SIXTH FEDERAL RESERVE DISTRICT
TENN. MISS. ALA. GA. LA. FLA.

Monthly Review

Atlanta, Georgia
May • 1958

Also in this issue:

Federal Reserve Bank of Atlanta

Small Business, Tight Credit, and District Bankers

MAKING LOANS to small businesses on a short- or intermediate-term basis is a very important activity at most banks in the Sixth Federal Reserve District. Late last year, member banks had 105,000 business loans on their books; 55,000 of these were loans to small business.

There are three obvious reasons for this high proportion of small business loans: Many District banks are small businesses themselves—over half of them have deposits of less than 3.5 million dollars. The majority of their customers are small businesses—about 300,000 of the 500,000 business depositors are unincorporated, with deposits averaging about 3,000 dollars. Short-term credit is the kind of credit small business needs; it is also the type of credit banks like to extend because such a high proportion of their deposits is demand liabilities.

Banks, of course, are only one source of financing for small business. Equity capital and long-term credit most generally come from suppliers other than banks. Individuals, insurance and sales finance companies, factors, institutional investors, and suppliers of equipment and goods for resale are all sources of credit.

In ordinary times, many small businesses have difficulty securing all the credit they want at the terms they want. When the economy is expanding, even more of them find the competition for available funds intense. This was certainly true during the most recent period of credit expansion, from late 1955 into mid-1957, even though banks had more funds on hand to lend. Business loans at member banks in this District grew from 1.4 billion to 1.8 billion dollars between October 1955 and October 1957. The Federal Reserve System, however, did not allow credit to expand enough so that all potential borrowers could be satisfied. Had it done so, prices would have risen to unwarranted heights and would have put additional strains on the economy.

What did this policy of monetary and credit restraint mean to small business? Because this is not a simple question, we cannot expect a simple answer. We can, however, find some help from the Federal Reserve System's comprehensive study of small business financing recently released. As part of this System-wide study, the research staff of this Bank interviewed representative bankers throughout the Sixth District about their policies of granting credit to small businesses. As another part of the study, this Bank conducted a survey of business loans late last fall so that a comparison could be made with data collected in 1955 soon after the period of monetary restraint began.

In the following pages we show preliminary results of these two surveys in the Sixth Federal Reserve District. We have divided the material into two sections, "What the Bankers Told Us" and "What the Figures Tell Us." The data are for this District only. Moreover, since they are only a minor part of the System's comprehensive small business financing study, the tentative conclusions reached may need to be modified as other parts of the study are completed.

What the Bankers Tell Us...

Banks in this District are willing to try to arrange the financing best suited to the particular needs of small business. They must, however, choose among many creditworthy applicants because they have to protect the money entrusted to them by their depositors, and their funds are limited. Through years of experience, bankers have developed standards to help determine whether or not a borrower is a good credit risk.

We can make these statements because during December 1957 our staff talked to the presidents and other top personnel of 31 banks throughout the Sixth District. We contacted the large banks and the small ones; banks located in large metropolitan areas and those in small towns; members of the Federal Reserve System, as well as nonmembers. We carefully selected the 31 banks so that we would have a cross section of all commercial banks in the District. All bankers were asked identical questions. Often the interviews took two hours or longer. We believe that what we learned from these bankers, therefore, is typical of all.

As we made our round of visits, we became increasingly impressed with the way bankers have developed financing arrangements to fit the special needs of small business. Take the small businessman who has no business collateral to offer as security for a loan. The banker is likely to ask him if he has any other collateral such as stocks, bonds, or life insurance. We found lending against such nonbusiness collateral to be the most common way banks finance small businesses.

What about the small businessman who has no collateral of this type but who has an acceptable financial statement? Most bankers will lend him money for sixty or ninety days. Most bankers will also give a line of credit if certain general standards are met. They will have to know that a sizable amount of the owner's money is invested in the business. The applicant will have to show that he is an experienced and capable proprietor or manager and that he pays his bills promptly. Another determinant of whether one can get a line of credit may be whether some rigid condition such as a two-to-one ratio of current assets to current liabilities can be met. Banks also lend on endorsed notes, and the small merchant will find most banks willing to buy his customers' instalment paper.

Suppose you own a grocery store, dry cleaning establishment, or a similar line of business, and you need some fixtures or equipment. Most banks will be willing to finance it. But banks may hesitate if the line is one such as the restaurant business in which ownership changes often. Some banks, furthermore, do not finance equipment that wears out rapidly. Banks will be more reluctant to finance machinery for, say, the road-building business or some other specialized equipment than they will machinery that is used universally. If the borrower were to default on such a loan, banks would find the specialized machinery more troublesome to sell than the multi-purpose equipment. Banks that do financing of this type, therefore, insist that larger down payments be made on the purchases and that the loan be paid out sooner.

To the small lumber dealer and the furniture store, many District banks will lend against accounts receivables. Some lines of business often borrow against these assets because they have no other acceptable collateral to offer. Banks usually have no set maximum of a customer's total receivables they will finance. Moreover, they will accept any reasonably large single receivable for pledge. The percentage of the face value of receivables that a bank will lend depends on how strong financially the concern is and what kind of accounts it has.

The small builder completing a few homes has a good chance of getting a construction loan if he has an account with the bank and can qualify for a line of credit. Bankers who make few loans of that type told us they get little call for them. Others said the building slump has increased the risk of lending to builders.

