SIXTH FEDERAL RESERVE DISTRICT

Monthly Review

Atlanta, Georgia
June • 1959

Federal Reserve Bank of Atlanta

Ample Mortgage Money for the Boom in Housing

Home building has been maintained at a high level so far this year. In April, housing starts remained at a seasonally adjusted annual rate of 1,390,000 units, a record for that month. In the face of expanding business activity and rising long-term interest rates in the corporate and government sectors of the economy, this development has been somewhat surprising to some experts in the housing area. These experts, haunted by memories of past mortgage money shortages, had fully expected that at this stage of the business upturn, a shortage of mortgage funds—the old bugaboo—would result in a sharp cut-back in private housing starts. The housing industry has been looking over its shoulder apprehensively for several months, expecting the phenomenon of mortgage money tightness to overtake it momentarily. So far, however, in most sections of the country mortgage money still appears ample.

Where Did the Money Come From?

The money to finance the increase in private home building since the spring of 1958 originated with savings. In the course of the last year and a half, the flow of savings into financial institutions created an immense reservoir of lendable funds. During 1958, for example, the net increase in savings of consumers and businesses in savings accounts, United States savings bonds, and life insurance reserves totaled $18.3 billion, the largest annual increase since the war years 1943-45.

The rapid growth in savings during 1958 was shared by all the major financial institutions. The net increase in accounts in savings and loan associations, time deposits at commercial banks, and reserves of life insurance companies totaled $6.0 billion, $5.8 billion, and $4.2 billion, respectively. These financial institutions accounted for almost 90 percent of the total net increase in savings by consumers and businesses. The largest percentage gain in net savings was recorded by mutual savings banks, although dollar-wise the rise amounted to only $2.3 billion.

That savings flowed into savings and loan associations and mutual savings banks at a high rate was extremely favorable to residential building, since the activities of these institutions are oriented primarily toward mortgage financing. A second factor which operated to increase the flow of funds into the mortgage market was the shrinking demand for new long-term funds by corporations and Federal and state and local governments in the second half of 1958.

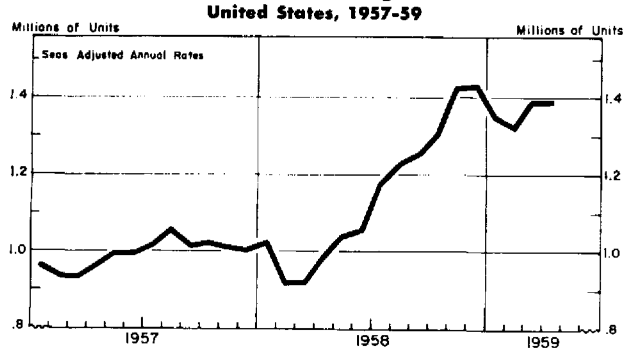
The net acquisition of mortgages by savings and loan associations and mutual savings banks was 34 percent greater in 1958 than in 1957. These institutions increased their holdings $5.6 billion and $2.1 billion, respectively, amounts almost equivalent to their record gains in saving. Acquisitions of mortgages by life insurance companies in 1958 were one-fifth smaller than in 1957, although the net increase in holdings accelerated in the latter part of last year. Commercial banks also increased their mortgage holdings sharply after the first quarter of 1958.

For Current District Developments . . . Ask the Ones Who Know

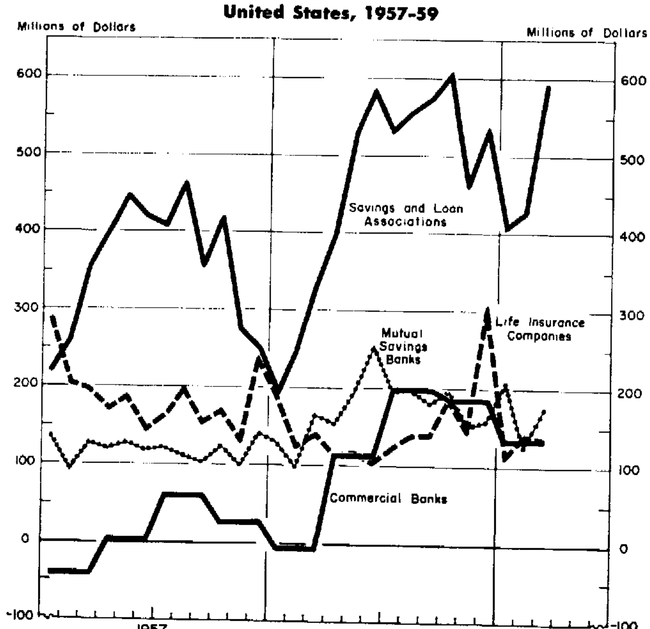
Early this year, savings were flowing into savings and loan associations, mutual savings banks, and insurance companies at about the same rate as in early 1958, but the growth in time deposits at commercial banks had definitely slowed. With demands for mortgage funds continuing strong, and with demands for credit by other sectors of the economy rising, we thought it appropriate to ask builders in major cities in the District for an up-to-date report on housing and mortgage developments.

During May, therefore, questionnaires were mailed to builders, large and small, located in Atlanta, Birmingham, Jacksonville, Miami, Nashville, and New Orleans. They were asked about changes in interest rates and discounts on mortgages, changes in lender requirements with respect to advance commitments, and changes in mortgage credit terms. They were also asked how many houses they built last year, and how many they planned to build this year. The report that follows represents only a summary of the information supplied by builders participating in our survey and does not, therefore, purport to represent a complete analysis of housing and mortgage market conditions throughout the Sixth District.

