SIXTH FEDERAL RESERVE DISTRICT

Monthly Review

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Also in this issue:

Federal Reserve Bank of Atlanta

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Southern Banking Adapts to Changes in Population and Income

In District states, a new bank or branch was formed on the average of once a week during the decade of the Fifties. During this same period, total bank deposits in the District increased about $1,675,000 a day. Viewed from day to day, these changes probably did not appear spectacular. The cumulative process of change, however, has produced a banking structure very different from that of ten years ago.

Today, there are many more bank offices than there were in 1950. Banks are also of larger deposit size. Bank offices and resources are now distributed differently among areas within District states. Finally, the composition of bank assets and liabilities is dramatically changed.

The modifications in the structure of banking that have taken place in this part of the South since 1950 have resulted basically from the banking system's adaptation to a changing environment. In this article, therefore, we shall review the degree to which banks in various areas within our region have responded to population, income, and other economic changes. We shall then focus on some of the main adjustments in our banking structure that have evolved as a result of the adaptation process and attempt to assess their significance for banking.

Population Change: The Key to Bank Office Growth

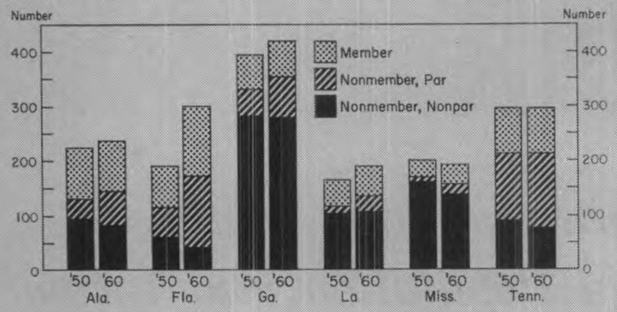
During the Fifties, the number of bank offices—banks and branches—rose 33 percent in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, states lying wholly or partly in the District. This increase was influenced by income and population, which expanded 95 percent and 21 percent, respectively, between 1950 and 1960. Bank office growth, however, appears to be more closely related to population than to income.

Increases in the number of bank offices were greatest in Florida and Louisiana, states that experienced the highest rates of expansion in population. In these states, the number of bank offices increased in excess of 50 percent, compared with increases of between 20 and 31 percent in Alabama, Tennessee, Georgia, and Mississippi, where population growth was less rapid. In this latter state, the number of offices expanded, despite a slight decline in population.

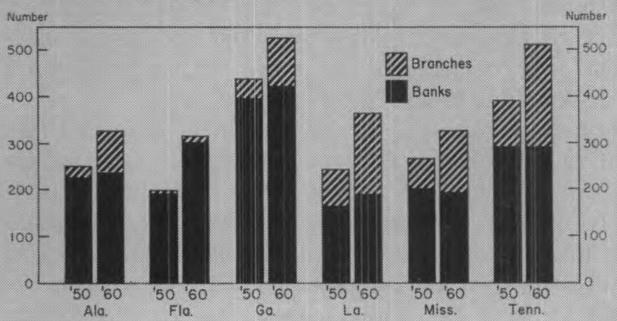
In each District state there were some counties in which the number of bank offices increased, despite population declines. During the Fifties, about 68 banks and branches were formed in such counties, and only 15 banks were liquidated. Why, you might ask, did the number of bank offices increase slightly or remain unchanged in some counties that lost population? The answer is that income and the location of bank offices relative to population are also determinants of office growth in a county. In some instances, moreover, they may exert more influence on the rate and direction of change in bank offices than population.

Counties that gained population, however, still accounted for most

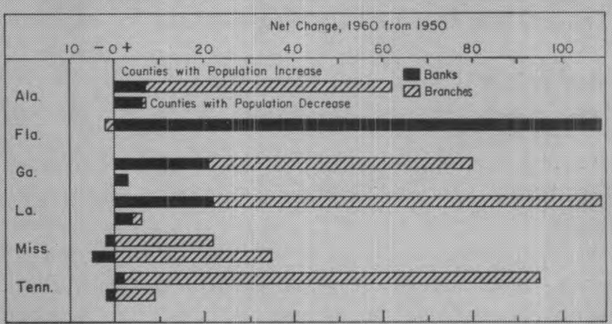
The total number of insured commercial banks rose in all District states except Mississippi and Tennessee. Nonmember banks throughout District states increased at a less rapid rate than member banks, and the number of nonpar banks declined.



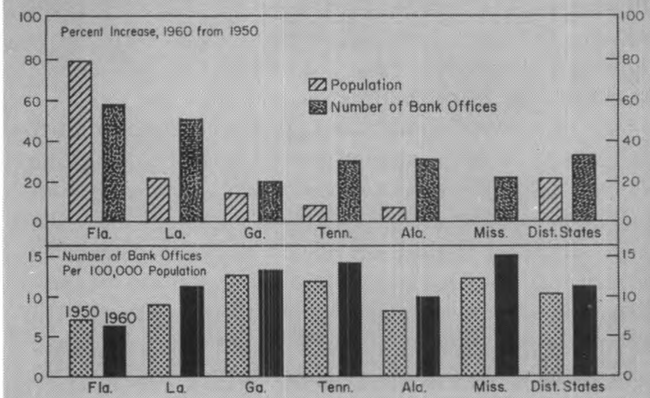
The number of offices (banks and branches) rose in each District state. Except in Florida, branches accounted for most of the increase in bank facilities.



Most of the increase in the number of bank offices occurred in counties in which population increased. Only in Mississippi did the number of bank offices rise substantially in counties where population declined.



In all District states except Florida, the number of bank offices increased more rapidly than population. As a result, the number of new offices serving every 100,000 people rose in those states.



of the increase in the number of bank offices formed between 1950 and 1960. During this period, the establishment of bank offices was concentrated in about half of the District counties where population increased. Such counties, for example, accounted for 187 of the 216 new banks established. Similarly, 309 of the 348 newly established branches, exclusive of offices at military bases, were in counties experiencing population increases. About 9 percent of all new branches represented unit banks that were absorbed by another existing bank and converted into a branch office. Most of these "converted" branches were also located in counties that gained population. In such counties, the liquidation of banks and the discontinuance of branches only slightly offset the formation of new offices.

Bank offices were opened in areas of population growth because bankers recognized that if they were to serve effectively as recipients and sources of funds they must have offices in reasonably close proximity to their customers. During the Fifties, new concentrations of consumers and businesses developed in suburban areas outside metropolitan centers. Some of the banking services required by suburban customers were provided by downtown banks, whose financial capacity increased markedly during the decade. Frequently, however, bank offices were erected in the suburbs. Some of these offices are mainly depositories established by existing downtown banks. Others provide a wide range of banking services. Suburban offices, moreover, frequently have parking facilities and drive-in windows, conveniences that attract customers and are not generally available at city banks.

Because the number of bank offices grew slightly in some areas of population decline and expanded rapidly in places of population increase, bank facilities grew faster than population in all states except Florida. As a result, the average number of bank offices serving every 100,000 people in District states rose from 10.3 to 11.3 between 1950 and 1960.

