



# Monthly Review

ATLANTA, GEORGIA, JULY 31, 1955

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# *Federal Reserve Bank of Atlanta*

# DISTRICT BUSINESS HIGHLIGHTS

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Business activity continued at a fast pace although some indicators slowed down in June. Bank loans, factory payrolls, and nonfarm employment increased; but debits, instalment sales at department stores, and sales at furniture stores decreased. Bank deposits and department store sales in July, however, reversed previous declines, and agricultural prospects improved.

**Manufacturing payrolls**, seasonally adjusted, during May rose slightly from the previous record set in April, but seasonally adjusted **factory employment** remained practically unchanged.

**Nonfarm employment**, seasonally adjusted, during May equalled the record level of March 1955.

**Steel operations** in Birmingham, although quickly recovering after completion of a wage settlement in early July, were slightly lower in mid-July than in the preceding month.

**New manufacturing plants and expansions** announced during the second quarter of 1955 were considerably above the already high volumes of the first quarter and were much higher than in a like period of 1954.

**Total loans** at all member banks increased more than seasonally in June, and according to preliminary data, continued to gain more than seasonally during July.

**Bank debits**, seasonally adjusted, declined slightly in June after a sharp gain the previous month, but remained well above the year-ago level.

**Total deposits** at all member banks declined in June, after seasonal adjustment, but according to preliminary data, increased more than seasonally during July.

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

**Furniture store sales**, seasonally adjusted, were considerably lower in June than in May.

**Instalment sales** at department stores in June were lower than a year ago for the first time this year.

**Department store sales**, seasonally adjusted, declined slightly in June, but rose sharply during the first three weeks of July to a record high.

**New car registrations** in the District in May for the first time this year showed a lower year-to-year gain than in the nation, but remained well over year-ago levels.

**Durable goods sales** at department stores in May continued to show larger gains from a year ago than nondurables, and according to preliminary reports advanced even further in June.

**Consumer instalment credit** outstanding at commercial banks expanded slightly more than seasonally from May to June, with the largest gain occurring in automobile loans.

**July weather** favored feed and forage crop development; excess moisture, however, may have adversely affected cotton yields.

**Broiler placements** in District states continued to increase more than in other areas and were substantially above last year.

**Cotton acreage** in cultivation in District states July 1 was at a record low.

**Farm prices** of chickens, peanuts, and rice were above their last June levels, but prices of most other District farm products—except hog prices, which were substantially lower—showed little change.

**Free reserves** averaged somewhat lower in July than in June, as borrowings increased and excess reserves declined from the June level.

# *Sixth District Business Revival Broadens*

The business revival broadened during the second quarter of 1955. At mid-year, even agricultural prospects looked a little better; construction, which had been bolstering the District's economy, continued at a high level; manufacturing employment pushed upward; and the revival continued to be supported by an increasing amount of consumer spending made possible by higher incomes and more credit. Of course, soft spots still remain in the District's economy, and the upward trend may be reversed later this year. But if the trend established in the first half continues, a new economic record will be set.

## **Broadening Recovery in Manufacturing**

By the middle of May at District factories, half of the loss of employment between the peak of 1953 and the 1954-recession low had been made up. A moderate rise in textiles, the number one manufacturing employer, contributed heavily to the recovery. Between December and June, cotton consumption increased 12 percent, and during June was 13 percent greater than in June 1954.

There is further evidence of economic recovery in the District. Many manufacturing employers, instead of adding workers, extended working hours and in some cases increased pay rates. Over-time pay also helped to raise average weekly earnings in all manufacturing plants for the first five months of 1955 to 5 percent above the like period last year. Indeed, average weekly earnings this May were at a record level. Some industries with rapid rates of postwar growth, such as paper, chemicals, and apparel, set new records in the number of workers employed. But the district lumber industry, second largest manufacturing employer, improved little.

Manufacturing workers' pay checks were witness to the broadening revival. Factory payrolls in District states rose steadily, and in May workers' total payrolls had increased 4 percent since the first of the year, after seasonal adjustment, and were 10 percent greater than in last May.

Outside of manufacturing and agriculture, employment improved slowly but steadily. Despite a strike that idled over 35,000 rail and telephone workers for over two months, total nonfarm employment other than manufacturing for the first five months of this year was slightly higher than a year ago. State and local governments, service trades, and finance, insurance, and real-estate establishments were all hiring more workers.

