



Atlanta, Georgia

July • 1961

*Also in this issue:*

**BANKS FOLLOW  
THE CONSUMER**

**CONSUMER FINANCE  
COMPANIES:  
SPECIALISTS IN  
CASH LENDING**

**DISTRICT CONSUMER  
CREDIT DOWN  
SLIGHTLY**

**BEHAVIOR OF CONSUMER  
FOOD PRICES**

**DISTRICT BUSINESS  
CONDITIONS**

**SIXTH DISTRICT  
STATISTICS**

**SIXTH DISTRICT  
INDEXES**

*Federal  
Reserve  
Bank of  
Atlanta*

# Monthly Review

## *Changes in Population Change Retailing*

Marketing experts tell us it is axiomatic that retail business shifts with population movements. Even in the absence of such expert counsel, many of you might well be led to the same conclusion from personal experience, for you may be among the many people in this country who are continually changing location. If you ever lived on a farm or in a small town, you found most of your day-to-day needs met on nearby Main Street. Upon moving to a large city or its suburbs, you found that most of your family's purchases were made at a convenient shopping center. Not far from where you relocated, there usually seemed to be a place to buy what you needed.

You might further reason that changes in the composition of population are likely to have a profound effect on retailing. The young married couple setting up housekeeping will spend their income differently from the older couple who just finished paying off the mortgage, have seen the last of three children receive his college degree, and now are feeling free to indulge themselves a bit. Between these two extremes, one can visualize a variety of spending patterns reflecting the varying needs of families with children of different ages. Retired persons are likely to have still another pattern of expenditure.

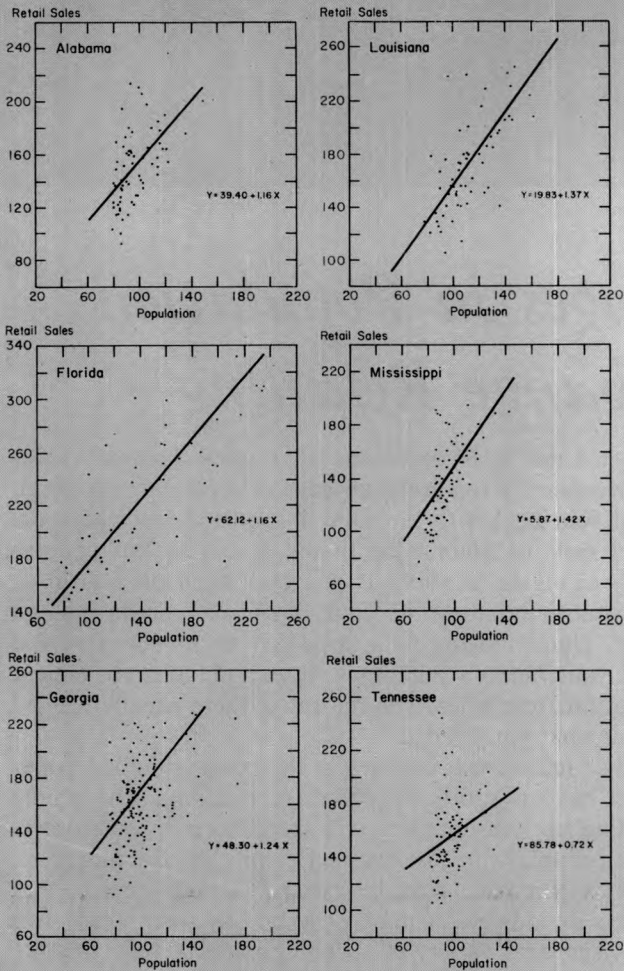
Along this line of reasoning, it would follow that changes in population affect retailing. Figures from the 1960 Census of Population now enable us to see some of these changes that occurred in Sixth District states in the last decade. These states are Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. Figures on retail sales from the Census of Business permit us to compare changes in population with sales changes between 1948 and 1958, the comparable period for which figures are available.

### ***Sales Vary with Population—Somewhat***

Grouping county figures by state to determine if retail sales have been related to population, we plotted, in the following chart, the change in sales in each county between 1948 and 1958 against the change in population between 1950 and 1960. The changes are actually shown as percentage ratios that the most recent figures bear to the earlier figures. Thus, each dot on the chart represents both a particular county's sales change (read from the vertical scale on the left side) and its population change (read from the horizontal scale). Had there been no relationship between the two, the dots would be distributed throughout each chart in a random fashion. As it so happens, the dots tend to cluster in more or less well defined bands running upward from left to right in most of the states. This gives us a general indication that some relationship did exist: Large sales gains tended to accompany large population gains, while small sales gains accompanied small population gains.

The straight lines shown in the chart were computed to indicate

### Population and Retail Sales Counties in Sixth District States



Note: Population: 1960 as a percent of 1950. Sales: 1958 as a percent of 1948. Plotting of each county's sales change against its population change shows the relationship between the two in District states. On the basis of the average relationships shown by the straight lines derived from the formulas, changes in retail sales (Y) may be estimated by changes in population (X).

the average relationship between changes in sales and population in the counties of each state. Close inspection reveals the formula for each line to be unique, indicating simply that the relationship between sales and population differs from state to state. In Alabama, for example, one county with a one-percent faster growth in population than a second county could have expected on the basis of the relationship to have a 1.16-percent greater growth in sales. In Mississippi, on the other hand, the county with the more rapidly growing population could have expected a 1.42-percent greater growth in sales.

It is highly significant that the relationships differ from state to state, for this indicates that population change does not have the same influence on retail sales everywhere. If it did, we would find a given population change in one state producing the same effect on sales as it did in another state.

Moreover, even within states, population change is not the sole determinant of change in retail sales. If it were, we would always be able to estimate, with the use of our formulas, the exact sales change accompanying a given change in population.

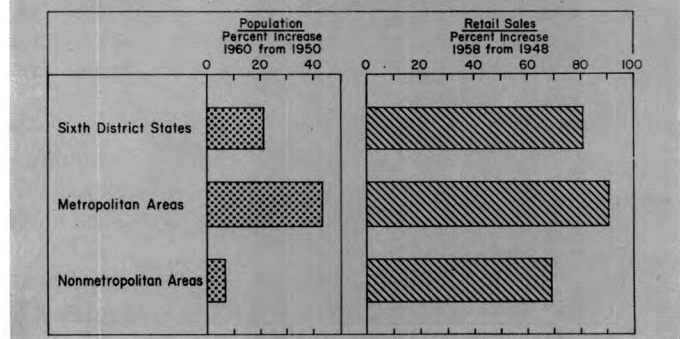
The real world is far from being this simple, as is emphasized by the way in which the dots are scattered in varying degrees above and below each of the straight lines. Thus, the businessman who tries to estimate sales changes from the average relationships shown by the formulas is quite likely to be very wide of the mark if the degree of scatter is very great; his error is likely to be less if the scatter is less. The margin of error indicates the extent to which other factors have been at work to bring about changes in average retail sales per person. Even these factors have different effects from one place to another, for, as the scattering of dots shows, a given increase in population might be accompanied by a very large rise in sales in one county, while in another county it might be accompanied by a very small rise or even a decline. This explains, of course, why we can only say that sales vary "somewhat" with population.

Delving into the many other factors affecting sales would take us too far afield. The relationship between sales and population changes is sufficiently complex a subject for the moment. As a result of economic growth, we have the money to spend; we are only trying now to see how population changes affect spending patterns. From the relationship noted, we have found support for the experts' view that retailing shifts with population. These shifts will produce changes in the geographic pattern of retailing over a period of time.