Most banks are reluctant to make unsecured loans for several years' duration or to give a mortgage loan on a commercial building. This is so because of the greater degree of risk in making long-term loans. Getting credit secured by inventory is not easy, especially from smaller banks. Larger banks are better set up to handle this type of lending, which requires specialized servicing and personnel.

Lending to New Firms

Suppose the firm applying for credit is new. Not one banker we talked to said he refused to lend to a small business merely because it was new. Many of them, however, did say they make few loans to new firms because management often lacks experience. Their hesitancy is understandable, since lack of know-how is the principal reason small businesses fail.

Firms that are new can expect bankers, especially in the faster growing areas of the District, to check their background and experience more carefully than if their firm were well established. The new firm can also expect to be asked to put up more collateral or, sometimes, to get a co-signer. Moreover, unless the bank is located in one of the more rapidly growing areas, it will ordinarily lend less money to the new firm than it will to a going concern. Until the owner becomes more experienced and builds up an earnings record, he will likely be required to pay back the loan rather quickly. Almost anywhere in the District, a new owner taking over a going business can expect to be treated as if the business were brand-new.

Demands in Periods of Credit Restraint

Banks told us that during the last boom, particularly in 1956, more firms came to them seeking loans. The number of small firms wanting to borrow increased by about the same proportion as that of large concerns. Not all financing arrangements to small business, however, increased equally. Demands for credit secured by stocks, bonds, and life insurance policies rose only slightly. Because most businesses built up their inventories in that period, many more of them asked banks to finance inventories. Until

the building boom eased, builders also asked for a lot more credit, partly because other financial institutions turned them down or lent them less than they wanted.

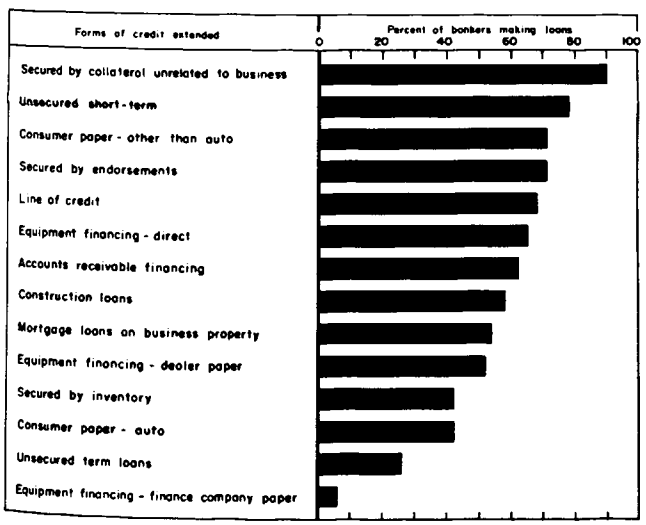
Handling More Applicants

Because banks, especially those in the faster growing areas, could not accommodate the increasing number of applicants, they had to turn more of them away. However, we were told that although the number of applications increased, the proportion of rejections did not increase. Rather than turn down applicants, banks preferred, whenever possible, to trim requests.

If you were among those who were rejected, you can be fairly certain that the bank decided this only after carefully considering your application. Unless the amount you wanted to borrow was small, the loan committee, rather than a single officer, considered your request. There were probably several reasons why you did not get the loan; most likely, you had too little money of your own invested in the business.

The chances are the banks would have turned you down for the same reason back in 1954, when fewer persons wanted to borrow. Banks, however, turned down requests for one particular reason in 1956 and 1957 for which they would have rarely turned down requests in 1954, that is, that the applicant did not have a deposit with the bank. Bankers told us that they sent some persons whose requests they turned down to the Small Business Administration or other institutions for help. Some said they helped them arrange to get long-term capital.

District banks make a variety of lending arrangements to meet the needs of small business.



Insufficient ownership capital was the chief reason banks gave for rejecting loans.

Considered to be a frequent cause for rejection	Percent of surveyed banks
Insufficient owner equity	84
Lack of deposit relationship	35
Slow or past due in payments	35
Questionable managerial ability	29
Requested maturity too long	26
Collateral of insufficient quality	23
Poor earnings record	23
Poor moral risk	19
Inadequate accounting system	19
New firms having no earnings record	13
Type of loan not handled	10
Line of business not handled	3

Changes in Lending Policies

As more people wanted to borrow than could be accommodated, banks altered their general policies of lending, including their interest rates. In the large metropolitan areas, banks, notably the larger ones, reported changes in policy more so than anywhere else, although some banks in the small towns often changed theirs too. The small businessman who wanted to borrow from such a bank was probably asked to keep on account with that bank a portion of the loan. Larger banks that already had such a requirement insisted on borrowers' keeping higher balances than previously.

Although this change in lending policies was the most common of all, there were others. One-fourth of the banks tightened up on loan renewals to small business. One-fifth that had previously sought loans outside their territory no longer did so in 1956. An even smaller percentage said they raised standards of credit-worthiness for small business. Some banks also required more collateral than before. Others became more strict with new firms, as compared with established ones.

Builders probably found banks less willing to lend in view of the less favorable prospects for the construction business. Because houses became harder to sell and profit margins of builders dropped, many banks started to lend only to applicants who were depositors with them. Others lowered the proportion of the appraised value of construction they were willing to finance.

