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FEDERAL RESERVE BANK OF ST. LOUIS

Review

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FEDERAL RESERVE BANK
OF ST. LOUIS

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Economic Expansion Continues

TOTAL SPENDING in the nation increased substantially from the third to the fourth quarter of 1963. Real gross national product—total expenditures of business, government, and consumers after adjustment for changes in the price level—increased \$7.8 billion, or at an annual rate of 6.3 per cent. The rise in spending during the last half of 1963 was at a 5.5 per cent annual rate compared with a 3.3 per cent rate during the first half of the year.

While the pace of total spending appears to have quickened during the last half of 1963, movements in industrial production, construction, and employment show a more moderate rate of increase since midsummer than in the first half of 1963. Industrial production increased at an annual rate of 1.3 per cent from July to December and probably inched up further in January as auto and steel production remained strong. Industrial production had increased at a 12 per cent rate from January to July last year. New construction rose at a 6 per cent rate from August to December, about one-half the rate of increase during the first eight months of 1963. Total civilian employment was about unchanged from July to December compared with a 3 per cent annual rate of growth in the first half of 1963.

Despite the reduced rate of increase in employment during the last half of 1963, sizable increases occurred during the year as a whole. Total employment (seasonally adjusted) was 69.2 million in December, about one million greater than in the latter part of 1962. All of this increase was in nonagricultural employment; agricultural employment was unchanged. Nonfarm pay-

Continued on page 16

1963 Economic Developments

in the Central Mississippi Valley

ECONOMIC ACTIVITY in the Central Mississippi Valley expanded more rapidly in 1963 than in 1962. The advance during the year was uneven—greater in the first than in the last half of the year.¹

This review of 1963 regional economic developments is based chiefly on data for Standard Metropolitan Statistical Areas in the Eighth Federal Reserve Dis-

¹ For comparable analyses for the years 1961 and 1962, see the February 1962 and February 1963 issues of this *Review*.

District Agriculture

CASH RECEIPTS from the sale of farm commodities in the seven Central Mississippi Valley states which comprise the Eighth Federal Reserve District were up about 5 per cent in 1963 from the 1962 level. Crop receipts increased substantially, reflecting both slightly higher average prices and expanded production. Receipts from the sale of livestock and livestock products declined slightly.

Production of each major crop in the district states was greater in 1963 than in 1962 and was well above the 1957-61 average.

The reduced cash receipts from livestock and livestock products reflected lower prices for cattle and hogs. Cattle prices were markedly lower during the later months of the year.

Production of Major Crops in the Eighth District States¹

	Quantity (In thousands)			Per cent change
	Average 1957-61	1962	1963 ²	
Cotton (bales)	3,500	4,177	4,740	13.5
Soybeans (bushels)	327,419	395,270	409,705	3.7
Tobacco (pounds) ³	445,337	597,989	613,250	2.6
Corn (bushels)	1,251,590	1,346,535	1,522,135	13.0
Wheat (bushels)	138,145	124,452	172,222	38.4
Rice (pounds)	1,337,200	1,765,900	2,005,700	13.6

¹ Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee. With the exception of Arkansas, only a portion of each of these states is in the Eighth Federal Reserve District.

² Preliminary estimates.

³ Class 3A burley.

Source: United States Department of Agriculture.

trict.² Each of these areas can be considered an economic unit, and at the same time, when aggregated, they account for a large proportion of economic activity in the district.

The following discussion examines movements in employment, industrial use of electric power, check payments, bank loans, bank investments, and deposits in each of the metropolitan areas.³ The chief employment series used for each city is nonfarm payroll employment, which, in turn, is divided into manufacturing and nonmanufacturing components. As a measure of the degree of manpower utilization, the unemployment rate is also considered.⁴

Movements in industrial use of electric power provide an indication of changes in manufacturing activity. The amount of check payments (debits to deposit accounts) is included in the analysis as a reflection of the volume of total spending in an area.

Commercial bank loans, investments, and deposits play an important role and reflect developments in economic activity. Business loans are mostly short-term loans for manufacturing, distribution, and construction purposes. Total loans include, in addition to business advances, real estate loans, consumer credit, and loans to nonbank financial institutions. The capacity of banks to make loans depends on total deposits and the willingness of banks to draw down investment portfolios.

² The St. Louis Federal Reserve District includes one entire state (Arkansas) and parts of six other states (Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee). Six metropolitan areas are wholly in the district. These areas are St. Louis, Louisville, Memphis, Little Rock, Evansville, and Springfield. Fort Smith, with 65 per cent of its population in the district, is also analyzed here; Texarkana, with only 20 per cent of its population in the district, is not.

³ Data and charts for local economic indicators are available each month upon request to the Research Department of this bank. Tabular data for the charts that appear in this article will be sent on request.

⁴ The unemployment rate is derived from estimates of total employment and the labor force. Total employment includes, in addition to nonfarm payroll employment, estimates of the number employed in agriculture, the self-employed, unpaid family workers, and domestic servants.

St. Louis

SMSA—St. Louis City, St. Louis, St. Charles, Franklin, and Jefferson counties, Missouri; Madison and St. Clair counties, Illinois. 1960 population—2,105,180.

ECONOMIC ACTIVITY in the St. Louis Metropolitan Area increased during 1963. Production and employment expanded, unemployment edged downward, and spending rose substantially. The pace of expansion during the year was somewhat greater than in 1961 and 1962.

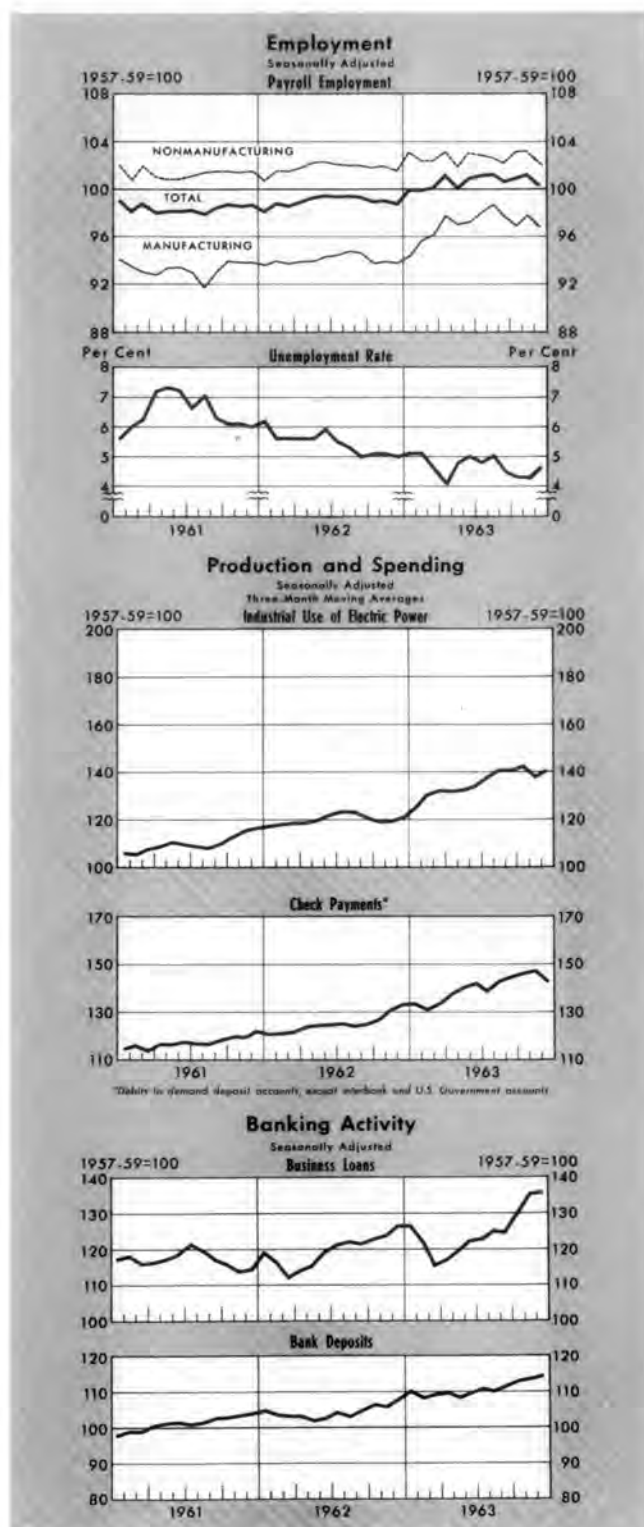
A sharp rise in manufacturing activity was a major factor underlying the improved conditions in the St. Louis Area. Industrial use of electric power increased about 15 per cent during the year; nearly all the gain was in the first eight months. The largest increases were in the chemical, aircraft, automobile, and primary metals industries.