In 1960, the number of bank offices per 100,000 people ranged from 15.1 in Mississippi to 6.5 in Florida. Variations are due largely to differences in the way population is distributed among District states. Thus, with population more dispersed in Mississippi than in Florida, bank customers in the former state require more bank offices of smaller size.

While growth in the number of bank offices is generally a response to economic and demographic changes, the form additional offices take within a state is largely a reflection of state banking laws. In Florida, where branch banking is prohibited, practically all the offices established during the Fifties were new banks, as shown in the accompanying chart. In the other five District states, where limited area branch banking is permitted—largely within county limits—the increase in demand for banking facilities was met primarily through the establishment of branches.

The more rapid growth in the number of offices relative to population in states permitting some degree of branching is probably the result of economic and competitive factors. It is usually easier and often more profitable for an existing bank to expand its facilities than for a new bank to raise the necessary capital and enter

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the field. Existing banks, moreover, may in some instances open a branch in anticipation of a profitable operation at some future date, when population and financial activity expand further. This latter situation is probably most prevalent in areas where several large branch banking systems are competing for branch locations.

During the Fifties, the number of branches in all District states rose 133 percent, whereas the number of banks increased only 11 percent. There was also a sharp rise in the number of banks operating one or more branches. As a result, unit banks accounted for 58 percent of all bank offices at the end of 1960, compared with 75 percent ten years earlier.

Unraveling the Puzzle

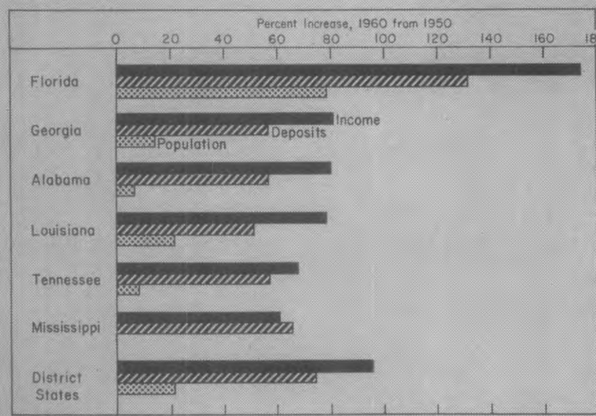
Although population changes have a decided impact on the formation of bank offices, they appear to offer a less satisfactory explanation of growth in total bank deposits than do changes in income. Frequently, of course, population and income in an area move in approximately the same way. At the state level, growth in total deposits at banks was highly correlated with expansion in income and generally associated with population change, as may be seen in the accompanying chart. At the county level, however, population and total deposits frequently moved in opposite directions.

In counties throughout the District where population declined during the Fifties, total deposits rose 62 percent. This change was only moderately lower than the 76-percent increase in deposits at banks in counties where population increased. In Alabama, Louisiana, Mississippi, and Tennessee, total deposits at banks in counties that lost population rose *more* than those at banks in counties where population increased. Although the deposits at banks in areas of population decline rose rather sharply, they still accounted for only about 12 percent of total deposits at all insured banks in 1960.

The puzzle of why growth in total deposits at banks in areas of population decline exceeded expansion in deposits in many areas of population gain is somewhat easier to solve if deposits are broken down by type. When this is done, we find that demand and time deposits have expanded at remarkably different rates. Throughout the District, demand deposits increased 64 percent in counties that gained people, compared with a 25-percent rise in counties that lost population. Time deposits, however, rose 171 percent at banks in the latter category, whereas at banks in the former group they rose 143 percent.

Demand Deposits Demand deposits generally followed population movements. Not only did they grow more rapidly in areas of population growth than in areas of population decline, but they grew fastest in counties having very high rates of population increase. Between 1950 and 1960, for example, demand deposits rose 114 percent in counties where population expanded 50 percent or more. Although the rate of growth in demand deposits declined progressively in counties with lower rates of population increase, deposits rose 25 percent in counties that lost population.

In the District, expansion in total deposits of all insured commercial banks corresponded closely with growth in personal income and was generally associated with population change.



During the Fifties, total deposits rose more in areas of population growth than in areas of decline. Deposits rose sharply in many areas losing population, however, mainly because of a marked growth in time deposits.

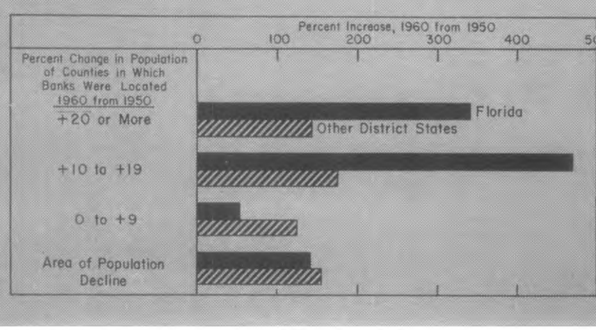
	Percent Increase in Deposits at Banks in Counties that Gained Population			*Percent Increase in Deposits at Banks in Counties that Lost Population*		
	Demand	*Time*	*Total*	*Demand*	*Time*	*Total*
Alabama	43	111	56	16	219	60
Florida	114	235	132	38	141	73
Georgia	45	107	57	10	209	52
Louisiana	45	125	51	19	152	57
Mississippi	43	178	66	49	124	68
Tennessee	38	105	55	26	160	68
District	64	143	76	25	171	62

The rise in demand and time deposits in counties where population declined was partly due to expansion in income.

	Percent Change, 1960 from 1950			*Percent Increase 1958 from 1950**
	Demand Deposits	*Time Deposits*	*Population*	*Income*
Alabama				
Walker	+ 18	+ 152	—15	+ 42
Covington	+ 26	+ 285	—12	+ 32
Georgia				
Coffee	+ 9	+ 225	— 8	+ 43
Laurens	+ 16	+ 207	— 2	+ 62
Tennessee				
Campbell	+ 27	+ 89	—19	+ 13
Putnam	+ 50	+ 251	— 2	+ 44

* Except in Georgia, where change was 1956 from 1947.

Growth in total loans at all member banks in the District generally was most rapid in counties where population increased.



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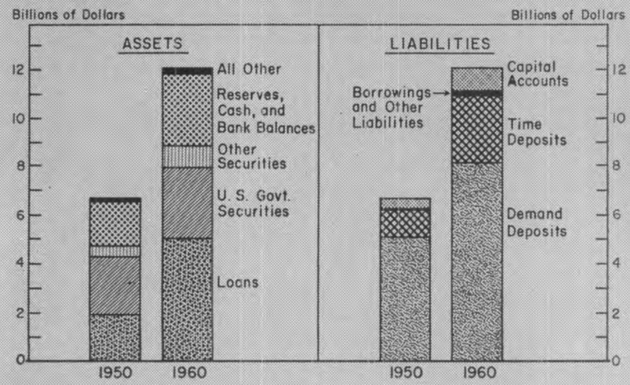
During the Fifties, expansion in the number and resources of District banks was accompanied by a decline in the number of small banks, those with total deposits of $2 million or less.

