

District Bank Lending in the Months Ahead

Bank lending generally moves forward at an accelerated pace during the latter part of the year because of a seasonal rise in the demand for credit. A review of loan trends over the past decade reveals that in each year the percentage increase in total loans outstanding at District member banks has been greater in the second half of the year than in the first six months. If this pattern were to continue, outstanding loans would rise at least 7.0 percent during July-December of this year. Whether loan expansion falls short of this mark or rises above it depends upon the oft-quoted factors: demand and supply.

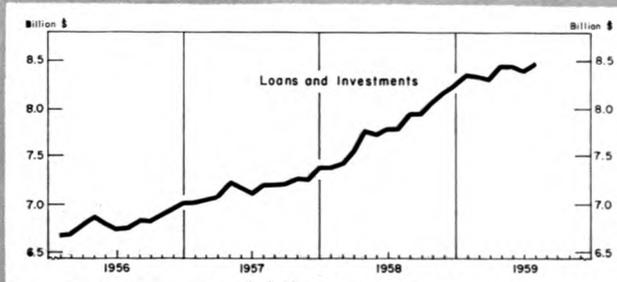
The underlying forces affecting the economy point upward, and barring a prolonged steel strike, demand for loans should continue active. Loan demand has been strong in the District throughout the general upswing in economic activity which has been under way since April 1958. Since that date, all major categories of loans have expanded sharply, and banks in all District states, particularly Georgia and Florida, have registered gains. The expansion in loans that has already occurred, coupled with Federal Reserve System actions designed to limit the supply of loanable funds, has, however, placed increased pressure on bank reserve positions. These pressures are reflected in certain measures of bank liquidity—the ratio of loans to deposits and the proportion of short-term Governments to total deposits—and the level of member bank borrowing.

With loans expanding at a much more rapid rate than deposits, the loan-deposit ratio is now substantially higher than it was at its 1957 peak. Also the ratio of bank holdings of U. S. Government securities with maturities of less than one year to deposits is lower now than during the period of credit stringency in 1957. Member bank borrowing from the Federal Reserve Bank of Atlanta, moreover, has risen sharply. Daily average borrowings in August totaled \$114 million, \$37 million higher than the average for the peak month in 1957.

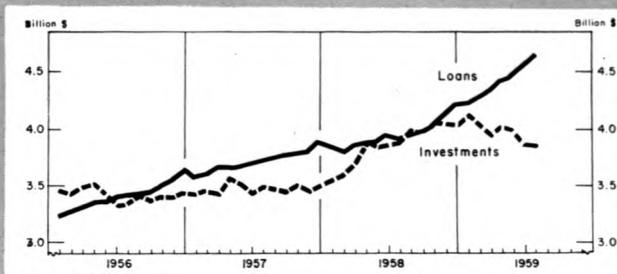
Pressures on bank reserves and related items, therefore, may affect the ability and to some extent the willingness of District member banks to continue to extend credit even at prevailing high rates. The ability of banks to lend in coming months will depend largely on their ability to obtain funds through sales of Governments. With security prices relatively low, particularly securities with maturities of 3 to 5 years, the banks' willingness to finance loan expansion in this way may be put to a real test, since such sales would involve some capital loss. It would also mean that District bankers are, on the average, moving toward the higher loan-asset ratios prevalent in the "twenties" and early "thirties."

At present the ratio of loans to total assets for District banks is lower than that for all banks in the United States. This reflects in part the slower rate of security liquidation by District banks in the first half of

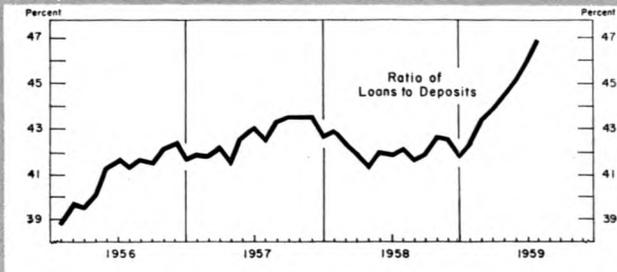
At Sixth District Member Banks total bank credit . . . loans and investments . . . rose only slightly during the first seven months of this year after increasing sharply during 1958.



