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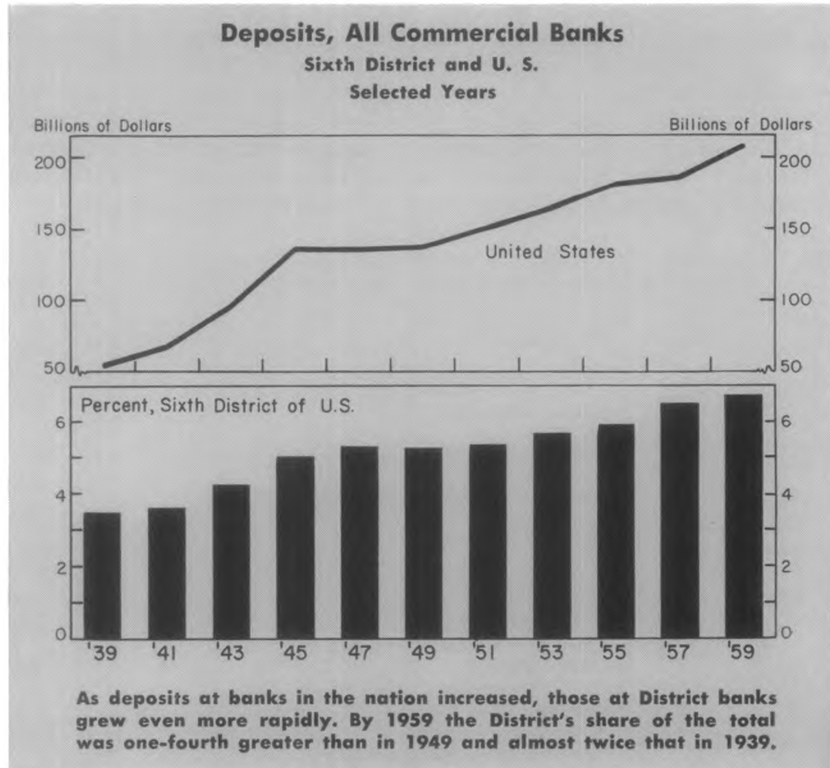
Banking's Role in Southern Economic Expansion

Previous articles in this *Review* described and analyzed the changes in industrial and agricultural production and other economic activities that have marked this area's income growth in the 1950's. Structural changes and improvements in the use of the region's resources and capital investment were found to have played leading roles in the economic growth of the area.

Depending upon how well they respond to the changing circumstances that accompany growth, a region's financial institutions can either facilitate or hinder such economic development. Among financial institutions, commercial banks are in a position to perform two important functions: First, they can provide for the convenient and efficient transfer of funds and for services related to this function. Everyone who owns bank deposits and draws checks upon them to make local or distant payments knows that banks perform these functions well. Such conveniences as suburban branch offices, drive-in windows, and new banking services provide further concrete evidence that bankers are continuously striving to satisfy this need.



As deposits at banks in the nation increased, those at District banks grew even more rapidly. By 1959 the District's share of the total was one-fourth greater than in 1949 and almost twice that in 1939.

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Secondly, as a source of credit, banks can help put funds to productive use. How well have Southern bankers performed the function of allocating funds to their most productive uses? Have bankers been able and willing to make loans in adequate amounts and on terms appropriate to the needs of borrowers? The answers are not obvious, but a review of the credit granting function of banks in this Federal Reserve District during the last ten years should provide some basis for answering these questions. The Sixth Federal Reserve District includes Alabama, Florida, Georgia, southern Louisiana and Mississippi, and the eastern two-thirds of Tennessee.

Banking Resources Double During the Fifties

Paralleling the expansion in the District's income and production, commercial bank assets rose from less than $8 billion to over $15 billion between mid-1949 and mid-1959. One hundred and forty-four new banks shared in this growth and a 32-percent increase in the number of bank and branch offices served to spread banking facilities within the District.

That growth in banking resources is closely related to growth in income is shown by comparisons of changes in banking resources and income within the District and between the District and the nation. In Florida, for example, where income and population advanced spectacularly, bank assets were about 2.8 times as great in 1959 as in 1949. For other District states, where incomes also grew, but at lesser rates, the comparable ratio for 1959 was 1.7. For the United States as a whole, commercial bank assets were 1.6 times as great in 1959 as in 1949. In the Sixth District, where the ratio of income growth was higher than in the United States, bank assets were almost twice as great in 1959 as in 1949.

How did Sixth District banks obtain and retain these additional resources? New paid-in capital was a source of some of the new funds. By far the largest amount, however, was obtained through new deposits. Our question, therefore, becomes: Where did the deposits come from and how were banks able to retain them?

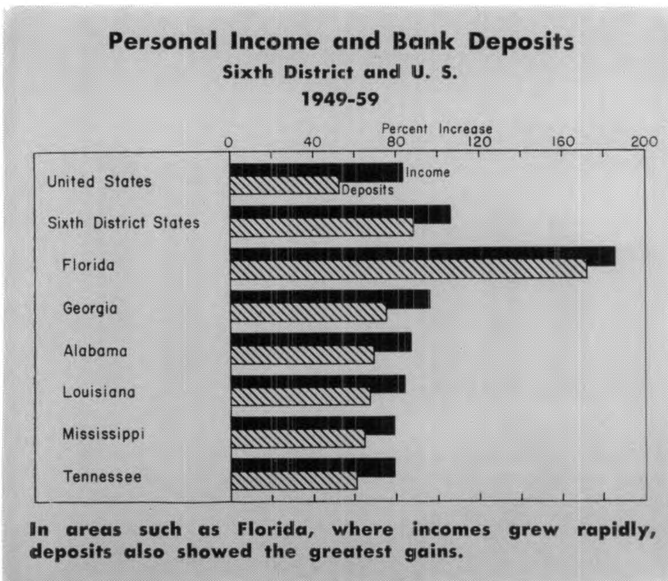
When a bank consents to hold new deposits it simultaneously acquires cash reserves, of which only small amounts must by law be held as reserves against those deposits. With the remainder of these funds the bank can extend new loans or buy investments, and together banks can "create" in deposits several times the initial amount of reserves received. At the level of the Sixth District, or any other District, however, this process is limited to the extent that the funds lent are retained in the area or more funds come in from outside. How, then, did Sixth District banks get these deposits from outside the area?

First, because the District shared in the nation's real economic expansion, its banks also shared in the growth of deposits that took place during the period throughout the nation. Deposits found their way into District banks as payments for locally produced goods and services sold to outsiders and as a result of expenditures made here by the United States Treasury. Second, we know that as industry expanded southward much of the capital investment came from other areas. This was naturally accompanied by inflows of deposits. At the same time, of course, individuals and businesses within the District were drawing on their deposits to make payments in other parts of the country, and the Federal Government was collecting taxes here. Payments to the District from other areas, however, exceeded payments from the District, with the result that there was a net addition to the District's banking resources.

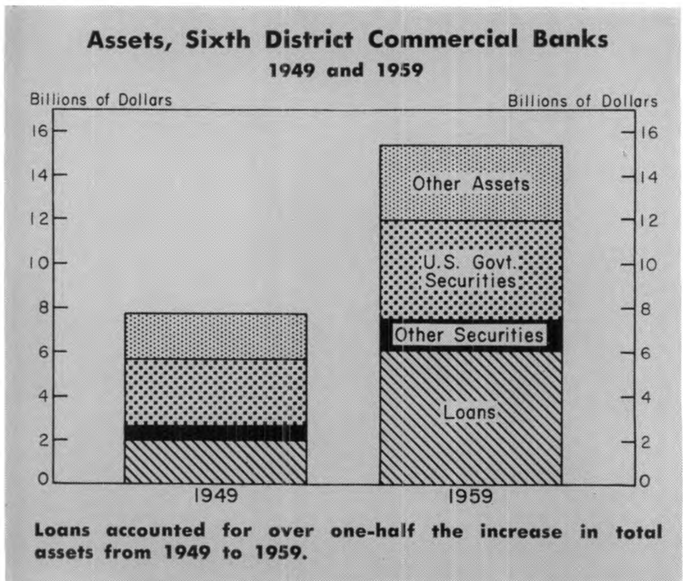
Advertising, providing new and improved services, and other devices all help an individual bank to attract and retain deposits. However, regardless of what Sixth District banks did individually to retain and increase deposits at their own banks, for the banks as a group, deposit growth resulted largely from factors beyond their control but which were implicit in the economic growth of the District. The policies followed by Southern bankers, in turn, were extremely important to that very economic growth. Bankers decided how much of their resources they would make available to the private sector of the economy, what kinds of borrowers would be provided with credit, and the terms under which the credit would be granted.