Number of Housing Starts
United States, 1957-59



Net Change in Mortgage Holdings of Selected Financial Institutions
United States, 1957-59



What Builders Report

The responses of the builders questioned in this survey indicate that while mortgage funds are generally ample, the cost of borrowing is edging upward. The present level of rates varies somewhat from one major city to another, with borrowing costs being highest in Miami and Jacksonville and lowest in Birmingham. For the District, the typical or average interest rate on conventional loans in May was reported by 63 percent of the builders to be 6.0 percent or more. Last October, however, only 52 percent of these same builders reported the typical rate as 6.0 percent or more. Six months ago, discounts on 25-year loans insured by the Federal Housing Administration were quoted most often at 2-3 points; now, according to our reports, discounts are frequently 3-4 points, with a goodly number in excess of 4.

The majority of builders stated that discounts on loans guaranteed by the Veterans Administration have also risen since last fall and that discounts of 8 or more points are now common. Even at these prices, however, VA money is hard to come by. Passage of legislation now before Congress—which includes a provision to raise the VA rate from $4\frac{3}{4}$ to $5\frac{1}{4}$ percent—would tend to relieve the "tightness" in the VA market.

Builders also reported that loans are being closed on about the same terms as last fall. They stated that when granting advance commitments, lenders, for the most part, had not changed their requirements with respect to maturities and down payments or the income to monthly-payment ratio of the borrower.

Optimism Prevails

The availability of mortgage credit on favorable terms and at reasonable cost and a rising demand for new and old homes have been the main factors behind the boom in housing. Whether these factors will continue to support housing starts at about the present level is of significance to the economy as well as to the building industry.

About 80 percent of the District home builders surveyed reported that they plan to build more houses in 1959 than they actually built in 1958. A quarter of them, moreover, reported plans to build 50 percent more houses, and another quarter plan to more than double their 1958 output. Builders reported that the number of houses planned for 1959 exceeds the number actually started in 1958 by 40 percent. Percentage gains in starts were widespread among builders of all sizes, in all major cities, and among all house price classes.

Experience with similar surveys indicates that the number of houses actually started frequently falls short of the number planned. Builders' reports in the present survey on advance commitments and houses completed or under construction so far this year imply that starts for the full year are likely to exceed the 1958 total. The builders themselves mentioned many things that might prevent their plans from being realized—reduced availability of credit, higher interest rates, tighter credit terms, rising land and construction costs, and reduced demand for houses. As of now, at any rate, builders appear optimistic. As to the future, we'll have to just wait and see.

ALFRED P. JOHNSON

Bank Lending to Farmers and Small Businesses

Farmers have long maintained that they are not able to get as much credit and on the same terms as other types of businesses. Small businessmen, too, have complained that they have difficulty in borrowing from banks on the same terms as other businesses. Do these two groups—small businessmen and farmers—compete on equal terms in arranging for loans from Sixth District banks? Are they able to get sufficiently large amounts of bank credit? Are they charged the same rates, and if not, is the difference in rates attributable to variations in the terms, such as maturity and security, rather than to the borrower's being a farmer or small businessman?

Definition of Small Business

Assets:	
under $5,000,000:	*Sales finance companies and manufacturers of metal, petroleum, chemical, and rubber products.*
under $1,000,000:	*Manufacturers of food, liquor, tobacco, textiles, apparel, and leather products.*
under $250,000:	*Wholesale trade and real estate firms, commodity dealers, and other manufacturers.*
under $50,000:	*All firms.*

Data are available from two surveys conducted by the Federal Reserve Bank of Atlanta that shed some light on these questions—the Agricultural Loan Survey of June 30, 1956, and the Survey of Commercial and Industrial Loans as of October 5, 1955. The Agricultural Loan Survey provides data on farm lending by 1,296 commercial banks in the Sixth District and the Business Loan Survey provides detailed information about business loans at the 377 member banks in the District.

Major Borrowers

The farming operation in the Sixth District is generally recognized as a small enterprise. There is some disagreement as to when a business is small or large. Although farmers and small businesses may not be strictly comparable in size, some generalizations about the terms on which credit is made available to them may be valid.

Data from the two surveys reveal that borrowing is very common by both farmers and small businesses. Sixth District member banks had $405 million in loans outstanding to small business on October 5, 1955. This represented over a fourth of the $1,373 million outstanding to all businesses. Loans to small businesses amounted to about 13 percent of the dollar amount of all loans outstanding. Bank lending to small businesses was also large when measured by number of loans outstanding, 47,658 on the survey date.

About eight months later, on June 30, 1956, farm loans outstanding at commercial banks in the Sixth District totaled $336 million. This total represented about 300,000 individual notes to 220,000 farmers. The dollar amount of farm loans accounted for 7 percent of total loans to all borrowers at commercial banks, a somewhat smaller proportion than that for small business loans.

Bankers in the Sixth District not only are supplying large amounts of credit to many farmers and small businesses, but the amount has increased rapidly in recent years. The dollar amount of loans to farmers was about three times larger in 1956 than in 1947, the date of a previous survey. Small business loans more than doubled during the same period. In contrast, total loans of all types were about 2½ times larger in 1956.

Interest Rates Vary with Loan Terms

Do bankers charge farmers the same interest rates that they charge small businessmen? Small business borrowers paid an average of 5.07 percent on their loans outstanding at Sixth District member banks on October 5, 1955; in mid-1956, the average farmer paid 6.45 percent. Farmers pay a higher rate, therefore, even if we allow for some increase in the rate on small business loans between the two survey dates.

