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A Plateau in Economic Activity

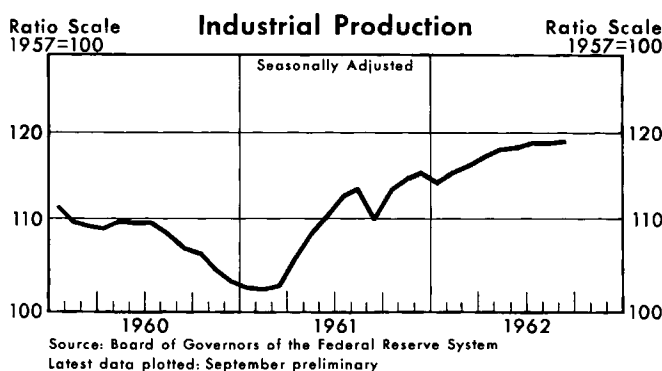
Introduction

ECONOMIC STATISTICS suggest increasingly that business activity has been on a plateau in recent months. A leveling in industrial production, a decline in the rate of inventory accumulation and a failure of employment to increase point to an economic pause. Retail sales most recently have been at about the May level, and the rate of increase of personal income has been slowing, with no change occurring in the most recent month. Gross national product rose from the second to third quarter, but the increase was about half as large as in the previous quarter.

From the February 1961 trough in general business activity until about December 1961, there occurred a pronounced expansion in output, income, and sales. The rate of expansion slackened during the first half of this year and more recently there has been a further reduction in the rate of economic expansion. The proportion of unused resources in the economy, both plant and equipment and labor, declined slightly in 1961 but has been about unchanged since early this year.

Industrial Activity

The Federal Reserve index of industrial production (1957=100) was at 118.8 in September, and has fluctuated within a narrow range of 117.7 to 118.8

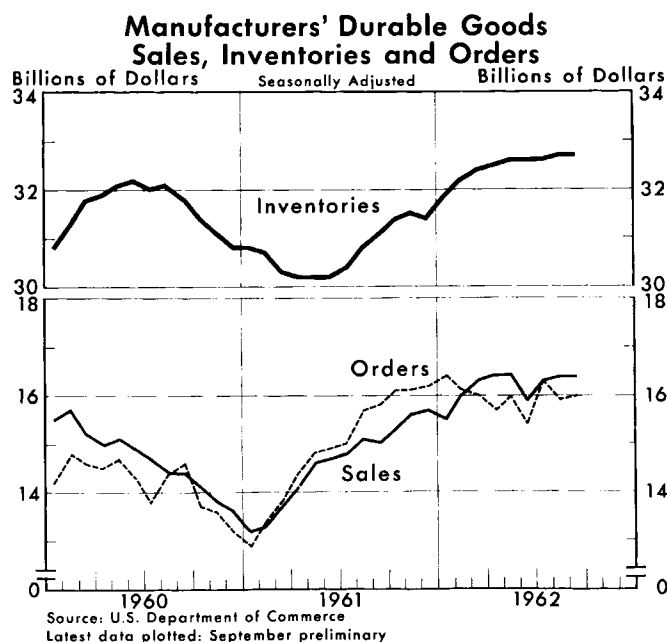


since May. Fragmentary data for October indicate that there was some improvement in that month. Sluggishness in this over-all measure of output of the nation's mines, factories and utilities has been caused by slowdowns in the rate of production in several industries, including lumber, fabricated metal products, textiles, apparel, and leather.

Steel output has on balance risen moderately since midsummer, but in the first three weeks of October there was a leveling in the rate of production. Indications are that manufacturers have not yet added significantly to steel inventories since liquidating the build-up which took place early in the year. Consequently, the steel industry is currently operating at about 60 per cent of capacity. For all major industrial materials industries, the operating rate has remained near 80 per cent of capacity since the third quarter of 1961, and probably has averaged somewhat below 80 per cent in recent months.

Inventory adjustments have been a major source of fluctuations in total demand for goods and services since World War II. Upturns in business activity have occurred when business anticipations of future sales have led to increasing inventory accumulation. Conversely, during recession periods inventories have decreased as businesses have attempted to reduce inventory levels in relation to sales.

With this background in mind, some analysts consider recent statistics on sales and inventories to be evidence of strength. The increase in business inventories during the second quarter of this year, \$4.0 billion, was \$2.7 billion less than the first-quarter increase, and the third-quarter increase in business inventories was still smaller at \$1.5 billion. Manufacturers' durable goods inventories, for example, in-



creased only fractionally in July and August from a second-quarter average of \$32.6 billion. Manufacturers' sales of durable goods averaged slightly higher during the third quarter of this year than during the second quarter; such sales have been close to \$16.3 billion per month since March. To the extent that business inventory growth has not been excessive for a period of sales stability there could be room for a higher rate of inventory accumulation, which would tend to increase total demand for goods and services.

