



LIBRARY  
FEB - 8 1955  
FEDERAL RESERVE BANK  
OF PHILADELPHIA

# Monthly Review

ATLANTA, GEORGIA, JANUARY 31, 1955

## *In This Issue:*

**The Flowers That Bloom in the Spring**  
**Recession and Economic Growth**  
**Assets of District Banks Expand in 1954**

## *Sixth District Statistics:*

*Condition of 27 Member Banks in Leading Cities*  
*Debits to Individual Demand Deposit Accounts*  
*Department Store Sales and Inventories*  
*Instalment Cash Loans*  
*Retail Furniture Store Operations*  
*Wholesale Sales and Inventories*

## *Sixth District Indexes:*

*Construction Contracts*  
*Cotton Consumption*  
*Department Store Sales and Stocks*  
*Electric Power Production*  
*Furniture Store Sales*  
*Manufacturing Employment*  
*Manufacturing Payrolls*  
*Petroleum Production*  
*Turnover of Demand Deposits*

# *Federal Reserve Bank of Atlanta*

# DISTRICT BUSINESS HIGHLIGHTS

---

Although economic activity, with the exception of agriculture, continues to improve more than seasonally, the overall expansion is of modest proportions. Manufacturing employment and payrolls rose somewhat; construction showed a further sharp advance; and consumer spending and bank loans continued to make moderate gains.

**Department store sales**, seasonally adjusted, continued upward in early January.

**New car sales** are increasing faster than a year earlier, judging from new car registrations in Atlanta in late December and early January.

**Consumer instalment loans** made in December by commercial banks rose; the rise in loans on home appliances and other consumer goods was particularly sharp. Automobile loans also gained significantly.

**Foreign trade** through District ports recovered in October after a three-month decline. Exports rose more than imports.

**Manufacturing employment and payrolls**, after seasonal adjustment, continued to advance in November.

**Construction contracts** during December were higher than in any other month in 1954. **Residential contracts** were the highest on record.

**Cotton textile activity**, measured by seasonally adjusted cotton consumption, declined sharply during December, after having increased in preceding months.

**Average wholesale prices** of important District nonfarm commodities remained relatively stable.

**Petroleum production** in coastal Louisiana and Mississippi, after seasonal adjustment, rose substantially during December, halting the decline that began in June.

**Interest rates on new business loans** made by banks in major cities averaged slightly lower in December than they did in September.

**Bank debits**, seasonally adjusted, increased in December and were substantially above the year-ago level.

**Deposits at all member banks** increased less than seasonally in December, but loans expanded more than seasonally.

**Time deposits at commercial banks** rose slightly in December instead of declining as in 1953.

**Farm prices** of broilers have risen sharply, whereas advances in prices of hogs, beef cattle, and eggs have been slight. Prices of cottonseed, peanuts, corn, rice, and milk are holding steady, but oranges and grapefruit are down.

**Stocks of most grains and hay** on farms are far below last year; and available grazing, though somewhat improved over last fall, is still short. Consequently, farmers feeding cattle and milk cows this winter find their costs higher.

**Farm land values** declined between July and November, but less rapidly than in the previous twelve months; values in Florida and Louisiana rose slightly.

**Farm production loans outstanding** at all member banks in December were off slightly from year-earlier levels, but **farm real-estate loans outstanding** rose substantially.

**Excess reserves** of District member banks remained around the December level during most of January, but some of the larger banks found it necessary to borrow.

# The Flowers That Bloom in the Spring

Analogies between changing weather conditions and changing business conditions come to mind all too readily. Pondering the ups and downs of business and the many shades and degrees of optimism and pessimism that accompany them, one is unavoidably reminded of the waxing and waning of life throughout nature during the cycle of the seasons and of the changing moods that are characteristic of it. Prediction, too, is as uncertain in the one case as in the other. Take, for instance, the most recent example of this kind of situation.

Last October the weather was unseasonably warm and the leaves clung to the trees long after they should have fallen. Close observers noted that onion skins seemed thicker and tougher than the year before and others were sure that the squirrels were flaunting bushier tails than usual and that the moles were burrowing deeper than last year. According to those who profess to know about such things, all signs were pointing to a long, hard winter ahead.

A somewhat similar state of affairs existed in the realm of business. Beginning somewhere back in the third quarter of 1953, signs began to point to difficult times ahead. The index of industrial production, that averaged 134 for the year 1953 and that still stood at 132 in October of that year, fell little by little during the remainder of the year and on into 1954 until it hit a low of 123 in the spring.

Much of the decline in industrial production was occasioned by what was happening in the automobile industry and others related to it, as well as in the steel industry that feeds them. There had been severe reductions in the output of new cars in anticipation of bringing out new models earlier than in previous years. Thus, while the index of industrial production dropped by only ten or eleven points between October 1953 and the summer of 1954, primary metals dropped twenty-five points, and transportation equipment (which includes automobiles) dropped twenty-eight points in the index.

Industrial production was further depressed by reductions in defense spending for hard goods and by inventory liquidation between the fall of 1953 and the fall of 1954. Total business sales declined slightly but on the whole remained at a high level. Sales volume, however, was being maintained out of inventory rather than out of new production and so reacted unfavorably on production.

Two other developments conspired to create uncertainty about the future during the period under consideration. Expenditures for new plant and equipment that had been running at a seasonally adjusted annual rate of 28.9 billion dollars in the third quarter of 1953 sank, quarter by quarter, to 26.6 billion in the fourth quarter of 1954. Expenditures by the Federal Government for goods and services likewise fell from a seasonally adjusted annual rate of 62.2 billion dollars in the second quarter of 1953 to 47.9 billion in the third quarter of 1954.

Accompanying the shrinkage in the industrial sector of the economy was an increase in the number of unemployed. Between the seasonal low in October 1953 and the late

winter seasonal high of 1954 the number of unemployed more than trebled, rising from 1.8 percent of the labor force in October to 5.8 percent in the following March.

Agriculture also had problems of its own. Chief among these was the decline in farm income resulting from falling prices, a shrinking export demand, and the ravages of a severe drought. For the first ten months of 1954 cash receipts were running some 4 percent below the same period in 1953, receipts from livestock being down about 3 percent and those from crops down about 5½ percent.

The brightest spot in the whole economic picture was the unabated housing boom. The demand for new housing seemed insatiable and month by month all records seemed to be broken. With disposable income stable at a high level, and with easy terms and low rates prevailing in the mortgage market, no one could say how far this particular boom had yet to go.

The maintenance of retail sales at a high level was also a bright spot. It showed that consumers were in a buying mood, and things could not be too bad as long as they continued to buy. Buying, of course, had been helped to some extent by reductions in taxes—a form of stimulation that may not be repeated. To a certain extent too, buying has been maintained by encroaching on the proportion of income going into savings and by some increase in the use of consumer credit.

A third bright spot in the picture was the paradoxical behavior of the stock market. While nearly everything else was going down, it continued to rise to unprecedented peaks. Like an *aurora borealis* it cast an unearthly glow over the whole economic scene so that everything shimmered in a beauty not its own.