## **Continued Construction Expansion**

Contracts awarded for all types of construction combined ran 31 percent ahead of the first six months of 1954. Contracts awarded for new manufacturing plants were up 45 percent from that period last year, and the gain in commercial building awards was even greater.

As the recovery broadened, manufacturing firms revealed plans to expand or to build an increasing number of plants. Such plans included a new newsprint plant at Mobile, Alabama, and an expansion of one at Calhoun,

Tennessee, costing together 45 million dollars, as well as two new refineries—one in Florida and one in Mississippi—together costing 26 million dollars, and an expansion of a paper mill in Jacksonville, Florida, to cost 20 million.

All together, plans for 40 new or expanded plants, excluding those to cost less than 100,000 dollars, were announced in the second quarter. The total estimated cost of new plants announced during the first half is greater than that for any other half-year period since 1952.

Prospects for important public works construction were also indicated. Ground was broken for a 65-million-dollar highway bridge across the Mississippi at New Orleans. In Florida, the Supreme Court validated a 74-million-dollar bond issue to pay for the Miami-Fort Pierce turnpike. A turnpike to run the length of the state that may cost 200 million dollars has been authorized.

Figures on residential construction are harder to interpret. In March, awards were at an all-time high; then in April and in May they were down; in June they rose slightly and were up 47 percent from last June. Contract awards do not usually decline in April and May. The question is raised in the minds of some persons as to whether this is the initiation of a downturn. Contracts already awarded, however, are sufficient to keep the construction industry busy in the near future.

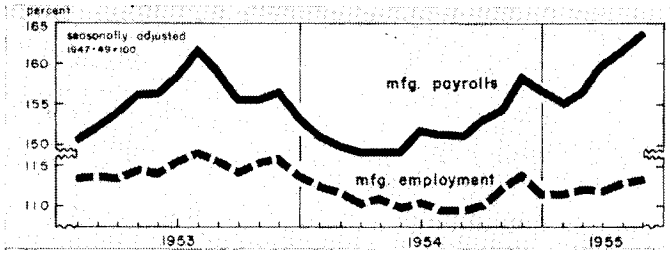
## **Agricultural Prospects Improved**

The weather has treated District farmers a little more kindly in recent months after last year's drought and the disastrous freeze in March. Except for a lack of moisture for a few weeks in some areas, favorable weather has prevailed since April. Farmers have been trying to offset some of the income losses stemming from acreage restrictions; they can, of course, do nothing to restore the peach, pecan, and tung nut crops that were destroyed by the freeze. They could not completely offset the loss of the early spring vegetable crops; replanted vegetable crops from the southern part of the District came onto the market at about the same time as crops from the central areas, and the expanded supply pushed prices down. Many farmers, however, are attempting to produce and market more livestock and livestock products.

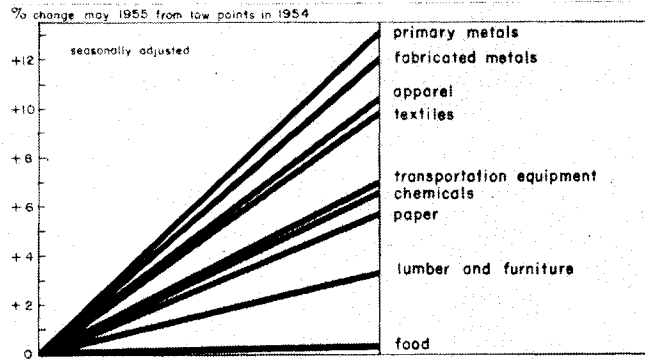
The end effects of these developments on total District farm income are as yet problematical. The success of some farmers' efforts to offset losses will depend largely on favorable weather. In Florida, farm marketings during the first four months were substantially higher than last year. In other District states, however, despite only moderate declines in receipts from livestock and livestock products, total receipts were reduced substantially by lower returns from crop marketings. However, at a sample of banks whose chief customers are farmers, demand deposits of farmers were above last April. Farm income for the year may not be as low as was expected earlier this year.

