SIXTH FEDERAL RESERVE DISTRICT

Monthly Review

Atlanta, Georgia
March • 1960

Also in this issue:

Federal Reserve Bank of Atlanta

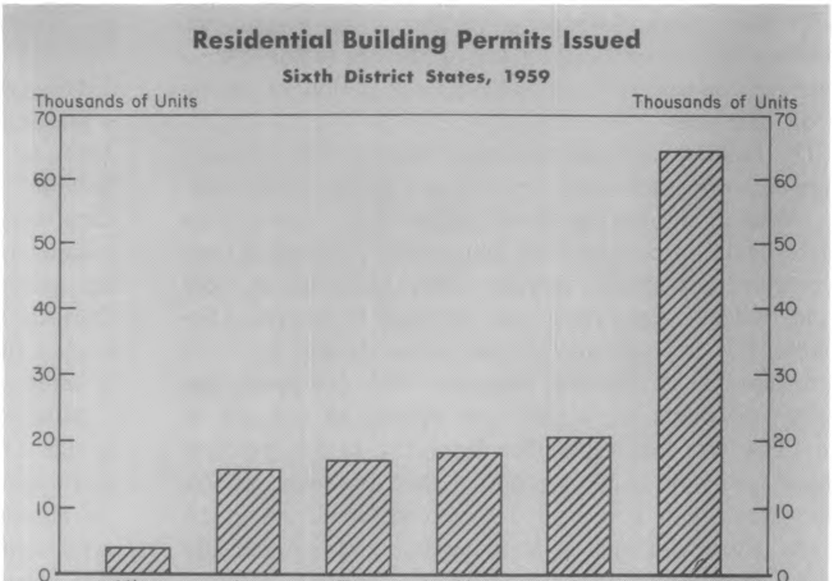
A More Stable Mortgage Market?

WITH TWO MONTHS OF THE YEAR already history, the national housing and mortgage markets have been dissected, previewed, reviewed, summarized, and analyzed to a fare-thee-well. Will demand for houses continue strong throughout 1960? How much mortgage money will be available? How many houses will be started? Since a number of economic pundits have already considered these and similar questions, one might well ask what purpose can be served by a further outpouring of words.

Our purpose is to analyze housing and mortgage developments and prospects in the South. Much of our analysis will be conducted within a national economic framework, however, because the flow of mortgage funds through regional markets is influenced by economic and financial developments throughout the country. Inferences drawn from national data, moreover, sometimes help to bridge statistical gaps that are all too frequent at the regional level.

The Past

In a *Review* article last spring, we remarked that "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 mort-



A record number of residential building permits was issued in District states last year, with Florida again leading the way.

gage money still appears ample." A reduction in the availability of mortgage funds did catch up with the housing industry in the second half of last year. Nevertheless, enough mortgage money was available during 1959 to finance a record volume of home building in the South.

In states lying wholly or partly within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—housing starts, measured by building permits issued, reached a new high of 140,000. Florida accounted for almost one-half of all permits issued, or 64,198. The number in other states ranged from 4,002 in Mississippi to 20,584 in Georgia. The large volume of residential building in Florida reflects a relatively high per capita income as well as a tremendous influx of people into the state.

Private nonfarm housing starts in the nation totaled a near-record 1,341,500 units in 1959. Of that number 67 percent carried conventional financing, 25 percent carried mortgages insured by the Federal Housing Administration, and only 8 percent carried mortgages guaranteed by the Veterans Administration. The distribution of starts by type of financing was probably about the same in District states as in the nation, since financial institutions in both places over the years have held conventional, FHA, and VA debt in similar proportions.

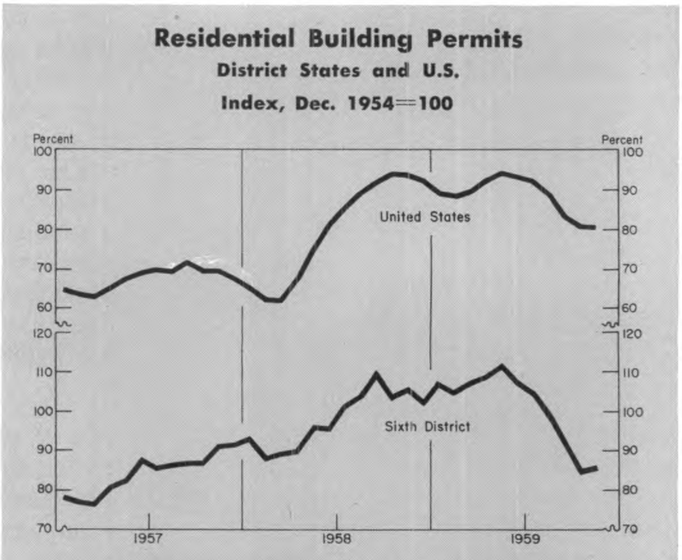
In recent years, conventional financing has grown in importance relative to Federally underwritten financing, partly because of differences in the way interest rates on these two types of mortgages respond to changing market conditions. When credit demands are strong, for example, interest rates generally move up. Since interest rates on conventional mortgages rise with other long-term rates, conventional mortgages tend to maintain their competitive position for investor funds. Interest rates on Federally underwritten mortgages are fixed by law or regulation, hence they are insensitive to market forces. Investors therefore will acquire such loans only at discounts that will yield a return close to that on alternative investments. Findings of a recent mail survey of District builders illustrate how mortgage rates behave in a period of strong credit demands.

The builders surveyed indicated that the cost of mortgage borrowing advanced throughout 1959 in the District, as it did in the nation. Over half of them reported an interest rate on conventional loans early this year of over 6 percent; last spring, however, only one-tenth of these same builders reported a rate of over 6 percent. Discounts of 4-6 points on 25-year loans insured by FHA were reported in January, compared with 2-4 points last spring; discounts are higher now despite an increase in the FHA rate last September from $5\frac{1}{4}$ to $5\frac{3}{4}$ percent. The majority of builders reported that discounts on VA mortgages—with a rate of $5\frac{1}{4}$ percent—total about 10 points. Even with such high discounts, there is practically no VA money available.

With VA money scarce and FHA funds limited, it is not surprising that most of the increase in residential mortgage debt in 1959 in both the nation and the District was in conventionally financed debt. The sharp rise in conventional lending reflected in part a substantial increase in funds obtained by savings and loan associations, primarily lenders on conventional terms. Insured savings and loan associations in District states, for example, added $754 million to their share account balances, a gain of 23 percent over 1958. Most of the net increase was accounted for by a gain of $450 million by Florida savings and loan associations.

The Present

Most everyone would agree home building fared well in 1959. But, what about now? Our appraisal of the situation is, of course, based upon events only through January. Although the current view of home building is slightly blurred because of the lag in economic indicators, the picture that does emerge is one of reduced activity.



Residential building activity has declined since last spring in both the District and the nation.

Housing starts in the nation have drifted down from a seasonally adjusted annual rate of 1,434,000 in April 1959 to 1,210,000 in January of this year. Residential building in District states appears to be following the same pattern, judging from the steady decline in building permits issued since May 1959. The number of building permits, however, is down percentage-wise more than the value of residential contracts awarded. This implies that the decline in the number of houses started is being partly offset by a gain in average value.

Most of the decline in housing starts in the nation and in the District has been attributed to a reduction in mortgage funds rather than a basic weakness in demand for houses. Though it is impossible to isolate the factors associated with the decline in housing starts, it is apparent that mortgage funds are less readily available now than they were some months ago. This is evident from the competition for funds and the rise in mortgage rates as well as the reduced net inflow of funds into financial firms whose activities are oriented toward the mortgage market.

Throughout the nation, life insurance company assets, deposits at mutual savings banks, and share capital at savings and loan associations combined grew more slowly during the last half of 1959 than a year earlier. True, the net increase in share capital at savings and loan associations was slightly larger than in 1958, and the asset growth of insurance companies was maintained, but savings bank deposits were substantially smaller. Reflecting largely a reduced inflow of savings, the total value of commitments to acquire mortgages by these institutions has declined.