This, then, was the way the signs were pointing during most of 1954. Enough has been said to show that despite a few bright spots, there were some valid grounds for pessimism. Fears abounded that the country was at last about to encounter the major economic crisis that had been expected ever since the end of the second World War. Every war in the past, after all, had been followed by serious economic repercussions. So far, World War II and the Korean War had been followed only by ripples and not by the tidal waves that had been anticipated. Was there not reason, indeed, to suppose that sooner or later we *would* experience the economic consequences of these world-shaking cataclysms? Was it reasonable to believe that such events could occur without producing any serious reaction? Darkened by this shadow of the past, the mood of the country in 1954 was fearful and pessimistic beyond anything that was justified by objective conditions.

There were optimists, of course, who took a different view of things. Everything was different now, the more extreme were saying. They pointed out that no two historical situations are ever alike and, anyway, our economy is now equipped with built-in stabilizers and shock absorbers, to say nothing of self-starters, power steering, power brakes, automatic gear shifts, and direction signals—just

like our automobiles. With all this new paraphernalia, the machine need never again go into the ditch. The pessimists, however, muttered that although history may never repeat itself exactly, it nevertheless does repeat, and that even the fanciest kind of car can sometimes be found in the ditch.

As often happens, however, the signs portending a hard winter have failed. Thus far it has been a remarkably open winter. Here and there, and now and then, perhaps, it has seemed as though the worst of winter was about to descend, but these periods have been short and quite infrequent, at least in this part of the country. A mildness betokening an early spring is in the air. Flowers that might be expected to blossom somewhat later are even now beginning to bud in the more sheltered places.

Equally mistaken have been the signs of approaching economic troubles. The indexes that had shown little change from their low spring levels turned upward again. The index of industrial production by the end of the year reached 131—a figure higher than that for November 1953. Manufactures of both durable and nondurable goods ended the year at the highest level reached for the last twelve months. Construction activity continued without abatement except for that incident to the season. The holiday trade in 1954 exceeded that of 1953 and incomes remained high. Beginning in midsummer the number of unemployed as well as the number of temporary layoffs began to decline and the average work week began to lengthen a little. The stock market continued to forge ahead with only short lulls to punctuate the long advance.

The air of pessimism that had constituted the psychological atmosphere throughout most of 1954 had evaporated by the year's end like a morning mist before the genial rays of a spring sun. The year 1955 opens with a feeling of buoyancy that is almost without precedent—at least in the period since 1929. New patents are being recorded in record numbers, showing that the inventiveness of the American people is very much alive and active. New incorporations are increasing in number month by month, showing that the venturesomeness of American business has not died out. And the nation is enjoying a boom in the number of babies that indicates a general feeling of security and prosperity throughout the population.

It seems, therefore, that the optimists were right after all. It was no serious business set-back towards which we were heading last year. It was only a pause, only a short step back, perhaps, before resuming our upward march toward ever greater material prosperity. Even now the optimists are telling us that this is only the beginning of still better things to come. We are on the verge of a new era, a new type of economy, in which atomic energy, electronic controls, automation, and electronic brains will relieve mankind (or that fortunate part of it to which we belong) of much of the necessity for work and, presumably, of thought. We will all live in bigger and better homes filled with more and better gadgets of all kinds. Our streets and roads will be crowded with millions more of longer, lower, and more powerful two- and three-toned cars, and the skies will be filled with streaking jets hurling millions of happy tourists from continent to continent at speeds approaching that of sound. A new era!

The concept of a "new era," however, is itself not new. The older folks in the population have heard of it before. The term stirs memories that one would rather forget in this season when hope and confidence, production and sales, and construction and new businesses are all burgeoning forth like flowers that bloom in the spring.

Even in such a season, however, it might pay to be realistic. Spring is a fickle wench and her smile can be withdrawn as quickly as it is given, and all the flowers that bloom in the spring will not survive into the summer. Those that are indigenous to the region and that have developed sufficient hardiness to withstand the unexpected frosts and freezes of early spring may survive. Exotic varieties that have been betrayed by an early sun into a premature display of their beauty may never live to see the summer.

In business, too, a season of recovery from recession has its hazards. Not all new ventures will survive and not all hopes and dreams will come true. Those that are most deeply rooted in the permanent needs of the economy will have the best chance of survival. On the other hand, those whose only reason for being is to buy cheap today in order to sell dear tomorrow and which have no roots in anything are quite likely to be early casualties in any economic storm. To the degree that any economic activity loses its connection with the real needs of people and, hence, its true economic significance, and thus begins to assume this rootless condition, it becomes increasingly vulnerable to every wintry wind that blows.

Just now, therefore, when the future shines so brightly ahead of us, we should be especially wary of the dangers that lurk in precisely such a situation. The modest and soundly-based gains that are currently being made throughout the economy can easily be forced into unsound and speculative flowering by ill-considered policies and actions taken at this time on the strength of little more than the prevailing optimistic mood. It would be well, therefore, at this juncture to consider carefully the fate of at least some of the flowers that bloom in the spring.

EARLE L. RAUBER

## *Bank Announcements*

*The Federal Reserve System welcomes to its membership the newly organized First National Bank of Pompano Beach, Pompano Beach, Florida. The bank opened for business January 3 with capital stock of \$200,000 and surplus of \$50,000. Officers are Arthur H. Ogle, President; E. G. Steadman, Executive Vice President; and L. E. Sauer, Cashier.*

*Added to the par list, on January 1, was the Umatilla State Bank, Umatilla, Florida. This bank's capital amounts to \$50,000 and surplus and undivided profits to \$106,464. John C. Deavor is President; Oakley Andrews is Vice President and Cashier; and C. S. Cope-land is Assistant Cashier.*

*The newly organized nonmember Bank of Miami Beach, Miami Beach, Florida, opened for business on January 7 and began remitting at par. Capital stock amounts to \$500,000 and surplus and undivided profits to \$125,000. D. Lee Powell is President; O. F. Rogers, Executive Vice President; B. F. Danbaum, Vice President; and Charles M. Volk, Vice President and Cashier.*

# Recession and Economic Growth

## Recession Less Shock to District's Income in 1954 Than to Nation's

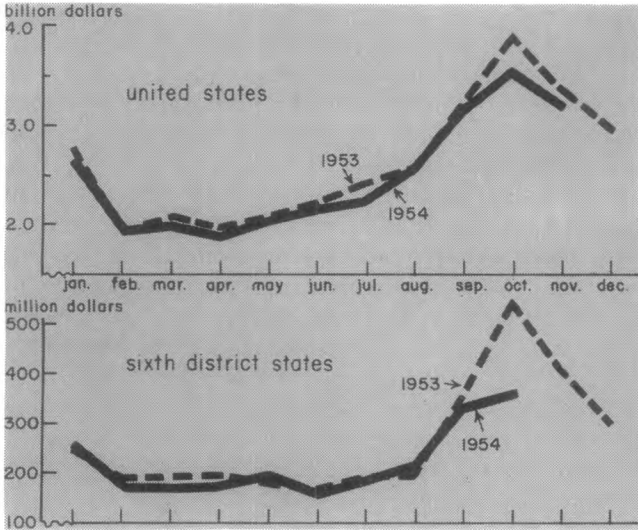
**1954** was a fairly good year in the Atlanta District. Farmers, of course, were hit hard—much harder than those in other parts of the country—by a combination of acreage restrictions, lower prices, and extended drought. Although the chief manufacturing industries, textiles and lumber, suffered from the same troubles as in other regions, total manufacturing employment declined less in the Sixth Federal Reserve District than nationally, and income payments from construction, trade, and other nonfarm, nonmanufacturing activities raised total income for 1954 above that for 1953.

