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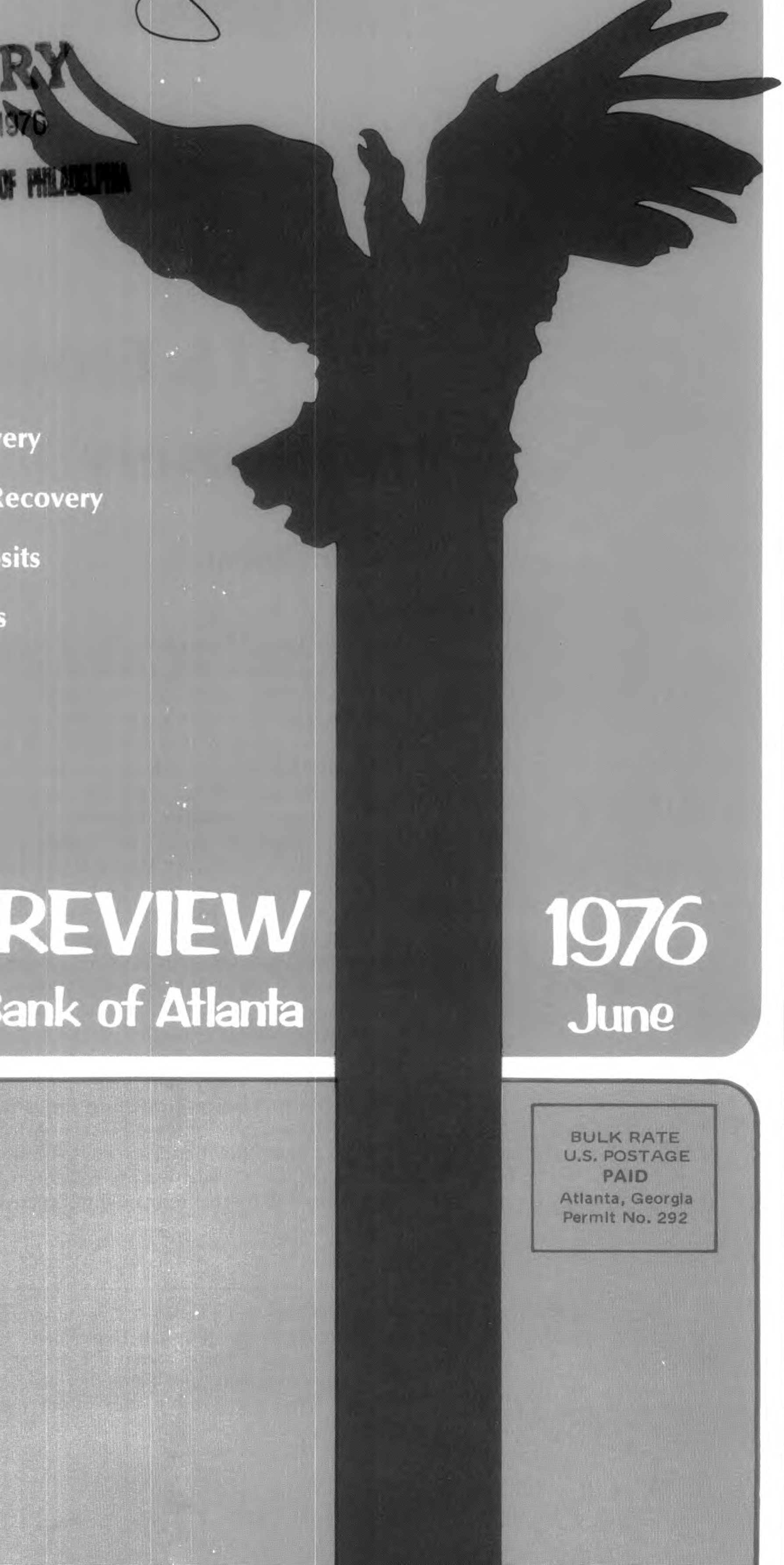

In This Issue:

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Federal Reserve Bank of Atlanta

1976
June

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Atlanta, Georgia 30303

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The U. S. Economy in Recovery

by Harry Brandt

March or April 1975 marked the end of the longest and deepest recession since World War II. Since then, industrial production has advanced steadily, so that about two-thirds of the drop during the 1973-75 recession has been made up (see Chart I). Nonfarm employment has increased by two and one half million persons since mid-1975, a restoration of the entire recession decline. The workweek has lengthened, and the unemployment rate declined from 8.9 percent in May 1975 to 7.5 percent in April 1976.

By historical standards, however, unemployment remains high. Before it began dropping, the unemployment rate exceeded anything experienced in other post World War II recessions. During the first full year of the current business recovery, it has dropped less sharply than during the comparable period following the severe 1957-58 recession (see Chart II). In large part, this slower improvement can be attributed to smaller employment gains than in 1958-59. As the population increases and more people seek work, vast numbers of jobs must be generated before the unemployment rate can show a large drop. Recent jobs gains, though sizable, have not been large enough to make a dramatic dent in joblessness.

Interestingly, in the current business recovery, the employment of men has increased more slowly than the employment of women. Significant job gains took place in service-producing industries, where women dominate. Manufacturing jobs increased less; construction has shown almost no job gains.

While the employment picture is still not universally good, overall business activity has almost regained pre-recession levels. Helped by a swift first quarter 1976 rise, GNP (in real terms) all but recovered its prerecession peak (see Chart III).

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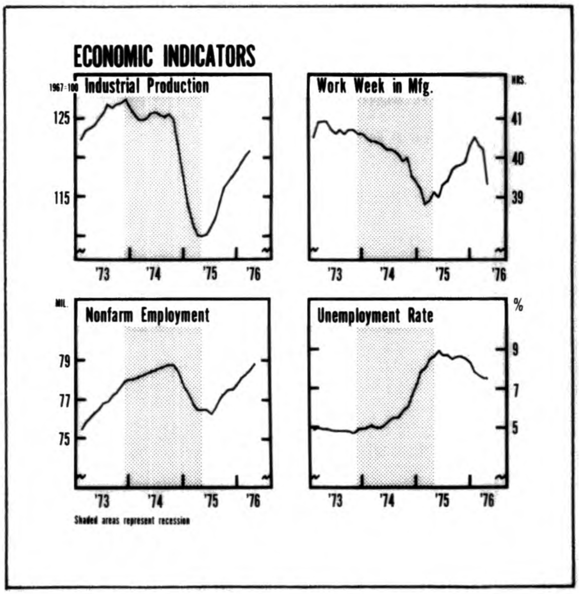
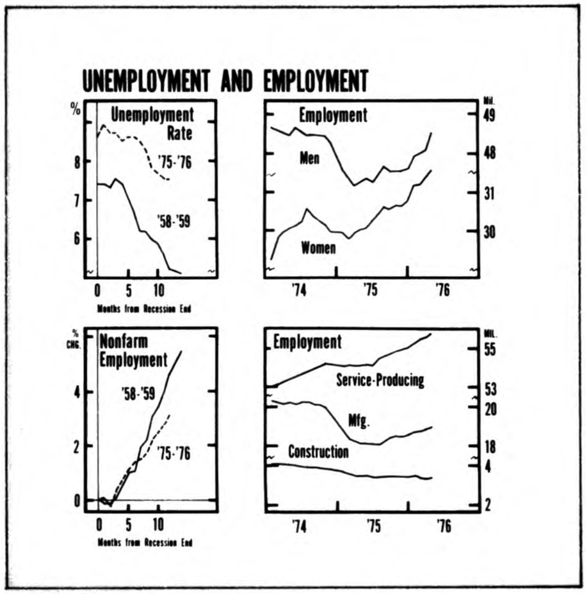


Latest plotting: Top left, March; April for others

Source: Board of Governors, Federal Reserve System and Department of Labor

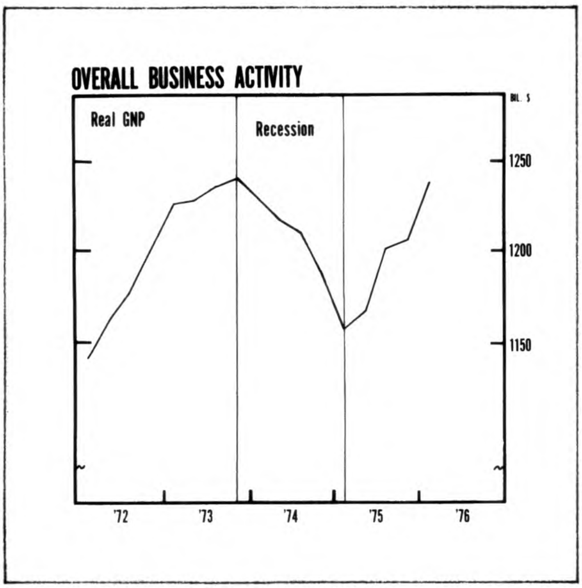
(II)



