SIXTH FEDERAL RESERVE DISTRICT

Monthly Review

Atlanta, Georgia

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Also in this issue:

Federal Reserve Bank of Atlanta

Lower Interest Rates and Easier Credit

CHANGES IN ECONOMIC ACTIVITY usually arouse controversy over interest rates. The present recession has been no exception. Differences of opinion, however, have not been confined merely to how low interest rates ought to be and what should be done to lower them. There has even been confusion as to the changes in rates and their implication.

One thing is certain: Interest rates have declined from their peak of last fall. The United States Government, for example, has found it much cheaper to raise money. Last October, it paid 3.66 percent to borrow for ninety-one days; by late May the rate at which it sold three-month Treasury bills had fallen below one percent. Corporations with high credit ratings that sell commercial paper in the open market now pay about 2½ percent less than they paid last autumn. Commercial banks have shaved the rates they charge their customers. Long-term rates, like mortgage rates and yields, or net income to maturity of U. S. Treasury and corporate bonds, have likewise come down. Many find it significant that these have declined less sharply than short-term rates, that is, the price of borrowing for less than one year.

Drop in Short-Term Rates Dramatic

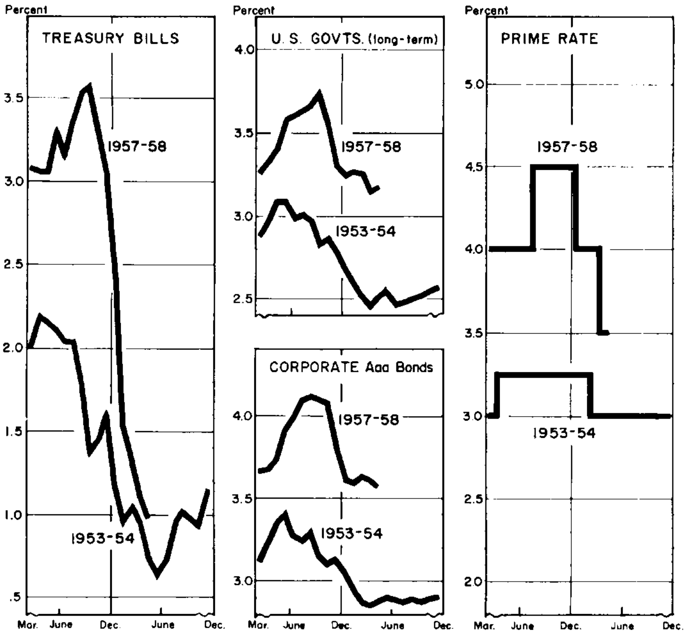
That interest rates have declined is not surprising, because they usually do so in a recession. What is unique is how much short-term rates have fallen since last October. Not even in the corresponding months of 1929 and 1932, did short-term rates drop so much.

The spark setting off the spectacular decline in short-term rates was the lowering of the discount rate by the Federal Reserve Banks in mid-November from 3½ to 3 percent. Reducing the fee the Reserve Banks charge on loans to member banks at that time was a way of saying that the Reserve System regarded recession as a more immediate danger than inflation. Many persons thought that the Federal Reserve System would follow up the reduction in the discount rate with actions that would supply the banks with additional reserves, which would in turn bring about a general decline in interest rates. These expectations made for a greater drop in yields than that which would ordinarily follow from a change in the discount rate.

The recent decline in interest rates would have slowed down if the System had not increased the amount of loanable funds to the banks. The Reserve System contributed to further declines by adding to member bank reserves in two ways: First, it bought Government securities, and, secondly, on three separate occasions it reduced the reserves which member banks are required to keep with Federal Reserve Banks.

Yields and the Prime Rate

1953-54 and 1957-58



May 1958 figures preliminary

Banks React to Easier Credit

With their extra funds, commercial banks have repaid most of what they owed the Federal Reserve Banks and have bought Government and municipal securities. From November 1957 to April 1958, their holdings of these securities expanded about 7.8 billion dollars. That is a large sum of money considering that in the like period of the previous year these same banks sold 300 million dollars of securities.

Apart from Federal Reserve policy, loanable funds became more plentiful when borrowing fell off. From last November to April loans at all commercial banks fell some 200 million dollars; the previous year, they went up 1.5 billion. Banks in the larger cities felt the drop in demand for loans most of all, whereas the country banks experienced increases this year. Loans probably would have declined more than they did had it not been for the easier reserve positions of the banks.

Banks in major cities moved more quickly in lowering the prime rate (the fee charged their customers with the best credit rating) after the drop in interest rates in this recession than in the 1953-54 one. The January reduction in discount rates was followed by a 0.5 percent decline in the prime rate. A second cut in the prime rate in April, from 4 percent to 3½ percent, came after the discount rates were lowered for the fourth time.

Long-Term Rates Come Down Too

For long-term rates to have dropped less than short-term rates in this recession is not unusual. Long-term rates are to some extent influenced by what investors think short-term rates will be during the life of a bond. It is partly because such expectations seldom change from week to week that long-term rates fluctuate less than short-term rates. Another reason is that demands for long-term funds usually change less sharply during booms and recessions than demands for short-term funds.