Servicing Small and Large Firms

Small businesses generally have long paid higher interest rates than large firms have. Banks say the reason for this is that the cost of servicing is relatively greater on small business loans.

Banks also told us that often they are more willing to finance the inventory of larger firms than smaller ones. Larger concerns more commonly borrow against stock in regular warehouses, an arrangement which gives banks greater control than other types. Furthermore, banks are sometimes less liberal in lending to small builders, who often have too little equity capital.

Bank Announcement

On May 2, the Deerfield Beach Bank, Deerfield Beach, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers are Alvin B. Jones, President and Chairman of the Board; Henry J. Mellon, Vice Chairman; Percy White, Executive Vice President; Ed Dietrich, Vice President; and A. E. Henson, Cashier. Capital stock totals $280,000 and surplus and undivided profits $126,000.

What the Figures Tell Us...

What effects have the lending policies we have just discussed had on the structure of loans the banks actually made? To answer this question, we have detailed information on loans outstanding at District member banks on October 16, 1957, and October 5, 1955, taken from surveys of business loans conducted with other Federal Reserve Banks and the Board of Governors. These data tell us how much credit demand the bankers met; we do not know, of course, exactly how much was not met.

Banks Accommodate All Types of Borrowers

A comparison of the two surveys shows us, for one thing, that the amount of bank loans to business increased strikingly in the last two years. Moreover, judging from the growth in the number of business loans, District member banks accommodated a larger number of borrowers. Also, businesses were borrowing, on the average, larger amounts than they were in late 1955. Faced with the heavy credit demand and having only limited funds, District member banks raised the rates they charged on loans.

The 1957 survey data reveal that business borrowers were having to put up increasingly more security as the year progressed. The proportion of total loans secured only by a promise to pay dropped from 44 percent of loans made before mid-1957 to 18 percent of those made later. At the same time, secured business loans increased from 56 percent to 82 percent of the total.

Despite the tight credit situation prevailing, District banks were letting out larger amounts of long-term loans in relation to total loans in 1957 than they were in 1955.

Demands Were Greater in Some Industries

Economic conditions in the District explain fairly well the different rates of growth in loans to the various types of business borrowers between 1955 and late 1957. In the petroleum-chemical industry and in the metals industry, both capital expansion and employment were stronger than in many other manufacturing industries. So, too, was loan expansion; loans to the petroleum industry rose 112 percent and 76 percent to the metals industry.

The boom in capital spending by the transportation, communications, and other public utilities group that characterized the period may partly explain the 29 percent increase in their loans. Construction activity resulting from the area's industrial expansion increased the credit demands of builders, whose loans rose 27 percent.

Trade loans, both to wholesalers and retailers, also increased sharply — 35 and 55 percent, respectively. Not only did employment expand, but firms needed more credit to finance larger stocks at steadily rising prices. The amount of credit used by service firms grew 19 percent.

Borrowing by firms manufacturing textiles, apparel, and leather reflected conditions peculiar to this industry. Even though textile activity declined, mills needed to borrow more money to carry higher inventories. District member banks increased their lending to these firms over 30 percent. The growth in loans to "other manufacturing and mining" resulted from cross trends; this group includes the strongly expanding paper industry and the declining lumber business, as well as several others.

Manufacturers of food, liquor, and tobacco owed banks less in 1957 than they did in 1955. Sales finance companies registered the only other decrease in loans during the period, reflecting a reduced need for funds from the high level of 1955 when automobile sales were at a peak. Moreover, these firms may have obtained part of the funds they did need by selling open-market paper.

Demands of Small Business

What happens when we group the data by size of business? As a first approximation we classified the borrowers into two groups—those having assets of less than 250,000 dollars and those whose assets were greater. When we make comparisons between 1955 and 1957 data for these two groups, we see that banks did not cut down on credit to either size firm.

In October 1955, the banks had 16,169 loans outstanding on their books to firms with assets of over 250,000 dollars; these loans totaled 948 million dollars. Two years later, the number was 21,659 and the amount 1.2 billion dollars, gains of 34 and 32 percent, respectively.

In 1955, the banks had 68,500 loans outstanding to firms with assets of less than 250,000 dollars amounting to 425 million dollars, and in 1957 they had 78,925 loans amounting to 516 million dollars. The number of loans increased 15 percent and the amount 21 percent.

It is obvious that the large business borrowers, by this definition, got more of the increased credit than the smaller firms. This classification may be misleading, however, since it does not take into account the various types of business; the size of a business, in one way of thinking, depends partly on the type of business it is.

Although there is no unanimity among students of small business problems as to where the breaking point between large and small business is even when classified by type, we have adopted one of the more widely used definitions. Sales finance companies and manufacturing and mining firms producing metals and petroleum, coal, chemicals, and rubber with assets of less than 5 million dollars were considered as small. We considered as small, manufacturers of food, liquor, tobacco, textiles, apparel, and leather products with assets of less than one million dollars. Wholesale trade concerns, commodity dealers, real estate firms, and other manufacturers with assets of less than 250,000 dollars, we classified as small. Other types of business were classed as small if their assets totaled less than 50,000 dollars.

