Monthly Review

Atlanta, Georgia

August • 1963

Also in this issue:

Federal Reserve Bank of Atlanta

New Dimensions in the Mortgage Market

Mortgage markets, both national and regional, are taking on new dimensions in the current recovery. Mortgage debt continues to expand vigorously, extending the period of growth that began 30 months ago after the business-cycle trough of February 1961. Heretofore, large expansions had occurred mainly in the late stages of recessions and in the early stages of recoveries. Along with this sustained mortgage credit expansion, contract terms, including rates of interest and other charges on loans, have become increasingly generous. Moreover, in an effort to utilize a growing volume of high-cost funds, commercial banks have apparently decided to participate more in both direct mortgage lending and in the field of mortgage banking. Specialized mortgage lenders, such as savings and loan associations and mutual savings banks, have also been under growing pressures to increase their lending volume to offset rising taxes, higher operating costs, and a sharply expanding volume of lendable funds.

Some observers view these developments as evidence of success in stimulating continued economic expansion through extended easy money policies. Others welcome them as a sign that the financial system is now serving housing needs heretofore not fully met even in the most buoyant phases of mortgage credit availability. And, still others raise disquieting questions bearing upon the quality of mortgage credit. However viewed, these financial trends have had substantial impact upon the output of new housing, both nationally and in the Sixth Federal Reserve District. Before surveying District housing trends, let's look at some of the main differences between the current recovery and those of the recent past.

The Past . . .

The cyclical behavior of residential building and mortgage credit expansion followed a rather well-defined path during the 1950's. Reduced to its simplest terms, building and mortgage credit were sharply restricted when other sectors of the economy were at expanded levels and being restrained by tighter monetary policy. When more stimulative monetary management replaced restraint, previously curtailed needs for construction credit were among the first to be met. Thus, residential building rose during recessions and declined when other types of economic activity were booming.

These sharp swings in mortgage-money availability, occurring in response to changing pressures of other sectors upon the supply of credit, seriously impeded planning and continuity of operations in the building industry. Thus, many builders could not strengthen their capital positions or plan for orderly expansion of their organizations. As a result, new crops of builders sprang up like mushrooms in the larger metropolitan areas at the beginning of a general recovery period and wilted with the return of credit restrictions. Meanwhile, "mistakes" of planning, location, and cost-to-value ratios of new housing units could be and often were absorbed by continued strong demand and rising resale prices.

During periods of credit restraint, non-specialized mortgage lenders found growing attraction in financial assets other than mortgages. At the local level, this meant that commercial banks, as a rule, were aggressive mortgage lenders only on a temporary basis. At the national mortgage market level, it meant that reduced inter-regional flows of mortgage credit supplies were confined to the strongest existing channels. These consisted of mortgage banking firms, both specialized and otherwise, that were geared to serve merchant builders primarily through FHA-VA mortgages.

These builders were concentrated mainly in the larger metropolitan centers. Moreover, it was precisely in these centers that the supply of local savings held by specialized financial institutions, such as savings and loan associations, was growing most rapidly. However, few of these local institutions were able to push out into less-concentrated areas of housing demand because of higher lending and servicing costs, tradition, and regulation.

There were exceptions to this general pattern, of course. Some mortgage bankers began opening permanent branch offices in smaller cities as early as the mid-fifties and continued to seek profitable outlets. They also cooperated in the Voluntary Home Mortgage Credit Program. Governmental agencies also expanded direct lending facilities. During the latter part of the decade, the Federal Home Loan Bank System inaugurated the Mortgage Participation Program for its members. Its major objective was to provide additional facilities for adjustments in the supply of and demand for mortgage credit between specific locations.

While these efforts to extend the distribution channels for mortgage credit were of some significance, they were largely countered by other trends. In spite of the innovation of upward flexibility in FHA mortgage contract rates in the late 1950's, many national mortgage lenders began to shun this major mortgage market instrument. Mortgage bankers reacted by increasing their output of conventional mortgages on residential and commercial properties. The search for larger loans and lower costs of servicing led many of them to increase their services by diversifying the types of mortgages originated rather than by expanding their territories. The pattern of metropolitan concentration of mortgage credit supplies was thus maintained.

. . . and the Present

Savers in the present recovery have faced a marked slowing of final demand for funds. Financial institutions, acting as middlemen in the active employment of money, have seen their range of choice of eager borrowers narrowed. Business credit needs for working capital, as well as for more permanent facilities, have grown more slowly than in the 1950's. Consumer borrowings have also put less pressure on the total flow of savings. Although recent expansion of consumer credit has been strong, the return flow of net new savings from consumers out of current incomes has also grown. Like business, consumers have provided a growing flow of funds through amortization payments on durables and housing. The growing preference of individuals for fixed dollar-value forms of savings also has stimulated increased savings flows to financial middlemen. Moreover, borrowing by the government sector for new spending, though increasing, has not offset the slack caused by a swelling volume of funds and less aggressive use of them.

These continuing trends have caused financial middlemen to make more fundamental adjustments than they did during the shorter cycles of the recent past. As it has become more evident that the current period is likely to continue for some time as a "borrower's" rather than a "lender's market," previous lending and investment patterns of financial institutions have begun to change. The mortgage market has felt the impact of this change to a greater extent than perhaps any other major financial sector.