Reflecting these improvements, manufacturing employment increased sharply in 1963. From December 1962 to December 1963, nearly 9,000 workers were added to manufacturing payrolls, an increase of 3.5 per cent. Despite this rise, manufacturing employment in the St. Louis Labor Market, at 257,000 in December 1963, remained below levels reached in early 1960 and substantially below the levels which prevailed in 1956. Nonmanufacturing employment averaged slightly above 1962, with gains primarily in wholesale and retail trade, services, and government.

Total nonfarm payroll employment, the sum of manufacturing and nonmanufacturing employment, registered a substantial increase in 1963. At year's end such employment nearly regained the levels which had prevailed prior to the 1960-1961 recession in national business, but remained well below the levels reached prior to the 1957-1958 recession. Unemployment fell below 5 per cent of the labor force for the first time since mid-1960.

An increase in spending by St. Louisans provided further indication of rising business activity. Check payments at St. Louis Area banks rose about 9 per cent during 1963.

Bank deposits held by the public increased 6 per cent; time deposits rose 16 per cent while demand deposits declined slightly. Total bank loans expanded 10 per cent in 1963 with most of the rise in the last half of the year. Business loans rose 6 per cent,



as increases in the last three quarters of the year more than offset a decline in the first quarter. Loans to food processors and service establishments rose sharply.

Louisville

SMSA—Jefferson County, Kentucky; Clark and Floyd counties, Indiana. 1960 population—725,139.

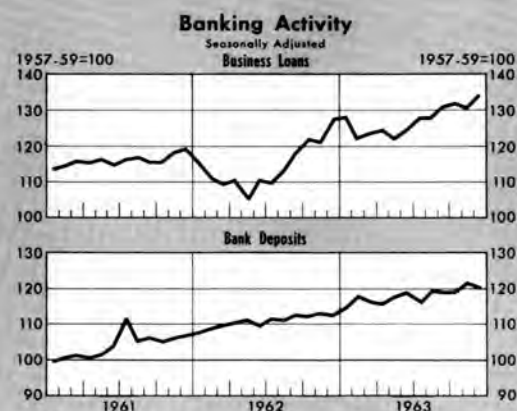
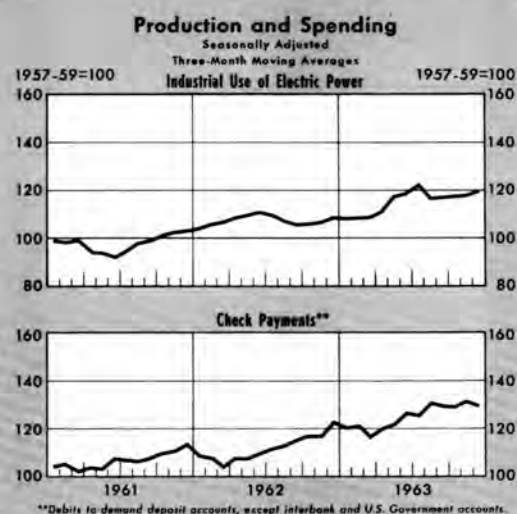
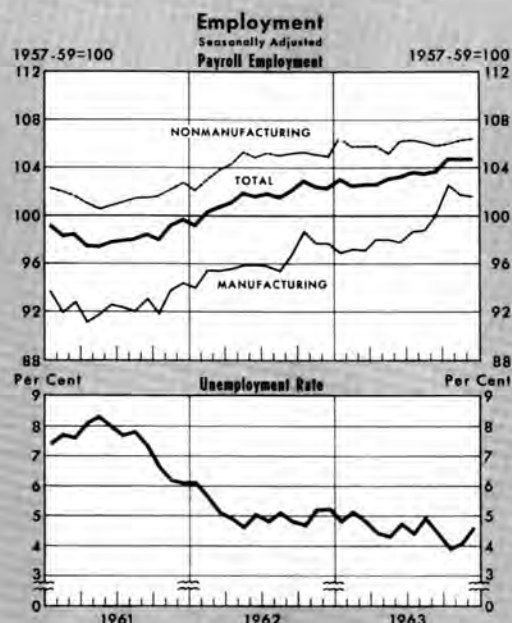
ECONOMIC ACTIVITY in the Louisville Metropolitan Area expanded moderately in 1963. This expansion was a continuation of the growth which began in mid-1961. Manufacturing was a prime factor in Louisville's economic expansion during the year. Industrial use of electric power increased about 10 per cent. Employment in manufacturing rose 4 per cent during 1963, reflecting strong gains in the electrical machinery and primary metals industries.

Total payroll employment increased 2 per cent during the year. Nonmanufacturing employment was up slightly. The unemployment rate declined from about 5 per cent of the labor force at the end of 1962 to slightly over 4 per cent in the last quarter of 1963.

Total spending in the Louisville area rose during the year. Check payments at Louisville banks increased about 9 per cent. Department store sales rose markedly during the first half, and, despite a subsequent decline, registered a substantial net gain over late 1962 levels.

Expanding business activity stimulated the demand for loans. Business loans outstanding at Louisville banks rose about 5 per cent in 1963, with the expansion primarily in the second and third quarters. Total loans declined during the first five months of 1963, rose during the remainder of the year, and for the year as a whole expanded 8 per cent.

Banks obtained funds to expand loans by reducing investment portfolios and by utilizing increased deposits. A decline of bank investments during the last half of the year more than offset an increase which had occurred earlier. Bank deposits rose about 7 per cent. Both time and demand deposits increased, but most of the growth was in time deposits.



Memphis

SMSA—Shelby County, Tennessee; Crittenden County, Arkansas.
1960 population—674,583.

ECONOMIC ACTIVITY in the Memphis Area advanced during 1963, departing from the plateau characteristic of the last half of 1962. The rise over the levels which prevailed in 1962 reflected a pronounced expansion in manufacturing along with continued moderate increases in other sectors of the local economy.