## Manufacturing Employment and Payrolls

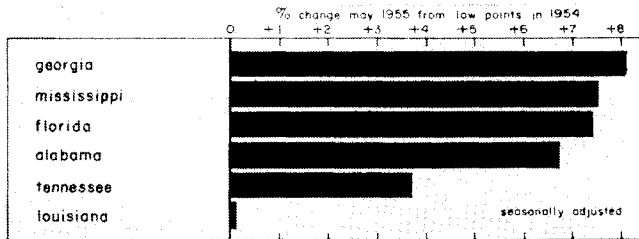
Payrolls have expanded more than employment in recent months and are above the peak reached in 1954.



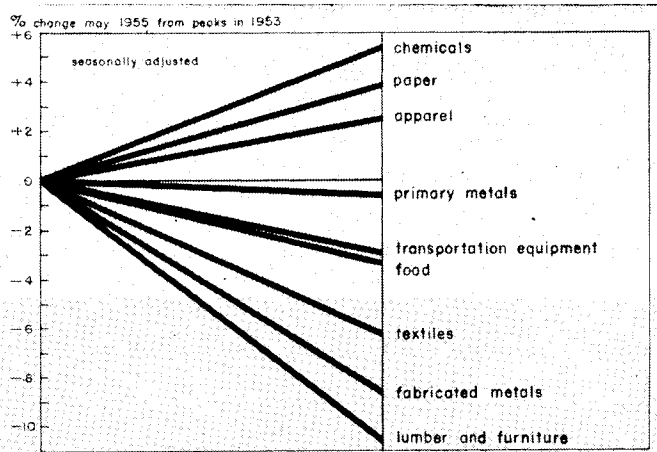
Employment gains from the 1954 low points have varied significantly among types of manufacturing.



And because some types of manufacturing are more important in some states than others, the rate of recovery has varied from state to state.



But by the end of May this year, employment had reached the peak levels of 1953 in only three industries.



## Consumer Spending Up

Total income payments to individuals, according to seasonally adjusted preliminary estimates, were 3 percent greater in the second quarter than in the first quarter of this year and 5 percent above that of the second quarter of 1954. Consumers used their greater incomes to raise their buying to an even higher level than prevailed in the first quarter of this year, particularly their purchases of durable goods. At department stores, for example, durable goods sales in the first half were 20 percent greater than a year earlier, whereas nondurable goods sales were up 8 percent. Furniture stores benefited especially, with sales for the first half of the year higher than in any other half since 1947. New car sales through May were 32 percent greater than a year ago. Buying gasoline to run the cars boosted gasoline tax collections to a new high.

Greater use of credit supported some of this buying. At reporting department stores, instalment and charge account sales together accounted for 56 percent of the total purchases through June this year, compared with 55 percent last year, and charge account customers owed department stores 10 percent more and instalment account customers 16 percent more than last year. Buying automobiles on credit helped push up instalment loans at commercial banks in the second quarter, and other types of lenders to consumers reported even greater increase in outstandings.

## Bank Credit Growth

Reports from District banks reflected the broadening of the business revival. Net demand deposits at member banks, seasonally adjusted, rose almost 3 percent from the first of the year and in June averaged 9 percent higher than a year earlier. Loans at member banks increased steadily during every month in the first half of 1955, reaching the record total of 2.9 billion dollars at the end of June, 17 percent higher than a year earlier. At weekly reporting banks, increases of 6 percent in loans to consumers and 29 percent in real-estate loans accounted for most of the growth in total loans in the first half.

In the face of lower farm income, farm loans in April were 10 percent above those for April 1954. Moreover, there was a marked shift from farm loans unsecured to farm loans secured by real estate, apparently reflecting an effort on the part of bankers to obtain security on production loans as well as on capital loans.

The apparent close connection between the business revival and credit extended makes some persons distrust the sustainability of the revival. Whether or not credit expansion can be sustained without inflationary developments, however, depends basically upon whether or not production and income expand along with it. So far, there have been important production increases, and these increases have not taxed capacity. But as economic activity expands, whether production and income continue to grow along with the expansion in credit becomes an increasingly important element in assessing the future. This adds another "if" to the qualifications that previously hedged most predictions about future economic conditions.

CHARLES T. TAYLOR

# Borrowings by State and Local Governments for *More Schools, Roads, Public Housing, and Bridges*

State and local governments, during 1954 and the first quarter of this year, contributed heavily to the high level of construction, a most important bolster to the nation's expanding economic activity. In 1954 the value of construction by all state and local governments in the country amounted to an estimated 8.4 billion dollars. This year, judging by the volume of contracts awarded during the first three months, the value is running 15 percent ahead of last year. Bigger and better schools, roads, public housing projects, and bridges are going up all over the country.