The Future

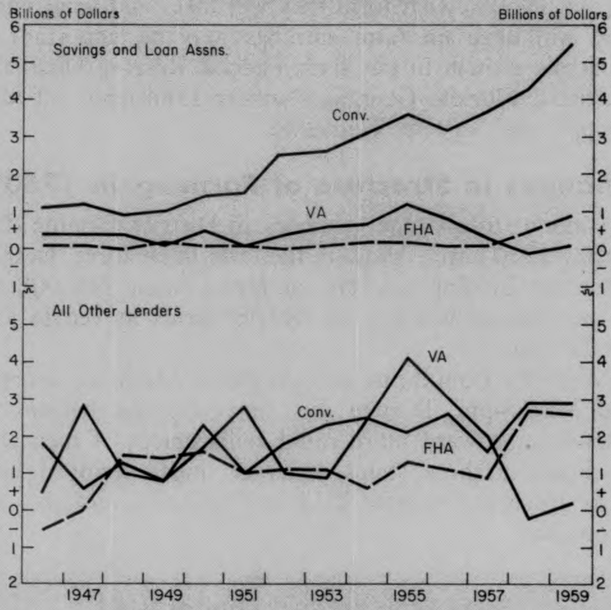
Home building is skidding. But what about the future? More specifically, what about 1960? Many forecasters who have ventured an opinion estimate that for the year about 1,200,000 houses will be started throughout the country. Early this year, we asked builders in the District what they were planning in the way of starts for 1960. They indicated that they plan to build 12 percent more houses in 1960 than they actually started in 1959. This planned increase is considerably smaller than that reported in early 1959, and when adjusted for the usual upward bias may be interpreted to mean a slight decline. Of the total number of houses planned, District builders had advance commitments for one-fourth, about the same percentage as a year ago.

Just how many starts will be made in 1960 in both the nation and the District depends upon the strength of housing demand and the availability of mortgage funds. The volume of funds in turn hinges largely upon the flow of savings into financial institutions and the attractiveness of mortgages relative to competitive types of investments. The latter is partly contingent upon the pattern of interest rates which may affect the willingness of all investors to channel funds into the mortgage market.

Although it is difficult to accurately predict savings flows for the remainder of the year, it is possible to point out a couple of things that may lend an element of stability to the mortgage market. Much of the decline in mortgage lending by financial institutions is due to a reduction in the inflow of funds rather than a shift out of mortgages into corporate securities or other types of investments. A major reason for past instability in the mortgage market was variations in the rate at which investors added to their holdings of VA debt. This instability, however, is not likely to carry into 1960, because VA mortgages—whose yields are presently most out of touch with the market—have been relatively unimportant since 1957. The recent general easing in interest rates has, for the time being at least, reduced the pressure for higher discounts on FHA mortgages. The firmness in conventional mortgage rates and the decline in bond yields may also make this type of mortgage more attractive to investors. Finally, with conventional financing playing a more prominent role in the housing drama, the mortgage market should be more able to adapt to changing economic and credit conditions.

Net Additions to Residential Mortgage Debt

United States, 1946-59



With the expansion in savings and loan association activity, net additions to outstanding conventional mortgage debt have been greater than additions to FHA and VA debt.

In recent years, much of the instability in home building has been attributed to the ebb and flow of mortgage funds. We would do well to remember, however, that there is still a demand side to housing, and that home design, quality of production, price, consumer incomes, stock of houses, rate of family formation, and other factors strongly influence the level of housing activity.

ALFRED P. JOHNSON

Bank Announcements

On February 1, the newly organized Oconee State Bank, Watkinsville, Georgia, opened for business as a nonmember bank and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. C. G. Hardigree, Sr., is President and Chairman of the Board; R. M. Nicholson and A. W. Green, Sr., are Vice Presidents; and G. E. Borden is Cashier. It has capital of $75,000 and surplus of $15,000.

On February 4, the newly organized National Bank of Commerce, Miami, Miami, Florida, opened for business as a member of the Federal Reserve System and began to remit at par. Officers are Leonard A. Usina, President; Roland M. Stafford, Vice President and Cashier; Henry A. Freeman and Frank Peterson, Jr., Vice Presidents; Robert G. Hughes, Assistant Vice President; and Thomas Vento, Assistant Cashier. Capital stock totals $450,000 and surplus and other capital resources $326,250.

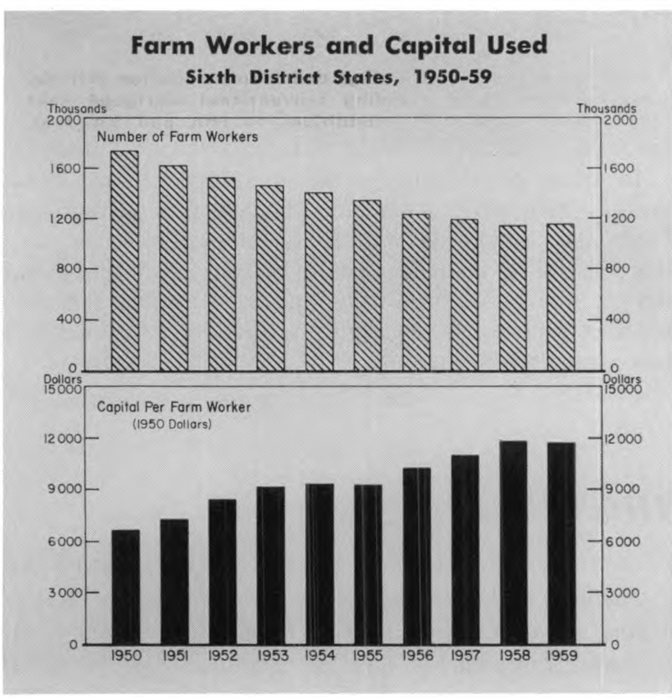
Farm Adjustments in an Expanding Economy and Their Effects on Income

Of all the changes in the District's economy during the 1950's, few were greater than those in farming. Pressed by adverse income conditions, farmers coped with their economic problems by improving management techniques and adjusting land, labor, and capital to raise productivity and increase output. They could do this partly because the region's economy was growing and provided uses for excess farm resources as well as outlets for new farm products. Whether these developments will continue during the 1960's, what form they will take, and what effect they will have on farm earnings may be important to economic growth in the Sixth Federal Reserve District—Alabama, Florida, Georgia, southern Louisiana and Mississippi, and eastern Tennessee.

Changes in Structure of Farming in 1950's

Paramount to all other changes in District farming during the 1950's were those in the farm labor force. Despite influences holding workers on farms, some 600,000, or 34 percent, of workers on District farms moved to jobs off the farms.

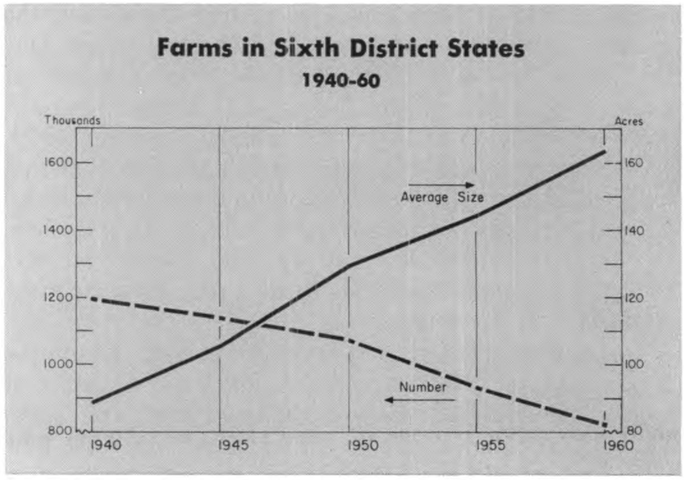
Migration from farms was greatest in Alabama, Georgia, and Mississippi. Despite this, however, and because of a tendency toward more rapid replacement of men with machines in those states, a larger underemployed farm labor force exists there than in Florida, Louisiana, and Tennessee.



Farm Workers and Capital Used
Sixth District States, 1950-59

Significant adjustments were also made in farm capital investments. Almost twice as many dollars are invested in the average District farm today as ten years ago. Each farm worker in the District now has roughly 77 percent more capital to use than he had in 1950. In constant 1950 dollars, farm capital per worker rose from $6,615 in 1950 to $11,739 in 1959, over half of which was invested in land.

