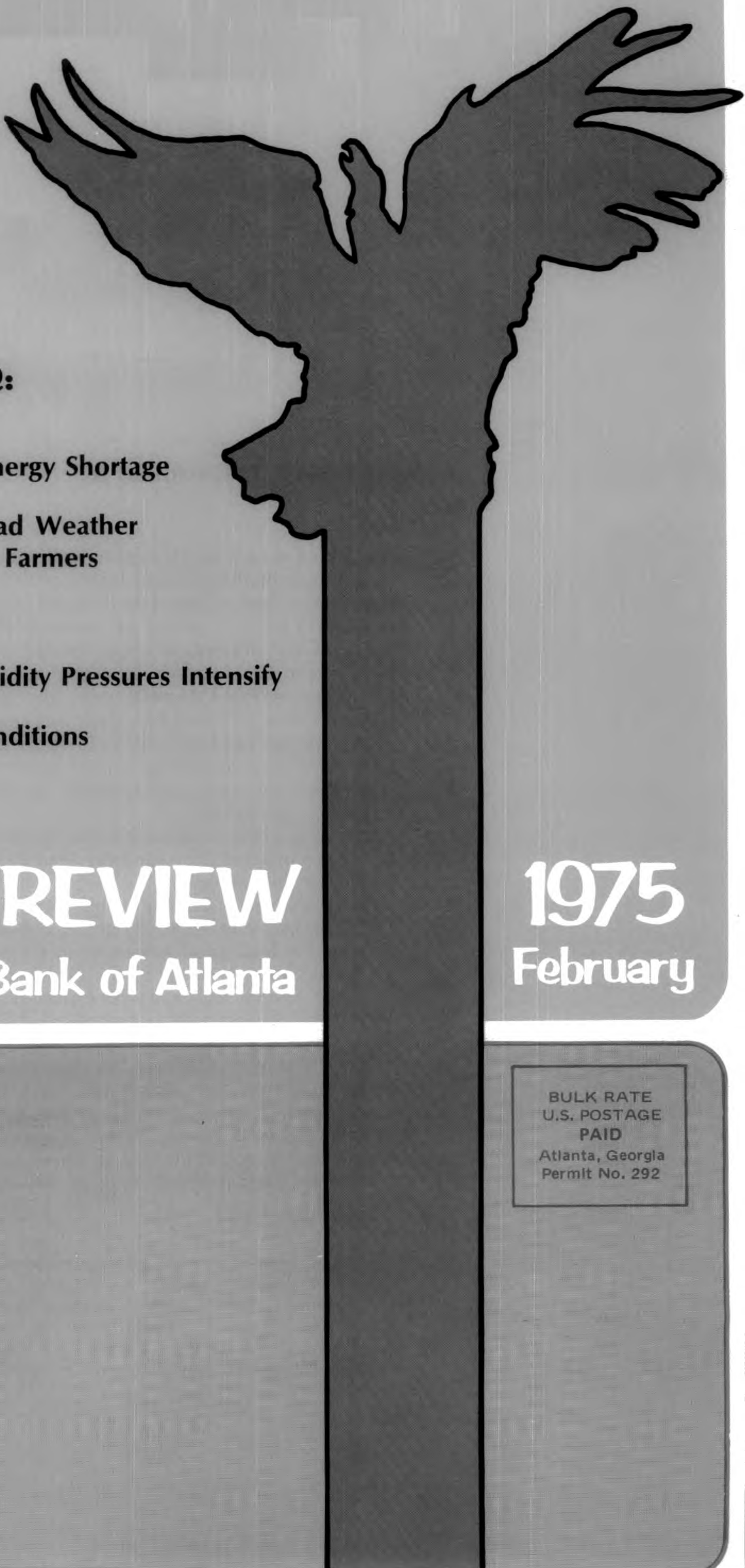

In This Issue:

MONTHLY REVIEW

Federal Reserve Bank of Atlanta

1975
February

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Atlanta, Georgia 30303

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Louisiana and The Energy Shortage

by Joseph E. Rossman, Jr.

We should expect that Louisiana, with its vast reserves of oil and natural gas, would head the list of states least likely to feel the problems of fuel shortages. The Pelican State is the second largest domestic oil producer and contains one-fourth of U. S. natural gas reserves. However, our analysis indicates that Louisiana did not escape energy-related problems and, in some instances, felt fuel shortages as severely as the rest of the nation.

Despite increased demand and higher prices, oil production in Louisiana remains below 1971's all-time peak; so does production per well. In 1972 the yearly average per well was 150 barrels per day. Latest available figures (late 1974) show an average of 109 barrels per day. The reasons for declining production are many and complex; however, many oil experts offer the following explanations.

Louisiana's inland wells are old and are being depleted. Many of these wells have been in production for more than 50 years; some were drilled just after the turn of this century.

The embargo on the sale of offshore oil leases during 1971 and most of 1972 seriously hurt exploration and consequent oil production. Exploration, drilling, and final development of an oil-producing well take from three to five years. Areas involved in the oil lease sales, totaling over $2.0 billion in late 1972, cannot reasonably be expected to produce until 1976.

Offshore drilling itself is expensive; shortages including pipe, drills, and labor combined with these high expenses to hold back the total number of drillings. Pipe shortages have become so acute, in fact, that a few producing inland wells have been dismantled for their piping.

An increased emphasis upon pollution control with its high cost has also affected Louisiana oil production. Equipment necessary to reduce or eliminate pollution entirely is expensive, and dollars must be diverted from other areas such as exploration or new plant equipment.

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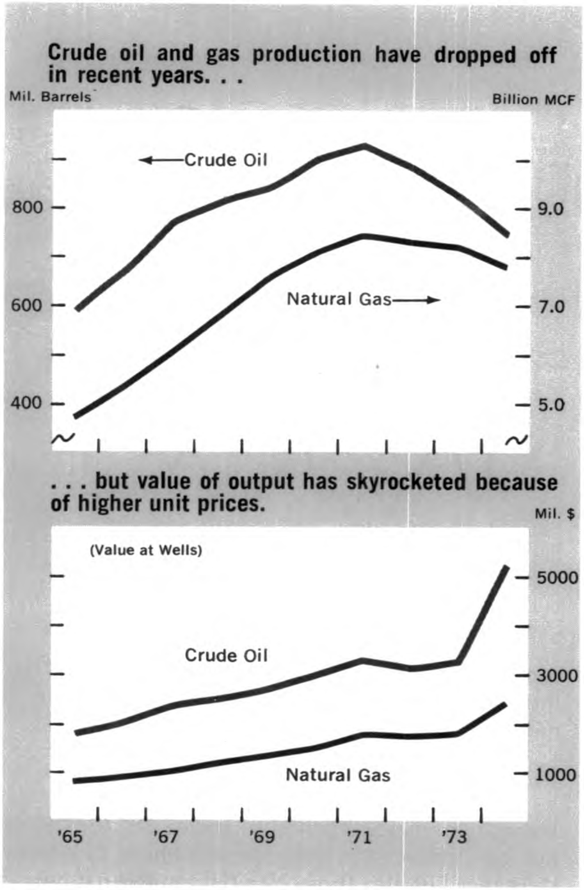
Oil prices, until recently, have been relatively low and, while not discouraging oil exploration and production, have not served to promote them.

Despite abundant reserves, Louisiana has suffered natural gas shortages. As with oil, Louisiana's natural gas production during 1973 and 1974 was below peak levels. In 1973, production averaged 15.8-million MCF (million cubic feet) units per day, while in 1974 the average dropped to 12.8-million MCF units. Again, reasons for the decline are many and complex. Many experts contend that the price on interstate gas, regulated by the Federal Power Commission, is too low and removes incentive for exploration and drilling. Louisiana gas producers export some 70 percent of their output to other states, receiving an average 50 cents per MCF. The remaining 30 percent is retained for state use and is sold at an unregulated price of $2.12 per MCF.