Effects on Housing and Mortgage Developments in the Sixth District

Previous Recoveries Most area economies served by member banks in this Federal Reserve District enjoyed substantial growth during the 1950's. Almost all of them, however, could have used more funds than their local savings pools provided. Their resulting capital-deficit status not only dictated the most efficient use of scarce local funds, but also made the importation of savings desirable.

Many financial intermediaries, including commercial banks, had abundant growth opportunities thrust upon them in their purely local role. Others were active in importing funds for business and industrial uses and for financing essential Government-purchased services. Still others helped to import the supplies of mortgage credit needed for adequate business, commercial, and family housing. A substantial capital import gap remained, however, particularly in residential housing needs. This gap was filled by the specialized mortgage banker through his successful merchandising of FHA-VA mortgages to a widening clientele of investors.

Mortgage bankers, whether operating as specialists or as more diversified financial middlemen, served as the cyclical buffer in the importation process. Expansion of national credit demands did not proceed very far before FHA-VA residential mortgages encountered an interest ceiling barrier. In the District, the pattern of discounts, increased borrowing costs, reduced profit margins, and shrinkage of builders' markets paralleled national trends. The chief effect was rationed credit flows into the District, which severely limited all except the largest, boldest, and most efficient merchant builders in our larger metropolitan centers. As the relatively short credit cycles topped out and discounts were reduced under growing flows of imported mortgage credit, these larger metropolitan centers still benefited most from the blanket lender protection offered by the FHA-VA mortgage. They also could attract funds for expanding the volume of commercial and apartment buildings. Many urban and smaller communities in this District with good growth records and prospects were thus faced with a continuing brake on further housing expansion.

Present Recovery Residential construction contracts in this District had declined more sharply than the national average between 1959 and 1960. The outlook for recovery seemed somewhat bleak. Metropolitan mortgage lenders and major mortgage bankers, replying to a survey conducted by this Bank in the autumn of 1960, expected the usual reversal from scarce, high-priced mortgage money to more abundant supplies. However, one significant difference in opinion was prevalent, namely that lack of housing demand, in spite of more available mortgage money and gradually declining rates, would bar rapid recovery. As it turned out, however, by autumn of 1961 the District's level of construction contracts had recouped the deep decline of late 1960.

A major feature of this recovery was a pronounced swing within the District toward multi-family housing, which increased about 35 percent from 1960 to 1961, compared with a 2-percent rise for one- and two-family housing units. This pattern continued during 1962, as multi-family contracts gained about 44 percent, compared with 10 percent for total residential contracts.

By the end of 1962, however, the volume of multi-family construction had begun to diminish, and a new trend appeared. This latest trend has been toward a sharp renewal of growth in total construction volume, with major gains in one- and two-family units. Some prominent metropolitan areas of the District, however, have been exerting a net drag on total contract volume. For example, housing contract totals through June 1963 in the nine largest metropolitan areas of the Sixth District were down 9 percent over the same period in 1962. In contrast, housing contract volume outside these metropolitan areas was up 35 percent from the previous year. However, a strong surge of multi-unit contracts occurred within the District in June, restoring this type of construction to growth-rate leadership. Total construction contracts for the six months through June of this year were in excess of $1¼ billion or 18 percent higher than for the same period of 1962.

The District picture may be summarized as follows: As a whole, the District states are in the midst of a boom year in residential construction. Many large metropolitan centers appear to have matched or exceeded current demand for new housing, both in individual units and in multi-family structures. Areas formerly leading in housing production have relinquished the leadership to areas that are less populous, less concentrated in large metropolitan centers, and less able to finance their needs from local flows of savings.

Why the Difference? Strengthened housing demand in many small urban communities that are responding to continued economic growth is one important reason. Greater availability of less expensive mortgage funds, both from the national capital markets and from local savings flows, is another. Closely associated with this factor is the increased competition of mortgage lenders and the broadening of mortgage banking channels, which is bringing more and more capital importing communities in contact with outside capital flows.

Opposing these factors, which have tended to stimulate the rate of real estate activity, potentially less favorable factors have had to be dealt with. FHA and VA mortgages, the chief instruments of inter-regional, mortgage credit flows, have carried a triple burden. First, the maximum contract rates were lowered early in the current recovery. Fortunately, adjustment to this change was rapid because rates on alternative investments also came down. Second, the impact of the Executive Order of November 24, 1962, was concentrated upon these instruments of national housing credit flows and required rapid and continuing adjustments. Finally, rising delinquencies and foreclosures have appeared to be most pronounced in FHA-VA financed residential properties. Some of this differential between FHA and conventional delinquency rates is more illusory than real because of the ease with which a delinquency on an open-end conventional may be cured by increasing the loan. Moreover, the FHA insurance program has built up substantial reserves capable of coping with a higher rate of foreclosure on high loan-to-value and longer-term mortgages. And, although a few of the District's major metropolitan areas have experienced difficulties with foreclosures, the District as a whole appears to have held FHA-VA delinquencies and foreclosures well in line with national rates.

Adjustments of savings flows within the District to changing types and locales of housing demand have also presented difficulties. This shifting demand has made it necessary for many local mortgage-lending institutions to extend their lending and servicing territories. Others have had to increase their buying of mortgage participations and whole mortgages to employ their growing flows of savings and repayments. In still other instances, increased competition for available mortgages and higher operating costs have forced many institutions to reduce rates paid for savings and to accept a potentially slower rate of growth.