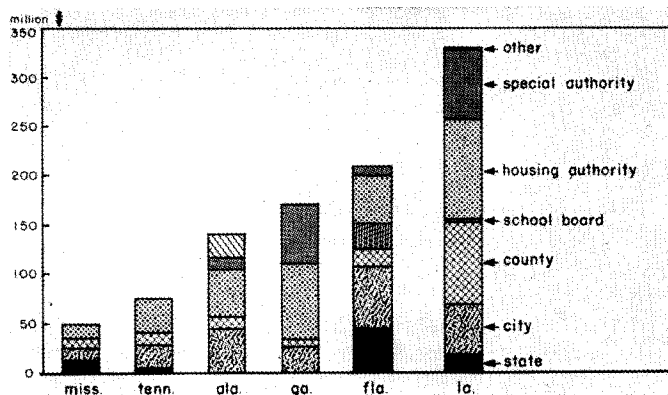
Capital expenditures of this type are generally financed by borrowings. Total borrowings by state and local governments, therefore, or the amount of securities they issue, give some indication of how much is being spent for public construction. The relationship is not exact, however, since some of these expenditures are financed out of tax revenue. Furthermore, the total of securities issued contains some duplication, since a number are issued on a temporary basis in the form of notes and are refinanced later in the same year in the form of long-term bonds. Also, a few of the securities issued may be for refunding purposes.

Nevertheless, an analysis of state and local government borrowing in an area will reveal to some extent trends in capital expenditures and distribution of borrowers. A study of the underwriters, furthermore, may indicate the degree

million dollars. Florida governments followed with 206 million. In both states, housing authorities borrowed heavily, but in Louisiana, counties and special authorities were also important; in Florida, city governments and state and local school boards added significantly to the total.

In all six states, housing authorities borrowed 337 million dollars, or about 35 percent of the total, and accounted for the largest share in each state except Florida. Most of the securities issued by housing authorities were guaranteed

**Securities Issued by State and Local Governments  
Sixth District States, 1954**



by either the Public Housing Administration or the Housing and Home Finance Agency.

The amounts borrowed by state governments are small, compared with the totals of some other governmental units. Because of a constitutional limitation on debt, some state governments cannot sell securities or incur debt in their own name, and, therefore, they establish special authorities to do the borrowing and provide necessary improvements. During 1954, District state governments borrowed 80 million dollars and special authorities, 151 million dollars.

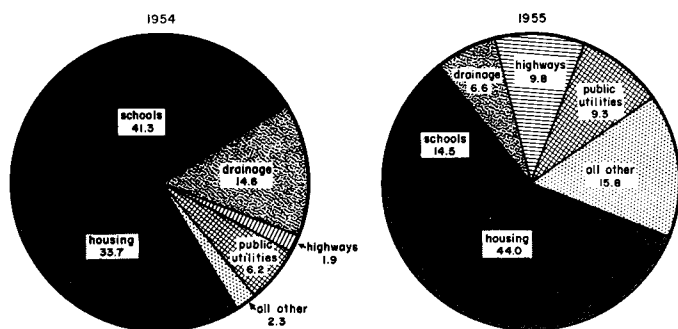
Because housing authorities borrowed a major share, much of the money was spent on public housing, but school construction was also important. During the year, construction and expansion of schools, made necessary by the increased enrollment, amounted to 188 million dollars. Construction of streets, roads and bridges was next, followed by public utilities, hospitals, and the like.

Underwriters, such as bankers and investment dealers, generally look for funds in their own area with which to finance new issues. These funds usually come from the savings of local business firms and individuals; the savings in turn depend to a great extent on regional income.

In 1954 underwriters in District states, separately or with syndicates in which they were a major part, handled about 410 million dollars in new securities and underwrote more than half of the issues of the city and county governments and small district governments, such as water, sewage and garbage districts. Although the amount of securities underwritten by local bankers and investment dealers has increased rapidly since World War II, the relative share

## Use of Borrowings by State and Local Governments

**Sixth District States  
Percentage Distribution, First Quarter of 1955  
Compared with First Quarter of 1954**



of local financing as well as the ability of a region to provide its own funds for capital improvements. The data also reveal the cost of borrowing by state and local governments in relation to the availability of financial resources.