Deposit Size ($ Mil.)	1950 Member	1950 Nonmember	1950 Total	1960 Member	1960 Nonmember	1960 Total
Less than 1	19	268	287	7	122	129
1 - 2	56	225	281	24	207	231
2 - 5	110	180	290	99	339	438
5 - 10	69	43	112	102	137	239
10 - 25	52	22	74	103	67	170
25 - 50	16	1	17	33	13	46
50 - 100	14	0	14	19	2	21
100 - 250	12	0	12	18	0	18
250 or more	3	0	3	6	0	6
TOTAL	351	739	1090	411	887	1298

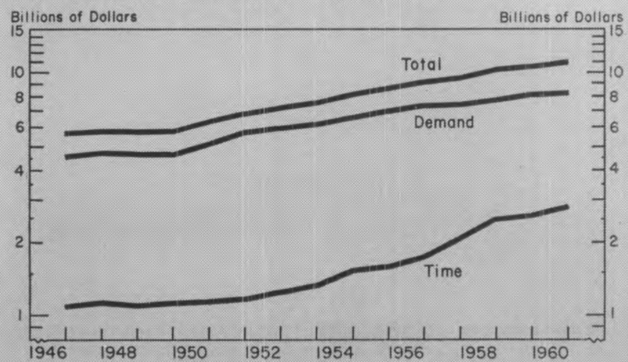
Marked shifts occurred in the assets and liabilities of District member banks. There was a sharp rise in the proportion of total assets accounted for by loans. Time deposits also accounted for a larger proportion of total liabilities.



Total loans and time deposits of member banks accounted for larger proportions of total deposits in 1960 than they did in 1950 in each District state.

	Total Loans as a Percent of Total Deposits 1950	Total Loans as a Percent of Total Deposits 1960	Time Deposits as a Percent of Total Deposits 1950	Time Deposits as a Percent of Total Deposits 1960
Alabama	34	48	20	28
Florida	24	41	16	26
Georgia	43	55	15	21
Louisiana	28	43	16	23
Mississippi	28	47	20	22
Tennessee	36	48	25	31
District	32	46	18	26

District member banks, particularly those in growth areas with "high" loan-deposit ratios, require a steady inflow of deposits to finance economic expansion.



This figure was almost equal to the deposit gain in counties that experienced population increases of 10 percent or less.

Expansion in income apparently explains the increase in demand deposits at banks in many counties that lost population. In Putnam County, Tennessee, for example, income rose 44 percent between 1950 and 1958, while population declined 2 percent during the Fifties. Growth in income in this county, as in others that lost population, stemmed from changes in industry, commerce, and agriculture that resulted in higher per capita output. Thus, even though population declined, income growth generated a 50-percent rise in demand deposits. Generally, however, income expanded less rapidly in areas of population decline than in areas where the number of people increased.

Time Deposits Income changes and to some extent population movements seem to explain changes in demand deposits. This combination of elements, however, does not satisfactorily answer the question of why time deposits expanded at faster rates in most areas of population gain than in those of decline. We have indicated that income during the Fifties rose less in counties that lost population. If this is so, you might wonder what accounted for the rapid growth in time deposits of banks in counties where population declined. Could it be that people in areas of population decline save a larger share of their incomes and have a decided preference for keeping their funds in banks rather than other financial institutions? Or is it because the number of savings and loan associations and credit unions is small relative to banks in these areas?

Counties that lost population during the Fifties are generally synonymous with rural counties. In such counties, credit unions and savings and loan associations are less prevalent than in urban areas of rapid population growth. Since the main business of savings and loan associations is mortgage lending on residential properties, they have tended to locate in areas where population growth and household formations stimulate housing demand. Thus, nonbank financial institutions in these areas have apparently attracted a larger share of the total flow of savings than they have in areas of population decline.

Loans Like total deposits, total loans at District member banks rose in counties that lost population, but at a slower rate than at banks in counties with population gains. Loans at banks in the former category, for example, rose 155 percent between 1950 and 1960, while those at banks in the latter group increased 193 percent. In counties where population rose 50 percent or more, loans expanded 325 percent. In areas where economic growth proceeds at a rapid pace, loanable funds may also flow in from outside the county and thus foster income and deposit expansion.

Some Results of a Decade of Change

In the process of adapting to economic and population change during the past decade, total bank deposits increased much more rapidly than the number of banks. Thus, in 1960 the average deposit size of insured com-

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mercial banks in the District was $8.7 million, compared with $5.5 million in 1950. This increase in average size was accompanied by a decline in the number of small banks. Only 28 percent of the total number of banks in District states had deposits of less than $2 million in 1960, compared with 52 percent ten years earlier.

Most of these small banks were located in counties that lost population during the Fifties. Since these were also the counties where economic expansion and income proceeded at a rather slow pace, it is not surprising that the proportion of loans to assets at these small banks changed little over the period. The increase in the proportion of loans to assets at District member banks rose progressively with deposit size, however, and at banks with deposits of more than $10 million, increased from about one-fourth in 1950 to more than two-fifths in 1960. The rise in the proportion of loans to assets at larger banks primarily reflects their location in urban areas of rapid economic and population growth.

Since these larger banks account for a major share of total lending, loans at all banks increased as a percent of assets, while investments declined. In 1950, total investments of all District member banks accounted for 57 percent of earning assets—loans and investments—compared with 42 percent in 1960. Even though the proportion of investments to assets declined from 1950 to 1960, the share of total earnings accounted for by investments rose from 27.9 percent to 28.6 percent because of the sharp rise in interest rates, particularly on U.S. Government securities. Over this same period, income from loans as a percent of total earnings and total earnings as a percent of total assets also increased.

During the Fifties, the liabilities of small banks changed in a different way from those of larger banks. At small banks, for example, time deposits as a percent of total deposits increased from about 20 percent to 32 percent between 1950 and 1960. The ratio of time to total deposits increased more slowly at larger banks, and at those with deposits of $50 million or more the ratio increased from 19 percent to 24 percent. The more rapid rate of time deposit growth at small banks than at large ones is, as we indicated earlier, probably due mainly to differences in the degree of competition for savings.

Time deposits at all District member banks accounted for 26 percent of total deposits in 1960, compared with 18 percent in 1950. Most of the difference between total deposits and total liabilities of banks consists of their capital accounts, since banks have relatively small amounts of borrowings or other liabilities. For all member banks, the ratio of total capital accounts to total assets rose from 7.3 percent to 8.4 percent.

When we compare the financial statements of banks in 1950 and 1960, then, the two most significant structural changes on the asset and liability sides of the ledger are the rise in the proportion of total loans to total assets and the increase in the proportion of time to total deposits. These changes have, moreover, occurred at banks in all District states, as may be seen in the accompanying table. At this point, many bankers may be wondering how the composition of their assets and liabilities will adjust to the economic environment of the Sixties.

Changes in the Sixties

If expectations concerning Southern economic growth during the Sixties are realized, the framework within which banking must function will be characterized by expanding output, employment, and income. This suggests that banking's main response must be to provide the credit required by a growing economy. Further shifts, therefore, may be forthcoming in the asset and liability structure of Southern banks.