Total payroll employment increased at a 4 per cent annual rate from January to June, but then rose at a 2.5 per cent rate to the year's end. Most of the increase during the January-June period was in manufacturing while nonmanufacturing accounted for the rise in the last half of the year.

Manufacturing employment in Memphis increased rapidly in the first half of 1963; the increases were concentrated in production of nondurables. Employment in food processing, Memphis' largest manufacturing industry, and in chemicals expanded sharply. Industrial use of electric power rose rapidly from April to July and then leveled off, increasing, on balance, about 8 per cent in 1963.

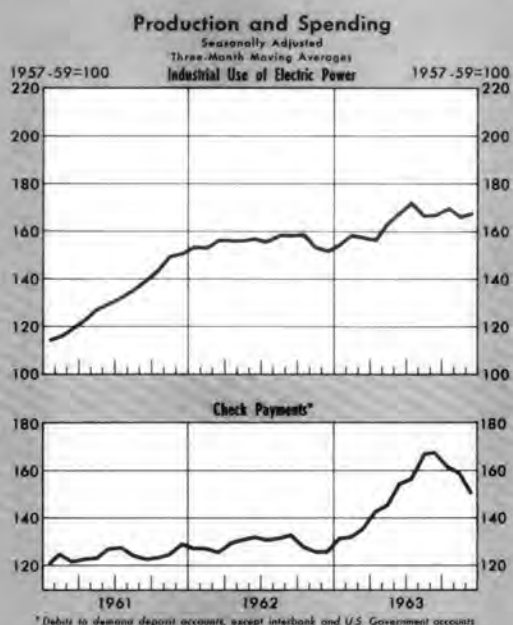
Nonmanufacturing employment increased slightly during the first half of 1963 and subsequently rose more rapidly. A rise in the number employed by transportation and public utilities firms accounted for a major portion of this increase.

Rising economic activity in Memphis during 1963 was accompanied by a decrease in the unemployment rate. Unemployment at the end of 1963 was 3.6 per cent of the labor force compared with 4.4 per cent a year earlier.

The volume of spending rose sharply during 1963, compared with slight increases in the preceding two years. Check payments expanded very rapidly in the first nine months but then decreased to December. In late 1963 payments were about 25 per cent higher than a year earlier.

Associated with the rise in spending and production was an increase of about 15 per cent in the public's holdings of bank deposits, chiefly time and savings deposits. Memphis banks used their higher levels of deposits to increase loans 10 per cent and investments 15 per cent during the year.

Loans for business purposes rose rapidly during the first half of the year, and averaged 9 per cent higher in 1963 than in 1962. Loans for construction and to commodity dealers showed the largest increases.



Little Rock

SMSA—Pulaski County, Arkansas. 1960 population—242,980.

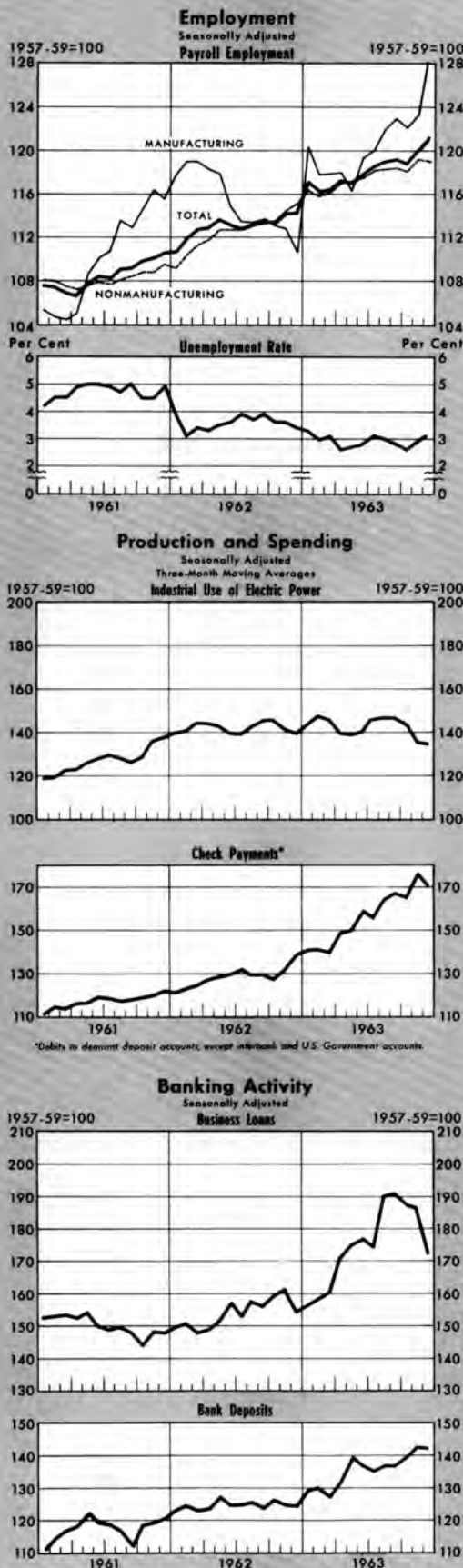
ECONOMIC ACTIVITY in Little Rock was considerably higher in 1963 than in 1962. Major gains were recorded in employment, spending, and banking activity.

Total payroll employment rose about 5 per cent from late 1962 to the end of 1963, continuing the upward trend which began in mid-1961. Manufacturing employment provided most of the upward movement during the year, with the major gain in metal fabricating. Nonmanufacturing employment increased 3 per cent during 1963, somewhat less than in 1962. As employment rose, the unemployment rate decreased from 3.5 per cent in late 1962 to about 3.0 per cent at the end of 1963.

Spending in the Little Rock Area advanced rapidly throughout the year. Check payments increased 20 per cent during 1963, a much greater rate of increase than during the previous two years. Part of the debits in the Little Rock Area reflect state government transactions which are not closely related to local activity. Department store sales averaged about 6 per cent higher in 1963 than in 1962.

Banking activity was markedly higher in 1963 than in the previous two years. Demand deposits expanded 16 per cent, time and savings deposits 11 per cent, and total loans 20 per cent. Business loans rose sharply the first eight months of the year, declined during the final months, and for the year averaged 13.5 per cent higher than in 1962. Most of the increase in business loans during 1963 was in loans to machinery manufacturers, construction firms, and retail stores.

SUBSCRIPTIONS TO THE REVIEW
are available to the public without charge, including bulk mailings to banks, business organizations, educational institutions, and others. For information write: Research Dept., Federal Reserve Bank of St. Louis, P. O. Box 442, St. Louis, Missouri 63166.



Evansville

SMSA—Vanderburgh and Warrick counties, Indiana; Henderson County, Kentucky. 1960 population—222,878.