Latest plotting: April

Source: Dept. of Labor

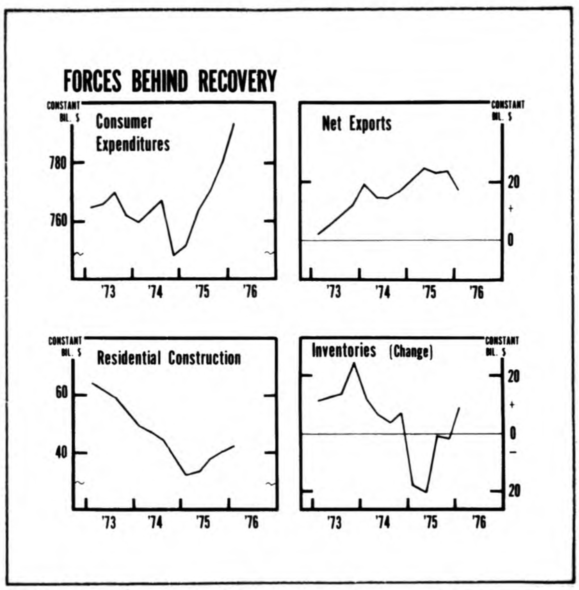
(III)



Latest plotting: First quarter

Source: Dept. of Commerce

(IV)



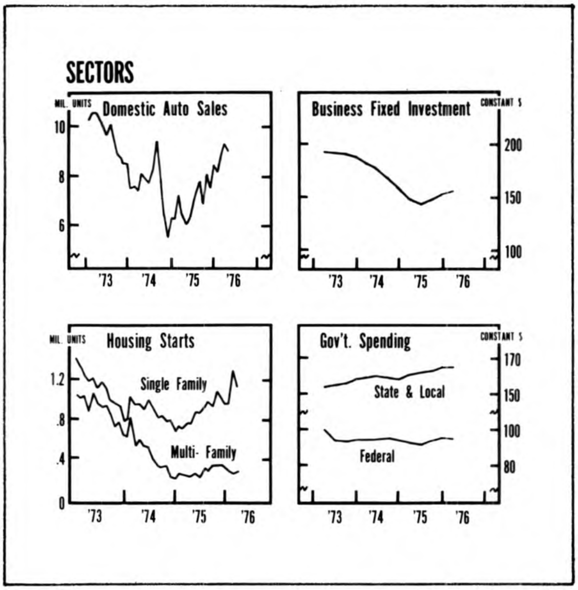
Latest plotting: First quarter

Source: Dept. of Commerce

The consumer has been a major force behind the current recovery (see Chart IV). Consumer expenditures on goods and services have climbed sharply; spending on residential construction has shown some recovery. Net exports provided considerable support to the U.S. economy until early 1976.[1] Higher sales, in turn, brought a halt to

[1] In early 1976 deterioration in the U.S. trade balance—not an unusual occurrence in that stage of the business cycle—slowed the rise in economic activity.

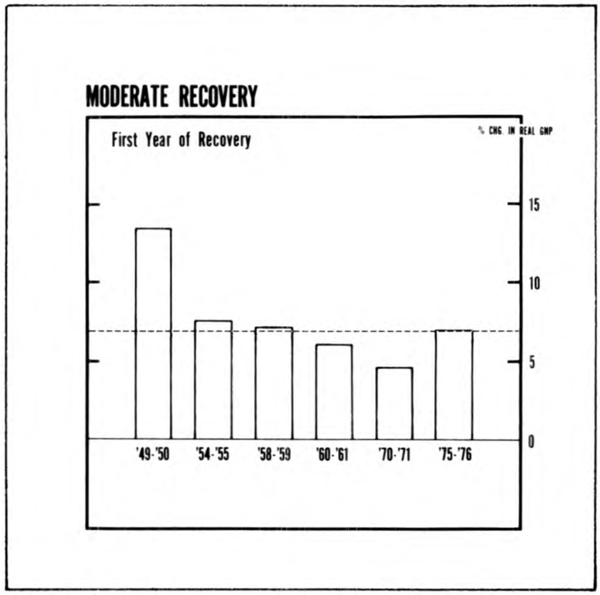
(V)



Latest plotting: **Top left, April; Top right, first quarter; bottom left, March; bottom right, first quarter.**

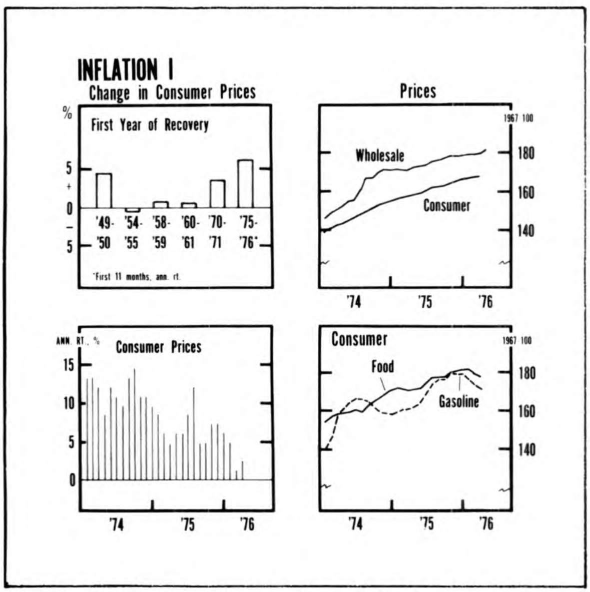
Source: Motor Vehicles Mfrs., Dept. of Commerce

(VI)



Source: Dept. of Commerce

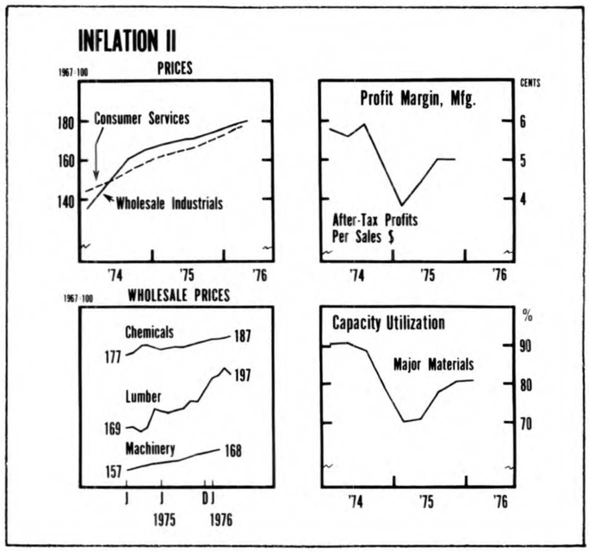
(VII)



Latest plotting: Top right, April and March; bottom left, March; bottom right, March

Source: Dept. of Labor

(VIII)



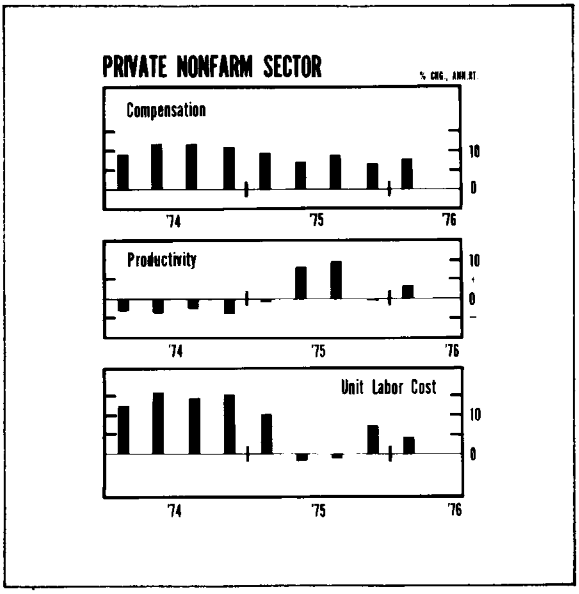
Latest plotting: Top left, March and April; top right, fourth quarter; bottom left, Chemicals and Lumber, April, Machinery, February; bottom right: first quarter

Source: Dept. of Labor (Prices), Dept. of Commerce (Profits), and Board of Governors, Federal Reserve System (Utilization)

massive reductions in inventories, followed by inventory accumulation.