Sixth District states have participated heavily in the national program of general improvement. Last year, according to a special tabulation of individual issues by this Bank, all securities issued by states, cities, school boards, housing authorities, special authorities, and other instrumentalities in the District states amounted to 968 million dollars. And the estimated first-quarter total for 1955 is above that for 1954.

In District states in 1954, governmental units in Louisiana had by far the largest amount of borrowings—327

of these underwriters fell from an average of 87 percent in 1948-49 to 50 percent in 1954. This decline, although large, reflects the increase in the amount of public improvements rather than a decline in local income.

Even though the increase in income in this area exceeded that in the nation, the area was not able to provide funds for all its capital expenditures, and state and local governments found it necessary and profitable to seek funds in national markets. Judging by the distribution of the amount and number of issues underwritten in Southern and non-Southern states, large issues were generally financed by firms outside the District states. These firms underwrote 57 percent of the dollar amount of state and local securities but only 42 percent of the number of issues, indicating that Southern markets are still too small to handle large issues.

**Distribution of State and Local Securities by Purpose**  
Sixth District States, 1954  
(In Millions of Dollars)

Purpose	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	Total
Schools . . . .	24	77	39	27	7	14	188
Water and Sewers . . . .	11	38	5	5	3	10	72
Streets, Highways and Bridges . . . .	6	*	31	131	17	1	186
Public Utilities . . . .	39	19	8	23	2	2	93
Hospitals . . . .	*	7	1	1	*	3	12
Housing . . . .	51	50	81	103	15	37	337
Refund . . . .	1	1	..	..	..	..	2
Other . . . .	7	14	4	37	6	10	78
Total . . . .	139	206	169	327	50	77	968

\*Less than \$500,000

The dependence of Southern governmental units on national markets, therefore, depends to some degree on the size of issue involved. The percentage of all securities issued by governmental units and handled within the state ranged from 2.3 in Florida to 14.4 percent in Alabama. Non-Southern firms underwrote 62.2 percent of the securities issued by Tennessee governments but only 39.7 percent of the Louisiana issues.

To some extent this variation in the dependence on non-Southern firms was also determined by the amounts the governmental units in each state borrowed. In states in which housing securities made up a large part of the total, a major share of the securities was handled by non-Southern underwriters. Most of these issues, both large and small, were sold through New York City banks rather than through local bankers and investment dealers. Although housing authority issues were of all sizes and were mostly short-term, only one issue was underwritten by a Southern firm. These securities were not attractive to local underwriters probably because the firms had more productive outlets for the funds they had available.

State governments, because they are generally a good credit risk and are well-known nationally, can sell their securities in large national markets and thereby obtain lower rates. Out of the 19 issues by District states last year, 12 were underwritten by non-Southern firms. These issues were primarily long-term, ranging from 5 to 25 years, and were of large denominations.

School boards also relied heavily on outside firms; 92 percent of their securities were handled by syndicates, which were predominantly non-Southern. Most of these securities were in Florida, however, and represented a series of relatively large issues by school boards. Issues of other governmental units in District states found a ready market locally.

Since governmental units usually seek the most favorable market in which to sell their securities, the yield—the interest cost in relation to the amount received for the security—is usually indicative of the market response to the credit position of the borrower. But more than that it indicates the availability of funds for investments. Last year, yields on securities sold in national markets were slightly lower than those prevailing in local markets, but this rate advantage varied considerably by type of borrower. State governments, school boards, and housing authorities found a slight yield advantage by selling their securities in the national markets. City and county governments, special authorities, and small district instrumentalities found local markets more favorable. A few county governments that sold securities in national markets did so at yields that were somewhat higher than those in the case of counties that sold in the local market.

The analysis of state and local securities for the year 1954 and for the first quarter of 1955 reveals that state and local governments have added significantly to the level of construction in this area. A great part of these funds was raised through national capital markets, judging from the proportion of securities handled by local underwriters. This access to other national funds brought with it not only a sharing in the financing of the program of capital improvements on the part of investors throughout the country, but in some cases a reduction in interest costs to local governments.

With the continued expansion in income and the predicted increase in state and local government construction, local bankers and investment dealers can expect to have more business in 1955 and the people of the area can expect to have more schools, roads, public housing and bridges.