The loan-deposit ratio of District member banks in December 1960 was 46 percent, higher than at any time in recent decades. Since this ratio is about six percentage points lower than that of the nation's banks, it may be reasonable to expect some further rise in the years ahead. This may occur if the South's economy continues to advance rapidly and the economic structure of this region comes to approach more nearly that of the nation. Even if loan-deposit ratios rise further, however, it is likely that loan expansion in the Sixties will be more closely related to deposit growth than during the Fifties.

How may District banks attract the deposits needed to help finance economic growth? They might compete more effectively for deposits but, for the most part, deposit expansion results from conditions outside the sphere of direct influence of commercial banks. Only indirectly can banks affect the rate of economic growth. Yet, if the South's economy moves forward more rapidly than the nation's in the Sixties, deposits will be attracted here from other parts of the country. This occurred between 1950 and 1960, when District member banks' share of total member bank deposits in the nation rose from 4.7 percent to 5.7 percent.

The policy actions of the Federal Reserve in the years ahead will, of course, be an important determinant of the growth in deposits of commercial banks. What actions may be required in the Sixties will, of course, depend on the nature of the events that unfold. Since policy is flexible, however, the Federal Reserve can move quickly and adjust its actions to the needs of the economy. As in the past, the commercial banks can also be counted on to adapt themselves to a constantly changing environment.

ALFRED P. JOHNSON AND ALBERT A. HIRSCH

Detailed tables relating changes in population to changes in number of bank offices and bank deposits, as well as tables showing changes in the banking structure, 1950-60, are available on request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

Bank Announcement

The First Bank and Trust Company of Jacksonville, Jacksonville, Florida, a newly organized nonmember bank, opened for business on November 17 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are E. L. Crossett, Jr., President; J. C. Spink, Jr., Vice President and Cashier; Carl L. Hasty, Assistant Cashier; Rex W. Mixon, Vice President and Trust Officer; and Thomas F. Simmons, Assistant Trust Officer. Capital totals $700,000, and surplus and undivided profits, $700,000.

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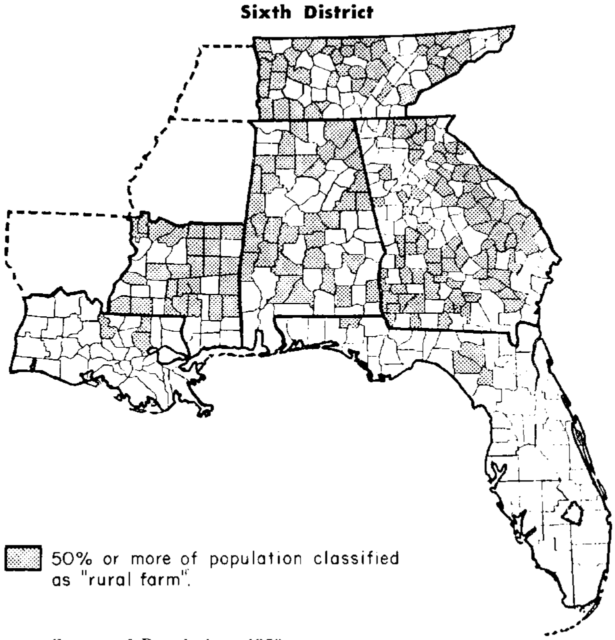
Rural Banks Adjust to Farm Changes

The mass exodus from Southern farms has become a symbol of basic changes that have taken place in our economy. Perhaps greatest among these are changes in farming itself. In recent years, Southern farmers have been revolutionizing their production. The results of their efforts include enormous gains in farm productivity, with fewer workers actually increasing farm output. The nonfarm sector of the South's economy has also undergone changes. Industrial growth has been widespread, creating jobs in such activities as manufacturing and construction for workers who left the farm.

The move away from the farm has indeed been a dramatic thing. Figures supplied by the United States Department of Commerce show that although total population in District states rose 21 percent, 47 percent of farm operators and family farm workers were lost to other jobs between 1950 and 1960.

This shift in farm population has influenced the structure of banks located in rural areas of the District. These areas are defined as counties that in 1950 had 50 percent or more of their population classified in the Census of Population as "rural farm." Of the 448 counties in the District, 185 fall into that group. In these counties are found 384 of the District's 1,300 insured commercial banks.

Farm Counties, 1950
Sixth District



SOURCE: Census of Population, 1950.

Characteristics of Banks in 1950

As one would expect, differences existed among rural banks in 1950. Nevertheless, the majority of these banks had many common characteristics. A typical rural bank in 1950 was small. The average deposit size was about $1.5 million, only 17 percent as great as the average deposit size of nonrural banks. While there were many other structural differences between these two groups of banks, time deposits, which include savings deposits, in rural counties accounted for $45 out of every $100 on deposit in 1954. This amount was little different from the $46 of every $100 deposited at nonrural banks.

The greatest character difference between rural and nonrural banks was in the asset composition. Forty-one percent of the loans of rural banks were to farmers, compared with only 6 percent at nonrural banks. Furthermore, rural banks in 1950 made more total loans in relation to their total deposits than did their urban counterparts, 38 percent compared with 30 percent.

Rural Banks Change During the 1950's

Total deposits at all insured commercial banks in the District rose 92 percent between 1950 and 1960, and rural banks had a share in that growth. The increase in deposits at rural banks was 85 percent, compared with a 93-percent gain at all other banks. By 1960, 37 percent of the District's 384 rural banks were enjoying a net gain in deposits of over 100 percent. In Alabama, Georgia, Louisiana, and Tennessee, growth in rural banks during the decade actually exceeded that in nonrural banks. Forty-four percent of the 916 nonrural banks registered a deposit growth of that magnitude, however, largely because Florida and Mississippi nonfarm banks outpaced rural ones.

Although total deposits increased significantly, demand deposit growth was slower in farming areas than elsewhere. Between 1954 and 1960, demand deposits of individuals, partnerships, and corporations rose only 20 percent at rural banks, compared with 42 percent at nonfarm banks. The sluggishness of demand deposit growth appears to be fairly uniform at all rural banks. In few farm counties did demand deposit growth match the corresponding growth at urban banks. Most of the gain in total deposits at rural banks came from increases in time deposits. By 1960, such deposits accounted for 51 percent of total deposits at banks in rural counties, compared with 47 percent at other banks.

In 1960, rural banks in most District states were making more loans in relation to their deposits than they were in 1950. Only in Georgia was there an exception and in that state the ratio of loans to deposits was maintained. The increase in farm loans at rural banks, however, was less than the increase in other types of loans. At mid-year 1960, 34 percent of all District rural bank loans were classified as agricultural loans, whereas ten years earlier, the figure was 41 percent.

Total gains in loans at rural banks did not match the increases at other banks. Although loans at rural banks doubled over the decade, nonrural bank loans more than tripled. Thus, despite the higher loan-deposit ratio at rural banks in 1950, the ratio was lagging behind that of urban banks by 1960.

Rural banks probably differed most sharply from nonrural banks because of their failure to expand in number.