Meanwhile, in each District state farms grew in size and the number of farms declined correspondingly. Farm size in terms of acres increased 25 percent during the ten years, from 130 acres per farm in 1950 to over 160 acres in 1959. According to estimates by this Bank, there are less than 850,000 farms in District states today, compared with well over one million in 1950.

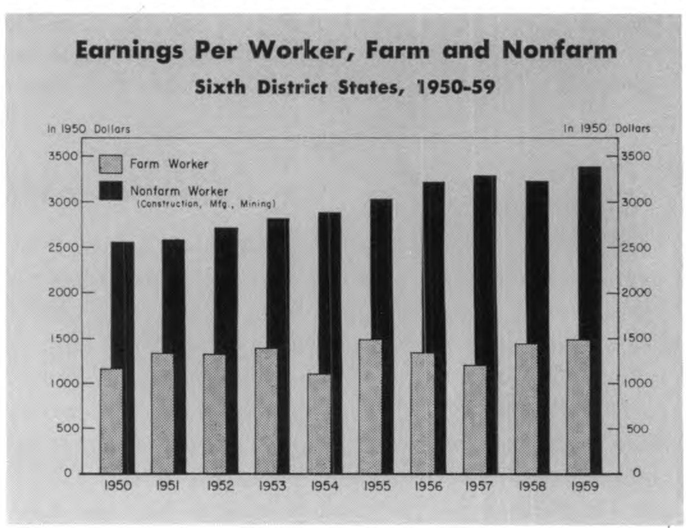


Farms in Sixth District States
1940-60

Finally, farm lands are used differently today. Between 1950 and 1955, a million farming acres in District states were diverted to sites for highways, homes, and industrial plants. Also, farmers shifted three to four million acres from crop production to pastures for livestock.

A Closer Look at the Changes

Basic to these changes in District agriculture were the lower incomes of farm workers than those of other workers. Although exact comparisons are not possible,

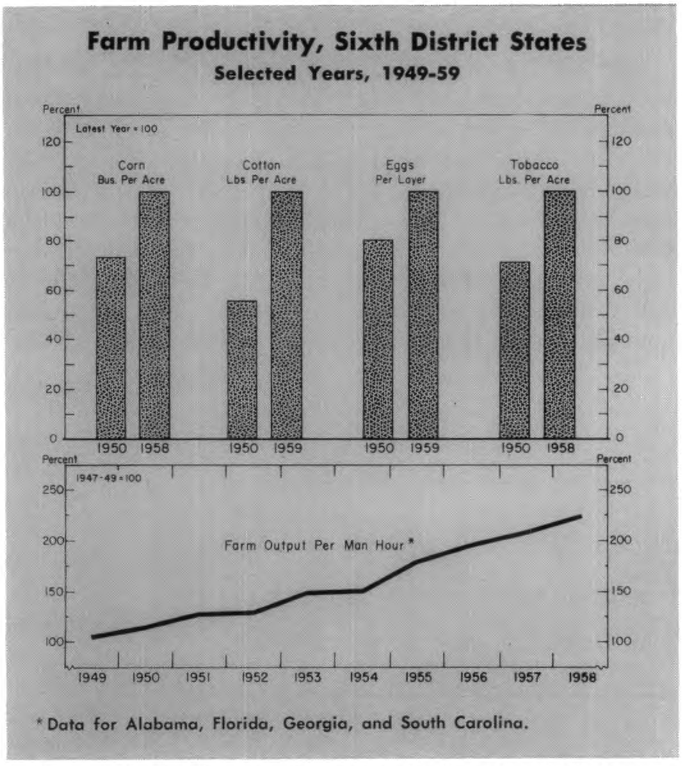


Earnings Per Worker, Farm and Nonfarm
Sixth District States, 1950-59

the average income for District farm workers in 1950 was $1,397 less than for those in construction, mining, or manufacturing. This disparity suggests that labor was excessive in relation to capital on District farms. Under these conditions, economic forces would be expected to draw labor away from agriculture and to draw capital to it. In the process, the structure of farm production would change and labor would become more productive. As already noted, this is exactly what happened in the 1950's.

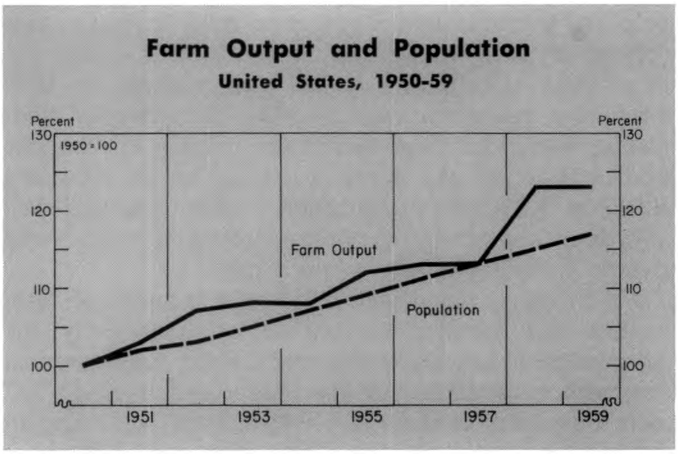
Typical of the burst of productivity that resulted from the application of more capital to District farming—helped along by advancing technology—was the 21-percent increase in livestock production between 1953 and 1959. More capital meant more machines, and because of certain natural characteristics of the region, opportunities to increase production through mechanization were great. The region enjoys a long growing season and ample rainfall, for example, conditions favorable for intensive use of mechanical equipment and the adoption of modern mechanical methods of farming.

The application of more capital through mechanization increased total output in other ways. Replacing animal power with machine power freed acreage formerly used to produce feed for animals. In 1950, roughly eight billion pounds of feed were fed to slightly over a million mules in District states, whereas in 1959 less than half as much feed was needed for about 400,000 mules. Over four billion pounds of grain, hay, and pasture needed for workstock ten years ago, therefore, was available for cattle and hogs last year. Also, machines now perform many jobs formerly done by hand labor, so laborers who once followed mules and plows are available for more productive farm tasks.



Some of the increased output during the 1950's can be explained by a greater mastery of the science of farming, which also meant increased capital investment. But whatever the explanation, physical productivity increased, whether measured in terms of yields per acre or yields per manhour.

Measured in terms of physical output, the District's agriculture was certainly more productive at the end of the decade than at the beginning. If productivity is measured by the District's ability to produce higher incomes, however, the story is different. The ability of the area's farm economy to expand production was greater than its ability to market the expanded output profitably.



Demand for farm products produced in this region grew during the 1950's but not as much as did supply. True, there were more people to feed and clothe in the United States—roughly 1.7 percent more each year—but farm production increased 2.3 percent per year during the same period. Higher personal incomes afforded people a much higher level of living, but most people do not increase the amount of farm products they buy as their incomes go up; they only want better quality. Total farm sales, therefore, were not very responsive to the increases in personal incomes. Then too, foreign demand for commodities produced in this District failed to boost demand for farm products significantly. Tobacco, one of the District's leading export items, has even lost foreign markets since the 1950's began. Together, these forces held the increase in demand for farm products below the increase in supply. Consequently the increased output did not result in a corresponding increase in farm income.

How Changes Benefited Farmers

Was the average farmer actually any better off at the end of the decade than at the start? Did the structural changes in farming lift income enough so that the fewer workers on farms at the end of the 1950's were receiving more on an average than the greater number at the beginning? The answer is Yes, but the improvement was modest.

In 1950, the average District farm worker earned $1,153. By the end of 1959, his earnings had risen to $1,486 after adjustments for rising prices. Aside from the small income gain, however, major improvements were made in working conditions. Technological innovations have reduced the drudgery in farming until it no longer requires what has been termed the "unbearable sweat and toil" of some years ago. Then too, some farm workers such as those on dairy farms enjoy more leisure today than they did ten years ago—an important accomplishment. Finally, farm operators are wealthier in terms of assets owned than they were at the beginning of the 1950's.