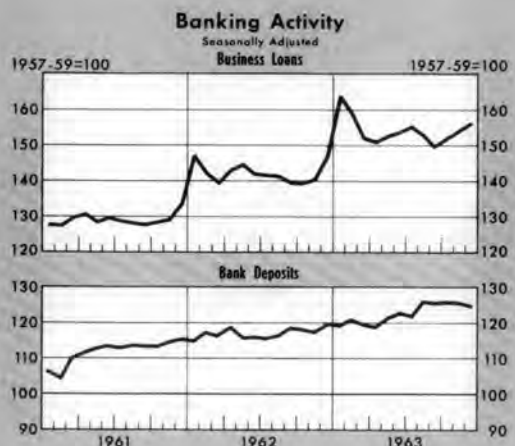
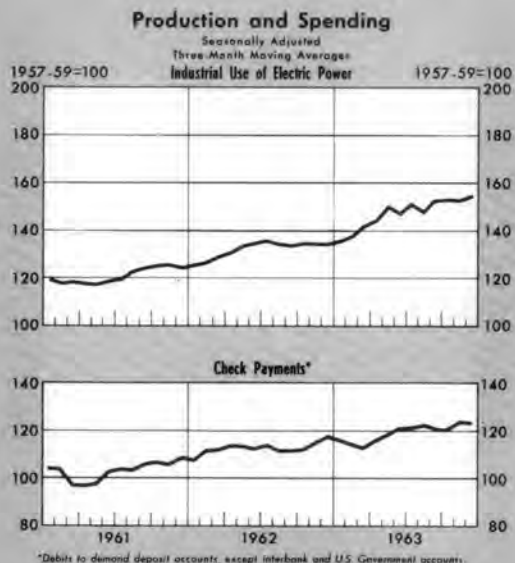
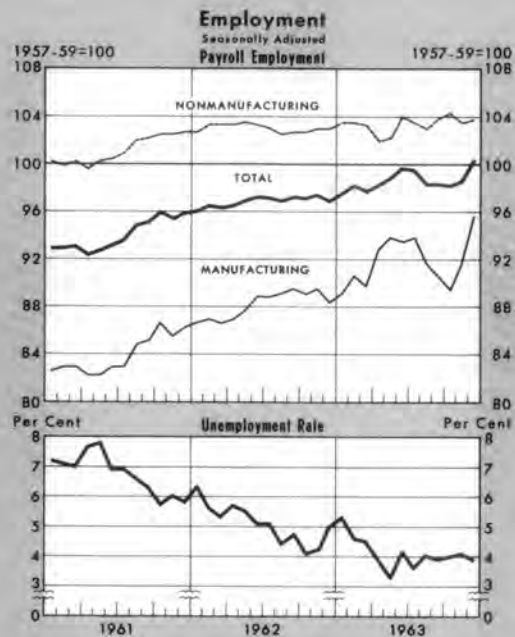
ECONOMIC ACTIVITY in Evansville expanded rapidly in the first half of 1963 and then rose at a slower pace during the remainder of the year. The rise in business activity continued a trend which began in early 1961. The expansion in 1963 was especially pronounced in manufacturing. The industrial use of electric power increased 15 per cent during the year, somewhat more than in either of the preceding two years.

Total payroll employment rose during the first half of 1963 and then was unchanged, on balance, to the end of the year. Considering the year as a whole, employment averaged about 2 per cent higher than in 1962. The increase in employment was largely in manufacturing (primarily in machinery), as other employment changed little. Manufacturing employment averaged 4.2 per cent higher in 1963 than in 1962. The unemployment rate averaged about 4 per cent in 1963, compared with 5.1 per cent in 1962 and 6.8 per cent in 1961.

Total spending increased along with the rise in production and employment. Check payments rose about 7 per cent in 1963, continuing the upward trend which has prevailed since early 1961.

Business loans rose rapidly in early 1963, and for the year as a whole were about 9 per cent above the 1962 average. Total loans increased 12 per cent for the year. The expansion of loans was aided by a 4 per cent rise in total deposits. Demand deposits rose almost 4 per cent, and time deposits increased 5 per cent.

The growth in time deposits was less than in other metropolitan areas within the Central Mississippi Valley. Prior to January 1, 1964 Indiana banking regulations did not permit interest rates on time deposits in excess of 3 per cent. Other district states had no such restriction, permitting banks to set the higher interest rates allowed under Regulation Q. Effective January 1, 1964, Indiana regulations were changed to permit banks to set a 4 per cent interest rate on time deposits of six months or more and a 3½ per cent rate on passbook savings. This change may encourage a faster growth of these deposits in Indiana.



Fort Smith

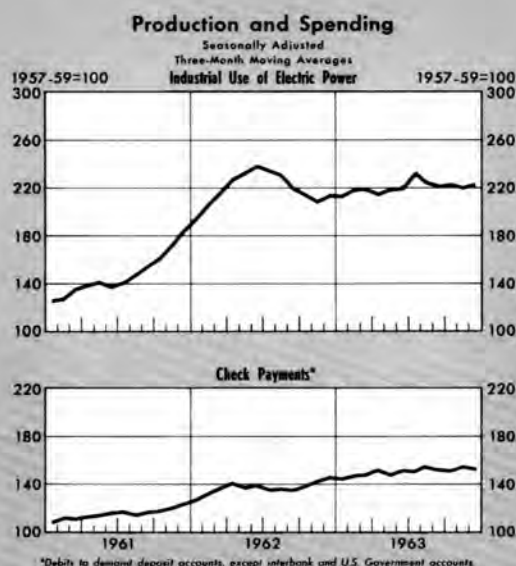
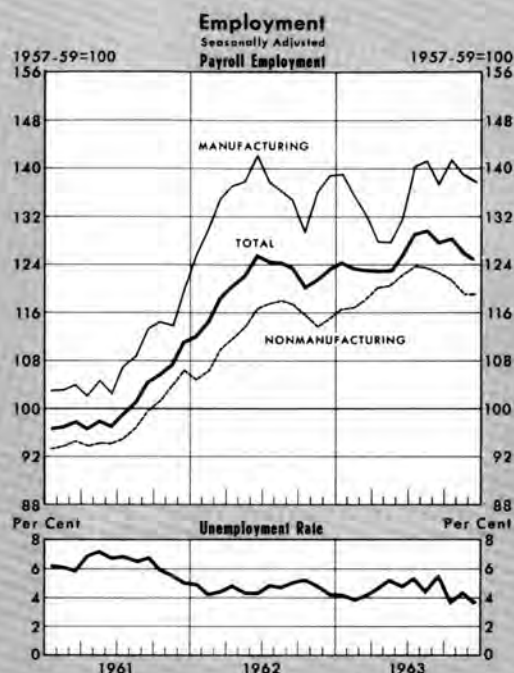
SMSA—Sebastian and Crawford counties, Arkansas; Le Flore and Sequoyah counties, Oklahoma. 1960 population—135,110.

Note: All chart vertical scales for Fort Smith indicators are one-half the size of those used for the other metropolitan areas.

ECONOMIC ACTIVITY in Fort Smith has risen only slightly since mid-1962. From mid-1961 to mid-1962, there had been a sharp expansion in economic activity following the introduction of a new manufacturing plant.

Manufacturing activity in the Fort Smith Area during 1963 was virtually unchanged from the levels of 1962. Industrial use of electric power was little changed after rising 50 per cent from 1961 to 1962. Manufacturing employment was about unchanged from its 1962 level, but 26 per cent above its 1961 level. Nonmanufacturing employment averaged 6.3 per cent higher than in 1962 and 24 per cent higher than in 1961. The unemployment rate of 3.7 per cent at the end of 1963 was down slightly from the end of 1962 and was substantially below the levels of 1960 and 1961, which were over 6.3 per cent.