Using this classification, we see first of all that there were certain types of small business borrowers whose loans increased at greater rates than those of larger firms in the same industries: manufacturing and mining of metals products, petroleum, coal, chemicals, and rubber; manufacturing of miscellaneous products; and in transportation, communication, and public utilities. All these groups were expanding strongly at this time.

A second group of small business borrowers received more credit in 1957 than in 1955, but not as much more

in terms of percentage gains as the larger firms: trade concerns, real estate firms, service firms, and the "all other" group of nonfinancial businesses. These industries were expanding but not as much as the first group.

For a third group of small businesses, loans declined from 1955 to 1957: manufacturers of food, liquor, tobacco, textiles, apparel, and leather; commodity dealers; sales finance companies; and construction firms. Loans to the large firms in these industries increased, however, but more moderately than in the groups previously listed. Can we assume then that the slackening in business activity in these lines and the decreased credit demands were concentrated among small businesses? Or, did bankers in applying their lending policies tend to shift available credit toward those activities where economic opportunities were the greatest?

The figures alone do not answer these questions. Bankers told us that because of a decline in residential construction they became more reluctant to lend to small construction firms who specialize in residential building. We also know that the sag in the automobile market reduced the demand for credit by sales finance companies. Bankers also were more willing to finance the inventories of larger than of smaller businesses, which may explain why the larger textile and apparel firms increased their loans whereas the small firms did not. Factors such as these all point to the conclusion that economic conditions in a particular industry were more responsible for changes in loans than was the size of the business.

Longer Terms and Higher Rates

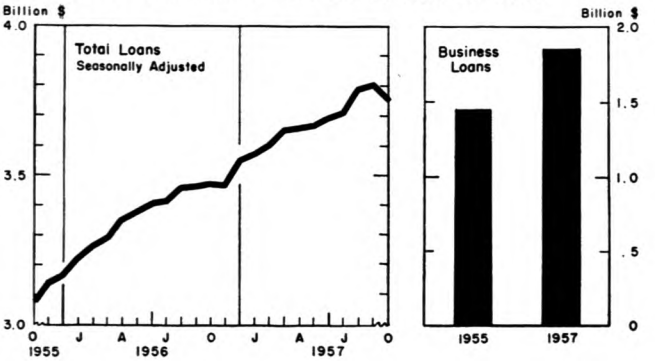
District bankers were apparently willing to put out more credit on a long-term basis in 1957 than in 1955 despite the growing scarcity of funds. In 1955, one dollar in every five they granted was for a period longer than one year; in 1957 one out of four was a term loan. The dollar amount of term loans increased from 277 million to 419 million dollars, or 51 percent.

All borrowers took advantage of the increased availability of term loans. On balance, however, it appears that small businesses benefited the most. Term loans to small borrowers more than doubled between 1955 and 1957, whereas those to large businesses increased about 35 percent. The small-business share of total term loans, therefore, rose from 22 percent in 1955 to over 30 percent in 1957; that of larger firms declined from 78 to 70 percent.

The higher demand for credit in relation to available funds raised interest rates. Businesses of all sizes found that it cost them more to borrow in 1957. The average interest rate rose from 4.60 percent to 5.39 percent, or 17 percent. This does not take into account higher costs resulting from higher compensating-balance requirements.

Larger firms apparently felt the impact of the increase more strongly than the small firms. Firms with assets of over 100 million dollars, for example, paid 4.37 percent on loans outstanding in 1957, compared with 3.09 percent two years earlier, a gain of over 40 percent. In contrast, the rate on loans to the smallest firms, those with total assets under 50,000 dollars, rose from 6.07 percent to 6.72 percent, or about 11 percent. The differential between rates on loans to small and large business narrowed considerably.

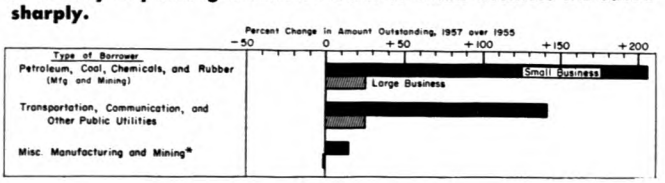
A major part of the rise in total loans at District member banks from 1955 to 1957 was due to a rise in business loans.



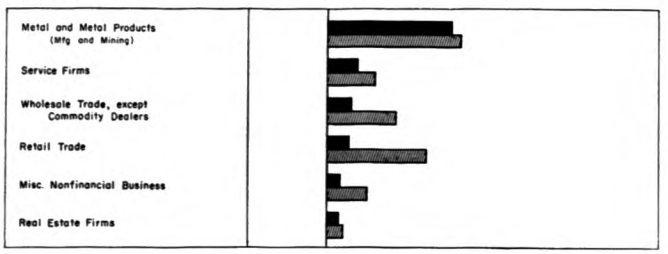
Most types of business loans rose.