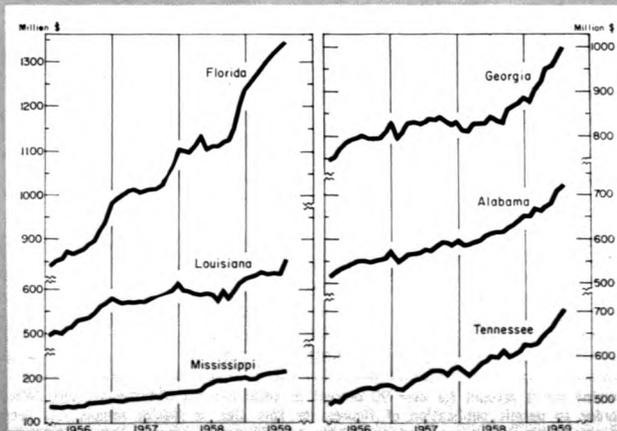
The slackened growth in bank credit reflects liquidation of bank investments . . . primarily U. S. Governments . . . which about offsets a sharp expansion in loans.



The expansion in loans has tended to outpace the growth in bank deposits, and the loan-deposit ratio is at a record high.



Loans have expanded, at varying rates, in all District states.



1959. With substantial holdings of intermediate and long-term U. S. Government securities still available, District banks may increase the rate at which they dispose of securities in the latter part of this year. If securities are sold, the sacrificing of high yields may have an important influence on the cost of credit in the loan market.

ALFRED P. JOHNSON

To Our Readers

With this issue, most of the readers of the *Monthly Review* are being sent a post card which is to be returned to us in order that we may bring our mailing list up to date.

Please check the spelling of the name, the address, adding the zone number where applicable, and return the card to us as soon as possible.

If this card is not returned, we shall assume that you are no longer interested in receiving the *Review*, and your name will be removed from the mailing list.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	July 1959 from June 1959	July 1959 from 7 Months 1958	July 31, 1959 from June 30 1959	July 31 1958	
ALABAMA	-0	+5	+6	-2	+0
Birmingham	+6	+6	+4	-2	-0
Mobile	-4	+0	+6	..	..
Montgomery	-3	+9	+6	..	..
FLORIDA	-6	+11	+12	-0	+12
Daytona Beach	-6	+9	+10	..	..
Jacksonville	-4	+8	+13	+2	+7
Miami Area	-7	+12	+8	-0	+10
Miami	-7	+11	+5	..	..
Orlando	-4	+12	+14	..	..
St. Ptrsbgr-Tampa Area	-5	+17	+19	-1	+25
GEORGIA	+0	+6	+6	+11	+18
Atlanta**	+4	+6	+6	+15	+21
Augusta	-5	+19	+15	..	..
Columbus	-8	-2	-1	-4	+5
Macon	-6	+2	+5	+0	+11
Rome**	-16	+18	+21	..	..
Savannah	-7	+4	-0	..	..
LOUISIANA	-5	+6	+5	+1	+0
Baton Rouge	-9	-4	+4	-1	+5
New Orleans	-4	+10	+6	+1	-0
MISSISSIPPI	+0	+11	+11	+8	+5
Jackson	+3	+11	+11	+9	+7
Meridian**	+2	+9	+8	..	..
TENNESSEE	+1	+10	+9	+2	+13
Bristol-Kinosort-Johnson City**	-12	+6	+6	-3	+5
Bristol (Tenn. & Va.)**	-14	+7	+4	-9	-5
Chattanooga	-3	+6	+10	..	..
Knoxville	+7	+18	+10	+8	+21
DISTRICT	-3	+8	+8	+3	+10

*Reporting stores account for over 90 percent of total District department store sales.
 **In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.