By comparative standards, the drop in long-term rates has been sizable. Indeed, yields on long-term Treasury and corporate securities have already dropped more from their peak of last autumn than in the entire 1953-54 stretch of falling interest rates. There have been, since World War I, only two comparable periods of general interest rate declines—1921 and 1932—during which the recent seven-month old decline in corporate bond yields was surpassed.

Often overlooked is that corporate treasurers have found that the cost of borrowing has come down more than the yields on bonds they sold some years ago. Reoffering yields on newly issued Aaa corporate bonds, for example, averaged 1.09 percent less in April than in mid-1957, when the high point was reached; yields of outstanding issues of like quality were quoted at only 0.58 percent below their peak.

That long-term rates have dropped so much is all the more remarkable because capital markets have had to absorb large amounts of new public and private bond offerings. After having stayed out of the long-term market since 1955, the Treasury has raised cash through the sale of bonds four times since September. This has held down declines in yields on bonds previously sold by the Treasury. Yields on short-term obligations might not have dropped as much had the Treasury not refinanced part of the short-term debt that came due with securities of over five years maturity.

Between January and April, corporations sold stocks and bonds in an amount only slightly smaller than in the same period last year. State and local governments actually borrowed one-fifth more than in the like period of 1957.

The easing in long-term money, in the face of large capital offerings, suggests that the System, even though it bought only short-term securities, can take credit for bringing long-term rates down a notch. The funds that the Reserve System put into the hands of the banks and those obtained from the repayment of bank loans found their way into Government and municipal securities, at lower yields and have eased strains in the investment markets. Moreover, credit ease encouraged state and local governments to borrow and stimulated housing activity. Of additional significance is that monetary policy avoided any semblance of setting either the prices of securities or interest rates that are associated with direct intervention in the long-term market.

Harry Brandt

Marshaling Funds for Development Needs

Businessmen actively promoting industrial development in the Sixth Federal Reserve District believe business opportunities and living standards in their state or local community can be improved if people will only marshal available resources and use them to better advantage. Believing their resources can be put to better use, they may try to aid expansion of existing business, to help entirely new business develop, or to attract new firms from other areas, either in the form of branches of national organizations or of industries that find it advantageous to move to a new location.

The problems of such businesses will vary with their type, but the problem of adequate financing is common to all of them. Well-established firms wanting to expand or enter an area ordinarily can obtain the necessary financing through usual channels without difficulty. New firms that might provide employment opportunities, however, may not be able to get credit so easily. They may not measure up to the credit standards required by banks and other financial institutions. Perhaps they need credit for longer periods of time than they can get at the banks. New businesses may not be able to borrow money simply because they have not had time to build up satisfactory credit records. Bankers would be the first to admit there are such instances in which extensions of credit by them simply are not warranted because the risk is too high. Thus, there is a credit gap, the closing of which might well provide new industries and jobs.

A New Method

People concerned about closing this credit gap in the Sixth Federal Reserve District will be interested in learning about the privately financed development credit corporation, even though they may find it is not appropriate to their particular needs. This type of corporation originated in Maine in 1949 to help provide credit to promising businesses unable to borrow from banks and other financial institutions. Similar corporations have since been established and have become active in four other New England states, North Carolina, and New York. It was thought best in each case to organize on a state-wide basis to assure the maximum diversification of loans and to obtain the largest possible pool of funds for development purposes.

The New England corporations, active for the longest time, have made 230 loans totaling 14 million dollars since starting operations. At the end of 1957, loans outstanding amounted to 8.7 million dollars and represented credit being used by almost 200 New England businesses. Over 90 percent of these loans were granted with original maturities of five years or longer; the average maturity is about seven years. Through 1957, the New England corporations had suffered losses of less than 0.5 percent of their loans. In many cases, the credit they extended has enabled businesses to borrow additional funds from banks and other financial institutions. Their contribution to industrial development, therefore, has been greater than indicated by the figures on their own extensions of credit.

It takes money, of course, to lend money, and development credit corporations have obtained their operating funds by selling stock and by borrowing. Their unique character is reflected in how they do this. Stock has been sold to those businesses and individuals who are primarily interested in promoting industrial developments rather than in earning dividends. Stockholders may expect to receive indirect benefits from the anticipated industrial development, but the public interest nature of the New England corporations has, so far, discouraged reliance on dividend payments as a means of attracting funds.

The major part of the funds is obtained by borrowing from so-called members, usually limited to banks, insurance companies, and other financial institutions. In becoming members, these institutions commit themselves to lend a small percentage of their capital and surplus (or similar fund) when needed as the credit corporation's business expands. Borrowings from members, however, are usually limited to about eight times the corporation's paid-in capital. Generally, members are not permitted to buy stock, thus avoiding any conflict of interest arising from a dual position as both owner-borrower and creditor.

A moment's thought shows that the ownership capital of the credit corporation provides a base for borrowing much larger amounts from banks, insurance companies, and other financial institutions than could otherwise be obtained. The development corporation thus is able to tap what is usually an area's largest potential source of funds for development purposes. Previously prevented from lending to high-risk borrowers, other financial institutions are enabled to do so indirectly through the development credit corporation. Their risk exposure is reduced, for the credit corporation's equity capital is present to absorb any losses that might occur.