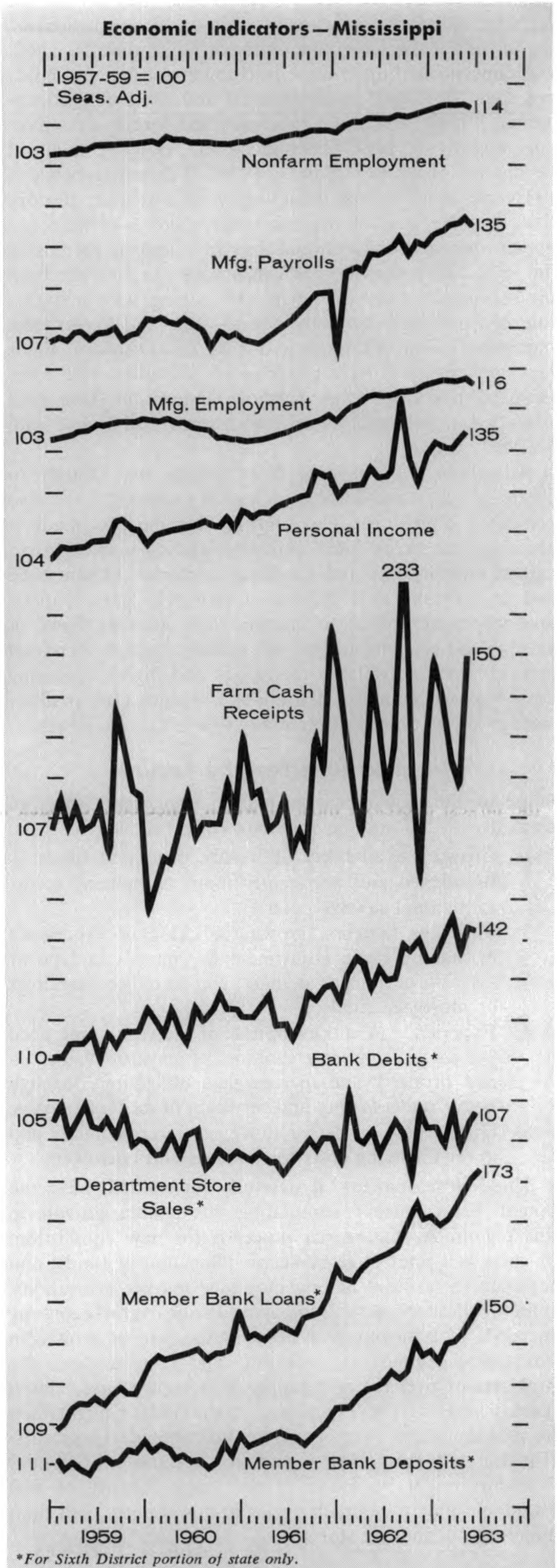
Implications for the Future

Some of the new mortgage market dimensions that are currently visible may be summarized as follows:

1. Growing availability of locally generated funds.
2. Broadened and apparently more permanent access to national savings pools.
3. Mortgage bankers' growing backlog of experience in making rapid adjustment to changes in type or location of housing demand and in redirecting flows of mortgage funds.
4. Experience in and awareness of the continuing need for minimizing deterioration of existing values in real property and in mortgage obligations through better underwriting and servicing of mortgage loans.
5. Higher cost levels for mortgage intermediaries and lower financing costs for builders and borrowers.

These developments, if carefully husbanded, have the potential for further stimulating sustainable growth in this region. As the search proceeds for new equilibrium of costs and interest rates, sector allocation of funds, and competitive position among mortgage market institutions, some of these trends will intensify. If our overall economy succeeds in achieving a more dynamic rate of growth in investment, employment, output, and consumption, the problems of a relative oversupply of mortgage funds should quickly recede. The experience of the 1950's might then furnish the most likely guide to probable developments. If it does not, then a better guide to the nature of potential problems might be found in the longer history of real estate and mortgage credit cycles in this country. But that, hopefully, is another story.

HIRAM J. HONEA



Mississippi's Econ

Mississippi's economy has pushed ahead rapidly during the past year. The advance, moreover, has been broadly based. Although many forces have contributed, some observers are citing continued strength in manufacturing activity as one of the highlights of the overall expansion. This, they argue, is especially encouraging in view of the critical role that manufacturing must play in the state's long-run economic development.

Manufacturing Employment Strong

Manufacturing, which is gaining on agriculture in the number of workers employed, accounted for 30 percent of the 10,600 new nonagricultural jobs added in the last year. This brought total nonagricultural employment to 436,300 at the end of June. Sparked by strength in manufacturing, nonagricultural employment, after adjustment for seasonal variation, has chalked up gains in seven of the last twelve months.

Apparel, the largest manufacturing employer, continued to be the standout performer. Employment in apparel manufacturing during June was 6 percent higher than a year ago and has moved up 3 percent since the end of 1962. Gains in both men's and women's clothing have contributed to the overall increase.

Food processing and lumber, Mississippi's other two large industrial employers, have not enjoyed such growth. Employment in food processing during June closely approximated the level of the corresponding period in 1962, and gains since the end of 1962 have been no more than would be expected on seasonal grounds. Lumber and wood products manufacturing, consisting principally of logging and sawmill operations, employed slightly fewer workers in May than they did a year ago.