Small Business and Farm Loans
Sixth District Banks
October 5, 1955, and June 30, 1956

	Number of Loans	Amount Outstanding ($000)	Average $ Size of Loan	Average Interest Rate
Farm loans, all commercial banks, June 30, 1956	**300,791**	**336,247**	**1,118**	**6.45**
Maturity				
Less than 3 months	48,367	50,582	1,046	6.14
3 months to 1 year	199,274	195,618	982	6.52
1 year to 5 years	50,082	77,279	1,543	6.74
Over 5 years	3,068	12,768	4,136	4.96
Security				
Secured	267,704	308,941	1,154	6.50
Unsecured	33,087	27,306	825	5.94
Repayment Method				
Single payment	229,706	239,001	1,040	6.36
Instalment, interest on original amount	44,657	31,435	704	8.62
Instalment, interest on unpaid balance	26,320	65,754	2,498	5.75
Small business loans, all member banks, October 5, 1955	**47,658**	**404,934**	**9,678**	**5.07**
Maturity				
Less than 3 months	25,523	254,797	10,904	4.84
3 months to 1 year	11,717	89,035	8,383	5.06
1 year to 5 years	8,898	39,260	6,369	6.27
Over 5 years	1,520	21,842	18,449	5.02
Security				
Secured	35,370	299,445	9,876	5.20
Unsecured	12,288	105,489	9,107	4.69
Repayment Method				
Single payment	32,542	322,532	10,757	4.82
Instalment, interest on original amount	8,921	20,668	3,311	8.29
Instalment, interest on unpaid balance	6,195	61,734	13,179	4.99

This can be partly explained by characteristics of the average farm and small business loan. On the average, farm loans were much smaller and were made for longer periods; farmers relied more heavily on secured loans and on loans repayable in instalments.

The average farm note outstanding on June 30, 1956, was $1,118, whereas the average small business loan amounted to $9,678. Banks tend to charge a higher rate on small loans than on large loans even when made to businesses or farmers of equal size and credit standing. The larger average size of small business loans may be attributed in part to borrowing by larger firms within the small business group, however, rather than to a basic tendency for farm loans to be small.

Difference in maturity may offer a further explanation of the higher rates that District farmers pay on bank loans. Over one-half of the dollar amount of loans outstanding to small businesses was due within three months. A large proportion of these loans probably represented loans to purchase inventories. In contrast only about 15 percent of farm loans had such a short maturity. Similarly, loans with maturities of over a year were more important in farm loans than in small business loans, 27 percent compared with 15 percent. Bankers usually charge a lower rate on short-term loans than on long-term loans.

The survey data reveal that unsecured loans to both farmers and small businesses carry a lower rate than secured loans. The rate on unsecured small business loans averaged 4.69 percent, whereas that for secured loans was 5.20 percent. Corresponding rates on farm loans averaged 5.94 percent and 6.50 percent. That the rate on unsecured loans was lower was probably because most of them were made on a short-term basis to farmers and to small businesses with sizable net worths and therefore entailed little risk.

A much larger proportion of farm loans than small business loans was concentrated in the secured class. Almost 92 percent of total farm loans were secured, compared with only 74 percent of small business loans. Since many farm loans are used for crop production, bankers probably feel some security is necessary because of the risks inherent in growing crops subject to weather damage.

Average interest rates reflect also the method by which loans are repaid. Here again we find that the loan with the lowest rate is less important in farm lending than in the small business lending. About 80 percent of small business loans were single-payment loans, compared with 71 percent for farm loans. In addition, instalment loans with interest computed on the original amount of the loan, which usually means a higher effective rate, were much more important in the case of farm loans than small business loans. Farmers commonly use instalment loans to finance intermediate-term investments in tractors and other machinery and brood herds and to modernize buildings. The rapid rise in farm investments of these types during recent years probably accounts for the greater importance of instalment loans in farm lending.

It is not possible to conclude positively from data available that farmers and small businessmen are treated equally in bargaining for bank credit. We have found, however, that the higher rates that farmers pay depend in part on the nature of the loan. Moreover, the large number and dollar amount of farm and small business loans outstanding suggest that both types of borrowers have free access to commercial banks.

W. M. Davis

Food Processing: A Major Ingredient in the District's Economy

Whether a connoisseur of fine foods or a partaker of more common fare, each of us knows that food is important. In the last five years, United States consumers as a group have spent about 25 percent of their annual income after taxes on food. The great importance of food purchases in the average family budget, a rising population, and the modern methods of food processing have combined to make food processing one of the most important segments of the country's economy. The willingness of the American consumer to buy more services in the form of prepared foods and the variety of foods supplied by the industry add complexity to its importance. The food processing industry includes all establishments manufacturing foods and beverages for human consumption as well as certain related products.

Sixth District Plants

Considering that certain types of food processing plants are located most economically when they are near their markets or near their sources of supply and that the Sixth District not only has a large and growing population but is also an important source of foodstuffs, it would be surprising, indeed, if a variety of food processing activities were not found in the region. In 1954, the last year for which detailed data on the structure of the industry are available, all segments of the food processing industry were represented in the Sixth District. In that year, the dairy industry was the single most important segment of the industry in terms of value added by manufacture. It accounted for over 15 percent of the total for the six states, all or part of which make up the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. Value added measures the value added to the product by the manufacturing process and is arrived at by subtracting the cost of materials and fuel used in manufacture from the value of shipments. This figure is commonly thought of as the best measure of the comparative economic importance of different manufacturing activities.

Very close to the dairy industry in importance in 1954 was the bakery business, accounting for slightly more than 14 percent of total value added by food processing. Manufacture of beverages; canning, freezing, and otherwise preserving of fruits, vegetables, and seafoods; and preparation of meat products each accounted for 11 to 12 percent of total value added by the food processing industry in 1954. Grain milling, candy manufacturing, and sugar refining accounted, respectively, for about 9 percent, 4 percent, and 2 percent, while the remaining portion of value added by manufacture was contributed by a number of miscellaneous food processing activities.

Widely Dispersed

With the food industry comprising such a variety of activities, one might expect that economics would justify at least one food processing plant of some type in almost every county in the Sixth District. A glance at the map shows that in 1954, the latest year for which county Census data are available, food processing establishments were indeed located in seven out of every eight counties.