Various sectors show contrasting responses to recovery (see Chart V). Domestic auto sales in March 1976 were their highest since mid-1973, except for a temporary bulge in the summer of 1974. This increase has been partly at the expense of imports. Intermediate- and full-size cars have

(IX)



Latest plotting: First quarter

Source: Dept. of Labor

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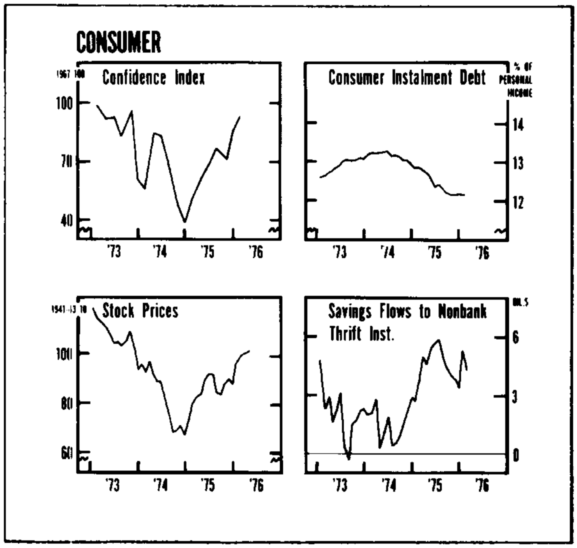


Latest plotting: Top left, first quarter; top right, January; bottom left, April; bottom right, February

Source: National Conference Board, Dept. of Commerce, Standard and Poor's, and Board of Governors, Federal Reserve System

been in particularly heavy demand recently; subcompact car sales have been slow. Single-family housing starts have recovered very well; multi-family starts, almost not at all. Business fixed investment (capital spending) has remained fairly weak as manufacturers and public utilities spent cautiously. Some of the uptick comes from the Alaskan pipeline construction. State and local government spending, restrained by budgetary problems, has moved up rather moderately; Federal spending on goods and services has increased only slightly.

So, even though the economy has performed well overall, the current recovery still can be characterized as moderate (see Chart VI). Real GNP increased more in the first year of recovery following the deep recessions of the Forties and Fifties than it has during the 1975-76 recovery. This year's pace compares favorably, however, to the mild recoveries of the Sixties and early Seventies.

Costs and Prices

Many observers believe that 1974's rapid inflation was an important factor in the past recession, as price increases reduced purchasing power and then spending itself. Inflation prospects may, therefore, provide an important clue to future economic performance.

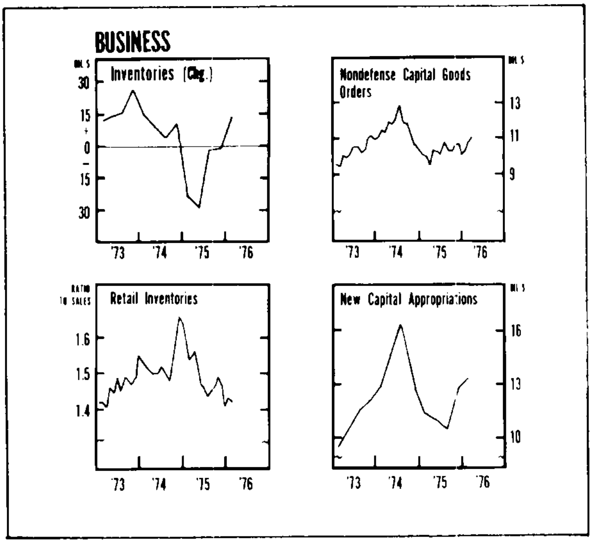
During the first year of a recovery, when there is substantial slack in the economy, inflation is usually not present to any extent. In this recovery, consumer prices rose much more than before (see Chart VII); still consumer price performance has improved remarkably from the double-digit rates of 1974 and the brief flare-up in the summer of 1975. Consumer prices rose only about 2 percent annually in February and March 1976 combined. Before spurting in April, wholesale prices showed even more dramatic improvement, changing little from October 1975 to March 1976.

Most of this improvement was the result of lower prices of food and fuel. Declines in food prices reflect last year's bumper harvests and, except for Russian grain purchases, lower U. S. agricultural exports. Gasoline prices dropped after the tariff on crude oil imports was eliminated.

Whether these two trends will last indefinitely is widely questioned. Increased demand and price hikes allowed under the new Energy Act have already pushed gasoline prices up in mid-April. If the Organization of Petroleum Exporting Countries raises its crude oil price, fuel prices may come under additional upward pressure. Meanwhile, the cost of wholesale beef has moved up, suggesting that retail meat prices may not fall further. To a large extent, however, food prices will depend on weather and world harvests.

Inflation watchers have been further troubled by considerable increases in the price of consumer

(XI)



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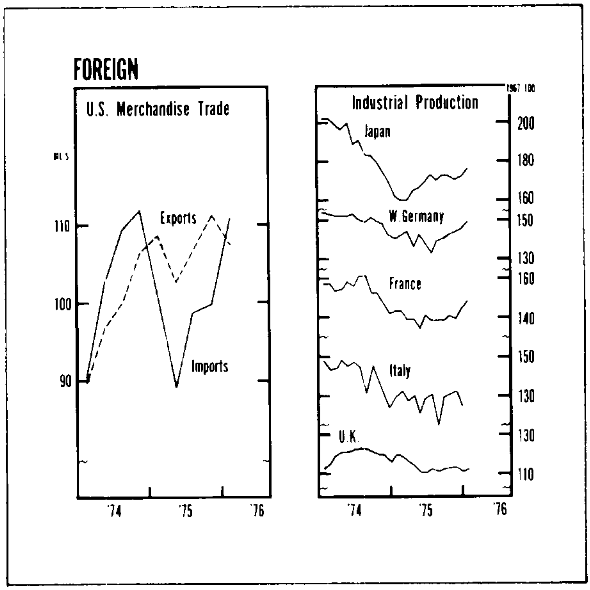
Source: Dept. of Commerce, National Conference Board

(XII)



Latest plotting: Left panel, first quarter; right panel, January (ex. Italy, December)

Source: Dept. of Commerce

services (see Chart VIII). (Medical, insurance, and transportation costs have continued to mount.) Prices of wholesale industrial commodities have also continued to rise. Strong demand could make it easy for businesses to pass these increases on to consumers. Since January 1975, wholesale prices of chemicals, lumber, and machinery have increased significantly. And most recently, higher prices on various steel and aluminum products have been announced. General prices could speed up if manufacturers continue pursuing an aggressive pricing policy to cover increasing costs and to widen further their profit margins.

The amount of slack still present in the economy is likely to temper price pressures in coming months. But sooner or later capacity may come under strain, intensifying cost pressures. In the major materials industries, plant utilization has bounced back from 70 percent of capacity to slightly over 80 percent. A few nondurable industries like paper and textiles are already approaching capacity. Many others still have substantial idle capacity, and average manufacturing capacity utilization remains well below the preferred rate.

Price prospects will also depend on labor costs (see Chart IX). A slowing in compensation increases has played an important role in holding down inflation. But wage demands may be more difficult to restrain in this year of heavy collective bargaining activity.

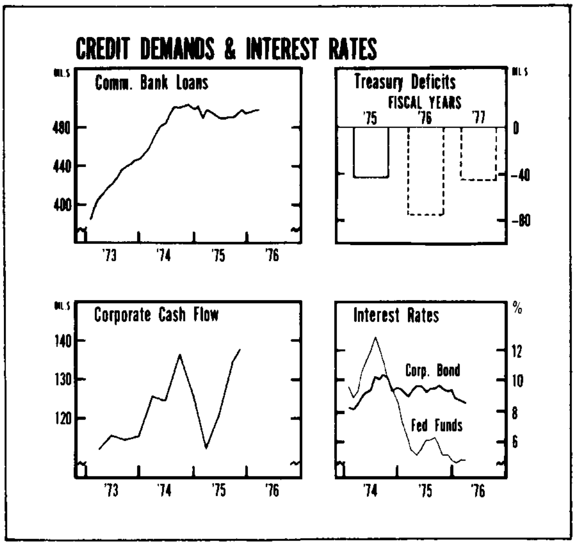
Productivity trends could prove to be as crucial as wages. In 1975, productivity in the private nonfarm economy went up; it rose 3 percent annually in the first quarter of 1976. As business recoveries mature, however, productivity gains typically slow, and labor costs increase.