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Structure of Farm and Nonfarm Banks

Sixth District, 1950 and 1960

	Banks 1950	Banks 1960	Avg. Deposit Size 1950	Avg. Deposit Size 1960	Proportion of Total Deposits 1950	Proportion of Total Deposits 1960	New Branch Banks 1951-60
Alabama	(Number)		($ Mil.)		(Percent)		(Number)
Rural Farm[1]	87	91	1.5	2.8	2	2	2
Nonfarm[2]	135	147	7.6	11.8	14	12	47
Florida							
Rural Farm	6	6	1.5	2.8	*	*	0
Nonfarm	170	288	10.7	16.0	25	32	0
Georgia							
Rural Farm	127	139	1.1	1.9	2	2	0
Nonfarm	196	223	7.2	11.2	19	17	59
Louisiana[3]							
Rural Farm	3	4	3.0	4.9	*	*	0
Nonfarm	90	108	14.1	19.3	17	15	66
Mississippi[3]							
Rural Farm	49	55	2.1	3.3	1	1	2
Nonfarm	40	43	7.7	14.5	4	5	32
Tennessee[3]							
Rural Farm	85	89	1.9	3.2	2	2	6
Nonfarm	102	107	10.2	16.1	14	12	66
District							
Rural Farm	357	384	1.6	2.7	7	7	10
Nonfarm	733	916	9.4	14.5	93	93	270

[1] District counties with 50 percent or more of their population classified as rural farm by 1950 Census of Population.

[2] District counties with less than 50 percent of their population classified as rural farm.

Loans and Deposits, Farm and Nonfarm Banks

Sixth District, 1950-60

	Total Deposits 1950	Total Deposits 1960 from 1950	Total Loans 1950	Total Loans 1960 from 1950	Agricultural Loans 1950	Agricultural Loans 1960 from 1950
Alabama	($ Mil.)	(Percent)	($ Mil.)	(Percent)	($ Mil.)	(Percent)
Rural Farm	131	96	53	107	25	57
Nonfarm	1,027	68	347	153	38	42
Florida						
Rural Farm	9	86	3	138	1	209
Nonfarm	1,819	154	376	428	16	263
Georgia						
Rural Farm	137	98	64	100	28	86
Nonfarm	1,414	77	595	139	30	82
Louisiana						
Rural Farm	9	114	2	379	**	516
Nonfarm	1,273	64	310	197	16	89
Mississippi						
Rural Farm	103	75	25	172	9	151
Nonfarm	307	103	82	261	6	215
Tennessee						
Rural Farm	165	70	62	124	22	82
Nonfarm	1,044	65	349	155	21	75
District						
Rural Farm	554	85	209	121	85	87
Nonfarm	6,884	93	2,059	210	127	98

[3] Sixth District portion only.

* Less than one percent.

** Less than one million.

There was a net increase of only 27 banks in rural counties during the 1950's, compared with a gain of 183 in other counties. Not only were few banks opened, but there were also few branches established. Out of 280 District branches opened between 1951 and 1960, only ten of them were located in farming counties.

The Impact of Farm Changes on Banks

Changes in structure at rural banks during the decade were about as anyone would have expected. Rural banks grew rapidly in size, some of them even more rapidly than their nonfarm counterparts. Nevertheless, as a group they shared a little less than other banks in the District's financial growth. This is illustrated by the slightly lower rate of deposit growth, by the reduced rate of loan expansion, and by the small number of banks opened in farm counties.

It may at first seem a bit surprising, in view of the population shift, that rural banks fared as well as they did. Farm population did decline some 40 to 50 percent, and total population in the 185 rural counties dropped 7 percent, compared with a net gain of 33 percent in the 263 other District counties. In spite of this, rural banks grew substantially, maintaining about 7 percent of the District's total deposits over the decade. Today, they are still making large volumes of farm loans, they still operate profitably, and they are performing other important services for their local communities. The changes in structure at rural banks really show that banking here is adjusting to a changing environment but that it is not a declining business.

The decrease in farm population that succeeded the revolution in District farming has resulted in rapidly rising incomes for those remaining on farms. Between 1950 and 1959, average income for District farm workers rose 55 percent. This increase was slightly greater than the increase for all other workers. Farm financial assets, buoyed by higher incomes, rose about 114 percent for each farm, according to this Bank's balance sheet of agriculture, and that probably accounts for some of the gain in time deposits at rural banks.

Changes in farming also played a significant role in raising farmers' total assets. The average dollar value of assets on District farms in 1960 was almost $32,000, compared with only $11,000 in 1950. Much of these assets were in land, and as land assets rose, more credit was needed to buy capital equipment to replace workers leaving the farm. This boosted the demand for bank loans in farm areas. During the decade, according to a farm loan survey conducted by this Bank in 1956, farmers used considerably more of their bank credit to buy capital items and less to pay current expenses than they did in 1947. In order to pay their current bills, they apparently relied more heavily on their own funds, a development made possible by the accumulation of financial assets.

The decline in farm population would seem to suggest that banking opportunities in rural areas weakened also, but this is not true. Almost all the thousands of workers leaving farms during the decade were low-income farmers with meager assets and ones who never had contributed much to the banking business. Few of them had had money on deposit at banks, and when one borrowed money, it was never a large amount. Thus, losing these people did not curtail growth in banks, as would be expected.

Furthermore, many of those who did leave farming were not lost to the community. They often took jobs near-by and maintained their local residency. This was especially true during the Fifties in counties like Marshall, Alabama; Bleckley, Forsyth, Henry, and Paulding, Geor-

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Index for the Year 1961

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RURAL BANKS

Continued from Page 7

gia; Livingston, Louisiana; and Greene, Issaquena, and Wayne, Mississippi; where farm population declined sharply, but total population increased. Almost invariably when farmers took nonfarm jobs but remained in the area, they improved their incomes. Thus, they became better bank customers and probably added significantly to the demand for nonfarm consumer credit in those areas.

The industrial development that took place in rural areas made it possible for these farmers to remain in their local communities and increase their incomes. In the 20 rural counties that enjoyed the largest gains in bank deposits during the period, employment at manufacturing plants rose some 66 percent, compared with a 27-percent gain for the entire District. In many such areas, manufacturing development was encouraged by changes in farming. Rising farm output, which provided raw products for resource-oriented plants, and an abundance of labor from farms attracted new industries.

Migration, along with all the other changes in the farming South, has certainly not seriously curtailed banking growth at established banks in farming communities. Rural banks are still very much alive. Their opportunities for service in the future, moreover, promise to be even greater than in recent years. Certainly economic change in District farming communities will continue; the rate may even increase. Rural banks with their strong liquidity position and solid growth record can help their communities adjust to the changes that foster economic growth.