Loans to Public Absorb the Greater Share of Bank Resources

Banks can increase their loans in two main ways: by acquiring additional resources and by liquidating existing assets. During the 1950's the nation's banks, as a group, used both. The greatest source of additional lending power was the reserves that the Federal Reserve System made available to the banking system for credit expansion and which made possible growth in aggregate deposits. In addition, however, banks—particularly those in larger cities—drew funds from the liquidation of U. S. Government securities to make loans and also added to their non-Government security holdings.



In areas such as Florida, where incomes grew rapidly, deposits also showed the greatest gains.



Loans accounted for over one-half the increase in total assets from 1949 to 1959.

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Government securities declined by 7 percent during the 1950's.

District banks, on the other hand, did not reduce their U. S. Government securities over the decade. Holdings of these securities were 43 percent greater at the end of the period than at the beginning. Additional credit to private borrowers, therefore, came almost entirely from increased resources.

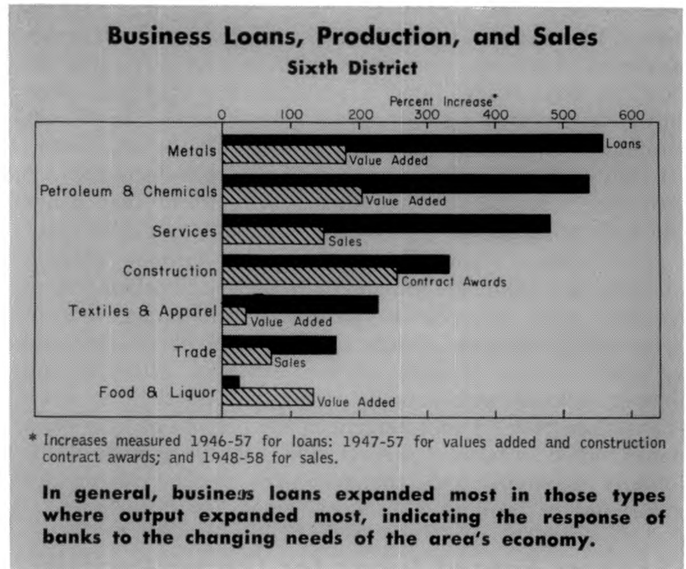
Were District bankers less alert than American bankers as a whole and ultra-conservative in supplying credit to private borrowers because they failed to use this second source? Probably not. Bankers do not ordinarily like to reduce the safety cushion provided by Government securities below what they consider prudent levels. The growth in total assets, therefore, required a growth in this cushion.

More important, perhaps, was the influence of the demand for credit. The greatest rates of growth in banking resources did not always occur where the demands for private credit, as measured by loans outstanding, were greatest. In some states, where deposit growth was less than in others, the rates of loan expansion were higher, as can be observed from the accompanying table. Also, although deposits at banks in the larger District cities increased less than in the District as a whole, loans increased at a higher rate. Whether or not the credit needs of the area would have been better met had the increases in banking resources corresponded more closely to the increases in loan demands is a question that cannot be answered on the basis of figures.

Nevertheless, for every $100 increase in deposits, there was an increase of $61 in loans. By 1959, loans made up 40 percent of assets compared with 26 percent ten years earlier. Indeed, at times during the 1950's, when demands for loans were especially strong and deposits did not rise correspondingly, many banks did, of course, reduce their Government security holdings. This occurred during the economic expansion of 1955-57 and in the one beginning in mid-1958.

Loan Expansion Reflects Shifting Demands for Funds

Commercial banks have been the traditional suppliers of short- and intermediate-term credit to businessmen and farmers. Thus, as the dollar volume of production grew (reflecting both more physical units of output and rising prices), businessmen sought more funds from banks to carry inventories, to purchase plant and equipment, and to extend credit further to other business borrowers and to consumers. Farmers needed funds to finance crops and to make the many adjustments required in a rapidly changing agriculture.



* Increases measured 1946-57 for loans: 1947-57 for values added and construction contract awards; and 1948-58 for sales.

In general, business loans expanded most in those types where output expanded most, indicating the response of banks to the changing needs of the area's economy.

If the banks followed lending policies adequate to meet these demands, we not only might expect to find that loans increased, but also that the greatest increases were in those sectors where output or sales expanded the most. Although precise data are not available, on the basis of 1946 and 1957 business loan data collected by the Federal Reserve System and Census data on production and sales, we do observe such a relationship. The four industry groups obtaining the greatest increases in loans—metal-using trades, petroleum and chemical producers, service establishments, and construction firms—were precisely those whose output or sales increased the most.

Factors other than output, however, such as size of firms,

Commercial Banks in Sixth District and United States

June 1949 and 1959

(Millions of Dollars)

	Deposits			*Investments*			*Loans*			*Assets*			*Loans as Percent of Assets*	
	1949	*1959*	*Percent Change*	*1949*	*1959*	*Percent Change*	*1949*	*1959*	*Percent Change*	*1949*	*1959*	*Percent Change*	*'49*	*'59*
Alabama	1,142	1,930	+ 69	546	806	+ 48	373	869	+133	1,234	2,130	+ 73	30	41
Florida	1,690	4,598	+172	1,004	2,067	+106	328	1,844	+462	1,808	5,056	+180	18	36
Georgia	1,500	2,627	+ 75	618	934	+ 51	580	1,351	+133	1,632	2,953	+ 81	36	46
Louisiana[1]	1,633	2,738	+ 68	864	1,216	+ 41	380	1,110	+192	1,735	3,014	+ 74	22	37
Mississippi[1]	721	1,188	+ 65	398	542	+ 36	188	482	+156	772	1,300	+ 68	24	37
Tennessee[1]	1,806	2,910	+ 61	848	1,064	+ 25	582	1,437	+147	1,937	3,202	+ 65	30	45
Sixth District[2]	7,222	13,973	+ 93	3,677	5,852	+ 59	2,032	6,147	+203	7,764	15,440	+ 99	26	40
United States	135,416	206,706	+ 53	71,243	81,858	+ 15	40,535	103,282	+155	147,216	232,487	+ 58	28	44

	Alabama		*Florida*		*Georgia*		*Louisiana*		*Mississippi*		*Tennessee*		*Six States*		*United States*	
	1949	*1959*	*1949*	*1959*	*1949*	*1959*	*1949*	*1959*	*1949*	*1959*	*1949*	*1959*	*1949*	*1959*	*1949*	*1959*
Percent of Total Loans:																
Commercial & Industrial	33	35	40	39	24	38	42	44	27	35	37	39	34	39	40	40
Consumer	21	33	26	32	14	30	20	21	21	25	27	33	22	30	18	22
Real Estate (Non-farm)	19	18	21	21	19	18	18	21	18	17	15	15	18	18	25	24
Farm	16	10	5	3	10	8	7	5	23	18	12	9	11	7	8	6

1 Includes all insured banks in state.

2 Includes all commercial banks in District; other data for insured banks.

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asset positions, and alternative sources of funds, can also influence the demand for bank loans. Borrowing by District businesses, moreover, sometimes shifts to sources outside the District's boundaries. Food processors, for example, often shifted their borrowing outside the District when plants were nationally consolidated. The lack of a one-to-one relationship between loan expansion and sales or output increases for particular industries does not necessarily mean that banks failed to channel credit to industries where it was needed most.

Like business, farming was also going through changes involving new demands for credit. In spite of declining farm incomes, these changes—in particular, the larger size of farms and the greater amount of equipment per worker and per acre—resulted in increased loan demands. The sizes and number of loans were actually larger in 1959 than in 1949. The decline from 11 to 7 percent in the percent of total bank loans granted to farmers reflects, however, the growth of the nonfarm economy and, therefore, the decline in relative importance of farming.

Bankers Extend Loans for Longer Periods

As a rule, bankers prefer to make loans for relatively short periods, generally for less than a year. This kind of short-term credit meets the needs of many farmers and businessmen because they can generally realize a return on the funds borrowed before the time comes to repay.

The economic development of the South, however, increased the need for longer-term credit. Adjustments in the District's farming, for example, discussed in the March issue of this *Review,* created demands for credit to improve pastures, to buy farm machinery, and to make long-term improvements. Returns on these investments would be realized over only a relatively long period. A farmer, therefore, would not want to embark on such enterprises unless he could borrow the money on terms that would allow him to repay the loan out of income over a relatively long period.