The District's economic record for 1954 contradicted a generalization frequently made in the past that because of the South's heavy dependence upon specialized agriculture and its lack of diversified manufacturing, it can expect

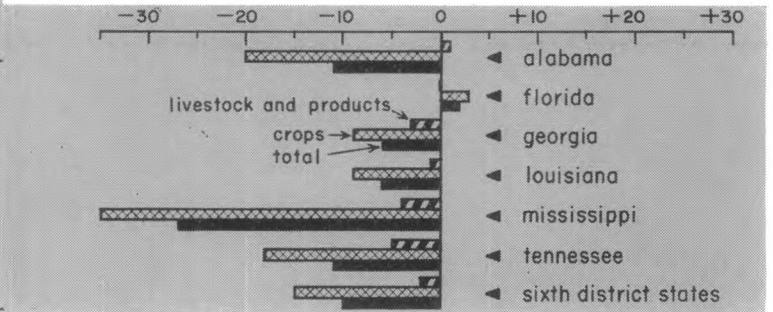
greater adverse effects from a recession than the nation as a whole. Indeed, past experience for the most part has supported this generalization.

The 1953-54 recession thus tested to some extent whether the postwar decline in relative importance of agricultural income and the diversification of manufacturing has so changed the South's economy that a tendency toward greater swings during a business recession no longer exists. The results of the test, of course, are far from conclusive of what would happen in a more severe recession. They are, however, encouraging.

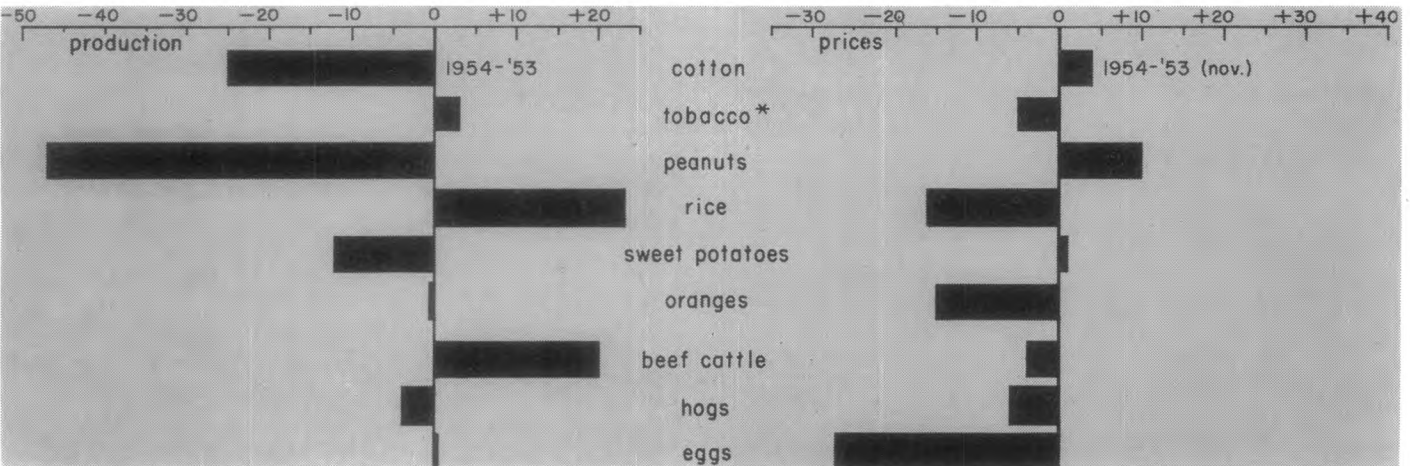
Indeed, it looks as though the District may have made a better record in 1954 than the nation. Current estimates indicate that income payments to individuals in the District during 1954 were somewhat greater than in 1953, whereas



**Cash receipts from farm marketings (left) were off more in 1954 in the District states than in the nation. Percentage changes in farm cash receipts in 1954 from 1953 (below) varied among individual states.**



**Movements of production and prices of individual farm products important in District States also varied, as measured by percent changes in 1954 from 1953.**

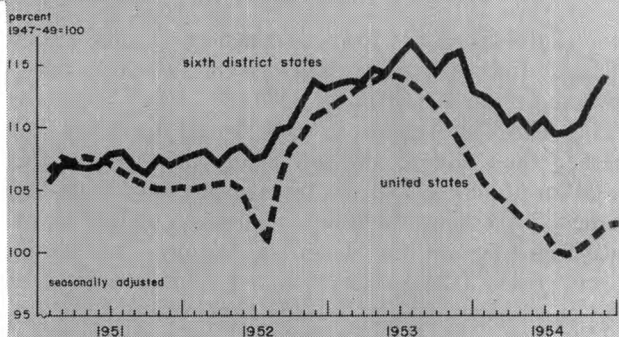


\*Price change for flue-cured tobacco only; seasonal average.

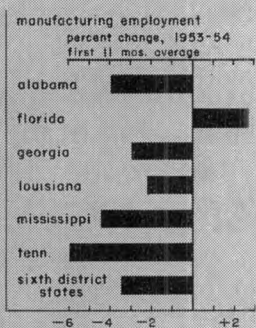
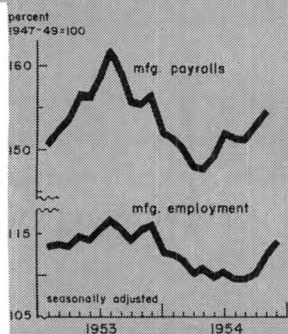


## Manufacturing Employment Sixth District States

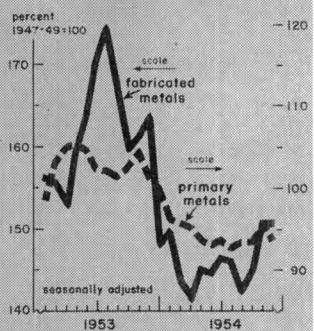
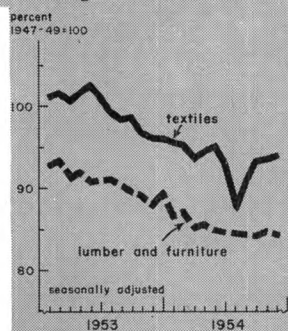
Manufacturing employment decreased less in Sixth District states than in the nation.



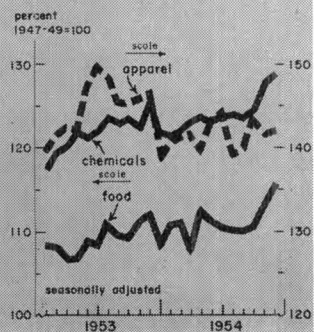
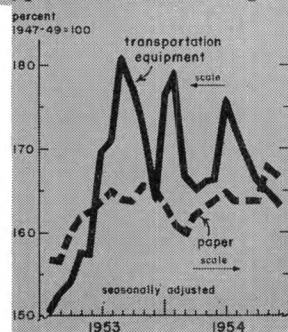
Payrolls declined more sharply than employment from the 1953 peak but began to rise earlier in 1954. Experiences in individual states varied.



Most of the decline in manufacturing employment resulted from a slump in textiles and lumber and metals industries that began in 1953.



But those declines were partially offset by strength in other types of manufacturing.



total personal income in the country was little changed. Preliminary estimates show total income payments in Alabama, Georgia, and Tennessee just about the same in 1954 as in 1953, or perhaps slightly lower; perhaps down a little more in Mississippi; and up 5 percent in Florida. Louisiana income payments may have slightly exceeded those in 1953.