As long as inflation is kept in reasonable bounds and earnings keep rising, consumer spending is likely to provide a further push to the economy. Consumer confidence is up sharply, owing to more jobs, higher income, and less inflation (see Chart X). The financial values of consumers have been further improved by the sharp recovery in stock prices. Consumers have reduced their instalment debt relative to income, indicating that they can take on more debt. And consumer savings are high, judging from the way funds have poured into nonbank thrift institutions and commercial banks.

The business sector typically takes its cue from the consumer. Therefore, as consumer sales kept rising, businessmen started to rebuild inventories (see Chart XI). The ratio of retail inventories to sales is now the lowest since early 1973, suggesting room for inventory potential.

A capital spending revival is very likely, though its timing and vigor are still uncertain. The latest available McGraw-Hill survey shows businessmen planning to increase their plant and equipment (in real terms) only modestly this year. However, new

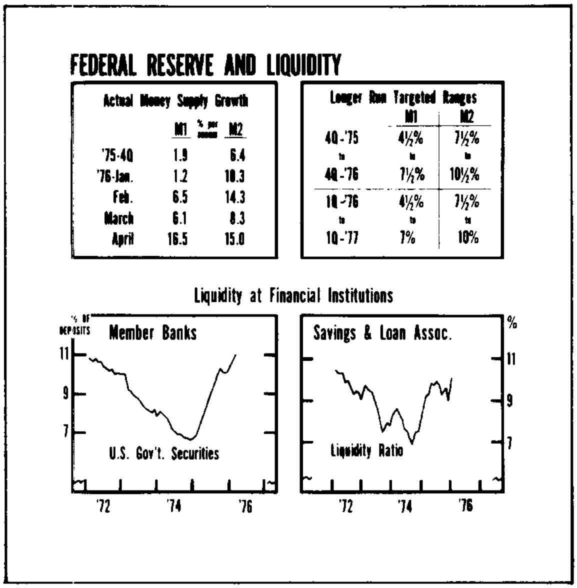
(XIII)



Latest plotting: Top left, March; top right, spring update; bottom left, fourth quarter; bottom right, April

Source: Board of Governors, Federal Reserve System, Dept. of Commerce, and Office of Management and Budget (Treas. Deficits)

(XIV)



Latest plotting: Bottom left, February; bottom right, February

Source: Board of Governors, Federal Reserve System

capital appropriations, which precede actual spending by several quarters, started up for manufacturers in the fourth quarter of 1975. And nondefense capital goods orders—another advance indicator of business fixed investment—rose in the first quarter. Increased profits and consumer sales are an incentive for businessmen to expand capital outlays.

Increased housing starts almost ensure further improvement in residential spending in coming months, while apartment building is still hampered by problems.[2] There has also been localized overbuilding of office space, shopping centers, and other commercial construction. Troublesome as this oversupply is now, it offers hope that a boom-bust construction cycle can be avoided. Should these lagging construction sectors pick up when other segments in the economy start to rise, the business recovery will be prolonged.

U. S. merchandise trade, however, has worsened (see Chart XII). Until late 1975, U. S. exports had far exceeded imports for some time. Then the U. S. developed a trade deficit in first quarter 1976. Imports increased as the U. S. economy recovered, while exports were held down partly by weak economic activity in many countries abroad. Recovery among U. S. trading partners (that has, for the most part, lagged ours), foreign demands for our farm products, and American crude oil needs are most likely to influence the U. S. trade position later in the year.

Money and Credit

Recognizing that private borrowers need more credit in a recovering economy, what has happened to credit demands and interest rates? Short-term private credit demands, especially for commercial bank loans, have been slight (see Chart XIII). Bank lending has been weak so far for a variety of reasons that include lender caution. A growing internal corporate cash flow has kept down credit requirements and has improved badly depleted liquidity positions that have also been bolstered by heavy funding of short-term debt.

The U. S. Treasury has borrowed heavily to finance large budget deficits. Its needs will decline, however, if the deficit becomes smaller as tax collections rise with expanded business activity. Private short-term credit demands, on the other hand, are widely expected to increase with the resumption of inventory accumulation and the need for working capital to support expanded sales.

Despite the rebound in economic activity and heavy Treasury borrowing, interest rates during the current recovery have not risen to any significant degree. In fact, long-term interest rates in recent

[2]See "Apartment Building in the Recovery," this **Review**.

months have hovered around the lowest levels since early 1974. Short-term rates have moved up only slightly from their 1976 lows.

Reduced interest rates and comfortable financial market conditions reflect in part monetary policy measures aimed at encouraging continued economic recovery while resisting inflation. Money and time deposits have increased moderately[3] (see Chart XIV). The annual growth rate of M_1 (private demand deposits and currency in circulation) was only 1.9 in fourth quarter 1975 and moved up to 4.6 percent in the first quarter of 1976. The broader aggregate, M_2, which includes savings and time deposits other than large CD's at commercial banks, increased by 6 percent (annual rate) in the fourth quarter of 1975 before accelerating to an 11-percent rate in the first quarter this year. These moderate rates of change in the money supply are within or close to the long-run target ranges that the Federal Reserve has specified to Congress. This projected monetary growth should prove adequate to support a solid expansion in economic activity and avoid inflationary aggravation.

Moreover, liquidity at financial institutions has improved so that they can readily supply funds to satisfy a significant expansion in credit needs. Liquidity at member banks, measured by their holdings of U. S. Government securities as a percent of deposits, is the highest since 1972. Nonbank thrift institutions, including savings and loan associations, have likewise raised their liquidity ratios to high levels, as have pension funds at life insurance companies. So, a financial base to support the current economic expansion has been laid. There is also growing evidence that the economic recovery is developing well, increasing the likelihood of a prolonged expansion.

[3]However, growth in the monetary aggregates in April was rapid.

Apartment Building in the Recovery

by B. Frank King

Starts of rental and condominium dwellings in multiunit structures dropped from almost 45 percent of all U. S. private housing starts in the late 1960's and early 1970's to less than 25 percent last year. Less than a quarter of the housing recovery that began in early 1975 has come from multiunit building, and this sector has lagged even further in recent months.[1] What has brought multiunit starts so low? How long will the slump continue? Even a brief analysis must consider four factors: underlying demographic forces in housing demand; cyclical demand factors; multiunit housing inventory; and the returns to owners of multiunit housing.

In analyzing housing demand, two sets of forces can be usefully distinguished. Secular developments include demographic and real income trends as well as long-term movements in relative prices—particularly land prices. Cyclical forces include income, price, and interest rate movements.

Demographic shifts have become particularly important. The rapid fall in multiunit starts after 1972 is consistent with basic demographic changes that began in the early 1970's.[2] Households (including single persons) typically occupy multiunit housing early and late in life; most households in the 30-64 age group occupy single-unit housing. During the 1960's, the building of multiunit housing was spurred by increases in the proportion in the younger and older age groups as well as by sharp increases in single-person households in those groups. In contrast, the proportion of population from 30 to 64 years old fell. All three of these demographic factors tended to raise demand for multiunit housing relative to single units.

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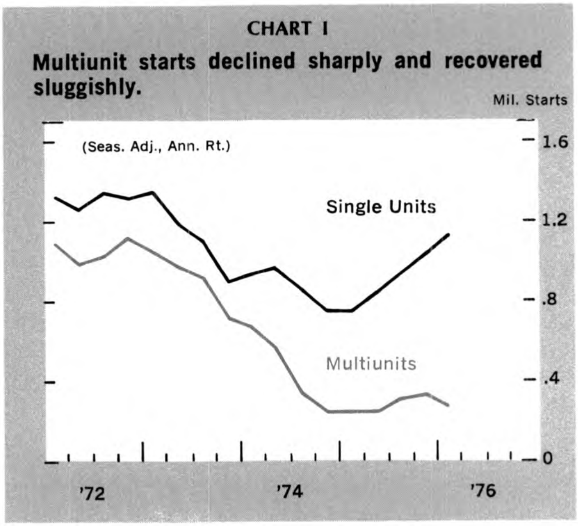
[1]Data on multiunit starts include structures with two or more units. These encompass most condominium units as well as rental apartments.

[2]For a more extensive analysis of demographic trends and housing demand, see Thomas C. Marcin, **The Effects of Declining Population Growth on the Demand for Housing,** U. S. Department of Agriculture, Forest Service, General Technical Report NC-11, 1974.