A greater need for longer term credit, too, arose out of other changes in the structure of the Southern economy. For example, changes in Southern manufacturing, discussed in the June issue of the *Review,* involved shifts toward types of manufacturing that use more durable equipment in relation to labor and materials. Returns from such investment would also be realized only over a long period. To small businesses, whose growth has been important in the District's economic development, the availability of long-term bank credit is especially important since many of them are dependent on banks for their financing. In 1957-58, for example, according to a survey conducted by this Bank, firms with fewer than 25 employees and which expanded their plants used bank credit in three out of four cases.

With a sizable "cushion" of government securities that could be liquidated to meet possible sudden withdrawals of deposits, District banks made more and more loans for periods longer than a year, commonly called term loans. The proportion of term loans to total business loans has increased steadily. In 1957, they constituted 24 percent of business loans, compared with 14 percent in 1946. In the boom period of 1955-57 alone, the amount of term loans outstanding increased by 49 percent. Surveys of farm lending by commercial banks conducted by this Bank also indicate that bankers are granting more intermediate-term credit to farmers than before.

Most long-term lending is done by the larger banks, however, and the principal business of banks in this District still consists of short-term credit. District borrowers, moreover, have also been able to get large funds from banks located outside the South. Various agencies other than banks also supply large amounts of long-term credit, especially to farmers.

Consumers Get a Larger Share of Bank Loans

Rising production not only generated greater demands for credit in business and agriculture, but produced higher incomes that greatly stimulated consumers' willingness and ability to incur debts. This is reflected in the increased amount of long-term mortgage credit outstanding in recent decades, but more dramatically in the large additions to short- and intermediate-term consumer credit.

District banks are contributing substantially to this kind of credit, both in direct loans to consumers and indirectly by lending to other financial institutions. Banks were not, however, until recently important consumer instalment lenders. During the 1950's, their movement into the consumer instalment field was evidenced by a rise in the ratio of consumer to total loans. In 1949, less than one dollar in four of total loans went to the consumer. By 1959, nearly one dollar in three went to him.

Banks found consumer lending advantageous because it yielded higher rates of return than other types of loans and because losses have been very low. Consumers likewise found such loans advantageous in helping to spread the cost of durable commodities over the duration of their use. But what of the relationship of consumer loans to economic development? Did they help or hinder growth?

To the extent that rising consumer credit contributed to the inflationary forces of the 1950's, it probably did not contribute to and possibly hindered growth. This was particularly the case in 1955 and 1959, when consumer credit caused consumer demand to press hard against limited resources. On the other hand, District banks increased consumer lending even in periods of recession, and this probably buoyed up demand more than would otherwise have been the case.

Economic Growth and Banking in the Sixties

These, then, have been some of the major changes in Sixth District banking accompanying the South's economic growth in the 1950's: a doubling of banking resources, a tripling of loans, a shift in the pattern of lending toward the more rapidly expanding sectors of the economy and toward the consumer, and a tendency to grant credit for longer periods. These banking changes have apparently been made in response to economic changes resulting in growth of income. Further changes in District banking during the 1960's, as in the past, will be determined largely by economic expansion in the nation, the extent to which this region shares in that growth, and the pattern of accompanying economic changes.

More specifically, what can we say of potential growth in banking resources in the current decade? If the South's past record of more rapid income growth than in the nation persists, there should again be a greater rise in deposits here than in the U. S. The average annual rate of growth of deposits in the District will, therefore, depend considerably on how rapidly deposits grow in the nation. In past decades of this century, the national rate of deposit growth has fluctuated widely—between 20 and 170 percent. Thus, a prediction for the 1960's would be hazardous, indeed. In any case, banks will undoubtedly remain the foremost suppliers of short-term credit and will in this capacity be indispensable to further economic development.

Albert A. Hirsch

Detailed tables listing the principal asset and liability items for banks in the Sixth District and in the individual Sixth District states for the period 1940-59 are available on request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

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Instalment Credit: New Style

Recently a respected businessman in a medium-size Southern city walked into a local marine supply store and ordered a new family-size runabout complete with outboard motor. He paid for it with a check, although he knew his bank balance was not large enough to cover it. On the other side of town, one of his friends had just selected an Early American coffee grinder for his wife's birthday at a small antique shop. The friend asked the clerk to charge it, although he did not have an account with the store—indeed, the store was too small to offer a charge account service to its customers.

Had these men taken leave of their senses? Not at all. They were merely taking advantage of two new services offered by their local banks. The businessman paid for his pleasure craft with a special check from his revolving check credit account at the First National Bank. His friend handed the clerk in the antique shop a charge card issued by the First State Bank. In both cases, the men were borrowing from their banks without the red tape involved in making an ordinary consumer loan.

How the Plans Operate

The man with the check credit plan probably went to his bank office and requested an application, or he may have received one in the mail. He filled it out, listing his salary and outstanding debts and the amount he felt he could repay each month without straining his budget beyond the breaking point. Everything was in order, so the bank set up a line of credit equal to 20 times the amount he wanted to pay each month. (It could have been 12, 18, or 24 times, if the policy of the bank had so established it.) He was then all set to borrow any amount up to the maximum, merely by writing a check similar to a personal check. When his checks started arriving at the bank, a loan was automatically set up. He began paying it back in the predetermined monthly amount; or, if his bank was one of a small minority, his payment was a fraction of the outstanding balance. Interest was charged on the amount due at the end of each month—usually one percent, including life insurance, and a small charge was made for each check written.

The man who remembered his wife's birthday probably received a credit card in the mail from his bank. The card is good at any of an extensive list of stores and service establishments. The customer can charge up to $25 (in most cases) without question, and larger amounts after the clerk checks with the bank on his credit standing. He receives a monthly bill, just like the one from his gasoline company or department store. If he pays it all within thirty days, there is no charge. He may pay as little as 15 percent, in which case there is a one-percent service charge tacked on to the unpaid balance. The bank makes its profit from the merchant, who pays a discount up to 6 percent (often depending on the average size sale or the total volume of his credit business) in return for the service. The bank relieves the store of the job of bookkeeping and assumes responsibility for all bad debts.

How Widespread Is Charge Account and Check Credit Banking?

Both plans are relatively new to Sixth District banks. The revolving check credit plan was introduced by a small bank in the Miami area in 1956, shortly after its national debut in Boston. Charge account banking in the deep South, which dates back to 1953, also had its beginnings in Miami, although it had been in existence in a number of Eastern areas for some time. The revolving credit idea remained in the back of most bankers' minds until early Spring of 1959 when 13 banks in the deep South adopted the plan in March and April alone. As the weather became warmer, the fever rose, and by Autumn at least 41 District banks had adopted the plan. The first frost, however, cooled things off. As far as can be determined, only one bank has been added to the list since that time. The tide of bank charge account plans rose more slowly, beginning in the fall of 1957. Five District banks adopted the plan during 1958 and nine introduced it in 1959, but only one has joined the roster so far in 1960.

A complete census of banks offering these plans has not been made. A survey conducted by this Bank covered all of the geographical areas of the District, including all cities with over 25,000 population and a number of smaller trade centers. That survey revealed that at least 32 District banks offered revolving check credit plans; 19 banks had charge account plans; and 10 banks offered both plans in early 1960. Of the 42 banks offering check credit services, 21 were in Florida, 9 in Georgia, 5 in Alabama, 4 in Tennessee and 3 in Louisiana. Thirteen of the 29 banks with charge account plans were in Florida, 11 were in Georgia (including 8 units of a state-wide system), 4 were in Alabama, and one was located in the Sixth District portion of Louisiana. No bank in Tennessee offered charge account plans, and neither plan was available in the southern half of Mississippi.

These plans are concentrated mainly in the District's larger towns. Of the 30 cities served by one or both plans, 17 are in metropolitan areas. The others are found in counties with populations ranging from just under 50,000 to almost 330,000. Four of the District's larger population centers (Knoxville, Mobile, Baton Rouge and Jackson) are not currently served by either plan. On the other hand, some smaller cities, such as Dothan and Anniston in Alabama, and Rome and Gainesville in Georgia, have both revolving check credit and charge account banking services available.

The total amount outstanding in both plans in the Sixth District at the end of March 1960 was approximately $22.5 million, or less than 2 percent of the estimated consumer instalment credit outstanding at District commercial banks. They constituted over 6 percent of consumer instalment credit at the banks offering the plans, however, and they accounted for almost half the 15-percent increase in instalment credit at these banks during the past year.

About 47,000 applications for lines of credit had been

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received by the end of March at District banks offering the check credit plan. Twenty-eight thousand had been approved and 23,000 had actually been put to use. The typical check credit customer had borrowed about $550, or over three-fourths of his total line of credit of $730. Chances are he was a white collar worker, since about two-thirds of his fellow customers fell into this class. About one-fifth were doctors, lawyers, and other professionals, while the remainder were skilled or unskilled laborers. He probably already had an account at the bank offering the plan, although almost 30 percent of the revolving check customers represent new business to the average bank.