This income growth in the District is, from one point of view, remarkable. It occurred despite rather sharp declines in income from those sources that in previous recessions had pulled income down more than nationally. Cash farm income in 1954 dropped more than twice the national rate. There was, moreover, a lagging demand for the products of the District's traditionally most important manufacturing industries—textiles and lumber. This apparent paradox can be better understood by considering developments in more detail.

### Farm Income Dropped Sharply

District farmers received less income in 1954 than in 1953. Production was cut by acreage restrictions and severe drought, and prices were lower. The District cotton crop, for example, was off about one-fourth; the national crop declined only 18 percent. Drought severely reduced output of peanuts, sweet potatoes, peaches, and pecans. Thus, cash receipts from crops through the first ten months were 15 percent lower than in 1953. Mississippi farm cash receipts were down the most—27 percent—whereas, Florida receipts increased 2 percent.

Cash receipts from livestock declined only 2 percent. Prices were lower, but farmers marketed more cattle, calves, broilers, turkeys, and milk. Pork production was the only type of meat production failing to register a gain over the previous year. The relatively mild descent of receipts from livestock thus helped cushion the sharp drop of receipts from crops.

Possibly 1955 will be a better year for farmers than 1954 was. If attempts to increase exports of farm commodities are successful, prices of District commodities should react favorably. Although acreage restrictions will cut cotton production again this year, price supports may prevent excessive price declines. Another drought, of course, would cause all of this analysis to fall apart.

### Income from Manufacturing Fell Off

Income from manufacturing was lower in the District in 1954 than in 1953, although total manufacturing employment in the area declined at a lesser rate than it did throughout the country. Strong demands for items produced in the District, together with continued openings of new manufacturing plants, created enough jobs to at least cushion the impact of declining employment in textiles, lumber, and some other fields.

### Fewer Jobs in Textiles and Lumber

District textile activity started to fall off as early as June 1953. After that, textile employment, which accounts for about a fifth of total manufacturing employment, declined almost uninterruptedly until August 1954. Beginning with that month the mills added more workers,

but they still employed fewer than in the like period in 1953. The reversed trend in employment, moreover, failed to raise the amount of cotton consumed by textile mills to the average levels of 1953, and by the end of the year prices had recovered only a little of the ground lost earlier.

Despite some improvement since midyear, the 1954 performance of the District lumber industry, measured by employment, was even worse than the lamented one of 1953. During the last half of 1954, the construction boom and the prolonged strike of lumber workers at Pacific coast plants stimulated demand for District lumber, but much of the demand for southern pine was met by reducing inventories rather than by increasing production. Latest data show employment at lumber, wood products, and furniture factories at 84 percent of the 1947-49 average.

### **More Jobs in Growth Industries**

Substantial declines in employment in the metals and metal products industries also helped reduce income. But while textile, lumber, and other establishments were laying off workers, still other plants were adding employees. The District's chemical manufacturers, for example, added employees during 1954. Openings of new factories, which created new job opportunities, helped offset adverse effects of cancellations and completions of defense orders. Among such new plants were the Chemstrand Corporation's fully integrated nylon plant in Pensacola, Florida; Rayonier's cellulose plant at Jesup, Georgia; and Buckeye Cellulose Corporation's plant at Foley, Florida; the Lion Oil Company's anhydrous ammonia plant in New Orleans; and Spencer Chemical's plant at Vicksburg, Mississippi.

The opening of such plants as Bowaters Southern Paper Corporation's new mill at Calhoun, Tennessee, and Kraft Company's container plant at Rome, Georgia, added more persons to the payrolls of the District's paper industry. Employment figures also reflected a generally strong demand for pulp and paperboard. Gains in number of workers in the transportation equipment group in the District resulted partly from expanding automobile sales as well as the maintenance of high levels of aircraft production.

Most of these new industries generally paid higher wage rates than the District average. This explains in part why manufacturing payrolls declined less than employment. On an average, the worker who still had a job in 1954 was getting more money than he had been getting in 1953. Average hourly wage rates increased more than enough to offset the fewer hours worked each week.

Although unemployment in the District was not severe at any time, insured unemployment was considerably greater than in the preceding year and in relation to covered employment tended to be higher than in the nation. After the middle of 1954, however, insured unemployment declined as some workers were recalled and others exhausted benefit rights and as lay-offs became fewer. In certain localities unemployment was a matter of concern, especially where manufacturing activity was reduced by declines in defense orders and where textiles, lumber, metals, and coal predominated.

As difficult as it is to interpret data on the announcements of proposed manufacturing plants, it seems now that

there will be no major decline in the District's industrial expansion in the immediate future. During 1954, plans were revealed for expanding or erecting 39 new plants costing a million dollars or more each, which is fewer than the number in 1953. The expected cost of about 275 million dollars, however, is substantially more than that for 1953.

### **Nonfarm, Nonmanufacturing Activities Up**

If one of the lessons learned in 1954 was that the District's economy has become somewhat more resistant to the economic shock of a recession, another was the realization that most of the District's income is from sources other than agriculture and manufacturing. Only a little over a quarter of total income payments comes directly from these two segments of the economy. Income from other sources—mining, construction, government, trade, finance, and service activities—is consequently of great importance. As it happened, increases in income from such activities were probably more than sufficient to offset declines in agriculture and manufacturing.

### **Government, Trade, and Service Employment Up**

One of the most important of these other sources of income is government—Federal, state, and local. The Federal government spent less in 1954, but state and local governments spent more. The increase resulted from heavy expenditures for public works and from expanded governmental functions that required additional employees; this tendency prevailed in both the District and the nation. Employment by the Federal Government in the area averaged 4 percent lower in 1954 than in 1953. On the other hand, there were, on an average, 5 percent more employees on the payrolls of state and local governments. This gain exceeded the reduction in textile employment.

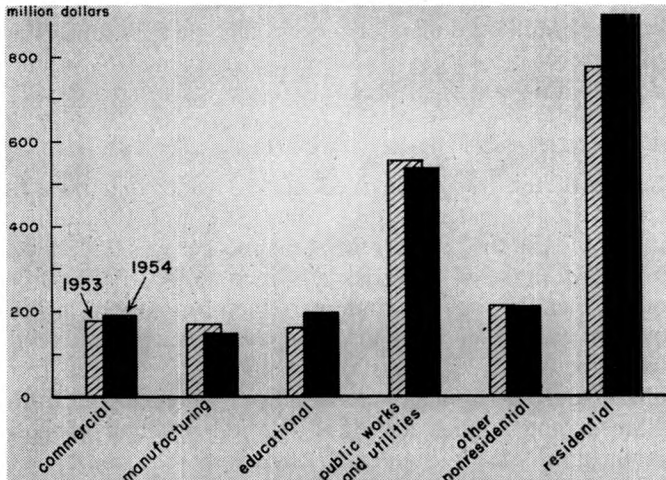
Continued high consumer expenditures for goods and services also led to a further expansion in employment by trade and service establishments. Finance, insurance, and real-estate concerns expanded their employment sufficiently to increase total income from those sources more than 10 percent. In short, developments outside of agriculture and manufacturing weighed heavily on the District's economic scales.