N. CARSON BRANAN

Department Store Sales and Inventories*

	Percent Change				
	Sales			Inventories	
	Oct. 1961 from		10 Months	Oct. 31, 1961 from	
Place	Sept. 1961	Oct. 1960	1961 from 1960	Sept. 30 1961	Oct. 31 1960
ALABAMA	—2	—0	—0	+6	+2
Birmingham	—8	+4	—0	+5	+4
Mobile	+7	—4	—0	..	..
Montgomery	+4	—4	—5	..	..
FLORIDA	+24	+7	+6	+6	+8
Daytona Beach . . .	+22	—10	—4	..	..
Jacksonville	+17	+5	+6	+9	+22
Miami Area	+27	+4	+6	..	..
Miami	+34	+5	—4	..	..
Orlando	+31	—2	—2	..	..
St. Ptrsbg-Tampa Area .	+21	+8	—0	+11	—4
GEORGIA	—4	—3	—2	+5	+3
Atlanta**	—8	—0	—1	+4	+6
Augusta	+17	—1	—0	..	..
Columbus	—3	—11	—3	+7	—6
Macon	+6	—12	—4	+8	—4
Rome**	+5	—7	—3	..	..
Savannah	+12	—9	—7	..	..
LOUISIANA	+12	—5	—1	+7	+4
Baton Rouge	+2	+2	+3	+7	+11
New Orleans	+15	—5	—2	+8	+5
MISSISSIPPI	—1	—2	—2	+4	—1
Jackson	—8	+0	—2	+3	—1
Meridian**	..	..	..	..	..
TENNESSEE	+2	—8	—3	+9	—1
Bristol-Kingsport-Johnson City** . .	+10	—6	—0	+11	+0
Bristol (Tenn. & Va.)**	+6	—10	—3	..	..
Chattanooga	+11	+2	+0	..	..
Knoxville	—6	—14	—6	..	..
DISTRICT	+8	—1	+1	+6	+3

*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.

Personal Income in Sixth District States

(Seasonally Adjusted Annual Rates, in Millions of Dollars)

	Sept.[1] *1961*	*Aug.*[2] *1961*	*July*[2] *1961*	*Sept. 1960*
Alabama . . .	4,984	4,967	4,949	4,841
Florida . . .	10,502	10,455	10,472	10,041
Georgia . . .	6,539	6,528	6,526	6,388
Louisiana . . .	5,326	5,363	5,402	5,267
Mississippi . .	2,634	2,709	2,723	2,540
Tennessee . . .	5,704	5,720	5,739	5,507
Total	35,690	35,743	35,811	34,584

[1] Preliminary. [2] Revised.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
				Oct. 1961 from		Year-to-date 10 Months 1961 from
	Oct. 1961	Sept. 1961	Oct. 1960	Sept. 1961	Oct. 1960	1960
ALABAMA						
Anniston	45,088	42,346	42,672	+6	+6	+3
Birmingham . . .	904,451	835,346	850,128	+8	+6	+1
Dothan	43,072	38,538	38,784	+12	+11	+7
Gadsden	38,355	33,507	37,514	+14	+2	—5
Huntsville* . . .	86,181	72,206	75,664	+19	+14	+11
Mobile	301,998	275,672	292,071	+10	+3	+2
Montgomery . . .	188,267	160,851	176,369	+17	+7	+6
Selma*	33,472	28,281	33,176	+18	+1	+1
Tuscaloosa* . .	70,246	59,077	57,848	+19	+21	+7
Total Reporting Cities	1,711,130	1,545,824	1,604,226	+11	+7	+3
Other Cities† . . .	825,865	727,121	740,720r	+14	+11	+2
FLORIDA						
Daytona Beach* .	53,140	50,387	50,797	+5	+5	—4
Fort Lauderdale* .	194,330	173,924	182,907	+12	+6	—1
Gainesville* . . .	45,561	42,594	41,335	+7	+10	+1
Jacksonville . . .	816,710	777,647	764,919	+5	+7	+0
Key West* . . .	17,161	14,720	15,017	+17	+14	+7
Lakeland* . . .	73,943	71,458	71,778	+3	+3	+1
Miami	863,349	781,930	819,400	+10	+5	+2
Greater Miami* .	1,270,258	1,158,523	1,193,389	+10	+6	+3
Orlando	243,062	222,976	226,548	+9	+7	—1
Pensacola . . .	85,348	86,088	85,112	—1	+0	—3
St. Petersburg . .	207,083	204,526	197,937	+1	+5	—2
Tampa	429,615	383,836	398,614	+12	+8	+1
W. Palm-Palm Bch.*	141,226	125,732	118,807	+12	+19	+10
Total Reporting Cities	3,577,437	3,312,411	3,347,160	+8	+7	+1
Other Cities† . . .	1,542,799	1,413,383	1,461,696r	+9	+6	+3
GEORGIA						
Albany	61,446	52,273	52,003	+18	+18	+2
Athens*	46,452	41,109	41,955	+13	+11	+6
Atlanta	2,412,200	2,127,273	2,149,727	+13	+12	+4
Augusta	123,687	106,710	110,523	+16	+12	+2
Brunswick . . .	29,686	26,698	24,305	+11	+22	+10
Columbus	121,155	116,669	107,695	+4	+12	+6
Elberton	9,954	8,270	10,291	+20	—3	—7
Gainesville* . .	47,662	48,192	49,241	—1	—3	+1
Griffin*	21,013	18,602	20,161	+13	+4	+3
LaGrange* . . .	17,152	16,168	19,960	+6	—14	—15
Macon	146,293	121,833	123,284	+20	+19	+2
Marietta* . . .	34,186	32,823	30,820	+4	+11	+3
Newnan	21,243	21,314	19,231	—0	+10	+2
Rome*	53,748	44,587	52,687	+21	+2	+0
Savannah . . .	174,360	172,357	160,430	+1	+9	—4
Valdosta	36,565	33,298	34,541	+10	+6	+2
Total Reporting Cities	3,356,802	2,988,176	3,006,854	+12	+12	+3
Other Cities† . . .	1,083,302	967,194	954,543r	+12	+13	+6
LOUISIANA						
Alexandria* . . .	74,881	68,148	69,126	+10	+8	—3
Baton Rouge . . .	271,091	244,307	253,664	+11	+7	—4
Lafayette* . . .	68,034	64,673	63,225	+5	+8	+3
Lake Charles . .	81,263	77,865	76,952r	+4	+6	—3
New Orleans . .	1,342,330	1,195,111	1,278,927	+12	+5	—1
Total Reporting Cities	1,837,599	1,650,104	1,741,894r	+11	+5	—2
Other Cities† . . .	595,666	527,447	558,769r	+13	+7	+1
MISSISSIPPI						
Biloxi-Gulfport* .	56,282	52,598	49,963	+7	+13	+7
Hattiesburg . . .	38,366	38,097	37,000	+1	+4	+0
Jackson	357,371	312,828	340,216	+14	+5	+5
Laurel*	28,084	27,923	27,015	+1	+4	—0
Meridian	49,655	45,658	46,113	+9	+8	+1
Natchez*	22,991	23,259	25,780	—1	—11	—1
Vicksburg . . .	23,514	21,236	20,994	+11	+12	+7
Total Reporting Cities	576,263	521,599	547,081	+10	+5	+4
Other Cities† . . .	303,045	285,935	271,356r	+6	+12	+0
TENNESSEE						
Bristol*	54,775	51,313	48,560	+7	+13	+8
Chattanooga . . .	354,575	332,093	314,371	+7	+13	+4
Johnson City* . .	41,868	41,736	41,305	+0	+1	—2
Kingsport* . . .	89,743	86,850	83,497	+3	+7	+3
Knoxville	268,208	249,338	241,682	+8	+11	+6
Nashville	812,001	763,819	711,990	+6	+14	+8
Total Reporting Cities	1,621,170	1,525,149	1,441,405	+6	+12	+6
Other Cities† . . .	585,331	554,225	563,565r	+6	+4	+5
SIXTH DISTRICT .	17,616,409	16,018,568	16,239,269r	+10	+8	+2
Reporting Cities .	12,680,401	11,543,263	11,688,620r	+10	+8	+2
Other Cities† . .	4,936,008	4,475,305	4,550,649r	+10	+8	+3
Total, 32 Cities . .	10,898,616	9,904,781	10,044,007r	+10	+9	+1
UNITED STATES						
344 Cities . . .	275,115,000	246,582,000r	233,131,000	+12	+18	+8