Given such wide dispersion, any general explanation of the location of food processing plants would be difficult. Those familiar with conditions in particular localities, however, can undoubtedly think of reasons why food processing plants are located in certain places. A plant processing and distributing fluid milk and cream, for example, may be located with reference to the needs of a local market, or, establishments canning and preserving foods might be expected to be found near their main sources of supply. The location in central Florida of establishments engaged in freezing orange juice is an obvious example of the latter. Other examples would be the location of rice milling establishments in southern Louisiana and the location of plants making peanut oil in the peanut growing areas of southwest Georgia and southeast Alabama.

A Leading Employer

From the number of plants and their wide dispersion, one would reasonably conclude that the processing of food must be an important industry in the region. This is certainly true in terms of number of establishments, which totaled 4,072 in 1954, ranking second only to lumber mills among manufacturing activities. Its real importance to Sixth District states, however, is revealed by more meaningful measures, but regardless of the measure used, the food processing industry is a leader in the Sixth District. On the basis of value added by manufacture, the food processing industry ranked first in the Sixth District in 1954, when value added exceeded one billion dollars.

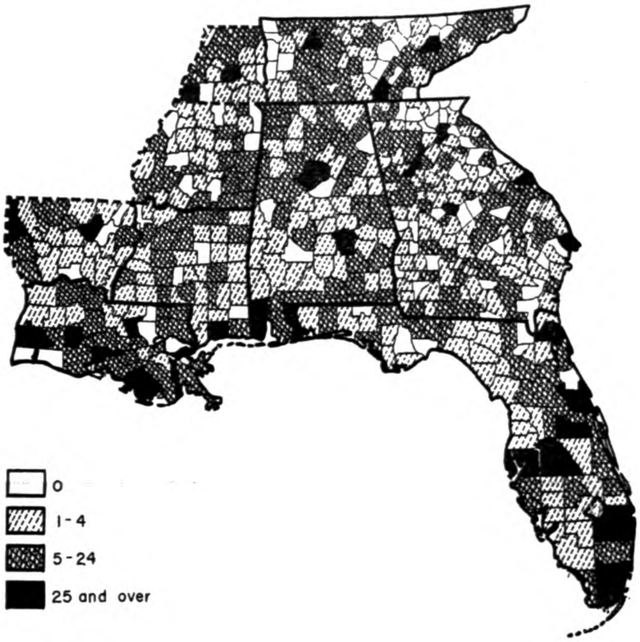
As an employer, the food processing industry is a leader in this region. Again, using figures from the 1954 Census of Manufactures, we find that it ranked second in total number of employees, being exceeded only by the textile industry. In 1954, its nearly 150,000 employees were paid a total of $446 million, a payroll second only to that paid by the textile industry. Since 1954, because of increases in employment in food processing and some decline in textile employment, the food processing industry has become the District's leading employer.

Moderate Growth

Although the food processing industry is one of the leading industries of the Sixth District in terms of value added by manufacture, number of employees, and payrolls, it has not been one of the most rapidly growing industries. Its growth in recent years might more properly be characterized as "moderate." In 1958, employment in the food processing industry was 11 percent higher than the 1947-49 average, whereas total manufacturing employment was about 17 percent higher. At first glance, one might even argue that growth in food processing has been relatively slow.

To make a similar comparison using value added figures, it was necessary to use data for 1947 and 1954. Such a comparison supports the contention that growth in the Sixth District's food processing industry has been moderate in comparison with other types of manufacturing activities. Between 1947 and 1954, value added by the manufacture of food and kindred products, excluding the dairy industry, for which comparable data were not available, increased about 57 percent in the District, compared with an increase of about 62 percent for all manufacturing activities in the area.

Food and Kindred Products Establishments
Sixth District States
1954 Census of Manufactures



In an industry as varied as food processing, one might well expect to find a wide range of differences in the rates of growth among the various types of activities. This was, indeed, true for the period 1947-54, when changes in value added by manufacture ranged from a decrease of 7 percent for candy manufacture, the only component to show a decline, to an increase of 143 percent for canning, freezing, and otherwise preserving fruits and vegetables. The processing of meat products and the preparation of baked foods also showed a rise in value added that exceeded the gain for total food processing, while more moderate increases were shown by the manufacture of grain mill products, the manufacture of beverages, and sugar refining. Different growth rates such as these are reflected, of course, in the changing relative importance of the particular types of food processing. Those industries showing the largest gains have increased in relative importance while those showing more moderate gains or declines have decreased in relative importance.

In following current trends in the food processing industry, one must rely heavily on employment figures. Employment trends, however, tend to understate the growth in the Sixth District food processing industry. This is emphasized by comparing changes in value added and employment between 1954 and 1956, years for which comparable data are available for the entire food processing industry. Between 1954 and 1956, value added by the industry in the Sixth District increased 25 percent, and employment gained 8 percent. For the country as a whole, the contrast was also evident. The rise in employment amounted to only 4 percent, compared with a gain of 25 percent in value added. Since the prices of processed foods declined during the period, eliminating the effects of price changes would probably show that the real growth in the food processing industry recently has been even greater than the value-added figures show.