### Sales Shift Toward Cities

We see additional evidence of a relationship between sales and population changes by comparing developments in metropolitan and nonmetropolitan areas, as is done in the bar chart. The great increase in metropolitan population, which is so much in the national news these days, is also clearly evident in District states. Between 1950 and 1960, the 29 areas containing major cities in District states had an average population increase of nearly 44 percent, whereas the nonmetropolitan areas had an increase of less

### Population and Retail Sales Sixth District States



than 7 percent. In the roughly comparable period from 1948 to 1958, the metropolitan areas also experienced the largest increase in total retail sales, about 92 percent compared to about 69 percent for the nonmetropolitan areas.

The faster growth in the metropolitan areas means, of course, that a change in the geographic pattern of retail sales occurred during the period. Whereas the metropolitan areas accounted for 55 percent of total retail sales in

District states in 1948, they accounted for about 58 percent in 1958. Again, the available figures show changes consistent with the thesis that the business of retailing tends to follow shifts in population.

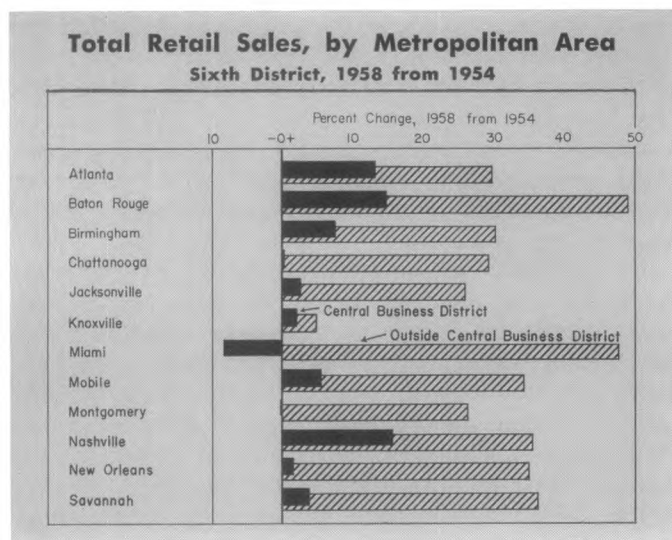
As one looks at these figures more critically, however, it seems rather surprising that the geographic shift of sales was not even greater in view of the much more rapid population growth in metropolitan areas. But once more, we must keep in mind that population changes are only one of many influences on total sales. The amount spent at retail for each person in the population may also change. The comparative changes in population and sales shown here indicate that per capita retail sales actually increased more in the nonmetropolitan areas in the 1950's than they did in the metropolitan areas. Still, nonmetropolitan areas had 53 percent of the population in 1960 and only 42 percent in 1958. It is apparent from these data that the actual level of retail sales per person in nonmetropolitan areas was less than in metropolitan areas.

Until additional Census data become available in coming months, we can only speculate about reasons for the relative increase in per capita retail sales in nonmetropolitan areas. The development, however, is consistent with income changes probably resulting from changes in occupations and population. The 1950's saw a continuation of the previous massive shift from relatively low-income farming occupations to higher paying nonfarm occupations, a development treated in a series of *Monthly Review* articles during 1960. A closely related development, of course, has been the population shift from rural to metropolitan areas. As low-income individuals move from rural areas, the resulting "mix" of income recipients may lift average incomes in nonmetropolitan areas at the same time economic growth is raising incomes. Although those who move to metropolitan areas may be earning more than they did formerly, they may be entering the relatively low-paid occupations, thus changing the "mix" of income recipients in those areas in such a way as to retard the growth in per capita income. Insofar as per capita retail sales are dependent upon income, therefore, this process should reduce differences in per capita income and sales between the metropolitan and nonmetropolitan areas. Thus, a highly mobile and adaptable population undoubtedly results in a more effective utilization of human resources.

### Eastside, Westside—Outside the Downtown

Judging from the influence of population on retail sales, which we have already discussed, we should also expect population shifts within metropolitan areas to affect the pattern of sales. Reference is made here to the much publicized trek to suburbia. Thus, while the population of the central cities of the region's metropolitan areas increased 28 percent between 1950 and 1960, that of the suburbs increased 65 percent.

In view of the more rapid growth of population in the outlying areas, it is not surprising that retail sales there have increased more rapidly than those in the central business districts. In 12 District cities, sales in the central business districts increased only 5 percent from 1954 to



1958, whereas sales in the outlying areas increased about 34 percent. The central business districts continued, of course, to be the largest individual shopping areas, but their relative share of total retail sales declined from 27 percent in 1954 to 22.5 percent in 1958. This trend was characteristic of each one of the 12 metropolitan areas, for, as the chart shows, sales increases in the central business districts were far exceeded by gains in outlying areas. In two instances, sales actually declined in the central business district. Increasingly, sales have been made on the "eastside, westside—outside the downtown."

The shift of population alone would be expected to induce different degrees of sales shifts for the various types of retail outlets, because nearness to the market is much more important in some retailing operations than in others. Some marketing experts classify certain consumer goods, such as food and drug items, as convenience goods, since shoppers usually purchase them with a minimum of effort and generally where they are most accessible. For other types of goods that are purchased only after numerous comparisons of quality, price, and style, convenience is less important; for still others, it may be of little importance. Consistent with this, we find from figures shown in

### Percent Change in District Metropolitan Area Retail Sales, by Type, 1958 from 1954

Type of Business	Central Business Districts	Outside Central Business Districts
Retail trade, total	+ 5.3	+33.8
Lbr., bldg. mat'ls, etc.	-14.9	+16.3
General merchandise stores	+14.0	+81.3
Food stores	- 4.4	+33.9
Automotive dealers	+ 1.4	+24.7
Gasoline service stations	+23.8	+40.6
Apparel, accessory stores	+ 0.1	+ 2.9
Furn., home furn., equip.	+ 3.8	+47.5
Eating and drinking places	- 0.8	+28.7
Drug and proprietary stores	+ 2.9	+63.4
Other retail stores	+ 1.4	+45.9

Note: Based on twelve areas for which data for central business districts are available.

the table that sales at those outlets particularly influenced by convenience, that is, food stores, drug stores, and gasoline service stations, registered much larger increases between 1954 and 1958 in the outlying areas than in central business districts.

It is significant to note that over the same period, gen-

eral merchandise stores in outlying areas registered the sharpest sales increase of any type of retail outlet and gained more in relation to their downtown counterparts than was the case for most other stores. Thus, general merchandise stores in the central business districts, dominated by department stores, accounted for 63 percent of total metropolitan area sales by such stores in 1958, whereas they accounted for 73 percent in 1954.

This decrease was undoubtedly caused by the rapid development of shopping centers and branches of large department stores outside the downtown areas. In 1958, the Directory of Shopping Centers, published by the Economic Research Bureau, Inc., of Chicago, listed over 220 shopping centers in operation or under development in District states. Two years later, another edition of the same directory listed nearly 500. Florida alone had over 200 in 1960, nearly as many as were listed for the entire area in 1958. "Surely," the marketing expert would probably say, "this is a splendid example of how shifts in retailing follow population movements."

### **Another Type of Population Change**

So far, we have found that changes in total population have been one factor explaining sales changes among counties in District states, between metropolitan and non-metropolitan areas, and between central business districts and outlying areas of major cities. Changes in total popu-

lation, it has also been emphasized, explain only a part of the change in total retail sales; many other factors are usually involved.