Check payments increased moderately in 1963. Bank deposits advanced 10 per cent, and total loans rose 9 per cent.



The Data

ALL DATA are presented in adjusted-for-seasonal-variation form. Index numbers are on a 1957-59 base. In order to smooth erratic fluctuations, the indexes of electric power and check payments are averages of the indexes for three months, centered on the middle month, except the latest month, which is a two-month average. The latest data reported are as of December unless otherwise indicated.

The index of industrial use of electric power is based on data provided to this bank by the public utilities in each area. Employment data are developed by the respective State Employment Security Offices. Sales figures are provided by cooperating department stores in each center and represent only a portion of total retail sales. Check payments (debits) are re-

Springfield

SMSA—Greene County, Missouri. 1960 population—126,276.

ECONOMIC ACTIVITY in the Springfield Area rose irregularly in 1963. From a longer run perspective, the Springfield economy has expanded markedly from the 1957-1959 base period.

Manufacturing operations were at a higher level in 1963 than in 1962. Although the pronounced growth in industrial use of electric power which began in 1960 leveled off in 1963, manufacturing employment was about 3 per cent higher in late 1963 than a year earlier.

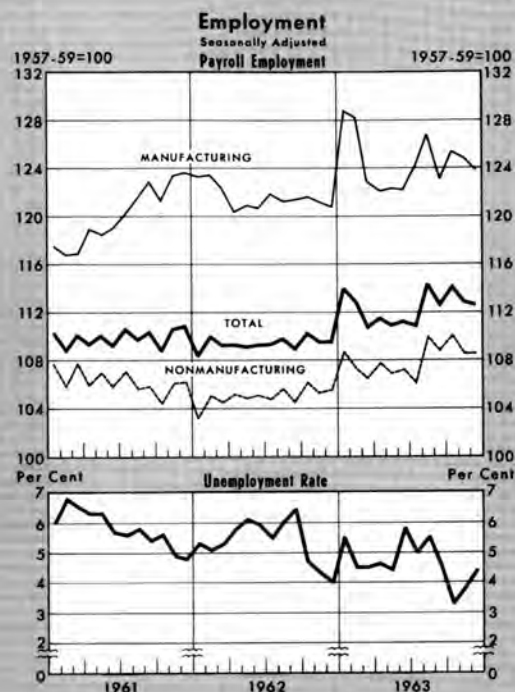
Total payroll employment rose nearly 3 per cent during the year. The unemployment rate averaged lower than in 1962 and was lower in the last quarter of 1963 than a year earlier.

Spending in Springfield was greater in 1963 than in 1962. Check payments rose 5 per cent during the year, continuing a trend which has prevailed since 1960. Department store sales were about 8 per cent higher in late 1963 than a year earlier.

Total loans at Springfield banks increased over 12 per cent in 1963, continuing the marked upward movement that started in mid-1961. Demand deposits rose 6 per cent in 1963.

ported monthly by all or a sample of commercial banks. The data for deposits and business loans are provided by weekly reporting banks and are monthly averages of weekly data. Deposits include time deposits and demand deposits other than interbank and U.S. Government, less cash items in process of collection.

The consolidated regional indexes are based primarily on combined data from metropolitan centers. The indexes of electric power and total employment represent Memphis, Little Rock, Louisville, and St. Louis combined. The consolidated index for check payments is based on reports from the 7 metropolitan areas and 15 other centers and includes 95 respondent banks.



*Debits to demand deposit accounts, except interbank and U.S. Government accounts.



*All member banks.

**Demand deposits of individuals, business and local governments. (All banks)

The Region and the Nation

To provide some indication of the performance of the Central Mississippi Valley Region, the data for metropolitan areas are aggregated. Like the national economy, the region fared well in 1963.

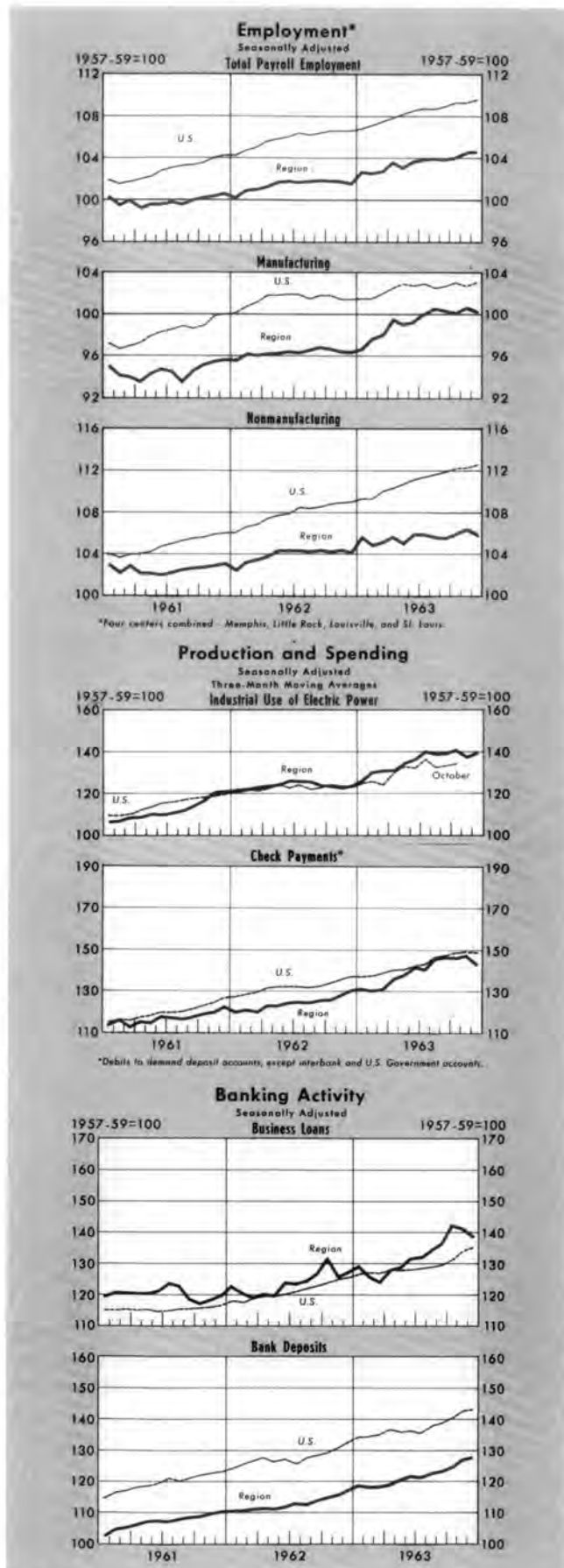
There was considerable difference between the nation and the region with regard to the sectors experiencing the greatest gains. The region showed stronger increases in manufacturing than the nation, especially during the first half of the year. Industrial use of electric power increased 12 per cent during 1963 compared with an estimated 8 per cent increase for the nation as a whole.

Regional manufacturing gains relative to the national economy were also reflected in the employment figures. Payroll employment in manufacturing expanded 4 per cent during the year, as compared with a 1.5 per cent advance for the United States.