The income benefits of the structural changes in farming, however, were by no means limited to farming. They were felt in the nonfarm sectors of the economy as well. As machines replaced men on farms, a ready pool of workers became available for new industrial plants. Those workers earned higher incomes. Farm production of food and fiber encouraged growth in District food processing, pulp and paper manufacturing, and other industries that depend on farming for their raw materials. Also, the large mechanized farms opened vast markets for farm machinery, equipment, and supplies, thus directly stimulating District business. Indeed, the stimulus to economic developments in the nonfarm sectors of the District's economy by the structural changes in farming may well have been agriculture's greatest contribution to economic growth in the region during the 1950's.

Nevertheless, the disparity between incomes of farm workers and nonfarm workers still exists. Actually, the gap widened between 1950 and 1959. Employees in construction, mining, and manufacturing earned $1,397 more than farm workers in 1950; in 1959, according to estimates made by this Bank, they earned $1,879 more. Effects of price increases have been removed in making the comparison.

Continued Changes in the 1960's?

So long as the disparity between the incomes of farm workers and those of comparable workers in other trades continues, it is probable that maximum productive use is still not being made of all the District's labor force. Thus, the incentive for farmers to improve their relative economic position by continually reorganizing their resources still exists. In the process the economic efficiency of the region will be improved.

Farms could become larger in terms of land, capital, and production as farmers apply technology still more. By 1970, District farms may average well over 200 acres per farm, compared with 163 acres in 1959. As the level of farm management increases, there may be a rapid rise in part-owners, farmers owning some farm land but renting additional acres.

If historical trends and current economic conditions are a guide to the future, one can readily predict a further decline in the District farm population and a further change in its composition. Fewer unskilled workers will find jobs on farms; they will either find unskilled work elsewhere or they will become semi-skilled or skilled and find more profitable employment in other businesses. Part-time farming may become more attractive to low-income farmers as they seek to close the income gap with their nonfarm neighbor by getting a job in town and still hang on to a part of their farm heritage. More emphasis may be directed toward vocational education and job placement for farmers who want other jobs but find the transition difficult.

Farms will require more capital as they grow larger and more productive. As a group, District farmers may rely more heavily on borrowed capital, although their savings will likely remain their most important source of funds. A larger proportion of their total assets, however, may be used directly in production during the next ten years.

There is little doubt that changes similar to those just discussed will occur in the 1960's to some degree. How great those changes will be, however, may well depend upon the extent to which hindrances to farm adjustments in the 1950's are reduced by the present Rural Development Program or other measures. In the 1950's, changes were limited by institutional factors such as price support programs that encouraged uneconomical production and rural educational programs that did not provide skills for occupational adjustments. Another hindrance was the lack of economic opportunities for some workers who wanted to readjust. Many workers were poorly trained for off-farm work, and were unable to get training because of their age or financial obligations. Finally, some workers simply resist changes.

The 1960's may truly be an exciting decade for District farmers who are eager to accept the fundamental changes occurring in our dynamic economy. For them, the years ahead can be profitable ones indeed. They may maintain sufficient flexibility to keep their farming operations in line with changing trends. Many others who adopt new nonfarm trades will also find their rewards particularly gratifying. Progress toward the farm adjustments still needed may constitute one of the most important contributions to this area's income growth in the 1960's.

N. Carson Branan

This is the second in a series of articles that will appear in this Review *from time to time on different aspects of economic growth in the Sixth District during the 1950's and implications for the 1960's.*

Changes in Savings in 1959

Greater capital investment was a major explanation of the rise in personal income in the Sixth Federal Reserve District during the 1950's, as an article in last month's *Review* pointed out. Increases in long-term savings during this period indicate that the Sixth District states are providing more of the capital funds necessary for financing new houses, factories, power plants, schools, roads, and the like in the area. As the top chart shows, long-term savings in the form of life insurance equities, time deposits at commercial banks, savings and loan shares, and other types such as government savings bonds and postal savings grew without interruption over the 20-year period ending in 1958. If the Sixth District enhanced its ability to provide investment funds during this period, how did it do in 1959?

Sample data through 1959 available for time deposits at commercial banks and savings and loan shares indicate that District savers may have faltered a bit last year. True, savings did grow, but by a smaller amount than in 1958. This development is brought out in the second chart, which directs attention to additions to savings and includes an estimated change for 1959 based on the sample data. The lesser growth in 1959, as the third chart shows, is explained largely by changes in the first half of the year, when additions to time deposits and savings and loan shares fell substantially below a year earlier; additions in the last half of 1959 were about equal to the comparable period of 1958. As the final chart indicates, additions to time deposits at commercial banks and savings and loan shares in 1959 were down in each District state except Florida, where a substantial increase occurred. Personal income, however, rose in each District state, a development that on the basis of past experience would have meant a gain in savings.

Because of the variation from past behavior, one might well ask if changes in time deposits and savings and loan shares are really indicative of a change in all types of long-term savings. The answer is that we can be fairly certain of a downward direction in new savings, although the magnitude of the decline is less certain. First of all, the figures on savings at commercial banks and savings and loan associations account for a large part of the more comprehensive figures. Second, a decline in savings is consistent with the greater increase in retail sales from 1958 to 1959 than in income, 11 percent in retail sales compared with 7 percent in income. Instalment borrowing in 1959 financed only a part of the increase in retail sales.

Students of savings figures will point out, of course, that our figures do not include some forms of savings, which may have increased. With incomes up more in 1959 than in 1958, contributions to pension and retirement funds, for example, probably increased. Then too, more funds may have gone into government securities. Similarly, the higher volume of homebuilding and greater sales of consumer durable goods indicate a greater use of personal

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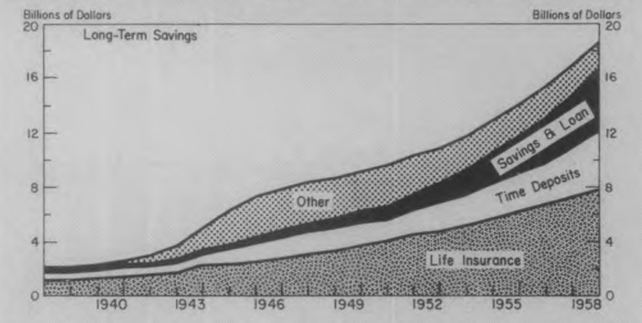
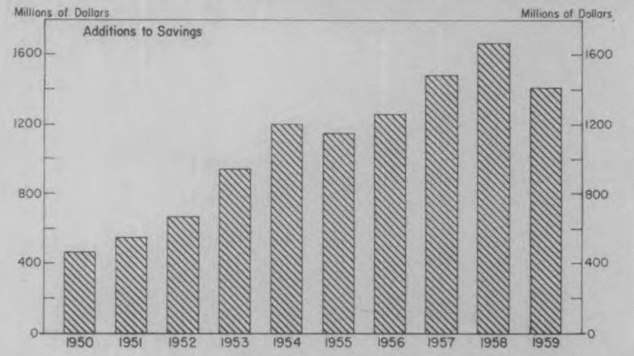
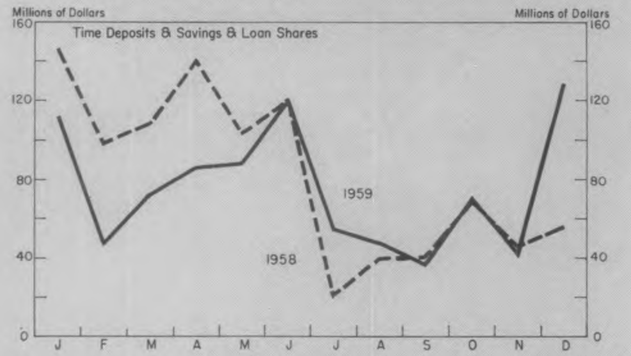
Long-term savings in District states increased through 1958,



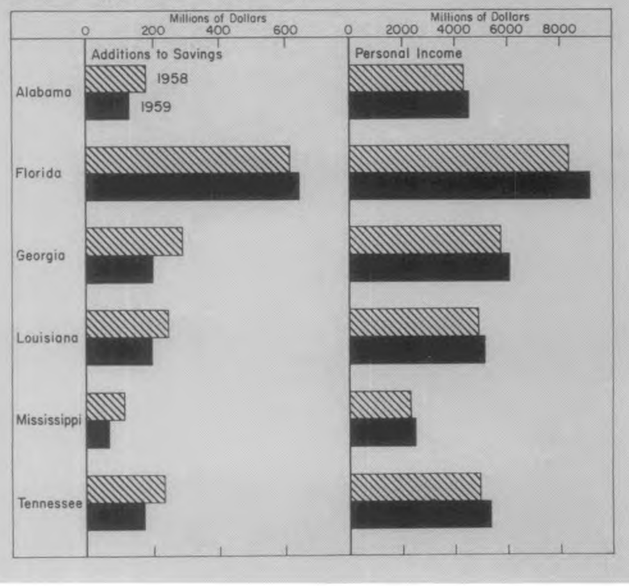
but additions to savings were less in 1959 than in 1958.