Outside manufacturing, construction employment has added substantially to the state's wage rolls. The number of persons engaged in construction activity rose 2,700 in the past year, representing an increase of 11 percent. The bulk of this increase occurred in the Pascagoula area. In addition, several other nonmanufacturing types added jobs during the past year: Government employment rose 2.6 percent; retail trade, 1.6 percent; and employment in services, 2.9 percent.

Income and Spending Rack Up Gains

Sizable advances in personal income, perhaps the best overall measure we have of economic activity, testify to the state's economic improvement. After modest declines earlier in the year, the index of personal income (on a 1957-59=100 base) rose to 134.6 percent in May. This represented a solid 7-percent gain over the year-ago level, although per capita income is still low, relative to that of other states.

One source of the increase in personal income was, of course, the earnings of new jobholders. This is illustrated by the rise in total payrolls of manufacturing industries, which during May were 7 percent higher than in May 1962. The gain resulted from higher hourly pay and a longer workweek for employees, as well as from a larger number of workers.

Still on the Move

Farmers' incomes have also contributed to strength in personal incomes. As illustrated by the chart showing farm cash receipts, farm income fluctuates widely from month to month, but the total has been averaging near the high levels of the past two years.

According to most measures, total spending has added its thrust to the state's economy. Bank debits, or check payments, have risen irregularly since the middle of 1961. The total so far this year has been 7 percent higher than in the comparable period last year. While suggested by the debits figures, the increase in total spending is confirmed by the 9-percent rise in sales tax receipts by the state of Mississippi. Sales tax receipts, of course, represent a measure of spending, as well as a source of revenue for the state.

Mississippians not only spent some of their higher incomes but, like citizens throughout the country, supplemented these earnings by borrowing for the purchase of autos and other durable goods. Instalment loans outstanding at member banks in the state were 20 percent higher at the end of March, the latest month for which data are available, than they were a year earlier. Loans for the purchase of automobiles increased 35 percent over this period, and loans for purchasing other durable goods, such as refrigerators, rose 29 percent.

Activities at the state's banks have mirrored the rise in general business activity. Both loans and deposits of member banks have risen sharply and steadily for the past two years. Loans, for example, were 9 percent higher in March than in March 1962. Deposits increased 11 percent over the same period. Judging by monthly data available for member banks in the District portion of the state, both loans and deposits continued to rise sharply through June.

How Local Areas Have Fared

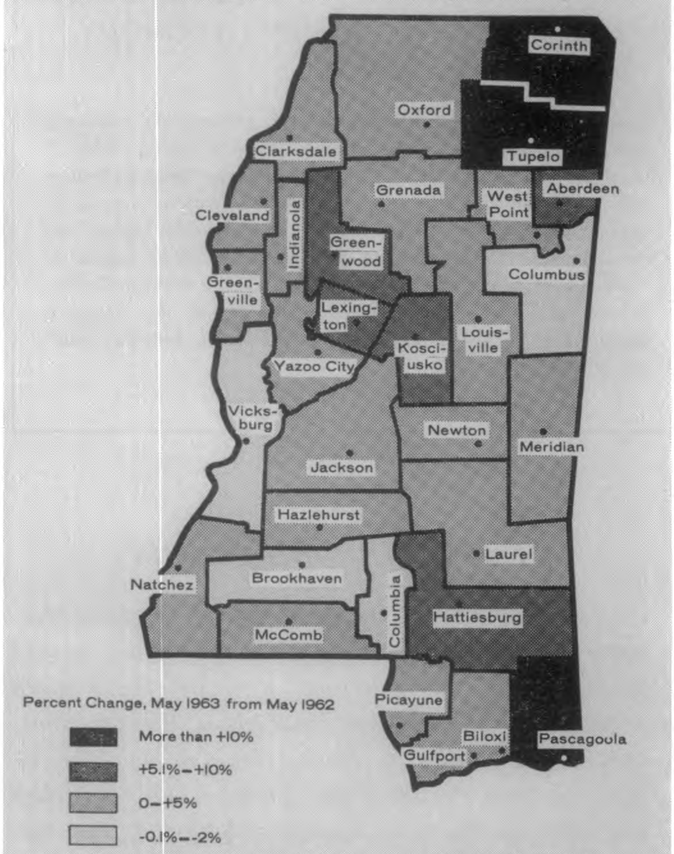
The rate of economic advance has varied from one part of the state to the other, although most areas appear to have shared in the increase. Judging from available employment data and banking information, the Pascagoula area has experienced the fastest rise. Much of this increase stemmed from several large construction projects, some of which are nearing completion. Most notable was a large refinery built by the Standard Oil Company.

The accompanying map illustrates how the gain in nonfarm employment was distributed among the local-office areas of the Mississippi Employment Security Commission. This agency is the source of employment information for the state.

Although falling short of Pascagoula's rapid pace, the Tupelo and Corinth areas in the northeastern corner of the state have enjoyed substantial increases in employment. Gains in both areas were slightly over 10 percent. In each case, expansion in manufacturing activity sparked the increase.

Four of the local areas reported fewer persons employed in nonfarm jobs during May than in May 1962. All of the declines were smaller than 2 percent, however. The Vicksburg area, comprising four counties, reported

Changes in Nonagricultural Employment, by Area*



*Local office areas of Mississippi Employment Security Commission.

the largest decrease, most of which reflected a cutback in Government employment. The decrease may be temporary, however, since a pickup in Government employment is anticipated in the next few weeks as revetment work on the river gets underway.