Type of Borrower	Outstanding Oct. 16, 1957 No. (000)	Outstanding Oct. 16, 1957 Amt. ($ Mil.)	Percent Change Oct. 1957 from Oct. 1955 No.	Percent Change Oct. 1957 from Oct. 1955 Amt.	Average Size of Loan 1955 ($000)	Average Size of Loan 1957 ($000)
All Businesses	104.6	1835.0	+12	+26	18	22
MFG. & MINING .	13.0	440.3	+2	+35	30	41
Food, liquor, tobacco .	2.2	63.4	—13	—6	36	37
Textiles, apparel, leather	1.1	78.4	—24	+30	44	77
Metals & metals products	3.3	122.8	+44	+76	33	45
Petroleum, coal, chemicals, rubber . .	1.5	79.4	+47	+112	44	63
All other mfg. & mining	4.9	96.3	—11	+6	20	24
TRADE	44.5	548.7	+13	+46	11	15
Wholesale trade . . .	9.7	213.8	+18	+35	22	27
Retail trade	34.8	334.9	+11	+55	8	12
OTHER	47.1	846.0	+15	+13	22	22
Commodity dealers . .	1.1	40.8	+52	+31	48	44
Sales finance cos. . .	1.0	108.3	+1	—11	124	110
Trans., com., other public utilities . . .	3.0	93.8	+31	+29	43	47
Construction firms . .	10.3	145.1	+24	+27	16	18
Real estate firms . . .	6.6	195.2	+17	+4	38	35
Service firms	17.7	152.3	+12	+19	10	11
All other non-financial .	7.4	110.5	+3	+18	16	20

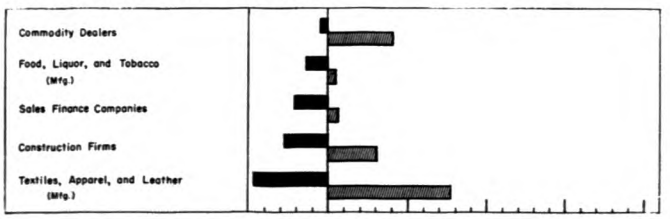
In heavily expanding industries loans to small business increased sharply.



Where expansion was less strong, small business loans rose less than large business loans.



In some lines, including several where activity was slowing down, small business loans declined.



*Includes lumber & wood prods; paper & allied prods; stone, clay & glass prods; & other misc. mfg.

From These Facts . . .

Clear-cut answers to several questions emerge from the data we have examined, although we find no single answer to the complex question of small business financing. Was the amount of credit made available to small business reduced? The answer is No. The amount of loans outstanding to small business at District banks was greater in 1957 than in 1955. Were fewer small businesses accommodated? The answer is No. The number of loans to small business increased. Were small businesses penalized by higher interest rates more than large businesses? The answer is No. Interest rates rose less on small business loans than on large business loans. Were small businesses penalized by shortening of terms for which loans were made? The answer again is No. More of the loans were long-term loans than in 1955, and loans increased more for small businesses than for large ones.

Nevertheless, in a period when credit expanded but when the expansion was restrained, we found that small business got a smaller share of the increased credit than big business, chiefly because loans to certain types of small business borrowers declined. These small business borrowers whose loans declined during the period were, in general, in industries where, for one reason or another, demand for the industry's products or services had fallen off. Possibly loans declined because credit demands of these borrowers declined.

In some cases, however, the industries with declining demands had built up inventories, and the demand for credit increased. Bankers interviewed indicated that under such circumstances loan applications were scrutinized more carefully; this was true of the larger as well as the smaller firms. Then why were loans to larger firms not cut as were those to smaller firms? They probably were to some extent, but equity capital cushions, management skills, financial records, and other factors on which credit appraisals are based may have been adequate at the larger businesses to offset the unfavorable economic elements. The larger firms, too, may have had more long-existing lines of credit.

From this we can conclude that the problems of small business in securing bank financing during a period of credit restraint very much resemble those during other periods. During a period of monetary restraint, small businesses that are good credit risks—which depends to some extent on the economic conditions in the industry—can secure funds on as favorable terms as large businesses. When economic conditions in the industry of the borrower are not strong, the characteristics that many small businesses share—lack of equity capital, great variability in sales and earnings records, management problems and many others—may make the securing of funds difficult. These characteristics are, of course, basic problems of small business and do not stem solely from institutional arrangements for the granting of bank credit. Neither are they conditions peculiar to periods of credit restraint.

The figures agree, then, with what the bankers told us. Credit-worthiness, not the size of the borrower's business, they told us, determines his access to bank credit. The figures give no evidence that such is not the case. Out of a total of 105,000 business loans outstanding at District member banks last October, 55,000 were to small business, which indicates that bankers have found many credit-worthy applicants among small business firms.

HARRY BRANDT AND W. M. DAVIS

Debits to Individual Demand Deposits

(In Thousands of Dollars)

