



Atlanta, Georgia

July • 1964

Also in this issue:

**ALABAMA'S ECONOMY
EXHIBITS STRENGTH**

**SIXTH DISTRICT
STATISTICS**

**DISTRICT BUSINESS
CONDITIONS**

*Federal
Reserve
Bank of
Atlanta*

Monthly Review

A Bank Examiner Looks at the Quality of Credit

The quality of commercial bank credit is a topic almost guaranteed to produce a spirited discussion, as well as newspaper headlines. Recently, Congressional committees have questioned a number of our monetary and bank supervisory authorities, and from time to time leading bankers have expressed themselves on the subject. These opinions have been quite varied and illustrate the dichotomy between those who believe that a significant deterioration has taken place and those who are quite satisfied with the general quality of loans found in our banks today.

While the quality of bank credit is important to monetary authorities and to those charged with the responsibility for the nation's economic welfare, it is of special significance to the supervisors of our banks. The quality of a bank's loan portfolio bears a direct relationship to its inherent soundness. It is natural, therefore, that supervisory authorities should also take part in this discussion of whether or not there has been a tendency throughout various parts of the banking structure to relax the standards on which credit is granted.

National banks are under the direct supervision of the Comptroller of the Currency, while state banks are supervised by state authorities. In addition, on the federal level, member banks are supervised by the Federal Reserve System and nonmember insured banks by the Federal Deposit Insurance Corporation. Each supervisory authority keeps well informed on the condition of the banks under its jurisdiction, principally by means of examinations. In most of the discussions of the supervisory authorities, the findings of their examiners thus have been, to a considerable extent, the basis of their conclusions in regard to the quality of bank credit.

Purpose of Examinations

The purpose of bank examinations is to develop information that will disclose (1) the soundness of a bank's assets; (2) its ability to meet the demands of its depositors; (3) the adequacy of its capital structure; (4) its earning ability and future prospects; (5) the competence of management; and (6) compliance with laws and regulations. After developing this information, the examiner prepares a report that contains balance sheets, schedules of various types of assets and liabilities, comments, criticisms, and recommendations. The report is prepared with great care because it must be correct in every detail if it is to perform its intended purpose—that of furnishing the supervisory agencies with accurate information on the condition of individual banks. This information is also of considerable value to the board of directors of the bank being examined, which also receives a copy of the report.

What Determines the Quality of a Loan?

The appraisal of a bank's loan portfolio is often considered the most important part of the examination. The examiner analyzes the bank's credit policies, collection policies, and the general manner in which

loans are administered. Collateral is valued, and financial statements and credit information on borrowers are reviewed. The examiner then weighs and evaluates all of this information in the light of economic conditions affecting the borrower and the bank. Important advances, loans subject to criticism, and loans on which more information is needed are usually discussed with the bank's management. After this thorough appraisal, the examiner compiles his report of the examination in which he lists and comments upon loans that for specific reasons he feels should be brought to the attention of the supervisory authority and to the attention of the directors and official management of the bank.

Such loans will include those that the examiner believes involve a loss and those whose collection appears doubtful. In addition, loans that involve more than a normal risk because of the financial condition or unfavorable record of the obligor, insufficiency of security, or other factors noted in the examiner's comments are discussed. Such loans, whether "substandard," "doubtful," or "loss," are generally described as "classified loans."

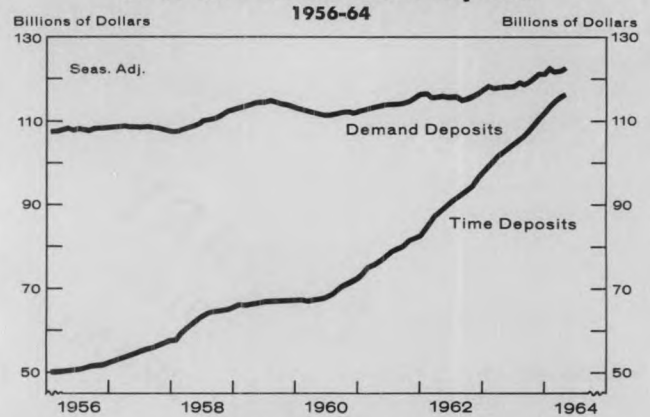
Bank supervisors generally consider a loan's quality satisfactory when its characteristics reasonably assure its repayment according to schedule in the normal course of business. However, a loan must not only be made on a sound basis. If it is to be repaid on schedule, it should also receive the proper attention from management during the period it is outstanding.