Another type of population change has been the shift in the age distribution of the total population. That this factor has been present is shown by the changes occurring between 1950 and 1960 in the age distribution of population in District states. During this decade individuals whose ages were 5 to 19 years and 45 years and over increased in relative importance, while those of other ages decreased. Market studies tell us, for example, that families headed by older people spend proportionately more than younger families on food, clothing, and medical and personal care, but proportionately less on home operations, recreation, and automotive supplies.

The alert retailer is very much aware of the importance of directing his sales efforts toward particular age groups. He knows, of course, that today's age composition will not be tomorrow's, hence his market will be constantly changing. This merely compounds the changes he faces as a result of the shifts in total population. As one highly placed retailer stated before an important marketing convocation a few years ago, "In a dynamic economy, the average retailer sometimes makes adjustments to market conditions without knowing why he makes them; and, many times, failing to make an adjustment at all, he is out of business." PHILIP M. WEBSTER

## *Banks Follow the Consumer*

In the first article in this issue, we pointed out that in areas where large population gains were recorded, total retail spending, particularly for convenience-type goods such as food and drugs, also rose sharply. The relationship between population change and spending for autos and other consumer durable goods in an area is less striking. This is partly because families who plan to make a sizable expenditure may not be as concerned about the distance from their residence to the retail outlet as they are about the price, quality, and style of the article to be purchased.

Bankers may be mildly interested in the impact of demographic changes on consumer spending. They really sit up and take notice, however, when population movements and consumer credit are mentioned in the same breath. This latter relationship will be reviewed in this article, therefore, in an attempt to whet bankers' interest. In addition, we shall also document the effort of bankers to follow the movement of population to the suburbs in their search for new deposit and credit business. Finally, we shall assess the extent to which banks in various geographic areas are financing consumers.

### **Financial and Demographic Factors Stimulate Consumer Borrowing from Banks**

At the end of last year, individual instalment debt outstanding at Sixth District member banks amounted to \$1 billion, \$900 million more than in late 1946. About 45 percent of this increase represented consumer debt incurred for the purchase of automobiles. Instalment cash

loans and debt incurred for the purchase of other goods and services also rose, as may be seen in the chart.

Consumer instalment debt at banks increased because financial factors were favorable to an expansion of credit spending for durable goods and because such financing proved profitable. Consumers began the postwar period loaded with liquid assets and relatively free of short-term debts. Since then, continued growth in income has permitted consumers to replenish stocks of automobiles, household appliances, and furniture and to build up their stocks of such "new" commodities as television sets and air conditioners. As a result of this spending, a larger proportion of consumers are now indebted to banks, and because of higher prices and changes in product composition they owe a larger average amount than they did fifteen years ago.

Shifts in population also have tended to stimulate expansion in consumer borrowing from banks and other lenders. In 1958, more than 9 million of the nation's families changed their place of residence. This gypsy-like transiency undoubtedly contributed to credit spending, since past data indicate that change of residence is a significant determinant of the amount spent for consumer durable goods. A move from city to suburb may make it necessary or convenient for a family to purchase a second car. Home repair and maintenance expenditures are frequently associated with moving to a different apartment or existing house. And in new surroundings, old home furnishings often seem inadequate or in short supply.

The marked increase in the number of families in this part of the South, combined with the greater frequency with which they incur debt of large amounts, obviously must result in bills amounting to millions of dollars. At a later point, we will break down the amount of consumer debt owed to banks in different locations. Before we do this, however, it may be useful to trace population movements and deposit growth, since the ability of banks to extend consumer credit is related both to the size of their immediate market and the resources available to them.

### Population and Bank Deposits Expand Sharply in the Suburbs

During the past decade, population within metropolitan areas but outside the central cities of District states increased 65 percent, according to U. S. Bureau of Census data, compared with gains of 28 percent inside the central cities and 6 percent outside the metropolitan areas. These variations in population growth are due to the movement of people from farm to city and from city to suburb. Expansion in industry, trade, and finance in and around major cities in this part of the South created job opportunities. These opportunities, in turn, attracted unskilled and semi-skilled workers from low-income rural areas as well as skilled technicians and others from outside District states.

As the central cities grew and became more congested, many families whose financial status permitted moved to the suburbs. Following close behind the moving van were the bankers, eager to establish facilities and begin business.

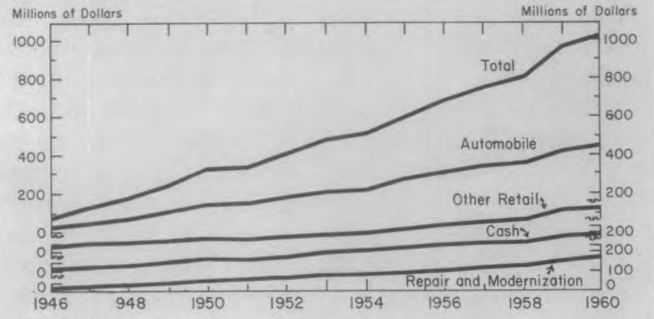
Split-level homes are now frequently located on sites that a few years ago may have been cow pastures. Not far away are modern banks, also recently established. Many of these are equipped with drive-in windows to better service consumers on wheels, and all contain bankers who are ready and willing to accept deposits and extend credit. It's no wonder that banks within metropolitan areas but outside central cities have increased their deposits almost 200 percent in the past ten years. This figure would probably be even larger if the data for all the branches of central city banks were available for classification according to location.

Despite the relatively small rise in population outside metropolitan areas, deposit growth there expanded at a surprisingly high rate. This may in part reflect a faster rate of expansion in the per capita income of residents of non-metropolitan areas than of those of metropolitan centers. It may also reflect a more intensive use of credit by consumers and businessmen in nonmetropolitan areas and by the remaining farmers, who are on the average larger operators.

### Consumer Lending and Bank Resources Heavily Concentrated in the Cities

One might have expected the expenditures for automobiles, furniture, lawnmowers, and durable goods of many types made by the rapidly growing number of suburbanites to result in a sharp growth in consumer debt at banks outside the central cities but within metropolitan areas. While credit demands may have risen rapidly, the proportion of individual instalment debt held by banks in this group at the end of 1960 accounted for only 7 percent of the indi-

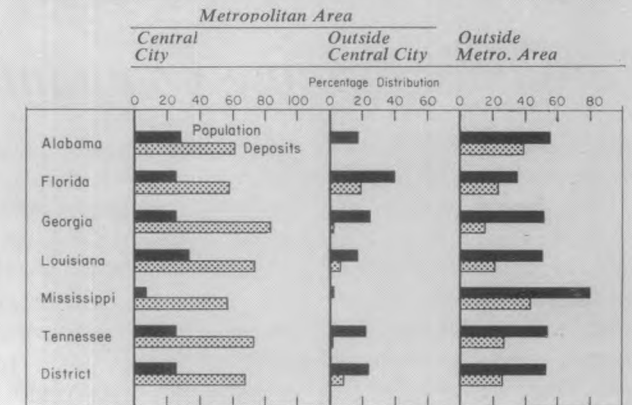
Growth and shifts in population, along with expansion in incomes, have contributed significantly to the rise in outstanding instalment loans to individuals held by District member banks.



The expansion in population in District states from 1950 to 1960 has been accompanied by a sharp growth in total deposits at member banks, particularly those in areas outside the central city.