Total payroll employment in the region kept pace with the nation, although nonmanufacturing employment did not. In all but one of the metropolitan areas, unemployment rates during 1963 stayed at or below 5 per cent of the labor force. This compares with an average national unemployment rate of 5.7 per cent for the year.⁶

Check payments increased 11 per cent during 1963 at reporting banks in the Central Mississippi Valley compared with a 9.5 per cent increase for the economy as a whole. Business loans increased 9 per cent at Valley weekly reporting banks, while for the United States advances outstanding to businesses rose 8 per cent over late 1962 levels. Total loans rose 10.5 per cent, about the same rate as for the United States as a whole. Total bank deposits rose 9 per cent, essentially the same for the region as for the nation. Investment portfolios increased slightly at banks both in the Central Mississippi Valley and in the United States.

⁶ Local unemployment statistics are not precisely comparable with national figures. National data are based on a sample survey of 35,000 households, whereas local data are derived mainly from insured unemployment figures. See *Measuring Employment and Unemployment*, the report of the President's Committee to Appraise Employment and Unemployment Statistics, 1962.



Annual Statement of Operations

of the Federal Reserve Bank of St. Louis

THE YEAR 1963 was one of generally expanding activity at the Federal Reserve Bank of St. Louis and the three branches. In addition to responsibilities involving the formation of monetary policy, the Federal Reserve Bank performs a variety of services for the public, the United States Government, and member banks. The bank furnishes currency for circulation, facilitates the collection and clearing of checks, handles the legal reserve accounts of member banks, and acts as fiscal agent of the Government. Most operations of the bank—including the branches at Little Rock, Louisville, and Memphis—increased, reflecting the growth in economic activity in the Central Mississippi Valley area.¹

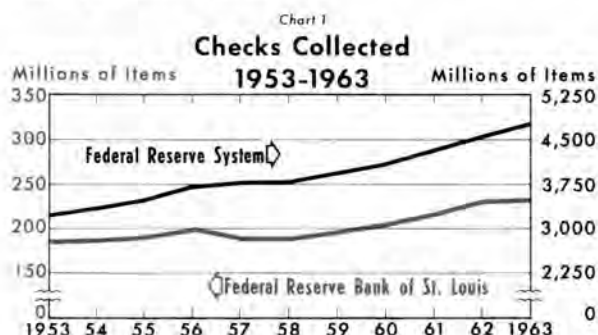
Service Operations

Check Collections

Federal Reserve Banks accept checks for collection from member banks, other Federal Reserve offices, and United States Government agencies. Checks accepted may be drawn on member banks in the Eighth District, nonmember banks in the district that remit at par (face value without charge), all par-remitting banks in other districts, Federal Reserve Banks, and the United States Treasury. Collections at the St. Louis bank and the three branches in 1963 were up 9 per cent in dollar value and 5 per cent in the number of checks compared with the 1962 total. Check clearings through the Federal Reserve System facilitate the making of payments by individuals, businesses, and government organizations through commercial banks. Reserve Banks provide a mechanism through which commercial banks can settle for checks drawn upon their depositors' accounts.

Both the dollar volume and the number of checks cleared at the Federal Reserve Bank of St. Louis have risen in recent years. The dollar volume of clearings increased at an annual rate of 4 per cent from 1953 to 1963, about the same rate of increase as for the entire Federal Reserve System. In contrast, the number of checks processed in the System rose at a greater

rate than at the St. Louis bank, 4 per cent compared with 3 per cent (Chart 1).



Of the checks handled by the Federal Reserve Bank of St. Louis in 1963, 57 per cent in number were at the St. Louis office, 11 per cent at Little Rock, 20 per cent at Louisville, and 12 per cent at Memphis.

Money Operations

The volume of money handled in supplying currency and coin to commercial banks in 1963 was less than during the previous year. A reduced volume of coin received and counted reflected a shortage of coin supplies during the latter months of the year. This shortage became so severe that some requests for coin by the commercial banking system were scaled down. The value and number of coins in incoming shipments received and counted were down 2 and 4 per cent, respectively, from 1962 levels.

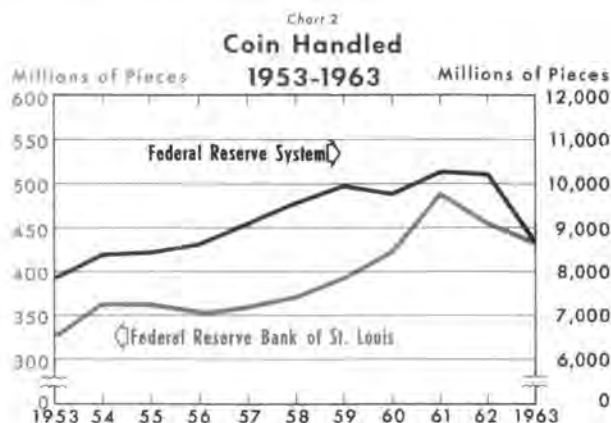
The St. Louis office and branches received and counted 436 million pieces of coin during the year. Of this total, 45 per cent was handled at St. Louis, 14 per cent at Little Rock, 33 per cent at Louisville, and 8 per cent at Memphis.

Currency operations in 1963 did not change greatly from levels of the previous year. The value of currency handled was up 1 per cent and the number of pieces handled was down 2 per cent from year earlier levels. Of the 191 million pieces of currency received and counted at the four district offices, 41 per cent were processed at St. Louis, 10 per cent at Little Rock, 26 per cent at Louisville, and 23 per cent at Memphis.

During the 10 years 1953-1963, the expansion of coin handling operations of the Federal Reserve Bank

¹Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee. With the exception of Arkansas, only a portion of each of these states is in the Eighth Federal Reserve District.

of St. Louis and the three branches has been at a slightly higher rate than such operations throughout the Federal Reserve System (Chart 2). In contrast,



while the volume of currency handled has increased for the System as a whole, it has declined in the Eighth Federal Reserve District (Chart 3).



Fiscal Agency Activities

The Federal Reserve System acts as financial agent for the United States Government. The Federal Reserve Banks hold the principal checking accounts of the Treasury, issue and redeem Government obligations, and perform various other fiscal duties for the Government. Such duties include the administration of the Treasury tax and loan deposit accounts with commercial banks and involve services in connection with the financial activities of various Government lending agencies. In its capacity as fiscal agent, the Federal Reserve Bank of St. Louis and branches in 1963 issued, exchanged, and redeemed 7.6 million United States Savings Bonds valued at \$595 million. The number of bonds was unchanged from the 1962 total, but their value was down 6 per cent. Other Government securities issued, serviced, and retired rose 3 per cent in number from a year earlier, and their value was up 5 per cent.

The number of United States Government coupons paid declined 6 per cent in 1963, but the dollar volume was 1 per cent higher. Since 1953, both value

and number of coupons paid have increased at about the same rate at the St. Louis bank and branches as for the System. The average annual rate of gain in number of pieces handled at the bank was 1 per cent with an average gain in dollar value of 10 per cent. This compares with 1 and 9 per cent, respectively, for the System.

Issues, redemptions, and exchanges of all United States Government securities at this bank rose in value at an average annual rate of 6 per cent from 1953 to 1963. This rate of increase was the same as the rate for all Federal Reserve Banks and branches. The number of items handled by this bank and its branches rose 2 per cent compared to 1 per cent for the System (Chart 4).



