MONTHLY REVIEW

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SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

May 1967

The Changing Emphasis on Mobile Home Financing

The pros and cons of financing mobile homes are frequently debated among bankers. The lack of a consensus was apparent in a recent survey by the Federal Reserve Bank of Atlanta in which a variety of opinions and attitudes on this subject was expressed by Sixth District bankers. The responses did suggest, however, that an increasing number of bankers are enlarging the funds devoted to this type of instalment lending. Mobile home loans held by sampled banks more than doubled from 1961 to the end of last year, and the dollar volume grew nearly four-fold.

Specifically, the survey sought to determine the extent and manner in which bankers in this District are helping finance this expanding segment of the housing market and to obtain some idea of their overall impression of mobile home lending. The Southern region provides an excellent area to study the response of bankers to recent changes in the industry.

A representative sample of banks in this District was chosen for the study, including those that regularly report their consumer loan activity to the Federal Reserve Bank of Atlanta. The list was then expanded to incorporate the 50 largest banks in the District. Thus, in addition to a sample of banks of all sizes, the survey also covered those banks which probably account for most of the outstanding mobile home loan volume in the Sixth District. The final list was made up of 121 banks to which a specially designed questionnaire was mailed in February of this year. Out of this number, 113 responded, and about one-half reported making mobile home loans.

When the responding banks were grouped according to size (using total deposits as the measure), it was apparent that larger banks made proportionately more mobile home loans. Banks with total deposits of $26 to $50 million were about equally divided between those making and those not making mobile home loans. Banks with deposits greater than $50 million granted proportionately more of these loans, while the reverse was true for smaller banks.

While these figures indicate a direct relationship between bank size and mobile home lending, many large banks do not make instalment loans for this purpose. Sixteen of the 40 largest banks in the District do not presently make such loans. Thus, while close to two-thirds of the banks making these loans in 1966 had total deposits in excess of $50 million, a large number in this deposit size category did not.

A much higher concentration of the outstand-

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Table I: Banks Responding to Survey

Deposit Size	Making Mobile Home Loans	Not Making Mobile Home Loans	Total
Millions $			
Under $10.0	4	15	19
10.0—24.9	9	12	21
25.0—49.9	8	8	16
50.0—99.9	10	7	17
100.0 and over	24	16	40
All Reporting Banks	55	58	113

Table II: Banks Making Mobile Home Loans

Deposit Size	Volume Outstanding, End of Year 1966		Banks		Average Outstandings per Bank
Millions $	Thousands $	%	Number	%	Thousands $
Under 10.0	142.5	0.2	4	7.3	35.6
10.0—24.9	395.5	0.4	9	16.4	43.9
25.0—49.9	1,258.9	1.3	8	14.5	157.4
50.0—99.9	3,270.8	3.3	10	18.2	327.1
100.0 and over	93,030.8	94.8	24	43.6	3,876.3
All Reporting Banks	98,098.5	100.0	55	100.0	1,783.6

ing volume of mobile home paper was held by the larger banks. Banks with deposits below $50 million accounted for about two-fifths of those reporting mobile home loans, but only about 2 percent of the outstanding volume. On the other hand, the largest two-fifths (those with deposits of $100.0 million and over) held approximately 95 percent of the reported volume. Banks with deposits in excess of $100 million held, on average, about $3.9 million in mobile home paper, compared with average holdings of about $1.8 million for all banks.

Changing Attitudes

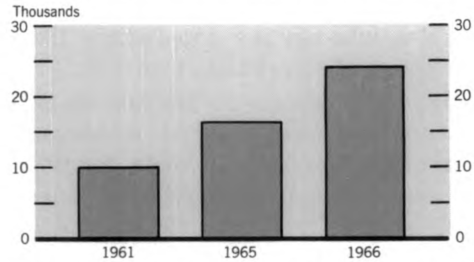
Unquestionably, many bankers in this region are seriously considering adding more mobile home loans to their consumer portfolios. Such loans at responding banks grew from around 10,000 in 1961 to slightly over 24,000 at the end of last year. The corresponding dollar volume at these banks increased from approximately $21 million to around $98 million during the same period.

No attempt was made to estimate the total volume of mobile home paper outstanding at all District banks. However, since the survey did include a representative cross-section of banks, as well as the 50 largest, the results should provide an indication of the relative growth of this type of lending activity.

The more rapid rate of growth in volume outstanding than in number of accounts has resulted, in part, from the trend toward larger and more expensive units financed. For example, the average mobile home loan at the responding banks, including loans for both new and used units, increased from around $2,000 in 1961 to approximately $3,300 in 1965 and to over $4,000 last year. Thus, roughly 20 percent of the increase last year was attributable to a gain in the average loan amount.

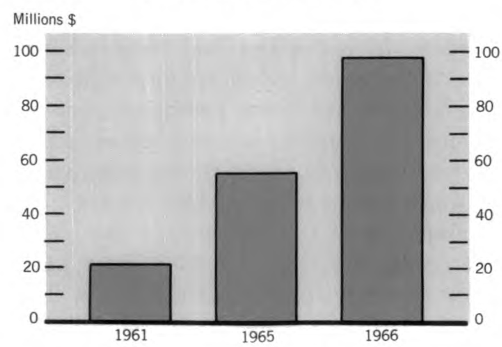
The rise in mobile home lending did not merely

Number of Loans at Responding Banks



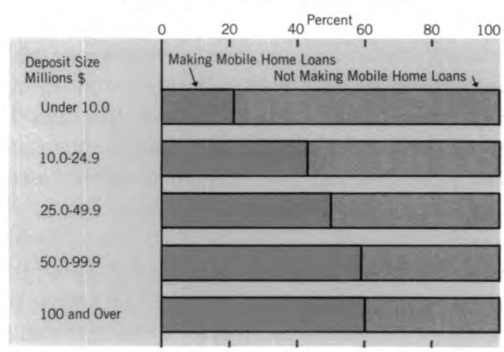
The number of mobile home loans at banks in the Sixth District responding to the survey has increased rapidly since 1961,

Outstanding Volume of Loans at Responding Banks



. . . and the dollar volume outstanding has grown faster.

Mobile Home Lending Activity By Banks of Various Sizes



Survey banks of all sizes reported making mobile home loans, but larger banks are the most active lenders in this field.

represent the more intensive lending activity of the same banks. The number of banks making mobile home loans has also increased. One-fifth of the banks making these loans in 1966 had less than three years' experience and one-half less than six years'. Thus, it would appear that mobile home lending, once limited primarily to the more specialized and experienced banks, is now attracting the attention of other banks in this area. Close to three-quarters of the increase in the number of accounts and about one-half of the increased volume between 1961 and 1966 were contributed by banks not previously engaged in this type of lending activity. These new entrants represented banks of all sizes, but over nine-tenths of the resulting volume was accounted for by those with total deposits of $50 million or more.

In order to gain some insight into the attitudes of bankers, we asked them to summarize their current policy on mobile home lending. One-fourth were definitely attempting to increase this type of lending, and approximately 55 percent indicated no change. But the remaining one-fifth were trying to decrease their outstanding volume of mobile home paper. As mobile home lending becomes more pervasive, bankers are in disagreement on the relative merits of consumer financing of mobile home paper, primarily because of the lengthening of maturities and their poor repossessions experience. Even though mobile home lending has become more pervasive, the varying experiences of bankers continue to contribute to a difference of opinion as to the relative merits of consumer financing of mobile homes.