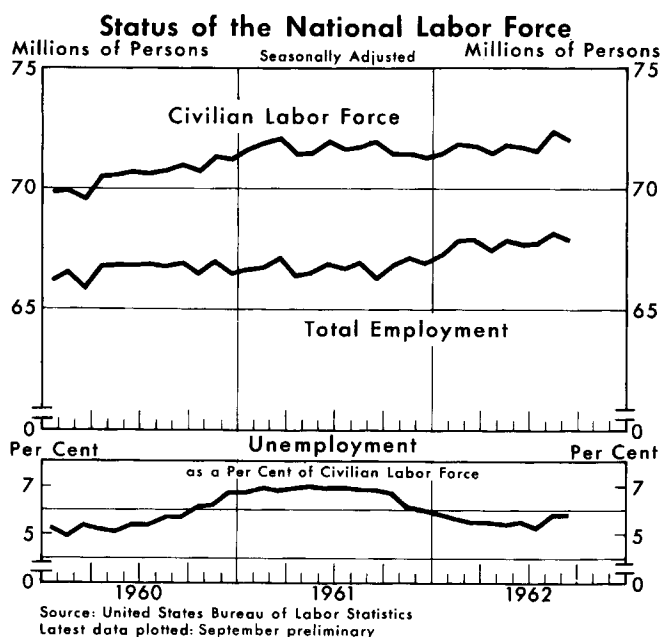
On the other hand, recent movements in new orders have been moderate. To the extent that businesses alter production schedules in response to trends in new orders, the moderate movements in new orders in recent months may not have been enough to lead to a renewal of rapid inventory accumulation. New orders for durables rose 2 per cent from August to September, according to preliminary data, largely offsetting a decline in the previous month. Since late 1961 there have been no sustained changes in new orders.

The value of new construction put in place in October, at \$62.6 billion, was slightly less than the September level. These expenditures have moved within a range of \$62.2 to \$62.8 billion from June to October. Housing starts rose from June to August but declined sharply in September. Movements in housing starts tend to precede changes in expenditures on residential construction.

Employment and Unemployment

Total civilian employment has been virtually unchanged since February. Prior to a sharp rise around the turn of the year the number of employed had remained fairly constant for about a year and a half—through the recession (which began in the spring of 1960) and the first year of recovery. The number unemployed has averaged close to 3.9 million since early in the year.

The proportion of the civilian labor force unemployed has been relatively unchanged since early this year. The October unemployment rate of 5.5 per cent was the same as the average for the period from February to July. At periods of generally rising economic activity, 18 to 20 months after the troughs of April 1958 and August 1954, corresponding to recent



months in this cycle, unemployment was 5.6 and 4.1 per cent of the labor force, respectively.¹

The monthly average workweek in manufacturing has declined on balance since last April. A sharp decline of the average workweek in August and a rise in September were largely associated with changes in the automobile industry.

Declines in the average workweek are commonly associated with weakness in general business conditions. When businesses are faced with the problem of increasing or reducing rates of output, they tend to make their early adjustments by increasing or decreasing the working hours of their current labor forces. Thus, a firm might lengthen the workweek or eliminate part-time work for several months in a business upswing before increasing the size of its work force; conversely, when moderating its level of operations, a firm might first take actions which tend to shorten the average workweek.

Weekly earnings of production workers in manufacturing declined in August and rose in September, largely as a consequence of developments in the automobile industry. Average weekly earnings in the third quarter were \$96.53, compared to \$96.88 during the second quarter. This decline reflected a shortening of the average workweek and the fact that average

¹ The comparability of the employment and unemployment figures for the period about 18 months after the April 1958 trough (that is, during the autumn months of 1959) is impaired by a steel strike.

hourly earnings generally have not increased since late in 1961.

Income and Spending

Personal income, seasonally adjusted, was at a \$443 billion annual rate in September, unchanged from the August level. This was the fourth consecutive month for small gains or no change, after gains of over \$3 billion per month from January to April. The recent slowdown in growth of personal income reflects smaller monthly gains in wages and salaries, the largest single factor in personal income.

Along with the slowing upward trend in personal income, the pace of consumer spending has moderated. Personal consumption expenditures during the third quarter were at a seasonally adjusted annual rate of \$357.5 billion, an increase of \$2.6 billion from the second-quarter rate. From the first to second quarter of this year such expenditures rose \$4.7 billion. Retail sales, a major portion of consumer spending, were \$19.4 billion in September, down slightly from August and at about the May level. The third-quarter monthly average of \$19.6 billion was only slightly above the second-quarter figure. The sale of automobiles declined more than seasonally from August to September but increased substantially more than seasonally during October.

Gross national product rose less from the second to the third quarter of this year than in any quarter since the 1961 trough in economic activity. Gross national product was at an annual rate of \$556 billion during the third quarter, compared to \$552 billion in the second quarter and \$545 billion in the first quarter. Gross national product is the sum of business, consumer and government expenditures. The recent slowing in the rate of growth of total expenditures reflected a declining rate of increase in consumer spending and business investment.

Prices

Price movements have continued to be moderate, with no evidence of a general trend. The consumer price index rose from 105.5 per cent of the 1957-59 average in August to 106.1 in September. Consumer prices have risen 1.4 per cent since September 1961, compared to an annual average increase of 1.6 per cent since 1957.