The credit corporation, when first begun in each area, was itself a new and untried business. In such a situation, the authorities regulating financial institutions quite naturally might be reluctant to permit banks and others to lend to development credit corporations for the same reason that they would be reluctant to permit lending to any other new business. Because of this, it has been considered advisable to obtain legislation that specifically permits banks and other financial institutions to become members of such corporations. As a result, the New England corporations were organized under special charters granted by the various state legislatures. Besides giving official sanction to such activities, permissive legislation, of course, is advantageous in that it provides publicity to a new type of organization and enhances the chances of success in obtaining the necessary funds, both through selling stock and obtaining loan commitments from members.

The Potential in the Sixth District

You may wonder what funds for development purposes could be marshaled in Sixth District states through the organization of development credit corporations. This would, of course, depend on how much stock could be sold and the success in soliciting membership. Let's look, however, at what bankers alone could provide if all became members and enough stock were sold to other businesses and individuals to permit full use of bankers' commitments to lend. Assuming member pledges would be limited to 2½ percent of their capital and surplus, the usual limit in New England, commercial banks could provide funds for industrial development purposes totaling over 23 million dollars, based on figures available for the end of 1957. The potential in each state ranges from over 2 million dollars in Mississippi to nearly 6 million dollars in Florida.

To realize such a potential, however, credit corporations established along the lines of those in New England would have to sell nearly 2.9 million dollars in stock. This would be true if the corporations were required to have one dollar of paid-in capital for every eight dollars they borrow from members. Stock sales would have to range from 264,000 dollars in Mississippi to 727,000 dollars in Florida if commercial bank resources were to be utilized to the fullest.

Limitations on borrowing in relation to capital are necessary, of course, if the risk exposure of members is to be reduced by providing a reasonable equity cushion between them and the firms who borrow, in turn, from the credit corporation. These limitations may be self-imposed or determined by the legislation granting the corporate charter. In some cases, specific dollar limitations are placed on borrowings from members.

Some banks, of course, might prefer not to commit themselves to lend to development credit corporations by becoming members. This has been the case in New England, yet in that area actual membership pledges at the end of 1957 amounted to nearly 75 percent of the potential total. Most of the large commercial banks have become members. If bankers in the Sixth District states would do as well as those in New England have done, they would provide development funds totaling about 17 million dollars.

Attention has been focused on banks as a potential source of loan funds for development credit corporations because they have been the main source in New England, providing over 60 percent of the amount pledged as of December 31, 1957. Insurance companies have been another important source of funds there, and perhaps could be expected to be so in the Sixth District states. If the experience in New England can be considered typical of what could happen in this region, life insurance companies in Sixth District states might pledge an additional 3 million dollars.

Widespread Support Required

Experience with development credit corporations in New England suggests that any effort to divert more of a state's financial resources toward industrial development would require widespread business and public support. Naturally, the active interest and support of bankers and other financial leaders would be necessary if funds at their disposal were to be used. Yet, active support by others in providing the basic capital is a first requirement. This is also shown by the experience in New England, where lack of basic capital has presented the greatest difficulty in obtaining sufficient operating funds. In several cases, funds pledged by members cannot be fully utilized because not enough capital stock has been sold.

The problems presented, however, should not prevent interested individuals from considering the privately financed development credit corporation as a possible method of aiding industrial development in their area. Whether or not it is the best method, or even an appropriate method, depends on how well it can be adapted to the particular needs of each state.

PHILIP M. WEBSTER

Pulpwood Outlook Optimistic

Income from pulpwood production in Sixth District states amounted to 182 million dollars in 1956, one-fourth as much as was received from cotton. Although that record was not matched in 1957, indications are that the industry enjoyed a good year: The volume of pulpwood harvested was only 3 percent less than the 1956 volume. Prices paid by Southeastern pulpwood manufacturers, however, were unchanged, and pulpwood producers' income for the year came to about 176.5 million dollars, according to estimates by this Bank.

The slight cut last year in pulpwood production may seem to indicate a weaker pulpwood market, yet the market can hardly be called weak when the consumption declined only 0.2 percent from the record established in 1956. Some impressive gains in pulpwood utilization were recorded in the industry nationally. Despite an overall drop in paper and board output, newsprint production increased 11.4 percent. Other individual paper grades—machine-coated papers, sanitary papers, and tissue papers—also showed increases from 1956. Consumption of wood pulp in rayon, acetate, cellophane, and plastic production was up 10.6 percent. In addition, exports increased 18.5 percent from 1956 and imports dropped almost 10 percent.

With pulpwood consumption remaining high, it is no wonder that mill buying prices remained unchanged at $15.25 a cord. District growers received between $2.50 and $6.00 a cord, stumpage, and pulpwood dealers and those logging the wood got between $9.25 and $12.75 a cord, depending on their production cost. Because mill buyers are becoming more selective, the quality of wood pulp is improving.

Mill demand for pulpwood has not increased this spring over that last year and inventories are high. Production this year, therefore, probably will not exceed the 1957 volume. Nevertheless, although inventories are high, they account for only one-fifth of annual consumption, and they could quickly be consumed by an upsurge in sales.