An examiner's loan classifications may be considered as a fair measure of the quality of a bank's loan portfolio. However, there is usually a lag of one or more years between the time a loan is made and the time it is classified adversely in a report of examination. Few loans become problems immediately, but when trouble does develop, it can go undetected for a time because, generally, examinations are made only once or twice a year. Perhaps this may explain why the lowering of loan standards, claimed by some authorities, has not been reflected to date in a significant increase in classified loans in reports of examination. Another reason is that some examiners may not be as critical of borderline or substandard loans as they formerly were.

Has Loan Quality Deteriorated?

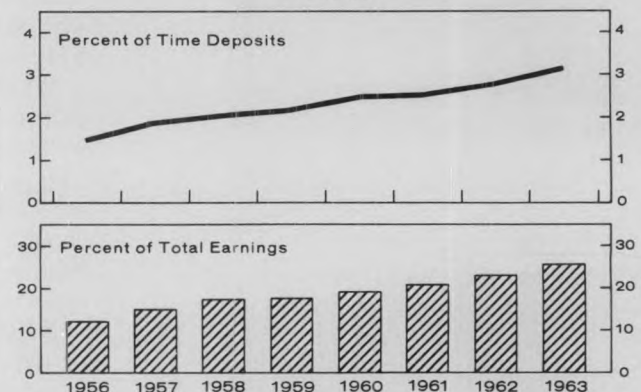
Since the beginning of 1962, when the maximum interest rate banks were permitted to pay on savings and time deposits was raised to 4 percent, some banks have solicited savings and time deposits vigorously and, in most instances, successfully. As a result, there has been a steady influx of these funds. The increase in interest-bearing deposits has come not only from individuals but from corporations and businesses that are unwilling to let their funds remain on demand deposit and produce no income. The cost of these funds, however, has brought pressure to bear on bank officers to invest them profitably. Some banks have looked to nongovernment securities, but others have looked beyond the securities markets to mortgage loans and other lending fields where funds can be employed on a more or less permanent basis and return a higher yield. The result has been that some banks have accepted lower down payments, extended the final maturities, accepted less margin in the collateral, and made ad-

U. S. Commercial Bank Deposits



Deposit growth in recent years has been concentrated in time deposits on which banks must pay interest, rather than in interest-free demand deposits.

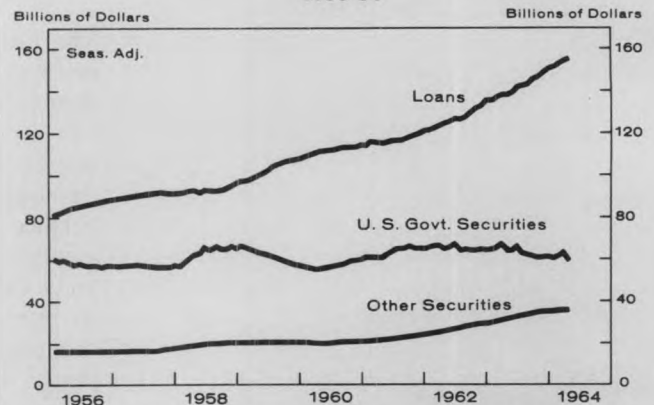
Interest Paid on Time Deposits at All U. S. Member Banks



Interest payments on time deposits have risen along with the growth in time deposits, thus causing interest costs to become a greater expense for commercial banks. The result has been an increased pressure on banks to seek out higher-yielding loans and investments.

U. S. Commercial Bank Loans and Investments

Last Wednesday of Each Month

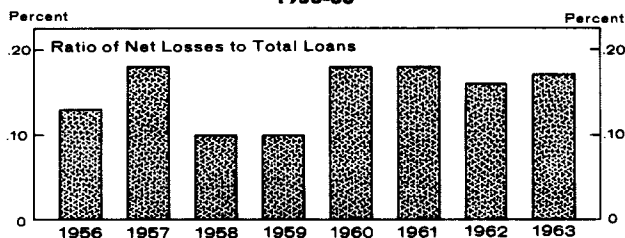


Bank credit growth in recent years, especially since 1962, has been concentrated in loans and securities other than those of the U. S. Government. These are generally considered to have a greater element of risk than Government securities.

vances that require a larger proportion of a borrower's income to service his indebtedness. Some lenders have entered entirely new fields, such as equipment leasing, in search of ways to invest bank funds and obtain a higher return.