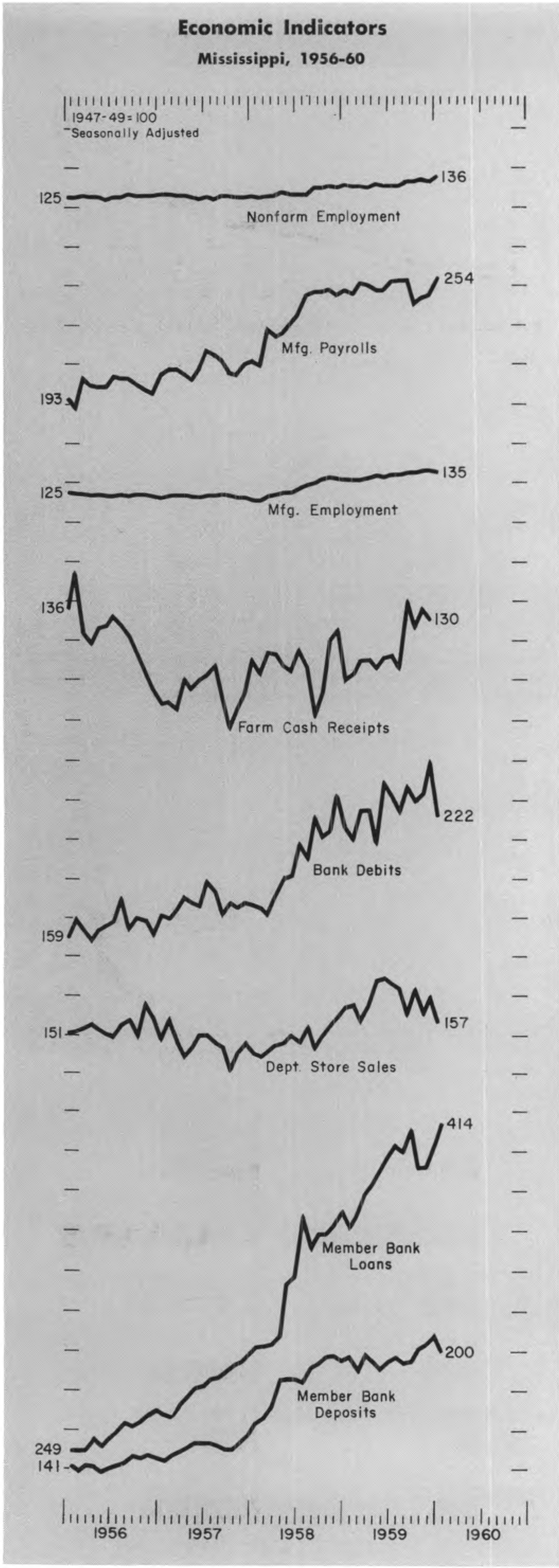


Additions to time deposits and savings and loan shares were below a year earlier in the first half of 1959, but were about equal to a year earlier in the last half.



Time deposits and savings and loan shares rose less in 1959 than in 1958 in each District state except Florida, but personal income rose in 1959.





Mississippi Climb

Mississippi's economy made impressive gains during 1959. Employment increased appreciably as Mississippians found work both at established firms and also at firms that were opened during the year. The state's farmers, unlike their counterparts in the nation, also had a good year. As a result, total income received by individuals in the state showed a healthy increase.

Gains Widespread

Although final figures are not yet available, personal income in Mississippi probably amounted to about $2,500 million in 1959, a gain of over 8 percent during the year. Mississippi's rate of increase in personal income was higher than that achieved by most other states in the Sixth Federal Reserve District. Income also rose 8 percent on a per capita basis—from $1,053 in 1958 to $1,140 in 1959.

Aggregates like income and employment tell us that business activity in Mississippi expanded, but they do not explain why nor do they reveal whether increases were spread uniformly throughout the economy. To obtain this type of data, it is necessary to look behind the aggregates and examine the various economic indicators.

It will undoubtedly be helpful to look at the farm sector, which accounts for about 14 percent of total personal income in Mississippi. Farm receipts from crops during 1959 exceeded the previous year's by 28 percent. Although crop receipts were up in other District states, Mississippi's gain was the largest. A sharp rise in the cotton crop, mainly due to the release of acreage from the acreage reserve program, was the principal factor behind the gain in crop receipts. Cotton is the state's leading source of farm income, accounting for well over 50 percent of the total.

Part of the gain in crop receipts during 1959 was offset by a decline of about 2 percent in receipts from livestock, which includes hogs, cattle, and poultry. A sharp drop in hog prices produced a significant decrease in total livestock receipts in the nation. Since most of Mississippi's livestock represents cattle, dairy products, and poultry, farmers in the state did not experience as large a drop in receipts as farmers in the nation did.

Total receipts from crops and livestock probably increased about 13 percent. Higher production costs for such items as fertilizer, seed, and insecticides, whittled away part of this gain. Federal Government payments to the state's farmers, moreover, were below those of 1958, principally because of the discontinuation of the acreage reserve. After taking all factors into account, however, Mississippi's farmers closed their books on a profitable year.

Nonfarm Activity Quickens

Although many persons still consider Mississippi a predominantly agricultural state, the nonfarm sector actually accounts for about 86 percent of total personal income. Manufacturing alone accounts for a larger proportion of total personal income than does agriculture. Obviously, then, developments within the nonfarm sector will contain much of the explanation of why business activity and incomes rose during 1959. The accompanying chart shows the various economic indicators for Mississippi that are published regularly in the "Sixth District Indexes" section of this publication.

At the end of December a record 402,800 Mississippians were employed in nonfarm jobs, 2.5 percent more than held nonfarm jobs at the end of 1958. Manufacturing employment, which provides almost a third of Mississippi's nonfarm jobs, rose 2.4 percent. Nonmanufacturing employment rose about as fast.

What types of industries within the manufacturing and nonmanufacturing sectors accounted for the rise in total employment? Within manufacturing, the textile, apparel, and chemicals industries turned in the largest percentage gains during 1959. The employment rise in apparel, the state's most important manufacturing industry, amounted to 12 percent. Textile employment was up 11 percent over 1958 and employment in furniture and fixtures rose 12 percent. Employment in food processing and in miscellaneous manufacturing also rose appreciably.

Only the transportation equipment and paper industries registered declines from 1958. Transportation equipment firms, which include shipbuilding as well as bus and truck assembly, reduced their employment rolls by over a fourth. Firms manufacturing paper and paper products trimmed their employee rolls by 8 percent between December 1958 and December 1959.

Mississippi's sprawling lumber and wood products industry, the state's second largest employer, showed a slight growth during 1959. Demand for wood products in the nation, especially for lumber, failed to expand appreciably; and the demand for Mississippi's timber products reflected this trend. The state's furniture-making industry, however, added steadily to employment throughout the year.

Widespread employment gains in nonmanufacturing lines during 1959 also contributed to income growth. Federal, state, and local governments had 88,400 persons on their payrolls at the end of 1959, 2 percent more than a year earlier. Most of the gain was accounted for by the state government. In addition, trade, service, construction, and financial firms added considerably to the number on their payrolls. Altogether the rise in nonmanufacturing jobs accounted for over two-thirds of the increase in total nonfarm employment during 1959.