Looking ahead we see increased incomes from the sale of pulpwood and optimism in the industry. A United States Department of Commerce report projects 1965 paper and board production 42 percent above that in 1957. According to the report, existing supplies of standing timber in the United States, together with prospective growth, appear adequate to meet those increasing demands for pulp and paper. A short supply, therefore, will not cause a sharp upward pressure on pulpwood prices, and yet producers' income from the sale of pulpwood should rise above the 1956 amount. The slight weakening in demand that began last year may bring temporary price dips.

N. CARSON BRANAN

FINANCING SMALL BUSINESS

The first two parts of a three-part study on the financing problems of small business conducted by the Research staffs of the Board of Governors and the Federal Reserve Banks have been submitted to the Committees on Banking and Currency and the Select Committees on Small Business, United States Congress.

Copies of this report may be secured by addressing requests to either the Senate or House Committee, Washington, D. C.

The report, entitled FINANCING SMALL BUSINESS, *includes a number of background studies and surveys of credit and capital sources.*

Trust Department Earnings Up in 1957

Trust departments of Sixth District commercial banks had a better net earnings record in 1957 than they did in 1956. Information collected in a Special Survey of Trust Department Earnings and Expenses revealed that last year net earnings of the 24 banks reporting in the Survey both years, adjusted for deposit credits, amounted to 16.1 percent of total commissions and fees; in 1956 their earnings totaled 14.6 percent. The principal reason for improved earnings was the higher allowance for deposits with the banking department, which rose from 16.4 percent of total commissions and fees in 1956 to 17.8 percent in 1957. The rate allowed for these deposits increased from 1.95 percent to 2.10 percent.

The Survey also revealed that total trust assets amounted to 2,061 million dollars at the end of 1957. This was 3 percent higher than the 2,006 million a year earlier. The number of accounts increased somewhat less rapidly—from 13,596 to 13,704, a gain of one percent.

Total commissions and fees amounted to 5.7 million dollars during 1957, a gain of 10 percent from the previous year. Total expenses, on the average, exceeded total income, however, resulting in a net loss before taxes of 1.7 percent of total income. Only after allowance for deposit credit, which was somewhat larger than in 1956, were these departments able to get into the black; four remained in the red even after this adjustment.

Management of estates and personal trusts was a major source of trust income during 1957; both estates and personal trusts contributed 34.4 percent of the total. Fees for handling agency accounts supplied 21.0 percent of the total. The remainder came from pension and profit-sharing accounts and from corporate trusts.

Salaries, including insurance and retirement allowances, formed about two-thirds of total trust department expenses during 1957, the same as in 1956. Overhead charges, trust departments' share of general costs for the bank as a whole, came to 12.8 percent of total expenses.

W. M. DAVIS

NOTE: *More detailed results of the Survey may be obtained from the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.*

Trust Department Earnings and Expenses

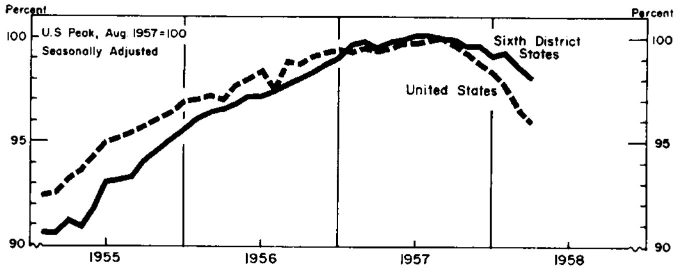
24 Banks Reporting in Both 1956 and 1957 Surveys

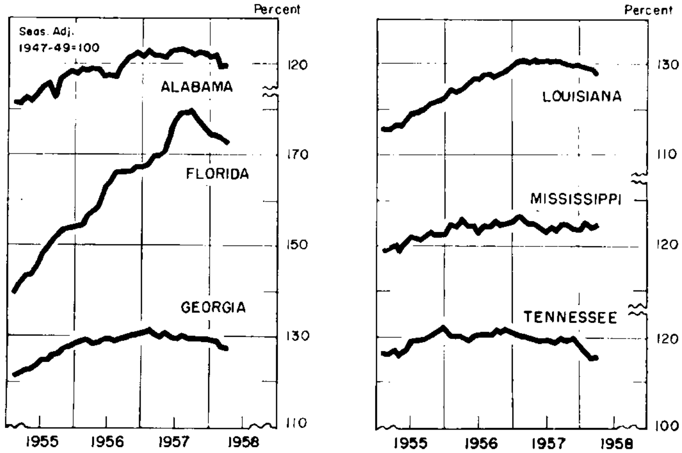
Percent of total commissions and fees	*1956*	*1957*
Commissions and fees from:		
Estates	36.9	34.4
Trusts	39.2	39.8
Personal accounts	32.4	34.4
Corporate accounts	6.8	5.4
Pension and profit-sharing trusts	3.9	4.8
Agencies	20.0	21.0
Personal accounts	13.7	13.3
Corporate accounts	6.3	7.7
Total commissions and fees	100.0	100.0
Total expenses	101.3	101.7
Net earnings before income taxes	— 1.3	— 1.7
Income tax charges (—) or credits (+)	— 0.7	+ 0.0
Trust department net earnings	— 2.0	— 1.7
Allowed credits for deposits	16.4	17.8
Trust department net earnings (adjusted for deposit credits)	14.6	16.1
Percent of total expenses	*1956*	*1957*
Direct expenses:		
Salaries and wages:		
Officers	35.2	32.9
Employees	23.9	26.6
Pensions and retirements	4.3	3.8
Personnel insurance	1.2	1.4
Other expenses related to salaries	1.1	1.0
Total expenses related to salaries	65.7	65.7
Occupancy of quarters	5.4	5.0
Furniture and equipment	2.0	2.2
Stationery, supplies, and postage	3.3	3.0
Telephone and telegraph	1.0	1.1
Advertising	2.6	2.4
Directors' and trust committee fees	0.9	0.9
Legal and professional fees	1.2	0.9
Periodical and investment services	1.9	1.8
Examinations	1.0	1.0
Other direct expenses	2.4	3.2
Total direct expenses	87.4	87.2
Overhead	12.6	12.8
Total expenses	100.0	100.0
Related items:		
Average rate allowed on deposit credit	1.95	2.10
Dollar amount of total commissions and fees (thousands)	5,184	5,688
Dollar amount of total expenses (thousands)	4,799	5,295
Average number of officers	5.7	6.0
Average number of employees	16.9	17.5