The wholesale price index, at 101.2 per cent of the 1957-59 average in September, was 0.7 per cent above August and slightly above the average for the early months of the year. The late summer rise in wholesale prices was in large part a consequence of the withholding of livestock from the market. Much of this rise probably was cancelled in early October, according to fragmentary data. There have been no sustained trends in wholesale prices in the past five years. Prices of industrial commodities have shown no tendency to rise during the period since the last trough in economic activity which occurred in February 1961; the "spot" price index of sensitive industrial commodities was about unchanged on balance during the first half of October and has fallen 6 per cent since January.

The Balance of Payments

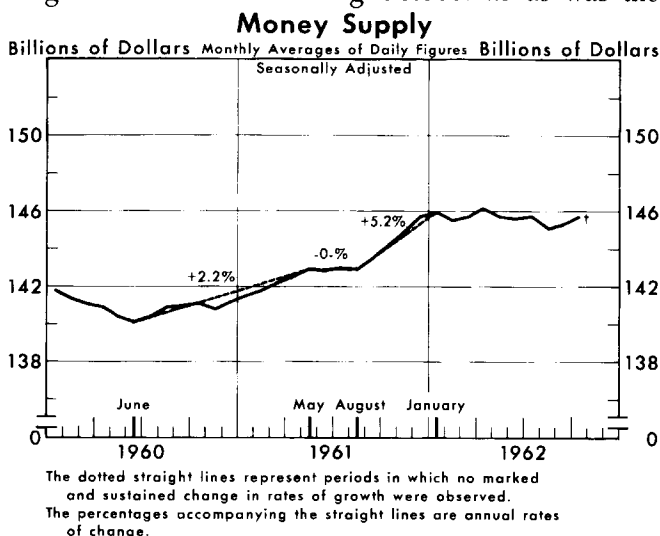
Preliminary information suggests that a fall in the trade surplus and increased "unrecorded" capital outflows associated with the rebuilding of Canadian exchange reserves led to a rise in the United States payments deficit in the third quarter. The lower trade surplus for the third quarter, seasonally adjusted, was marked by sharp declines in July and August, followed by a substantial improvement in September. Indications are that the relatively low level of recorded U. S. bank lending abroad was probably offset by the reflux of funds to Canada in the form of unwinding earlier leads and lags in commercial payments.² For the first nine months of this year the deficit has been at an annual rate of about \$1.8 billion according to preliminary estimates.

The mid-September meetings of the International Monetary Fund and the World Bank expressed confidence in the dollar and in the ability of a strengthened international payments system to withstand the shock of large movements of short-term capital. This optimistic attitude of 1962 is in contrast to the relatively pessimistic tone pervading the meetings in 1961. To the extent that the element of confidence is a factor influencing speculative movements of capital, the United States is now better protected against the possibility of a speculative run on the dollar.

² For a discussion of the impact of leads and lags in commercial payments on a nation's balance of payments, see "Recent Developments in Government Foreign Exchange," September 1962 issue of this *Review*.

Money Supply and Bank Credit

The money supply, demand deposits plus currency in circulation, increased more than seasonally from August to the month ending October 15 as was the



case last year. This recent rise about offset a decline in the money supply during the period from April to August. The money supply has been unchanged on balance thus far in 1962. Previous periods during the past decade in which the money supply was about unchanged or declined over several months were from June 1953 to April 1954, from December 1956 to January 1958, from July 1959 to June 1960, and from May 1961 to August 1961.³

Time deposits in commercial banks, seasonally adjusted, rose at an annual rate of 13 per cent from August to the month ending in mid-October, about the same rate that has prevailed since April. In the first four months of 1962, following an increase in the maximum interest rates on commercial bank time and savings deposits, time deposits rose at an annual rate of 22 per cent. Because of the rapid increase in such deposits this year, money plus time and savings deposits at commercial banks has risen at a rate of 6 per cent per annum, at a rate of 8.5 per cent in the first four months and 4.6 per cent since April.

With the rapid increase in time deposits throughout the year, total commercial bank credit has been rising fairly steadily. Total bank credit, according to preliminary data, increased at an annual rate of about 11 per cent from August to October, with most of the rise in the loan category. Business loans expanded sharply in this two-month period. Investments of

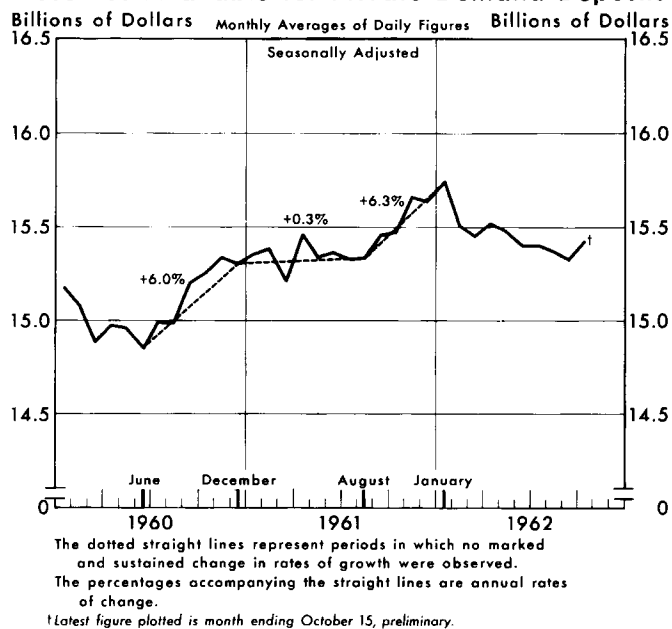
³ For charts and a discussion of monetary developments over the period since 1951 see "Member Bank Reserves and the Money Supply" in the March issue of this *Review*.

commercial banks have increased only slightly since September 1961. Thus far in 1962 total bank credit has expanded at about an 8 per cent annual rate.