	Percent Change in Population			Percent Change in Deposits		
	Metro. Area			Metro. Area		
	Central City	Outside Central City	Outside Metro. Area	Central City	Outside Central City	Outside Metro. Area
Alabama	+28	+12	-3	+53	+82	+66
Florida	+47	+143	+56	+97	+178	+181
Georgia	+35	+37	-1	+61	+198	+46
Louisiana	+17	+76	+12	+41	+380	+66
Mississippi	+47	-3	-2	+131	0	+70
Tennessee	+10	+37	-1	+59	+175	+70
District	+28	+65	+6	+66	+193	+87

Despite the sharp growth in population and deposits in the suburbs, the deposits of member banks located in the central cities of District states were much larger relative to population than they were in other areas at the end of 1960.



At the end of 1960, the ratio of individual instalment debt to total deposits of member banks varied only slightly by location of bank.

Type of Loan	Metropolitan Area		
	Central City	Outside Central City	Outside Metro. Area
Commercial and Industrial	19.6	15.4	14.6
Individual Instalment	9.0	9.2	10.1
Individual Single Payment	5.2	3.3	4.4
Real Estate	5.2	10.0	10.6
Financial Institutions	4.3	1.7	0.9
Purchase or Carrying Securities	1.9	1.2	0.4
Farmers	0.5	0.4	2.2
All Other	1.9	0.4	0.9
Total Loans	47.6	41.6	44.1

vidual debt at all District member banks. Banks in the central cities, on the other hand, accounted for about two-thirds of individual instalment debt, and those outside metropolitan areas held the remainder.

There are several reasons why suburban banks hold such a small share of consumer debt. Expenditures for durable goods are frequently financed by instalment credit. Suburban consumers, however, who purchase close to home may still wind up in debt to a bank in the central city, since the merchant may have financing arrangements with a "big city" bank. Distance, in any event, may be less of a consideration to a borrower than the availability of credit on terms that suit his budget. Many potential borrowers, moreover, may be employed in the central city, thus making it more convenient for them to obtain credit there.

The main reason why banks in suburban areas hold such a small share of consumer debt is because their resources are limited. Although the total deposits of banks in metropolitan areas outside central cities increased at a greater rate than those of banks in other locations, there should be no mistake about where financial resources are concentrated. They are in the city. At the end of 1960, the central city areas in this part of the South accounted for about two-thirds of all bank deposits, but contained only one-fourth of the total population. In areas outside the central city and outside metropolitan districts, population was much larger relative to deposits, as the chart shows.

The imbalance between bank deposits and population within area groupings does not, of course, impede the flow of bank lending. The major financial functions of

banks in central cities are to service customers in the hinterlands of the metropolitan areas and to shift funds to other parts of the country, if there is a demand for them and funds are available.

### **Member Banks in All Areas Lend Heavily to Consumers**

Banks in the central cities of District states not only hold the bulk of deposits, but they have indicated a willingness to allocate a large share of their loans to consumers. At the end of 1960, the ratio of individual instalment debt to total deposits at member banks in central cities was only slightly lower than the proportion at banks in other geographic areas, as the table shows. The proportions of most categories of nonconsumer debt to deposits, however, were higher at banks in central cities than at banks in the other two groups. Despite strong demands for funds from many sources, banks in central cities continued to supply consumers with large amounts of credit. As a result, the ratio of their total loans to total deposits exceeded the ratios at banks outside central cities and outside metropolitan areas.

During the postwar period, the credit demands of consumers absorbed an increasingly large share of bank resources. This is particularly true if residential mortgage financing and loans to other financial institutions and retail outlets who supply consumers are included with short- and intermediate-term consumer debt. Judging from their past records, banks will continue in the future to respond to the changing credit needs of a growing and shifting population.

ALFRED P. JOHNSON

## *Consumer Finance Companies: Specialists in Cash Lending*

Today's consumer is better supplied with houses, automobiles, and most major types of durable goods than he has been for many years. This change in the consumer's position has encouraged him to seek products of better quality or at lower prices and has made his pattern of expenditures somewhat uncertain. In this environment of plenty, however, there is one commodity for which the consumer's need is almost insatiable. Namely, money to spend. That such a situation prevails is most satisfying to consumer finance companies, because their main stock in trade is cash.

### **Origins of Consumer Finance Companies**

Consumer finance companies, or small loan companies as they are sometimes called, grew out of developments in the post-Civil War period. At that time, the country emerged from its primarily agricultural state and began to transform itself into the urban-industrialized nation that now exists. During the 1880's and 1890's, the number of industrial workers increased enormously, as did their dependence on the weekly pay check. With wages low and employment irregular, families frequently found themselves in need of cash, but with no place to turn. Gone was the relative security of the small town or village,

with its partially self-sufficient homes and neighborly custom of mutual aid in emergencies. In its place was an impersonal city, where families frequently did not know their neighbors. Families, moreover, could not borrow from legitimate lenders because none were in business to make small cash loans to consumers.

Because the need to borrow was great, families who temporarily sought funds were driven into the hands of "loan sharks." The exorbitant loan charges by such lenders and their exploitation of borrowers aroused the public, and in the early part of this century resulted in small loan legislation. The purpose of this legislation originally was, and is today, to enable borrowers to obtain the credit they need and to protect them against excessive charges and illegal collection practices.

### **Small Loan Laws of District States**

All District states presently have a small loan law or its equivalent in the books. In accordance with this law, companies that extend small loans must be licensed by the state. The granting of a license presumably depends upon how well the public interest will be served. What are the fitness, character, and experience of the applicant? Will an additional lender be a convenience or advantage to the

community? These are the main questions that state authorities must answer before rendering a decision.

Another important provision of a small loan law is the specification of the maximum interest rate that may be charged. Among District states, maximum rates vary from 1-1/2 to 3-1/2 percent per month on the outstanding loan balance (18 to 42 percent per annum) on loans of \$300 or less. The maximum rates permitted on larger loans are usually substantially lower.

The maximum rate results in an effective interest rate on small loans, which is much higher than that permitted by the usury laws of most states. In setting rates at such levels, the probable intent of most states is to allow licensees to meet the expense and loss hazard that are incident to the making and servicing of small loans and allow them to make a "fair" profit on their lending activities. Any charge made for a small loan that is over the limit specified by law and that results in an excessive reward to the lender would appear contrary to the intent and philosophy of the small loan laws.

### The Demand for Cash is Strong

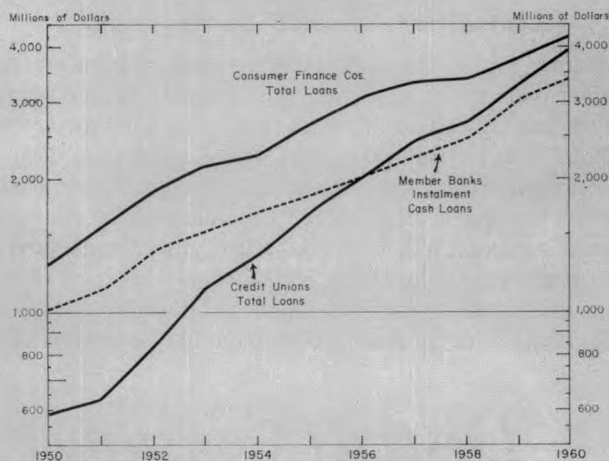
The cost of borrowing has apparently not deterred consumers from seeking cash loans. From 1950 to 1960, outstanding instalment debt owed to consumer finance companies throughout the nation increased from \$1.3 billion to \$4.2 billion. About 60 percent of the debt outstanding late last year represented personal cash loans of which only a part would be classified as "small loans." Consumers in District states have also sharply expanded their indebtedness to consumer finance companies over the past decade. They owed an estimated \$600 million at the end of last year.