While the Federal Power Commission does not regulate the price of intrastate gas, it does require that natural gas producers give residential and institutional needs priority over industry. Many industrial users found themselves with reduced supplies of natural gas during 1973.



Impact of Shortages

Natural gas and gasoline shortages affected manufacturers in varying degrees during 1973 and 1974. It is difficult to isolate these influences because of the concurrent effects of rising prices and nonenergy shortages. However, one researcher in early 1974 tried to determine the effects of the energy crisis as well as the impact of price increases and nonenergy shortages, such as steel.[1] According to this study, nearly one-fourth of the respondents reported that short energy supplies curtailed business activity at an average of 12 percent. Plastic shortages troubled nearly 30 percent of the respondents, while chemicals, particularly those which are petroleum-based, led shortage problems mentioned in the write-in category.

Although the energy crisis did force many of the responding firms to cut back production, they reported steel rather than energy to be most troublesome. Paper and building-material shortages were mentioned as well.

Louisiana farmers also experienced uncertainties and problems from short supplies of energy and energy-related items. Fertilizer shortages and increases in acreage under cultivation have combined to produce lower outputs per acre. In addition, increasingly high fertilizer costs have cut sharply into farm profit.

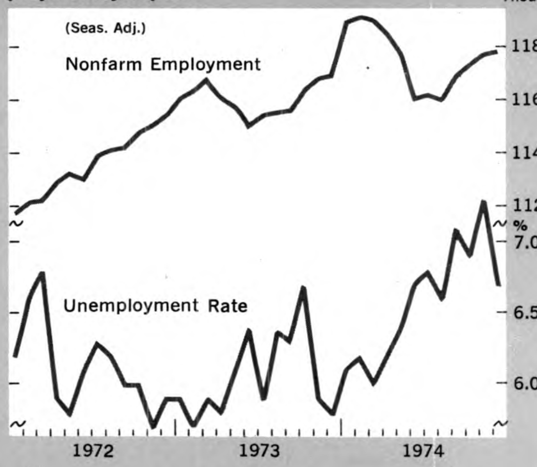
Natural gas shortages partially hampered the 1973 sugar cane harvest. Faced with uncertainties about gas supply, farmers started harvesting earlier than usual in 1974.

Louisiana consumers have reacted to shortages and higher costs by reducing somewhat their use of energy and related items. Household electricity use in 1974 was down some 8 percent from 1973. Automobile sales dropped sharply in 1974, owing at least partly to the energy situation.

Higher fuel costs and shortages plus increased prices and short supplies of petroleum-based materials complicated the lives of Louisiana's fishermen during 1974. For example, shrimpers had to pay much higher prices for many of their nets and webbings made of nylon and other petrochemical materials. Fish-processing plants which use natural gas as a power source were hampered by the high costs and short supply of that fuel. Menhoden-processing plants were

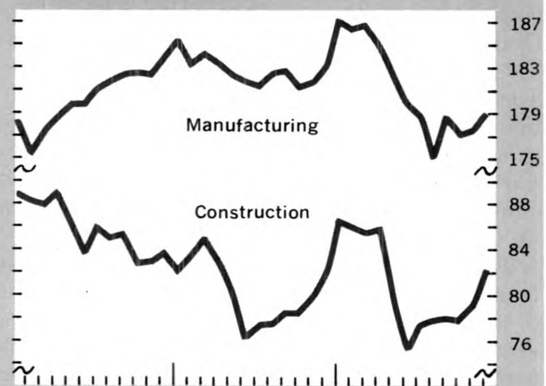
[1]Such a study was made by Dr. Edward Strong, Tulane University. It was jointly sponsored by the New Orleans Chamber of Commerce, the U. S. Department of Commerce, and the Tulane Graduate School of Business Administration. Dr. Strong's study was based on the responses of some 700 businesses in the New Orleans Standard Metropolitan Statistical Area.

Nonfarm employment has dropped, while unemployment jumped.

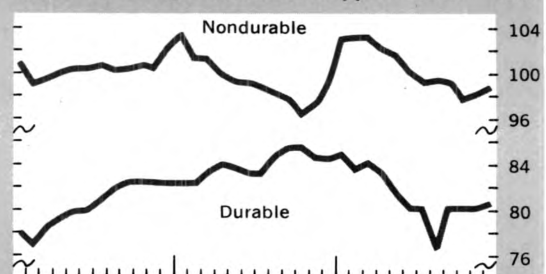


EMPLOYMENT

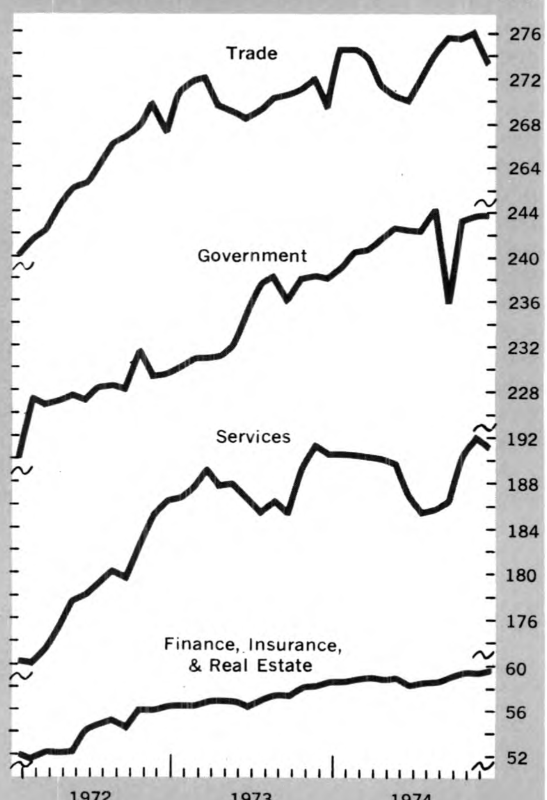
Manufacturing and construction have experienced the greatest job losses.



Both durable and nondurable manufacturing jobs declined, though durables dropped most.



Some sectors, however, still held up.



especially affected by natural-gas problems. (The menhoden is a small herring-like fish valuable mostly for meal and fertilizer and for its oils.)

Overall Performance

Louisiana's major economic indicators for 1974 not only reflect the negative influences of energy shortages but also those of inflation and nationwide recession. The picture is still brighter for the state than the nation, however. Its unemployment rate has been close to the nation's in recent months; December's 6.7-percent rate approached the U. S. 7.2-percent rate. However, increased joblessness is still less than in the U.S. Recession-hit manufacturing is less important in Louisiana's economy. And its labor force growth has been less than nationally. Expansion in oil activity has been another reason the recession has hit the state less hard. An absence of strikes in the Port of New Orleans and the increased activity in major shipyards have provided additional stability.

Construction activity, on the other hand, has declined, as it has nationally. Residential and nonresidential construction awards were down in 1974; nonbuilding held up. Farmers, meanwhile, benefited from higher receipts because of improved crop marketings. Rising costs, however, lowered their income.

Outlook

The President and the Congress have outlined various fiscal programs that, if enacted, will most likely stimulate Louisiana's economy (as they will the nation's). The slowing in inflation, a reduction in interest rates, and, in due course, a reversal from the current recession should eventually improve economic conditions in the Pelican State.

Prospective developments in the state should provide additional help. Six offshore lease sales scheduled for 1975 by the Interior Department will increase the possibility of finding much-needed fuel reserves. Exploration and drilling, already up sharply in 1974, are expected to rise through 1975 and 1976, particularly if material and labor are available.

Increased capacity is being built into existing refineries, and ground has been broken for several new ones, though some plans have been canceled. Until late 1973, no new refinery had been started since 1969.