If his bank is typical, $3,000 is the maximum line of credit he could have obtained. Half the banks set this limit, while at least five banks lend up to a maximum of $2,000, and an additional four lend up to $6,000. Most Florida banks charge their customers five-sixths of one percent interest, while an even one percent is favored elsewhere in the District. This includes life insurance, but does not include a small charge made for each check, usually 25 cents.

Almost 350,000 District residents were holders of bank charge account cards at the end of March, although only about 200,000 had actually used them. They charged a little more than $2 million worth of goods and services from 7,500 merchants in March; and their total debt to the banks amounted to almost $10 million.

What Is the Outlook for These Plans?

It is still too early to determine the value of these plans either to the banks or to the customers. Most District banks report excellent collection experience, with a minimum of delinquencies. Fewer than 1,000 check credit accounts have been terminated—not much more than would be expected from normal turnover. High initial advertising and operating costs still obscure the profit picture, but most banks expect to make money from the plans after they have taken hold.

To the customer, both plans offer a perpetual source of credit which is never likely to be completely paid up. This adds to the already considerable burden of consumer instalment debt that averages about $300 for every man, woman, and child in the United States, and it increases the banker's dependence on the good judgment of his customers.

Growth of these plans in the near future in the Sixth District will apparently be limited to the banks that have already established them. None of the banks questioned that do not currently operate a charge account or check credit plan expect to do so within the next year. Some were quite emphatic in their intention to abstain. Others are playing a waiting game. If the long-run experience of the pioneers is successful, other banks will undoubtedly add one or both of the plans to their lists of consumer services.

ROBERT M. YOUNG

Business Improves in Louisiana

When we reviewed economic conditions in Louisiana at the end of last year the business trends were mixed, although the indicators moving downward more than offset those moving upward. Current data measuring Louisiana's economy appear each month on next to the last page of this *Review*. Nevertheless, as six months have passed since our last discussion, it seems appropriate now to take a more extended look at Louisiana business trends.

Business conditions in Louisiana have improved somewhat since the end of 1959, largely because gains in mining, trade, and government outweigh weaknesses still present in manufacturing, construction, and farming.

Oil Production Rises Further

Crude oil production in Louisiana has been rising since late 1957 and has, no doubt, played a major role in recent economic growth patterns. Yet, despite the gains in output, employment in oil fields has not improved. Compared to this time last year, there are, in fact, approximately 4,400 fewer workers employed in crude oil and natural gas production. Although the gains in oil production have not been apparent in employment in oil fields, the influence has been widespread throughout the state's economy.

As a source of state revenue, crude oil bulks large. The severance tax, a tax collected on the production of natural resources, totaled $111.4 million during the 1958-59 fiscal year, 63 percent of which came from crude oil production. For the first nine months of the fiscal year that began in July 1959, severance taxes were 21 percent above the high level of the preceding fiscal year.

Larger revenue from the petroleum industry has enabled officials in Louisiana to add workers to state and local government payrolls. All told there are now over 119,000 people working for state and local governments in Louisiana, 4 percent more than were employed in May last year. The additional funds from taxes have encouraged acceleration of projects that might otherwise have been delayed, hence oil production has indirectly boosted business throughout the state.

Increased Mechanization in Manufacturing

Gains in petroleum production have been carried over into chemical and petro-chemical manufacturing industries. Both are heavily dependent on petroleum for their raw materials. New capital expenditures, for example, in those industries are well above last year's level. In 1959, chemical and petro-chemical manufacturers spent about $70 million on new plant and equipment. Based on tax exemption approvals, which allow a ten-year exemption on new industrial expenditures, an estimated $78 million more was invested during the first four months of 1960.

Like the chemical manufacturing industry, others have also increased their capital investment. Paradoxically, however, although investments are relatively high and manufacturing output is high and rising; manufacturing employment, as the chart shows, has not improved. The reason for this paradox may be traced in part to tech-

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nological changes in Louisiana's manufacturing industries. There, as elsewhere, machines are replacing men. A closer look at new capital expenditures may furnish evidence of this mechanization.

When capital funds are invested in an industry, new jobs are often created. According to figures released by Louisiana's Department of Commerce and Industry, however, in many businesses fewer new jobs are now being created for each $100,000 invested than in previous years. The $78 million expenditures this year by the chemical industry created one new job for every $90,000 invested. In 1956, a new job was created for every $64,000 spent. The case of food manufacturing plants, another important manufacturing group in Louisiana, is even more startling. Tax exemptions for the first four months of this year reveal that almost $30,000 in new capital was spent for each new job created, compared to only $9,000 per new job in 1956. These larger expenditures per job suggest that much of the new capital investment in manufacturing is for labor-saving equipment rather than expansion.

Louisiana's sugar industry provides an excellent example of capital spending for mechanization. Until recently the raw sugar extracted from the cane at the mill was transported to the refinery in 200-pound bags. This involved a considerable amount of labor in loading and unloading. A technique for moving raw sugar in bulk lots was therefore developed. Although the new method requires considerably more capital, the saving in labor is large enough to justify the expenditure. Other examples could be found in most of the state's manufacturing industries. It has thus been possible to increase manufacturing output without a corresponding increase in employment.

Trade Boosts the Economy

Losses in manufacturing employment, however, have been offset in part by gains in employment in trade. Louisiana's trade firms are now employing 3,700 more workers than they were at this time last year.

One reason trade employment has gained at a time when manufacturing employment is merely holding steady is the difference in the rate of increase in their mechanization. Some trade routines, notably in retailing, do not lend themselves readily to mechanization. Another reason is the increased activity in some specific areas. Foreign trade through Louisiana's ports, for example, is currently over a fifth above last year's, an increase attributable to the relatively high level of agricultural exports and to labor disputes in the St. Lawrence Seaway shipping area. An important side effect of this foreign trade development is the stimulation it has given to activities associated with the shipping industry. In the New Orleans area, for example, employment in shipbuilding and repairing increased 11 percent in April over March and was 7 percent above the April 1959 level.

Construction and Farming Dampen Growth

Lagging construction activity has been a damper on Louisiana's recent economic growth. Employment in construction, one measure of activity, is some 9 percent below last year's level at this time of year. Among the reasons

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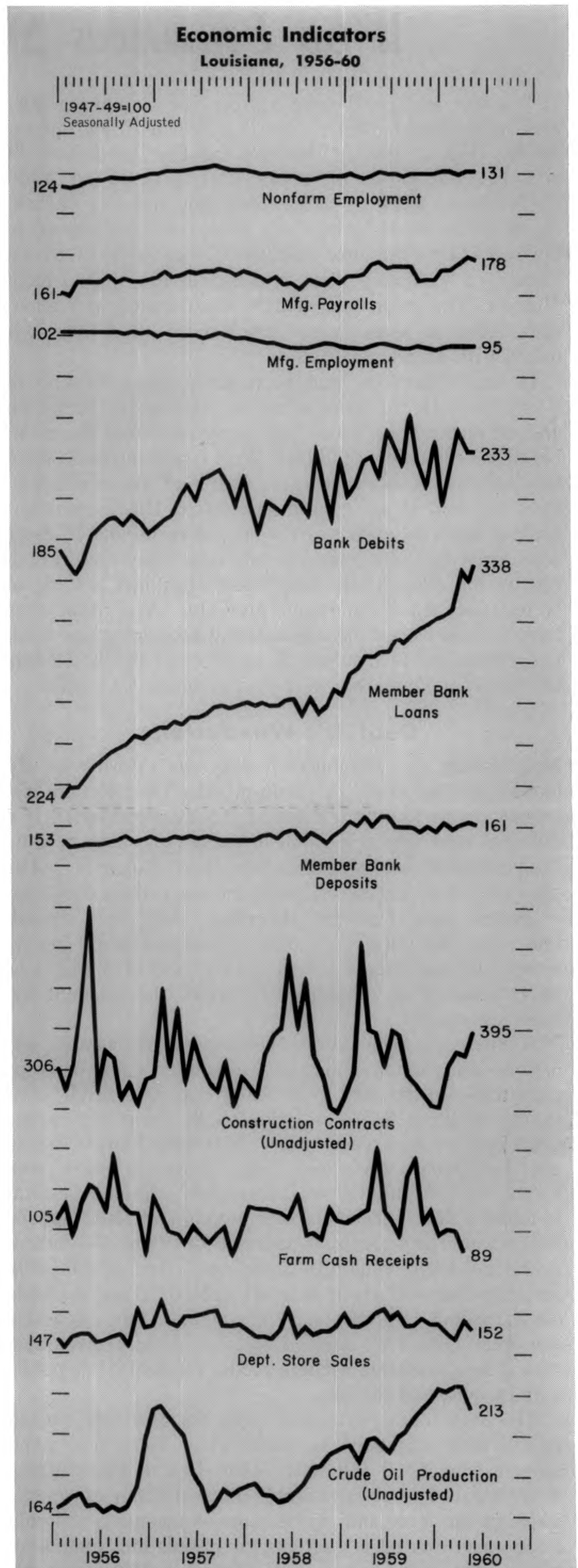

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Who Finances Southern Consumers?