Prospects

How Mississippi's economy fares in the future depends, in part, on how well business activity in the nation holds up. The strength of national demand for apparel is especially critical, since apparel manufacturing is an important segment of the state's manufacturing industry.

Future growth in the state's economy also depends heavily on a continued expansion in new manufacturing jobs. Some indication of future trends in manufacturing is given by the volume of current announcements of new plants and expansion of existing ones. The Mississippi Agricultural and Industrial Board keeps track of such plant announcements and has reported that 32 new plants and 20 expansions were announced during the first half of 1963. This number represents a dollar investment of $32 million and a potential source of about 5,100 new jobs.

The economic future is never clear, but judging from the visibility that exists, the outlook for continued expansion in the state's economy is good.

W. M. Davis

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Georgia's economy were analyzed in the May 1963 Review, *and a discussion of Louisiana's economy is scheduled for a forthcoming issue.*

A REVIEW OF MISSISSIPPI'S ECONOMY, 1960-63

A compilation of articles devoted to Mississippi's economy that appeared in this Bank's *Monthly Review* during 1960-63, together with revised monthly figures of major business indicators for Mississippi. The articles emphasize various aspects of Mississippi's economic scene and often consider longer-run developments. Copies of this booklet, as well as copies of *A Review of Georgia's Economy, 1960-63,* the first publication in this series, are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Bank Announcements

On July 1, the First National Bank of Margate, Margate, Florida, a newly organized member bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Walter A. Hobbs, Jr., President; M. G. Sanchez, Vice President and Cashier; and G. Russell French, Vice President. Capital is $400,000, and surplus and other capital funds, $200,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Bank of Norcross, Norcross, Georgia, a nonmember bank, began to remit at par on July 1. Officers include Clifford Jones, President; Allen M. Johnson, Vice President; and J. S. Nesbit, Cashier.

On July 12, The Bank of Central Florida, Haines City, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers are E. E. Martin, Chairman of the Board; R. M. Willingham, President; R. V. Phillips, Vice President; and Franklin L. Vaughan, Cashier. Capital is $360,000, and surplus and undivided profits, $180,000.

The Pineland State Bank, Metter, Georgia, a nonmember bank, began to remit at par on July 15. Officers include G. H. Rountree, President; K. L. Kendrick, Vice President; and Richard N. Marsh, Cashier.

On July 27, the Indialantic Beach Bank, Indialantic, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers are James H. Pruitt, Chairman of the Board; William Fletcher, President; Harry E. Reichart, Executive Vice President; A. T. Rossetter, Vice President; and Bobby Sullivan, Cashier. Capital is $250,000, and surplus and undivided profits, $100,000.