Whether such changes in credit standards are correctly described as deteriorating, lowering, or broadening, they are being carefully watched by all bank supervisors. If loans can be made in line with present-day standards and if losses can be kept within reasonable bounds, many feel that policies based on these standards are sound. The danger in accepting this view is that the quality and collectibility of loans must be examined in the light of the

Ratio of Net Losses on Loans* to Total Loans at All U. S. Member Banks 1956-63



*Excludes transfers to and from bad debt reserves.

Commercial bank losses on lending operations, however, have continued to be less than .2 percent.

existing economic background and, if the country's economy declines, a marginal credit may become overnight a problem loan.

On the other hand, if bank supervisors are too severe in their analyses of credits, they may discourage the making of many worthwhile loans. Back in 1938, as the country was emerging from the 1937 recession, President Roosevelt expressed the hope that Federal bank supervision could be coordinated so as to facilitate the flow of commerce, industry, and agriculture. Conferences were held with representatives of the three Federal supervisory agencies for the purpose of improving their policies and regulations to further the President's objective and yet keep them consistent with sound banking principles, *i.e.*, maintain the quality of loans and investments at a satisfactory level. The supervisors agreed that they would treat loans and securities on a uniform basis and would relieve pressures tending to reduce or prevent extensions of credit to sound borrowers. The 1938 Agreement resulted in a revision of standards for judging credit quality. A change of equal importance was that banks were to be examined on the basis of going concerns rather than on the amount their loans, investments, and other assets would bring in a forced liquidation. These policies have been in effect for more than 25 years with little change. During this time, there have been few criticisms that bank supervisors have discouraged or prevented the extending of sound loans to worthwhile borrowers.

R. M. STEPHENSON

Alabama's Economy Exhibits Strength

When, in April 1963, we described Alabama's economic resurgence from the trough of the 1960 recession, we ended our review on a questioning note. Were the cross-currents then evident signaling the end of the expansionary period or was the economy just catching its breath for a further uphill climb? Now, slightly more than a year later, the question may be answered: Alabama's economy was simply girding for some additional expansion.

During the intervening period, overall production, employment, and income increased substantially in Alabama. While these gains have lifted the state's economy closer to desirable levels of activity, it still falls short of the national average on several counts, notably per capita personal income payments. Nevertheless, certain structural changes that have occurred in Alabama's economy in the past few years probably have provided some additional strength and resiliency. Thus, even if the 41-month long national economic recovery should fade, these changes may dilute the impact that such a slowdown would have in Alabama.

Output Expansion

Taking a cue from the prime economic measures for the state, one cannot say that a galloping boom was developing in Alabama in 1963. The economy, however, was definitely on the upgrade, and the momentum has carried

over into 1964. Most important, Alabamians boosted the output from their mills and factories last year, and this swift pace has not faltered much, if any. Producers of steel, pig iron, and coke increased their production sharply to supply a strong national demand, particularly for railroad cars and various types of pipe. Aluminum producers also turned out more metal for their customers.

Southern pine lumber production, long in the doldrums caused by competition from western lumber producers, perked up slightly, as an increase in residential construction spurred demand for floor joists, studs, rafters, shoring, and other products. Textile mill operators also stepped up their production, as measured by cotton consumed by mills in the state, although the expansion was modest. A spurt in ocean shipping and Alabama port activity has occurred as well. Finally, increased demands for packaging, crating, and shipping materials brought about an upsurge in pulp and paper output. These trends in Alabama's industrial economy have been mirrored by the sharp upturn in the consumption rate of electrical energy for industrial purposes.

On the farm, the 1963 season closed in December with cash farm marketings at a higher level than they were in 1962. Sales of livestock and poultry products increased only one percent in 1963, but crop sales, principally in the fall months, topped the 1962 total 11 percent. A large

cotton crop in 1963, especially in northern Alabama, brought a sizable increase in farmers' incomes and spending and lifted business activity considerably.

Northern Alabama also experienced an economic lift from the construction of the huge Saturn rocket boosters for the nation's space exploration. These efforts are focused at the Marshall Space Center in Huntsville, a city containing about 72,000 people at last count in the 1960 Census of Population, or 4.4 times more than in the 1950 Census.