Although these opinions cover the period of tighter credit conditions of 1966, they nevertheless express longer-run policy objectives. It could be that some banks' attempts to decrease volume reflected the overall credit restraint of last year. However, the overwhelming majority reported that neither their lending standards nor interest rates on instalment loans changed during this period. The small percentage reporting changes in lending standards or interest rates on mobile home loans generally cited changing money market conditions and the increased likelihood of younger borrowers being drafted as their reasons.

Less than one-tenth of the respondents classified mobile home loans as below average in risk, compared with other types of instalment lending. The majority of bankers apparently view these loans as equally desirable or more attractive than other types of consumer loans. This may be further evidence that a majority of bankers are attempting to increase mobile home lending and possibly why lending standards in most instances were not changed last year.

The old axiom that the requirement of a good instalment loan is a good dealer has particular significance in financing mobile homes. Because of the mobility factor and the restricted market for used mobile homes, most mobile home paper held by banks is purchased from a dealer. This is true at practically all District banks. In most cases the bankers have full recourse to the dealers.

About three-fifths of the banks reported no differences in rates charged on direct and purchased paper. However, of the remaining two-fifths, a majority indicated that rates on purchased paper were generally more liberal.

Down Payments and Maturities

The ratio of down payment to total selling price and the length of the note have special significance for mobile home loans compared with other durable goods. Because of the rather limited market for resales, any changes in maturities and interest cost of the structure not offset by down payment requirements may have a direct bearing on the amount of equity the purchaser holds. A relaxation of terms in this manner could have a direct bearing on the possibility of repossessions.

Generally, banks in this region require between 10 and 30 percent down payment on a mobile home loan. The most frequently required down payment, however, is around 25-30 percent. Very seldom will the bank accept less than 10 percent down. In a few instances, however, the down payment is figured as the difference between the selling price of the unit and the dealer's invoice. For loans to purchase a new mobile home, the minimum down payment is usually around 15 percent, and for resales slightly more.

The average maturity of loans to purchase new mobile homes is generally from five to seven years. Over three-fifths of the loans outstanding at District banks in 1966 had maturities falling in this range. About one-quarter were to run for less than five years, while close to 10 percent had maturities in excess of seven years.

For loans to buy used mobile homes, virtually all of those outstanding in 1966 at surveyed banks were to run for less than seven years, and most of these were for less than five years.

Delinquencies and Repossessions

Most banks reported an end-of-year delinquency rate between 2 and 3 percent in 1965 and 1966. In a few instances, the rate was 4 percent or

Table III: Delinquencies and Repossessions At Reporting Banks

	1965		1966	
	Number	Percent	Number	Percent
Total Accounts at Reporting Banks	16,556	100.0	24,188	100.0
Delinquent Accounts	385	2.3	729	3.0
30-59 days	291	1.8	550	2.3
60-89 days	66	0.4	103	0.4
90 days or over	28	0.1	76	0.3
Repossessions	476	2.9	647	2.7

slightly above, but this represented only a small percentage of the total accounts outstanding. In 1965, the average delinquency rate was 2.3 percent, with most of the overdue accounts in the 30-59 day range. The delinquency rate rose to 3.0 percent in 1966, as a result of the increase in past due accounts of less than two months.

A frequently used indicator of the quality of a group of loans is the repossessions ratio, the percentage of loans made during the year that subsequently must be repossessed. Banks in this area in recent years have experienced a repossessions rate of around 3 percent or less. In 1966, however, the rate of repossessions at District banks declined slightly to 2.7 percent from 2.9 percent in 1965.

Mobile Home Living Today

Last year, while conventional housing was declining, dealer shipments of mobile homes held around their 1965 level of 216,000 units. With the trend toward more expensive mobile structures, last year's dollar volume probably increased. A better comparison of the impact on the total housing industry is the growing share of the market claimed by mobile homes. In 1965 one in every six single-family housing starts was of the mobile type. As recently as 1961, they represented less than one-tenth of the market. A significant factor in the growth of mobile home living has been the provision of less mobility and more housing. Mobile structures today may never be moved any farther than from the factory to the park. Even though the likelihood of movement is not as great as it once was, the potential for mobility is still available. This is particularly appealing to young married couples and retired persons, who represent the greater share of the market for mobile homes.

For young married couples, the home on wheels provides a completely furnished residence at a comparatively low price. The average cost of a mobile home is around $6,000, completely furnished, while the conventional home averages considerably more. The young married couple will not lose equity in the mobile home should they relocate; they will move their home.

Who Are the Residents?

Part of the reason for banks' re-examination of financing mobile homes may be the shifting image of residents. The Mobile Home Manufacturers Association estimates that there are over 4 million mobile home owners in the U. S. The age-old idea that people lived in mobile homes because they could not afford to live elsewhere has proven erroneous by several recent surveys. A University of Michigan survey indicated that about two-thirds of all mobile home dwellers have annual household incomes in excess of $6,000, with a median level of close to $8,000.

The rising average income level for mobile home residents, which is above the average for all U. S. residents, largely reflects the changing composition of occupational groups preferring to live in a mobile home. This same survey reported that one-fourth of the mobile home heads of households are skilled workers, and about one-fifth are professionals, proprietors, or self-employed. Military personnel, accounting for about 10 percent by occupation, are not as prevalent among residents as they once were.

According to the 1965 University of Michigan survey, nearly half of the mobile homeowners previously owned conventional homes, and another one-fifth lived in apartments. Thus, it would appear that the convenience and mobility factors have certainly attracted a growing number of desirable tenants. This, coupled with the fact that approximately one-fourth have lived in a mobile unit for nine or more years, supports the view that this type of living is satisfactory to many families.

Manufacturers

The improved design of the mobile home and more desirable parks have also contributed to the changing image of mobile home living. The trailer 10 feet wide by 50 feet long was in demand for many years. Now, because they are moved less often, the 12-wide has become very popular. This unit may be as long as 70 feet and include three or four bedrooms and two or three baths. If the units are to remain mobile, however, this is probably the maximum width attainable.

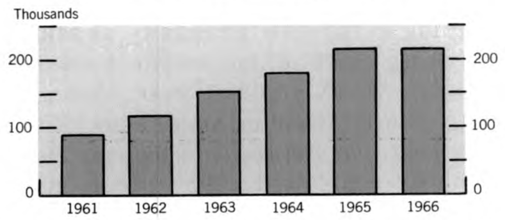
Recently, however, "Doublewides" (two independent units joined together lengthwise at the site) and expandable units (one or more sections that fold or pull out from the basic unit) are being used quite frequently.

While the structures have changed, the same basic design is used in constructing most units. Manufacturers have taken advantage of cost reduction through mass production in building units, and the retail price has been held down. Of course, the interiors in most cases can be altered to suit the buyer without any appreciable change in costs. The assembly-line type production also provides almost instant housing.