Debits to Individual Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	June 1963	May 1963	June 1962	Percent Change: June 1963 from May 1963	Percent Change: June 1963 from June 1962	Percent Change: Year-to-date 6 Months 1963 from 1962
ALABAMA, Total†	2,646,812	2,964,430	2,432,898	—11	+9	+10
Anniston	47,396	51,267	46,855	—8	+1	+6
Birmingham	981,516	1,087,413	900,857	—10	+9	+9
Dothan	39,505	43,471	39,446	—9	+0	+6
Gadsden	40,583	41,545	37,438	—2	+8	+10
Huntsville*	111,343	113,831	82,344	—2	+35	+27
Mobile	319,435	375,300	295,028	—15	+8	+11
Montgomery	197,370	228,007	180,519	—13	+9	+13
Selma*	28,570	32,447	27,508	—12	+4	+8
Tuscaloosa*	62,374	73,628	60,822	—15	+3	+9
FLORIDA, Total†	6,039,000	6,742,818	5,715,794	—10	+6	+8
Bartow*	21,875	27,594	n.a.	—21	n.a.	n.a.
Bradenton*	45,746	49,256	50,460	—7	—9	n.a.
Brevard County*	125,426	134,044	n.a.	—6	n.a.	n.a.
Clearwater*	61,862	71,956	n.a.	—14	n.a.	n.a.
Daytona Beach*	63,161	68,142	57,374	—7	+10	+10
Delray Beach*	22,551	24,528	n.a.	—8	n.a.	n.a.
Ft. Lauderdale*	218,302	235,954	206,362	—7	+6	+2
Ft. Myers-North Ft. Myers*	50,080	58,859	n.a.	—15	n.a.	n.a.
Gainesville*	59,744	56,590	48,980	+6	+22	+14
Jacksonville	858,539	966,221	824,453	—11	+4	+1
Key West*	17,216	19,070	15,179	—10	+13	+3
Lakeland*	78,375	92,936	84,909	—16	—8	+5
Miami	968,736	1,101,376	961,671	—12	+1	+5
Greater Miami*	1,410,304	1,612,979	1,399,464	—13	+1	+5
Ocala*	42,488	43,244	n.a.	—2	n.a.	n.a.
Orlando	288,171	313,197	267,603	—8	+8	+11
Pensacola	95,675	97,362	89,264	—2	+7	+7
St. Augustine*	14,618	15,032	n.a.	—3	n.a.	n.a.
St. Petersburg	204,391	222,645	215,484	—8	—5	—4
Sarasota*	79,515	81,487	79,128	—2	+0	+15
Tallahassee*	75,786	85,289	65,886	—11	+15	+10
Tampa	446,093	508,960	440,503	—12	+1	+5
W. Palm-Palm Bch.*	154,524	164,706	154,065	—6	+0	—1
Winter Haven*	38,820	45,611	n.a.	—15	n.a.	n.a.
GEORGIA, Total†	4,766,336	5,116,364	4,406,968	—7	+8	+11
Albany	60,334	65,349	57,694	—8	+5	+5
Athens*	46,524	50,649	44,178	—8	+5	+1
Atlanta	2,660,797	2,845,110	2,445,592	—6	+9	+16
Augusta	137,005	144,455	126,448	—5	+8	+11
Brunswick	30,208	38,534	31,171	—22	—3	+7
Columbus	120,275	135,017	118,268	—11	+2	+2
Dalton*	58,159	62,647	52,922	—7	+10	n.a.
Elberton	10,663	12,263	12,254	—13	—13	+4
Gainesville*	56,793	59,623	53,836	—5	+5	+5
Griffin*	21,583	22,241	21,219	—3	+2	+6
LaGrange*	16,453	16,811	17,866	—2	—8	—5
Macon	144,709	152,444	139,389	—5	+4	+8
Marietta*	42,686	44,952	36,345	—5	+17	+18
Newnan	22,120	20,700	22,460	+7	—2	—1
Rome*	51,565	54,528	48,584	—5	+6	+3
Savannah	179,539	201,938	179,977	—11	—0	+5
Valdosta	32,824†	37,278	31,759	—12	+3	+0
LOUISIANA, Total†**	2,787,840	3,108,333	2,640,573	—10	+6	+9
Abbeville*	7,081	8,013	n.a.	—12	n.a.	n.a.
Alexandria*	85,235	88,092	81,616	—3	+4	+5
Baton Rouge	309,240	363,305	289,462	—15	+7	+11
Bunkie*	4,657	4,701	4,724	—1	—1	n.a.
Hammond*	23,428	27,800	n.a.	—16	n.a.	n.a.
Lafayette*	76,666	86,351	68,657	—11	+12	+11
Lake Charles	82,091	93,837	88,093	—13	—7	+1
New Iberia*	22,903	26,397	n.a.	—13	n.a.	n.a.
New Orleans	1,504,836	1,663,264	1,499,848	—10	+0	+4
Plaquemine*	6,676	6,881	6,981	—3	—4	n.a.
Thibodaux*	15,572	15,209	14,119	+2	+10	n.a.
MISSISSIPPI, Total†**	866,096	998,136	853,096	—13	+2	+6
Biloxi-Gulfport*	65,063	71,368	58,128	—9	+12	+11
Hattiesburg	37,331	39,879	39,322	—6	—5	—2
Jackson	348,781	413,668	347,487	—16	+0	+4
Laurel*	27,199	31,492	28,776	—14	—5	+1
Meridian	46,659	58,049	46,817	—20	—0	+10
Natchez*	27,360	27,128	24,909	+1	+10	+9
Pascagoula-Moss Point*	35,463	40,260	n.a.	—12	n.a.	n.a.
Vicksburg	23,427	27,918	23,136	—16	+1	+8
Yazoo City*	23,050	21,568	n.a.	+7	n.a.	n.a.
TENNESSEE, Total†**	2,480,262	2,582,355	2,330,712	—4	+6	+7
Bristol*	54,492	60,206	56,325	—9	—3	+3
Chattanooga	382,851	381,869	344,743	+0	+11	+8
Johnson City*	50,746	52,529	50,015	—3	+1	+8
Kingsport*	86,405	96,494	93,171	—10	—7	—1
Knoxville	270,929	289,713	270,188	—6	+0	+5
Nashville	900,328	937,435	826,295	—4	+9	+8
SIXTH DISTRICT, Total	19,586,346	21,512,436	18,380,041	—9	+7	+9
Total, 32 Cities	11,792,357	12,958,789	11,239,524	—9	+5	+8
UNITED STATES 344 Cities	299,600,000	318,100,000	291,800,000	—6	+3	+8

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Partly estimated. n.a. Not available.
**Includes only banks in the Sixth District portion of the state.

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

SIXTH DISTRICT

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	39,473	39,861r	39,384r	37,533
Farm Cash Receipts	May	109	122	127	106
Crops	May	100	131	153	101
Livestock	May	116	115	110	108
Department Store Sales*/**	July	128p	130	123	118
Department Store Stocks*	June	127	125	122	117
Instalment Credit at Banks, *(Mil. $)					
New Loans	June	165	153	169	156
Repayments	June	151	148	149	134
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	111	111	111	109
Manufacturing	June	109	109	109	107
Apparel	June	131	132	131	127
Chemicals	June	104	104	104	102
Fabricated Metals	June	112	111	111	106
Food	June	102	102	103	104
Lbr., Wood Prod., Furn. & Fix.	June	93	93	93	93
Paper	June	107	107	105	104
Primary Metals	June	98	100r	99	96
Textiles	June	94	94	95	97
Transportation Equipment	June	114	113	115	106
Nonmanufacturing	June	111	111	111	109
Construction	June	101	103r	101	96
Farm Employment	June	87	89	84	88
Insured Unemployment, (Percent of Cov. Emp.)	June	3.9	3.8	3.7	4.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	40.7	40.9r	40.7	40.9
Manufacturing Payrolls	June	131	131	131	126
Construction Contracts*	April	139	141	124	139
Residential	April	132	129	122	116
All Other	April	146	150	125	158
Electric Power Production**	May	136	134	131	130
Cotton Consumption**/***	June	99	98r	98	104r
Petrol. Prod. in Coastal La. and Miss.**	June	164	163	158r	144
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	June	154	150	149	136
Leading Cities	July	145	147	142	131
Member Bank Deposits*					
All Banks	June	133	130	130	122
Leading Cities	July	125	128	123	118
Bank Debits*/**	June	143	135	140	129