CHARLES S. OVERMILLER

## Bank Announcements

*The Citizens Bank, Mobile, Alabama, a newly organized nonmember bank, opened for business July 1 and began to remit at par. Capital stock of the bank amounts to \$265,000 and surplus and undivided profits to \$91,000. Officers are E. E. Delaney, President; Joseph C. Sullivan, Vice President; O. B. Harrell, Vice President and Cashier; and James Pollard and Fred Kimbrough, Jr., Assistant Cashiers.*

*Another newly organized nonmember bank opened for business July 15 and began to remit at par—the Greenville Bank, Greenville, Alabama. This bank's capital stock and surplus and undivided profits total \$175,000. Howard E. Cheatham is President; J. W. Rainer, Jr., is Executive Vice President; and James Calloway is Cashier.*



# Sixth District Indexes

1947-49 = 100

	Nonfarm Employment			Manufacturing Employment			Manufacturing Payrolls			Construction Contracts			Furniture Store Sales**		
	May 1955	Apr. 1955	May 1954	May 1955	Apr. 1955	May 1954	May 1955	Apr. 1955	May 1954	June 1955	May 1955	June 1954	June 1955	May 1955	June 1954
<b>UNADJUSTED</b>															
District Total	120	120	118	113	113	110	162	162	148	..	..	..	106p	115	102
Alabama	111	110	110	106	105	102	150	148r	132r	338	118	193	109p	124	109
Florida	136	140	133	141	145r	138r	198	200	184r	306	240	225	112	120r	106
Georgia	122	121	118	118	118r	112	167	166r	145	356	287	224	109p	116r	100
Louisiana	114	113r	115	99	98	101r	147	148r	144r	276	343	399	122p	111r	117
Mississippi	117	117r	113	114	114r	109r	173	175r	153r	252	193	111	..	..	..
Tennessee	116	114	114	112	111	109	162	161r	152	215	297	191	79p	104	84
<b>SEASONALLY ADJUSTED</b>															
District Total	120	119r	118	113	113r	110	164	162	149	..	..	..	102p	110r	98r
Alabama	112	110	110	107	106r	103	152	148r	133r	..	..	..	102p	121	101r
Florida	139	136	135	141	142r	138r	198	196	184r	..	..	..	110	118r	104r
Georgia	122	121	118	120	118r	114r	171	166r	148	..	..	..	105p	109r	96r
Louisiana	115	114	117	100	100	102r	150	153	147r	..	..	..	115p	106r	111r
Mississippi	118	117r	114	115	115r	110r	173	176r	153r	..	..	..	..	..	..
Tennessee	115	114	113	112	112r	110	163	162r	153r	..	..	..	74p	97	79r

## Department Store Sales and Stocks\*\*

	Adjusted			Unadjusted		
	June 1955	May 1955	June 1954	June 1955	May 1955	June 1954
<b>DISTRICT SALES*</b>						
Atlanta <sup>1</sup>	136p	137	130r	121p	134	115r
Baton Rouge	115	116	124r	101	121	109r
Birmingham	113	114	111r	103	115	101r
Chattanooga	124	127	132r	109	127	116r
Jackson	116	108	118r	100	107	101r
Jacksonville	119	119	117r	105	126	103r
Knoxville	133	135	127r	122	138	117r
Macon	144	137	141r	124	133	121r
Miami	179p	181	138r	141p	161	109r
Nashville	125	125	126r	109	138	110r
New Orleans	134	131	130r	116	123	113r
St. Ptsbg-Tampa Area	140	145	135r	125	127	120r
Tampa	125	128	123r	116	120	114r
<b>DISTRICT STOCKS*</b>	148p	147	135r	140p	149	129r

<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 non-department stores, however, are not used in computing the District index.

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

\*\*Daily average basis.