PHILIP M. WEBSTER

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
				Apr. 1959 from		Year-to-date 1959 from 1958
	Apr. 1959	Mar. 1959	Apr. 1958	Mar. 1959	Apr. 1958	
ALABAMA						
Anniston	39,355	38,056	32,324	+3	+22	+16
Birmingham	777,120	799,236	698,608	—3	+11	+13
Dothan	31,783	31,625	27,725	+0	+15	+9
Gadsden	38,053	36,110	29,383	+5	+30	+20
Mobile	271,745	267,026	246,037	+2	+10	+5
Montgomery	162,413	167,592	131,240	—3	+24	+23
Selma*	22,459	21,572	20,083	+4	+12	+8
Tuscaloosa*	50,741	49,255	43,009	+3	+18	+15
Total Reporting Cities	1,393,669	1,410,472	1,228,409	—1	+13	+13
Other Cities†	752,352	738,484r	648,644r	+2	+16	+19
FLORIDA						
Daytona Beach*	63,011	62,028	57,103	+2	+10	+8
Fort Lauderdale*	213,908	217,111	200,447	—1	+7	+8
Gainesville*	40,003	37,992	33,420	+5	+20	+13
Jacksonville	769,412	831,893	759,832	—8	+1	+8
Key West*	17,355	17,609	16,245	—1	+7	+10
Lakeland*	75,542	77,606	66,333	—3	+14	+15
Miami	890,651	940,809	797,389	—5	+12	+15
Greater Miami*	1,357,507	1,426,931	1,209,111	—5	+12	+14
Orlando	236,278	251,411	208,324	—6	+13	+25
Pensacola	87,033	86,822	80,409	+0	+8	+8
St. Petersburg	225,919	239,683	196,608	—6	+15	+17
Tampa	421,023	440,021	356,632	—4	+18	+17
West Palm Beach*	159,079	152,846	136,365	+4	+17	+16
Total Reporting Cities	3,666,070	3,841,953	3,320,829	—5	+10	+13
Other Cities†	1,598,732	1,606,665r	1,365,196r	—1	+17	+14
GEORGIA						
Albany	61,171	61,816	52,908	—1	+16	+14
Athens*	37,236	37,392	32,887	—0	+13	+8
Atlanta	1,988,306	1,983,532	1,710,686	+0	+16	+13
Augusta	101,234	104,838	91,396	—3	+11	+11
Brunswick	25,298	26,806	19,614	—6	+29	+23
Columbus	101,838	101,727	90,114	+0	+13	+9
Elberton	9,164	8,853	7,672	+4	+19	+11
Gainesville*	50,866	47,752	49,382	+7	+3	+3
Griffin*	18,203	18,164	15,524	+0	+17	+14
LaGrange*	18,808	20,587	18,787	—9	+0	+15
Macon	119,181	123,348	100,765	—3	+18	+18
Marietta*	30,515	28,780	25,264	+6	+21	+20
Newnan	15,610	17,553	15,446	—11	+1	+8
Rome*	42,489	44,074	36,593	—4	+16	+11
Savannah	194.049	207,190	171,311	—6	+13	+15
Valdosta	31,826	32,735	24,031	—3	+32	+24
Total Reporting Cities	2,845,794	2,865,147	2,462,380	—1	+16	+13
Other Cities†	878,363	878,201r	728,102r	+0	+21	+16
LOUISIANA						
Alexandria*	73,881	69,096	63,165	+7	+17	+9
Baton Rouge	275,357	264,914	230,709	+4	+19	+9
Lafayette*	60,113	62,657	50,843	—4	+18	+19
Lake Charles	87,424	88,149	80,628	—1	+8	+6
New Orleans	1,326,957	1,346,552	1,243,487	—1	+7	+6
Total Reporting Cities	1,823,732	1,831,368	1,668,832	—0	+9	+7
Other Cities†	574,127	584,428r	480,190r	—2	+20	+14
MISSISSIPPI						
Biloxi-Gulfport*	49,469	46,092	39,141	+7	+26	+20
Hattiesburg	35,352	34,609	30,519	+2	+16	+14
Jackson	281,170	273,421	207,076	+3	+36	+39
Laurel*	25.818	25,489	22,783	+1	+13	+18
Meridian	42,638	46,223	33,918	—8	+26	+22
Natchez*	21,737	21,663	18,739	+0	+16	+9
Vicksburg	18,546	18,037	16,811	+3	+10	+6
Total Reporting Cities	474,730	465,534	368,987	+2	+29	+29
Other Cities†	245,958	254,020r	210,872r	—3	+17	+18
TENNESSEE						
Bristol*	46,983	42,059	38,803	+12	+21	+17
Chattanooga	322,605	335,408	262,015	—4	+23	+18
Johnson City*	40,358	39,823	38,786	+1	+4	+6
Kingsport*	79,470	88,125	64,152	—10	+24	+15
Knoxville	228,150	228,865	198,198	—0	+15	+12
Nashville	670,007	711,906	602,197	—6	+11	+22
Total Reporting Cities	1,387,573	1,446,186	1,204,151	—4	+15	+18
Other Cities†	544,603	543.754r	447,958r	+0	+22	+16
SIXTH DISTRICT	16,185,703	16,466,212r	14,134,550r	—2	+15	+14
Reporting Cities	11,591,568	11,860,660	10,253,588	—2	+13	+13
Other Cities†	4,594,135	4,605,552r	3,880,962r	—0	+18	+16
Total, 32 Cities	9,886,668	10,146,766	8,754,012	—3	+13	+13
UNITED STATES 344 Cities	226,367,000	223,374,000	204,100,000	+1	+11	+8

* Not included in total for 32 cities that are part of the National Bank Debit Series.

† Estimated r Revised

Bank Announcements

The Peoples Bank in North Fort Myers, Florida, a newly organized nonmember bank, opened for business May 22, 1959, and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Maurice P. Flynn, Chairman of the Board; R. H. Stahlberg, President; C. W. Starnes, Sr., Executive Vice President and Cashier; and A. C. Hitzing and Morgan E. Cartier, Vice Presidents. Its stock totals $170,000 and surplus and undivided profits, $85,000.

On June 4, the First American Bank of North Palm Beach, North Palm Beach, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers are Byron L. Ramsing, President; Carl I. Cassell, Vice President and Cashier; and Robert W. Wandelt, Assistant Cashier. Its capital totals $200,000 and surplus and undivided profits, $200,000.