"I'm a success," proclaimed a prosperous looking gentleman to his friend. "Since when?" asked his friend querulously. "I'm a success," insisted the first gentleman. "I now owe $20,000 on my home, $2,000 on my car, $900 on furniture, $200 on a television set, and I've consolidated all my small bothersome debts into one impossible big one." This old joke undoubtedly contributed to the demise of vaudeville, but it does contain this element of truth: The incurrence of debt is associated with financial success of some degree much more often than it is linked with abject poverty.

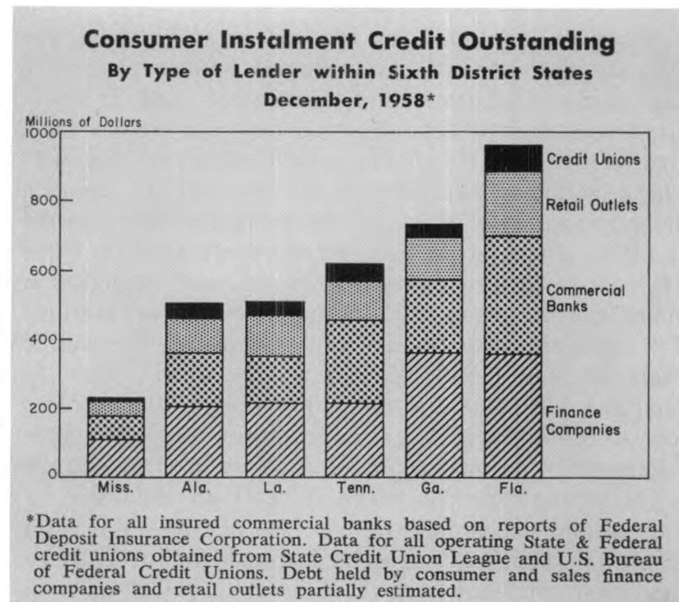
In recent decades, and particularly since the end of World War II, the general rise in income in the nation and throughout the South has vastly increased the number of middle-income families. With larger incomes, these families have a money surplus over and above expenditures required to meet basic necessities. This surplus has enabled them to make instalment payments and to enter confidently into agreements to buy now—pay later. Lenders, on the other hand, have found consumer lending to be relatively riskless and quite profitable. As a result, they have actively wooed the consumer by developing new lending techniques such as check credit, and by broadening the scope of items that may be purchased on credit.

Debt, It's Wonderful!

Not too long ago, instalment buying was a device for obtaining not "luxuries" or "semi-luxuries" but certain "essential" items for the household. Today, however, it is a different story. Durable goods of many types have become "conventional necessities" rather than "luxuries." The class stigma of buying on instalments—to the extent that it existed—has vanished altogether. And as a British newspaper has put it: "To most classes instalment buying seems a common sense way of 'saving,' and of coming into an inheritance of contemporary boons the moment the deposit is made."

Southerners have joined consumers throughout our nation—and for that matter throughout many parts of the world—in the rush to obtain credit. As a result, consumers residing in states lying wholly or partly in the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—now owe about $4,200 million of short- and intermediate-term instalment debt to financial institutions and retail outlets. This amount represents an increase of about 16 percent over the $3,570 million outstanding at the end of 1958, the only date for which detailed debt data are available for individual District states. Throughout this discussion consumer debt will refer to instalment debt, excluding such things as charge account credit, medical debt, public utilities bills, and the like.

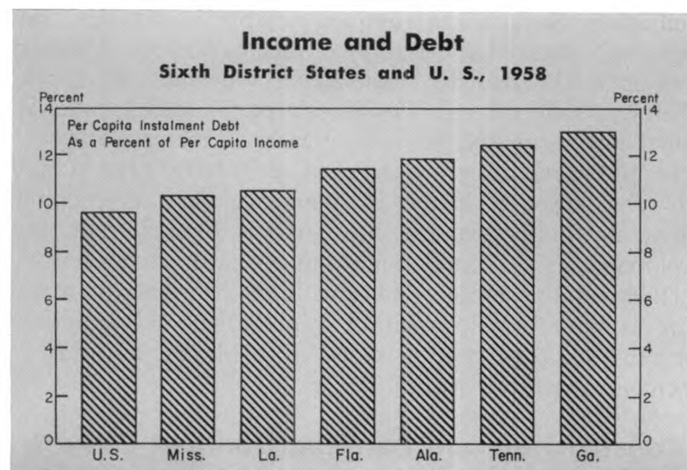
The state data—presented here for the first time—reveal wide variations in outstanding instalment debt, ranging from $230 million in Mississippi to $960 million in Florida. These variations reflect differences among states in the level and distribution of income and liquid assets, age, marital status, size of population, and other factors. The average income of $1,067 in Mississippi, for



*Data for all insured commercial banks based on reports of Federal Deposit Insurance Corporation. Data for all operating State & Federal credit unions obtained from State Credit Union League and U.S. Bureau of Federal Credit Unions. Debt held by consumer and sales finance companies and retail outlets partially estimated.

example, suggests that a relatively large proportion of the families in that state have low incomes, and are neither in the market for consumer credit nor eligible to obtain it. The higher average income of Florida residents—$1,846, however, indicates that the distribution of families by income offers considerable potential for consumer credit.

Despite having the highest consumer debt total, consumers in Florida owed less relative to income at the end of 1958 than did consumers in several other District states. In Florida, for example, per capita consumer debt represented 11.5 percent of per capita income, a smaller proportion than in Alabama, Tennessee, and Georgia. In all District states, however, the ratio of debt to income was higher, according to our estimates, than in the nation. This reflected the lower average incomes prevailing in District states compared with the nation, rather than higher average debts.



Sources of Consumer Funds

How did consumers residing in the South, an area which has traditionally been unable to generate sufficient savings to finance business and capital expansion, manage to get

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several billion dollars of credit? Where did they obtain the funds which enabled them to spend for everything from autos to Northern vacations? The answer is that a major share of consumer debt was financed by domestic establishments—banks and other institutions domiciled in Sixth District states—but a large share of the total, probably as much as 40 percent, came from foreign establishments—those with headquarters outside the South.

Commercial banks play a particularly strategic role in financing the consumer, since they are important both as direct lenders to consumers and suppliers of funds to institutions that extend consumer credit. At the end of 1958, consumer instalment debt held by commercial banks located in District states amounted to $1,140 million or 32 percent of the total for the District. Much of the non-automotive credit on the books of commercial banks was extended directly to consumers. Of the $580 million of outstanding auto debt, however, about three-fifths represented purchases of paper originated by auto dealers. The ability of commercial banks to finance consumer credit, either directly or indirectly, depends on the volume of their excess reserves, and how they distribute total loans among the consumer, business, and real estate categories in order to maximize earnings and minimize risk.

Sales finance companies, unlike banks, are not active as direct lenders but purchase instalment paper from others, usually retail dealers. Since financing automobiles accounts for about three-fourths of their business, the average amount lent is relatively large. Consumer finance companies, on the other hand, specialize in the direct lending of small cash loans, often on an unsecured or signature basis. These loans are used for a variety of purposes, but consolidation of existing debts, purchases of durable goods, and payment of medical bills are among the most important. Consumers in District states owed $1,480 million to sales and consumer finance companies at the end of 1958, 29 percent more than they owed to banks. Of the debt owed to both types of finance companies, about three-fourths was on the books of companies with headquarters outside the District, while the balance was owed to domestic companies.

Finance companies obtain most of the funds they need to "carry" consumer debt from the capital market, from banks, and by selling commercial paper. The source of funds that are tapped at any time depends on such things as the relative availability of credit, the pattern of interest rates, and the size of the company. While there are differences between the borrowing patterns of sales and consumer finance companies, it is possible to generalize by saying that the smaller the size of the company the more likely it is dependent upon banks as a source of funds. Data from a survey conducted in October 1955 indicated that sales finance companies owed District banks $119 million. Since the average-size loan at that time was relatively small, ranging from $29 thousand in Alabama to $189 thousand in Georgia, it would appear likely that Southern banks provide funds primarily to the smaller domestic companies.