ALABAMA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	5,481	5,508r	5,372r	5,152
Farm Cash Receipts	May	127	120	119	122
Department Store Sales**	June	113	103	97	102
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	107	107	107	105
Manufacturing	June	102	102	102	100
Nonmanufacturing	June	109	109	109	107
Construction	June	94	94	94	96
Farm Employment	June	82	104	90	88
Insured Unemployment, (Percent of Cov. Emp.)	June	4.1	4.1	4.0	4.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	40.3	40.8r	40.3	40.7
Manufacturing Payrolls	June	121	122	122	117
FINANCE AND BANKING					
Member Bank Loans	June	154	153	150	136
Member Bank Deposits	June	133	131	128	121
Bank Debits**	June	139	134	132	126

FLORIDA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	11,045	11,369r	11,326r	10,856
Farm Cash Receipts	May	88	133	154	99
Department Store Sales**	June	160	151	147	140
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	117	116	116	116
Manufacturing	June	119	119	120	121
Nonmanufacturing	June	116	116	115	114
Construction	June	93	94r	94	90
Farm Employment	June	127	113	111	120
Insured Unemployment, (Percent of Cov. Emp.)	June	3.3	3.3	3.4	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	40.9	40.4r	40.8	41.6
Manufacturing Payrolls	June	157	155r	155	157
FINANCE AND BANKING					
Member Bank Loans	June	151	150	147	131
Member Bank Deposits	June	134	131	132	122
Bank Debits**	June	141	136	143	128

GEORGIA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	7,480	7,525r	7,390r	7,023
Farm Cash Receipts	May	128	114	109	111
Department Store Sales**	June	123	115	112	107
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	112	112	112	109
Manufacturing	June	108	108	108	105
Nonmanufacturing	June	114	114	114	111
Construction	June	114	112	112	108
Farm Employment	June	72	68	68	80
Insured Unemployment, (Percent of Cov. Emp.)	June	3.0	2.7	2.9	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	39 8	39.9	39.9	39.9
Manufacturing Payrolls	June	129	128r	129	121
FINANCE AND BANKING					
Member Bank Loans	June	155	153	151	144
Member Bank Deposits	June	138	134	135	128
Bank Debits**	June	152	141	152	133

LOUISIANA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	5,959	5,956r	5,909r	5,564
Farm Cash Receipts	May	116	104	113	110
Department Store Sales*/**	June	113	111	109	100
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	102	103	102	100
Manufacturing	June	99	99	100	94
Nonmanufacturing	June	103	103	103	102
Construction	June	95	97	94	82
Farm Employment	June	96	95	77	101
Insured Unemployment, (Percent of Cov. Emp.)	June	4.3	4.2	4 3	4.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	41.8	41.9r	42.3	41.2
Manufacturing Payrolls	June	123	123r	124	111
FINANCE AND BANKING					
Member Bank Loans*	June	147	139	142	132
Member Bank Deposits*	June	121	118	119	113
Bank Debits*/**	June	134	126	127	124

MISSISSIPPI

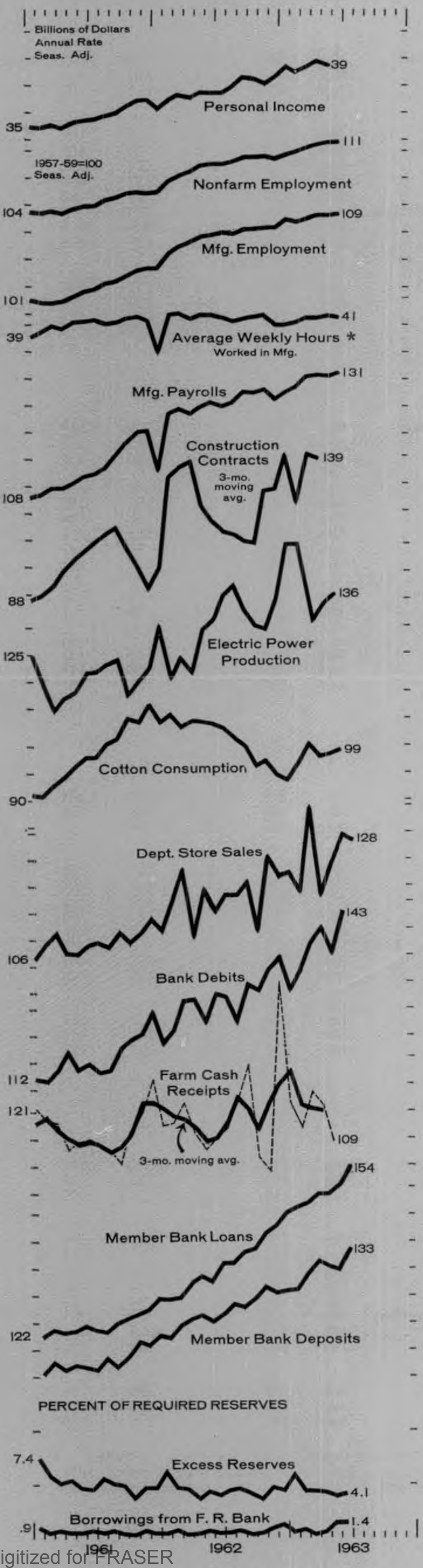
	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	3,089	3,035r	2,992r	2,894
Farm Cash Receipts	May	150	117	123	116
Department Store Sales*/**	June	107	105	98	99
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	114	115	115	112
Manufacturing	June	116	118	117	114
Nonmanufacturing	June	113	114	114	111
Construction	June	117	120	121	105
Farm Employment	June	77	79	79	74
Insured Unemployment, (Percent of Cov. Emp.)	June	4.0	4.2	4.3	4.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	40.4	40 5r	40.5	39.9
Manufacturing Payrolls	June	135	137r	135	128
FINANCE AND BANKING					
Member Bank Loans*	June	172	170	168	152
Member Bank Deposits*	June	150	146	143	130
Bank Debits*/**	June	142	143	137	137