Nonfarm Employment

Sixth District States and United States

1955-58





Employment has fallen off less since last summer in the Sixth District than in the United States.

Bank Announcement

On May 12, 1958, the State Bank and Trust Company, Brunswick, Georgia, a newly organized nonmember bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Ray W. Whittle, President; E. B. Moore, Executive Vice President and Cashier; and Harry duB. Parker, Vice President. Capital stock of the bank amounts to $225,000 and surplus and undivided profits to $75,000.

Department Store Sales and Inventories*

Place	Percent Change: Sales, Apr. 1958 from Mar. 1958	Sales, Apr. 1958 from Apr. 1957	Sales, 4 Months 1958 from 1957	Inventories, Apr. 30, 1958 from Mar. 31, 1958	Inventories, Apr. 30, 1958 from Apr. 30, 1957
ALABAMA	—1	—5	—4	—7	—14
Birmingham	—7	—7	—4	—14	—16
Mobile	—2	—2	—2	..	..
Montgomery	+6	—5	—3	..	..
FLORIDA	—2	—1	—1	—2	—5
Daytona Beach	+13	+1	—1	..	..
Jacksonville	+5	—12	—5	+1	—7
Miami Area	—1	+1	+1	—1	—5
Miami	—2	—1	—3	..	..
Orlando	—3	—3	—4	..	..
St. Ptrsbg-Tampa Area	—5	+4	+3	—10	—6
St. Petersburg	—5	—6	—9	..	..
Tampa	—4	+14	+16	..	..
GEORGIA	+3	—1	—1	—3	—10
Atlanta**	+1	+1	+1	—3	—9
Augusta	+4	—13	—10	..	..
Columbus	+15	+1	+0	—1	—12
Macon	+9	—4	—3	—2	—7
Rome**	+4	—31	—22	..	..
Savannah	+10	—5	—5	..	..
LOUISIANA	+2	—11	—5	+3	—5
Baton Rouge	—8	—12	—2	..	..
New Orleans	+2	—11	—6	—2	—5
MISSISSIPPI	+8	—4	—4	—5	—8
Jackson	+8	—2	—5	—6	—7
Meridian**	+12	—6	—2	..	..
TENNESSEE	+8	—10	—6	+3	—6
Bristol-Kingsport-Johnson City**	+3	—21	—14	+2	—15
Bristol (Tenn.&Va.)**	+6	—13	—7	+3	—1
Chattanooga	+2	—8	—2	..	..
Knoxville	+7	—10	—6	+0	—6
DISTRICT	+2	—5	—3	—2	—8