	Mar. 1958	Feb. 1958	Mar. 1957	Percent Change: Mar. 1958 from Feb. 1958	Mar. 1958 from Mar. 1957	3 Months 1958 from 1957
ALABAMA						
Anniston	32,955	30,346	35,091	+9	—6	—5
Birmingham	699,175	633,735	702,283	+10	—0	—3
Dothan	25,393	23,012	25,802	+10	—2	+1
Gadsden	28,101	26,594	31,262	+6	—10	—6
Mobile	247,407	242,204	296,171	+2	—16	—12
Montgomery	134,061	124,394	131,428	+8	+2	+1
Selma*	20,164	17,525	19,187	+15	+5	+1
Tuscaloosa*	42,210	40,304	40,242	+5	+5	+7
FLORIDA						
Daytona Beach*	53,350	50,983	50,615	+5	+5	+11
Fort Lauderdale*	197,919	183,371	200,671	+8	—1	+1
Gainesville*	34,879	30,693	31,862	+14	+9	+9
Jacksonville	664,451	636,776	638,540	+4	+4	+10
Key West*	15,676	13,785	15,756	+14	—1	—3
Lakeland*	70,431	60,375	61,132	+17	+15	+3
Miami	794,617	733,910	712,146	+8	+12	+5
Greater Miami*	1,185,834	1,119,614	1,126,112	+6	+5	+3
Orlando	167,378	159,099	160,752	+5	+4	+4
Pensacola	78,361	74,002	84,342	+6	—7	—2
St. Petersburg	165,456	155,751	169,625	+6	—2	+0
Tampa	336,490	312,892	324,600	+8	+4	+6
West Palm Beach*	107,732	104,742	104,024	+3	+4	+6
GEORGIA						
Albany	52,047	48,112	52,689	+8	—1	—0
Athens*	32,075	30,954	31,890	+4	+1	+6
Atlanta	1,586,858	1,484,683	1,553,551	+7	+2	+4
Augusta	86,687	82,391	83,657	+5	+4	—3
Brunswick	18,920	19,937	18,530	—5	+2	+15
Columbus	89,738	84,789	92,707	+6	—3	—3
Elberton	8,230	6,870	7,224	+20	+14	+8
Gainesville*	45,469	39,783	43,215	+14	+5	+0
Griffin*	15,994	14,652	15,263	+9	+5	+3
LaGrange*	18,834	17,385	20,155	+8	—7	—2
Macon	101,561	91,093	105,939	+11	—4	—1
Marietta*	24,234	22,498	23,969	+8	+1	+0
Newnan	15,363	13,618	14,978	+13	+3	+3
Rome*	36,688	33,539	35,728	+9	+3	—0
Savannah	168,311	159,944	177,233	+5	—5	—1
Valdosta	22,470	20,980	27,565	+7	—18	—11
LOUISIANA						
Alexandria*	64,046	62,686	65,388	+2	—2	+0
Baton Rouge	201,563	173,942	173,925	+16	+16	+13
Lafayette*	54,720	46,872	51,517	+17	+6	+6
Lake Charles	84,926	78,371	80,857	+8	+5	+5
New Orleans	1,234,678	1,152,792	1,241,701	+7	—1	—2
MISSISSIPPI						
Biloxi-Gulfport*	38,330	37,978	34,990	+1	+10	+4
Hattiesburg	29,080	28,654	30,489	+1	—5	—0
Jackson	190,497	181,825	193,317	+5	—1	—0
Laurel*	21,878	21,042	20,656	+4	+6	+6
Meridian	34,910	32,654	35,544	+7	—2	—0
Natchez*	19,961	19,581	20,188	+2	—1	+2
Vicksburg	16,572	17,534	16,489	—5	+1	+1
TENNESSEE						
Bristol*	37,479	33,280	39,207	+13	—4	—0
Chattanooga	273,322	241,290	269,296	+13	+1	—1
Johnson City*	37,958	33,247	36,850	+14	+3	+4
Kingsport*	79,785	59,926	77,418	+33	+3	+4
Knoxville	200,838	187,019	200,121	+7	+0	—2
Nashville	588,647	543,974	560,765	+8	+5	+3
SIXTH DISTRICT						
32 Cities	8,379,063	7,803,187	8,248,619	+7	+2	+2
UNITED STATES						
344 Cities	203,834,000	181,696,000	197,024,000	+12	+3	+3

*Not included in Sixth District totals.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