Policy Functions

Discounting Operations and Policy

During the year of 1963, daily average borrowings by member banks from the Federal Reserve Bank of St. Louis and branches were up from the level of the preceding year. Borrowings in 1963 were higher in the second half of the year than in the first, reflecting a sharp rise in short-term interest rates relative to the discount rate. The rise in short-term interest rates resulted from an improvement in economic conditions and from monetary developments connected with the nation's balance-of-payments deficit.²

Lending to member banks is one of the most important functions of the Reserve Banks. The discount rate, the rate charged member banks which borrow from a Federal Reserve Bank, is established by the bank's directors, subject to the review and determination of the Board of Governors. The rate was raised from 3 to 3½ per cent in July 1963, the first change since late 1960. The Federal Reserve Banks, through

² For a review of national economic developments during 1963, see the January issue of this *Review*.

changes in discount rates, can influence the amount of reserves held by the commercial banking system. Changes in reserves, in turn, affect bank loans and investments, bank deposits, and the nation's money supply.

Participation in System Policy Making

The chief tool of Federal Reserve System policy action is buying and selling Government securities in the market. Purchases of securities result in additions to bank reserves, and sales of securities result in reductions in bank reserves. The bank's president participates in the Open Market Committee meetings in Washington, D.C., at which System policy is formulated.

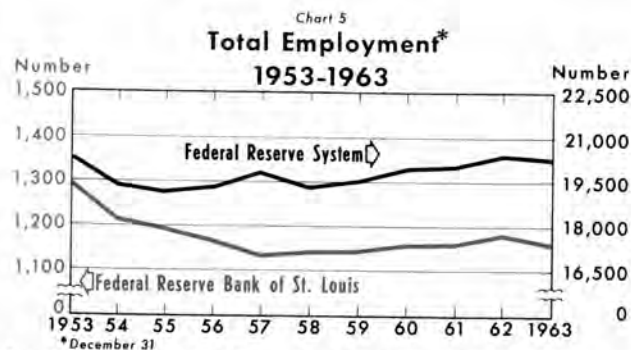
Largely as a by-product of its background studies for policy formulation, the bank continued to publish the monthly *Review*, containing current financial and business articles and other materials pertinent to Federal Reserve operations. Other reports prepared and distributed by the bank include: "Bank Reserves and Money," current data with respect to bank reserves and the money supply (distributed semi-monthly), and "Selected Economic Indicators," a monthly report containing economic data for seven metropolitan areas in the Central Mississippi Valley. These three publications are available to the public without charge.

Bank Supervision

Supervision by the Federal Reserve Bank is exercised principally through examination of state member banks. All the 147 state member banks (as of December 31, 1963) were examined by this bank during the year. The 328 national banks in the district are subject to examination by the Comptroller of the Currency. This total of 475 member banks in the district is one more than a year earlier. The total number of commercial banks in the district at the end of 1963 was 1,488 compared with 1,478 a year earlier.

Personnel

Employment at the St. Louis bank and three branches at the end of 1963 totaled 1,158 persons, about the same level as a year ago. Reflecting a relatively smaller net increase in some areas of operations than for the System as a whole, employment at this



bank declined slightly in the ten-year period while System employment at the close of the year was about the level of ten years ago (Chart 5). Names of officers and directors are given on the following two pages.

Statements

EARNINGS AND EXPENSES

(In thousands of dollars)

	1963	1962
Total Current Earnings.....	\$45,618	\$41,783
Net Expenses.....	9,713	9,218
Current Net Earnings.....	\$35,905	\$32,565
Net additions (+) or deductions (—).....	+ 29	+ 12
Net Earnings before Payments to U.S. Treasury.....	\$35,934	\$32,577
Distribution of net earnings:		
Paid to U.S. Treasury (Interest on Federal Reserve Notes).....	\$32,406	\$30,332
Dividends.....	986	940
Transferred to Surplus.....	2,542	1,305
Total.....	\$35,934	\$32,577

CONDITION

(In thousands of dollars)

	December 31, 1963	December 31, 1962
Assets		
Gold Certificate Reserves.....	\$ 693,507	\$ 629,422
Federal Reserve Notes of Other Banks.....	21,923	19,261
Other Cash.....	13,417	14,651
Discounts and Advances.....	3,088	34
U.S. Government Securities.....	1,325,049	1,260,050
Uncollected Items.....	298,295	286,916
Other Assets.....	21,620	20,491
Total Assets.....	\$2,376,899	\$2,230,825
Liabilities and Capital Accounts		
Federal Reserve Notes (Net).....	\$1,340,343	\$1,295,497
Deposits:		
Member Banks—Reserve Accounts.....	651,848	650,070
U.S. Treasurer—General Accounts.....	82,828	31,781
Other.....	8,707	13,110
Deferred Availability Cash Items.....	238,588	190,151
Other Liabilities and Accrued Dividends.....	3,213	2,657
Total Capital Accounts.....	51,372	47,559
Total Liabilities and Capital Accounts.....	\$2,376,899	\$2,230,825

MEMORANDA: Contingent liabilities on acceptances purchased for foreign correspondents increased from \$2,859,000 on December 31, 1962 to \$3,125,000 on December 31, 1963. The ratio of gold certificate reserves to deposit and F.R. note liabilities combined was 31.6% on December 31, 1962 and 33.3% on December 31, 1963.

Directors and Officers

Directors

Chairman of the Board and Federal Reserve Agent

RAYMOND REBSAMEN, Chairman of the Board,
Rebsamen & East, Inc.
Little Rock, Arkansas

Deputy Chairman of the Board

J. H. LONGWELL
Director, Special Studies and Programs
College of Agriculture, University of Missouri
Columbia, Missouri

H. LEE COOPER, President, Ohio Valley National Bank of
Henderson, Henderson, Kentucky

HARRY F. HARRINGTON, Chairman of the Board and
President, The Boatmen's National Bank of St. Louis,
St. Louis, Missouri

HAROLD O. MCCUTCHAN, Senior Executive Vice President,
Mead Johnson & Company, Evansville, Indiana

ROLAND W. RICHARDS, Vice President and Secretary,
Laclede Steel Company, St. Louis, Missouri

WILLIAM KING SELF, President, Riverside Industries,
Marks, Mississippi

MARK TOWNSEND, Chairman of the Board, Townsend
Lumber Company, Inc., Stuttgart, Arkansas

ARTHUR WERRE, JR., Executive Vice President,
First National Bank of Steeleville
Steeleville, Illinois

Member of Federal Advisory Council

JAMES P. HICKOK, Chairman of the Board,
First National Bank in St. Louis
St. Louis, Missouri

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DARRYL R. FRANCIS, *First Vice President*

MARVIN L. BENNETT, *Vice President*

FRED BURTON, *Vice President*

E. FRANCIS DEVOS, *Vice President*

DONALD L. HENRY, *Vice President*

HOMER JONES, *Vice President*

DALE M. LEWIS, *Vice President*

HOWARD H. WEIGEL, *Vice President and Secretary*

JOSEPH C. WOTAWA, *Vice President*

ORVILLE O. WYRICK, *Vice President*

GEORGE W. HIRSHMAN, *General Auditor*

GERALD T. DUNNE, *General Counsel and
Assistant Secretary*

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NORMAN N. BOWSER, *Assistant Vice President*