Prospects of a Louisiana superport improved sharply when the U. S. Senate and House approved superport legislation late last year. This establishes a three-tiered preferential system of licensing. Preference is first given to a state, then to other public bodies and private bodies unassociated with oil, and finally to private companies involved in the production of oil. LOOP, Inc., Louisiana's offshore oil port, is considered to be the leading candidate for a license to build a deep-water port offshore. Composed of 15 major oil companies, LOOP is expected to be able to handle the largest existing tankers in the world, those which at present cannot be serviced in any U. S. port. The new superport is expected to create thousands of new jobs for Louisianians and increase earnings by millions of dollars. It should also help reduce the cost of import oil as well as improve overall efficiency.

Completion in June 1975 of the New Orleans Superdome should provide a boost to the area's tourist industry. Attractive for sports and conventions, the dome is expected to bring in millions of tourist dollars annually. Contract awards totaling $800 million for the construction of ships and drilling rigs by the Avondale Shipyards should help provide additional employment and income.

To sum up, Louisiana has some sectors currently expanding that are not tied to national developments and which should help establish an economic recovery. ■

Bank Announcements

SEPTEMBER 4, 1974

BARNETT BANK OF SOUTH ORLANDO
Orlando, Florida

Opened for business as a par-remitting nonmember.

SEPTEMBER 4, 1974

FLAGSHIP BANK OF NORTH DADE
Miami, Florida

Opened for business as a par-remitting nonmember.

SEPTEMBER 10, 1974

GUARDIAN BANK
Seminole, Florida

Opened for business as a par-remitting nonmember.

SEPTEMBER 16, 1974

NORTHERN TRUST INTERAMERICAN BANK
Miami, Florida

Opened for business.

OCTOBER 1, 1974

COMMERCIAL BANK AND TRUST COMPANY
Franklin, Louisiana

Began to remit at par.

OCTOBER 1, 1974

WAKULLA COUNTY STATE BANK
Crawfordville, Florida

Opened for business as a par-remitting nonmember.

OCTOBER 7, 1974

FIRST PORT CITY BANK
Bainbridge, Georgia

Opened for business as a par-remitting nonmember.

OCTOBER 7, 1974

FLORIDA COAST BANK OF CORAL SPRINGS, NATIONAL ASSOCIATION
Coral Springs, Florida

Opened for business as a member. Officers: Stewart Kester, chairman; Robert C. Wilkins, president; Alfred J. Young, executive vice president; Sal DeMarco, Jr., cashier; Mrs. Carol Comyns, assistant operating officer. Capital, $1,000,000; surplus and other funds, $1,000,000.

(Cont'd. p. 21)

Benefits of 1974's Bad Weather Accrued to District Farmers

by Gene D. Sullivan

"It's an ill wind that blows no good" is a proverb that had particular meaning for Sixth District crop farmers in 1974.[1] While most of the nation's crops were buffeted about by extreme weather variations that took heavy tolls on total production, most District crop producers were experiencing a relatively good year. From July to January's final estimate, national crop prospects progressively deteriorated as weather conditions outside the Southeast went from one extreme to another. Recently announced planting intentions for 1975 undoubtedly reflect last year's experiences, particularly within this region.

District Versus U. S. Crop Production

The accompanying charts compare the changes in production prospects of selected crops important to both the District and U. S.; first a severe drouth took its toll in the central areas of the country between July and August and then abnormally early frosts and freezes in early fall arrested growth and further reduced production. With the exception of cotton, production indications of District crops either increased or held nearly steady while misfortune was dealing heavy blows elsewhere in the country. The following comparisons address these crops in the order of their national importance in 1974 and indicate the importance of this region's production to total U. S. output.

Corn

Indications of regional corn production, largely in Georgia and Tennessee, actually increased from July to harvest while indicated U. S. production declined by 1.5-billion bushels. District farmers' benefits were enlarged not only by good production but also by a 32-percent increase in corn prices resulting from

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[1]The Sixth Federal Reserve District includes all of Alabama, Florida, and Georgia, and portions of Louisiana, Mississippi, and Tennessee. This article reports data from the total area of all six states.

the nation's short crop. The District accounted for less than 5 percent of total U. S. production.

Soybeans

Indicated soybean production (mostly within Mississippi, Louisiana, and Tennessee) increased slightly as the season progressed, while the U. S. projection was dropping by 225-million bushels. District soybean acreage was sharply higher in 1974, but the District's share of the total U. S. crop was still less than 15 percent. Nevertheless, the 25-percent increase in soybean prices from year-ago levels amounted to a substantial bonus to District farm incomes.

Cotton

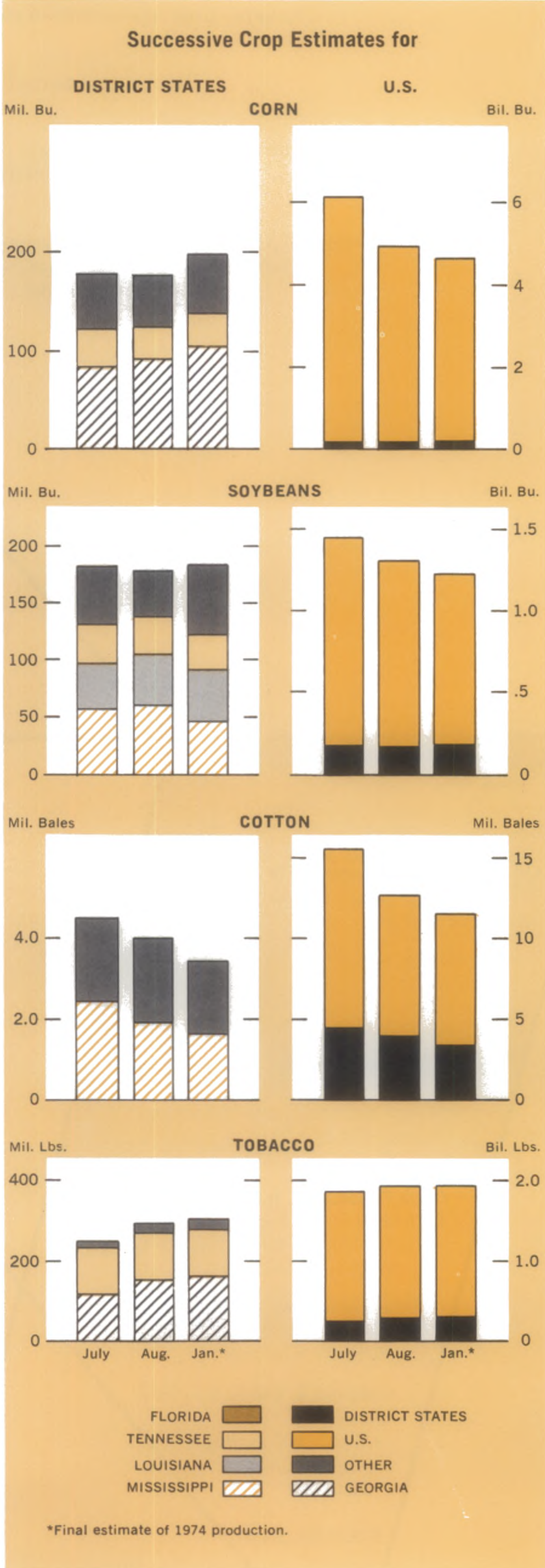
The Southeast shared in the nation's declining cotton production prospects as the season progressed, largely because of unfavorable weather in Mississippi where nearly half of this region's crop is produced. Even as indicated national production declined by 3.9 million bales and a million bales faded from the indicated District crop, cotton prices dropped more than 20 cents a pound below the peak level in the spring of the year.

Tobacco

Tobacco was the Southeast's Cinderella crop in 1974 in terms of both price and production increases. Good weather increased indicated production (nearly all in Georgia and Tennessee) from 253-million pounds in July to 305-million pounds through year's end. At the same time, U. S. production indications, of which the District accounted for only 15 percent, held nearly steady. Prices were nearly one-fifth higher than the year-ago level, adding to the bonanza for District tobacco farmers.