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

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Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

	1960				1961									
SIXTH DISTRICT	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.
Nonfarm Employment	143	142	142	141	142	141	141	141	142	142	142	142	143	143
Manufacturing Employment	124	123	122	122	121	121	121	121	122	123	124	124	123	124
Apparel	193	188	188	189	187	187	186	190	191	193	198	196	194	193
Chemicals	132	131	131	133	133	133	134	135	135	136	135	135	131	129
Fabricated Metals	193	190	188	189	191	189	184	185	185	185	183	187	185r	185
Food	120	119	117	116	118	118	118	118	117	118	117	117	118	118
Lbr., Wood Prod., Fur. & Fix.	77	76	76	75	73	73	73	74	74	74	74	74	74	75
Paper	167	166	165	164	163	164	165	166	167	167	168	168	165	164
Primary Metals	91	92	88	89	86	87	86	87	91	92	93	94	92	94
Textiles	87	86	85	85	84	84	83	84	84	85	85	85	85	85
Transportation Equipment	199	205	185	190	191	190	183	187	188	191	193	184	190	204
Nonmanufacturing Employment	150	150	150	149	150	150	149	149	150	150	150	150	151	151
Manufacturing Payrolls	221	220	217	218	213	212	214	220	225	232	236	232	232	236
Cotton Consumption**	85	83	83	79	78	79	79	82	85	88	89	89	88	92
Electric Power Production**	373	372	369	390	401	383	368	376	379	391	391	396	398	n.a.
Petrol. Prod. in Coastal														
Louisiana & Mississippi**	223	232	233	250	239	237	241	244	253	252	243	243r	239r	256
Construction Contracts*	354r	339r	324r	288r	309r	315r	324r	345r	360r	372r	384r	394	402	n.a.
Residential	365r	367r	308r	304r	291r	330r	343r	362r	388r	412r	393r	402	406	n.a.
All Other	346	316	336	276	324	303	309	330	337	340	377	387	400	n.a.
Farm Cash Receipts	149	167	156	132	134	145	136	126	136	141	125	150	131	n.a.
Crops	134	157	131	94	97	123	104	99	113	117	97	139	104	n.a.
Livestock	188	186	201	199	191	191	205	189	192	191	175	187	197	n.a.
Department Store Sales*/**	185	189	179	187	177	181	178	183	175	185	194	179	192	188
Department Store Stocks*	231	235r	235	233	224	221	221	229	225	227	227	239	239	242
Furniture Store Sales*/**	139	138	133	134	127	130	134	135	129	130	135	132	143	139
Member Bank Deposits*	185	188	188	189	189	192	189	191	191	189	193	190	194	199
Member Bank Loans*	353	353	352	359	351	355	353	354	357	355	353	359	361	363
Bank Debits*	284	265	283	282	287	279	293	268	288	287	275	284	281	287
Turnover of Demand Deposits*	158	152	153	151	162	156	155	146	165	154	162	166	152	161
In Leading Cities	175	159	162	163	176	168	167	164	183	175	179	189	164	170
Outside Leading Cities	120	113	111	119	125	116	122	111	127	119	129	122	126	119
ALABAMA														
Nonfarm Employment	125	125	125	124	125	123	123	123	124	125	125	125	125	125
Manufacturing Employment	105	103	103	102	101	101	101	102	102	103	104	105	104	103
Manufacturing Payrolls	182	187	183	175	175	175	177	183	185	191	196	195	197	203
Department Store Sales**	166	167r	155	165	158	156	166	173	163	168	177	171	175	166
Furniture Store Sales	117	118r	111	113	103	106	112	124	101	112	111	117	114	108
Member Bank Deposits	164	169	165	167	169	170	167	169	163	162	163	163	167	170
Member Bank Loans	292	293	294	299	300	299	303	298	304	301	295	302	303	304
Farm Cash Receipts	150	182	130	121	115	126	133	115	126	118	117	113	118	n.a.
Bank Debits	255	242	249	243	247	238	248	231	264	251	239	253	252	262
FLORIDA														
Nonfarm Employment	202	201	201	201	200	200	200	200	202	203	203	204	204	204
Manufacturing Employment	208	207	207	208	206	207	209	209	211	213	215	214	214	215
Manufacturing Payrolls	392	399	384	384	368	374	373	392	406	414	443	432	437	441
Department Store Sales**	257	262r	268	276	264	264	287	269	263	277	290	274	284	280
Furniture Store Sales	171	164	158	158	154	155	161	156	151	155	162	148	167	171
Member Bank Deposits	241	246	248	250	247	252	247	248	250	247	253	250	254	260
Member Bank Loans	560	561	551	560	550	556	556	550	559	555	553	561	567	567
Farm Cash Receipts	248	212	196	232	266	264	197	227	244	257	211	292	246	n.a.
Bank Debits	418	405	420	413	414	396	413	377	421	428	396	426	420	431
GEORGIA														
Nonfarm Employment	135	135	134	134	134	134	133	134	134	134	134	134	135	136
Manufacturing Employment	121	121	118	119	117	116	116	117	118	118	119	119	119	120
Manufacturing Payrolls	213	211	205	205	199	200	203	205	215	217	223	218	215	225
Department Store Sales**	168	172	158	164	157	155	166	155	166	166	175	159	167	165
Furniture Store Sales	136	133	131	130	123	120	124	132	133	133	136	136	139	133
Member Bank Deposits	166	170	169	170	169	173	172	172	175	173	176	171	175	183
Member Bank Loans	288	286	291	289	285	292	292	290	292	291	289	292	289	296
Farm Cash Receipts	160	204	120	148	144	152	171	149	144	147	127	193	151	n.a.
Bank Debits	273	249	257	256	263	254	266	244	266	269	266	269	267	279
LOUISIANA														
Nonfarm Employment	129	129	128	128	129	129	128	128	129	128	127	127	127	127
Manufacturing Employment	94	94	93	93	92	91	92	91	91	90	90	90	89	90
Manufacturing Payrolls	173	170	168	175	177	173	177	180	179	179	178	177	175	178
Department Store Sales*/**	147	151	140	155	151	151	155	149	149	157	157	152	148	144
Furniture Store Sales*	161	170	160	166	163	152	147	158	165	159	164	159	185r	177
Member Bank Deposits*	164	163	164	166	165	167	163	169	166	167	172	169	171	174
Member Bank Loans*	332	329	323	331	319	322	314	331	324	326	327	331	337	335
Farm Cash Receipts	113	115	137	113	93	103	104	98	105	112	104	112	109	n.a.
Bank Debits*	250	212	225	234	210	207	234	213	230	246	218	230	228	224
MISSISSIPPI														
Nonfarm Employment	135	135	135	134	137	136	137	136	137	136	137	137	138	138
Manufacturing Employment	132	132	133	131	130	129	130	132	134	135	136	136	136	137
Manufacturing Payrolls	238	242	239	240	244	237	241	244	243	256	259	260	263r	265
Department Store Sales*/**	149	159r	151	164	149	146	154	157	153	165	169	156	160	155
Furniture Store Sales*	106	108	99	102	95	100	108	95	85	91	112	116	119	105
Member Bank Deposits*	196	204	199	209	204	205	207	208	210	208	207	205	208	213
Member Bank Loans*	431	431	433	460	442	446	442	449	455	451	446	458	460	464
Farm Cash Receipts	121	141	162	136	86	99	116	90	99	99	100	102	92	n.a.
Bank Debits*	253	242	258	254	238	234	256	236	243	256	246	258	256	260
TENNESSEE														
Nonfarm Employment	126	126	125	124	124	124	124	124	125	126	126	126	126	126
Manufacturing Employment	128	126	124	123	123	123	123	123	124	125	125	124	125	125
Manufacturing Payrolls	224	221	218	217	215	216	216	222	224	230	227	234	231r	230
Department Store Sales*/**	158	163r	156	157	147	154	151	147	141	152	157	146	157	150
Furniture Store Sales*	98	99	100	94	85	95	98	100	91	84	90	89	102	97
Member Bank Deposits*	166	171	169	170	170	176	176	175	174	175	179	176	179	181
Member Bank Loans*	311	313	314	328	315	319	310	311	315	312	313	320	323	325
Farm Cash Receipts	106	122	143	86	96	99	99	101	96	101	100	109	93	n.a.
Bank Debits*	238	224	247	236	248	243	255	233	258	255	256	254	248	246