Employment and Income Increase

The general expansion occurring in Alabama's economy is reflected by an upward trend in employment and personal income. Nonfarm employment had pushed up to a higher plateau in late 1963 as manufacturing employment increased; farm employment, however, continued its downtrend. Since the farm work force now makes up only a small portion of the employment total, the effect of the decline was slight. The state's unemployment rate was reduced by the end of 1963, and in early 1964 it dropped even further to the lowest point reached in several years.

Although the state's unemployment trend has been favorable, not every community is experiencing high-level employment. While Mobile and Birmingham were classified by the U. S. Department of Labor as areas with only a moderate unemployment rate—3.0 to 5.9 percent in May 1963, the latest available designation—there were 15 labor market areas, mainly in northern Alabama, that had rates of 6 percent or more and were designated as areas with persistent and substantial unemployment.

The upward trends in output and employment have persisted throughout recent months and have boosted the incomes of the state's residents. Total personal income, which had risen steadily during 1962 and then more rapidly in early 1963, held at the advanced 1963 level early this year. According to estimates of this Bank for April 1964, the total personal income received by Alabamians was about \$6.0 billion at an annual rate, slightly greater than the \$5.7 billion a year earlier and well above the 1961 recession low of \$4.8 billion. Manufacturing payrolls have risen markedly since January 1964 as average hours worked increased, and the payroll total now stands well above the level prevailing in early 1963.

Alabama's recent overall gains in output, employment, and income have cheered the state's tax collectors. Judging from the upsurge in sales tax collections in late 1963, tax revenues have jumped upward to totals much larger than those in earlier periods. Even though the gain results partly from a recent change in Alabama's tax laws and levies, heightened economic activity undoubtedly is generating some new tax revenue.

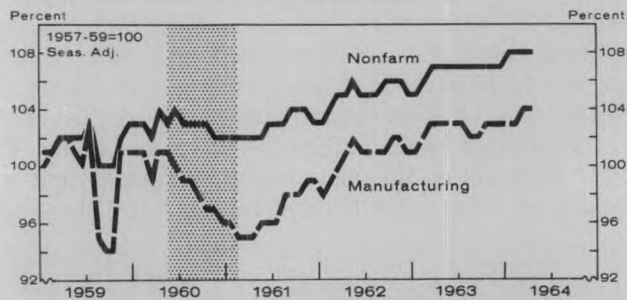
Commercial and Financial Activity Hesitant

While increased production, employment, and income from Alabama's important primary industries have imparted considerable strength to the state's economic resurgence, commercial and financial firms have turned in a more spotty performance. Retailers of hardware and farm implements have experienced brisk sales in recent months,

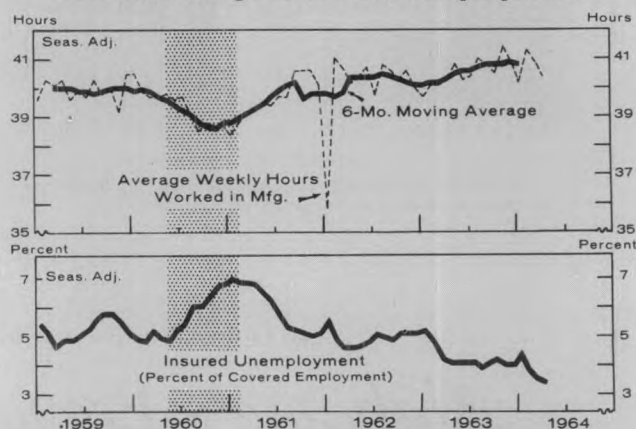
Economic Indicators — Alabama

1959-64

Employment



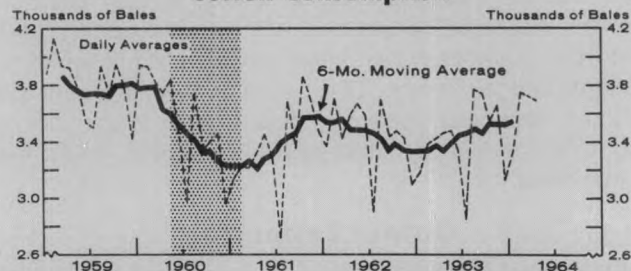
Average Weekly Hours Worked in Manufacturing and Insured Unemployment as a Percentage of Covered Employment



Industrial Use of Electric Power



Cotton Consumption



Note: The shaded portion of the charts represents the recession of 1960-61.

and automobile sales also have been strong, according to the Bureau of Business Research of the University of Alabama. Lesser gains, however, were chalked up by general merchandise and apparel stores. Department store sales, which have been lethargic since 1961, remained on a subdued level in early 1964, as did sales by restaurants and drug stores. Meanwhile, furniture store sales slipped lower and currently show little, if any, buoyancy.