TENNESSEE

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	May	6,419	6,468r	6,395r	6,049
Farm Cash Receipts	May	103	119	112	98
Department Store Sales*/**	June	114	111	100	99
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	June	111	111	111	109
Manufacturing	June	112	111	111	111
Nonmanufacturing	June	110	110	110	108
Construction	June	125	131	124	123
Farm Employment	June	95	98	94	93
Insured Unemployment, (Percent of Cov. Emp.)	June	4.6	4.6	4.5	4.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	June	40.1	41.0	41.2	40.3
Manufacturing Payrolls	June	130	128	128	126
FINANCE AND BANKING					
Member Bank Loans*	June	159	151	150	135
Member Bank Deposits*	June	136	129	131	119
Bank Debits*/**	June	147	135	136	129

*For Sixth District area only. Other totals for entire six states. **Daily average basis. ***Figures reflect revision of the seasonal adjustments. p Preliminary. r Revised.
Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; 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.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

DISTRICT BUSINESS CONDITIONS



*Seas. adj. figures not an index.

District business activity continues to expand, although at a decidedly slower pace than last spring. Bank credit rose sharply, and retail spending also edged upward. Rising farm activity, output, and prices recharged the farm economy. However, employment changed little, and insured unemployment remained at an uncomfortably high level.

Bank credit at District member banks rose sharply in June. A rise in the volume of investments dominated the gain in bank credit, but loans also showed a substantial increase. Deposits climbed in June, more than recovering the decline recorded in May. Weekly reports from member banks in leading cities indicate moderate increases in investments, very little change in loan volume, and a reduction in the rate of deposit expansion through July. Effective July 24, the Federal Reserve Bank of Atlanta raised the discount rate from 3 to 3½ percent.

District retail spending edged upward, but the rate of expansion was slower than in previous months. Preliminary figures indicate that department store sales declined slightly during July, following a sharp upturn in June. Final figures for June reveal that among major District cities large gains were reported for Atlanta, Baton Rouge, Birmingham, Chattanooga, Jacksonville, Miami, and Tampa-St. Petersburg. Bank debits rose sharply in June. While sales at household appliance stores remained unchanged, sales at furniture stores advanced slightly. Personal income dipped in May, but the year-to-date income gain for the six-state area continues to outstrip that of the nation. Consumer credit outstanding at District commercial banks expanded moderately during June. The net increase in debt, reflecting primarily a higher level of personal loan extensions, was larger than the amount registered in the previous month.

Heightened activity is giving the farm economy a lift. Favorable weather brightened crop prospects generally, and harvests now underway in many areas are progressing satisfactorily. Pastures, with the exception of those in dry southwestern areas, are providing more grazing than in earlier months. With crops maturing, harvests gaining headway, and shipments of livestock holding at advanced levels, total farm marketings have increased in recent weeks and exceed year-earlier volumes. Spurred by rising prices for hogs, eggs, and citrus, the index of prices received by District farmers rose further in June. Prices for poultry products and beef cattle have also strengthened in recent weeks. The market value of farm real estate advanced further during the year ended in March 1963. Gains exceeded those for the nation, principally because of marked increases in Florida, Alabama, and Tennessee.

An uninspiring stability characterized the District's employment picture, although some production indicators continued their upward trend. The total number of nonfarm jobs remained virtually unchanged in June, as employment declines in Mississippi and Louisiana were offset by slight gains in the other District states. The District's manufacturing enterprises also failed to expand their employment rolls. Declines in apparel and primary metals, together with losses in paper and lumber employment, were almost evenly balanced by gains in other manufacturing types. Despite a shorter-than-average workweek and a standstill in manufacturing employment, higher hourly earnings boosted manufacturing payrolls. Insured unemployment, following successive declines earlier in the year, remained virtually unchanged. Following the recent upward trend in construction employment, a slight decline occurred in June. Cotton consumption, after expanding sharply since January, leveled off; petroleum production climbed further; and steel production in July declined less than nationally.

NOTE: Data on which statements are based have been adjusted to eliminate seasonal influences.