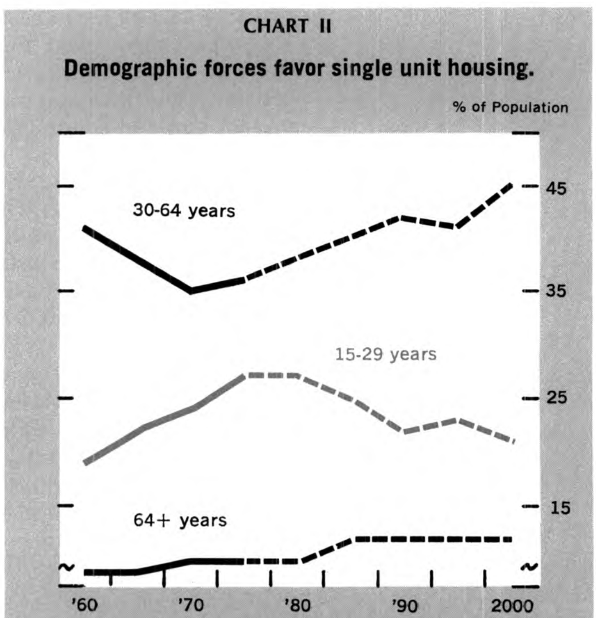
In the early 1970's, growth in the proportion of younger and older groups slowed, but the proportion from 30 to 64 years old rose. These trends tended to lower relative demand for multiunit housing. The housing stock contained some 22- to 23-million multifamily units at the time, compared with the addition of about a million new units in the peak year of 1972. Thus, small reductions in demand for all multiunit housing had a large impact on the need for additional units.

Builders and developers reacted to these population changes by combining attractive features of both homeownership and apartment living in multiunit structures with condominium ownership. Such combinations were largely aimed at younger and older buyers. Needless to say, condominiums were not so attractive to buyers as they were to developers. Overenthusiastic building has left a large inventory of condominiums competing against the output of potential housing developers.

Cyclical demand factors—changes in real income, credit costs, and occupancy costs—worked against all new types of housing from late 1973 through 1975. Steeply falling real incomes and steeply rising interest rates discouraged builders and persons seeking better quarters. These cyclical conditions hit both main types of housing construction, but their effect on apartment building was exacerbated by long-run demographic factors and developers' slow reaction to them. Insensitivity to impending demographic changes was probably one factor that kept multiunit building levels too high too long. Vacancy rates on rental housing began drifting up in early 1972. Soon after, the number of apartments rented within three months of completion—apartment absorption—declined. Apartment absorption in the third quarter of 1975 was more than 50 percent below its annual 1973 level and well below any third-quarter figure since the series began in 1969. (The absorption rate also declined after 1973, but by less than the number of apartments absorbed since the number completed also declined.)

The extent of the oversupply of multiunit housing is suggested by cost trends of homeownership and rent. Rental and homeownership costs include three items: construction, interest, and maintenance. Rental costs also include owners' profits. Construction costs of multiunit and single-unit housing have risen at about the same rate since 1971; interest costs for each have moved in parallel fashion. On the other hand, rentals, the price owners of multiunit housing can get for their wares, have risen much less than either homeownership costs for single-unit housing or overall prices. From 1972 through 1975, rents rose an average 4.8 percent per year; homeownership costs were up 9.1 percent; and all consumer prices, 9.0 percent. These price changes do much to explain the common complaint of potential builders and lenders that the numbers on multiunit housing "do not make sense these days."

Where does this leave the recovery in multiunit housing? Demographic trends unfavorable to



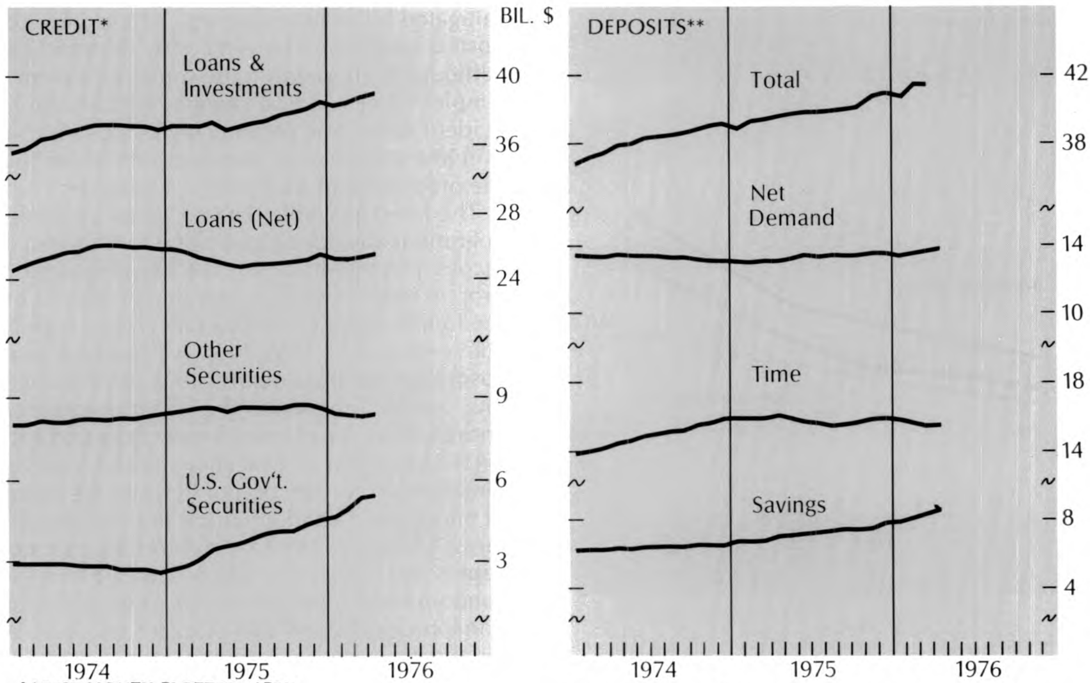
Note: Projections from U. S. Bureau of Census, Series II, (moderate growth).

CHART III

Rent has not kept up with home ownership costs or prices in general.

multiunit housing are likely to continue for some time. The proportion of population in the age group favoring single-unit housing is projected by the U. S. Census Bureau to rise; that favoring multiunit housing is projected to fall, at least through 2000. The effects of these demographic trends could be mitigated by higher relative purchase and occupancy costs of single-unit housing or by changes in tastes. Although there seems to be some movement toward simpler homes, radical changes in tastes are not evident so far, and patently higher costs for single-unit housing have not stopped a steep decline in the proportion of multiunit to total starts.

The latest available data on rental vacancies and apartment absorption give hope for modest, delayed recovery in the short run. The fourth-quarter 1975 drop in rental vacancies was sharper than is usual in the fourth quarter, and this rate is only slightly above its cyclical 1969-70 lows. However, apartment absorptions in third quarter 1975 were at a record low; a slight rebound in the absorption rate came entirely from fewer completions in apartment units. Since absorption and vacancy statistics cover only rental property, they do not indicate the inventory of unoccupied condominiums in multiunit structures. There are little hard data on this, but newspapers and trade publications indicate that the condominium inventory is still large, that much of it is inappropriate, and that sales are still slow. About the most optimistic statement one can make is that delayed recovery in multiunit starts may help sustain the present business recovery by taking up slack as other sectors of the economy slow. ■



LATEST MONTH PLOTTED: APRIL,
EXCEPT TOTAL DEPOSITS, MARCH
Note: Seas. adj. figures covering District member banks.

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

SIXTH DISTRICT BANKING NOTES

Changes in Time Deposits

TIME AND SAVINGS DEPOSITS
SIXTH DISTRICT MEMBER BANKS

	October 1974 ($ Millions)	January[1] 1976 ($ Millions)	Percent Change
DISTRICT: Savings	6,302	7,847	+ 24.5
Time IPC less than $100,000	6,015	6,958	+ 15.7
Time IPC over $100,000	5,248	4,276	− 18.5
Total	21,819	23,457	+ 7.5
ALABAMA: Savings	1,035	1,208	+ 16.7
Time IPC less than $100,000	1,095	1,341	+ 22.5
Time IPC over $100,000	662	721	+ 8.9
Total	3,179	3,728	+ 17.3
FLORIDA: Savings	2,843	3,759	+ 32.2
Time IPC less than $100,000	1,936	2,207	+ 14.0
Time IPC over $100,000	1,668	1,216	− 27.1
Total	8,032	8,576	+ 6.8
GEORGIA: Savings	602	758	+ 25.9
Time IPC less than $100,000	1,089	1,247	+ 14.5
Time IPC over $100,000	1,096	714	− 34.8
Total	3,470	3,449	− 0.6
LOUISIANA*: Savings	802	952	+ 18.7
Time IPC less than $100,000	465	626	+ 34.6
Time IPC over $100,000	733	620	− 15.4
Total	2,694	2,991	+ 11.0
MISSISSIPPI*: Savings	187	194	+ 3.7
Time IPC less than $100,000	423	459	+ 8.5
Time IPC over $100,000	272	289	+ 6.2
Total	1,133	1,308	+ 15.4
TENNESSEE*: Savings	832	992	+ 19.2
Time IPC less than $100,000	1,008	1,062	+ 5.4
Time IPC over $100,000	817	757	− 7.3
Total	3,311	3,485	+ 5.3

[1]Data are partly estimated. The totals also include deposits of other than individuals, partnerships, and corporations.