According to the Mobile Home Manufacturers Association, approximately 350 mobile home factories are scattered in almost every state. However, certain areas remain important production centers. In 1965, over one-half of all mobile homes produced were in the East North Central and South Atlantic regions, and close to one-half of the plants were there. Within these regions, however, the major part of the production is localized in only a few states. Michigan and Indiana manufacture most of the units in the East North Central region, while Georgia is the number one producer in the South and the second in the entire nation. According to the Georgia Mobile Home Association, 41 mobile home manufacturing plants are located in Georgia with annual payrolls of over $12 million. Estimates show that these plants produced approximately 30,000 mobile homes last year and accounted for 11 percent of total industry production.

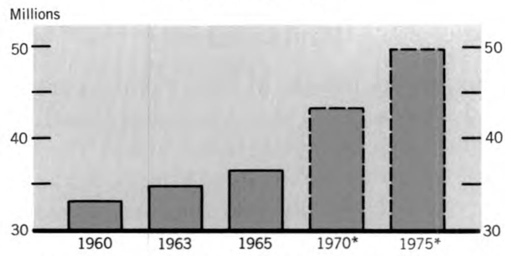
Travel trailer and recreational vehicles, as well as special unit structures not classified as mobile homes, are also increasing at many of these manufacturing plants. These special units are becoming more and more popular for use as school rooms, offices, and other types of structures.

Mobile Home Shipments



One indication of the growth of mobile home sales is the increasing number of shipments by U. S. dealers.

U. S. Population
20-29 and 65-74



*U.S. Department of Commerce, Bureau of the Census, projections.

A stimulus to increasing sales has been the enlargement in the number of residents in the younger and retirement age groups. It is currently estimated that these groups will expand at an accelerated rate in coming years.

Implications

All indications point to a continued rapid growth in mobile home sales. The younger and older segments of the population are increasing rapidly and should continue to find this type of living desirable. The demand for mobile homes will probably also be stimulated by the growing number of families purchasing second homes.

The continued orderly and steady growth of the industry depends, to a large extent, on the ability and desire of lenders to provide adequate financing to dealers and customers. Recent experience indicates that 75-80 percent of all mobile homes sold are financed.

Historically, commercial banks and sales finance companies have supplied most of the direct retail financing of mobile homes, with the largest share going to the latter. Lending institutions specializing in housing loans such as savings and loan associations and mutual savings banks are legally restricted from making consumer loans. However, with mobile homes claiming an increasing share of the homebuilding industry, savings and loan associations are pushing vigorously for legislation to allow an expansion of their lending powers to cover consumer instalment loans, including mobile homes.

Many commercial banks, too, are now making a serious bid to become more active competitors for a larger share of the conventional home loan market. Loans to finance mobile homes could well be the competitive arena in which a claim on a larger share of the total single-family housing market will finally be decided.

How far the mobile home industry will be able to penetrate the housing market is uncertain. However, further penetrations will likely occur, which may hasten the aggressive bidding of lenders for a bigger share of the housing dollar. Whatever the outcome, some bankers now seem more willing and anxious to devote more funds to this type of lending.

JOE W. MCLEARY

The Southern Farm Borrower

Dynamic changes are taking place in the agricultural sector of the economy. In the last decade, advances in animal husbandry, agronomy, agricultural engineering, and agri-business have appeared with clock-like regularity. And the adjustments in agriculture are reflected in changes in the type of farmers borrowing at commercial banks in the Sixth Federal Reserve District.

Since 1956, total assets, net worth, gross sales, and bank indebtedness have all advanced sharply for the average southeastern farm borrower. The total volume of bank loans to farmers has more than doubled, while the number of borrowers has declined. There has been a marked increase in the number of part-time farmers and producers of single commodities. And the tenant and sharecropper appear less frequently. To better understand the impact of agricultural adjustment on farm producers and bankers, it is necessary to identify specific areas of change from these aggregate data and then to evaluate their influence on production and farm finance.

Personal Characteristics

Throughout the Southeast and other predominantly rural regions in the U.S., farm populations have migrated to urban areas. Generally younger persons have been the most likely prospects to leave the farm. Many older persons have found moving much less attractive and therefore have remained on the farm.

These developments have caused the total number of farm borrowers in the District to decline nearly 12,000, or 5 percent, since 1956, while the average age of borrowers remaining on the farm has advanced from 45 to 48. Because proportionately more young people are leaving the farm, borrowers 44 years of age and younger now account for 38 percent of all farm borrowers, compared with 50 percent ten years ago. This group is responsible for most of the total reduction in borrowers, because the number of farmers 45 years old or over has actually increased.

Although young borrowers are proportionately fewer, they have been expanding their average bank indebtedness much faster than those 45 years or older. Since 1956, the average volume of bank loans held by farm borrowers 35-44 years of age has more than doubled; that of their counterparts under 35 years has gained 90 percent. As a group, farmers over 45 increased their average bank loan by only 8 percent.

Part-Time Farmers—Contrary to the trend toward fewer farmers, however, the number of part-time farmers, those receiving one-third or more of their gross income from nonfarm sources, has advanced nearly 60 percent in the last decade. Currently, 36 percent of all individual farm operators for which data are available are part-time. The propelling force causing many farmers to seek nonfarm employment is the increasing difficulty to derive adequate income from relatively small farming units. Improved methods of transportation and greater job opportunities in most parts of the Southeast now make it easier for rural citizens to earn extra incomes without moving from their community. This availability of nonfarm employment has probably held down the rate of migration from farms.

The total volume of bank loans to part-time farmers has advanced nearly four times since 1956 because of the increased number of these operators and the 147-percent jump in the average bank debt per borrower. In 1966, the average amount of loans outstanding for these borrowers was $3,775, compared with $3,881 for full-time farmers. Surprisingly, average credit requirements of part-time farmers do not differ significantly from their full-time counterparts.

Farm Type—For both the full-time and part-time farmer, the general farm is still the most common production unit in the Southeast. In 1966, 56 percent of all farm borrowers, about the same proportion as ten years ago, operated general farms. However, the absolute number of these farms has declined, reflecting the total reduction in farm numbers. These farmers had average bank indebtedness of $2,923, well below the $3,806-average of all farm borrowers.

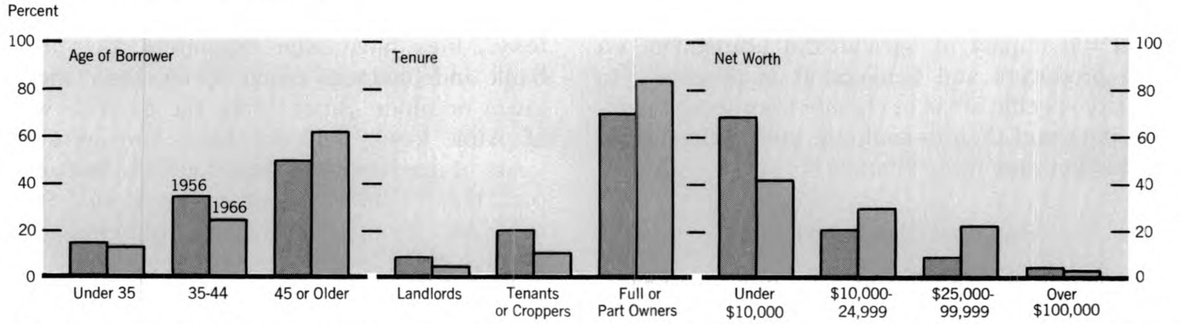
While the relative importance of the general farm has changed little since 1956, the number of specialized farms except cotton has increased sharply. For example, the number of borrowers operating meat animal farms has doubled in the last ten years and now represents 12 percent of the District's farms. The number of borrowers operating poultry farms has increased over 2⅓ times. Also, the number of borrowers specializing in cash grain, fruit, sugarcane, and other major products has advanced sharply since the mid-1950's.