The expansion of indebtedness to consumer finance companies during the past ten years is related to population and income growth. The number of households in the South, for example, increased about 23 percent from 1950 to 1960, thus expanding the potential market for consumer credit of all kinds. The general upward movement of families into higher income brackets, shown in the table, increased families' willingness and ability to incur debt. Finally, higher income levels have enhanced the ability of consumers to service the large volume of debt currently owed to consumer finance companies.

Although consumers owe hundreds of millions of dollars to consumer finance companies, many of the loans were for relatively small amounts. In a recent year in Georgia, 40 percent of all loans made were for less than \$75 and two-thirds were for less than \$200. While loans of \$200 or more accounted for only one-third of the number of all loans made, they represented about three-fourths of the dollar amount.

Approximately 40 percent of the money currently owed to consumer finance companies in the District and nation was borrowed for the stated purpose of consolidating existing debts, if past data are a guide. Borrowing for the stated purpose of meeting medical, hospital, and other emergency-type expenditures also accounted for a significant share of total borrowing, as did loans for the purchase of automobiles, furniture, and other goods and services. Borrowing to finance the purchase of durable

**Outstanding loans of major cash lenders in the nation expanded sharply during the past decade.**



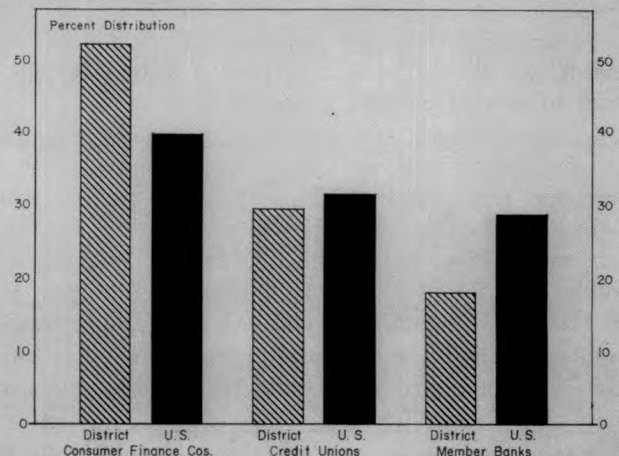
**The growth of cash lending and other types of consumer credit in the nation and in the South was stimulated by the movement of families into higher income brackets.**

Total Money Income	Percentage Distribution of Families			
	United States		South <sup>1</sup>	
	1946	1959	1946	1959
Under \$1,000	8.8	5.2	13.8	9.8
\$ 1,000 - \$ 1,999	17.2	8.3	24.9	12.2
\$ 2,000 - \$ 3,499	36.5	14.6	33.7	18.5
\$ 3,500 - \$ 4,999	20.0	16.5	14.9	16.7
\$ 5,000 - \$ 9,999	15.1	43.2	10.6	34.9
\$10,000 and Over	2.4	12.2	2.1	8.0
Total	100.0	100.0	100.0	100.0

Source: Bureau of Census, Current Population Reports, Consumer Income, 1946 and 1959.

<sup>1</sup> Ala., Ark., Del., D.C., Fla., Ga., Ky., La., Miss., Md., N.C., Okla., S.C., Tenn., Tex., Va., W.Va.

**Partly because of the concentration of southern families in income brackets under \$5,000, consumer finance companies accounted for a larger share of the cash lending market in the District than in the nation in 1958.**







the type of goods usually purchased on credit have declined even more.

Some pickup has occurred in sales since the first of the year as economic recovery has gotten underway. So far, however, the District consumer has not yet shown an inclination to increase his borrowing enough to turn outstanding credit in the upward direction so characteristic of the period from early 1958 through mid-1960. Nationally, there has been some tendency in the past year or so for debt repayments to stabilize in relation to income. To the extent that this proves to be true in the District, therefore, incomes would have to continue improving for a sustained rise in consumer borrowing to occur.

## *Behavior of Consumer Food Prices*

We had 28 million more people to feed in the United States in 1960 than we had in 1950. Taken alone, this population explosion could have had an appreciable impact on consumer food prices. But an added factor, a rise in income, had its effect on prices too. Family earnings in the nation increased two-thirds from 1950 to 1960, thus there was more money to spend for new forms of food and special food services.

One would have expected such an increase in population and income to lift consumer demand and prices for food during the 1950's. Retail food prices, as measured by the consumer price index, did increase 18 percent from 1950 to 1960. This increase, however, was relatively mild compared to rises in prices for other consumer items. In the same period, prices for medical and personal care and for transportation rose 47, 32, and 31 percent, respectively, and the overall consumer price index increased 23 percent.

Although prices for most consumer goods rose quite steadily during the 1950's, retail food prices declined appreciably at times, despite their overall modest increase. These frequent downward movements indicate that demand for food was not the sole influence on food prices. Changes in the supplies of some foods certainly affected prices during the 1950's too.

As shown in the chart, both wholesale and consumer prices for foods fluctuated widely in almost every year, largely because food supplies varied from spring to win-

Over the past three years, repayment periods for credit granted by most District lenders have lengthened about one month. The average repayment period at commercial banks, however, has not changed, remaining at about nineteen months. For the other lenders, where automobile lending is less important or is not a factor at all, average repayment periods are shorter, ranging from about twelve months for department stores to seventeen months for furniture stores and consumer finance companies. Still longer repayment periods might encourage more borrowing by reducing monthly payments, but the trend in the past three years has not been such as to suggest any appreciable stimulus to borrowing from this source.

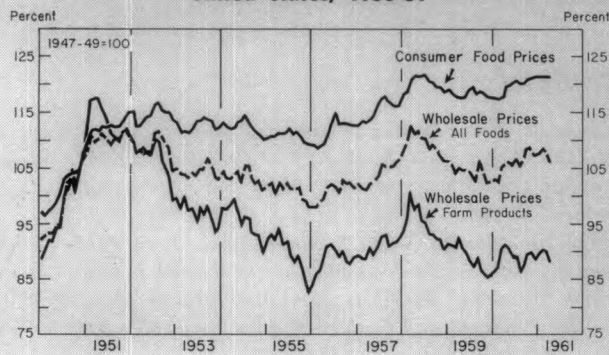
PHILIP M. WEBSTER

ter months. Prices also changed from year to year because weather influenced crop and livestock yields, and production cycles affected meat and egg marketings. Cyclical upswings in cattle and hog production depressed prices significantly in 1953 and 1955, and in 1959 prices declined because of a cyclical increase in hog and poultry output. Food prices began to rise, however, in early 1960, partly because farmers had reduced their swine herds and poultry flocks and were marketing fewer hogs and eggs.

It is true that at times in recent years, farmers' bountiful harvests and marketings pushed retail food prices down. During the 1950's, however, farmers' greatly increased productivity merely offset somewhat the upward pressure on retail prices from the long-run increase in demand by enlarging our food supplies. Farmers boosted total farm productivity an average 6.2 percent a year from 1950 to 1960, a remarkable feat that enabled them to increase national farm output about one-fourth. Meanwhile, wholesale prices for all farm produce—mostly foods and food materials—declined 9 percent, and wholesale prices for livestock and poultry products dropped 17 percent. Lower wholesale prices for livestock and poultry products apparently had a major role in restraining the rise in consumer food prices, because the retail price index for meats, poultry, and fish increased only 4 percent from 1950 to 1960. In contrast, retail price indexes for cereal and bakery products and for fruits and vegetables increased 31 percent.