Consumers in District states owed credit unions—all domestic establishments—$270 million. While this amount represented only 8 percent of the total at the end of 1958, credit unions have been accounting for an increasing proportion of debt over the years. Credit unions are independent in that they have little need for external funds to finance their lending operations. Instead, the major source of their financing stems from additions to savings or share account holdings by members.

Although most of the debt owed by consumers in District states was held by financial institutions, retail outlets—department, furniture, household appliance stores, and the like—held a significant amount. Consumers in District states owed retail outlets, excluding charge account debt, $680 million or 19 percent of total debt outstanding at the end of 1958. A portion of this amount was owed to Southern branches of national firms, but precise information on this point is not available. It is probable that they obtain funds to finance receivables from banks outside District states as well as institutions located here.

Consumer Credit Markets

It is likely that the total amount owed by residents in District states reflects purposes of borrowing similar to those of consumers throughout the nation. If this is so, auto purchases accounted for about two-fifths of the total debt owed by consumers in District states. Purchases of furniture, refrigerators, television sets, and other durable goods accounted for about one-fourth of total debt, the same share as instalment cash borrowing; the balance represents money owed for home repair and modernization.

Consumer Credit Markets, United States

Instalment Debt Outstanding by Purpose of Loan and by Lender

(Millions of Dollars)

	Dec., 1939		*Dec., 1959*	
	Amount	*Percent Distribution*	*Amount*	*Percent Distribution*
TOTAL DEBT—ALL PURPOSES	**4,503**	**100**	**39,482**	**100**
Commercial Banks	1,079	24	14,922	38
Sales Finance Companies	1,197	27	10,145	26
Other Financial Institutions	789	17	8,771	22
Retail Outlets	1,315	29	5,056	13
Auto Dealers	123	3	588	1
AUTOMOBILES	**1,497**	**100**	**16,590**	**100**
Sales Finance Companies	878	59	7,328	44
Commercial Banks	415	28	7,309	44
Other Financial Institutions	81	5	1,365	8
Auto Dealers	123	8	588	4
OTHER CONSUMER GOODS	**1,620**	**100**	**10,243**	**100**
Retail Outlets	1,315	81	5,056	50
Commercial Banks	166	10	2,553	25
Sales Finance Companies	115	7	1,883	18
Other Financial Institutions	24	2	751	7
REPAIR AND MODERNIZATION	**298**	**100**	**2,704**	**100**
Commercial Banks	135	45	1,941	72
Other Financial Institutions	15	5	728	27
Sales Finance Companies	148	50	35	1
PERSONAL LOANS	**1,088**	**100**	**9,945**	**100**
Other Financial Institutions	669	62	5,927	60
Commercial Banks	363	33	3,119	31
Sales Finance Companies	56	5	899	9

Classifying debt by purpose provides some insight into the differentiation of national consumer markets. It also enables one to assess the relative importance of various types of lenders in each market. As may be seen in the table, commercial banks and sales finance companies

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Bank Announcement

On June 1, the Florida National Bank at Port St. Joe, Port St. Joe, Florida, through a conversion of the state, nonpar, nonmember Florida Bank at Port St. Joe, became a member of the Federal Reserve System and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are J. L. Sharit, President; Harry H. Saunders, Vice President; Walter C. Dodson, Vice President and Cashier; and Rudolph Hardee, Assistant Cashier. Capital stock totals $100,000 and surplus and other capital funds $250,000

WHO FINANCES SOUTHERN CONSUMERS?

Continued from Page 9

dominate the market for automobile credit, together accounting for 88 percent of outstanding auto debt. Banks, which are the most diversified of the lenders to consumers, are also the main figure in the area of repair and modernization credit, and contribute significantly to the financing of durable goods other than autos, and instalment cash lending. In these latter two categories of consumer lending, however, retail outlets and consumer finance companies, respectively, dominate the market.

ALFRED P. JOHNSON

BUSINESS IMPROVES IN LOUISIANA

Continued from Page 7

for the lull in construction is the shift in capital spending from new plant to spending for labor-saving equipment. There also appears to be a general "catching up" in residential building, which may have been augmented by a scarcity of mortgage funds.

Mechanization on farms continues to take its toll of the farm population. For the first five months in 1960, there were 5 percent fewer farm workers than for the same period in 1959. Despite lower employment, however, farm production remains high, but a further decline in farm prices has resulted in a drop in farm income this year.

N. CARSON BRANAN

Department Store Sales and Inventories*

	Percent Change				
	Sales			Inventories	
	May 1960 from		5 Months	May 31, 1960 from	
Place	Apr. 1960	May 1959	1960 from 1959	Apr. 30 1960	May 31 1959
ALABAMA	—11	—2	+1	—2	+9
Birmingham	—9	—1	—1	—4	+3
Mobile	—12	—4	+2	..	..
Montgomery	—11	—9	—2	..	..
FLORIDA	—12	+5	+8	—4	+9
Daytona Beach	—14	—11	—3	..	..
Jacksonville	—2	+14	+19	—8	+12
Miami Area	—12	+9	+8	..	..
Miami	—15	—7	+1	..	..
Orlando	—9	—5	—1	..	..
St. Petersburg-Tampa Area	—13	+5	+9	—2	+18
GEORGIA	—13	+1	+3	—3	+17
Atlanta**	—13	+4	+5	—2	+25
Augusta	—6	—4	+3	..	..
Columbus	—14	—6	—1	—3	—2
Macon	—13	—5	—1	—1	+2
Rome**	—21	—7	+3	..	..
Savannah	—12	—7	—4	..	..
LOUISIANA	—7	—4	—2	—2	+17
Baton Rouge	—1	—10	—5	+0	+12
New Orleans	—8	—0	+1	—2	+19
MISSISSIPPI	—12	—11	—5	—1	+5
Jackson	—10	—13	—7	—5	+2
Meridian**	—14	—8	—2	..	..
TENNESSEE	—10	—5	—2	—1	+5
Bristol-Kingsport-Johnson City**	—17	—14	—6	—0	+2
Bristol (Tenn. & Va.)**	—22	—18	—9	+3	—4
Chattanooga	—6	—6	—4	..	..
Knoxville	—13	+2	+2	+2	+20
DISTRICT	—11	—1	+2	—3	+12