*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 of 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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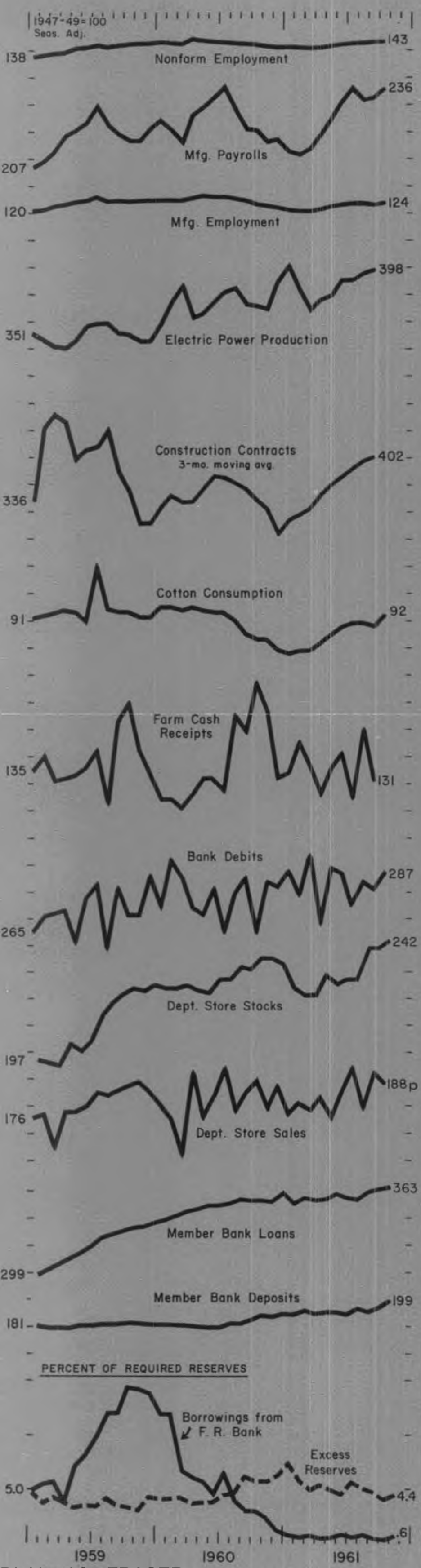
DISTRICT BUSINESS CONDITIONS



Business expansion continued in the District during October, after seasonal adjustment, but gains since midyear have been somewhat more hard-won than earlier in 1961. It is not unusual, of course, for the upward pace of activity to slacken after the initial recovery from recession. With the recently slower pace, a diversity of change among economic indicators has been evident. At the same time, a notable development has been the pick-up in bank lending; during the second quarter of this year, when general economic activity was expanding more rapidly, bank lending had changed little.

Activity in nonfarm sectors of the economy quickened somewhat further in October. Employment edged upward again as a result of small gains in most District states. During the past several months, however, the upward pace has slowed, particularly so for manufacturing employment, which has shown little change since July. The lack of change in manufacturing reflects a diversity of small increases and decreases among some activities and no change among others. The three-month average of contracts for construction soon to be started, based partly on October data, continued its earlier uptrend. Cotton consumption rose substantially in October, following a leveling off in the preceding three months.

Farmers are experiencing a mixture of the good and not-so-good. In October, lower farm marketings and prices reduced seasonally adjusted farm income from the level of a month earlier. Despite this, earnings in the first ten months of this year were moderately above last year's. Currently the picture is being marred by a prolonged drought that seriously damaged pastures and curtailed fall plantings in many areas. Recent rains only partially alleviated the situation.

Personal income, which includes all types of earnings in farm and nonfarm activities, showed little change from July to September, the latest month for which seasonally adjusted figures are available.

Most indicators of consumer spending have continued to improve recently, although some weakening occurred in department store sales during October and November. Department stores had registered near-record volumes in July and again in September. Appliance store sales rose sharply during October, and furniture store sales remained at previously improved levels. The latest figures on sales tax collections and sales at stores with one to ten outlets showed increased spending through September, the latest month for which such figures are available. Little additional boost to spending came through the use of credit during October, for consumer instalment credit outstanding at commercial banks remained virtually unchanged, after allowance for seasonal variation.

Lending by member banks strengthened in November, after seasonal adjustment, thus extending the moderate gains that occurred in August, September, and October. Earlier in the year loans had shown little change. Total deposits, seasonally adjusted, increased further in October, largely as a result of gains in demand rather than time deposits. Substantial deposit gains since midyear have occurred in all District states except Mississippi. The reserve position of member banks, as measured by the difference between excess reserves and borrowings from the Federal Reserve Bank of Atlanta, continued to show little change.

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