Generally, the types of specialized farms listed above are more capital and less labor intensive than tobacco, small cotton, and general farms. Partial evidence of this tendency is apparent from the average outstanding loan of these farmers which totals more than $5,000, well above the average for all farms. With average loans exceeding $25,000, citrus fruit producers have higher credit needs than any other group of farm borrowers in the Southeast.

The drop from over 53,000 to less than 20,000 cotton farms in ten years is perhaps the most spectacular development in southeastern agriculture. Reduction in cotton acreages, increased production costs, lower prices, and better alternative uses for land have made cotton a secondary crop on most District farms. Since many cotton farmers still operate small farms, their average indebtedness has advanced to only $2,971.

Tenure—Along with the decline in the number of general farms and cotton farms has been the reduction in the number of borrowers that are tenants and sharecroppers. In 1956 these borrowers represented 20 percent of banks' farm borrowers; today, less than 10 percent. Similarly, there has been a 50-percent cutback in the number of borrowers who are landlords, while the group of farmers owning all or part of the land they operate has increased slightly in number. Average credit requirements have advanced about 2½ times for both owner-operator and tenant farmers, while the average landlord has borrowed 88 percent more in the last ten years.

Farm Borrowers at District Banks



Since 1956, the proportion of young people, landlords, and tenants has declined. Of those remaining, farmers with higher net worths

Asset and Credit Requirements

Changes in the type of farming and the characteristics of borrowers fail to show some important developments in the asset structure and financial requirements of many farmers. From 1956 to 1966, the financial needs of all farmers continued to advance rapidly. No longer are the major costs of production embodied in the farmer's labor and the homegrown feed supplies for work stock. Today production credit is needed for fertilizer, seed, feed, equipment, gasoline and other petroleum products, repairs, labor and other purchased items. Intermediate- and long-term credit are required to purchase farm machinery, to improve land and buildings, and to buy additional acreages. And as the amount and price of many of these items advance, so does the producer's need for credit.

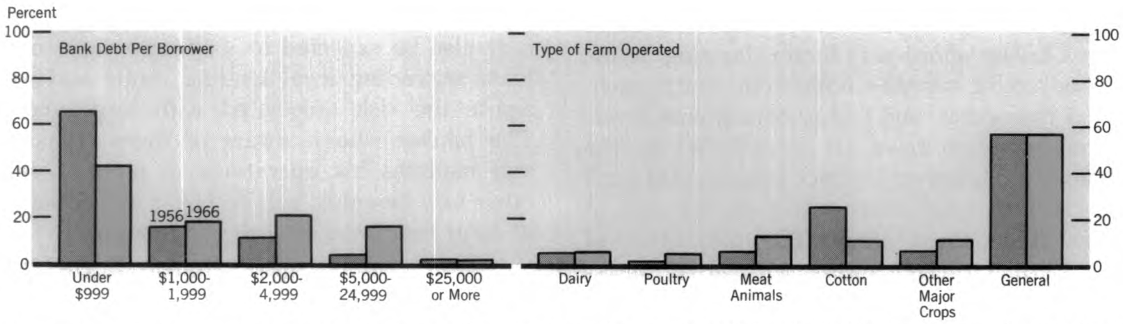
Bank Indebtedness—These trends are, in part, reflected in a lesser number of farm borrowers with small loans. Farmers owing the bank less than $1,000 have dropped from nearly 145,000 to less than 88,000 since 1956, and the number owing $1,000 to $1,999 has advanced only slightly. Meanwhile, the number of borrowers owing larger amounts increased quite sharply between 1956 and 1966. For example, borrowers with indebtedness of $2,000 to $4,999 rose in number by 71 percent, while 130 percent owed banks $5,000 to $9,999. Similarly, three times as many farmers owed $10,000 to $24,999 in 1966 than in 1956, and those owing $25,000 to $99,999 and $100,000 and over gained five and one-half and ten times, respectively.

These adjustments caused a significant shift in the distribution of loans at District banks. On June 30, 1966, 60 percent of the borrowers had loans of $2,000 or less and accounted for only 12 percent of the total volume of farm debt at banks. However, borrowers owing $50,000 or more made up less than one percent of the borrowers but held over 15 percent of the loans.

Net Worth—Just as changes in the sizes of loans identify advances in the financial needs of farm borrowers, the modifications in net worth reflect changes in the size of farm units. Currently, only one-half as many borrowers as ten years ago have net worths of less than $10,000. Part of this decline is the result of the expansion of farming units or repayment of previous indebtedness. However, most of the reduction was probably caused when farmers with these low equities quit farming. Reflecting a generally increased need for production credit, however, the farmers with low net worths that remained on the farm nearly doubled their average bank borrowings.

Contrary to trends toward fewer farming units, the number of farms with higher net worths is actually increasing. At all levels of net worth above $10,000 per borrower, there are now more farmers than in mid-1956. And these individuals account for increasing proportions of the total farm loan portfolios of District bankers. Currently, borrowers with net worths exceeding $25,000 account for approximately 65 percent of the volume of loans outstanding. In 1956, 40 percent of the loans went to farmers reporting this much equity in their farm.

Income—Information relating to the 1956 farm sales is not available, but the 1966 survey indicates that 45 percent of all borrowers had gross incomes below $5,000. Certainly, incomes are near subsistent levels, since farm operators must repay bank loans averaging $1,658, plus various production expenditures not reported in the survey. Discounting the fact that living expenditures are usually lower in rural areas and that many of the borrowers had nonfarm incomes, these small



and higher bank loans appear much more frequently, as do producers specializing in "other major crops" and livestock.

production units will find it difficult to remain operative in the years to come. Those borrowers with incomes below $5,000 will probably be the best candidates to leave the farm, and the aggregate demand for credit from those that remain will grow only slowly. The remaining farm borrowers were about equally divided between those with gross farm incomes of $5,000 to $9,999 and $10,000 and more.

In 1966, 99.4 percent of all farm borrowers at District banks were individual operators. Of the remaining farms, 0.4 percent, or 742, were partnerships, and 0.2 percent, or 468, were corporate-type business structures. These data indicate that the family farm is still the bulwark of southeastern agriculture. However, in certain types of production with extremely high capital requirements and greater economies of scale, such as Florida citrus, the corporate-type business structure appears more frequently. The average indebtedness for partnerships and corporate farms was $19,790 and $64,312, respectively, compared with $3,612 for individuals.

Future

In anticipating future changes in the characteristics of farm borrowers and agriculture, it is safe to assume that past performances will probably continue but perhaps at a more rapid rate. Farm sizes will expand further as more people leave agriculture and the consolidation of farming units continues. These trends will be reinforced by the movement toward more mechanization and specialization of farm production.