Bank Announcement

On August 1, the Union State Bank, Pell City, Alabama, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Pat Roberson, President; J. Fall Roberson, Sr., Vice President; Harold D. King, Cashier; and Adell H. Parker and Lois Compton, Assistant Cashiers. Capital stock totals \$100,000 and surplus and undivided profits \$227,275.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	July 1959	June 1959	July 1958	Percent Change		
				July 1959 from June 1959	July 1958 from July 1959	Year-to-date 7 Months from 1958
ALABAMA						
Aniston	45,728	40,096	35,131	+14	+30	+17
Birmingham	875,180	906,012	722,167	-3	+21	+15
Dothan	32,280	31,423	27,376	+3	+18	+12
Gadsden	40,183	38,399	31,482	+5	+28	+20
Huntsville*	61,418	62,536	55,518	-2	+11	+24
Mobile	283,841	300,850	241,402	-6	+18	+12
Montgomery	172,451	168,506	146,974	+2	+17	+21
Selma*	23,636	22,565	20,499	+5	+15	+11
Tuscaloosa*	54,592	49,957	50,928	+9	+7	+13
Total Reporting Cities	1,589,309	1,620,344	1,331,477	-2	+19	+15
Other Cities†	752,798	718,265	636,517	+5	+18	+19
FLORIDA						
Daytona Beach*	67,198	60,698	61,451	+11	+9	+9
Fort Lauderdale*	211,851	202,881	172,377	+4	+23	+11
Gainesville*	39,682	41,839	36,275	-5	+9	+13
Jacksonville	800,767	812,782	761,909	-1	+5	+12
Key West*	16,211	16,375	14,232	-1	+4	+11
Lakeland*	76,154	76,663	64,389	-1	+13	+18
Miami	906,210	870,680	753,891	+4	+20	+16
Greater Miami*	1,352,908	1,291,733	1,148,090	+5	+18	+15
Orlando	256,297	252,924	202,039	+1	+27	+28
Pensacola	98,451	89,986	79,413	+9	+24	+21
St. Petersburg	245,894	223,179	186,594	+10	+32	+19
Tampa	428,901	428,365	343,191	+0	+25	+19
West Palm Beach*	134,967	125,555	117,980	+7	+14	+16
Total Reporting Cities	3,729,281	3,622,980	3,187,940	+3	+17	+16
Other Cities†	1,624,007	1,536,046	1,361,158	+6	+19	+16
GEORGIA						
Albany	61,000	65,094	57,477	-6	+6	+12
Athens*	40,730	38,543	36,411	+6	+12	+8
Atlanta	2,052,231	1,980,702	1,730,024	+4	+19	+15
Augusta	109,678	111,357	91,613	-2	+20	+13
Brunswick	27,006	26,509	21,835	+2	+24	+25
Columbus	109,155	106,920	100,041	+2	+9	+9
Eiberton	9,073	9,172	9,696	-1	-6	-4
Gainesville*	49,898	48,580	50,356	+3	-1	-1
Griffin*	18,855	18,324	15,927	+3	+18	+14
LaGrange*	20,818	19,356	17,967	+8	+16	+15
Macon	124,417	118,956	107,610	+5	+16	+16
Marietta*	31,746	30,679	25,104	+3	+26	+22
Newman	18,732	15,810	17,645	+18	+6	+8
Rome*	45,640	43,853	37,119	+4	+23	+15
Savannah	206,954	213,501	177,071	+3	+17	+15
Valdosta	41,464	33,619	26,316	+23	+58	+32
Total Reporting Cities	2,967,497	2,880,975	2,522,212	+3	+18	+14
Other Cities†	928,773	891,638	765,917	+4	+21	+18
LOUISIANA						
Alexandria*	74,671	73,892	69,193	+1	+8	+8
Baton Rouge	274,908	265,354	251,076	+4	+9	+10
Lafayette*	67,883	65,004	54,970	+4	+23	+18
Lake Charles	88,379	84,854	81,065	+4	+9	+6
New Orleans	1,380,466	1,328,096	1,239,689	+4	+11	+7
Total Reporting Cities	1,886,307	1,817,200	1,695,993	+4	+11	+8
Other Cities†	553,763	571,843	512,189	-3	+8	+15
MISSISSIPPI						
Biloxi-Gulfport*	51,563	49,502	47,283	+4	+9	+18
Hattiesburg	38,537	35,634	32,598	+8	+18	+15
Jackson	295,947	306,253	273,862	-3	+8	+27
Laurel*	28,796	27,134	24,034	+6	+20	+18
Meridian	46,286	47,428	38,794	+2	+19	+19
Natchez*	22,831	21,572	19,411	+6	+18	+13
Vicksburg	19,946	19,080	17,843	+5	+12	+7
Total Reporting Cities	503,906	506,603	453,825	-1	+11	+23
Other Cities†	261,577	253,454	223,454	+3	+17	+17
TENNESSEE						
Bristol*	46,159	49,495	39,996	-7	+15	+17
Chattanooga	362,906	339,963	281,147	+7	+29	+20
Johnson City*	43,553	44,769	39,026	+3	+12	+8
Kingsport*	89,649	81,825	68,448	+10	+31	+18
X Knoxville	246,300	233,237	212,534	+6	+16	+12
Nashville	717,699	713,825	641,221	+1	+12	+18
Total Reporting Cities	1,506,266	1,463,114	1,282,372	+3	+17	+17
Other Cities†	564,478	550,567	442,446	+3	+28	+19
SIXTH DISTRICT						
Reporting Cities	16,867,962	16,433,029	14,415,500	+3	+17	+15
Other Cities†	12,182,566	11,911,216	10,473,819	+2	+16	+14
Total 32 Cities	4,685,396	4,521,813	3,941,681	+4	+19	+17
UNITED STATES	10,417,367	10,218,566	8,940,726	+2	+17	+15
344 Cities	235,625,000	228,615,000	206,521,000	+3	+14	+9

* Not included in total for 32 cities that are part of the National Bank Debit Series.
 † Estimated.