Grain Sorghum

Indicated District production held essentially steady during 1974; the summer drouth shriveled the U. S. crop by one-fourth. Prices soared 40 percent above the year-earlier level, with Southeastern farmers again reaping the double reward of undiminished production and sharply higher prices. However, this region accounted for only 1 percent of total U. S. production.



[1]Member bank representatives elected by member banks

[2]Nonbankers elected by member banks

[3]Nonbankers appointed by Board of Governors, Federal Reserve System

Note: Expiration dates of terms occur on December 31 of the year beside each name.

Class A[1]

Sam I. Yarnell—1975
Chairman, American National Bank & Trust Company
Chattanooga, Tennessee

John T. Oliver, Jr.—1976
President, First National Bank
Jasper, Alabama

***Jack P. Keith**—1977
President, First National Bank
West Point, Georgia

George '
Chairman, Pu
Lakel

Robert D
Manager—Tenne
Comp
Al

***Ulysses V.**
Executiv
Southern Nat
Birmir

A

John Alexander, Jr.—1975
President,
City National Bank of Birmingham
Birmingham, Alabama

Clarence L. Turnipseed—1976
President, First National Bank
Brewton, Alabama

John Maples, Jr.—1976
Executive Vice President,
Union Bank & Trust Company
Montgomery, Alabama

+D. C. Wadsworth, Jr.—1977
President,
American National Bank of Gadsden
Gadsden, Alabama

Frank P. Samford, Jr. (Chairman)—1975
Chairman of the Board,
Liberty National Life Insurance Company
Birmingham, Alabama

David Mathews—1976
President, University of Alabama
University, Alabama

+Harold B. Blach, Jr.—1977
President,
J. Blach & Sons, Inc.
Birmingham,
Alabama

BIRMINGHAM

Appointed by Board of Governors

Michael J. Franco—1975
Chairman, City
National Bank of Miami
Miami, Florida

Richard A. Cooper—1976
Chairman, First National Bank
of New Port Richey
New Port Richey, Florida

+MacDonell Tyre—1976
President, Sun First National Bank of Orlando
Orlando, Florida

+Chauncey W. Lever—1977
President and Chief Executive Officer,
Florida First National Bank
Jacksonville, Florida

James E. Lyons (Chairman)—1975
President, Lyons Industrial Corporation
Winter Haven, Florida

Egbert R. Beall—1976
President, Beall's Department Stores
Bradenton, Florida

***Gert H. W. Schmidt**—1977
President, TeLeVision 12
of Jacksonville
Jacksonville, Florida

JACKSONVILLE

Ap
Federa

Board o

Februa

ins—1975
ɪer Markets, Inc.
rida

eck—1976
erations, Aluminum
America
nessee

vyn—1977
President,
sources, Inc.
Alabama

The Federal Advisory Council member for 1975 is Lawrence A. Merrigan, President, The Bank of New Orleans and Trust Company New Orleans, Louisiana.

*Reappointed or re-elected for three-year term

+New member since January 1, 1975

Class C[3]

F. Evans Farwell—1975
President, Milliken and Farwell, Inc.
New Orleans, Louisiana

Clifford M. Kirtland, Jr. (Deputy Chairman)—1976
President, Cox Broadcasting Corporation
Atlanta, Georgia

***H. G. Pattillo** (Chairman)—1977
President, Pattillo Construction Company, Inc.
Decatur, Georgia

d by
ve Bank

—1975
Robert E. Curry
President,
First National Bank
Pulaski, Tennessee

Fred R. Lawson—1976
President, Blount National Bank
Maryville, Tennessee

T. Scott Fillebrown, Jr.—1976
President, First American National Bank
Nashville, Tennessee

+**W. M. Johnson**—1977
President, First National Bank
Sparta, Tennessee

John C. Tune (Chairman)—1975
Butler, Tune, and Entrekin
Nashville, Tennessee

James W. Long—1976
Farmer
Springfield, Tennessee

+**James R. Lawson**—1977
President, Fisk University
Nashville, Tennessee

NASHVILLE

Appointed by
Board of Governors

Ernest F. Ladd, Jr.—1975
Chairman, Merchants National Bank
Mobile, Alabama

Charles W. McCoy—1976
Chairman of the Board and President,
Louisiana National Bank of Baton Rouge
Baton Rouge, Louisiana

James H. Jones—1976
Chairman and Chief Executive Officer,
First National Bank of Commerce
New Orleans, Louisiana

+**R. B. Lampton**—1977
President, First National Bank
Jackson, Mississippi

Edwin J. Caplan—1975
President, Caplan's Men's Shops, Inc.
Alexandria, Louisiana

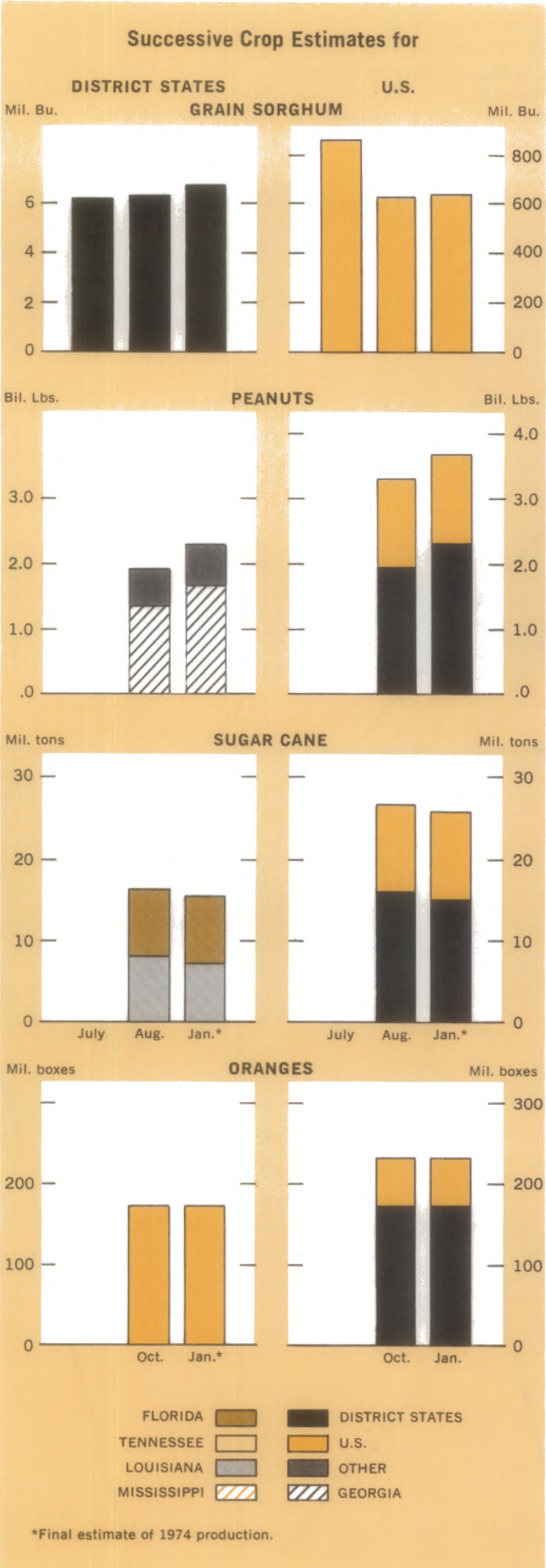
Floyd W. Lewis (Chairman)—1976
President,
Middle South Utilities, Inc.
New Orleans, Louisiana

***Fred Adams, Jr.**—1977
President,
Cal-Maine Foods, Inc.
Jackson,
Mississippi

NEW ORLEANS

Directors

y 1975



Peanuts

In both the District and the U. S., peanut production prospects increased as the season wore on. However, most of the 365-million pound gain in indicated output came from the Sixth District, where two-thirds of the national crop is produced (Georgia accounted for the lion's share). The 12-percent increase in average prices over year-ago levels sharply improved peanut farmers' 1974 incomes.