*Reporting stores account for over 90 percent of total District department store sales.
**In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
				May 1960 from		Year-to-date 5 Months
	May 1960	April 1960	May 1959	April 1960	May 1959	1960 from 1959
ALABAMA						
Anniston	39,718	37,832	40,303	+5	—1	+3
Birmingham	829,991	784,772	771,730	+6	+8	+4
Dothan	35,110	35,655	32,373	—2	+8	+8
Gadsden	38,872	35,845	37,949	+8	+2	+0
Huntsville*	62,032	61,561	64,653	+1	—4	—2
Mobile	301,948	284,477	292,533	+6	+3	+6
Montgomery	176,993	157,274	167,596	+13	+6	+1
Selma*	24,968	24,111	24,556	+4	+2	+7
Tuscaloosa*	55,333	55,111	50,869	+0	+9	+8
Total Reporting Cities	1,564,965	1,476,638	1,482,562	+6	+6	+4
Other Cities†	793,603	726,663r	742,163r	+9	+7	+5
FLORIDA						
Daytona Beach*	57,760	59,993	59,929	—4	—4	—0
Fort Lauderdale*	208,077	215,956	201,010	—4	+4	+6
Gainesville*	40,891	42,956	36,826	—5	+11	+13
Jacksonville	834,042	794,924	827,699	+5	+1	+5
Key West*	15,571	16,319	16,322	—5	—5	—1
Lakeland*	80,642	80,492	76,319	+0	+6	+9
Miami	881,596	895,300	845,919	—2	+4	+5
Greater Miami*	1,310,424	1,343,458	1,268,992	—2	+3	+3
Orlando	267,740	243,643	254,419	+10	+5	+9
Pensacola	89,952	86,830	86,144	+4	+4	+4
St. Petersburg	214,622	218,767	215,356	—2	—0	+3
Tampa	439,993	430,993	418,598	+2	+5	+5
West Palm Beach*	130,650	146,731	138,916	—11	—6	—2
Total Reporting Cities	3,690,364	3,681,062	3,600,530	+0	+2	+4
Other Cities†	1,655,136	1,686,630r	1,596,647r	—2	+4	+7
GEORGIA						
Albany	55,857	49,041	48,200	+14	+16	+13
Athens*	41,227	39,417	36,822	+5	+12	+8
Atlanta	2,103,734	2,026,117	1,927,974	+4	+9	+7
Augusta	108,468	108,827	99,593	—0	+9	+10
Brunswick	24,111	22,427	22,487	+8	+7	+4
Columbus	108,814	100,280	101,433	+9	+7	+5
Elberton	10,203	9,805	9,356	+4	+9	+6
Gainesville*	48,697	46,074	51,067	+6	—5	—5
Griffin*	19,972	17,919	18,522	+11	+8	+4
LaGrange*	21,545	21,183	20,164	+2	+7	—5
Macon	127,647	117,555	115,105	+9	+11	+4
Marietta*	32,698	32,423	32,572	+1	+0	+4
Newnan	18,546	17,942	16,612	+3	+12	+15
Rome*	53,921	45,970	42,351	+17	+27	+16
Savannah	204,998	192,923	202,376	+6	+1	+1
Valdosta	31,534	33,363	33,923	—5	—7	+4
Total Reporting Cities	3,011,972	2,881,266	2,778,557	+5	+8	+7
Other Cities†	994,315	945,625r	898,228r	+5	+11	+10
LOUISIANA						
Alexandria*	72,155	70,347	65,813	+3	+10	+2
Baton Rouge	287,360	277,332	279,706	+4	+3	+2
Lafayette*	58,345	63,220	63,715	—8	—8	—2
Lake Charles	78,562	79,600	88,111	—1	—11	—8
New Orleans	1,406,834	1,325,631	1,288,361	+6	+9	+4
Total Reporting Cities	1,903,256	1,816,130	1,785,706	+5	+7	+3
Other Cities†	624,419	615,358r	607,626r	+1	+3	+1
MISSISSIPPI						
Biloxi-Gulfport*	49,817	47,438	47,580	+5	+5	+5
Hattiesburg	36,190	38,058	35,045	—5	+3	+7
Jackson	281,403	284,612	280,485	—1	+0	+5
Laurel*	28,393	27,461	26,744	+3	+6	+10
Meridian	47,765	40,594	43,370	+18	+10	+2
Natchez*	23,135	24,407	23,468	—5	—1	+5
Vicksburg	20,740	19,673	18,525	+5	+12	+5
Total Reporting Cities	487,443	482,243	475,217	+1	+3	+5
Other Cities†	275,425	271,079r	258,250r	+2	+7	+9
TENNESSEE						
Bristol*	46,473	46,375	44,494	+0	+4	+4
Chattanooga	316,996	311,585	319,583	+2	—1	+4
Johnson City*	41,223	43,740	39,247	—6	+5	+5
Kingsport*	82,194	85,797	79,692	—4	+3	+8
Knoxville	247,073	230,546	219,784	+7	+12	+5
Nashville	763,647	686,158	680,911	+11	+12	+1
Total Reporting Cities	1,497,606	1,404,201	1,383,711	+7	+8	+3
Other Cities†	591,931	574,614r	566,605r	+3	+4	+5
SIXTH DISTRICT	17,090,435	16,561,509r	16,175,802r	+3	+6	+5
Reporting Cities	12,155,606	11,741,540	11,506,283	+4	+6	+4
Other Cities†	4,934,829	4,819,969r	4,669,519r	+2	+6	+6
Total, 32 Cities	10,431,059	9,978,381	9,821,559	+5	+6	+5
UNITED STATES						
344 Cities	232,953,000	225,984,000	215,964,000	+3	+8	+7

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

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Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

	1959									1960				
SIXTH DISTRICT	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY
Nonfarm Employment	139	140	141	141	141	141	141	141	141	142	142	141	143r	143
Manufacturing Employment	123	124	124	125	122	122	122	122	122	124	124	123	124	125
Apparel	180	182	185	189	187	187	187	187	189	190	188	189	191	193
Chemicals	133	133	134	134	134	130	129	129	131	132	132	132	134	134
Fabricated Metals	184	185	186	185	178	179	176	176	179	185	187	183	182r	186
Food	115	114	114	113	113	114	115	116	113	117	117	115	116	116
Lbr., Wood Prod., Fur. & Fix.	80	81	81	81	80	80	80	80	80	79	79	79	79	79
Paper & Allied Products	163	165	164	166	164	166	164	161	160	166	165	164	166	167
Primary Metals	99	102	105	104	79	79	79	97	103	101	100	95	98r	99
Textiles	88	88	89	89	88	89	88	87	87	87	87	88	87	87
Transportation Equipment	218	217	207	213	212	211	217	192	195	205	204	202	206	208
Manufacturing Payrolls	216	218	221	227	218	215	213	214	219	221	217	212	222	226
Cotton Consumption**	94	93r	89	110	94	93	93	91	91	95	95	94	95	94
Electric Power Production**	340	346	357	359	359	351	350	346	345	358	375	387	363	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	198	206	200	195	203	207	215	214	231	227	226	228r	226	225
Construction Contracts*	453	397	411	416	440	380	350	302	302	328	345	333	333	n.a.
Residential	398	429	433	425	444	440	441	373	367	351	366	360	356	n a.
All Other	499	370	393	410	436	331	276	245	249	309	327	311	315	n.a.
Farm Cash Receipts	135	136	137	142	123	151	141	143	132	132	131	121	126	n.a.
Crops	116	119	114	123	96	134	124	123	106	104	108	96	100	n.a.
Livestock	188	183	186	186	179	194	181	176	154	166	173	179	188	n.a.
Dept. Store Sales*/**	177	178	180	185	184	186	188	189	185	180	175	162	192	176p
Atlanta	171	165	166	173	175	174	176	175	176	175	173	157	180	171
Baton Rouge	195	193	190	185	184	178	189	187	189	187	178	190	176	173
Birmingham	136	129	126	134	136	133	131	134	132	133	128	122	137	128
Chattanooga	154	154r	163	158	157	156	167	161	160	154	148	131	161	145
Jackson	119	122	120	121	118	113	117	120	116	115	112	107	115	107
Jacksonville	143	137r	137	136	205	171	156	179	171	169	161	160	178	157
Knoxville	150	150	152	157	158	162	166	166	167	170	156	148	167	153
Macon	168	161	161	165	161	167	165	165	164	166	151	150	163	152
Miami	269	266	262	272	270	275	279	297	282	274	270	269	300	289
New Orleans	142	143	144	153	150	153	152	157	149	144	140	134	150	142
Tampa-St. Petersburg	223	240	240	244	245	241	236	252	244	243	245	229	285	252
Dept. Store Stocks*	203	200	205	212	219	222	225	223	225	225	223	225	223	224p
Furniture Store Sales*/**	159	152r	148	158	161	149	158	163	151	166	143	129	149	147
Member Bank Deposits*	178	182	183	181	183	183	182	184	181	182	180	180	178	180
Member Bank Loans*	311	316	321	329	330	331	331	333	335	337	340	342	347	351
Bank Debits*	273	261	279	283r	259	281r	271	270r	286r	275r	294r	288r	278r	277
Turnover of Demand Deposits*	145	158	152	162	154	150	147	150	154	154	156	153	148	163
In Leading Cities	164	174	174	179	174	164	153	160	166	166	168	167	167	181
Outside Leading Cities	112	126	117	124	115	118	109	109	121	119	120	119	114	126
ALABAMA														
Nonfarm Employment	123	125	125	126	122	122	122	125	125	126	125	124	125	126
Manufacturing Employment	109	110	109	111	103	102	100	107	108	108	107	106	108	109
Manufacturing Payrolls	197	194	200	204	179	172	173	188	194	198	192	190	195	198
Furniture Store Sales	126	137r	134	139	143	139	138	134	128	148	133	112	127	135
Member Bank Deposits	156	157	160	160	160	160	159	159	158	159	158	159	158	159
Member Bank Loans	254	259	266	275	269	270	272	273	272	279	283	284	296	300
Farm Cash Receipts	126	122	125	129	125	141	114	136	142	124	124	128	122	n.a.
Bank Debits	234	226	248r	248	221r	243r	236r	224r	247r	236r	245r	244r	240r	240
FLORIDA														
Nonfarm Employment	192	194	196	200	200	200	200	199	197	197	197	197	199	201
Manufacturing Employment	197	199	202	206	206	206	206	203	201	204	204	202	205	209
Manufacturing Payrolls	347	357	358	372	378	377	377	371	374	366	364	352	372r	391
Furniture Store Sales	183	176	175	178	212	177	180	203	195	189	174	157	181	175
Member Bank Deposits	233	241	243	238	246	247	245	245	241	242	237	234	230	234
Member Bank Loans	511	526	534	544	548	550	547	547	549	546	549	545	553	554
Farm Cash Receipts	243	231	241	240	203	210	194	177	206	229	205	170	217	n.a
Bank Debits	382	391	426	429r	395r	437r	422r	414r	424r	391r	423r	410r	387r	404
GEORGIA														
Nonfarm Employment	134	134	134	136	135	136	136	136	136	137	136	135	138r	137
Manufacturing Employment	121	122	122	124	122	123	123	120	121	122	122	122	122	122
Manufacturing Payrolls	212	217	220	225	221	213	216	208	210	216	211	205	215r	222
Furniture Store Sales	153	146r	139	159	163	144	159	157	150	149	127	120	142	132
Member Bank Deposits	157	160	159	157	162	160	160	163	158	161	160	158	157	161
Member Bank Loans	244	246	250	256	260	260	261	266	266	269	271	267	271	276
Farm Cash Receipts	140	137	127	172	133	142	136	164	121	137	147	146	153	n.a.
Bank Debits	247r	235r	252r	261	239	258r	249	244	261r	254	265	254	254	257
LOUISIANA														
Nonfarm Employment	129	131	130	130	129	130	130	130	130	131	131	130	131	131
Manufacturing Employment	95	96	96	95	94	94	95	94	93	94	95	95	95	95
Manufacturing Payrolls	176	177	174	175	175	175	167	168	168	173	173	176	179r	178
Furniture Store Sales*	184	186r	177	193	178	193	171	195	184	188	192	172	176r	181
Member Bank Deposits*	160	165	165	160	160	160	157	160	158	162	159	161	162	161
Member Bank Loans*	293	295	295	302	299	304	307	309	311	313	316	335	331	338
Farm Cash Receipts	111	141	109	105	97	127	136	104	111	98	101	100	89	n.a.
Bank Debits*	231	220	244	236r	227	252	229	216	238r	207r	224	244	233r	233
MISSISSIPPI														
Nonfarm Employment	132	134	133	134	133	135	135	136	135	138	137	136	137	137
Manufacturing Employment	131	133	132	133	133	134	134	134	135	135	134	133	134	134
Manufacturing Payrolls	248	245	246	250	250	251	239	242	244	253	247	254	249r	244
Furniture Store Sales*	114	120	132	115	129	95	83	117	133	106	99	94	100	113
Member Bank Deposits*	195	191	195	197	194	195	202	204	208	200	201	206	199	198
Member Bank Loans*	383	391	398	403	400	411	392	392	403	414	424	418	422	433
Farm Cash Receipts	110	106	111	112	106	140	127	136	130	111	115	111	n.a.	n.a.
Bank Debits*	230	214	246	240	230r	242r	234r	237r	252r	226r	244r	246r	236r	222
TENNESSEE														
Nonfarm Employment	123	122	123	122	122	122	122	122	121	122	122	121	124	123
Manufacturing Employment	119	119	120	121	119	120	119	120	119	120	120	120	121	122
Manufacturing Payrolls	208	206	206	211	214	211	206	206	209	213	214	203	220	220
Furniture Store Sales*	114	117r	116	105	122	109	108	102	109	104	95	98	103	111
Member Bank Deposits*	162	166	164	165	165	166	167	167	164	166	161	161	163	165
Member Bank Loans*	272	276	283	287	287	288	293	291	296	296	301	303	304	310
Farm Cash Receipts	106	97	103	81	108	135	117	122	109	95	92	87	100	n a.
Bank Debits*	233	230	241	244r	226r	233r	228r	237r	232r	235r	252r	242r	236r	247