Bank Reserves

Total member bank reserves rose sharply from August to the month ending mid-October. Such reserves have expanded at an annual rate of 4.2 per cent since April and 2.8 per cent since January. Because of the recent increase in Treasury deposits and the continuing expansion of time deposits, only a fraction of the growth in total reserves since August has been available to support private demand deposits. Reserves available to support private demand deposits expanded at an annual rate of 2.9 per cent from August to the month ending mid-October. Such reserves have declined at the annual rate of 2.8 per cent since January.

Reserves Available for Private Demand Deposits



Excess reserves have averaged about \$470 million during September and the first half of October. This is the level around which excess reserves have been fluctuating during the past decade. Borrowings from Reserve Banks averaged a rather nominal \$70 million. With the discount rate above the rates on many money market instruments, most banks find it relatively expensive to make reserve adjustments by borrowing from Reserve Banks. During September and the first half of October, "free" reserves averaged about \$400 million. Free reserves are the difference between excess reserves and borrowings from Reserve Banks. Free reserves have fluctuated at about

Continued on Page 9

Federal Reserve "Float"

FEDERAL RESERVE float—credit extended in the check collecting process—affects bank reserves, which in turn, affect bank credit, the nation's money supply and the level of interest rates. Float, which fluctuates around \$1.5 billion, accounts for about 7 per cent of total member bank reserves. More importantly, the volume of float often changes markedly within brief periods of time causing gyrations in reserves from day to day. This article defines float, traces some of its movements, and points out a few of its implications.

How Float Arises

Float is a by-product of the service provided by the Federal Reserve System in clearing and collecting checks for member banks. Banks depositing checks or other items for collection at a Federal Reserve Bank are given credit in their reserve accounts according to a prescribed time schedule rather than when payment is actually received by the Reserve System. Using a credit deferment schedule rather than giving credit as each item is actually collected serves to reduce both the administrative burden and the cost of clearing checks. The amount that has been credited but is still in the process of collection is referred to as float.¹ This practice, of crediting the reserve accounts of some banks before the corresponding debit entry to other member banks' reserve accounts, is a form of Federal Reserve Bank credit and a net addition to bank reserves.

Since 1951 a maximum credit-deferment time (the period during which a bank depositing a check for collection at a Reserve Bank does not receive reserve credit) of two days has been adopted throughout the System. A time schedule for each Reserve Bank and branch, thirty-six offices in all, specifies the conditions and geographical areas eligible for immediate credit, and those areas where credit will be deferred for one day or two days.

¹ The volume of float is calculated by taking the difference between the "uncollected cash items" on the asset side of the consolidated Federal Reserve Bank statement and the "deferred availability cash items" on the liability side.

Float arises because in many cases the time required for actual collection is greater than that allowed by the credit-availability schedule. Some of the items deposited with the Federal Reserve cannot be collected within the prescribed time schedule, and others can be collected within the deferred period only under the most favorable conditions. Hence, an increase in the volume of checks and other items deposited for collection at Reserve Banks may give rise to an increase in float. Whenever mail service is slowed by bad weather or by other irregularities float rises sharply.

There are other circumstances which may produce a rapid expansion of float. For example, at times of unusually heavy clearings all cash items cannot always be processed on the day they are received. As a result, some items are occasionally held over until the following day, extending the actual collection time, although reserves of the bank depositing the item continue to be credited on schedule.

Movements in Float

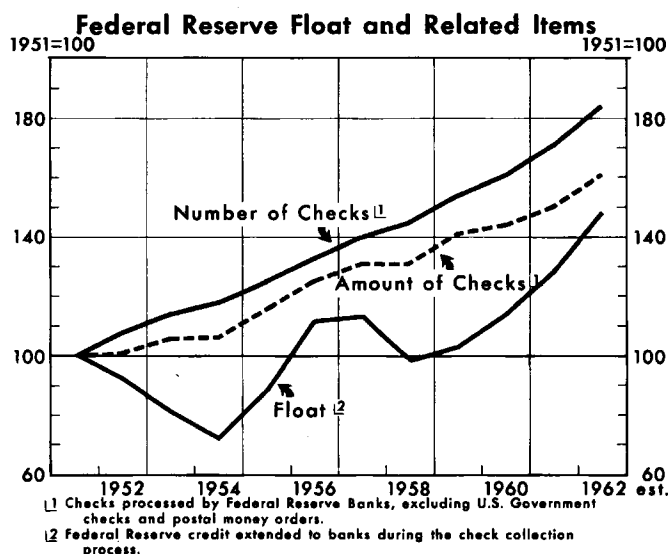
The daily average volume of float has increased from \$1.0 billion in 1951 to \$1.3 billion in 1961. This

FEDERAL RESERVE FLOAT AND RELATED ITEMS

	Checks Processed by Federal Reserve Banks*		Float
	Number (Millions)	Amount (\$ Billions)	Daily Average (\$ Millions)
1951	2122	\$ 800	\$1016
1952	2292	809	930
1953	2414	851	820
1954	2513	845	737
1955	2644	928	902
1956	2823	1003	1138
1957	2975	1045	1152
1958	3085	1045	993
1959	3258	1130	1051
1960	3419	1154	1160
1961	3631	1198	1315

* Excludes U. S. Government checks and postal money orders.