Other Indicators Show Gains

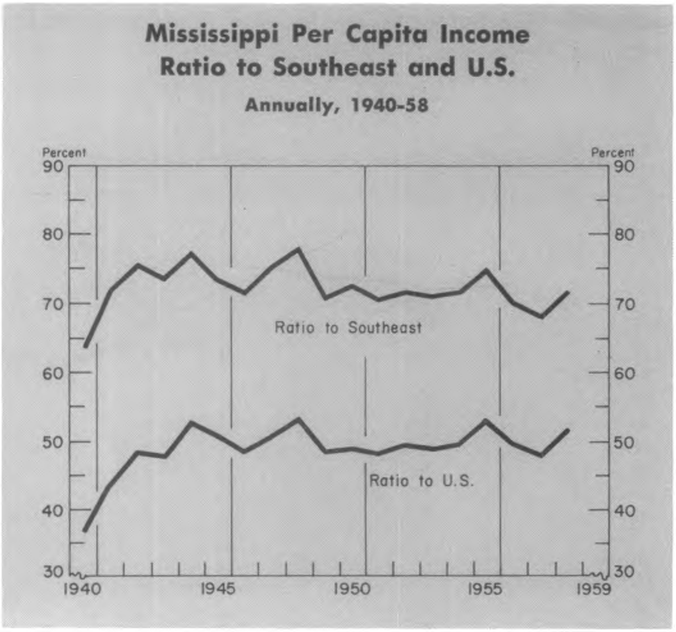
Not only were more Mississippians employed in nonfarm jobs at the end of 1959 than a year earlier, but they were also making more money. As the chart shows, manufacturing payrolls, which reflect both the employment and earnings rate, rose steadily throughout the first three quarters although at a slower rate than during the previous year. Following a drop in the last quarter, when many firms were affected by steel shortages, payrolls rose to new heights in January 1960. Employees in nonmanufacturing jobs also received higher pay.

The brisk pace of the business activity in the state is reflected in the rise in total spending by businesses and consumers. Bank debits, a measure of gross spending, expanded to a new record. A rise in total retail spending is also indicated by an increase in department store sales and by a steady climb in sales tax receipts by the state of Mississippi.

At the state's banks the rise in business activity took the form of a continued strong demand for loans. For example, loans at member banks in the southern half of the state expanded 9 percent during the year. Deposits, however, remained relatively stable until the final quarter when they increased moderately.

Perspective

As the result of income gains during the last year, per capita income in Mississippi probably gained in relation to that of most other Southeastern states and the nation generally. Incomes in Mississippi are still relatively low, however, and, with expansion likely for both the Southeast and the nation in the years ahead, the state's economy must expand at a similar rate just to maintain its relative position.



Whether Mississippians can continue to improve their incomes depends in large measure on the availability of jobs for persons leaving the farms. Expansion in existing plants has absorbed some workers in the past, but economic development in the state also requires the creation of new firms that take advantage of the state's natural resources. In recent years Mississippi has been successful in attracting a large number of new firms of all types. Some of these have been local firms, whereas others have been attracted from outside the state. This trend apparently continued during 1959 when, according to the state's Agricultural and Industrial Board, the number of new firms locating in the state set a new record.

The fortunes of the state's farmers during the years ahead will also have an important bearing on total personal income. As already indicated, farm income contributed substantially to the expansion in total income in 1959. Most of the growth is attributable to a sharp rise in cotton acreage made possible by the suspension of the acreage reserve feature of the Federal soil bank program. Mississippi's farmers obviously cannot expect a similar boost to incomes from this source in the years ahead. Unless the demand for cotton and other important farm products grown in Mississippi improves materially, therefore, most of the state's future income growth will have to be provided by the nonfarm sectors.

W. M. DAVIS

CHANGES IN SAVINGS

Continued from Page 7

funds for repayment of mortgage and consumer instalment debt, a form of saving that builds up individual equities in the items purchased.

In the absence of information on all types of savings, can we really determine the significance of the decline in the types of savings for which information is available? Clearly, the answer is No. The decline we know of may simply reflect a shift toward other types of savings. If it does represent the direction of total savings, however, it means that District savers made fewer funds available for potential investment in 1959 than in 1958.

PHILIP M. WEBSTER

Department Store Sales and Inventories*

	Percent Change			
	Sales		Inventories	
	Jan. 1960 from		Jan. 31, 1960 from	
Place	Dec. 1959	Jan. 1959	Dec. 31, 1959	Jan. 31, 1959
ALABAMA	—62	—7	—0	+12
Birmingham	—60	—7	—1	+5
Mobile	—64	—8	..	..
Montgomery	—64	—6	..	..
FLORIDA	—54	+4	+7	+13
Daytona Beach	—53	+1	..	..
Jacksonville	—62	+16	—1	+24
Miami Area	—53	+2	+12	+12
Miami	—53	+1	..	..
Orlando	—51	—10	..	..
St. Ptrsbg-Tampa Area	—54	+9	+5	+23
GEORGIA	—60	+1	+7	+19
Atlanta**	—59	+1	+9	+23
Augusta	—65	+8	..	..
Columbus	—63	—3	—3	—8
Macon	—65	—2	+4	+14
Rome**	—64	+3	..	..
Savannah	—61	—8	..	..
LOUISIANA	—57	—7	+0	+8
Baton Rouge	—61	—7	—6	+11
New Orleans	—56	—7	+2	+7
MISSISSIPPI	—60	—7	—2	+15
Jackson	—58	—8	+3	+11
Meridian**	—65	—5	..	..
TENNESSEE	—64	—4	—2	+10
Bristol-Kingsport-Johnson City**	—71	—6	—3	—2
Bristol (Tenn. & Va.)**	—71	—12	—6	—13
Chattanooga	—63	—7	..	..
Knoxville	—62	+2	—1	+26
DISTRICT	—59	—2	+4	+13

*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.

This REVIEW *may be received regularly upon request to the Publications Section, Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.*