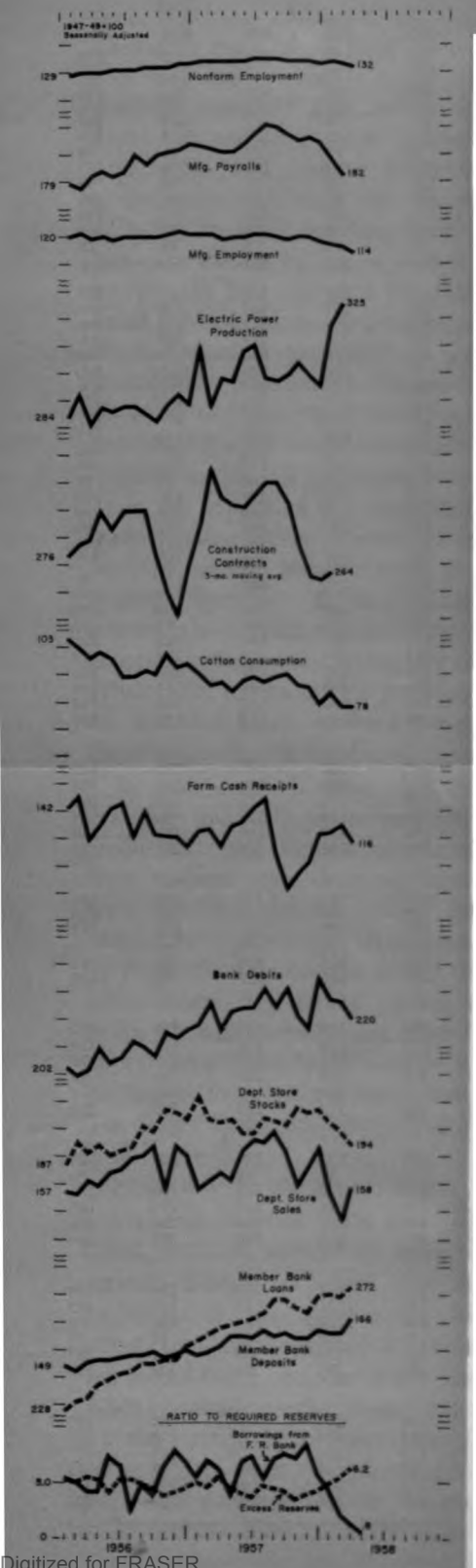
SIXTH DISTRICT	1957											1958		
	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.
Nonfarm Employment	134	134	134	134	135	135	135	134	134	134	133	134	133	132
Manufacturing Employment	121	119	120	120	121	121	120	119	120	120	118	117	116	113
Apparel	172	172	168	170	171	164	164	165	166	166	164	167	167	165
Chemicals	132	131	134	136	136	136	133	133	131	131	131	129	129	127
Fabricated Metals	164	166	172	175	179	185	180	177	178	176	172	173	169	166
Food	117	116	117	116	117	118	113	113	113	114	115	117	117	114
Lbr, Wood Prod., Fur. & Fix.	83	80	81	81	80	80	80	81	80	78	78	77	76	74
Paper & Allied Products	161	161	163	162	163	156	161	159	161	159	159	158	156	155
Primary Metals	107	106	107	108	107	108	107	104	105	100	99	95	90	90
Textiles	91	90	91	91	90	89	89	89	88	88	88	87	86	84
Transportation Equipment	206	206	209	218	231	235	243	230	216	216	225	211	197	191
Manufacturing Payrolls	191	190	191	194	198	201	200	197	194	196	194	187r	182	184
Cotton Consumption**	86	86	84	88	89	87	89	90	86	85	79	83	78	78
Electric Power Production**	288	298	297	308	310	298	297	299	303	299	295	317	325	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	205	203	195	195	170	172	160	164	167	161	175	169r	173	168
Construction Contracts*	339	319	313	311	320	330	330	315	283	261	259	264	298	n.a.
Residential	315	293	268	291	325	319	341	324	334	288	294	272	293	n.a.
All other	359	339	350	327	315	340	321	308	241	239	229	257	303	n.a.
Farm Cash Receipts	127	115	129	132	142	148	109	83	93	102	123	124	129p	116e
Crops	120	102	120	135	150	149	74	62	76	82	108	103	111p	n.a.
Livestock	147	139	149	146	145	158	152	147	157	151	173	160	160p	n.a.
Dept. Store Sales*/**	161	161	162	172	176	175	179	172	159	166	173	157	147	158p
Atlanta	157	160r	141	163	158	159	167	154	149	154	156	151	147	157
Baton Rouge	186	170	167	183	186	177	194	181	187	205	201	181	171r	175
Birmingham	124	139	118	134	131	128	138	132	128	123	126	121	111	132
Chattanooga	143	143r	139	141	146	149	151	147	141	147	145	142	128	141
Jackson	114	102	98	112	107	119	121	111	102	115	117	109	99	97
Jacksonville	129	124	118	127	128	127	135	132	118	130	133	127	116	122
Knoxville	150	144	146	154	148	151	158	156	139	144	156	146	128	139
Macon	151	160	141	149	151	147	166	141	136	143	149	139	137	148
Miami	227	247r	229	252	251	267	274	267	244	231	255	234	227	233p
New Orleans	151	132	140	142	148	148	148	151	145	140	147	132	135	125p
Tamp-St. Ptrsbg.	187	166r	182	185	187	183	185	189	177	195	207	192	174r	186
Tampa	161	143r	148	157	165	159	167	165	147	180	201	185	171	180
Dept. Store Stocks*	203	204r	203	198	198	204	203	201	208	206	207	202	199r	194p
Furniture Store Sales*/**	119r	107r	112	106	111	114	110	105	103	108	113	107	93	94p
Member Bank Deposits*	154	156	160	160	159	162	160	161	159	159	162	161	161	166
Member Bank Loans*	255	258	259	260	261	263	268	268	265	263	269	270	269	272
Bank Debits*	226	216	223	224	223	231	225	231	221	216	235	227	226	220
Turnover of Demand Deposits*	143	139	138	144	140	152	147	144	138	136	149	146	144	139
In Leading Cities	153	148	156	159	160	168	166	158	145	144	160	157	155	150
Outside Leading Cities	107	109	102	109	103	111	106	110	101	99	113	111	112	110
ALABAMA														
Nonfarm Employment	122	122	122	123	123	123	123	122	123	122	121	122	120	120
Manufacturing Employment	109	110	111	113	114	114	113	109	112	112	107	105	103	102
Manufacturing Payrolls	177	178	177	181	185	187	193	187	188	185	173	171	162r	165
Furniture Store Sales	125	118	108	117	113	131	125	100	111	120	117	123	99	104
Member Bank Deposits	136	137	143	140	140	140	139	139	136	136	139	139	139	140
Member Bank Loans	210	211	214	215	219	219	223	226	223	218	222	224	221	223
FLORIDA														
Nonfarm Employment	169	170	171	175	177	179	179	180	178	176	174	175r	174	173
Manufacturing Employment	167	169	172	174	177	177	180	179	180	182	179	174	173	170
Manufacturing Payrolls	267	258	264	273	280	286	290	293	291	290	292	281	276	267
Furniture Store Sales	125	110r	121	112	118	124	114	111	106	111	126	100	99	95p
Member Bank Deposits	193	196	201	201	201	206	207	211	212	213	213	210	206	213
Member Bank Loans	391	396	401	404	405	410	414	415	416	417	423	427	428	436
GEORGIA														
Nonfarm Employment	131	130	131	130	129	130	130	130	130	130	129	129	128	127
Manufacturing Employment	122	122	122	122	123	122	120	118	117	119	118	116	115	114
Manufacturing Payrolls	193	192	192	194	196	198	199	192	187	198	191	184	178	179
Furniture Store Sales	115r	104r	106	105	105	106	107	107	103	111	110	107	86	93
Member Bank Deposits	136	140	144	142	142	145	141	141	138	137	142	141	141	147
Member Bank Loans	208	213	214	214	216	218	219	217	212	208	212	210	208	212
LOUISIANA														
Nonfarm Employment	131	130	131	130	131	130	131	130	130	130	130	129	129	128
Manufacturing Employment	103	102	102	101	103	101	100	100	100	99	97	98	98	96
Manufacturing Payrolls	175	173	174	174	173	173	174	173	172	171	173	172	170r	170
Furniture Store Sales*	143r	141	132	117	139	139	147	133	133	135	148	135	116r	125
Member Bank Deposits*	152	155	155	155	155	156	155	154	153	151	153	151	154	156
Member Bank Loans*	256	259	259	262	261	267	272	271	268	265	274	268	269	266
MISSISSIPPI														
Nonfarm Employment	126	125	125	124	123	124	123	125	124	124	124	125	124	124
Manufacturing Employment	126	124	125	122	124	126	124	124	123	122	121	123	123	123
Manufacturing Payrolls	212	210	207	207	211	219	217	213	208	206	212	212	208	226
Furniture Store Sales*	104r	89	92	89	92	83	75	85	80	95	107	88	77	79
Member Bank Deposits*	144	145	152	155	155	157	158	154	147	149	154	163	164	167
Member Bank Loans*	269	276	278	280	283	286	288	282	293	294	296	302	305	308
TENNESSEE														
Nonfarm Employment	120	120	120	119	120	119	119	120	119	120	118	117	115	115
Manufacturing Employment	117	118	119	118	118	117	117	116	115	115	114	113	110	110
Manufacturing Payrolls	188	188	189	188	187	189	190	186	185	183	181	175r	175r	177
Furniture Store Sales*	90	84r	91	87	86	85	82	82	82	80	87	85	72	75
Member Bank Deposits*	140	143	144	144	144	148	148	147	146	147	148	146	148	155
Member Bank Loans*	218	223	226	229	233	236	236	236	230	233	236	239	233	236