*District portion only.

District member banks have taken major steps toward rebuilding their tightly stretched liquidity. That has involved acquiring large amounts of relatively short-maturity U. S. Government securities to improve the asset side of the balance sheet and restructuring deposits to improve the liability side. A previous analysis has examined banks' Treasury securities holdings; this note looks at recent changes in time and savings deposits.

Based upon a broad survey of District member banks, total time and savings deposits advanced \$1.6 billion, or $7^1/_2$ percent, between October 1974 and January 1976. This relatively small total gain masks significant changes in various interest-bearing deposits. For example, households added a considerable volume of funds to their passbook savings accounts and longer-maturity time deposits; at the same time, large-denomination time deposits of business firms declined. These changes significantly improved banks' deposit structure. District banks have been able to replace interest-sensitive and sometimes volatile money market time deposits with more stable consumer and small business deposits, confirming the improvement in bank liquidity.

Consumer and business passbook savings accounts showed the largest gain of all interest-bearing deposits. That clearly reflects the tendency of households to remain liquid at the expense of earning a higher rate of return on longer-maturity bank time deposits. Savings accounts advanced \$1.5 billion, up 25 percent. While households accounted for most of the increase, businesses also contributed, following recent regulatory changes that authorized banks to open savings accounts for profit-making businesses. By the end of January, business firms are estimated to have deposited about \$150 million into these accounts. Among District states, Florida had the largest dollar advance in total savings accounts, up \$916 million, or nearly one-third. Georgia, Tennessee, and Louisiana also recorded sizable gains. Nearly all of Georgia's growth came in the three months ended in January 1976, after some of the larger banks began to pay the maximum allowable rate (5 percent) on passbook savings.

Other types of consumer time deposits, up a total of \$943 million, or 16 percent, varied widely. Time deposits maturing within one year rose \$129 million. (Deposits maturing in 30 to 89 days pay 5 percent; those maturing in 90 days to 1 year may pay $5^1/_2$ percent.) Changes at Georgia banks hide some of the underlying strength in these deposits. While many Georgia banks were paying less than Regulation Q ceiling rates on passbook savings, they were paying $5^1/_2$ percent on 90-day time deposits. As a result, these deposits rose 13 percent in the year ended October 1975. However, when more banks in the state began to pay 5 percent on passbook savings, time deposits maturing within one year dropped 26 percent in three months. In contrast, these time deposits advanced nearly 40 percent in Alabama and Louisiana between October 1974 and January 1976.

For the District as a whole, consumers withdrew funds from time deposits maturing in one to two and one-half years, accounts that pay 6 percent. Again, Georgia was the exception with a 26-percent gain. Evidently the return relative to maturity made these accounts unattractive in other District states. Time deposits maturing from two and one-half years up to four years rose \$124 million, a 15-percent increase. Banks could pay up to $6^1/_2$ percent on those deposits.

The major gain in time deposits came in the four-year-and-over maturities, which rose \$818 million, or 59 percent. Accounts maturing from four to six years may return $7^1/_4$ percent and now total \$2.08 billion. Those accounts maturing in six years and over (offered for the first time in November 1974) and yielding $7^1/_2$ percent total \$260 million. Consumers have obviously chosen to funnel deposits into either the immediately available passbook savings accounts or the higher-yielding, four-year-and-over maturity time deposits. Some of the latter gains may well represent the establishment of personal retirement accounts.

While the consumer was flooding banks with deposits, those businesses and households with larger deposits (over \$100,000) reduced their accounts by \$971 million, down 19 percent. Nearly all of the decline was in the interest-sensitive money market negotiable CD's, which fell 27 percent. Most of the runoff, concentrated at the larger banks, was in Georgia, down \$402 million; in Tennessee, down \$140 million; and in Florida, down \$130 million. With loan demand weak and households providing more stable and generally less expensive deposits, most of the largest banks have been quite willing to reduce their dependence upon these types of funds.

Time deposits from other than households and businesses (mainly state and local governments and domestic and foreign banks) advanced slightly. Florida banks experienced a substantial decline, while Mississippi banks had a large increase.

While the data suggests there were only modest changes in total time and savings deposits at District banks between late 1974 and early 1976, a closer analysis brings out significant changes. Households poured a large volume of funds into savings accounts and long-maturity time deposits. At the same time, banks let their large-denomination time deposits decline. Overall, these changes helped improve banks' deposit structure and have greatly improved their liquidity by allowing them to build a more stable deposit base.