On the financial side, a significant increase occurred in sales of life insurance, and such investment continues unabated. Alabama residents also are still placing a rising volume of funds in savings and loan accounts. Moreover, total bank deposits, which had risen steadily from the 1961 recession low to mid-1963 and then remained stable for a few months, jumped sharply to a peak in early 1964. A rise in time deposits contributed to the upswing. Bank lending increased notably in 1962, and the acceleration has held to the present time; meanwhile, bank investments in securities, which expanded erratically in 1962 and 1963, increased substantially in the first four months of 1964. All told, Alabama's economic recovery, begun in mid-1961, has continued at a firm pace to the present time.

New Investment

A general air of economic optimism currently is pervading the state, judging from available evidence of business plans and intentions. Most important, investments in new plants and plant expansions will be large. According to the Alabama Chamber of Commerce, announcements of 283 plants in 1963 indicated that \$337 million would be invested, the largest total since 1951. Announcements in early 1964 included a \$2-million expansion of an aluminum rolling mill at Decatur and a \$2.5-million construction and modernization program for a pulp and paper mill near Mobile. Numerous smaller investments, such as the \$250,000 expansion of an electrical corporation in Leeds and a \$150,000 plant expansion of a food canning plant in Uniontown, have been announced recently. In some measure, of course, these investments reflect national economic expansion and the local impact of national spending for defense, space exploration, and other public projects.

Some Structural Changes

Significant changes have occurred in Alabama's economic framework that may have strengthened and broadened the state's economic base and facilitated a further economic advance or at least greater resistance to economic stress and adversity. Alabama, of course, probably had further to go in this process than some other states and, consequently, the impact on its economy from a given change may be larger than elsewhere.

While private investment has involved large-scale plant modernizations by steel and textile firms and the widespread application of new technology, public investment in Alabama represents a major effort to improve and expand vital public services. The tax structure was altered by the state Legislature in 1963 to increase tax revenues. This improvement offers a partial accommodation to a state debt that has risen rapidly to finance public needs in recent years. The state's debt was about \$307 million in 1963, compared with about \$73 million ten years

ago. The increase has come as the state Legislature approved bonds for new roads, schools, hospitals, and state buildings. Among the most important of the current investments are those for education, particularly for junior colleges and additional trade schools.

The state's economic structure also is being altered by investments in transportation facilities. The Alabama State Docks on the Gulf Coast have been enlarged and modernized; roads are being overhauled; work on the Federal-state superhighways is being pressed ahead; and, not least, new dams and locks are being built to further the state's river and river basin development.

These structural adjustments may help reduce the chronic unemployment of largely unskilled labor in Alabama's industrialized areas. To assist in solving this problem, both state and local governments have concentrated on providing training programs for potential workers. Area trade schools have been developed, and curricula in vocational high schools have been adopted to teach students the skills required by industrial employers. Meanwhile, in areas experiencing substantial unemployment, the Federal Government's accelerated public works program is providing employment for some persons.

A Substantial Economic Base

If an operating statement of Alabama's economy could be computed today, it probably would reveal a reasonably solid economic base. Given that base, Alabama's economy could advance even further in 1964. The possibility of this outcome would be appreciably enhanced if consumer incomes rise further and if the 1964 reduction in income taxes spurs private investment and spending in the state. In time, the efforts to train and employ more unskilled workers for more highly skilled jobs may be quite fruitful. Then, too, continued growth in the national economy would be most conducive to the fulfillment of Alabama's economic prospects.

ARTHUR H. KANTNER

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Florida's economy were analyzed in the June 1964 REVIEW, and a discussion of Georgia's economy is scheduled for a forthcoming issue.