*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. e Estimated. r Revised.

**Daily average basis.

Sources: Nonfarm and mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

SIXTH DISTRICT BUSINESS HIGHLIGHTS



EMPLOYMENT continued downward in March; in two states, however, nonfarm employment rose slightly. At the same time a longer work week raised weekly earnings somewhat. Farm income was lower than in February, but sharply higher prices for livestock products held it at the level prevailing a year ago. Consumer spending continued to lag. Loans and deposits at member banks rose, reflecting in part easier credit conditions. Banks' reserve positions were further eased by another reduction in reserve requirements.

Nonfarm employment declined in March although slight increases occurred in Tennessee and Mississippi. **Unemployment** continued sharply above a year earlier, primarily because of reduced activity in **manufacturing** and **construction**. The recent slide in manufacturing employment centered in **transportation equipment, primary metals,** and **fabricated metals**. Continued depressed conditions in the **textile industry** brought a further cut in the industry's work force. **Weekly earnings** increased because workers still employed put in a **longer work week**.

Cash receipts from farm marketings, seasonally adjusted, declined in March but were slightly above last year. **Marketings** of citrus, vegetables, potatoes, and beef were reduced from both a month and a year earlier. Nevertheless, total receipts were sustained by favorable **prices for livestock and poultry products**. **Farm costs** rose slightly, because of the pressure of higher prices for labor, clothing, and other items for family living, and feeder livestock.

Seasonally adjusted **department store sales** in March and April averaged somewhat higher than in February but were below last summer's peak. **Furniture and appliance store sales** also improved in March, but fell short of the year-ago volume. Seasonally adjusted **bank debits** during March dropped further. **Consumer credit outstanding** at commercial banks leveled off after declining sharply early in the year. Rising prices of food and services pushed **consumer prices** to a new record high **Personal income** in the first quarter of 1958 showed a year-to-year gain because of higher earnings by the work force in nonmanufacturing activities. Recent gains in income, however, are less than those registered last summer.

Member bank loans, seasonally adjusted, increased in March after having declined slightly in February. **Loans at banks in leading cities** in March fell short of last year's gains, but in April they showed larger increases than a year ago because of expanded **business borrowing,** notably by sales finance companies. Additions to time deposits during March lifted **member bank deposits,** seasonally adjusted, in all states. The Federal Reserve Bank of Atlanta lowered the **discount rate** from 2¼ percent to 1¾ percent, effective April 22, and the System released reserves by another cut in **reserve requirements**. Member banks used the additional funds to expand their **investments** at an accelerated rate in March and to reduce their **borrowings** to the lowest level since the fall of 1954.