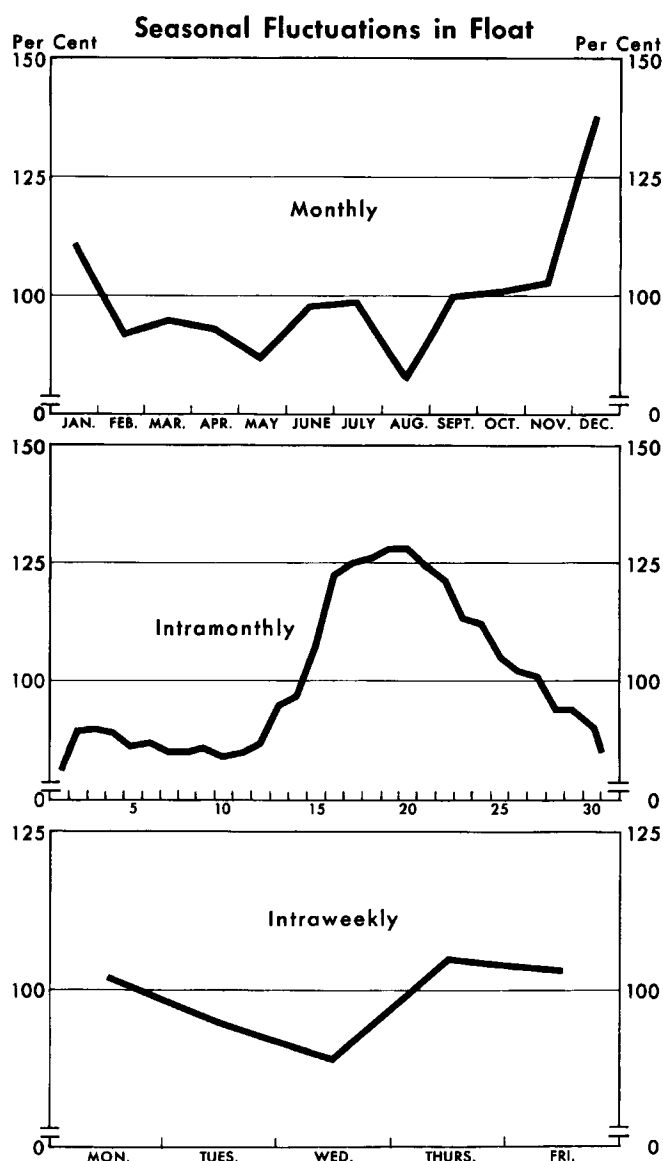
expansion in the dollar volume of float has reflected in large measure a significant increase in the number and dollar volume of checks flowing through the Federal Reserve System. The volume of checks cleared through the Reserve Banks rose from \$800 billion in 1951 to \$1,200 billion in 1961. The number of checks cleared has risen even more rapidly. From 1951 to 1961 the number of checks cleared rose 71 per cent and the dollar amount rose 50 per cent. Improvements in the System's machines and procedures and faster transportation partially offset the rise in the number and dollar amount of items cleared. As a result, the average dollar volume of float increased only 29 per cent from 1951 to 1961.



The rise in float during the past decade has not been steady. Float declined from a daily average of \$1.0 billion in 1951 to an average of \$0.7 billion in 1954. In the following three years daily average float rose rapidly, reaching \$1.2 billion during 1957 and then dropping to \$1.0 billion in 1958. Since 1958 the level of float has again increased reaching an average of \$1.3 billion in 1961 and a seasonally adjusted average of \$1.5 billion during the first nine months of 1962. A portion of the year-to-year movements in average float is a result of cyclical swings in economic activity. Float tends to rise during business expansion and decline during recessions, largely because of a similar movement in the number and dollar volume of checks cleared.

Float also follows marked seasonal movements. Within each year there is a recurring pattern in the changing levels of float. The peak is usually reached

in December, when the number of checks rises markedly. The situation is mainly the result of delays in transit because of heavy Christmas mail and frequent bad weather, coupled with the fact that corporate profits taxes are being paid. Corporate profits tax payments also cause moderate increases in March, June and September. Dividend and interest payments are at their peaks in early January and July and, as a result, are an important factor during the early parts of those months. The increased number of checks gives rise to some "hold-over" float. Float regularly drops to the yearly low in August coinciding with the seasonal lull in business activity.



There is also an intramonthly pattern in the movement of float largely reflecting the billing and paying practices of firms and individuals which in turn affect the number and dollar volume of checks. During the first ten days of each month float typically moves along on a plateau at about 85 per cent of the monthly average. There is a sharp rise in succeeding days until a peak of about 130 per cent of average is reached just after mid-month. Float drops rapidly in the next ten days to about 85 per cent of the monthly average by the end of the month. This general movement is modified from month to month by such influences as Treasury tax dates, holidays, and the number of weekends.