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

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

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	April 1958	March 1958	April 1957	Percent Change: April 1958 from March 1958	April 1958 from April 1957	1958 from 1957
ALABAMA						
Anniston	32,324	32,955	32,422	—2	—0	—4
Birmingham	698,608	699,175	652,306	—0	+7	—0
Dothan	24,042	25,393	24,707	—5	—3	+0
Gadsden	27,521	28,101	30,392	—2	—9	—7
Mobile	246,037	247,407	277,624	—1	—11	—12
Montgomery	131,240	134,061	126,440	—2	+4	+2
Selma*	20,083	20,164	19,463	—0	+3	+1
Tuscaloosa*	43,009	42,210	38,922	+2	+11	+8
FLORIDA						
Daytona Beach*	57,103	53,350	54,176	+7	+5	+10
Fort Lauderdale*	200,447	197,919	198,887	+1	+1	+1
Gainesville*	33,420	34,879	29,380	—4	+14	+10
Jacksonville	737,389	664,451	617,037	+11	+20	+13
Key West*	16,245	15,676	14,518	+4	+12	+1
Lakeland*	66,333	70,431	60,176	—6	+10	+9
Miami	797,389	794,617	748,783	+0	+6	+5
Greater Miami*	1,209,111	1,185,834	1,173,801	+2	+3	+3
Orlando	183,562	167,378	161,364	+10	+14	+7
Pensacola	80,409	78,361	80,908	+3	—1	—1
St. Petersburg	165,369	165,456	157,511	—0	+5	+1
Tampa	330,643	336,490	309,594	—2	+7	+6
West Palm Beach*	120,026	107,732	106,787	+11	+12	+8
GEORGIA						
Albany	52,908	52,047	54,892	+2	—4	—1
Athens*	32,887	32,075	31,314	+3	+5	+6
Atlanta	1,632,422	1,586,858	1,627,646	+3	+0	+3
Augusta	88,059	86,687	83,918	+2	+5	—1
Brunswick	19,614	18,920	18,508	+4	+6	+13
Columbus	90,114	89,738	93,818	+0	—4	—3
Elberton	7,672	8,230	8,261	—7	—7	+4
Gainesville*	49,382	45,469	45,484	+9	+9	+2
Griffin*	15,524	15,994	15,122	—3	+3	+3
LaGrange*	18,787	18,834	20,196	—0	—7	—4
Macon	100,765	101,561	99,147	—1	+2	—0
Marietta*	25,264	24,234	24,926	+4	+1	+0
Newnan	15,446	15,363	14,472	+1	+7	+4
Rome*	36,593	36,688	39,561	—0	—8	—2
Savannah	171,311	168,311	177,476	+2	—3	—2
Valdosta	21,271	22,470	22,040	—5	—3	—9
LOUISIANA						
Alexandria*	63,165	64,046	62,695	—1	+1	+0
Baton Rouge	183,323	201,563	180,363	—9	+2	+10
Lafayette*	50,843	54,720	45,632	—7	+11	+7
Lake Charles	80,628	84,926	75,319	—5	+7	+6
New Orleans	1,243,487	1,234,678	1,272,165	+1	—2	—2
MISSISSIPPI						
Biloxi-Gulfport*	39,141	38,330	37,322	+2	+5	+4
Hattiesburg	30,519	29,080	29,036	+5	+5	+1
Jackson	207,076	190,497	198,826	+9	+4	+1
Laurel*	22,783	21,878	20,250	+4	+13	+8
Meridian	33,918	34,910	33,641	—3	+1	—0
Natchez*	18,739	19,961	19,460	—6	—4	+0
Vicksburg	16,811	16,572	18,653	+1	—10	—2
TENNESSEE						
Bristol*	38,803	37,479	43,867	+4	—12	—3
Chattanooga	262,015	273,322	277,660	—4	—6	—2
Johnson City*	38,786	37,958	35,927	+2	+8	+5
Kingsport*	64,152	79,785	67,932	—20	—6	+2
Knoxville	198,198	200,838	209,660	—1	—5	—3
Nashville	602,197	588,647	580,265	+2	+4	+3
SIXTH DISTRICT						
32 Cities	8,512,287	8,379,063	8,294,854	+2	+3	+2
UNITED STATES						
344 Cities	204,100,000	203,844,000	192,628,000	+0	+6	+4

* Not included in Sixth District totals.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