A REVIEW OF ALABAMA'S ECONOMY 1960-64

This publication is a compilation of articles devoted to Alabama's economy that appeared in this Bank's *Monthly Review* during 1960-64, together with revised monthly figures of major business indicators for Alabama. The articles emphasize various aspects of Alabama'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*; *A Review of Mississippi's Economy, 1960-63*; *A Review of Louisiana's Economy, 1959-63*; *A Review of Tennessee's Economy, 1960-64*; and *A Review of Florida's Economy, 1959-64*, the first five publications in this series, are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Bank Announcements

On June 1, the CANTRELL BANKING COMPANY, Etowah, Tennessee, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are J. C. Cantrell, President; Mrs. A. A. Moffitt, Vice President; and E. B. Garwood, Vice President and Cashier.

The BANK OF SPRING CITY, Spring City, Tennessee, a nonmember bank, began to remit at par on June 15. Officers include J. K. Hawkins, President; Sarah Neil Hilleary and H. B. Collins, Vice Presidents; and R. W. Rogers, Cashier.

On June 15, the WESTCHESTER NATIONAL BANK OF DADE COUNTY, Miami, Florida, a newly organized member bank, opened for business and began to remit at par. Officers are Phil Stephenson, Chairman of the Board; Henry G. Simmonite, Vice Chairman; Charles M. Volk, President; and Charles W. Meyers, Vice President and Cashier. Capital is \$300,000, and surplus and other capital funds, \$300,000, as reported by the Comptroller of Currency at the time the charter was granted.

The FIRST NATIONAL BANK OF ST. BERNARD PARISH, Arabi, Louisiana, a newly organized member bank, opened for business on June 18 and began to remit at par. Officers include Edwin M. Roy, President; L. J. Folse, Executive Vice President and Cashier; and Joseph J. Davies, Jr., Vice President. Capital is \$150,000, and surplus and other capital funds, \$300,000, as reported by the Comptroller of Currency at the time the charter was granted.

With the close of business June 20, the conversion of the Bank of Auburn, Auburn, Alabama, to a national bank under the title of AUBURN NATIONAL BANK OF AUBURN became effective. Officers are Emil F. Wright, President; R. F. Blake, Vice President; and P. C. Hudson, Cashier. Capital is \$200,000, and surplus and undivided profits, in excess of \$600,000, as reported by the Comptroller of Currency at the time of the conversion.

The COMMUNITY BANK OF RACELAND, Raceland, Louisiana, a newly organized nonmember bank, opened for business on June 20 and began to remit at par. Officers include Roy Richard, President and Cashier; Allison R. Kolb, Chairman of the Board; and Clifton P. Morvant, Vice President. Capital is \$200,000, and surplus and undivided profits, \$200,000.

On June 22, the FIRST NATIONAL BANK OF BUTLER, Butler, Alabama, a newly organized member bank, opened for business and began to remit at par. Officers are Richard E. McPhearson, President; J. Ben Steed, Executive Vice President; and Beatrice L. Sparrow, Cashier. Capital is \$200,000, and surplus and other capital funds, \$300,000, as reported by the Comptroller of Currency at the time the charter was granted.

The FIRST COMMERCIAL BANK, St. Petersburg, Florida, a newly organized nonmember bank, opened for business on June 23 and began to remit at par. Officers include Richard C. Johnson, Chairman of the Board; Henry Esteva, Vice Chairman; Ernest J. Winstead, President; Dan Chambers, Sr., Vice President; and Robert G. Wagner, Cashier. Capital is \$300,000, and surplus and undivided profits, \$200,000.

On June 27, the FIRST NATIONAL BANK OF DENHAM SPRINGS, Denham Springs, Louisiana, a newly organized member bank, opened for business and began to remit at par. Officers are J. Douglas Nesom, President and Chairman of the Board; Sebring B. Simpson, Executive Vice President and Cashier; and Rudolph P. Easterly, Vice President. Capital is \$200,000, and surplus and other capital funds, \$300,000, as reported by the Comptroller of Currency at the time the charter was granted.