On June 4, the Citizens Bank, Prattville, Alabama, a newly organized nonmember bank, opened for business and began to remit at par. J. N. Buckner is Chairman of the Board, and R. N. Harper is President and Cashier. Capital totals $175,000 and surplus and undivided profits total $175,000.

Department Store Sales and Inventories*

	Percent Change				
	Sales			Inventories	
	Apr. 1959 from		4 Months 1959 from 1958	Apr. 30, 1959 from	
Place	Mar. 1959	Apr. 1958		Mar. 31 1959	Apr. 30 1958
ALABAMA	—1	+5	+8	+13	+2
Birmingham	—2	+5	+6	+21	+6
Mobile	—7	+1	+7	..	..
Montgomery	+4	+4	+5	..	..
FLORIDA	—6	+11	+12	+3	+11
Daytona Beach	+3	+1	+11	..	..
Jacksonville	—0	+13	+16	+5	—2
Miami Area	—8	+5	+8	+3	+10
Miami	—9	+3	+4	..	..
Orlando	+6	+14	+16	..	..
St. Ptrsbg-Tampa Area	—6	+22	+18	+3	+24
GEORGIA	—0	+3	+7	+1	+5
Atlanta**	—1	+3	+7	+1	+5
Augusta	—9	+6	+16	..	..
Columbus	+7	—4	+3	+3	+6
Macon	+0	—1	+8	+2	+7
Rome**	+12	+17	+22	..	..
Savannah	+3	—6	+1	..	..
LOUISIANA	—0	+3	+5	—0	—2
Baton Rouge	—2	+8	+6	+3	+1
New Orleans	—3	+2	+6	—2	—2
MISSISSIPPI	—0	+4	+11	+1	—1
Jackson	—0	+5	+12	+2	—2
Meridian**	+1	+1	+9	..	..
TENNESSEE	+0	+3	+10	+7	+8
Bristol-Kingsport-					
Johnson City**	—12	—6	+6	+3	—2
Bristol (Tenn. & Va.)**	—16	—14	+3	+3	—5
Chattanooga	—5	+3	+10	..	..
Knoxville	+2	+4	+10	+8	+14
DISTRICT	—1	+6	+9	+3	+5

*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.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