Generally, the adaptation of advanced production techniques and mechanization has been slower in the South than in other regions. A large number of social and economic factors, such as a relatively cheap labor supply, a large number of subsistence type farms, highly diversified agriculture in some areas, and a single crop cotton economy in others, have all contributed to the problem. However, in recent years, adjustments in farm production have proceeded more rapidly. Labor shortages, larger farming units, increased credit supplies both from credit agencies and businesses, and higher educational levels of farm operators have all contributed to the adjustments. However, District farmers still rank below their national counterparts in the rate of adjustment in these areas. The proportion of southeastern farm borrowers with total assets under $10,000 and net worths of less than $5,000 is nearly twice as high as in the U.S. Similarly, annual sales were less than $5,000 for 45 percent of the District borrowers, compared with only one-fourth in the U.S. And while adjustments are taking place more rapidly for each of the characteristics mentioned, the rate of change during the last ten years was slower in the Southeast than in the nation.

Nevertheless, the southern farm scene has been changing quickly. And, as these trends continue, very likely today's medium-size or middle income farm will become the subsistence farm of tomorrow. The 131,000 borrowers with total sales of less than $10,000 will certainly find it difficult to maintain net incomes and a good level of living without increasing the size of their farms or without sizable amounts of nonfarm incomes.

If present trends continue, banks can expect only a slight expansion in aggregate loan demand from this block of borrowers. Even though the average credit needs of individual borrowers will increase, ten years from now a substantial number of them will have left the area. Also, banks in these areas may experience problems with deposit growth from agriculture.

Therefore, banks with both the ability and desire to expand aggregate farm loan volumes will need to attract or seek out individuals who are expanding their farming operations. However, the competition for these accounts may be keen. Farmers with large loan requests, plus high net worths and improved income flows, will request better banking services. Local banks that fail to compete in this field may lose prime customers to other institutions with better rates and services.

One future requirement of farm borrowers may include continuous debt financing to implement long-run production plans rather than operate from year to year as in the past. Under these conditions, bankers may be expected to evaluate loans more in terms of productivity and less on value of the collateral pledged by the borrower. Certainly, the banker will have to require balance sheets and cash flow information, as well as cost and return data, to evaluate the productivity and profitability of various enterprises. The banker may also be expected to seek new ways to grant loans exceeding legal lending limits and to dissipate the risk associated with large accounts. The banker who is aware of these adjustments and modifies his operations to meet these and other new demands will be best serving the needs of farm borrowers and the community.

Robert E. Sweeney

This is the second in a series of articles on the 1966 farm loan survey.

Tennessee Comes Out Ahead

When you're struggling to catch up, whether in a foot race or in terms of personal income, you've got to go faster than the leader to get abreast of him. Last year Tennessee, a state whose per capita income trails the national average, advanced more rapidly. Personal income, the most comprehensive indicator of economic growth, grew 10 percent in the Volunteer state, compared with 8 percent for the nation.

Personal income was not, however, the only Tennessee economic indicator to outpace those of the nation. The state's nonagricultural employment growth exceeded the nation's by an even wider margin than personal income. Meanwhile, unemployment remained lower in Tennessee than in the nation.

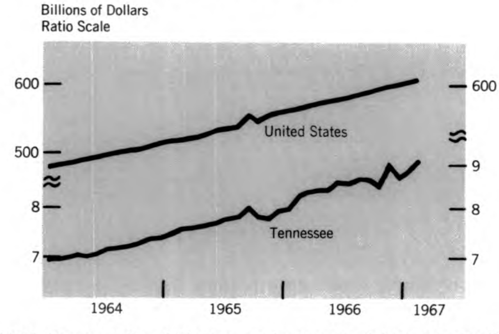
The number of jobs resulting from investment in new and expanded plants in Tennessee exceeded that of each of the other District states, according to Georgia Tech's Industrial Development Division. Tennessee ran second in the value of such investment. Its total growth of nonagricultural employment also ran ahead of that of other District states, although, as was common in the nation, it did not equal 1965's gain.

Manufacturing Spurred by Chemicals

The most rapid growth of Tennessee employment was experienced in the manufacturing sector, an income source more important in the state than in the nation and one whose income growth rate in the state is rivaled only by government. Gains in manufacturing, Tennessee's largest employer, were not evenly distributed, of course. Cities showing particularly strong growth were Chattanooga, the Tri-Cities (Kingsport, Bristol, and Johnson City), and Memphis (outside the Sixth District).

From August 1965 to August 1966, Chattanooga's total employment growth led every major metropolitan area in the nation but one, yet employment in its major manufacturing industry, textile mill products, declined during this period

Personal Income



In 1966 the growth of Tennessee's personal income continued to outpace the nation's.

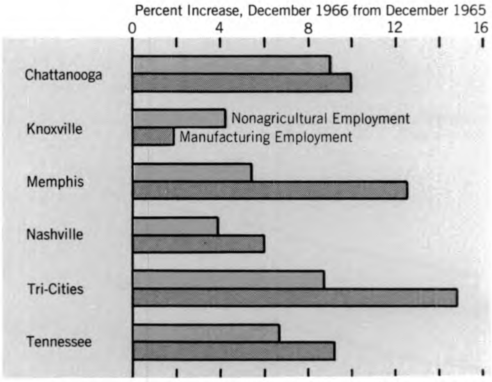
and through the remainder of 1966. Textile mill employment for the state as a whole also showed a December-to-December employment decline. But, despite this weakness in textiles, common to much of the nation, Chattanooga's manufacturing employment rose more rapidly than did total nonagricultural employment.

Employment growth in the nation slowed during the fall, but the reverse was true in both total and manufacturing employment in Chattanooga, where the growth of employment in the December-to-December period exceeded August-to-August growth. Sparking this expansion was a large increase in employment in chemicals, a rapidly growing sector throughout the state. This swift rise of chemical and allied products employment was spurred by the industry's strong performance nationally.

The most important chemical industries in Tennessee are basic chemicals, mainly inorganic in nature, and fibers, plastics, and rubbers, with concentration in cellulosic manmade fibers. While overall chemical gains in the nation were strong throughout the year, some softness in synthetic fibers, which were plagued by over-capacity, import competition, and price cutting, was evident in the fall. Explosives, though not a major industry in the state, are important in some sections and expanded greatly in response to the heavy ammunition requirements of the Viet Nam War. Both Chattanooga and the Tri-Cities benefited from this "boom" in ordnance.

The chemical industry, largest manufacturing employer in the Tri-Cities, played an important role in the area's pace-setting growth of employment. As in Chattanooga, total nonagricultural,

Nonagricultural and Manufacturing Employment in Tennessee



The rate of employment growth from December 1965 to December 1966 varied significantly in different sections of the state, but growth of manufacturing employment was relatively vigorous almost everywhere.

manufacturing, and chemical employment in the Tri-Cities area rose even more rapidly in the December-to-December period than in the August-to-August period. And again like Chattanooga, the rate of gain in manufacturing employment was greater than that in total employment.

In Knoxville, chemicals, though not so important as in the Tri-Cities, are also the largest manufacturing employer. Due perhaps to the industry's different structure in Knoxville, its rate of growth in this city fell well below that of Chattanooga and the Tri-Cities. The growth of total nonagricultural and manufacturing employment in Knoxville was also below their rates. And in contrast to Chattanooga and the Tri-Cities, the growth of manufacturing employment in Knoxville decreased late in the year and its growth rate was less than that of total employment, which rose.