EARL H. CHAPIN, *Assistant Chief Examiner*

GEORGE W. DENNISON, *Assistant Vice President*

J. M. GEIGER, *Assistant Vice President*

WOODROW W. GILMORE, *Planning Officer*

JOHN J. HOFER, *Assistant Vice President*

WILBUR H. ISBELL, *Chief Examiner*

WILLIS L. JOHNS, *Assistant Vice President*

RICHARD O. KALEY, *Assistant Vice President*

STEPHEN KOPTIS, *Assistant Vice President*

F. GARLAND RUSSELL, JR., *Assistant Counsel*

PAUL SALZMAN, *Assistant Vice President*

W. E. WALKER, *Assistant Vice President*

JOSEPH C. WELMAN, JR., *Assistant Chief Examiner*

LITTLE ROCK BRANCH

Directors

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ROSS E. ANDERSON, Chairman of the Board, The Commercial National Bank of Little Rock, Little Rock, Arkansas

FREDERICK P. BLANKS, Planter, Parkdale, Arkansas

CECIL W. CUPP, President & Chairman, Arkansas Bank and Trust Company, Hot Springs, Arkansas

R. M. LAGRONE, JR., President, The Citizens National Bank of Hope, Hope, Arkansas

CAREY V. STABLER, President, Little Rock University, Little Rock, Arkansas

WALDO E. TILLER, President, Tiller Tie and Lumber Company, Inc., Little Rock, Arkansas

Officers

FRED BURTON, *Vice President and Manager*

JOHN F. BREEN, *Cashier*

HOWARD J. JENSEN, *Assistant Cashier*

JOHN K. WARD, *Assistant Cashier*

LOUISVILLE BRANCH

Directors

LISLE BAKER, JR., Executive Vice President and General Manager, The Courier-Journal & Louisville Times Co., Louisville, Kentucky

RAY A. BARRETT, President, The State Bank of Salem, Salem, Indiana

WM. G. DEATHERAGE, President, Planters Bank & Trust Co., Hopkinsville, Kentucky

C. HUNTER GREEN, Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Louisville, Kentucky.

JOHN H. HARDWICK, President, The Louisville Trust Company, Louisville, Kentucky

RICHARD T. SMITH, Farmer, Madisonville, Kentucky

JOHN R. STROUD, Executive Vice President, The First National Bank of Mitchell, Mitchell, Indiana

Officers

DONALD L. HENRY, *Vice President and Manager*

JOHN W. MENGES, *Cashier*

LOUIS A. NELSON, *Assistant Cashier*

CLARENCE J. WOERTZ, *Assistant Cashier*

MEMPHIS BRANCH

Directors

LEON C. CASTLING, President, First National Bank at Marianna, Marianna, Arkansas

CHARLES R. CAVINESS, President, National Bank of Commerce of Corinth, Corinth, Mississippi

SAM COOPER, President, HumKo Products Division, National Dairy Products Corporation, Memphis, Tennessee

EDWARD B. LEMASTER, President, Edward LeMaster Co., Inc., Memphis, Tennessee

ALLEN MORGAN, President, The First National Bank of Memphis, Memphis, Tennessee

CON T. WELCH, President, Citizens Bank, Savannah, Tennessee

FRANK LEE WESSON, President, Wesson Farms, Inc., Victoria, Arkansas

Officers

E. FRANCIS DEVOS, *Vice President and Manager*

BENJAMIN B. MONAGHAN, *Cashier*

PAUL I. BLACK, JR., *Assistant Cashier*

JOSEPH P. GARBARINI, *Assistant Cashier*

Economic Expansion Continues—Continued from cover

roll employment in December (seasonally adjusted) was 57.8 million compared with 57.3 million in July and 56.2 million in December 1962.¹ Increases in payroll employment were widespread (see table).

Employees on Nonfarm Payrolls, by Industry

(In thousands)
Not seasonally adjusted

	December 1963	Per cent change since December 1962
Total	58,638	+2.8
Contract Construction	2,966	+6.8
Manufacturing	17,143	+1.7
Mining	624	-1.6
Trans. and Public Utilities	3,937	+0.6
Wholesale and Retail Trade	12,745	+2.6
Finance, Ins. and Real Estate	2,879	+2.4
Service and Misc.	8,425	+5.1
Government	9,919	+3.2

Source: United States Bureau of Labor Statistics.

Relative price stability accompanied the 1963 advance in economic activity. Consumer prices increased moderately while wholesale prices were about unchanged. Consumer prices were 107.6 in December compared with 107.1 in July and 105.8 in December 1962. The consumer price index has generally risen about one and one-half per cent in each of recent years.

Wholesale prices in January were 100.8 per cent of the 1957-59 average compared with 100.6 in July and 100.5 in January 1963. Agricultural prices declined, while prices of industrial commodities increased slightly during 1963. Industrial prices were about 101.2 in January compared with 100.8 in July and 100.7 in January 1963.

Money Supply

The nation's money supply (demand deposits adjusted plus currency) increased \$1.2 billion from November to the month ending January 15. Since July, the money supply has risen at a 5.2 per cent annual rate compared with a 2.7 per cent rate from January to July. Its rate of increase in the 1951-1963 period was 2.2 per cent.

Money supply plus time deposits in commercial banks rose \$3.0 billion from November to the month ending January 15. Since July, they have risen at an

¹The difference between total employment and nonfarm payroll employment is comprised of agricultural employment, self-employed, unpaid family workers, and domestic servants. Since total employment is estimated by a household survey and nonfarm payroll employment by an establishment survey, the two concepts are not exactly comparable.

8.9 per cent rate, slightly greater than the 8.0 per cent rate since a year ago.

Bank Credit

Commercial bank credit (loans and investments) increased at a slower rate from July to December than during the first seven months of 1963. The decline in the rate of increase reflected a moderation in the rate of increase in total bank reserves. From July to December reserves rose at a 2.1 per cent rate compared with a 4 per cent rate of increase from January to July. Loans and investments of commercial banks since July have increased at a 6.0 per cent annual rate,² somewhat less than the 7.9 per cent rate during the first seven months of last year. The annual rate of increase in loans and investments was 5.4 per cent from 1951 to 1963.

With a slower rate of expansion in total reserves during the July-to-December period, banks reduced their holdings of Government securities to help meet a rising demand for loans. Since July, bank loans have increased at a 12 per cent rate, about the same as during the first seven months of the year.

Interest Rates

From October to the end of January, 91-day Treasury bill rates fluctuated close to the 3½ per cent discount rate. Since a year ago, these rates have risen about 55 basis points.

Long-term interest rates were higher in January than last fall. Treasury bond rates were 4.13 per cent in late January, 4.07 per cent in October, and 3.88 per cent a year ago. Corporate Aaa rated bond rates were 4.38 per cent in late January, 4.32 per cent in October, and 4.21 per cent a year ago.

²Rates of change in bank credit are calculated from the June 30-July 31 average to the November 27-December 31 average.

New Member Bank

THE newly chartered

DEXTER NATIONAL BANK

Dexter, Missouri

opened for business on January 15.

The new member has a capital of \$200,000 and surplus of \$100,000. Its officers are:

CREAL BLACK, *President*

HARRY G. HILTON, *Executive Vice President and Cashier*