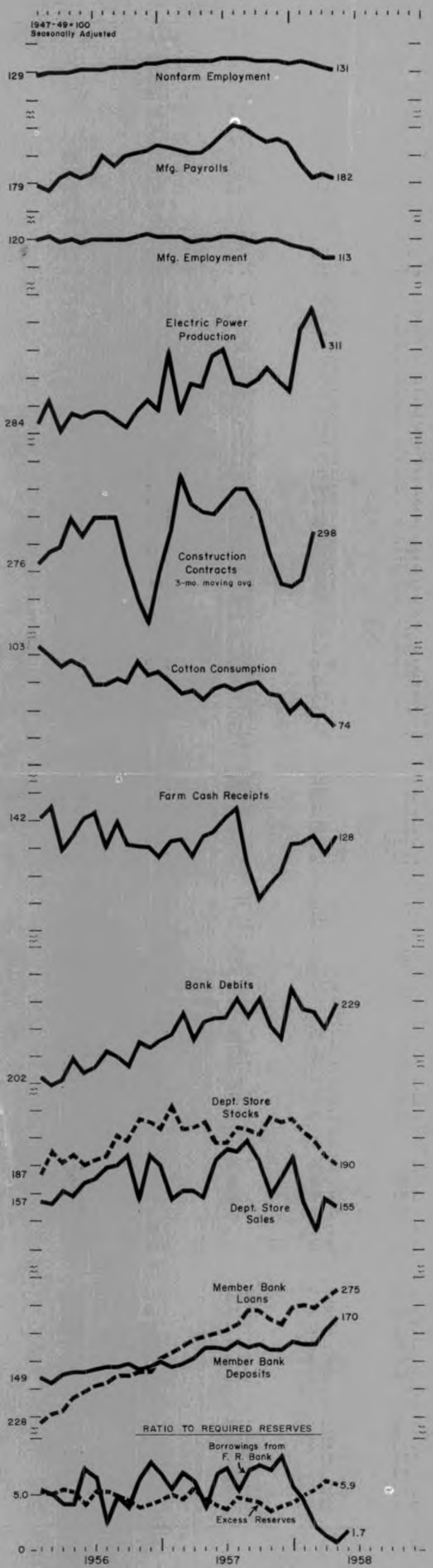
SIXTH DISTRICT	1957										1958			
	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.
Nonfarm Employment	134	134	134	135	135	135	134	134	134	133	134	133	132	131
Manufacturing Employment	119	120	120	121	121	120	119	120	120	118	117	116	113	113
Apparel	172	168	170	171	164	164	165	166	166	164	167	167	165	162
Chemicals	131	134	136	136	136	133	133	131	131	131	129	129	127	130
Fabricated Metals	166	172	175	179	185	180	177	178	176	172	173	169	166	168
Food	116	117	116	117	118	113	113	113	114	115	117	117	114	112
Lbr, Wood Prod., Fur. & Fix.	80	81	81	80	80	80	81	80	78	78	77	76	74	74
Paper & Allied Products	161	163	162	163	156	161	159	161	159	159	158	156	155	158
Primary Metals	106	107	108	107	108	107	104	105	100	99	95	90	90	89
Textiles	90	91	91	90	89	89	89	88	88	88	87	86	84	85
Transportation Equipment	206	209	218	231	235	243	230	216	216	225	211	197	191	184
Manufacturing Payrolls	190	191	194	198	201	200	197	194	196	194	187	182	183r	182
Cotton Consumption**	86	84	88	89	87	89	90	86	85	79	83	78	78	74
Electric Power Production**	298	297	308	310	298	297	299	303	299	295	317	325	311	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	203	195	195	170	172	160	164	167	161	175	169	170r	168	166
Construction Contracts*	319	313	311	320	330	330	315	283	261	259	264	298	309	n.a.
Residential	293	268	291	325	319	341	324	334	288	294	272	293	279	n.a.
All other	339	350	327	315	340	321	308	241	239	229	257	303	333	n.a.
Farm Cash Receipts	115	129	132	142	148	109	83	93	102	123	124	129	115	128e
Crops	102	120	135	150	149	74	62	76	82	108	103	111	85	n.a.
Livestock	139	149	146	145	158	152	147	157	151	173	160	160	160	n.a.
Dept. Store Sales*/**	161	158r	172	176	175	179	172	159	166	173	157	147	158	155p
Atlanta	160	141	163	158	159	167	154	149	154	156	151	147	157	153
Baton Rouge	170	167	183	186	177	194	181	187	205	201	181	171	175	161p
Birmingham	139	118	134	131	128	138	132	128	123	126	121	111	132	117
Chattanooga	143	140r	141	146	149	151	147	141	147	145	142	128	141	136
Jackson	102	98	112	107	119	121	111	102	115	117	109	99	97	99
Jacksonville	124	119r	127	128	127	135	132	118	130	133	127	116	122	108
Knoxville	144	146	154	148	151	158	156	139	144	156	146	128	139	141
Macon	160	141	149	151	147	166	141	136	143	149	139	137	148	151
Miami	247	231r	252	251	267	274	267	244	231	255	234	227	233	242
New Orleans	132	140	142	148	148	148	151	145	140	147	132	135	125	135
Tampa-St. Ptrsbg.	166	182	185	187	183	185	189	177	195	207	192	174	186	181
Tampa	143	148	157	165	159	167	165	147	180	201	185	171	180	168
Dept. Store Stocks*	204	206r	198	198	204	203	201	208	206	207	202	199	193r	190p
Furniture Store Sales*/**	107	113r	106	111	114	110	105	103	108	113	107	93	95r	103p
Member Bank Deposits*	156	160	160	159	162	160	161	159	159	162	161	161	166	170
Member Bank Loans*	258	259	260	261	263	268	268	265	263	269	270	269	272	275
Bank Debits*	216	223	224	223	231	225	231	221	216	235	227	226	220	229
Turnover of Demand Deposits*	139	138	144	140	152	147	144	138	136	149	146	144	139	141
In Leading Cities	148	156	159	160	168	166	158	145	144	160	157	155	150	160
Outside Leading Cities	109	102	109	103	111	106	110	101	99	113	111	112	110	106
ALABAMA														
Nonfarm Employment	122	122	123	123	123	123	122	123	122	121	122	120	120	119
Manufacturing Employment	110	111	113	114	114	113	109	112	112	107	105	103	102	103
Manufacturing Payrolls	178	177	181	185	187	193	187	188	185	173	171	162	165	162
Furniture Store Sales	118	108	117	113	131	125	100	111	120	117	123	99	104	109p
Member Bank Deposits	137	143	140	140	140	139	139	136	136	139	139	139	140	150
Member Bank Loans	211	214	215	219	219	223	226	223	218	222	224	221	223	226
FLORIDA														
Nonfarm Employment	170	171	175	177	179	179	180	178	176	175r	175	174	173	174
Manufacturing Employment	169	172	174	177	177	180	179	180	182	179	174	173	170	169
Manufacturing Payrolls	258	264	273	280	286	290	293	291	290	292	281	276	267	274
Furniture Store Sales	110	124r	112	118	124	114	111	106	111	126	100	99	95	109p
Member Bank Deposits	196	201	201	201	206	207	211	212	213	213	210	206	213	218
Member Bank Loans	396	401	404	405	410	414	415	416	417	423	427	428	436	448
GEORGIA														
Nonfarm Employment	130	131	130	129	130	130	130	130	130	129	129	128	127	127
Manufacturing Employment	122	122	122	123	122	120	118	117	119	118	116	115	114	112
Manufacturing Payrolls	192	192	194	196	198	199	192	187	198	191	184	178	178r	173
Furniture Store Sales	104	107r	105	105	106	107	107	103	111	110	107	86	91r	92
Member Bank Deposits	140	144	142	142	145	141	141	138	137	142	141	141	147	150
Member Bank Loans	213	214	214	216	218	219	217	212	208	212	210	208	212	214
LOUISIANA														
Nonfarm Employment	130	131	130	131	130	131	130	130	130	130	129	129	128	127
Manufacturing Employment	102	102	101	103	101	100	100	100	99	97	98	98	96	96
Manufacturing Payrolls	173	174	174	173	173	174	173	172	171	173	172	170	169r	171
Furniture Store Sales*	141	137r	117	139	139	147	133	133	135	148	135	116	137r	123p
Member Bank Deposits*	155	155	155	155	156	155	154	153	151	153	151	154	156	155
Member Bank Loans*	259	259	262	261	267	272	271	268	265	274	268	269	266	267
MISSISSIPPI														
Nonfarm Employment	125	125	124	123	124	123	125	124	124	124	125	124	124	123
Manufacturing Employment	124	125	122	124	126	124	124	123	122	121	123	123	123	125
Manufacturing Payrolls	210	207	207	211	219	217	213	208	206	212	212	208	228r	222
Furniture Store Sales*	89	94r	89	92	83	75	85	80	95	107	88	77	79	90
Member Bank Deposits*	145	152	155	155	157	158	154	147	149	154	163	164	167	187
Member Bank Loans*	276	278	280	283	286	288	282	293	294	296	302	305	308	309
TENNESSEE														
Nonfarm Employment	120	120	119	120	119	119	120	119	120	118	117	115	115	115
Manufacturing Employment	118	119	118	118	117	117	116	115	115	114	113	110	110	111
Manufacturing Payrolls	188	189	188	187	189	190	186	185	183	181	175	175	177	176
Furniture Store Sales*	84	91	87	86	85	82	82	82	80	87	85	72	75	84
Member Bank Deposits*	143	144	144	144	148	148	147	146	147	148	146	148	155	156
Member Bank Loans*	223	226	229	233	236	236	236	230	233	236	239	233	236	242