In the state's other large interior city, Nashville, the picture was the reverse of Knoxville in two respects: manufacturing employment led total employment growth, and both rates of increase fell off as the year progressed. Yet Nashville's most important manufacturing industry, printing and publishing, grew more rapidly. Offsetting this strength was a December-to-December weakness in other areas of manufacturing and trade.

The growth rate of trade jobs declined throughout the state as the year grew older, though climbing in Chattanooga, Knoxville, and the Tri-Cities. Only in Chattanooga was the rise exceptionally large, however. For the state, trade showed the greatest employment growth outside manufacturing. This, along with sales tax figures, suggests that Tennessee's retailers were not adversely affected by the widespread slowing of the nation's retail sales growth.

Autumn Growth Slower

In spite of the faster growth of total employment in some of its major cities in the December-to-December period than in the August-to-August period, the record of the state as a whole more closely mirrored the national trend, i.e., it experienced a slowdown in employment growth as the year progressed. A more moderate rate of growth was seen in total nonagricultural, total manufacturing, and durable and nondurable goods manufacturing employment.

The rise of construction employment in Tennessee compared favorably with the national level, which was affected by a slump in residential construction. During this period the nation experienced an absolute decline in construction employment. In Tennessee a reduction of activity in residential construction showed up clearly in the various construction contract and building permit series and in the figures on real estate mortgage loans, as the accustomed flow of mortgage money fell off sharply. However, Tennessee savings and loan institutions experienced the smallest contraction of savings flows of any District state, and, not surprisingly, cut back less on mortgage lending.

Although the number of residential construction contracts declined from the previous year's total by 14 percent, nonresidential construction contracts showed a whopping 26-percent gain and total construction contracts rose 9 percent. While residential construction contracts managed to actually post a small gain in Chattanooga, they fell off by 30 percent or more in the two cities which in 1965 accounted for a quarter of the state's residential construction—Knoxville and Nashville.

Growth Pattern Important

The manufacturing-dominated pattern of employment growth last year was encouraging for a state striving to catch up with national personal income, for manufacturing pays relatively well. The vigorous growth of employment in durable goods manufacturing throughout the year was particularly helpful. Durables' December-to-December growth rate at 13.3 percent dwarfed the 6.6-percent rise of nondurable goods and the 6.8-percent gain for total nonagricultural employment. And though durables' August-to-August gain was higher than the December increase, the slowing late in 1966 was slight. In Tennessee, this sector is less important than in the nation and pays, on average, slightly higher wages than the much larger nondurable goods sector. Because the nation's distribution of jobs is weighted more heavily in the faster growing durables than Tennessee's, the Volunteer state faced a handicap in outpacing the nation last year.

Agriculture Near Record

In 1966 cash receipts from farm marketings fell short of the 1965 record level by less than one percent. This development reflects diverse trends in the two major sources of farm income: crop and livestock sales.

In 1966 crop sales dropped to the lowest level in six years, caused mainly by a sharp reduction in cotton production and prices. Meanwhile, for the year, sales from livestock, which accounted for 59 percent of Tennessee's cash receipts, were the highest on record. Large marketings and high prices for cattle, broilers, and hogs pushed receipts up in the first half of the year. In the last half, prices for these commodities moderated. However, milk and egg prices gained significantly.

Although production expenditures rose further and cash receipts are down slightly, Tennessee farmers will probably report net farm incomes near 1965 levels. Somewhat higher government payments in the form of price supports and acreage diversion payments in the cotton program will be the balancing factor.

Outlook

Although we are all interested in how we arrived at our destination, we are more concerned about where we are going. One of the best indicators of this, however, is how we got where we are. Tennessee's record indicates that if she is to hold her own in 1967, she must beat the nation's overall record. This is the harsh demand of a vital, growing economy. One must run faster just to stay in the same place. To pass all the hurdles, one must advance more rapidly. And although its prospects now look bright, we will have to wait and see if the Volunteer state this year manages to fulfill this requirement.

CAROLE E. SCOTT

This is one of a series in which economic developments in each of the Sixth District states are discussed. Copies of A REVIEW OF ALABAMA'S ECONOMY, *1960-1966; and* A REVIEW OF GEORGIA'S ECONOMY, *1960-1967; and* A REVIEW OF TENNESSEE'S ECONOMY, *1960-1967, are now available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.*

Bank Announcements

The **Sea Island Bank,** Statesboro, Georgia, a nonmember bank, began to remit at par on April 13 for checks drawn on it when received from the Federal Reserve Bank.

On April 27, **The Trust Company of Georgia Bank of Sandy Springs,** Sandy Springs, Georgia, opened for business as a nonmember bank and began to remit at par. William L. Henning is president, and S. Jack Hall, vice president and cashier. Capital is $200,000; surplus and other capital funds, $300,000.