Sugar Cane

Expected District production declined slightly from August to year's end, largely from hurricane damage to the Louisiana crop. That state also accounted for much of the slight decline in total U. S. sugar cane production, most of which comes from the Sixth District. Sugar prices increased so much in 1974, however, that growers were essentially oblivious to the year's-end decline in production.

Oranges

Indications for a bumper 1974-75 harvest were still holding up through January. Although prices were running 7 percent below year-ago levels, sales were reported brisk; and Florida citrus farmers, who grow three-fourths of the nation's crop, seem headed for another good income year.

TABLE 1

VALUE OF PRODUCTION OF MAJOR CROPS

	DISTRICT		U. S.	
	1974 value ($ mil.)	1974 as % of 1973	1974 value ($ mil.)	1974 as % of 1973
Corn	697	167	16,330	122
Soybeans	1,394	136	9,480	107
Cotton	768	104	2,592	93
Tobacco	331	160	2,124	134
Sorghum	20	164	1,918	96
Sugar Cane	878	380	976*	400*

*Excludes Hawaii

Source: Based on reports issued by the Statistical Reporting Service, USDA

Value of Crop Production

Increasing production and crop prices averaging 25 percent above year-ago levels in November combined to raise 1974 farm cash receipts from District crops. The estimated value of major crops in 1974 was up sharply from 1973's levels (see Table 1), and the gains of specific crops were proportionately greater than in the U. S. as a whole. The value of those crops shown increased about $1.5 billion from 1973 levels.

Planting Plans for 1975

Results from a January survey of farmers' planting intentions for three major crops suggest that 1974's experiences have led farmers to plan substantial adjustments in crop acreages (see Table 2). Farmers in District states plan to increase soybean plantings most; Georgia farmers will lead the way with nearly a 50-percent increase in 1975 acreage. Total U. S. soybean acreage will rise 8 percent.

District corn acreage will grow 5 percent in 1975; surprisingly, total U. S. acreage will not change despite 1974's extremely attractive corn prices.

The story is dramatically different for cotton. The combination of weak market demand as exemplified by relatively low prices, rapidly increasing production costs, and attractive returns from alternative crops have led farmers to plan cotton acreage reductions averaging about 30 percent for the region as a whole and as much as 60 percent in Georgia. Planned U. S. acreage is only 68 percent of 1974's level.

Changing prices and weather conditions prior to planting time can vastly alter farmers' current plans. The January planting-intentions report may even induce some farmers to make changes. Nevertheless, it appears certain that some drastic shifts in crop production are in the making for the 1975 season; these will have far-reaching impacts in regional off-farm economies. All firms related to the cotton industry in both the District and the U. S. as a whole may experience a major shock from the planned acreage reduction.■

TABLE 2

PLANTING INTENTIONS FOR SELECTED CROPS IN 1975

	DISTRICT		U. S.	
	1975 Acreage (000)	1975 as % of 1974	1975 Acreage (000)	1975 as % of 1974
Corn	4,431	105	76,132	100
Soybeans	10,945	131	57,106	108
Cotton	2,535	61	9,500	68

Source: Statistical Reporting Service, USDA

Bank Announcements

(Cont'd. from p. 17)

OCTOBER 15, 1974

FIRST STATE BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business as a par-remitting nonmember.

OCTOBER 15, 1974

PATTERSON STATE BANK
Patterson, Louisiana

Opened for business as a par-remitting nonmember.

OCTOBER 28, 1974

LANDMARK BANK OF TARPON SPRINGS, NATIONAL ASSOCIATION
Tarpon Springs, Florida

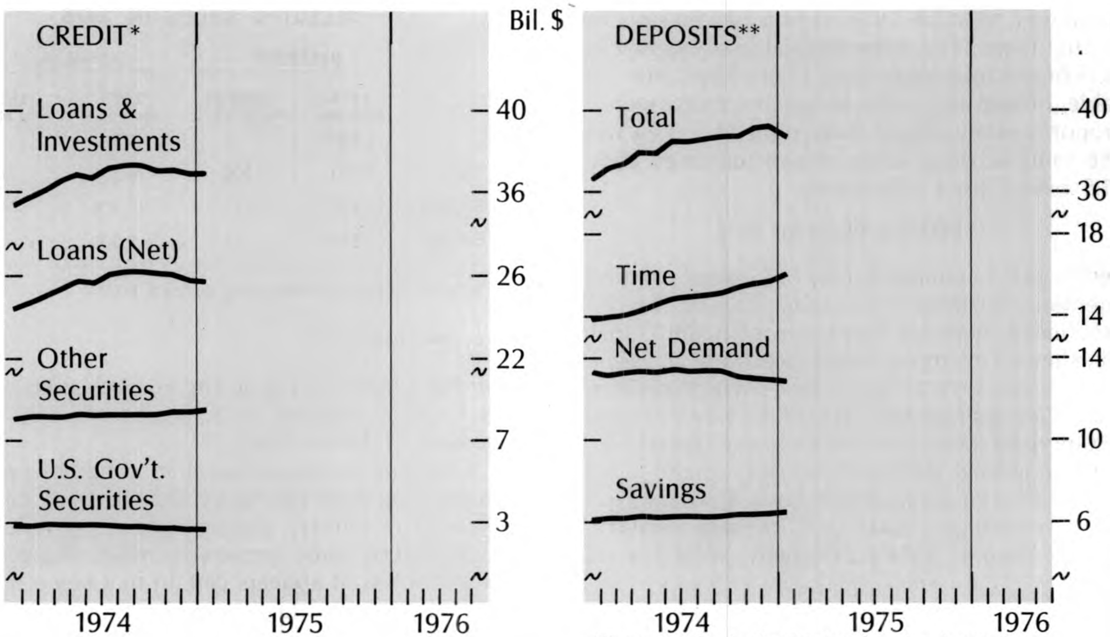
Opened for business as a member. Officers: Frank M. Harris, chairman; Howard W. Nix, Jr., vice chairman; Thomas B. Reed, Jr., president; Charles E. Hays, executive vice president; William H. Bickford, cashier. Capital, $400,000; surplus and other funds, $600,000.

OCTOBER 28, 1974

SUMTER COUNTY BANK
Americus, Georgia

Opened for business as a par-remitting nonmember.

BANKING STATISTICS



LATEST MONTH PLOTTED: JANUARY

*Figures are for the last Wednesday of each month
**Daily average figures

SIXTH DISTRICT BANKING NOTES

Liquidity Pressures Intensify

BORROWED FUNDS SUPPORT LENDING AT LARGE BANKS

	Large CD's and Time Deposits	Net Federal Funds	Discount Activity	Other Liabilities	Total Borrowed Funds	Change in Total Borrowed Funds	Loans	Change in Loans
1974				($ Millions)				
January	4,235	1,073	67	290	5,665	+245	12,185	+185
February	4,327	1,047	101	276	5,751	+ 86	12,152	− 33
March	4,321	1,331	96	476	6,224	+473	12,345	+193
April	4,408	1,324	131	569	6,432	+208	12,647	+302
May	4,542	1,425	140	625	6,732	+300	12,837	+190
June	4,681	1,228	182	584	6,675	− 57	12,949	+112
July	4,790	1,511	149	512	6,962	+287	13,078	+129
August	4,885	1,521	184	472	7,062	+100	13,158	+ 80
September	5,004	1,592	191	373	7,160	+ 98	13,217	+ 59
October	5,251	1,357	141	408	7,157	− 3	13,180	− 37
November	5,295	1,077	94	385	6,851	−306	13,144	− 36
December	5,386	960	59	362	6,767	− 84	13,089	− 55

Note: Figures are a monthly average of Wednesday figures.

The largest District banks came under intensive liquidity pressures as a result of strong loan demands and very weak deposit inflows during the first seven months of 1974. In August and September, loans rose moderately and then declined through the remainder of the year; deposit gains were small. While growth in lending was not as strong as that in 1973, the resulting liquidity strains were much more severe because of weak deposit growth.