The decline in wholesale prices, however, was not as sharply reflected in consumer food prices as we might have expected. According to the United States Department of Agriculture, the farm-retail price spread, or the difference between the prices farmers receive and prices housewives pay, increased each year in the 1950's and was a third larger by 1960. This food marketing margin widened mainly because expenditures for labor and transportation—the chief costs in assembling, preparing, packaging, and marketing foods—rose sharply. The labor component of the nation's food marketing bill rose 55 percent from 1950 to 1960, partly because more foods were marketed and partly because the labor cost more. Then too, rising freight rates boosted expenditures for rail and truck transport.

**Prices of Food and Farm Products**  
United States, 1950-61



The margin also grew larger because the nation's people became wealthier, and when people earn more they typically spend more for food services and better quality food, rather than for much additional food. The USDA reports that when consumers' incomes change, their demand for food services is about five times more responsive than their demand for food *per se*. When consumers have more to spend for food, they buy ready-to-cook pies, frozen desserts, canned and boxed vegetables, and other foods that are easily stored. They also eat in restaurants more often.

New or expanded marketing services need not necessarily increase marketing costs for farm products. Food processors can reduce the farm-retail price spread for some farm products by making them less bulky and costly to transport. Processors also may reduce food waste and spoilage and expand their sales volume sufficiently to more than offset added charges for processing and marketing. Such marketing efficiencies, however, may not always be quickly reflected in wholesale and retail prices.

Although efficiencies achieved in the marketing system in the 1950's did not reduce or even stabilize the farm-retail price spread, they minimized its growth. Food processors conserved labor and used more and better machinery and improved techniques to check their rising costs. In so doing, they were able to pay hourly wages in 1960 that were almost two-thirds higher than in 1950, yet their unit labor costs increased only 23 percent.

On balance, however, growing marketing costs more than offset the decline in wholesale prices for farm products from 1950 to 1960 and contributed to the upward trend in retail food prices. Granting this, we must still admit that retail food prices in the 1950's mirrored a fabulous American success story. Because of advancements in efficiencies on the farm and progress in marketing foods more economically, the American consumer has had extraordinarily good buys in foods. The point is well illustrated with poultry meat, a highly processed and carefully handled food. In 1960, consumers could buy ready-to-cook fryers for a third less than they paid in 1950, and the fryers looked better and had a nicer flavor.

Consumers may become more numerous and much wealthier in the next decade, and the demand for foods may expand further. But continual improvements in farm productivity and in efficiencies developed by marketing firms should keep retail food prices from rising inordinately. With luck, retail food prices may even be reduced somewhat during the 1960's.

ARTHUR H. KANTNER

## Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	May 1961	Apr. 1961	May 1960	Percent Change		
				May 1961 from 1960	Apr. 1961 from 1960	5 Months 1961 from 1960
<b>ALABAMA</b>						
Aniston . . . . .	45,103	37,130	39,718	+21	+14	+2
Birmingham . . . . .	970,794	762,176	829,991	+27	+17	+3
Dothan . . . . .	38,963	35,060	35,110	+11	+11	+6
Gadsden . . . . .	38,024	34,590	38,872	+10	-2	-5
Huntsville* . . . . .	74,853	62,648	62,032	+19	+21	+11
Mobile . . . . .	319,374	269,554	301,948	+18	+6	+1
Montgomery . . . . .	201,993	154,691	176,993	+31	+14	+5
Selma* . . . . .	26,799	23,756	24,968	+13	+7	+2
Tuscaloosa* . . . . .	63,637	52,825	55,333	+20	+15	+2
Total Reporting Cities	1,779,540	1,432,430	1,564,965	+24	+14	+3
Other Cities†	821,965	646,594r	785,675r	+27	+5	+1
<b>FLORIDA</b>						
Daytona Beach* . . . . .	56,895	56,315	57,760	+1	-1	-3
Fort Lauderdale* . . . . .	217,090	217,123	208,077	-0	+4	-3
Gainesville* . . . . .	43,481	42,497	40,891	+2	+6	+2
Jacksonville . . . . .	884,036	802,362	834,042	+10	+6	+3
Key West* . . . . .	17,672	18,103	15,571	-2	+13	+8
Lakeland* . . . . .	83,671	77,292	80,642	+8	+4	+3
Miami . . . . .	945,336	896,504	880,297r	+5	+7	+4
Greater Miami* . . . . .	1,413,290	1,343,114	1,310,424	+5	+8	+3
Orlando . . . . .	267,905	238,995	267,740	+12	+0	-3
Pensacola . . . . .	88,961	81,799	89,952	+9	-1	-3
St. Petersburg . . . . .	227,412	204,061	214,622	+11	+6	-6
Tampa . . . . .	442,607	409,812	439,993	+8	+1	-0
W. Palm-Palm Bch.*	151,474	147,949	130,650	+2	+16	+6
Total Reporting Cities	3,894,494	3,639,422	3,690,364r	+7	+6	+1
Other Cities†	1,806,058	1,690,273	1,556,883r	+7	+16	+7
<b>GEORGIA</b>						
Albany . . . . .	56,518	49,985	55,857	+13	+1	+1
Athens* . . . . .	45,584	37,823	41,227	+21	+11	+4
Atlanta . . . . .	2,250,295	1,965,841	2,103,734	+14	+7	+3
Augusta . . . . .	110,229	99,905	108,468	+10	+2	-1
Brunswick . . . . .	27,017	23,276	24,111	+16	+12	+6
Columbus . . . . .	115,139	102,783	108,814	+12	+6	+4
Elberton . . . . .	11,115	8,677	10,203	+28	+9	-2
Gainesville* . . . . .	52,368	46,061	48,697	+14	+8	+4
Griffin* . . . . .	20,386	17,510	19,972	+16	+2	+3
LaGrange* . . . . .	17,202	16,302	21,545	+6	-20	-13
Macon . . . . .	133,841	114,668	127,647	+17	+5	+1
Marietta* . . . . .	31,339	31,540	32,698	-1	-4	-0
Newman . . . . .	18,745	19,072	18,546	-2	+1	-2
Rome* . . . . .	51,001	45,238	53,921	+13	-5	+4
Savannah . . . . .	201,161	178,859	204,998	+12	-2	-5
Valdosta . . . . .	36,339	30,644	31,534	+19	+15	+1
Total Reporting Cities	3,178,279	2,788,184	3,011,972	+14	+6	+2
Other Cities†	1,002,102	911,806	928,853r	+10	+8	+4
<b>LOUISIANA</b>						
Alexandria* . . . . .	68,947	68,354	72,155	+1	-4	-6
Baton Rouge . . . . .	278,097	246,532	287,360	+13	-3	-6
Lafayette* . . . . .	62,684	63,680	58,345	-2	+7	+2
Lake Charles . . . . .	82,295	72,881	82,080r	+13	+0	-8
New Orleans . . . . .	1,440,402	1,244,263	1,406,834	+16	+2	-1
Total Reporting Cities	1,932,425	1,695,710	1,906,774r	+14	+1	-2
Other Cities†	600,496	552,291	537,437r	+9	+12	+2
<b>MISSISSIPPI</b>						
Biloxi-Gulfport* . . . . .	55,114	52,861	49,817	+4	+11	+8
Hattiesburg . . . . .	38,985	36,428	36,190	+7	+8	+0
Jackson . . . . .	323,925	297,448	281,403	+9	+15	+8
Laurel* . . . . .	29,864	24,664	28,393	+21	+5	-5
Meridian . . . . .	48,440	39,459	47,765	+23	+1	+0
Natchez* . . . . .	23,170	22,242	23,135	+4	+0	-3
Vicksburg . . . . .	22,879	19,011	20,740	+20	+10	+6
Total Reporting Cities	542,377	492,113	487,443	+10	+11	+5
Other Cities†	290,884	261,261	282,051r	+11	+3	-2
<b>TENNESSEE</b>						
Bristol* . . . . .	48,008	55,117	46,473	-13	+3	+8
Chattanooga . . . . .	351,016	300,671	316,996	+17	+11	+1
Johnson City* . . . . .	41,281	37,738	41,223	+9	+0	-4
Kingsport* . . . . .	85,233	78,775	82,194	+8	+4	-1
Knoxville . . . . .	262,888	224,511	247,073	+17	+6	+4
Nashville . . . . .	827,395	700,916	763,647	+18	+8	+5
Total Reporting Cities	1,615,821	1,397,728	1,497,606	+16	+8	+3
Other Cities†	607,827	590,806	539,506r	+3	+13	+10
<b>SIXTH DISTRICT</b>						
Reporting Cities . . . . .	18,072,268	16,098,618r	16,789,529r	+12	+8	+2
Other Cities† . . . . .	12,942,936	11,445,587	12,159,124	+13	+6	+2
Total, 32 Cities . . . . .	31,015,204	27,544,205	28,948,653	+13	+11	+5
<b>UNITED STATES</b>						
344 Cities . . . . .	268,932,000	241,082,000r	232,844,000	+12	+15	+7