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	56,197	54,833r	54,269r	52,067
Manufacturing Payrolls	Mar.	195	195r	196	181
Farm Cash Receipts	Feb.	137	131	120	147
Crops	Feb.	125	116	108	151
Livestock	Feb.	146	148	152	147
Instalment Credit at Banks, *(Mil. $)					
New Loans	Mar.	272	289r	256	292
Repayments	Mar.	254	258	253	233
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	136	136	136	130
Manufacturing	Mar.	136	137	137	130
Apparel	Mar.	165	168	170	159
Chemicals	Mar.	129	131	132	123
Fabricated Metals	Mar.	154	155	154	143
Food	Mar.	116	115	116	113
Lbr., Wood Prod., Furn. & Fix.	Mar.	105	106	108	104
Paper	Mar.	117	117r	116	111
Primary Metals	Mar.	126	129	129	113
Textiles	Mar.	106	106	107	103
Transportation Equipment	Mar.	174	177r	179	168
Nonmanufacturing	Mar.	136	136r	135	130
Construction	Mar.	132	132	135	132
Farm Employment	Mar.	68	70	71	70
Unemployment Rate (Percent of Work Force)	Mar.	3.4	3.4	3.3	3.3
Insured Unemployment (Percent of Cov. Emp.)	Mar.	2.1	2.1	2.2r	2.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.9	40.9	41.4	41.8
Construction Contracts*	Mar.	140	142	156	170
Residential	Mar.	159	121	150	184
All Other	Mar.	124	159	160	157
Electric Power Production**	Feb.	141	146	145	134
Cotton Consumption**	Feb.	117	120	117	115
Petrol. Prod. in Coastal La. and Miss.**	Mar.	217	220	216r	198
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Mar.	247	245	244	229
Leading Cities	Apr.	222	223	222	210
Member Bank Deposits*					
All Banks	Mar.	185	183	183	173
Leading Cities	Apr.	170	167	167	157
Bank Debits*/**	Mar.	193	190	186	183
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	7,388	7,257r	7,276r	6,934
Manufacturing Payrolls	Mar.	175	177r	177	169
Farm Cash Receipts	Feb.	148	140	112	154
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	125	125	125	121
Manufacturing	Mar.	122	124	124	120
Nonmanufacturing	Mar.	126	126	126	121
Construction	Mar.	123	124	126	126
Farm Employment	Mar.	75	80	73	69
Unemployment Rate (Percent of Work Force)	Mar.	4.1	3.9r	4.5	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	41.1	41.1r	41.5	42.1
FINANCE AND BANKING					
Member Bank Loans	Mar.	234	231	229	218
Member Bank Deposits	Mar.	184	181	180	173
Bank Debits**	Mar.	183	186	191	177
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	15,974	15,691r	15,588r	14,899
Manufacturing Payrolls	Mar.	241	235r	236	207
Farm Cash Receipts	Feb.	126	116	126	147
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	147	147	146	141
Manufacturing	Mar.	155	155	154	142
Nonmanufacturing	Mar.	146	146r	145	140
Construction	Mar.	111	112r	112	115
Farm Employment	Mar.	88	96	100	88
Unemployment Rate (Percent of Work Force)	Mar.	2.6	2.7	2.7	2.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	42.3	41.6r	42.4	42.4
FINANCE AND BANKING					
Member Bank Loans	Mar.	256	252	250	228
Member Bank Deposits	Mar.	189	184	187	173
Bank Debits**	Mar.	184	184	181	174
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	10,838	10,649r	10,632r	10,087
Manufacturing Payrolls	Mar.	192	195r	197	182
Farm Cash Receipts	Feb.	137	141	134	145
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	135	134	135	130
Manufacturing	Mar.	130	130	131	127
Nonmanufacturing	Mar.	137	136	137	131
Construction	Mar.	133	131r	132	143
Farm Employment	Mar.	55	59	66	55
Unemployment Rate (Percent of Work Force)	Mar.	3.4	3.2	3.0	4.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.4	40.6r	41.2	41.3
FINANCE AND BANKING					
Member Bank Loans	Mar.	258	257	253	251
Member Bank Deposits	Mar.	204	204	202	189
Bank Debits**	Mar.	215	207	196	199
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	8,604	8,312r	8,162r	7,768
Manufacturing Payrolls	Mar.	177	178r	173	159
Farm Cash Receipts	Feb.	147	133	132	142
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	127	127	128	120
Manufacturing	Mar.	121	121	121	112
Nonmanufacturing	Mar.	129	129	129	121
Construction	Mar.	154	153	159	146
Farm Employment	Mar.	60	64	61	66
Unemployment Rate (Percent of Work Force)	Mar.	4.2	4.2	4.0	4.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	42.2	42.6r	42.3	42.6
FINANCE AND BANKING					
Member Bank Loans*	Mar.	220	221	223	205
Member Bank Deposits*	Mar.	158	156	158	151
Bank Debits*/**	Mar.	163	161	168	165
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	4,352	4,122r	4,006r	4,089
Manufacturing Payrolls	Mar.	211	212	212	200
Farm Cash Receipts	Feb.	145	140	102	168
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	138	139	139	131
Manufacturing	Mar.	146	148	149	143
Nonmanufacturing	Mar.	135	135	135	126
Construction	Mar.	146	144	151	139
Farm Employment	Mar.	61	62	60	64
Unemployment Rate (Percent of Work Force)	Mar.	3.9	4.1	4.3	3.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.5	40.7	41.1	41.7
FINANCE AND BANKING					
Member Bank Loans*	Mar.	294	298	296	268
Member Bank Deposits*	Mar.	223	222	220	210
Bank Debits*/**	Mar.	207	209	194	192

		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Feb.	9,041	8,802r	8,605r	8,290
Manufacturing Payrolls	Mar.	192	191r	193	178
Farm Cash Receipts	Feb.	127	120	110	124
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Mar.	138	138	139	131
Manufacturing	Mar.	145	147	148	138
Nonmanufacturing	Mar.	134	134	134	127
Construction	Mar.	165	170r	177	156
Farm Employment	Mar.	77	70	75	82
Unemployment Rate (Percent of Work Force)	Mar.	3.3	3.2	3.2	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Mar.	40.0	39.9r	40.6	41.5
FINANCE AND BANKING					
Member Bank Loans*	Mar.	240	238	238	225
Member Bank Deposits*	Mar.	173	173	173	168
Bank Debits*/**	Mar.	215	208	193	198

*For Sixth District area only. Other totals for entire six states. **Daily average basis. r-Revised.

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; cotton consumption, U. S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