Within each week, float characteristically drops to a low point on Wednesday and jumps to a high on Thursday. The largest number of checks is usually deposited in commercial banks on Monday. The bulk of these checks reaches the Federal Reserve offices on Tuesday. Those items which cannot be collected within the maximum two-day deferment period produce the Thursday peak in float.

In addition to these seasonal and cyclical changes, there are large random movements in float, usually of a short-run nature. In the first nine months of 1962, the daily average change in float was over \$150 million, and many times there were daily movements of more than double this amount. These wide fluctuations in float may result from many factors such as an unusually large volume of business activity, stock trading, or other factors causing an increase in the volume of check payments. Also, bad weather or strikes which tie up the transportation industry cause pronounced increases in float.

Implications of Float

The large (\$1.5 billion) average level of float has little effect on the banking system, since it is largely offset by other Federal Reserve operations. However, short-run movements in the level of float, since they cause changes in bank reserves and cannot always be anticipated and offset, may have effects on bank credit, the money supply, and interest rates. The effect of fluctuations in float on these variables depends on the duration of the increase or decrease in the level of float, the responsiveness of banks to short-run changes in their reserve positions, and the degree to which the change in float is offset by System actions or by some other factor.

An increase in float which reverses itself the following day or two would probably have little effect on the volume of bank credit or deposits since banks compute reserve requirements weekly (reserve city banks) or bi-weekly (country banks), and excess reserves one day are set against a deficiency on another day. Even if fluctuations in float produced an increase in average excess reserves for a reserve period and if banks felt the gain was only temporary, they might just hold more excess reserves or lend funds temporarily to other banks (sell Federal funds). This would put temporary downward pressure on very short-term money market rates, but otherwise it may have little economic impact.

A rise in float which persists over a relatively long period, unless offset by Federal Reserve open market sales or drains from some other money market factor, is apt to produce an expansion in bank credit and deposits. Banks seek to keep fully invested or nearly so, and no distinction can be made between funds resulting from float and other reserve funds.



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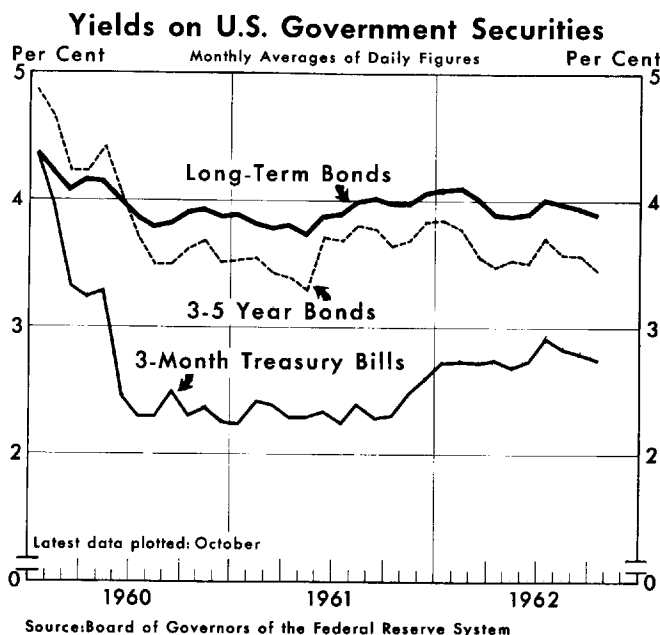
A Plateau in Economic Activity—continued from page 5

this level for more than two years, an interval which has included periods of both monetary expansion and contraction.

Interest Rates

Short-term interest rates have been relatively stable thus far in 1962. Yields on three-month Treasury bills which averaged 2.72 per cent in the first six months of this year, increased to about 3 per cent from late June to early August. Since the midsummer rise, the Treasury bill rate has drifted lower, averaging 2.74 per cent in October. Rates on intermediate- and long-term Government securities have also receded from levels reached early in July.

Recent declines in interest rates on most marketable securities at a time of the year when rates frequently rise suggest that total credit demands are not strong relative to the supply of funds. During the autumn months of 1961 strong cyclical demands for funds and Treasury financing put strong upward pressures on



interest rates. The Treasury has been active in the capital market in recent months, but private credit demands apparently have not yet been as vigorous as last year.

A Change in Reserve Requirements

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM on October 18 reduced from 5 per cent to 4 per cent the reserves against savings and time deposits that member banks are required to maintain with Federal Reserve Banks. This reduction in reserve requirements, which released an estimated \$767 million in reserves, became effective on October 25 in the case of reserve city banks and on November 1 for all other member banks. The release of reserves at this time is expected to assist the banking system to meet heavy seasonal demands for credit in the closing months of the year.

Labor Market Classifications

in the Eighth District

THE UNITED STATES DEPARTMENT OF LABOR each month classifies a large number of local labor markets according to their employment situations. The classification received by a local area is important, since it is used to determine an area's eligibility for participation in several Federal Government programs. In the "Buy America Act," the Small Business Loan Program, and for certain Government procurement, priority is given to firms in areas classified as "substantial" unemployment (see Table I). Also, urban areas with "substantial and persistent" unemployment (Table II) may be certified eligible to participate in the benefits of the Area Redevelopment Act. This article presents the Department of Labor's classification system, as well as its current application to the labor markets of the Eighth Federal Reserve District.