### **Construction Remains High**

As in other parts of the country, construction activity was high during 1954. Contracts awarded during the year totaled about 2 billion dollars, or 12 percent more than in 1953. However, the corresponding figure for 37 eastern states was up slightly more—13 percent. The increase of 24 percent in awards for the construction of educational buildings during 1954 over 1953 is further evidence of the importance of spending by state and local governments in the past year. Awards for the construction of manufacturing plants were down 10 percent from 1953. Commercial construction, however, increased about 13 percent. Other types of nonresidential construction also continued high.

Employment in contract construction, however, averaged lower in 1954 than in 1953, partly because of labor disputes during the first part of the year. About 3,000 construction workers were off the job for several months

## Construction Contract Awards Sixth District States



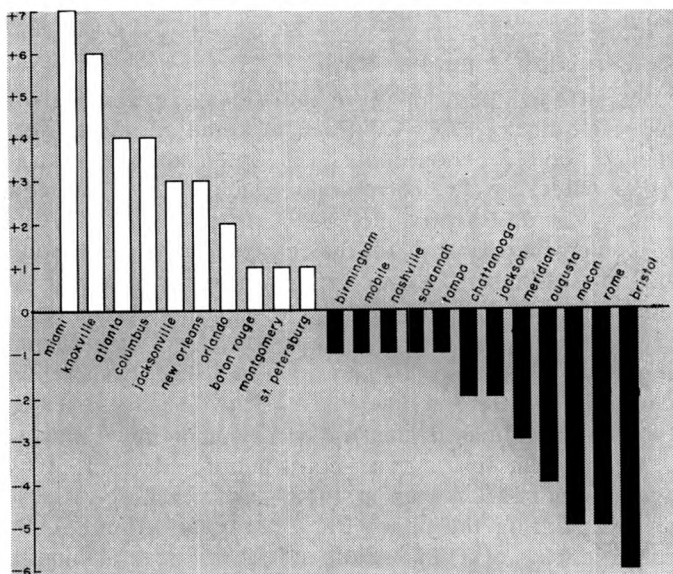
in Louisiana, and in July a strike of 6,500 workers at Oak Ridge reduced employment in Tennessee. A strike in North Georgia, starting in July and extending through August, almost completely halted commercial construction. Nevertheless, average weekly earnings and, consequently, total income from construction were greater in 1954 than in 1953.

### As Income Changed, So Did Spending

With a better income record than the country as a whole, consumer spending in the District also increased more than nationally. Dollar sales at Sixth District department stores, for example, were 2 percent greater in 1954 than in 1953, whereas sales throughout the country declined one percent. But the District spending pattern was far from uniform throughout the year.

In the first quarter there was a slightly greater-than-usual decline in income receipts. Sympathetically, con-

### Sales at District Department Stores Percent Change, 1954 from 1953



sumer spending was at a low level. Department store sales had fallen sharply immediately after Christmas and continued low through March. Consumers were buying a somewhat greater number of automobiles than in 1953, but despite the stimulus of increased price competition, they were spending less for other durable goods.

When income improved in the second quarter, buying also picked up and continued to rise, except for short periods, from quarter to quarter in line with income expansion. The tempo accelerated towards the end of the year, and by December department store sales were 6 percent greater than in December 1953.

Changes in income rather than in consumer credit seem to have governed the pattern of sales throughout the year. With sales of automobiles during the first quarter of 1954 only moderate, for example, new automobile loans at District commercial banks rose less than seasonally. In the face of heavy repayments of debts contracted in previous periods, instalment credit outstanding declined about 2 percent from November 1953 to March 1954. As sales expanded in the fourth quarter, however, consumer credit also expanded: New instalment loans at commercial banks and department store receivables rose more than seasonally.

Consumer savings in the form of time deposits and savings and loan shares increased steadily during the year, with the rate of expansion varying with the rate of spending. Savings grew less rapidly in April and June, when spending rose, for example, but more rapidly in May, when spending weakened.

### Revival and Growth

Most economic measures at the end of 1954 were pointing to at least a mild revival both in the District and the nation. Total District manufacturing employment, seasonally adjusted, began to increase after July, and by November the movement had spread to practically all types of manufacturing. The lumber situation has improved, with demands strong and prices tending to rise. Manufacture of cotton textiles has advanced sharply. New contracts awarded for residential construction did not decline as they customarily do during the last months of the year. Consumers ended the year by spending heavily, and merchants apparently were ordering more freely.

If the economic record for the Sixth District in 1954 gives some evidence that the area is becoming more resistant to the shock of a recession, the evidence by no means supports the conclusion that the District's economy is insulated from that of the nation. A look behind the figures has shown that a higher rate of economic growth in this area, reflected partly by greater industrialization rather than any insulation from the nation's economy, explains the greater part of the District's somewhat better than national performance in 1954.

What the District's record will be in 1955, therefore, depends primarily upon how the nation's economy performs. Aside from that, whether or not the District will continue to put on an even better performance than the nation will depend upon whether its greater-than-national economic development and growth continues.

CHARLES T. TAYLOR



# Assets of District Banks Expand in 1954

At this time of the year, economists, businessmen and bankers, among others, devote a great deal of time to appraising economic events of the previous year. Regardless of the number of 1954 developments they may find, an outstanding one will be the expansion at commercial banks that occurred in the face of a business downturn. Even more significant in the Sixth District is the greater increase in bank assets here than in other parts of the nation. The explanations of these events lie, it seems, in two forces: monetary policy and business conditions.

At the beginning of the year a decline in industrial production and national income prompted monetary authorities to loosen the reins on bank credit. The Federal Reserve Bank of Atlanta, as well as other Federal Reserve Banks, lowered the rate charged on loans and advances from 2 percent to 1.5 percent, and about the middle of the year the Board of Governors of the Federal Reserve System reduced reserve requirements against both demand and time deposits. These actions provided banks with reserves or made reserves available at low cost. In addition to these measures, the Federal Reserve carried on open market operations to maintain an adequate level of bank reserves.

Assured of ample reserves, banks throughout the country increased their loans or investments. In the District, where loan demand was strong, banks added relatively more to loans than to investments. In the nation, where loan demand was weak because of the greater business decline, investments increased more than loans. Regardless of how banks utilized their excess reserves, there was a corresponding increase in deposits and thus in the money supply.

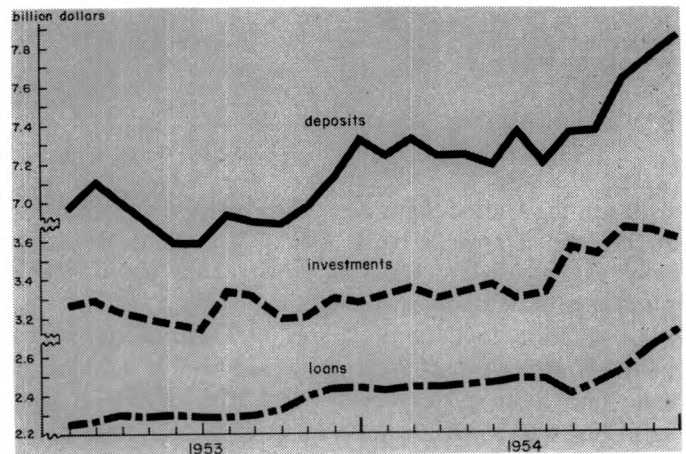
## Loans Show Large Increase

Most of the increase in deposits in this District accompanied an expansion in loans, which rose rapidly during the year and by December were 12 percent above the year-earlier level. In the nation loans went up only 3 percent. In the District the increase far surpassed that for 1953 and equaled the average for the postwar years. Usually, total loans decline seasonally during the first half of the year; in 1954, however, they remained fairly stable until August, when the redemption of Commodity Credit Corporation Certificates of Interest caused a sharp decline. A stronger-than-usual seasonal rise that started in October boosted total loans to a new record of 2.7 billion dollars by the end of the year.