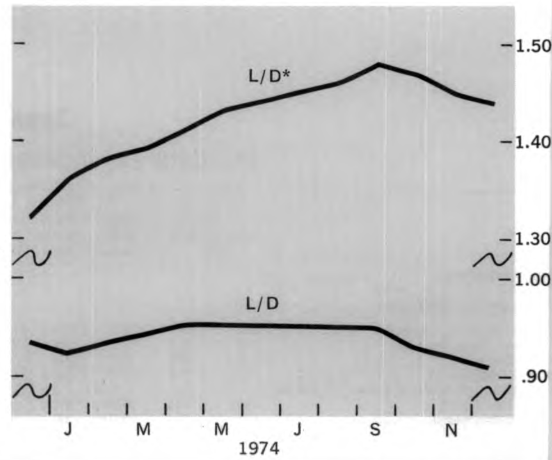
Measuring liquidity pressures at the largest banks presents problems not generally encountered when analyzing small- and medium-sized banks. For example, the traditional loan-to-deposit ratio (L/D) is frequently used to reflect liquidity pressures. Deposits at most banks, however, are generally local balances which remain stable because they are not highly interest-sensitive. But the L/D measure does not adequately reflect liquidity strains at large banks, which typically "purchase" or borrow a large portion of their deposits from the interest-sensitive money market. Therefore, a L/D adjusted for "purchased" deposits is more appropriate. The adjusted loan-to-deposit ratio (L/D*) used in this analysis represents total loans inclusive of Federal funds sales and total deposits, where demand deposits are adjusted for deposits of banks and cash items in process of collection and where total time deposits are exclusive of all those issued in denominations of $100,000 and over. (This latter item includes all large negotiable and nonnegotiable CD's issued by these large banks.)

Looking at L/D*, it is clear that liquidity pressures increased during the first nine months of 1974, when L/D* advanced from 1.32 to 1.48. Since then, the ratio has declined to 1.44, indicating a slight easing in liquidity pressures. But these pressures were still more severe than at the beginning of the year. In contrast, the traditional L/D is much lower, shows much less variation, and suggests less liquidity pressure at the end of 1974 than at the beginning of the year.

Because of the pattern of loan demands and deposit changes, large banks sharply increased their use of borrowed funds, thereby reducing liquidity. From late 1973 to September 1974, the use of borrowed funds jumped a third to nearly $7.2 billion; by the end of the year, borrowings had declined by $400 million. The large banks have alternative sources of borrowed funds: selling negotiable and nonnegotiable CD's; purchasing Federal funds; borrowing at the discount window; borrowing "other" funds such as Eurodollars or term Federal funds; and selling loans or securities under repurchase agreements or to a bank affiliate or holding company subsidiary. In addition, there are such conventional sources of liquidity as the direct sale of investments, particularly short-maturity Treasury issues.

These various sources of borrowed funds have different liquidity implications through varying maturities, sizes and certainty of access. Generally, those borrowed funds with the shortest maturities (such as overnight Federal funds) create more liquidity pressures because they must be "rolled over" more frequently. Because CD's have a minimum maturity of 30 days with an average approaching 90 days, a bank will likely be under much less pressure selling a CD than if it bought Federal funds.

Measures of Liquidity



Early in 1974, the large banks depended relatively more on short-maturity Federal funds than on CD's; they also relied more on the Federal Reserve discount window. Since September, these banks have not only reduced their overall use of borrowed funds but, equally importantly for liquidity considerations, have shifted into longer-maturity sources of funds. Since longer-maturity funds are more stable, liquidity improves as maturity lengthens. And by repaying borrowings from the discount window, banks have an important liquidity source to fall back on if needed. "Adjustment credit" from the discount window for these banks could total over half a billion dollars.

The liquidity position of large banks should continue to improve over the coming months. With the growing recession, loan demand from business firms and consumers is apt to remain weak. Also, banks should begin to experience stronger deposit inflows from more traditional, more stable, and less expensive sources than those reported during 1974. If this happens, the large banks should be able to rebuild liquidity, enabling them to meet credit demands during the economic upturn widely projected later this year.

JOHN M. GODFREY

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	Dec.	175.7	178.3	178.6	175.6
Farm Cash Receipts	Oct.	218	172	186	201
Crops	Oct.	240	167	170	191
Livestock	Oct.	175	177	182	222
Instalment Credit at Banks*/[1] (Mil. $)					
New Loans	Dec.	534	578r	570	664
Repayments	Dec.	594	637r	597	612
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Dec.	129.7	131.4	132.4	132.0
Manufacturing	Dec.	110.7	114.0	116.0	119.9
Nondurable Goods	Dec.	109.6	112.2	113.9	116.6
Food	Dec.	103.6	104.0	102.7	104.9
Textiles	Dec.	99.6	103.6	107.4	113.9
Apparel	Dec.	102.4	109.8	111.8	117.2
Paper	Dec.	109.4	111.0	112.1	112.8
Printing and Publishing	Dec.	125.5	125.8	127.1	130.4
Chemicals	Dec.	109.4	112.5	112.8	109.1
Durable Goods	Dec.	111.9	115.8	118.7	124.1
Lbr., Wood Prods., Furn. & Fix.	Dec.	100.5	102.1	105.2	112.5
Stone, Clay, and Glass	Dec.	120.7	124.1	125.8	132.0
Primary Metals	Dec.	109.7	111.8	113.8	114.2
Fabricated Metals	Dec.	125.5	126.8	129.8	133.5
Machinery	Dec.	150.8	154.6	157.4	160.2
Transportation Equipment	Dec.	93.0	104.2	106.3	114.5
Nonmanufacturing	Dec.	136.4	137.6	138.2	136.3
Construction	Dec.	138.3	139.3	141.8	153.6
Transportation	Dec.	126.5	126.0	125.2	126.2
Trade	Dec.	134.2	136.9	138.6	136.6
Fin., ins., and real est.	Dec.	146.7	147.5	147.9	147.3
Services	Dec.	152.3	153.1	152.9	148.6
Federal Government	Dec.	105.8	106.3	105.4	102.5
State and Local Government	Dec.	139.4	139.3	138.6	133.5
Farm Employment	Dec.	86.0	81.3	74.7	87.9
Unemployment Rate (Percent of Work Force)	Dec.	7.4	6.3	5.6	4.3
Insured Unemployment (Percent of Cov. Emp.)	Dec.	5.0	3.9	3.0	1.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	39.1	39.3	39.7	40.8
Construction Contracts*	Dec.	407	146	207	255
Residential	Dec.	128	137	155	258
All other	Dec.	681	156	257	252
Cotton Consumption**	Nov.	64	69	73	78
Petroleum Production**	Dec.	98	98	101	110
Manufacturing Production	Nov.	148	151	153	151
Nondurable Goods	Nov.	149	152	152	150
Food	Nov.	133	133	134	136
Textiles	Nov.	136	142	147	149
Apparel	Nov.	131	133	135	143
Paper	Nov.	138	138	139	137
Printing and Publishing	Nov.	131	133	134	139
Chemicals	Nov.	170	175	174	159
Durable Goods	Nov.	147	150	153	153
Lumber and Wood	Nov.	132	144	154	149
Furniture and Fixtures	Nov.	136	142	149	158
Stone, Clay, and Glass	Nov.	152	155	156	152
Primary Metals	Nov.	108	110	111	110
Fabricated Metals	Nov.	118	119	121	137
Nonelectrical Machinery	Nov.	157	156	158	149
Electrical Machinery	Nov.	250	255	258	246
Transportation Equipment	Nov.	137	138	137	140
FINANCE AND BANKING					
Loans*					
All Member Banks	Dec.	280	281	278	257
Large Banks	Dec.	266	269	264	243
Deposits*					
All Member Banks	Dec.	214	216	215	200
Large Banks	Dec.	191	194	188	177
Bank Debits*/**	Dec.	296	294	289	250
ALABAMA					
INCOME					
Manufacturing Payrolls	Dec.	182	176	180	170
Farm Cash Receipts	Oct.	212	162	267	196
EMPLOYMENT					
Nonfarm Employment	Dec.	118.0	119.7	120.0	120.4
Manufacturing	Dec.	111.2	114.2	115.7	117.7
Nonmanufacturing	Dec.	121.1	122.2	122.0	121.7
Construction	Dec.	122.9	126.0	125.0	132.3
Farm Employment	Dec.	72.3	78.8	59.9	82.0