Labor Market Classifications

The Bureau of Employment Security of the Department of Labor regularly classifies 150 major production and employment centers, and classifies a varying number of smaller areas (177 in September). These include metropolitan areas and other labor markets with 15,000 or more persons in the work force. Under special circumstances, "very small" areas (397 in September¹) with a work force of under 15,000 are classified. The classifications are based on data collected in labor market surveys of employment conditions conducted by local Employment Security offices.

The classifications and the criteria by which the 150 major labor markets are classified are listed in Table I. These classifications are in terms of a six-class scale ranging from A with less than 1½ per cent unemployment rate (called "overall labor shortages") to F with 12 per cent or more unemployed (termed "relatively substantial unemployment").

Labor market areas with more than a 15,000 work force but not in a "major" labor market, termed "smaller areas," are classified if they have "relatively substantial unemployment" (unemployment rate of 6.0 per cent or greater). These areas are classified either as "areas of substantial unemployment" or as "areas of

substantial and persistent unemployment." Criteria for this latter classification are presented in Table II. Areas with less than a 15,000 work force, called "very small," are classified if they have "substantial and persistent unemployment" and are recommended by the Department of Commerce for consideration under the "Area Redevelopment Act."

Eighth District Labor Markets

At the time of the last report,² the Eighth District had five major labor markets—St. Louis, Louisville, Memphis, Little Rock, and Evansville. There also were 14 "smaller areas" and 58 "very small" areas classified.³ Eighth District labor markets (shown in Figure 1) present a mixed picture. Although the five major labor markets were classified by the Department of Labor as having "moderate unemployment," many "small" and "very small" areas were in the "substantial and persistent" classification. Most of the labor markets have shown some response to improving national economic conditions since the cycle trough of February 1961. St. Louis, Louisville, and Evansville in the Eighth District have shifted from substantial unemployment to moderate unemployment. Virtually all of the "small" and "very small" areas have experienced declines in their unemployment rates. However, very few of these areas (one important exception is the Greenville, Mississippi, area) have been removed from the substantial classification.

Structural unemployment is suggested in these areas of "substantial and persistent" unemployment. According to the Department of Labor's survey of factors contributing to high-level, long-lasting unemployment, several causes were disclosed. Labor market problems of western Arkansas were attributed to declines in agriculture and lumbering. Much unemployment in southern Illinois and western Kentucky was caused by decreases in mining. Some areas, such as Bedford, Indiana, Centralia, Illinois, and Walnut Ridge, Arkansas, had unemployment problems in specific industries. Extreme seasonal factors were reported as causing high levels of unemployment in the Savannah, Tennessee, and Scottsburg, Indiana, areas.⁴

¹ The 150 major labor markets are surveyed each month. However, the other two classes of labor markets are surveyed only if there is evidence of possible "substantial unemployment." Hence, the number surveyed varies from month to month.

² U. S. Dept. of Labor, *Area Labor Market Trends*, September 1962.

³ See Supplement No. 7 to the *Directory of Important Labor Market Areas*, February 28, 1962, for boundaries of individual Eighth District labor market areas.

⁴ Department of Labor, *Area Labor Market Trends*, July 1962.