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change	
				Jan. 1960 from	
	Jan. 1960	Dec. 1959	Jan. 1959	Dec 1959	Jan. 1959
ALABAMA					
Anniston	42,671	44,515	40,849	—4	+4
Birmingham	808,609	858,255	786,354	—6	+3
Dothan	35,224	35,440	33,852	—1	+4
Gadsden	37,635	37,587	41,805	+0	—10
Huntsville*	63,931	73,920	63,451	—14	+1
Mobile	285,667	321,214	283,036	—11	+1
Montgomery	161,437	178,023	166,291	—9	—3
Selma*	24 552	27,943	24,284	—12	+1
Tuscaloosa*	56,082	54,814	52,440	+2	+7
Total Reporting Cities	1,515,808	1,631,711	1,492,362	—7	+2
Other Cities†	799,762	825,548	756,243	—3	+6
FLORIDA					
Daytona Beach*	63,139	61,632	60,864	+2	+4
Fort Lauderdale*	253,830	233,462	235,036	+9	+8
Gainesville*	43,939	44,236	41,421	—1	+6
Jacksonville	808,367	891,730	801,852	—9	+1
Key West*	17,259	18,806	17,641	—8	—2
Lakeland*	88,646	93,671	84,508	—5	+5
Miami	967,971	972,013	904,811	—0	+7
Greater Miami*	1,467,896	1,443,361	1,406,458	+2	+4
Orlando	280,717	286,695	259,916	—2	+8
Pensacola	89,946	96,061	90,530	—6	—1
St. Petersburg	266,032	251,849	247,582	+6	+7
Tampa	446,670	474,924	437,546	—6	+2
West Palm Beach*	147,537	142,885	151,426	+3	—3
Total Reporting Cities	3,973,978	4,039,312	3,834,780	—2	+4
Other Cities†	1,987,540	1,949,584	1,655,529	+2	+20
GEORGIA					
Albany	51,959	54,959	47,842	—5	+9
Athens*	37,441	42,127	37,337	—11	+0
Atlanta	2,049,992	2,267,326	1,900,324	—10	+8
Augusta	113,909	126,291	101,304	—10	+12
Brunswick	28,458	31,177	25,241	—9	+13
Columbus	107,782	115,540	100.493	—7	+7
Elberton	9,335	10,112	9,155	—8	+2
Gainesville*	47,555	45,613	49,105	+4	—3
Griffin*	18,942	22,777	18,478	—17	+3
LaGrange*	21,596	21,496	21,805	+0	—1
Macon	125,089	131,571	119,642	—5	+5
Marietta*	33,663	35,999	33,068	—6	+2
Newnan	21,729	21,582	19,622	+1	+11
Rome*	46,998	53,233	41,812	—12	+12
Savannah	197,761	224,963	193,021	—12	+2
Valdosta	34,988	37,398	32,317	—6	+8
Total Reporting Cities	2,947,197	3,242,164	2,750,566	—9	+7
Other Cities†	1,009,998	961,626	917,840	+5	+10
LOUISIANA					
Alexandria*	79,837	74,621	78,191	+7	+2
Baton Rouge	280,876	288,176	272,635	—3	+3
Lafayette*	68,164	69,840	70,895	—2	—4
Lake Charles	90,563	90,224	99,168	+0	—9
New Orleans	1,326,661	1,444,636	1,352,173	—8	—2
Total Reporting Cities	1,846,101	1,967,497	1,873,062	—6	—1
Other Cities†	624,395	645,711	669,493	—3	—7
MISSISSIPPI					
Biloxi-Gulfport*	47,787	52,650	45,782	—9	+4
Hattiesburg	38,815	37,186	36,509	+4	+6
Jackson	287,288	321,625	285,451	—11	+1
Laurel*	27,610	29,386	27,532	—6	+0
Meridian	42,647	45,966	41,905	—7	+2
Natchez*	23,664	27,273	23,837	—13	—1
Vicksburg	18,654	22,498	19,868	—17	—6
Total Reporting Cities	486,465	536,584	480,884	—9	+1
Other Cities†	272,302	294,243	257,849	—7	+6
TENNESSEE					
Bristol*	46,672	48,516	43,527	—4	+7
Chattanooga	386,444	353,038	356,942	+9	+8
Johnson City*	44,612	44,816	42,910	—0	+4
Kingsport*	85,497	82,139	79,456	+4	+8
Knoxville	238,147	268 468	243,284	—11	—2
Nashville	706,825	752,913	721,045	—6	—2
Total Reporting Cities	1,508,197	1,549,890	1,487,164	—3	—1
Other Cities†	569,205	553,394	570,884	+3	—0
SIXTH DISTRICT	17,540,948	18,194,406	16,746,656	—4	+5
Reporting Cities	12,277,746	12,967,158	11,918,818	—5	+3
Other Cities†	5,263,202	5,230,106	4,827,838	+1	+9
Total, 32 Cities	10,388,868	11,093,955	10,072,365	—6	+3
UNITED STATES					
344 Cities	230,100,000	261,121,000	221,953,000	—12	+4

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

† Estimated.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

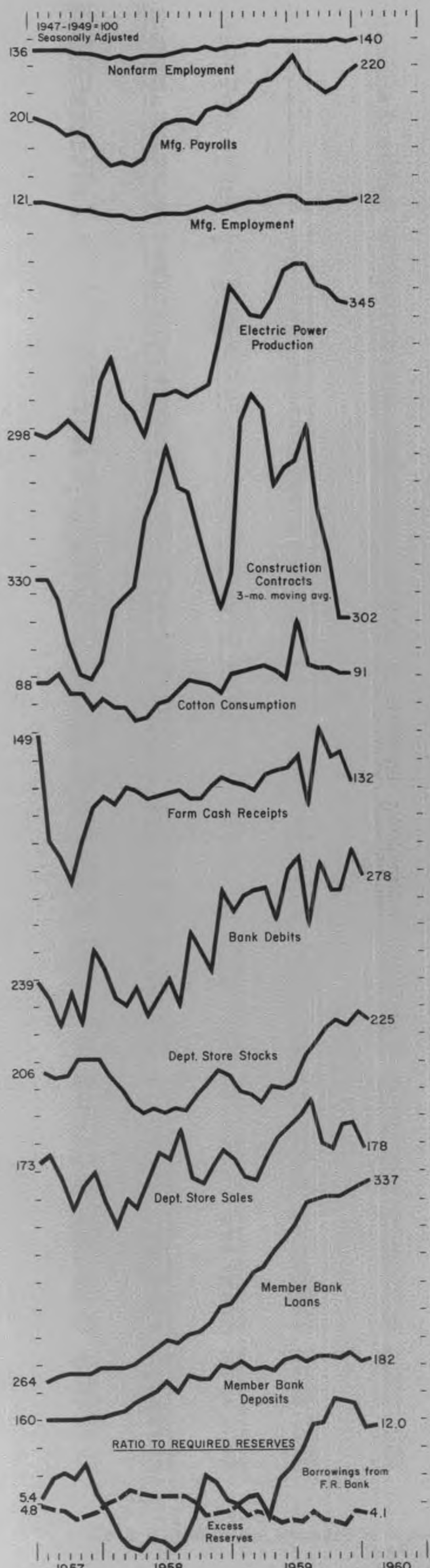
	1958	1959												1960
	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.
Nonfarm Employment	136	137	137	138	138	139	139	139	139	139	139	140	139r	140
Manufacturing Employment	118	119	120	121	121	122	123	123	120	120	120	121	121	122
Apparel	172	173	174	174	176	179	182	186	185	185	186	186	187	189
Chemicals	129	132	132	133	135	135	135	135	136	131	130	131	133	133
Fabricated Metals	179	182	178	179	180	181	182	181	175	177	173	174	177	183
Food	112	113	114	115	115	113	114	112	112	113	115	116	114	117
Lbr., Wood Prod., Fur. & Fix.	79	79	80	78	79	80	79	80	79	81	82	81	81	80
Paper & Allied Products	160	160	161	161	161	163	163	165	163	165	164	161	160	164
Primary Metals	92	91	92	95	98	100	103	102	73	74	74	94	100	98
Textiles	86	86	87	88	87	88	88	89	88	88	87	86	86	87
Transportation Equipment	211	212	212	208	214	212	202	207	206	203	209	183	187r	197
Manufacturing Payrolls	205	204	206	209	214	215	219	224	216	213	210	212	217r	220
Cotton Consumption**	84	91	92	93	94	92	89	110	94	93	93	91	91	95
Electric Power Production**	330	351	346	341	340	346	357	359	359	351	350	346	345	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	201	192	193	189	198	206	200	195	203	207	215	214r	231r	225
Construction Contracts*	309	336	445	463	453	397	411	416	440	380	350	302	302	n.a.
Residential	367	364	382	394	398	429	433	425	444	440	441	373	367	n.a.
All Other	262	314	496	520	499	370	393	410	436	331	276	245r	249	n.a.
Farm Cash Receipts	134	132	131	129	135	136	137	142	123	151	141	143	132	n.a.
Crops***	100r	108r	115r	109r	116r	119r	114r	123r	96r	134r	124r	123r	106	n.a.
Livestock***	186r	156r	164r	183r	188r	183r	186r	186r	179r	194r	181r	176r	154	n.a.
Dept. Store Sales*/**	178	174	168	167	175	182	186	190	196	180	178	187	188	178p
Atlanta	163	164	161	155	169	161	174	178	188	169	169	178	176	173
Baton Rouge	204	195	180	171	190	187	192	179	190	168	185	209	202	189
Birmingham	138	136	127	127	135	135	127	136	145	131	124	129	135	131
Chattanooga	156	163r	154	148	148	164	161	168	164	155	160	168	160	158
Jackson	124	124	116	104	111	121	114	124	131	111	113	130	123	118p
Jacksonville	142	146r	141	136	130	135	139	138	221	166	151	182	172	176
Knoxville	163	161	154	147	151	153	148	164	165	165	159	168	172	170
Macon	158	161	155	143	170	166	168	167	177	158	158	162	164	164
Miami	257	242	248	251	263	269	277	301	312	277	274	269	282	257p
New Orleans	148	145	139	130	142	144	151	155	156	151	149	154	153	141
Tampa-St. Petersburg	215	207	203	221	230	251	245	244	263	241	241	260	251	234p
Dept. Store Stocks*	205	199r	198	195	201	200	202	212	217	222	225	223	227r	225p
Furniture Store Sales*/**	146	165r	154	141	157	153	148	158	161r	149r	158r	163r	151	169p
Member Bank Deposits*	179	181	178	179	178	182	183	181	183	183	182	184	181	182
Member Bank Loans*	292	298	303	305	311	316	321	329	330	331	331	333	335	337
Bank Debits*	273	265	271	273	274	262	280	285	260	283	273	273	290r	278
Turnover of Demand Deposits*	150	144	153	149	145	158	152	162	154	150	147	150	154r	154
In Leading Cities	161	153	162	160	164	174	174	179	174	164	153	160	166r	166
Outside Leading Cities	121	114	121	118	112	126	117	124	115	118	109	109	121	119
ALABAMA														
Nonfarm Employment	120	121	120	121	120	121	121	122	117	117	117	121	121	121
Manufacturing Employment	105	105	106	107	107	107	106	109	100	99	97	105	106	106
Manufacturing Payrolls	179	182	185	189	193	190	195	198	173	167	168	184	190r	194
Furniture Store Sales	131	149r	154	125	145	135	134	139	143	139	138	134	128r	148
Member Bank Deposits	155	155	154	154	156	157	160	160	160	160	159	159	158	159
Member Bank Loans	242	248	254	250	254	259	266	275	269	270	272	273	272	279
Farm Cash Receipts	111	126	123	147	148	132	162	164	127	134	84	126	158	n.a.
Bank Debits	232	233	233	233	238	231	253	254	226	248	241	229	252	240
FLORIDA														
Nonfarm Employment	187	188	189	191	193	195	197	199	199	200	200	200	198	198
Manufacturing Employment	186	188	190	193	195	195	198	202	202	202	202	201	199	201
Manufacturing Payrolls	316	318	326	319	343	351	351	364	371	370	371	366	370r	360
Furniture Store Sales	162	180r	184	163	183	176	175	178	212	177	180	203	195r	196
Member Bank Deposits	241	242	238	235	233	241	243	238	246	247	245	245	241	242
Member Bank Loans	477	485	492	500	511	526	534	544	548	550	547	547	549	546
Farm Cash Receipts	162	281	232	182	230	227	236	239	200	212	172	157	215	n.a.
Bank Debits	403	372	382	391	389	400	437	441	408	450	436	428	439	404
GEORGIA														
Nonfarm Employment	130	131	131	131	132	132	132	134	133	134	134	134	134	135
Manufacturing Employment	116	115	116	117	118	119	119	120	119	120	120	117	118	119
Manufacturing Payrolls	200	195	197	204	206	211	215	219	216	207	210	203	204	211
Furniture Store Sales	153	149r	143	134	151	148	139	159	163	144	159	157	150r	147
Member Bank Deposits	158	159	157	157	157	160	159	157	162	160	160	163	158	161
Member Bank Loans	227	230	237	235	244	246	250	256	260	260	261	266	266	269
Farm Cash Receipts	153	143	142	169	150	158	140	178	131	172	97	142	121	n.a.
Bank Debits	243	236	238	243	248	235	253	261	238	258	249	244	264r	255
LOUISIANA														
Nonfarm Employment	129	129	129	128	128	128	128	127	126	127	126	127	127	128
Manufacturing Employment	97	96	95	96	96	96	96	96	95	95	96	95	95	95
Manufacturing Payrolls	169	173	173	175	178	179	175	176	176	178	170	171	171r	177
Furniture Store Sales*	189	185r	174	203	177	191	177	193	178	193	171	195	184	192
Member Bank Deposits*	159	163	160	165	160	165	165	160	160	160	157	160	158	162
Member Bank Loans*	274	284	287	293	293	295	295	302	299	304	307	309	311	313
Farm Cash Receipts	105	104	106	109	111	141	109	105	97	127	136	104	111	n.a.
Bank Debits*	230	210	216	227	229	217	240	233	223	248	226	212	235	204
MISSISSIPPI														
Nonfarm Employment	130	132	131	131	130	132	131	131	131	133	133	134	133	135
Manufacturing Employment	132	131	131	131	132	134	133	134	134	135	135	136	136r	135
Manufacturing Payrolls	245	247	246	251	250	247	247	252	253	253	241	244	245r	254
Furniture Store Sales*	133	114	106	97	114	120	132	115	129	95	83	117	133r	107
Member Bank Deposits*	195	197	190	198	195	191	195	197	194	195	202	204	208	200
Member Bank Loans*	369	361	367	378	383	391	398	403	400	411	392	392	403	414
Farm Cash Receipts	125	100	103	110	110	106	111	112	106	140	127	136	130	n.a.
Bank Debits*	233	216	210	225	225	208	238	233	224	236	230	233	249	222
TENNESSEE														
Nonfarm Employment	120	120	121	122	123	122	123	122	122	122	122	122	121	123
Manufacturing Employment	116	117	118	119	119	119	120	121	119	120	119	120	119r	120
Manufacturing Payrolls	196	202	204	205	208	206	206	211	214	211	206	206	209	216
Furniture Store Sales*	116	114r	114	109	114	116	116	105	122	109	108	102	109r	107
Member Bank Deposits*	162	165	160	159	162	166	164	165	165	166	167	167	164	166
Member Bank Loans*	256	262	267	268	272	276	283	287	287	288	293	291	296	296
Farm Cash Receipts	100	98	107	119	109	95	113	87	108	105	109	145	104	n.a.
Bank Debits*	235	230	242	229	229	225	235	239	221	229	225	234	230	232