	Latest Month 1974		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Dec.	6.1	5.4	4.8	3.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	38.9	39.6	39.4	40.9
FINANCE AND BANKING					
Member Bank Loans	Dec.	265	265	264	235
Member Bank Deposits	Dec.	208	209	210	194
Bank Debits**	Dec.	281	276	259	230
FLORIDA					
INCOME					
Manufacturing Payrolls	Dec.	177	189	186	184
Farm Cash Receipts	Oct.	242	241	166	217
EMPLOYMENT					
Nonfarm Employment	Dec.	148	151	153	151
Manufacturing	Dec.	122.5	125.9	127.0	129.7
Nonmanufacturing	Dec.	153.1	155.8	158.2	155.4
Construction	Dec.	177.2	183.1	191.0	214.0
Farm Employment	Dec.	94.1	97.5	92.6	94.8
Unemployment Rate (Percent of Work Force)	Dec.	8.3	7.1	6.3	4.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	39.6	39.8	40.0	40.8
FINANCE AND BANKING					
Member Bank Loans	Dec.	311	311	314	290
Member Bank Deposits	Dec.	238	243	245	228
Bank Debits**	Dec.	312	311	309	288
GEORGIA					
INCOME					
Manufacturing Payrolls	Dec.	168.2	165.7	168.6	167.2
Farm Cash Receipts	Oct.	241	180	128	254
EMPLOYMENT					
Nonfarm Employment	Dec.	126.3	127.7	128.7	129.7
Manufacturing	Dec.	103.6	106.0	108.7	114.2
Nonmanufacturing	Dec.	136.6	137.6	137.9	136.8
Construction	Dec.	132.4	131.6	135.4	152.1
Farm Employment	Dec.	110.4	85.8	85.4	91.1
Unemployment Rate (Percent of Work Force)	Dec.	8.6	6.4	5.4	4.4
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	38.6	39.0	39.3	40.9
FINANCE AND BANKING					
Member Bank Loans	Dec.	265	271	263	251
Member Bank Deposits	Dec.	189	194	190	180
Bank Debits**	Dec.	329	328	323	275
LOUISIANA					
INCOME					
Manufacturing Payrolls	Dec.	173	178	164	157
Farm Cash Receipts	Oct.	259	164	273	222
EMPLOYMENT					
Nonfarm Employment	Dec.	117.3	117.2	116.9	116.5
Manufacturing	Dec.	103.2	102.5	102.8	105.8
Nonmanufacturing	Dec.	120.3	120.4	119.9	118.7
Construction	Dec.	94.0	89.3	87.8	92.6
Farm Employment	Dec.	69.7	66.0	52.9	81.9
Unemployment Rate (Percent of Work Force)	Dec.	6.7	7.3	7.0	5.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	40.7	40.5	40.4	41.0
FINANCE AND BANKING					
Member Bank Loans*	Dec.	256	258	257	231
Member Bank Deposits*	Dec.	196	196	195	176
Bank Debits*/**	Dec.	250	253	244	196
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Dec.	181	198	199	198
Farm Cash Receipts	Oct.	190	150	191	171
EMPLOYMENT					
Nonfarm Employment	Dec.	126.8	129.1	129.6	130.4
Manufacturing	Dec.	113.8	123.7	126.4	132.0
Nonmanufacturing	Dec.	132.7	131.5	131.0	129.6
Construction	Dec.	123.6	124.9	126.2	136.9
Farm Employment	Dec.	65.4	76.8	81.5	79.5

	Latest Month 1974		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)	Dec.	5.9	5.6	4.8	3.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	37.8	38.4	39.3	40.4
FINANCE AND BANKING					
Member Bank Loans*	Dec.	263	268	258	261
Member Bank Deposits*	Dec.	218	214	214	209
Bank Debits*/**	Dec.	262	268	264	213
TENNESSEE					
INCOME					
Manufacturing Payrolls	Dec.	177	178	182	183
Farm Cash Receipts	Oct.	161	148	217	180

	Latest Month 1974		One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment	Dec.	126.7	128.5	129.5	128.6
Manufacturing	Dec.	111.2	114.8	117.5	121.5
Nonmanufacturing	Dec.	135.3	136.1	136.2	132.6
Construction	Dec.	148.2	146.8	145.8	142.3
Farm Employment	Dec.	91.5	80.7	76.7	90.1
Unemployment Rate					
(Percent of Work Force)	Dec.	6.3	5.1	4.6	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec.	39.1	39.1	39.8	40.9
FINANCE AND BANKING					
Member Bank Loans*	Dec.	281	274	271	245
Member Bank Deposits*	Dec.	212	210	206	192
Bank Debits*/**	Dec.	277	265	269	223

*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

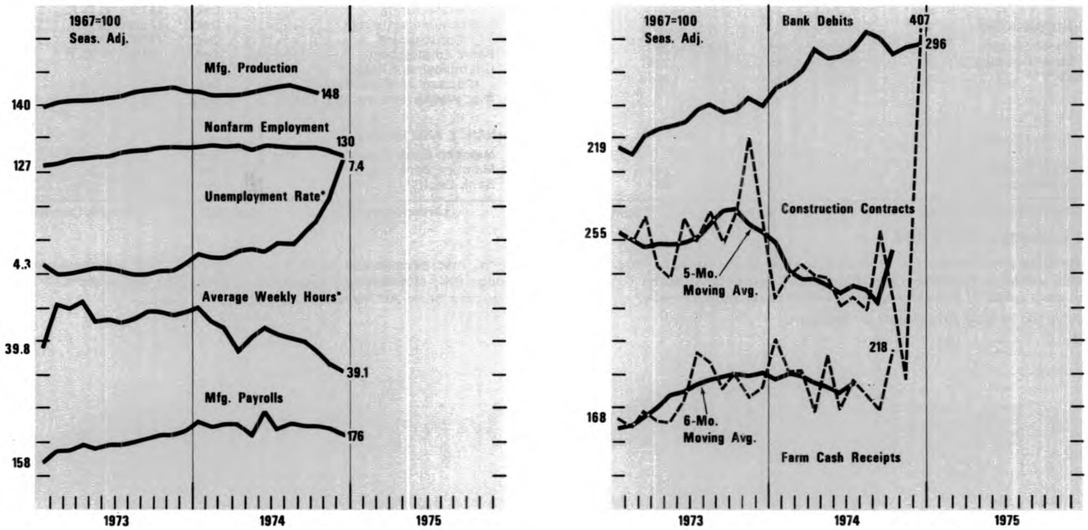
Insured Commercial Banks in the Sixth District
(In Thousands of Dollars)