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

**Daily average basis.

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

SIXTH DISTRICT BUSINESS HIGHLIGHTS



MIXED TRENDS *characterized the District business picture in April. Bank credit expanded further. Total employment continued to drift downward, and factory payrolls declined, reflecting primarily a shorter average work week. Influenced by favorable weather and higher prices, farm income rose. Consumer spending showed some improvement although it still remained below a year ago.*

Nonagricultural employment, after seasonal adjustment, declined slightly in April reflecting largely a further decrease in the nonmanufacturing sector. **Manufacturing employment** was practically unchanged, after declining substantially in other recent months. **Factory payrolls** declined in April, following a slight rise in the preceding month. With total nonfarm jobs down, **the rate of insured unemployment** rose further in April, contrary to the usual seasonal movement. Activity in the **cotton textiles** industry, as measured by seasonally adjusted cotton consumption, declined further in April from already depressed levels. **Construction employment** was slightly below a year ago, but seasonally adjusted **construction contract awards** have increased since mid-winter. **Steel operations** improved in May, even though mills were still operating well below capacity.

Cash receipts from farm marketings, seasonally adjusted, increased in April, but still remained slightly below a year ago; the increase reflects in part higher prices received by farmers. **Marketings** of vegetables, potatoes, beef, eggs, and milk totaled less than last year. Broiler marketings, however, exceeded last year's, and hog marketings have reached last year's level. **Favorable weather** during recent weeks has facilitated planting and permitted rapid crop growth.

Spending, as measured by seasonally adjusted **bank debits,** increased sharply in April after declining for three months. **Department store sales** were down in April but, according to preliminary data, rose in May to the highest point this year. **Inventories** at department stores declined to the lowest point in over two years. **Furniture and household appliance sales** showed gains in April, but remained substantially below last year's volume. **Consumer credit** outstanding at commercial banks rose about seasonally in April. **Savings** in the form of time deposits and ordinary life insurance sales were up more than seasonally.

Moderate gains in **member bank deposits,** seasonally adjusted, occurred in April in all states except Louisiana. **Total bank credit** also expanded sharply as banks increased their loans and their holdings of Governments and other securities. The increase in loans was greater than seasonal and again centered at banks in smaller cities. All states shared in the loan expansion. In May, the decline in **loans outstanding at banks in leading cities** was greater than a year ago. **Borrowings from the Federal Reserve Bank** in May rose somewhat after having declined for five straight months.