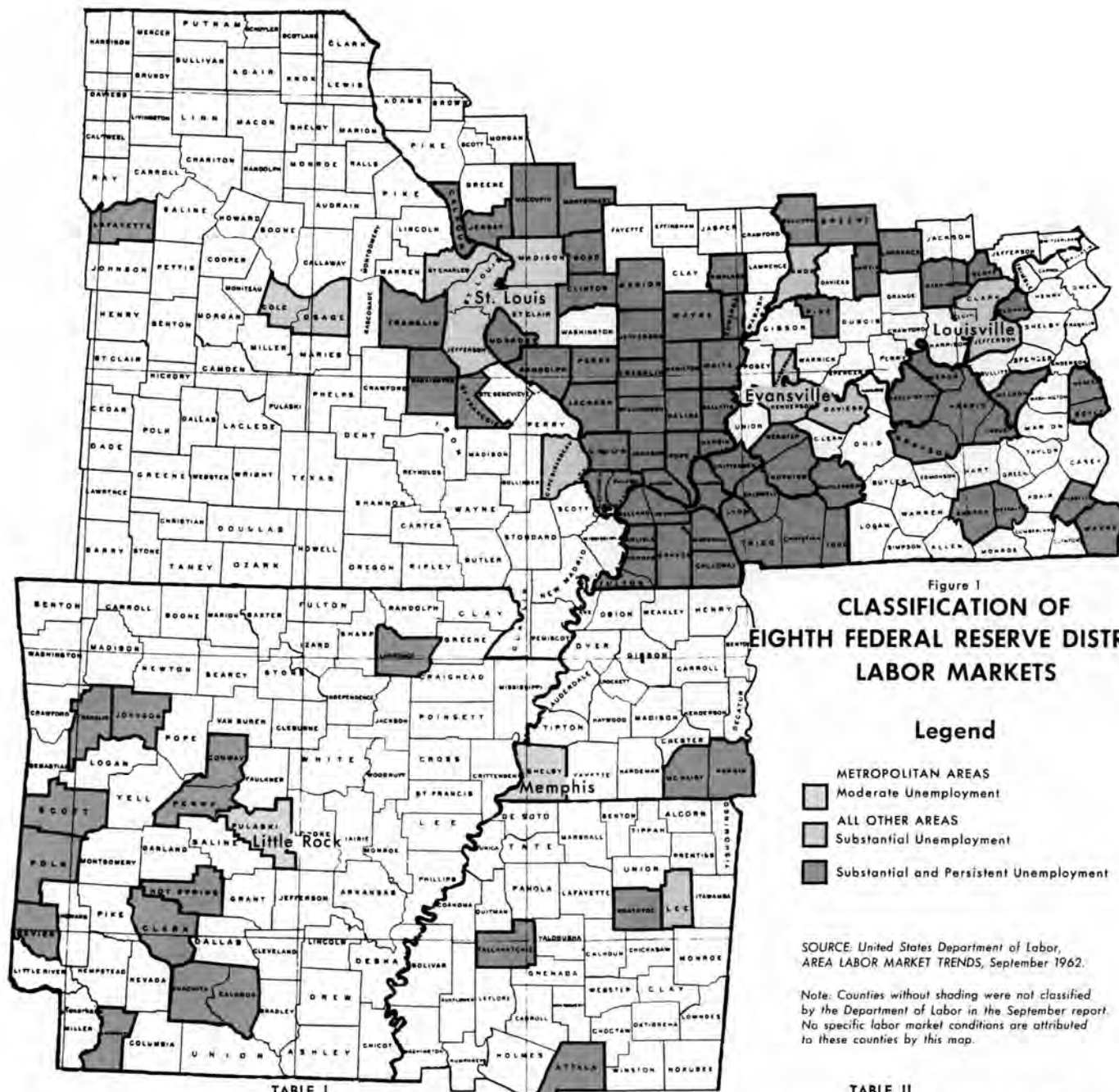


TABLE I
AREA LABOR MARKET CLASSIFICATIONS*

Labor Supply Grouping	Description	Unemployment Rate ¹
Group A	Overall labor shortages	Less than 1.5%
Group B	Relatively low unemployment	1.5 to 2.9%
Group C	Moderate unemployment	3.0 to 5.9%
Group D	Relatively substantial unemployment	6.0 to 8.9%
Group E		9.0 to 11.9%
Group F		12.0% or more

¹ Ratio of unemployment to area's total work force. The extent of unemployment is not the sole criterion used in area classification. Consideration is also given to the area's labor market outlook, as reflected by employer estimates of their future labor needs and other developments known to be in prospect; to the relationship between local labor demand and labor supply; to the seasonal pattern of employment and unemployment fluctuations in the area, and to several other factors.

*U. S. Department of Labor, *Area Labor Market Trends*, September 1962.

TABLE II
SUMMARY OF CRITERIA DESIGNATING

"Areas of Substantial and Persistent Unemployment"¹*

- Unemployment is now 6 per cent or more of the work force, discounting seasonal or temporary factors.
- The annual average unemployment rate¹ in the area has been:
 - At least 50 per cent above the national average for 3 of the preceding 4 calendar years; or
 - At least 75 per cent above the national average for 2 of the preceding 3 calendar years; or
 - At least 100 per cent above the national average for 1 of the preceding 2 calendar years.

NATIONAL AVERAGE UNEMPLOYMENT RATES

Item	1958	1959	1960	1961
ACTUAL RATE	6.8	5.5	5.6	6.7
50% above	10.2	8.3	8.4	10.0
75% above	-----	9.6	9.8	11.7
100% above	-----	-----	11.2	13.4

¹ Unemployment rate: Unemployment as a per cent of the work force.

*U. S. Department of Labor, *Area Labor Market Trends*, September 1962.

FEDERAL RESERVE SYSTEM ACTIONS FOR TEN MONTHS DURING 1962

Discount Rate

In effect January 1, 1962	3%
In effect November 1, 1962	3%

Reserve Requirements

	Percentage Required			
	Demand Deposits		Time Deposits	
	Reserve City Banks	All Other Member Banks	Reserve City Banks	All Others Member Banks
In effect January 1, 1962	16½	12	5	5
October 25, 1962			4	
November 1, 1962				4
In effect November 1, 1962	16½	12	4	4

Margin Requirements on Stocks

In effect January 1, 1962	70%
July 10, 1962	50%
In effect November 1, 1962	50%

Open Market Operations

	Net Purchases (+) or Net Sales (-) Changes in Daily Average Figures (Millions of Dollars)	
	Unadjusted	Seasonally Adj.
January	\$- 579	\$- 13
February	- 135	+ 492
March	+ 186	+ 247
April	+ 573	+ 611
May	+ 360	+ 396
June	+ 65	- 237
July	+ 13	- 283
August	+ 507	+ 625
September	- 167	- 197
October	+ 320	+ 110
Total	+1,143	+1,751