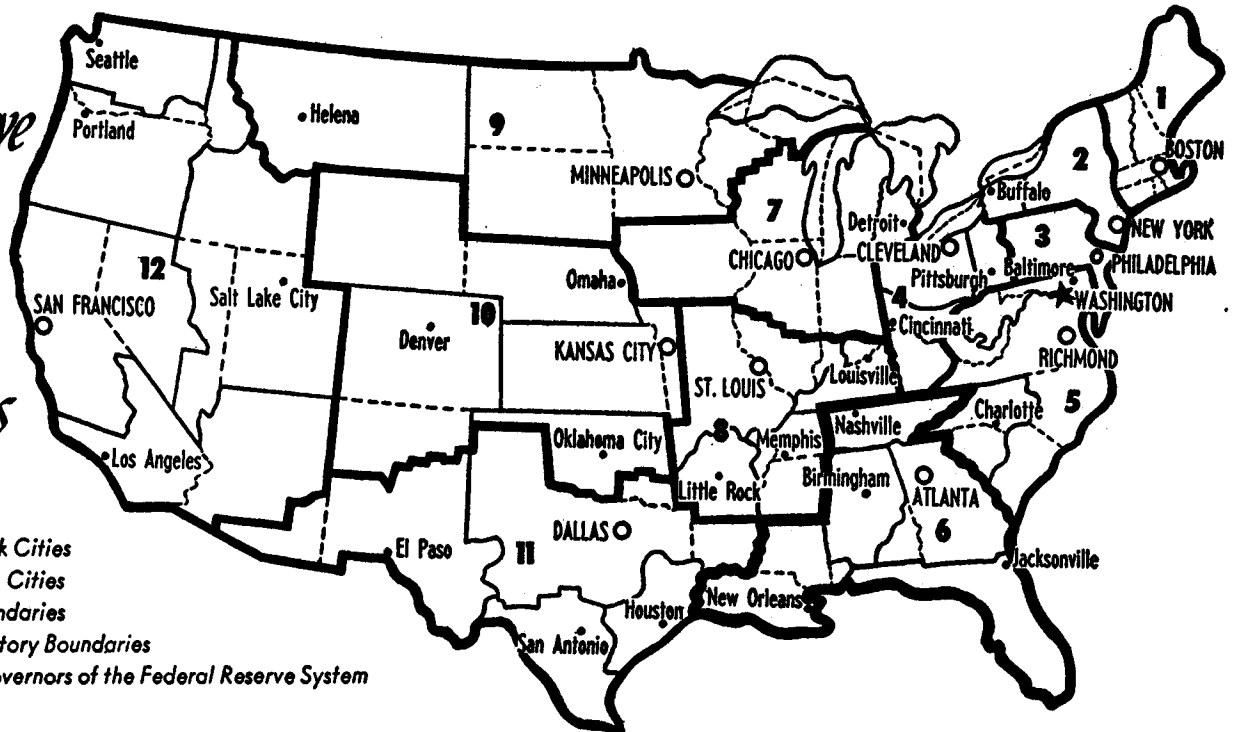
Sources: Nonfarm emp., mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; furn. sales, dept. store sales, turnover of dem. dep., FRB Atlanta; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Indexes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

## Other District Indexes

	Adjusted			Unadjusted		
	June 1955	May 1955	June 1954	June 1955	May 1955	June 1954
<b>Constructions contracts*</b>						
Residential	..	..	..	300	253r	249
Other	..	..	..	250	248r	170
	..	..	..	337	256r	310
<b>Petrol. prod. in Coastal</b>						
Louisiana and Mississippi**	141	150	144	140	148	143
Cotton consumption**	103	99	91	98	100	86r
Furniture store stocks*	105p	106	112	103p	107	110
<b>Turnover of demand deposits*</b>						
10 leading cities	20.8	21.5	20.2	20.8	20.6	20.2
Outside 10 leading cities	23.1	23.1	22.3	22.1	21.8	21.3
	17.4	18.2	16.9	17.4	17.3	16.9
	May 1955	April 1955	May 1954	May 1955	April 1955	May 1954
Elec. power prod., total**	..	..	..	n.a.	230	184
<b>Mfg. emp. by type</b>						
Apparel	154	150r	145r	150	151	142r
Chemicals	132	130	125r	129	131	122r
Fabricated metals	159	157	157r	157	156	155r
Food	108	109	112r	106	106	109
Lbr., wood prod., furn. & fix.	83	83	81r	83	83	81r
Paper and allied prod.	151	150	148r	150	148	146r
Primary metals	105	101	95r	103	102	93r
Textiles	86	95	95	94	95	93
Trans. equip.	175	170	165r	177	175	167r

r Revised. p Preliminary. n.a. Not Available.

Federal Reserve  
Map  
of the  
United States



- Reserve Bank Cities
- Branch Bank Cities
- District Boundaries
- Branch Territory Boundaries
- ★ Board of Governors of the Federal Reserve System