\*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Estimated. r Revised.

## Bank Announcements

On June 12, the nonmember Bank of Fairhope, Fairhope, Alabama, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are H. G. Bishop, President; John M. Beasley, Vice President and Cashier; W. L. Odom, Assistant Vice President; and Mrs. Mary F. Thomson, Assistant Cashier. Capital totals \$150,000, and surplus and undivided profits \$230,000.

The Morgan City Bank and Trust Company, Morgan City, Louisiana, a nonmember bank, began to remit at par on June 13. Officers include Joseph Finkelstein, President; L. F. Maraist,

Executive Vice President; Jake J. Hebert, Vice President; William W. Haygood, Assistant Vice President; and E. J. Mayon, Cashier. Capital amounts to \$200,000, and surplus and undivided profits \$325,000.

On June 26, the South Seminole Bank, Fern Park, Florida, a newly organized nonmember bank, opened for business and began to remit at par. E. G. Banks is President, and J. P. Toole is Vice President and Cashier. Capital totals \$350,000, and surplus and undivided profits \$167,248.

# Sixth District Indexes

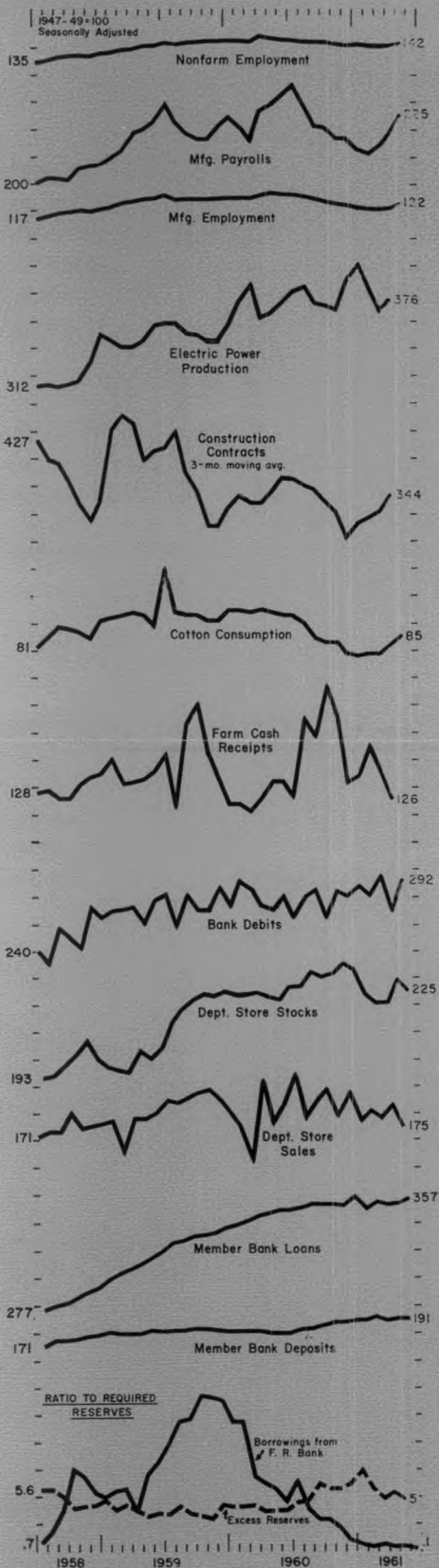
Seasonally Adjusted (1947-49) = 100

1960

1961

SIXTH DISTRICT	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY
Nonfarm Employment	144	144	143	143	143	143	142	142	141	142	141	141	141	142
Manufacturing Employment	126	126	126	126	125	124	123	122	122	121	121	121	121	122
Apparel	197	198	198	199	196	193	188	188	189	187	187	186	190r	191
Chemicals	137	137	138	137	137	132	131	131	133	133	133	134	135	135
Fabricated Metals	191	196	196	196	197	193	190	188	189	191	189	184	185r	185
Food	116	118	117	117	117	120	119	117	116	118	118	118	118	117
Lbr., Wood Prod., Fur. & Fix.	79	80	79	78	78	77	76	76	75	73	73	73	74r	74
Paper	169	170	167	169	166	167	166	165	164	163	164	165	166	167
Primary Metals	98	99	99	97	95	91	92	88	89	86	87	86	87	91
Textiles	88	88	88	89	88	87	86	85	85	84	84	83	84	84
Transportation Equipment	210	210	205	197	199	199	205	185	190	191	190	183	187	188
Nonmanufacturing Employment	152	151	151	150	150	150	150	150	149	150	150	149	149	150
Manufacturing Payrolls	227	230	233	236	228	221	220	217	218	213	212	214	220r	225
Cotton Consumption**	95	94	93	93	90	85	83	83	79	78	79	79	82	85
Electric Power Production**	363	366	375	382	385	373	372	369	390	401	383	368	376	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	224	222	220	220	221	223	232	233	250	239	237	241r	244	224
Construction Contracts*	333	351	371	370	361	353	337	322	286	307	313	323	344	n.a.
Residential	356	384	387	376	367	362	364	305	300	286	326	341	361	n.a.
All Other	315	325	359	365	357	346	316	336	276	324	303	309	330	n.a.
Farm Cash Receipts	126	132	132	127	155	149	167	156	132	134	145	136	126	n.a.
Crops	100	111	98	83	147	134	157	131	94	97	123	104	99	n.a.
Livestock	188	185	192	194	189	188	186	201	199	191	191	205	189	n.a.
Department Store Sales**	192	176	183	194	178	185	189	179	187	177	181	178	183	175
Department Store Stocks**	223	222r	227	227	232	230	231	235	233	224	221	221	229	225
Furniture Store Sales**	149	145	145r	147	142r	135	141	139r	134	133	123	118	137r	128p
Member Bank Deposits*	180	180	180	183	183	185	188	188	189	189	192	189	191	191
Member Bank Loans*	347	349	349	351	354	353	353	352	359	351	355	353	354	357
Bank Debits*	274	271	281	265	280r	285r	265	284r	281	288	281r	295	271r	292
Turnover of Demand Deposits*	148	163	159	162	167	158	152	153	151	162	156	155	146	165
In Leading Cities	167	181	183	179	190	175	159	162	163	176	168	167	164	183
Outside Leading Cities	114	126	119	129	124	120	113	111	119	125	116	122	111	127
<b>ALABAMA</b>														
Nonfarm Employment	126	126	126	126	126	125	125	125	124	125	123	123	123	124
Manufacturing Employment	108	108	108	108	107	105	103	103	102	101	101	101	102	102
Manufacturing Payrolls	194	196	199	200	192	182	187	183	175	175	175	177	183	184
Department Store Sales**	179	163r	171	178	170	166	166	155	165	158	156	166	173	163
Furniture Store Sales	127	128	127	126	119	117	120	110	111	109	105	99	131	99p
Member Bank Deposits	159	159	159	160	162	164	169	165	167	169	170	167	169	163
Member Bank Loans	296	298	293	291	293	292	293	294	299	300	299	303	298	304
Farm Cash Receipts	122	131	123	124	123	150	182	130	121	115	126	133	115	n.a.
Bank Debits	239	239	244	233r	255r	255r	241r	249r	238r	247r	238r	248r	231r	264
<b>FLORIDA</b>														
Nonfarm Employment	203	203	202	202	202	201	201	201	201	200	200	200	200	202
Manufacturing Employment	206	209	209	208	208	207	207	208	208	206	207	209	209	211
Manufacturing Payrolls	370	389	392	407	403	392	399	384	384	368	374	373	392	407
Department Store Sales**	273	260	264	277	263	256	261	268	276	264	264	287	269	263
Furniture Store Sales	181	175	167	167	203	172	156	168	164	156	149	145	156	147
Member Bank Deposits	237	235	236	242	240	241	246	248	250	247	252	247	248	250
Member Bank Loans	553	551	553	557	564	560	561	551	560	550	556	556	550	559
Farm Cash Receipts	217	225	187	204	270	248	212	196	232	266	264	197	227	n.a.
Bank Debits	380	395	431	390	427	418	405	420	413	415	399	418	383	429
<b>GEORGIA</b>														