John M. Godfrey

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

		Latest Month 1976	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Income	Mar.	139.7	139.9	137.3	115.8
Farm Cash Receipts	Feb.	213.8	219.5	195.4	214.3
Crops	Feb.	275.4	288.4	212.3	308.1
Livestock	Feb.	197.3	189.5	223.1	187.7
Instalment Credit at Banks*/¹ (Mil. $)					
New Loans	Feb.	814	678r	726r	633
Repayments	Feb.	713	699r	748	733
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Mar.	131.9	132.4	132.3	130.2
Manufacturing	Mar.	113.7	113.9	113.4	107.6
Nondurable Goods	Mar.	113.9	114.1	113.9	106.0
Food	Mar.	103.7	105.4	106.7	103.7
Textiles	Mar.	107.0	107.3	106.3	95.3
Apparel	Mar.	116.3	116.2	116.8	102.6
Paper	Mar.	110.2	109.8	109.9	105.6
Printing and Publishing	Mar.	125.7	124.8	125.1	124.5
Chemicals	Mar.	108.9	109.4	109.2	106.1
Durable Goods	Mar.	113.4	113.7	112.7	109.6
Lbr., Woods Prods., Furn. & Fix.	Mar.	101.5	102.5	101.8	94.4
Stone, Clay, and Glass	Mar.	116.5	116.3	116.8	116.1
Primary Metals	Mar.	103.1	103.3	102.2	103.7
Fabricated Metals	Mar.	122.2	122.3	121.2	121.1
Machinery	Mar.	152.5	151.1	149.1	150.9
Transportation Equipment	Mar.	105.7	108.1	107.9	99.4
Nonmanufacturing	Mar.	138.3	138.9	139.0	138.2
Construction	Mar.	119.3	122.6	125.5	135.1
Transportation	Mar.	122.7	123.6	123.5	123.7
Trade	Mar.	136.0	136.7	136.1	135.4
Fin., ins., and real est.	Mar.	149.5	150.3	150.5	150.5
Services	Mar.	157.1	157.1	157.5	154.7
Federal Government	Mar.	106.5	107.2	108.1	104.9
State and Local Government	Mar.	146.7	146.3	146.7	142.6
Farm Employment	Mar.	96.3	95.9	95.1	94.1
Unemployment Rate (Percent of Work Force)	Mar.	8.9	8.9	9.1	9.8
Insured Unemployment (Percent of Cov. Emp.)	Mar.	3.9	3.9	4.2	6.7
Average Weekly Hours in Mfg. (Hrs.)	Mar.	40.8	41.2	41.1	38.5
Construction Contracts*	Mar.	229	181	163	178
Residential	Mar.	156	166	137	127
All Other	Mar.	302	196	189	227
Cotton Consumption**	Feb.	76.4	79.1	75.6	54.4
Petroleum Production */**	Mar.	88.0	87.3	87.4	91.8
Manufacturing Production	Feb.	149.6	147.4	147.4	141.4
Nondurable Goods	Feb.	151.5	150.3	149.9	144.6
Food	Feb.	135.0	134.8	134.0	135.6
Textiles	Feb.	152.6	150.7	146.8	136.9
Apparel	Feb.	135.5	135.2	134.4	120.9
Paper	Feb.	143.6	141.9	144.6	133.7
Printing and Publishing	Feb.	133.2	132.3	132.1	127.3
Chemicals	Feb.	163.5	161.0	160.6	159.7
Durable Goods	Feb.	146.3	142.8	143.4	136.6
Lumber and Wood	Feb.	159.4	147.8	145.7	126.2
Furniture and Fixtures	Feb.	136.1	136.2	138.8	117.1
Stone, Clay, and Glass	Feb.	135.3	134.1	141.3	142.3
Primary Metals	Feb.	101.9	101.6	102.9	102.7
Fabricated Metals	Feb.	112.0	112.8	113.4	112.6
Nonelectrical Machinery	Feb.	159.0	152.8	150.5	153.8
Electrical Machinery	Feb.	235.4	224.3	227.3	227.8
Transportation Equipment	Feb.	143.7	142.5	139.8	121.8
FINANCE AND BANKING					
Loans*					
All Member Banks	Mar.	271	267	268	276
Large Banks	Mar.	222	223	224	234
Deposits*					
All Member Banks	Mar.	234	228	225	219
Large Banks	Mar.	200	192	191	193
Bank Debits*/**	Mar.	347	335	315	303
ALABAMA					
INCOME					
Manufacturing Income	Mar.	142.2	141.4	142.2	117.3
Farm Cash Receipts	Feb.	239.5	269.2	238.8	233.1
EMPLOYMENT					
Nonfarm Employment	Mar.	124.0	124.9	124.2	118.4
Manufacturing	Mar.	112.3	113.7	112.8	105.8
Nonmanufacturing	Mar.	129.3	130.0	129.3	124.1
Construction	Mar.	136.6	137.1	137.3	129.8
Farm Employment	Mar.	125.7	125.7	128.5	113.6
Unemployment Rate (Percent of Work Force)***	Mar.	6.8	6.8	8.1	8.2
Average Weekly Hours in Mfg. (Hrs.)	Mar.	40.9	41.0	42.2	40.4
FINANCE AND BANKING					
Member Bank Loans	Mar.	278	277	278	267
Member Bank Deposits	Mar.	241	235	231	214
Bank Debits**	Mar.	340	321	302	294
FLORIDA					
INCOME					
Manufacturing Income	Mar.	135.9	138.7	131.2	122.3
Farm Cash Receipts	Feb.	218.7	219.5	195.2	249.1
EMPLOYMENT					
Nonfarm Employment	Mar.	147.4	148.1	148.3	150.1
Manufacturing	Mar.	120.0	120.5	119.8	117.4
Nonmanufacturing	Mar.	152.6	153.4	153.8	156.4
Construction	Mar.	120.6	124.9	128.8	163.4
Farm Employment	Mar.	74.4	69.9	72.1	80.8
Unemployment Rate (Percent of Work Force)***	Mar.	11.0	11.0	11.0	10.2
Average Weekly Hours in Mfg. (Hrs.)	Mar.	40.5	41.2	39.9	39.7
FINANCE AND BANKING					
Member Bank Loans	Mar.	285	286	285	301
Member Bank Deposits	Mar.	255	251	247	240
Bank Debits**	Mar.	354	349r	321	309
GEORGIA					
INCOME					
Manufacturing Income	Mar.	133.7	132.2	130.9	104.8
Farm Cash Receipts	Feb.	210.4	214.4	207.6	218.4
EMPLOYMENT					
Nonfarm Employment	Mar.	127.1	127.6	127.6	124.5
Manufacturing	Mar.	106.5	106.6	106.6	97.7
Nonmanufacturing	Mar.	136.6	137.3	137.3	136.8
Construction	Mar.	114.1	118.6	119.0	127.2
Farm Employment	Mar.	106.9	107.7	104.4	104.0
Unemployment Rate (Percent of Work Force)	Mar.	8.1	8.7	8.9	10.3
Average Weekly Hours in Mfg. (Hrs.)	Mar.	40.7	41.2	41.2	37.7
FINANCE AND BANKING					
Member Bank Loans	Mar.	256	243	248	250
Member Bank Deposits	Mar.	199	193	189	195
Bank Debits**	Mar.	418	390	377	350
LOUISIANA					
INCOME					
Manufacturing Income	Mar.	151.3	155.8	153.8	131.3
Farm Cash Receipts	Feb.	171.1	191.3	162.8	181.3
EMPLOYMENT					
Nonfarm Employment	Mar.	121.3	121.8	121.5	120.6
Manufacturing	Mar.	106.6	108.1	107.0	107.2
Nonmanufacturing	Mar.	124.4	124.7	124.5	123.3
Construction	Mar.	106.6	107.2	110.0	105.8
Farm Employment	Mar.	92.2	93.0	88.9	102.5
Unemployment Rate (Percent of Work Force)***	Mar.	6.8	6.8	7.6	7.9
Average Weekly Hours in Mfg. (Hrs.)	Mar.	41.0	41.6	42.0	41.1
FINANCE AND BANKING					
Member Bank Loans*	Mar.	252	243	244	261
Member Bank Deposits*	Mar.	220	215	214	207
Bank Debits*/**	Mar.	285	283	263	259
MISSISSIPPI					
INCOME					
Manufacturing Income	Mar.	145.1	145.8	143.4	117.7
Farm Cash Receipts	Feb.	275.7	293.2	233.8	214.8
EMPLOYMENT					
Nonfarm Employment	Mar.	130.4	130.1	131.4	127.3
Manufacturing	Mar.	128.6	127.9	128.1	119.0
Nonmanufacturing	Mar.	131.2	131.2	132.8	131.0
Construction	Mar.	125.6	128.2	127.5	128.5
Farm Employment	Mar.	93.8	92.9	93.0	86.2

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)***	Mar.	5.7	5.6	5.7	7.9
Average Weekly Hours in Mfg. (Hrs.)	Mar.	40.4	41.0	40.7	38.2
FINANCE AND BANKING					
Member Bank Loans*	Mar.	270	267	264	266
Member Bank Deposits*	Mar.	240	234	229	217
Bank Debits*/**	Mar.	303	316	296	255
TENNESSEE					
INCOME					
Manufacturing Income	Mar.	139.5	137.7	135.0	112.4
Farm Cash Receipts	Feb.	231.5	198.6	191.7	244.4

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment	Mar.	129.6	130.0	129.7	125.5
Manufacturing	Mar.	114.8	114.1	113.1	107.8
Nonmanufacturing	Mar.	137.9	138.8	138.9	135.3
Construction	Mar.	123.9	130.6	137.6	135.0
Farm Employment	Mar.	97.0	100.2	100.2	89.8
Unemployment Rate					
(Percent of Work Force)	Mar.	7.7	7.4	7.3	8.9
Average Weekly Hours in Mfg. (Hrs.)	Mar.	41.1	41.2	40.9	38.4
FINANCE AND BANKING					
Member Bank Loans*	Mar.	280	280	279	291
Member Bank Deposits*	Mar.	236	229	228	220
Bank Debits*/**	Mar.	299	289	274	276

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

All indexes: 1967=100, except mfg. income, 1972=100.

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. income 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.; pet. prod., U.S. Bureau of Mines; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

¹Data have been bench marked and new trading day factors and seasonal factors computed using December 31, 1974 and June 30, 1975 Report of Condition data as bases.