At member banks in large cities in the District, most types of loans showed greater changes than those at comparable banks in the nation. In both areas, however, the amount of loans outstanding to brokers and dealers and to real estate firms registered significant gains. In the District, security loans, that is, loans to brokers and dealers and to individuals for purchasing or carrying securities, remained almost unchanged until the last two months of the year, when they rose 29 percent. In the nation, the gain was 17 percent. To help avoid an excessive use of credit for pur-

chasing or carrying securities, the Board of Governors early in 1955 raised margin requirements on such credit from 50 to 60 percent.

## Growth at District Member Banks since January 1953



Although commercial banks, as a rule, play only a small part in mortgage financing, the percentage change in real-estate loans at member banks reflects fairly well the trend of mortgage lending. Between December 31, 1953, and December 31, 1954, total real-estate loans in the Sixth District increased 19 percent, with much of the rise originating in residential loans, particularly those with VA guarantees. Florida, Tennessee, and Louisiana led the District states in this gain.

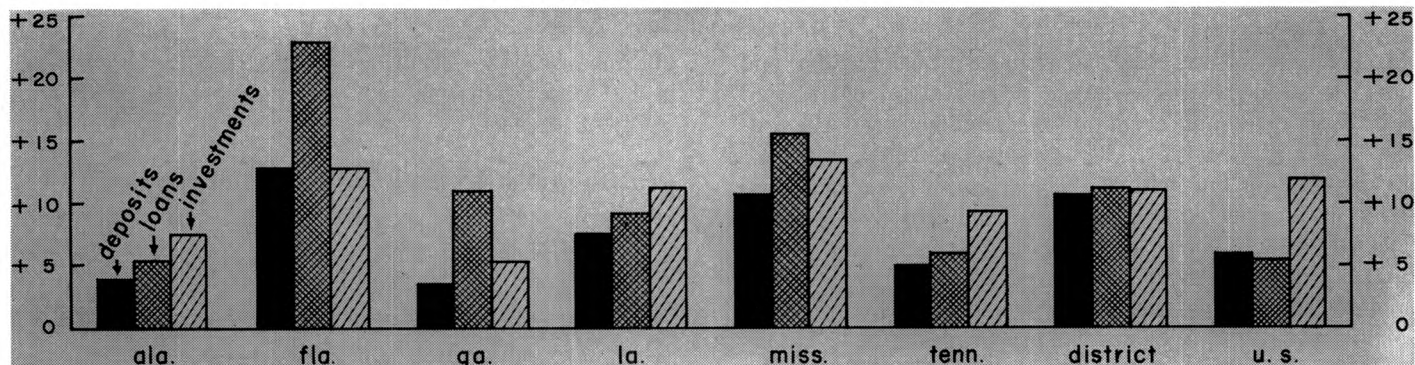
Consumer borrowing contributed greatly to the expansion of loans in the District. Most of the increase in consumer loans took place in the second half of the year; by the end of December, loans outstanding to consumers at all commercial banks in the District were 3 percent above the year-earlier figure.

Business loans, also an important category of total loans because of their amount and sensitivity to changes in business activity, increased 8 percent during the year. This trend contrasted sharply to loan behavior in the nation, where the total stayed below the 1953 level throughout the year. Borrowings by District manufacturing and mining concerns were heavy, and loans to construction firms and sales finance companies registered substantial gains. Certain areas of weakness, however, were noticeable. Because business firms did not maintain as high a level of inventories in 1954 as they did in 1953, trade loans at selected banks rose somewhat less than in 1953, and loans to commodity dealers declined more.

## Investment Increase Smaller

Since the demand for loans in other parts of the country was not as great as it was in the District, banks in the nation purchased relatively larger quantities of investments than did banks in this region. The investment increase at all

## Total Deposits, Loans, and Investments at Member Banks Percent Change 1954 from 1953, end of year



banks in the United States was 12 percent, compared with 10 percent at District banks. Most of both the increases came in August and October, when banks made sizable purchases of new Treasury issues.

In addition to their purchases of Government issues, banks in each District state purchased sizable amounts of state and local government bonds. The supply of such securities was much greater than in 1953; the total issued by state and local governments in the District, for example, during the first ten and a half months of 1954 reached 473 million dollars, a gain of 9 percent over the amount for the same period in 1953. The largest increase in state and local bond issues—212 percent—occurred in Alabama. Florida had a gain of 62 percent and Louisiana and Mississippi had increases of 15 and 6 percent, respectively. Georgia had a decline of 40 percent and Tennessee one of 79 percent.

### Deposits Expand Money Supply

When allowance is made for the rather large growth in the number of new member banks in this District, the rate of increase in deposits was only slightly greater than in the nation. At District member banks the gain of 529 million dollars in deposits raised the total to 7.8 billion dollars. Demand deposits rose to 6.3 billion dollars by year's end, a gain of 6 percent over the comparable figure a year earlier. This increase was as large as that in 1952 and considerably larger than that in 1953. Despite stepped-up consumer spending, time deposits grew 14 percent.

During the first half of the year total deposits changed little because seasonal declines in deposits of individuals and business firms and in interbank deposits were offset by gains in time and government deposits, particularly the latter. The United States Treasury, operating with somewhat more leeway under the higher debt limitation, increased its balances at District member banks 17 percent. In 1953, such balances declined about 40 percent. Deposits of state and local governments increased 7 percent, compared with 5.7 percent the year before. The buildup of state and local government deposits reflected sharp rises in operating expenditures and also in capital outlays, judging by the large gain in bonds issued in the six states. After June, however, total deposits increased at the rate

of about 80 million dollars a month, reaching a new record by the end of the year. All types of deposits rose.

### Deposits Turn Over Rapidly

Not only was there an increase in the money supply in the District, but there was also a gain in the number of times the deposit dollar was spent. Bank debits, which are the charges made against checking accounts held by individuals, business firms, and states and political subdivisions, increased 5 percent in 1954. During December debits grew 14 percent, about twice the rate normally expected for this month. Changes in debits reflected fairly well economic changes; thus in 1954, some idea of the economic situation in individual states can be obtained from the debits picture. Florida had the greatest gain, 12 percent. Alabama, Georgia, and Louisiana each had gains of 4 percent, followed by Tennessee with 2 percent. In Mississippi, debits for the year declined 2 percent.

Whatever the reason—monetary policy, business conditions, or other forces—1954 will go down in the record book as a good year for banking. There were some fears earlier in the year that the business recession would curtail the growth of commercial bank assets. The recession, however, was slight, although different parts of the country were affected to different degrees. The strongest repercussion as far as commercial banks are concerned was the change in their earning assets. A comparison of earnings reports from District and United States banks will probably reveal the earnings at District banks increased more than at banks elsewhere.

Another interesting development of the past year is that the Sixth District was able to maintain some immunity to the business downturn that in some areas of the country became quite serious. In 1954 the District loss in deposits to other parts of the country was about one-half as much as in 1949, another recession year, which indicates that the economy of this region is becoming more self-sustaining. Another point that the financial developments of 1954 reveal is that the upturn in loans took place during the last half of the year and particularly during the last quarter. The more-than-seasonal increase in this period may be the herald of a new upswing in business. If such is the case another banking record may be established in 1955.