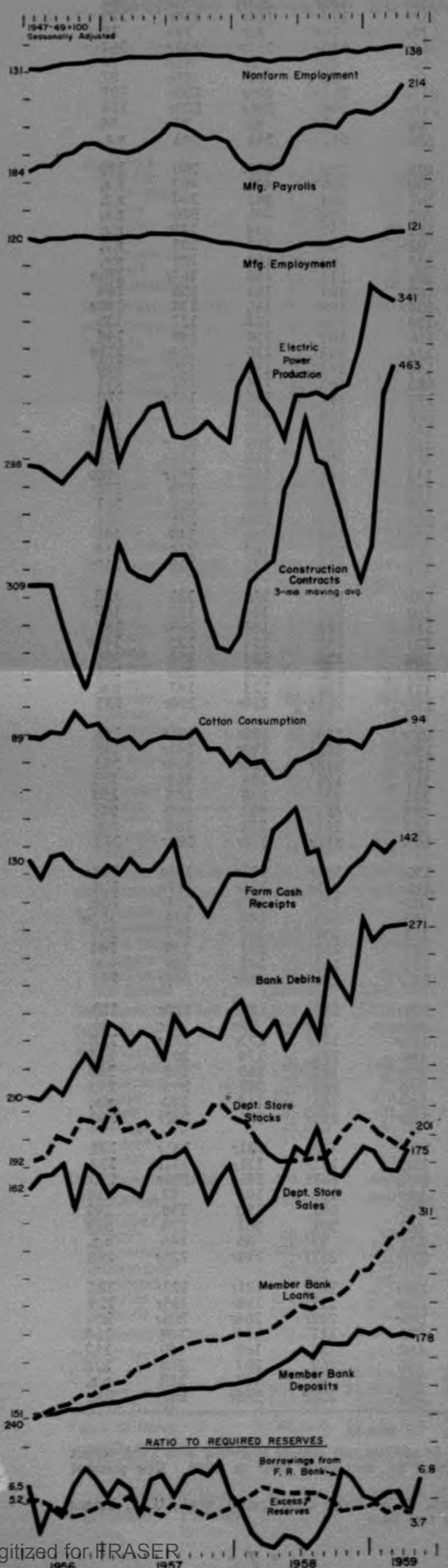
	1958										1959			
SIXTH DISTRICT	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.
Nonfarm Employment***	134r	133r	134r	134r	134r	135r	136r	136r	137r	136r	137r	137r	138r	138
Manufacturing Employment***	116r	115r	115r	116r	117r	117r	117r	118r	119r	118r	119r	120r	121r	121
Apparel***	164	163	167r	168r	170r	168r	167r	169r	170r	172r	173r	174r	174r	176
Chemicals***	130r	131r	133r	132r	130r	130r	127	127r	128r	129	132r	132r	133	135
Fabricated Metals***	151r	153r	155r	160r	165r	163r	162r	160r	158r	155r	158r	153r	153r	160
Food***	110	109	110r	109r	111r	110	112r	113r	112r	112r	113r	114r	115r	115
Lbr., Wood Prod., Fur. & Fix.***	74r	74r	74r	74r	75r	76r	79r	80r	80r	79r	79r	80r	78r	79
Paper & Allied Products***	156r	157r	156r	154r	154r	156r	159r	159	159r	160r	160r	161r	161r	161
Primary Metals***	92r	90	93	91	89r	88r	89r	94r	90r	92r	91r	92r	95r	98
Textiles	86	85	84	84	85	85	86	86	86	86	86	87	88r	87
Transportation Equipment***	204r	199r	183r	210r	208r	221r	220r	203r	213r	217r	213r	205r	200r	207
Manufacturing Payrolls***	185r	184r	186r	195r	199r	200r	200r	199r	204r	205r	204r	206r	209r	214
Cotton Consumption**	79	74	75	80	81	83	89	87	87	84	91	92	93	94
Electric Power Production**	310r	306	297	312	312	313	311	314	316	330	351	346	341	n.a.
Petrol Prod. in Coastal Louisiana & Mississippi**	168	162	164	167	170	176	187	190	190	201	192	193r	200	198
Construction Contracts*	317	324	375	394	427	397	393	364	333	309	336	445	463	n.a.
Residential	297	315	338	381	377	413	421	433	375	367	364	382	394	n.a.
All Other	333	332	406	405	468	384	371	308	298	262	314	496	520	n.a.
Farm Cash Receipts	121	150	157	165	134	136	104	112	123	130	141	134	142	n.a.
Crops	87	134	143	146	90	118	82	84	99	92	128	113	105	n.a.
Livestock	160	174	178	184	184	182	185	217	216	211	162	164	185	n.a.
Dept. Store Sales*/**	160	157r	166	176	173	183	167	165	170	176	174	168	167r	175p
Atlanta	155	153	154	169	168	183	158	154	161	162	164	161	155	169
Baton Rouge	175	164	172	199	185	187	179	180	214	204	195	180	171	190p
Birmingham	135	121r	130	129	127	147	133	131	129	138	136	127	127	135
Chattanooga	141	136	145	144	159	161	150	154	163	156	162	154	148	148
Jackson	97	99	107	106	111	124	107	111	126	124	124	116	104r	111p
Jacksonville	122	108	122	126	127	138	129	135	136	142	143	141	136	130
Knoxville	139	141	147	137	139	156	151	146	155	163	161	154	147	151
Macon	148	151	159	165	164	183	147	153	158	158	161	155	143r	170
Miami	233	239r	244	259	268	285	250	258	230	256	242	248	251	263
New Orleans	125	135	137	145	141	147	140	144	144	148	145	139	130	142p
Tampa-St. Petersburg	185	181	203	202	207	219	209	209	214	212	207	203	221r	229p
Dept. Store Stocks*	194	191r	191	191	192	192	198	202	207	205	200	198	195r	201p
Furniture Store Sales*/**	131	137r	143	139	139	153	145	145	152	148	161	154	141r	158p
Member Bank Deposits*	166	168	170	174	170	176	175	175	180	179	181	178	179	178
Member Bank Loans*	270	273	276	279	278	281	282	285	291	292	298	303	305	311
Bank Debits*	230	237	226	233	240	230r	257r	250r	243r	273r	265r	270r	271	271
Turnover of Demand Deposits*	138	140	140	144	148	147	146	142	139	150	144	153	149	145
In Leading Cities	149	159	154	168	165	165	161	149	146	161	153	162	160	164
Outside Leading Cities	109	105	111	104	110	113	116	105	102	121	114	121	118	112
ALABAMA														
Nonfarm Employment***	119r	118r	118r	118r	118r	118r	118r	120r	120r	120r	121	120	121	120
Manufacturing Employment***	102	103	104	105	105r	104	102	106	107	103	104	104	105	107
Manufacturing Payrolls***	166r	164r	167r	175r	175	177	175r	182r	186r	179r	182	185r	189r	189
Furniture Store Sales	122	133r	135	128	130	145	138	136	136	131	147	154	125	146p
Member Bank Deposits	140	145	146	150	150	154	152	153	158	155	155	154	154	156
Member Bank Loans	224	226	230	231	235	233	234	239	246	242	248	254	250	254
Farm Cash Receipts	128	152	142	147	143	130	97	106	101	111	126	123	147	n.a.
Bank Debits	199	204	200	206	210r	208r	231r	221r	216r	232r	232r	229r	230r	233
FLORIDA														
Nonfarm Employment***	176r	178r	180r	182r	186r	186r	188r	188r	188r	187r	188r	189r	191r	193
Manufacturing Employment***	173r	172r	177r	178r	183r	185r	187r	187r	186r	186r	188r	190r	193r	195
Manufacturing Payrolls***	271r	279r	289r	298r	309r	313r	320r	326r	322r	316r	318r	326r	319r	343
Furniture Store Sales	145	161r	157	155	156	172	171	153	170	167	176	184	163	183
Member Bank Deposits	215	216	221	227	225	233	233	235	241	241	242	238	235	233
Member Bank Loans	431	444	441	447	449	456	457	463	477	477	485	492	500	511
Farm Cash Receipts	151	239	249	308	214	206	212	162	147	162	281	232	182	n.a.
Bank Debits	319	337	322	354	360r	342r	384r	388r	357r	403r	370r	378r	383r	379
GEORGIA														
Nonfarm Employment***	128r	127r	127r	128r	128r	129r	130r	130r	130r	130r	131r	131r	131r	132
Manufacturing Employment***	114r	112r	110r	113r	114r	114r	116r	115r	116r	116r	115r	116r	117r	118
Manufacturing Payrolls***	178r	173r	170r	186r	193r	195r	191r	190r	201r	200r	195r	197r	204r	206
Furniture Store Sales	128	120r	139	136	133	154	147	151	141	153	149	143	134	151p
Member Bank Deposits	147	147	148	152	146	154	155	154	158	158	159	157	157	157
Member Bank Loans	211	212	213	216	213	212	219	223	226	227	230	237	235	244
Farm Cash Receipts	150	150	157	167	129	157	158	104	124	153	143	142	169	n.a.
Bank Debits	202	212	207	212	219	212	236r	224r	218r	243r	236r	238r	242r	247
LOUISIANA														
Nonfarm Employment***	130	129	129	129r	127	127	128r	128r	128r	129r	129r	129r	128r	128
Manufacturing Employment***	97r	96	96r	95r	94r	95r	96r	96r	98r	97r	96r	95r	96r	96
Manufacturing Payrolls***	168	169r	166r	167r	164r	168	167	165r	172r	169r	173r	173r	175r	178
Furniture Store Sales*	181	171	181	178	177	189	181	166	197	196	171	174	203r	177
Member Bank Deposits*	156	154	157	159	153	157	155	152	156	159	163	160	165	160
Member Bank Loans*	269	269	271	272	264	273	265	268	277	274	284	287	293	293
Farm Cash Receipts	111	96	115	147	143	109	72	99	114	109	103	112	130	n.a.
Bank Debits*	209	206	203	211	209r	201r	235r	215r	199r	230r	210r	216r	227r	230
MISSISSIPPI														
Nonfarm Employment***	126r	126r	128r	127r	127r	127r	130r	130r	131r	130r	132r	131r	131r	131
Manufacturing Employment***	123r	124r	125r	125r	127r	129r	130r	132r	133r	132r	131r	131r	131r	132
Manufacturing Payrolls***	228r	224r	226r	231r	235r	246r	247r	247r	248r	245r	247r	246r	251r	250
Furniture Store Sales*	95	96	107	113	101	123	101	80	107	133	114	106	97	114
Member Bank Deposits*	172	185	186	186	184	192	194	197	198	195	197	190	198	195
Member Bank Loans*	304	308	334	337	367	352	359	359	363	369	361	367	378	383
Farm Cash Receipts	115	124	148	145	138	100	59	99	129	122	93	85	146	n.a.
Bank Debits*	172	182	190	191	207	201r	221r	211r	214r	233r	217r	210r	226r	226
TENNESSEE														
Nonfarm Employment***	118	119r	119r	119r	119r	119r	120r	120r	120r	120r	120r	121r	122r	123
Manufacturing Employment***	114	113r	113r	113	113	114r	115r	116r	116r	116r	117r	118r	119r	119
Manufacturing Payrolls***	181	179r	181r	182r	187r	193r	192r	187r	187r	196r	202r	204r	205r	209
Furniture Store Sales*	102	106	109	104	105	105	103	103	112	113	111	114	109	114
Member Bank Deposits*	155	156	158	161	156	159	158	159	161	162	165	160	159	162
Member Bank Loans*	239	242	245	248	243	250	247	251	251	256	262	267	268	272
Farm Cash Receipts	107	116	103	113	114	112	77	114	114	100	98	107	119	n.a.
Bank Debits*	197	197	197	199	201	202r	217r	220r	213r	235r	230r	243r	232r	231