	December 1974	November 1974	December 1973	Percent Change: December 1974 from Nov. 1974	Dec. 1973	Year to Date 12 mos 1974 from 1973
STANDARD METROPOLITAN STATISTICAL AREAS[1]						
Birmingham	5,108,328	4,674,197	4,083,196	+ 9	+25	+33
Gadsden	110,416	109,792	104,886	+ 1	+ 5	+12
Huntsville	447,417	401,337	339,223	+11	+32	+24
Mobile	1,395,695	1,263,368	1,148,377	+10	+22	+21
Montgomery	802,317	712,694	675,649	+13	+19	+11
Tuscaloosa	253,101	241,278	223,624	+ 5	+13	+20
Bartow-Lakeland-Winter Haven	909,201	752,983	828,757	+21	+10	+ 9
Daytona Beach	440,892	379,263	383,893	+16	+15	+17
Ft. Lauderdale-Hollywood	2,085,361	1,800,446	1,983,822	+16	+ 5	+11
Ft. Myers	384,107	341,319	348,645	+13	+10	+20
Gainesville	281,356	270,636	291,469	+ 4	− 3	+ 9
Jacksonville	5,238,135	5,200,874	4,255,061	+ 1	+23	+20
Melbourne-Titusville-Cocoa	454,616	364,855	567,030	+25	−20	+ 2
Miami	8,528,727	7,259,335	7,369,847	+17	+16	+14
Orlando	1,646,524	1,418,534	1,636,562	+16	+16	+ 7
Pensacola	575,730	495,135	428,969	+16	+34	+19
Sarasota	554,141	510,785	574,906	+ 8	+ 8	+12
Tallahassee	669,673	668,373	672,009	+ 5	+ 4	+ 6
Tampa-St. Pete	4,376,017	3,706,633	4,154,749	+18	+ 5	+ 9
W. Palm Beach	1,348,953	1,133,864	1,305,171	+19	+ 3	+ 5
Albany	213,404	185,673	192,619	+15	+11	+ 8
Atlanta	19,698,113	17,454,199	16,406,077	+13	+20	+24
Augusta	937,948	666,779	568,608	+41	+65	+31
Columbus	478,037	463,195	427,906	+ 3	+12	+17
Macon	925,256	802,578	578,021	+15	+60	+51
Savannah	861,070	744,740	573,699	+16	+50	+26
Alexandria	318,791	283,609	279,766	+12	+14	+18
Baton Rouge	2,159,453	1,933,361	1,274,002	+12	+70	+47
Lafayette	379,506	334,333	284,996	+14	+33	+21
Lake Charles	301,240	260,006	229,028	+16	+32	+22
New Orleans	5,583,743	5,178,525	4,519,503	+ 8	+24	+22
Biloxi-Gulfport	291,479	286,997	218,667	+ 2	+33	+ 9
Jackson	1,998,206	1,927,798	1,462,802	+ 4	+37	+27
Chattanooga	1,435,724	1,313,400	1,474,922	+ 9	− 3	+10
Knoxville	2,124,632	1,779,583	1,258,942	+19	+69	+106
Nashville	4,529,023	4,205,494	3,580,488	+ 8	+26	+26
OTHER CENTERS						
Anniston	122,706	112,956	106,379	+ 9	+15	+12

	December 1974	November 1974	December 1973	Percent Change: December 1974 from Nov. 1974	Dec. 1973	Year to Date 12 mos. 1974 from 1973
Dothan	199,850	188,997	181,911	+ 6	+10	+ 8
Selma	91,896	86,930	105,915	+ 6	−13	+ 6
Bradenton	221,643	182,253	210,354	+22	+ 5	+15
Monroe County	142,663	111,808	84,701	+28	+68	+50
Ocala	193,201	171,111	210,340	+13	− 8	− 1
St. Augustine	42,633	41,685	45,607	+ 2	− 7	+34
St. Petersburg	995,423	882,296	1,014,268	+13	− 2	+ 4
Tampa	2,239,918	1,915,983	1,928,994	+17	+16	+15
Athens	169,010	152,983	161,440	+10	+ 5	+ 5
Brunswick	119,634	97,230	103,948	+23	+15	+ 8
Dalton	170,217	167,517	201,016	+ 2	−15	+ 1
Elberton	27,659	21,722	24,137	+27	+15	+13
Gainesville	170,444	153,198	141,377	+11	+21	+18
Griffin	75,201	71,867	77,693	+ 5	− 3	+16
LaGrange	40,188	37,711	41,354	+ 7	− 3	+ 8
Newnan	52,041	45,100	61,785	+15	−16	− 9
Rome	150,522	129,973	147,993	+16	+ 2	+ 6
Valdosta	121,697	112,150	98,241	+ 9	+24	+18
Abbeville	23,680	17,272	18,206	+37	+30	+14
Bunkie	16,891	20,700	14,849	−18	+14	+30
Hammond	106,149	97,662	85,748	+ 9	+24	+15
New Iberia	98,642	86,125	66,275	+15	+49	+23
Plaquemine	29,400	25,819	24,696	+14	+19	+ 2
Thibodaux	66,750	53,478	43,085	+25	+55	+17
Hattiesburg	141,083	129,645	125,687	+ 9	+12	+ 7
Laurel	79,785	77,227	76,483	+ 3	+ 4	+13
Meridian	137,611	125,493	114,209	+10	+20	+12
Natchez	70,106	59,410	60,143	+18	+17	+13
Pascagoula-Moss Point	156,048	175,315	146,130	−11	+ 7	+13
Vicksburg	79,348	98,283	86,413	−19	+ 8	+23
Yazoo City	55,189	46,510	47,804	+19	+15	+24
Bristol	146,893	134,428	119,784	+ 9	+23	+11
Johnson City	159,114	142,573	163,627	+12	− 3	+ 5
Kingsport	309,715	306,924	264,103	+ 1	+17	+19
District Total	95,895,622	85,197,861	78,266,049	+13	+23	+14
Alabama	11,476,313	10,360,870	9,165,090	+11	+25	+25
Florida	30,698,007	26,583,033	27,390,003	+15	+12	+13
Georgia	27,420,954	24,529,214	21,380,318	+12	+28	+26
Louisiana[2]	10,429,457	9,548,593	7,931,916	+ 9	+31	+28
Mississippi[2]	3,870,559	3,776,917	3,083,890	+ 2	+26	+23
Tennessee[2]	12,000,332	10,399,234	9,314,832	+15	+29	+35

[1]Conforms to SMSA definitions as of December 31, 1972.
[2]District portion only
r-Revised
Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

District Business Conditions



*Seas. adj. figure; not an index
Latest plotting: Dec., except mfg. production, Nov., and farm cash receipts, Oct.

The Southeastern economy has grown decidedly weaker. Job declines spread to nearly every industry, and unemployment jumped past the national rate. Flagging auto sales were associated with a continuing sharp contraction in consumer instalment debt. Construction activity remained depressed. Bank loan rates fell in the face of reduced lending and the lower cost of borrowed funds. Agricultural prices declined as farmers revealed plans to increase crop plantings.

The slide in employment and consequent rise in unemployment continued through December. The unemployment rate jumped to 7.4 percent, leading the national rate of 7.1 percent for the first time in over four years. Georgia and Florida recorded the sharpest increases. Nonfarm jobs fell for the fourth consecutive month. Nearly every industrial category registered declines. Transportation equipment jobs suffered the biggest drop, largely because of strikes. The factory workweek and manufacturing payrolls slipped again.

Total instalment credit owed by consumers to banks declined in December for the fourth month in succession. The continued weakness of automobile sales was associated with reduced credit extensions, while loan repayments remained at high levels. A modest increase in nonautomotive consumer goods credit accompanied intensive holiday sales promotions. However, personal loans registered an offsetting decline, while home repair and modernization credit outstanding was unchanged.

During January, the cost of banks' borrowed funds dropped significantly. At the same time, bank credit receded and the interest cost of prime business loans fell below 10 percent for the first time since last spring. Retail trade establishments and firms engaged in the production of food, textiles, and apparel paid down their credit lines at the larger banks. However, firms providing transportation and communication services increased their use of credit lines.

The value of residential construction contracts fell to a level less than one-half that of December 1973. However, moderate inflows of deposits to savings and loan associations and declining interest rates offered some hope for recovery. One contract for a $1.3-billion electric generating plant in Mississippi raised the value of nonresidential contracts to a level twice as high as ever recorded in a single month. Without this contract, however, values are down from the previous month.

Prices of agricultural commodities have dropped since November, and preliminary data indicate that the declines have accentuated in January. Even so, District farmers plan to expand 1975 plantings of all crops except cotton. Lower feed prices gave some relief to livestock producers, and broiler placements increased during recent weeks but remained below year-earlier levels.

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