W. M. DAVIS; C. S. OVERMILLER

# Sixth District Statistics

## Instalment Cash Loans

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Dec. 1954 from		Percent Change Dec. 1954 from	
		Nov. 1954	Dec. 1953	Nov. 1954	Dec. 1953
Federal credit unions . . . . .	38	+19	+25	+1	+9
State credit unions . . . . .	18	+4	+2	+1	-5
Industrial banks . . . . .	8	+23	+42	+1	+8
Industrial loan companies . . . . .	11	+0	+33	+2	+36
Small loan companies . . . . .	32	+31	-5	+3	+3
Commercial banks . . . . .	33	+18	+30	+0	+1

## Condition of 27 Member Banks in Leading Cities

(In Thousands of Dollars)

Item	Jan. 19 1955	Dec. 15 1954	Jan. 20 1954	Percent Change Jan. 19, 1955, from	
				Dec. 15 1954	Jan. 20 1954
Loans and investments—					
Total . . . . .	3,247,739	3,272,564	2,995,453	-1	+8
Loans—Net . . . . .	1,426,777	1,418,427	1,282,985	+1	+11
Loans—Gross . . . . .	1,450,181	1,440,203	1,304,250	+1	+11
Commercial, industrial, and agricultural loans . . . . .	832,838	835,172	766,994	-0	+9
Loans to brokers and dealers in securities . . . . .	21,839	23,045	11,428	-5	+91
Other loans for purchasing or carrying securities . . . . .	37,508	35,898	35,114	+4	+7
Real-estate loans . . . . .	110,743	107,624	87,016	+3	+27
Loans to banks . . . . .	4,692	6,895	1,718	-32	*
Other loans . . . . .	442,561	431,569	401,980	+3	+10
Investments—Total . . . . .	1,820,962	1,854,137	1,712,468	-2	+6
Bills, certificates, and notes . . . . .	688,576	711,880	743,694	-3	-7
U. S. bonds . . . . .	836,744	843,902	701,760	-1	+19
Other securities . . . . .	295,642	298,355	267,014	-1	+11
Reserve with F. R. Bank . . . . .	530,386	529,809	550,156	+0	-4
Cash in vault . . . . .	47,311	49,417	47,965	-4	-1
Balances with domestic banks . . . . .	253,409	279,199	255,224	-9	-1
Demand deposits adjusted . . . . .	2,333,334	2,349,869	2,226,176	-1	+5
Time deposits . . . . .	604,197	606,378	572,331	-0	+6
U. S. Gov't deposits . . . . .	58,286	115,831	62,293	-5	-6
Deposits of domestic banks . . . . .	767,266	765,707	716,801	+0	+7
Borrowings . . . . .	35,475	11,000	15,900	*	*

\*100 percent or over.

## Department Store Sales and Inventories\*

Place	Percent Change			
	Sales		Inventories	
	Dec. 1954 from Nov. 1954	12 Months 1954 from 1953	Dec. 31, 1954, from Nov. 30 1954	Dec. 31 1953
ALABAMA	+65	+3	-1	+10
Birmingham . . . . .	+64	+5	-1	+21
Mobile . . . . .	+57	+1	-1	..
Montgomery . . . . .	+74	+6	+1	..
FLORIDA	+58	+11	+4	-19
Jacksonville . . . . .	+73	+4	+3	-30
Miami . . . . .	+56	+23	+7	-18
Orlando . . . . .	+54	+2	+2	..
St. Ptersbg-Tampa Area . . . . .	+50	+0	+0	..
St. Petersburg . . . . .	+48	+8	+1	-13
Tampa . . . . .	+52	-5	-1	..
GEORGIA	+57	+8	+2	-21
Atlanta** . . . . .	+53	+10	+4	-20
Augusta . . . . .	+65	-3	-4	..
Columbus . . . . .	+66	+9	+4	-19
Macon . . . . .	+63	+5	-5	-24
Rome** . . . . .	+83	+2	-5	..
Savannah** . . . . .	+61	+4	-1	..
LOUISIANA	+42	+5	+3	-16
Baton Rouge . . . . .	+59	+6	+1	-28
New Orleans . . . . .	+37	+5	+3	-14
MISSISSIPPI	+60	+1	-2	-27
Jackson . . . . .	+53	+4	-2	-29
Meridian** . . . . .	+67	-4	-3	..
TENNESSEE	+65	+5	+1	-28
Bristol (Tenn. & Va.)** . . . . .	+89	-3	-6	-31
Bristol-Kingsport-Johnson City** . . . . .	+90	-3	-6	..
Chattanooga . . . . .	+74	-2	-2	..
Knoxville . . . . .	+63	+10	+6	-29
Nashville . . . . .	+56	+6	-1	-26
DISTRICT	+57	+6	+2	-22

\*Reporting stores account for over 90 percent of total District department store sales.

\*\*In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for nondepartment stores, however, are not used in computing the District percent changes.

## Retail Furniture Store Operations

Item	Number of Stores Reporting	Percent Change Dec. 1954 from	
		Nov. 1954	Dec. 1953
Total sales . . . . .	136	+37	+5
Cash sales . . . . .	88	+68	+11
Instalment and other credit sales . . . . .	88	+36	+14
Accounts receivable, end of month . . . . .	106	+21	+19
Collections during month . . . . .	106	+1	+1
Inventories, end of month . . . . .	78	-10	+1

## Wholesale Sales and Inventories\*

Type of Wholesaler	Sales				Inventories			
	Percent change Dec. 1954, from		Percent change Dec. 31, 1954, from		Percent change Dec. 1954, from		Percent change Dec. 31, 1954, from	
	No. of Firms	1954	No. of Firms	1953	No. of Firms	1954	No. of Firms	1953
Grocery, confectionery, meats . . . . .	37	-8	32	-11	28	-2	27	-1
Edible farm products . . . . .	5	+7	4	-1	5	+2	4	+37
Drugs, chems., allied prod. . . . .	19	+6	16	+5	12	-4	10	+10
Tobacco . . . . .	8	+37	7	+31	..	..	..	..
Dry goods, apparel . . . . .	10	-25	9	+10	..	..	..	..
Furniture, home furnishings . . . . .	8	+21	4	+18	..	..	..	..
Automotive . . . . .	31	+4	30	+42	28	-1	28	-5
Electrical, electronic & appliance goods . . . . .	12	+18	11	+14	10	-4	9	+17
Lumber, construction materials . . . . .	5	-18	5	+12	..	..	..	..
Machinery, equip. & supplies . . . . .	42	+1	35	+4	24	-3	20	-4
Industrial . . . . .	18	+1	17	+6	9	-1	8	-2
Iron & steel scrap & waste materials . . . . .	5	-15	4	+5	..	..	..	..

\*Based on information submitted by wholesalers participating in the Monthly Wholesale Trade Report issued by the Bureau of the Census.

## Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Percent Change			
	Dec. 1954	Nov. 1954	Dec. 1953	1954 from 1953
ALABAMA				
Anniston . . . . .	33,627	30,303	32,341	+11 +4
Birmingham . . . . .	524,686	461,754	523,705	+14 +0
Dothan . . . . .	19,763	18,087	20,404	+9 -3
Gadsden . . . . .	27,618	24,796	25,106	+11 +10
Mobile . . . . .	201,502	185,674	193,621	+9 +4
Montgomery . . . . .	120,470	109,226	101,668	+10 +18
Tuscaloosa* . . . . .	39,358	34,691	34,947	+13 +13
FLORIDA				
Jacksonville . . . . .	585,525	479,204	469,753	+22 +25
Miami . . . . .	544,682	446,912	437,747	+22 +24
Greater Miami* . . . . .	834,859	685,982	652,738	+22 +28
Orlando . . . . .	128,556	107,639	97,028	+19 +32
Pensacola . . . . .	63,285	54,305	60,607	+17 +4
St. Petersburg . . . . .	125,979	105,776	101,597	+19 +24
Tampa . . . . .	254,247	210,219	219,638	+21 +16
West Palm Beach* . . . . .	75,669	64,545	68,539	+17 +10
GEORGIA				
Albany . . . . .	51,095	46,130	42,532	+11 +20
Atlanta . . . . .	1,501,558	1,322,318	1,358,708	+14 +11
Augusta . . . . .	96,536	92,397	88,115	+4 +10
Brunswick . . . . .	15,867	13,504	15,006	+17 +6
Columbus . . . . .	95,349	82,549	84,103	+16 +13
Elberton . . . . .	5,359	4,792	5,310	+12 +1
Gainesville* . . . . .	34,066	32,993	28,373	+3 +20
Griffin* . . . . .	16,979	14,019	16,127	+21 +5
Macon . . . . .	103,205	89,908	90,439	+15 +14
Newnan . . . . .	12,088	12,482	11,959	-3 +1
Rome . . . . .	37,599	33,683	33,495	+12 +12
Savannah . . . . .	146,707	126,559	138,386	+16 +6
Valdosta . . . . .	23,280	21,448	20,343	+9 +14
LOUISIANA				
Alexandria* . . . . .	52,615	49,268	50,875	+7 +3
Baton Rouge . . . . .	154,990	144,167	141,630	+8 +9
Lake Charles . . . . .	67,532	58,357	58,617	+16 +15
New Orleans . . . . .	1,099,793	1,010,928	1,018,635	+9 +8
MISSISSIPPI				
Hattiesburg . . . . .	23,043	21,842	21,252	+5 +8
Jackson . . . . .	172,591	163,565	148,198	+6 +16
Meridian . . . . .	30,300	28,227	27,569	+7 +10
Vicksburg . . . . .	18,190	17,235	16,804	+6 +8
TENNESSEE				
Chattanooga . . . . .	241,002	225,293	233,065	+7 +3
Knoxville . . . . .	208,958	158,675	179,976	+32 +16
Nashville . . . . .	538,561	482,817	508,297	+12 +6
SIXTH DISTRICT				
32 Cities . . . . .	7,235,944	6,357,088	6,492,159	+14 +11
UNITED STATES				
345 Cities . . . . .	186,317,000	156,843,000	168,596,000	+19 +11

\*Not included in Sixth District total.



# Sixth District Indexes

1947-49 = 100

	Manufacturing Employment			Manufacturing Payrolls			Cotton Consumption**			Construction Contracts			Furniture Store Sales **/**		
	Nov. 1954	Oct. 1954	Nov. 1953	Nov. 1954	Oct. 1954	Nov. 1953	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953
<b>UNADJUSTED</b>															
District Total	114	112	116r	160	156r	158r	91	103	92r	..	..	..	143p	109r	136
Alabama	103	104	107	143	140r	140	94	102	92	204	135	208	159p	109	150
Florida	145	135r	139r	201	184r	191r	..	..	..	344	192	205	149p	123r	140
Georgia	116	115	117r	165	158	157r	90	104	91	249	186	170	150p	112	140
Louisiana	113	111	117r	159	154	163r	..	..	..	262	241	190	134p	114	135
Mississippi	112	113r	112r	166	166	154r	110	115	111	130	168	113	..	..	..
Tennessee	110	110	115r	153	155	161r	86	96	88r	249	142	187	124p	87	117
<b>SEASONALLY ADJUSTED</b>															
District Total	114	112	116r	158	154	157r	92	100	92	..	..	..	100p	100r	94r
Alabama	106	105	110r	147	142r	145r	..	..	..	..	..	..	105p	107	99r
Florida	146	140r	139r	199	194r	189r	..	..	..	..	..	..	111p	109r	104r
Georgia	115	113	116r	163	155	155r	..	..	..	..	..	..	105p	105	98r
Louisiana	109	110	113r	151	150	155r	..	..	..	..	..	..	98p	99	99
Mississippi	111	111	110	161	160	150r	..	..	..	..	..	..	..	..	..
Tennessee	110	109	115r	151	152	160r	..	..	..	..	..	..	86p	83	81r

## Department Store Sales and Stocks\*\*

	Adjusted			Unadjusted			
	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953	Year 1954
<b>DISTRICT SALES*</b>	136p	135	127	233p	154	219	128
Atlanta <sup>1</sup>	149	137	135	241	164	218	131
Baton Rouge	117	113	110	194p	127	183	112
Birmingham	127p	127	121	215p	137	205	114
Chattanooga	133	126	135r	235	140	239r	127
Jackson	115	107	111r	188	127	181r	109
Jacksonville	122p	119	116r	213p	128	204r	114
Knoxville	136p	146r	124	241p	154r	220	130
Macon	126	125	121	236	150	226	127
Miami	156p	159	126	275p	184	224	142
Nashville	129	133	121r	227	151	214r	119
New Orleans	131	136	125r	217	164	206r	127
St. Ptsbg-Tampa Area	139	142	139r	234	162	234r	137
Tampa	121	122	127r	205	141	215r	124
<b>DISTRICT STOCKS*</b>	143p	145	141r	126p	160	124r	140

<sup>1</sup>To permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for nondepartment stores, however, are not used in computing the District index.

\*For Sixth District area only. Other totals for entire six states.

\*\*Daily average basis.

Sources: Mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; furn. sales, dept. store sales, turnover of dem. dep., FRB Atlanta; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Indexes calculated by this Bank.

## Other District Indexes

	Adjusted			Unadjusted		
	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953
Construction contracts*	..	..	..	279	184	200
Residential	..	..	..	314	214r	164
Other	..	..	..	253	161r	228
Petrol. prod. in Coastal						
Louisiana and Mississippi**	137	127	145r	132	129	140r
Furniture store stocks*	106	113r	120	102	119r	115
Turnover of demand deposits*	20.0	20.7	19.0	21.0	21.5	20.0
10 leading cities	20.7	21.2	20.0	22.2	22.7	21.4
Outside 10 leading cities	17.2	16.6	15.8	17.5	18.3	16.1
Elec. power prod., total**	Nov. 1954	Oct. 1954	Nov. 1953	Nov. 1954	Oct. 1954	Nov. 1953
Mfg. emp. by type	..	..	..	207	206	174
Apparel	142	142r	147r	145	144r	150r
Chemicals	129	128r	125r	131	131r	128r
Fabricated metals	151	151r	164r	154	153r	167r
Food	115	113	112r	121	114	118r
Lbr., wood prod., furn. & fix.	84	85r	88r	84	84r	88r
Paper and allied prod.	147	148r	145r	148	148r	147r
Primary metals	94	96r	101	94	95r	102r
Textiles	94	93r	96	95	94r	97
Trans. equip.	163	165r	164r	168	163r	169r

r Revised p Preliminary