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

**Daily average basis. ***Revisions reflect new seasonal factors.

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



OVERALL ECONOMIC ACTIVITY *in the District expanded further in January. Most states registered gains in nonfarm employment and factory payrolls. Member bank loans and deposits rose, although investments declined slightly. Consumer spending changed little as increased automobile sales offset declines in other lines. Average prices received by farmers increased moderately, but total farm employment and output were at seasonal lows.*

Nonfarm employment, seasonally adjusted, rose slightly in January, as a result of gains in both **manufacturing** and **nonmanufacturing.** Higher employment was reported in Georgia, Louisiana, Mississippi, and Tennessee, but no change occurred in Alabama and Florida. For the states as a group, **manufacturing payrolls** rose in January; nevertheless, they were still below last July's record. The **rate of insured unemployment** declined after allowance for seasonal changes.

Construction employment edged downward further in January from last summer's seasonally adjusted record. The three-month average of **contract awards,** however, based in part on January data, was unchanged, after several months of sharp declines. **Cotton consumption,** a measure of activity in the cotton textile industry, rose in January, according to preliminary estimates. **Steel mill operations** expanded to about the pre-strike volume, but slackened somewhat in late February.

Department store sales declined further in February, based on a seasonally adjusted preliminary estimate. This decline followed a slight drop in January, when sales decreased more than seasonally in nearly every major metropolitan area. **Furniture store sales,** seasonally adjusted, increased in January, as gains in Alabama, Florida, and Louisiana more than offset declines in Georgia, Mississippi, and Tennessee. **Automotive sales** increased from depressed December levels, as most models were again available. **Consumer instalment credit outstanding** increased slightly at commercial banks and department stores in January, after seasonal adjustment, and changed little at other institutions.

Dollar value of **international trade through District ports** increased again in December as **exports** rose seasonally, and **imports** rose more than seasonally. All District ports shared in these increases.

Employment on farms was at a seasonal low in January and totaled less than that a year earlier. **Wages for farm labor** slightly exceeded wages a month ago and a year ago. Continued cold weather damaged vegetables in parts of Florida and curtailed harvesting operations and employment somewhat. Wet and cold weather hindered farming operations elsewhere in the District. Although **total farm output** exceeded that of a year ago, it declined from the preceding month. The **average of prices received by farmers** increased slightly in January, principally because prices of citrus and cattle increased. **The value of farm real estate** rose further from July to November in all District states except Mississippi. Values were up sharply from a year earlier in all states.

Member bank loans continued to rise in January, after seasonal adjustment, the largest gains percentage-wise being observed for Alabama and Mississippi. **Lending** continued strong in February on the basis of data from banks in leading District cities. **Member bank investments** resumed their downward trend in January following December's modest increase. **Member bank deposits** increased somewhat, after seasonal adjustment, in all states except Mississippi. **Borrowings by member banks** from the Federal Reserve Bank of Atlanta were, on the average, the same in February as in January, following a sharp decline from the December high.