Nonfarm Employment	138	137	136	136	135	135	134	134	134	134	134	133	134	134
Manufacturing Employment	124	124	123	123	123	121	121	118	119	117	116	116	117	118
Manufacturing Payrolls	218	226	223	228	220	213	211	205	205	199	200	203	205r	214
Department Store Sales**	170	169	164	175	159	168	172	158	164	157	155	166	155	166
Furniture Store Sales	142	133r	135	134	137	134	144	138	135	123	120	124	132	129
Member Bank Deposits	159	160	160	161	164	166	170	169	170	169	173	172	172	175
Member Bank Loans	271	275	275	278	286	288	286	291	289	285	292	292	290	292
Farm Cash Receipts	153	144	150	125	215	160	204	120	148	144	152	171	149	n.a.
Bank Debits	251	252	263	252	259	274	250	259	257	265	255	267	246	267
<b>LOUISIANA</b>														
Nonfarm Employment	132	132	131	131	130	129	129	128	128	129	129	128	128	129
Manufacturing Employment	96	96	95	96	95	94	94	93	93	92	91	92	91	91
Manufacturing Payrolls	188	184	181	182	181	173	170	168	175	177	173	177	180r	179
Department Store Sales**	155	151r	161	159	152	148	151	140	155	151	151	155	149	149
Furniture Store Sales*	176	175	184	203	145	161	159	167	172	164	152	139	156	168p
Member Bank Deposits*	160	159	158	161	159	164	163	164	166	165	167	163	169	166
Member Bank Loans*	329	334	334	335	334	332	329	323	331	319	322	314	331	324
Farm Cash Receipts	89	101	119	102	91	113	115	137	113	93	103	104	98	n.a.
Bank Debits*	227	225	242	216	230	250	212	225	234	210	208	236	215	233
<b>MISSISSIPPI</b>														
Nonfarm Employment	137	136	135	135	134	135	135	135	134	137	136	136	136	137
Manufacturing Employment	136	137	136	135	134	132	132	133	131	130	129	130	132	134
Manufacturing Payrolls	252	247	257	256	250	238	242	239	240	244	237	241	244	243
Department Store Sales**	166	156r	175	175	153	149	158	151	164	149	146	154	157	153
Furniture Store Sales*	100	113	107	112	100	95	84	101	124	93	92	101	88	91p
Member Bank Deposits*	198	199	197	198	194	196	204	199	209	204	205	207	208	210
Member Bank Loans*	427	429	431	433	425	431	431	433	460	442	446	442	449	455
Farm Cash Receipts	101	105	97	104	98	121	141	162	136	86	99	116	90	n.a.
Bank Debits*	238	224	245	243	255	253	242	258	254	238	234	256	236	243
<b>TENNESSEE</b>														
Nonfarm Employment	128	127	127	127	127	126	126	125	124	124	124	124	124	125
Manufacturing Employment	127	127	127	128	127	128	126	124	123	123	123	123	123	124
Manufacturing Payrolls	231	228	229	230	231	224	221	218	217	215	216	216	222r	225
Department Store Sales**	159	146	155	167	151	157	164	156	157	147	154	151	147	141
Furniture Store Sales*	104r	111	107	93	98	96	97r	98	96	83	89	92	103	96
Member Bank Deposits*	164	163	165	170										

# DISTRICT BUSINESS CONDITIONS



**E**conomic activity in the District continued to improve in May. Output rose, and nonfarm employment scored its best gain since the recovery began. Still, consumers remained rather tight-fisted, and their overall spending was little changed from the uninspired level of recent months. With income and financial prospects brightening, however, consumers could soon begin to reduce their rate of saving and step up their cash and credit spending.



**Nonfarm employment rose in May.** Employment gains were recorded in all District states and occurred in both nonmanufacturing and manufacturing. Construction employment rose slightly, and the continued rise in construction contracts holds out hope of a further expansion in job opportunities. In manufacturing, cotton consumption, a measure of activity in the cotton textile industry, rose again. Steel mill production in this part of the South also continued to increase through early June.



**The increase in employment in May was undoubtedly accompanied by a further growth in income.** Farm cash receipts, it is true, have recently declined somewhat, but this drop has probably been more than offset by an expansion in income in the nonfarm area. Manufacturing payrolls, for example, rose sharply in May, reflecting both an increase in the number of workers and a rise in the average work week.



**In May, consumers continued to add to savings in the form of time deposits and savings and loan shares at a greater rate than usual, but gave some sign of their willingness to again incur debt.** Instalment credit outstanding at commercial banks rose slightly for the first time in eight months. This increase reflected a pickup in new borrowing for all purposes, but particularly for automobile purchases.



**Consumer spending has displayed no sustained rise in recent months.** In May, department and furniture store sales declined slightly in the District. If more complete data were available, however, the rate of change in spending in the District in that month would probably not differ much from the one percent increase in total retail sales in the nation. Preliminary figures suggest a rise in District department store sales in June.



**Member bank lending has also lacked a definite trend in recent months.** Bank lending rose in May, but preliminary data from banks in major District cities suggest little or no change in June. Deposits of member banks declined in May and reserve positions remained generally easy.