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

***Indexes of nonfarm and manufacturing employment and payrolls have been revised on the basis of new benchmark data for 1958. In addition, all indexes beginning with 1958 reflect a revised system of classification except the figures for the nonfarm totals. The revised indexes, however, have been linked to those for the period prior to 1958. New seasonal factors were incorporated in the revised series for paper and allied products.

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



ECONOMIC ACTIVITY *in April held at advanced levels. Nonfarm employment remained at the record high attained in March, as nonmanufacturing activities in some District states slowed the overall advance in employment. Manufacturing payrolls rose to a new record, and total spending continued high. Farm income held above year-ago points, and member bank lending continued to expand sharply.*

Nonfarm employment, seasonally adjusted, was practically unchanged from March to April as increases in Florida, Georgia, and Tennessee were about offset by declines in Alabama, Louisiana, and Mississippi. Although unchanged in April, recently revised figures show employment has recovered from the 1957-58 recession more rapidly than indicated by preliminary data. It exceeded the pre-recession peak last October and has increased further since then. **Manufacturing employment** rose in all states during April. **Manufacturing payrolls** rose to a new record, reflecting both the gain in employment and an increase in average weekly earnings.

Cotton consumption, seasonally adjusted, rose further in April, indicating continued improvement in cotton textile activity. The three-month average of **construction contract awards,** which includes April data, increased to a new high, indicating the probability of continued advances in construction activity.

Personal income continued to go up in the first quarter of the year, showing the largest year-to-year gain in nearly two years. **Retail sales,** seasonally adjusted, showed a further sharp growth through the first three months. Total spending continued high in April, as shown by increases in **sales** at **department stores, furniture stores,** and **household appliance stores. Bank debits** also held at a near-record level.

Savings increased in April, as shown by increases in **time deposits** and **holdings of savings and loan shares.** While saving more, consumers as a group have also borrowed more to finance their purchases. **Consumer credit** extended by commercial banks in April continued sharply above a year ago and credit outstanding rose more than seasonally. Credit extended by consumer finance companies and credit unions also showed gains from a year ago.

Rain in most areas in May replenished ground water, benefited seedings, and improved pastures, but in some places it imperiled cash crops. **Cash receipts** in March, seasonally adjusted, were up sharply from both year- and month-earlier levels. Year-to-year gains were largest in Florida and Mississippi. **Farm marketings** increased in April, as farmers sold more vegetables, eggs, broilers, and pork. **Prices received by farmers,** however, averaged about the same in April as a month earlier, but were well below a year ago. Reflecting improved farm receipts in recent months, seasonally adjusted **demand deposits at banks in agricultural areas** rose, and farm real estate values moved higher.

Member bank loans, seasonally adjusted, increased sharply in April, but **deposits at member banks** decreased after seasonal adjustment. **Investments** at all commercial banks expanded, reflecting primarily an accumulation of U. S. Government securities by banks outside leading cities. In May, total **loans outstanding at banks in leading cities** rose more than in the like period a year ago, primarily because of a continued marked expansion in **consumer and business loans. Member bank borrowings** from the Federal Reserve Bank of Atlanta increased sharply.