Debits to Demand Deposit Accounts

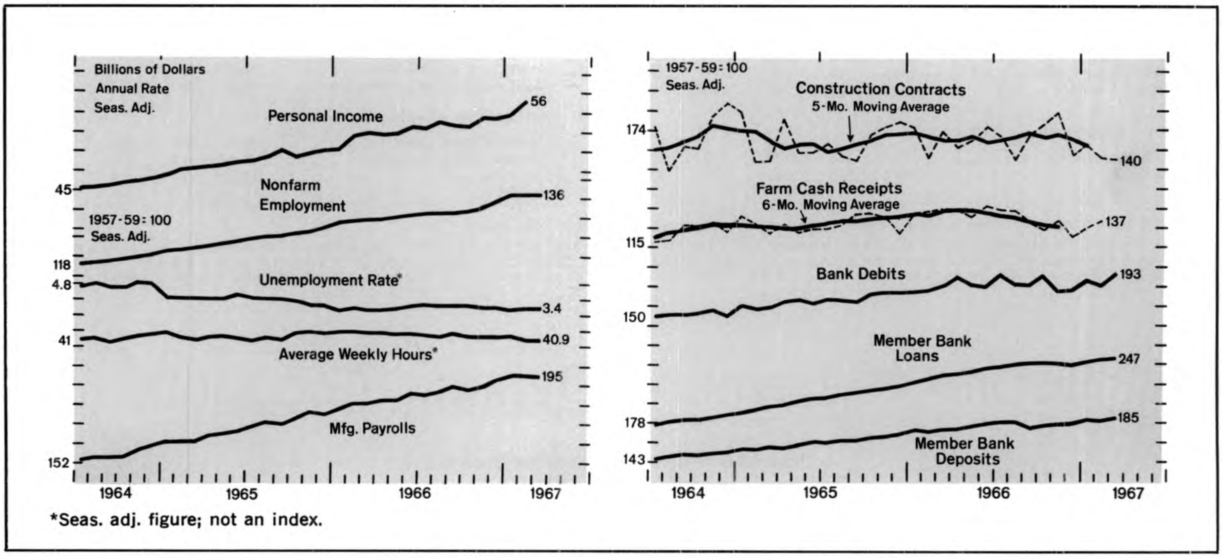
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Mar. 1967	Feb. 1967	Mar. 1966	Percent Change: Mar. 1967 from Feb. 1967	Percent Change: Mar. 1967 from Mar. 1966	Percent Change: Year-to-Date 3 mos. 1967 from 1966
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,513,815	1,318,176	1,426,694r	+15	+6	+11
Gadsden	59,370	54,090	63,519r	+10	−7	−6
Huntsville	186,993	159,435	183,590r	+17	+2	+3
Mobile	470,016	418,819	467,271r	+12	+1	+4
Montgomery	306,223	272,077	292,771r	+13	+5	+5
Tuscaloosa	98,340	88,077	89,107	+17	+10	+7
Ft. Lauderdale—Hollywood	671,413	598,690	656,524r	+12	+2	+7
Jacksonville	1,644,258	1,404,259	1,555,490r	+17	+6	+6
Miami	2,417,751	2,028,491r	2,230,660	+19	+8	+9
Orlando	555,654	484,221	572,492r	+15	−3	+3
Pensacola	197,844	179,245r	185,627r	+10	+7	+11
Tallahassee	128,230	138,815	120,393	−8	+7	+15
Tampa—St. Petersburg	1,380,371	1,212,802r	1,305,988r	+14	+6	+7
W. Palm Beach	446,687	415,839	449,095r	+7	−1	+3
Albany	86,005	77,550	100,756	+11	−17	−4
Atlanta	4,745,483	3,928,464	4,381,111r	+21	+8	+9
Augusta	287,852	257,794	249,524r	+12	+15	+15
Columbus	216,282	190,153	206,708r	+14	+5	+10
Macon	254,615	211,107	224,301r	+21	+14	+10
Savannah	282,970	235,022	256,085r	+20	+10	+9
Baton Rouge	549,869	494,962	552,953r	+11	−1	+7
Lafayette	112,850	111,002	119,309	+2	−5	+3
Lake Charles	141,788	131,780	121,942	+8	+16	+21
New Orleans	2,473,333	2,035,376	2,571,256r	+22	−4	+3
Jackson	619,416	589,355	584,205r	+5	+6	+10
Chattanooga	632,411	509,581	577,089r	+24	+10	+9
Knoxville	451,693	411,410	426,879r	+10	+6	+10
Nashville	1,627,292	1,444,260	1,430,014r	+13	+14	+16
OTHER CENTERS						
Anniston	63,473	54,590	61,953	+16	+2	+4
Dothan	62,285	53,610	57,279	+16	+9	+13
Selma	44,288	40,071	40,974	+11	+8	+8
Bartow	38,273	36,793	38,518	+4	−1	+8
Bradenton	75,188	61,052	57,987	+23	+30	+27
Brevard County	217,750	192,396	224,956	+13	−3	+1
Daytona Beach	96,394	73,901	80,088	+30	+20	+7
Ft. Myers—N. Ft. Myers	82,466	70,836	78,011	+16	+6	+6
Gainesville	86,679	74,508	78,109	+16	+11	+9
Lakeland	124,741	116,403	128,309	+7	−3	+5
Monroe County	38,706	32,058	38,202	+21	+1	+4
Ocala	56,492	57,079	59,540	−1	−5	+4
St. Augustine	19,615	17,370	21,308	+13	−8	+7
St. Petersburg	361,940	302,149r	316,121	+20	+14	+5
Sarasota	101,679	92,631	111,596	+10	−9	−1
Tampa	692,594	612,060	684,113	+13	+1	+6
Winter Haven	62,688	59,228	68,684r	+6	−9	+3
Athens	73,710	66,700	70,140	+11	+5	+12
Brunswick	40,492	34,725	38,616	+17	+5	+5
Dalton	78,412	71,669	89,949	+9	−13	−6
Elberton	18,552	11,949	13,688	+55	+36	+18
Gainesville	71,082	65,660	56,443	+8	+26	+13
Griffin	31,530	29,157	31,449	+8	+0	+9
LaGrange	23,694	20,280	25,159	+17	−6	−1
Newnan	21,438	22,466	25,965	−5	−17	+1
Rome	71,564	63,650	71,196	+12	+1	+4
Valdosta	54,475	47,419	50,823	+15	+7	+12
Abbeville	11,659	10,015	11,111	+16	+5	+6
Alexandria	139,084	132,604	112,659	+5	+23	+26
Bunkie	6,784	5,727	5,462	+18	+24	+22
Hammond	38,171	34,608	33,121	+10	+15	+23
New Iberia	33,581	30,843	34,953	+9	−4	−2
Plaquemine	10,634	11,634	9,776	−8	+9	+22
Thibodaux	22,879	19,508	22,005	+17	+4	+3
Biloxi-Gulfport	108,221	90,445	89,228	+20	+21	+13
Hattiesburg	55,421	49,393	52,534	+12	+5	+5
Laurel	33,963	31,546	35,915	+8	−5	−1
Meridian	64,132	58,616	61,385	+9	+4	+7
Natchez	39,747	33,495	35,443	+19	+12	+13
Pascagoula—Moss Point	54,014	50,177	51,031	+8	+6	+13
Vicksburg	40,828	38,442	39,342	+6	+4	+10
Yazoo City	26,447	23,809	24,185	+11	+9	+10
Bristol	65,384	55,345	68,765	+18	−5	+9
Johnson City	77,289	68,611	71,520	+13	+8	+11
Kingsport	170,164	135,172	162,646	+26	+5	+11
SIXTH DISTRICT, Total	30,720,039	26,750,194r	29,127,453r	+15	+5	+8
Alabama‡	3,849,406	3,501,560	3,726,846r	+10	+3	+8
Florida‡	9,619,880	8,337,548r	9,097,087	+15	+6	+6
Georgia‡	7,690,087	6,542,131	7,131,866r	+18	+8	+9
Louisiana*†	4,086,178	3,558,006	4,127,658r	+15	−1	+6
Mississippi*†	1,385,980	1,265,822	1,275,543r	+9	+9	+10
Tennessee*†	4,088,508	3,545,127	3,768,453r	+15	+8	+11

*Includes only banks in the Sixth District portion of the state. †Partially estimated. ‡Estimated.

District Business Conditions



The District echoed the somewhat brighter tone of national business statistics for March. The expansion of nonmanufacturing jobs overshadowed the weakness in manufacturing, and consumers loosened their purse strings. More tangible evidence of recovery in construction appeared. Bankers assumed a more receptive attitude toward business borrowers. Meanwhile, farmers coped with flood or drought-like conditions.

Nonfarm jobs gained in March, but manufacturing activity again slackened. Setbacks in jobs, the length of the workweek, and electricity consumption—a measure of capital usage—characterized February manufacturing activity. Further declines in manufacturing jobs and the workweek occurred in March even though total nonfarm jobs advanced. The unemployment rate continued to fluctuate around 3½ percent.

District consumers spent more of their rising incomes in March after several months of subdued spending. Car sales, though still below the high rate of March 1966, advanced from the previous month and pushed extensions of automobile loans up sharply at commercial banks. Bank loans for retail purchases, an indirect measure of spending for other types of durable goods, also expanded in March.

Total construction experienced a 15-percent increase over February in contract volume. However, for the first quarter both residential and nonresidential construction totaled substantially less than for the same period last year. Savings flows to mortgage lending institutions continue to improve, as evidenced by an all-time record net savings inflow to Florida savings and loan associations in the first quarter. A slight decline in conventional mortgage rates at several District markets enhanced mortgage lending volume.

Bank lending to business has revived, judging by April gains in business loans at large city banks. Having acquired substantial volumes of investments in the past five months, most city banks are in a better position to expand their loan portfolios. Time-deposit growth retained its force, despite some moderation in the issuance of large denomination certificates of deposits.

Divergent weather patterns slowed field work. A record rainfall in mid-April damaged vegetable and field crops in southern Louisiana. However, very dry and unseasonably warm weather in the eastern two-thirds of the District delayed plantings. In March, average prices received by farmers were well below year-ago levels, while prices paid by them advanced. District bankers report the demand for farm loans equals or exceeds last year's.

NOTE: Data on which statements are based have been adjusted whenever possible to eliminate seasonal influences.