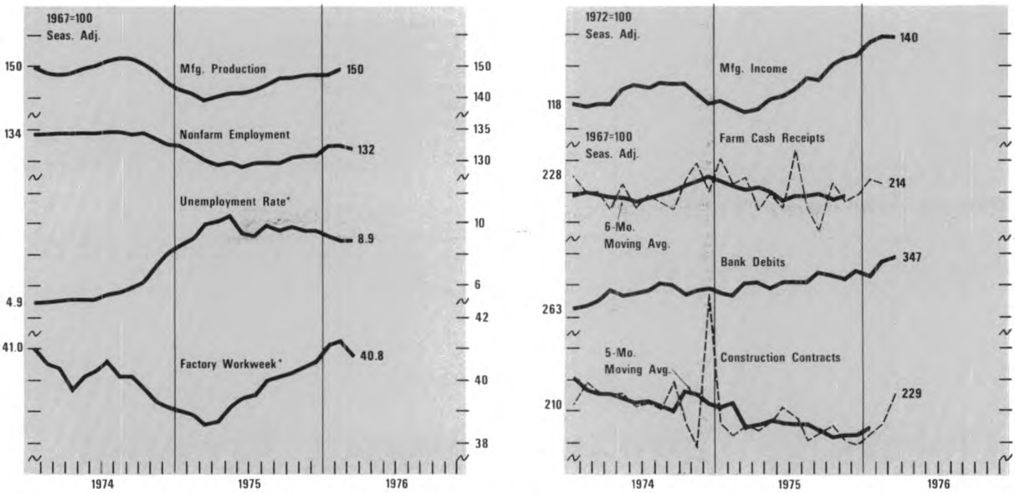
Debits to Demand Deposit Accounts

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

	Mar. 1976	Feb. 1976	Mar. 1975	Percent Change: Mar. 1976 from Feb. 1976	Mar. 1975	Year to date 3 mos. 1976 from 1975
STANDARD METROPOLITAN STATISTICAL AREAS[1]						
Birmingham	6,099,628	4,980,847	5,213,832	+22	+17	+10
Gadsden	127,743	107,018	99,576	+19	+28	+17
Huntsville	468,076	430,342	398,694	+ 9	+17	+13
Mobile	1,513,797	1,421,639	1,396,602	+ 6	+ 8	+ 5
Montgomery	1,214,424	1,012,636	738,199	+20	+65	+49
Tuscaloosa	306,565	256,037	257,096	+20	+19	+12
Bartow-Lakeland-Winter Haven	1,058,055	908,361	860,623	+16	+23	+12
Daytona Beach	505,736	437,293	483,914	+16	+ 5	+ 5
Ft. Lauderdale-Hollywood	2,736,685	2,419,579	1,878,105	+13	+46	+38
Ft. Myers	486,271	415,594	445,890	+17	+ 9	+ 3
Gainesville	282,619	249,400	286,469	+13	− 1	− 5
Jacksonville	6,800,651	5,501,811	4,921,194	+24	+38	+22
Melbourne-Titusville-Cocoa	510,453	440,963	456,796	+16	+12	− 1
Miami	8,875,815	7,409,153	7,302,095	+20	+22	+12
Orlando	2,223,095	1,867,682	1,564,279	+19	+42	+28
Pensacola	710,936	616,639	516,670	+15	+38	+36
Sarasota	620,795	561,790	545,104	+11	+14	− 5
Tallahassee	937,293	1,176,918	1,170,233	−20	−20	+ 6
Tampa-St. Pete	4,893,984	4,469,008	4,245,402	+10	+15	+12
W. Palm Beach	1,442,180	1,190,915	1,298,338	+21	+11	+ 1
Albany	218,962	183,115	185,396	+20	+18	+ 4
Atlanta	25,248,198	21,083,459	19,494,214	+20	+30	+19
Augusta	697,834	521,860	630,502	+34	+11	− 3
Columbus	514,430	460,502	455,134	+12	+13	+11
Macon	894,109	747,381	789,115r	+20	+12	+10
Savannah	1,406,976	1,198,441	969,055	+17	+45	+39
Alexandria	373,860	295,612	331,531	+26	+13	+10
Baton Rouge	2,104,604	1,956,761	1,903,051	+ 8	+11	+ 3
Lafayette	474,171	397,073	376,154	+19	+26	+16
Lake Charles	344,660	291,539	271,125	+18	+27	+12
New Orleans	6,546,771	5,635,268	5,476,521	+16	+20	+13
Bilox-Gulfport	385,128	303,360	284,203	+27	+36	+19
Jackson	2,066,896	2,035,372	1,656,263	+ 2	+25	+17
Chattanooga	1,438,322	1,149,005	1,300,110	+25	+11	− 2
Knoxville	1,867,967	1,551,321	1,669,234	+20	+12	+ 1
Nashville	5,053,779	4,433,854	4,638,890	+14	+ 9	+ 7
OTHER CENTERS						
Anniston	141,897	127,304	121,614	+11	+17	+11
Dothan	255,985	209,256	194,364	+22	+32	+24
Selma	99,836	92,931	76,143r	+ 7	+31	+31
Bradenton	240,834	208,415	201,863	+16	+19	+ 7
Monroe County	103,371	95,445	142,448	+ 8	−27	−25
Ocala	241,041	224,521	225,667	+ 7	+ 7	+ 9
St. Augustine	44,838	38,986	49,474	+15	− 9	+ 2
St. Petersburg	1,121,867	1,028,951	962,494	+ 9	+17	+14r
Tampa	2,572,988	2,391,114	2,197,768	+ 8	+17	+17
Athens	197,826	175,977	165,782	+12	+19	+19
Brunswick	140,125	123,562	116,003	+13	+21	+ 9
Dalton	226,084	175,022	157,850	+29	+43	+26
Elberton	36,317	29,193	25,982	+24	+40	+33
Gainesville	204,156	175,526	163,605	+16	+25	+18
Griffin	83,135	73,802	69,260	+13	+20	+12
LaGrange	44,446	56,572	39,876	−21	+11	+25
Newnan	59,158	47,442	43,477	+25	+36	+12
Rome	326,635	262,394	157,446	+24	+107	+98
Valdosta	132,220	112,122	109,106	+18	+21	+13
Abbeville	20,785	15,907	18,915	+31	+10	+ 5
Bunkie	19,385	15,338	17,401	+26	+11	+ 7
Hammond	98,215	96,234	111,708	+ 2	−12	−11
New Iberia	104,981	90,115	88,379	+16	+19	+11
Plaquemine	32,266	26,765	32,115	+21	+ 0	−10
Thibodaux	69,903	57,787	68,809	+21	+ 2	+ 2
Hattiesburg	181,192	161,256	151,160	+12	+20	+19
Laurel	94,312	87,920	77,280	+ 7	+22	+15
Meridian	149,733	137,125	120,054	+ 9	+25	+13
Natchez	69,522	62,980	54,233	+10	+28	+17
Pascagoula-Moss Point	193,820	210,139	181,599	− 8	+ 7	+ 8
Vicksburg	101,141	87,777	75,768	+15	+33	+26
Yazoo City	56,792	44,257	52,429	+28	+ 8	+ 9
Bristol	217,809	184,557	149,755	+18	+45	+45
Johnson City	201,276	168,362	173,483	+20	+16	+11
Kingsport	478,529	355,446	356,381	+35	+34	+27
DISTRICT TOTAL	111,092,385	95,047,580	90,734,571r	+17	+22	+14
Alabama	13,637,131	11,496,687	11,194,767	+19	+22	+13
Florida	34,828,200	30,124,754	28,360,143	+16	+23	+15
Georgia	33,935,332	28,452,707	26,563,363r	+19	+28	+18
Louisiana[2]	11,711,122	10,243,837	10,058,772	+14	+16	+10
Mississippi[2]	4,317,423	4,051,314	3,430,534	+ 7	+26	+20
Tennessee[2]	12,663,177	10,678,281	11,126,992	+19	+14	+ 7

¹Conforms to SMSA definitions as of December 31, 1972.
²District portion only.

District Business Conditions



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

Economic recovery continues, although some sectors have paused to consolidate earlier gains. Labor market growth was interrupted, and consumer indicators continued their erratic monthly behavior. A few large contracts in the nonresidential sector boosted construction. Reduced crop marketings depressed farm income, but planting progressed ahead of schedule. Bank deposit gains were strong.

The unemployment rate remained unchanged in March, although nonfarm employment declined for the first time in five months. Moderate decreases in manufacturing jobs were shared by the durable and nondurable sectors, with only machinery, printing and publishing, paper, and apparel showing strength. Nonmanufacturing jobs, except services and government, dropped. Construction jobs were particularly weak, with all states reporting losses. The average factory workweek declined following 12 months of growth, but average earnings remained unchanged.

Manufacturing income declined slightly in March for the first decrease in the past six months. Department store sales in February regained some of the ground lost in the previous month's sharp decline. Registrations of new automobiles dropped. However, these erratic month-to-month movements occurred around an upward trend in retail sales.

Two large nonresidential contracts pushed the value of construction contracts in March to its highest level in 15 months. High nonresidential activity overcame a small decline in the value of residential contracts. Interest rates on permanent residential mortgages inched down further, as strong deposit inflows at thrift institutions continued.

Prices received by farmers in March held near the level of the previous two months. A large decline in rice prices was offset by a sharp rise in orange prices. Estimated farm cash receipts for the first quarter dropped from the year-ago level because of reduced crop income. Recent returns to egg and pork producers have been squeezed by rising feed costs and declines in product prices. Cattle prices rose sharply in April when the volume marketed shrank. Crop plantings advanced ahead of schedule during April's favorable weather.

Member banks experienced strong demand deposit gains during early April. Bank lending advanced at the medium and small banks during March. Lending at all banks rose during the first half of April. Recent bank purchases of U. S. Government securities continued large.