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

**Daily average basis.

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

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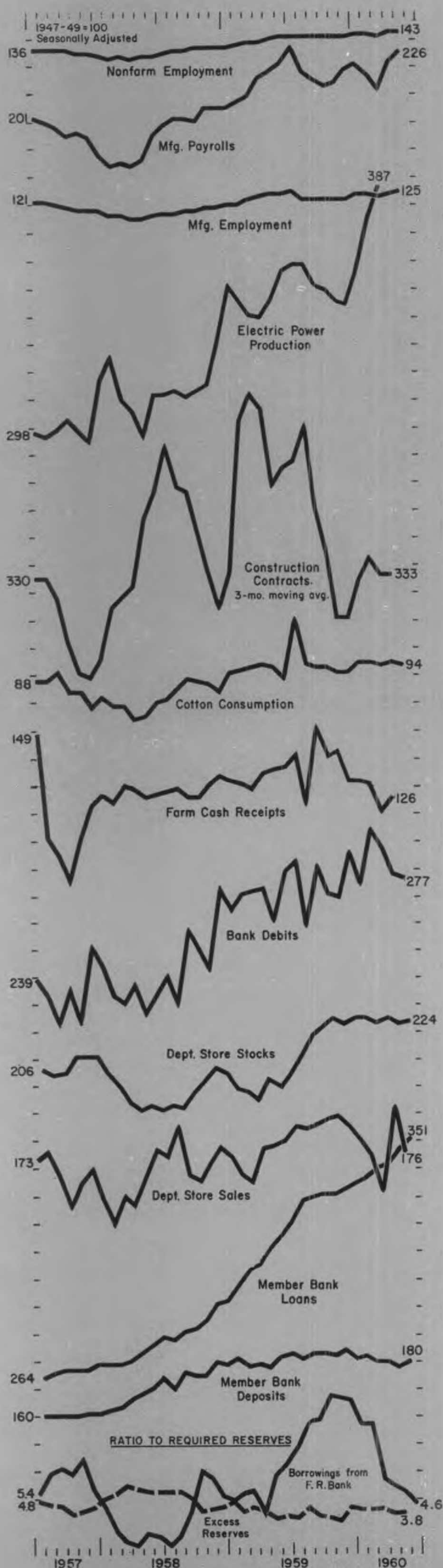
SIXTH DISTRICT BUSINESS HIGHLIGHTS



MOST ECONOMIC INDICATORS *in May were at high levels. Nonfarm employment was at a record. Manufacturing payrolls increased, along with jobs and the work week. Loans at banks advanced further, and deposits increased slightly. Some measures of retail sales, however, declined from April's highs. Farm prices fell slightly, and crops developed slowly for lack of rain.*

Nonfarm employment, seasonally adjusted, rose slightly in May, but not enough to change the index, which remained at a record level. **Manufacturing employment** increased, while nonfarm employment other than manufacturing held steady as the termination of Census employment offset increases in many other types of jobs. Florida experienced the largest percent increase in both manufacturing and nonmanufacturing jobs. District manufacturing employment gains were concentrated in apparel and fabricated metals. Reflecting increased employment, as well as a longer work week, **manufacturing payrolls** increased further in May to a near-record level. The rate of **insured unemployment** dropped more than seasonally.

Some types of production activity, however, declined, after seasonal adjustment. Cotton textile activity, measured by **cotton consumption,** eased slightly, as did **crude oil production** in Coastal Louisiana and Mississippi. **Steel mill operations,** concentrated mainly in Alabama, also declined further in May and early June. **Construction activity** increased, as indicated by employment.

Member bank loans moved strongly upward in May, but **loans** during the four weeks ended June 22 increased less than usually at banks in major District cities. All states shared in the loan gain during May, with Louisiana and Tennessee showing the greatest increases. Following a moderately declining trend this year, **member bank deposits,** seasonally adjusted, increased somewhat in May, but more banks showed deposit losses from a year ago than in April. Liquidation of **investments** in May continued as an important source of funds for private lending. **Borrowings from the Federal Reserve Bank of Atlanta** dropped slightly in the first three weeks of June from the average level in May.

Department store sales, seasonally adjusted, rebounded to a record level in June, on the basis of preliminary estimates. This followed a sharp drop in May, when sales declined in every state and major metropolitan area. **Department store stocks,** seasonally adjusted, rose slightly in May, thus increasing the **stock-to-sales ratio. Furniture store sales** also dropped in May, after seasonal adjustment, as declines in Florida and Georgia more than offset increases in Alabama, Louisiana, Mississippi, and Tennessee. Registrations of **new automobiles** this year through April were significantly above last year in every District state.

Consumer instalment credit outstanding at commercial banks, seasonally adjusted, receded in May, as declines occurred for all types of paper. **Consumer saving** increased strongly in May in the form of time deposits at commercial banks, savings and loan shares, and ordinary life insurance sales.

Crops grew slowly as dry weather persisted in many sections, especially in Louisiana and Mississippi. Rains in Georgia and Tennessee, however, improved crops in those states. **Farm employment,** seasonally adjusted, declined from April to May in all states except Alabama. Employment was well below year earlier levels except in Louisiana. **Prices received by farmers** declined slightly in May in all states, except Florida and Tennessee, as declines in livestock and products more than offset gains for crops. **Demand deposits,** seasonally adjusted, at member banks in predominantly agricultural areas declined slightly in May and were below a year ago.

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