Debits to Demand Deposit Accounts Insured Commercial Banks in the Sixth District (In Thousands of Dollars)

	May 1964	Apr. 1964	May 1963	Percent Change		
				Apr. 1964	Year-to-date	
					May 1964 from 1963	5 Months 1964 from 1963
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,096,793	1,108,382	1,095,025	-1	+0	+9
Gadsden	56,386	53,452	51,724	+5	+9	+10
Huntsville	134,932	141,100	127,946	-4	+5	+23
Mobile	393,586	386,986	412,830	+2	-5	+5
Montgomery	240,446	233,773	243,967	+3	-1	+5
Tuscaloosa	73,673	73,355	73,628	+0	+0	+5
Ft. Lauderdale-Hollywood						
Jacksonville	1,093,233	1,205,729	1,062,843	-9	+3	+14
Miami	1,569,550	1,798,654*	1,612,979	-13	-3	+6
Orlando	462,327	496,039	451,943	-7	+2	+9
Pensacola	149,980	147,293	136,404	+2	+10	+10
Tampa-St. Petersburg	970,486	1,076,493	949,809	-10	+2	+8
W. Palm Beach	330,652	354,087	288,960	-7	+14	+10
Albany						
Atlanta	67,972	65,748	65,349	+3	+4	+9
Augusta*	3,110,023	3,376,705	3,052,459	-8	+2	+5
Columbus	149,984	147,647	149,579	+2	+0	+5
Macon	157,399	157,438	151,404	+0	+4	+13
Savannah	181,119	176,417	167,277	+3	+8	+8
	217,861	211,494	203,554	+3	+7	+8
Baton Rouge						
Lafayette	341,838	377,689	379,654	-10	-10	+4
Lake Charles	82,039	85,208	86,351	-4	-5	+9
New Orleans	95,873	88,338	93,837	+9	+2	+4
Jackson	1,857,363	1,885,466	1,799,652	-2	+3	+10
Chattanooga	423,105	416,491	422,769	+2	+0	+11
Knoxville	408,005	430,710	392,561	-5	+4	+9
Nashville	353,779	364,012	351,712	-3	+1	+7
	1,038,374	1,073,741	974,932	-3	+7	+16
OTHER CENTERS						
Anniston	51,410	51,058	51,267	+1	+0	+7
Dothan	45,696	44,986	43,471	+2	+5	+5
Selma	37,047	32,795	32,447	+13	+14	+14
Bartow						
Bradenton	28,260	27,076	27,594	+4	+2	+10
Brevard County	46,348	52,705	49,256	-12	-6	+2
Daytona Beach	154,929	165,024	134,215	-6	+15	+30
Ft. Myers	65,803	75,371	67,884	-13	-3	+7
N. Ft. Myers						
Gainesville	59,123	65,864	58,859	-10	+0	+7
Key West	61,281	64,450	56,590	-5	+8	+15
Lakeland	19,989	21,090	19,070	-5	+5	+9
Ocala	90,881	100,366	92,936	-9	-2	+4
St. Augustine	45,883	52,563	43,244	-13	+6	+4
St. Petersburg	15,629	17,664	15,032	-12	+4	n.a.
Sarasota	231,009	266,847	222,645	-13	+4	+8
Tallahassee	86,256	102,022	81,487	-15	+6	+7
Tampa	87,242	86,509	85,289	+1	+2	+10
Winter Haven	519,596	548,975	508,960	-5	+2	+8
	49,755	53,965	45,611	-8	+9	+12
Athens						
Brunswick	51,356	51,454	50,649	-0	+1	+9
Dalton	34,770	37,315	38,534	-7	-10	+6
Elberton	76,236	84,472	62,647	-10	+22	+22
Gainesville	10,620	12,301	12,263	-14	-13	+7
Griffin	59,215	57,517	59,623	+3	-1	+6
LaGrange	25,375	24,063	22,241	+5	+14	+8
Newman	18,151	19,129	16,811	-5	+8	+11
Rome	22,058	22,120	20,700	-0	+7	+7
Valdosta	56,587	56,644	54,528	-0	+4	+12
	42,796	39,961	37,278	+7	+15	+10
Abbeville						
Alexandria	7,665	8,254	8,013	-7	-4	+5
Bunkie	87,844	90,635	88,092	-3	-0	+10
Hammond	4,765	4,594	4,701	+4	+1	+0
New Iberia	31,360	28,191	27,800	+11	+13	+7
Plaquemine	35,826	28,166	26,397	+27	+36	+20
Thibodaux	7,459	7,596	6,881	-2	+8	+16
	17,265	18,054	15,209	-4	+14	+10
Biloxi-Gulfport						
Hattiesburg	66,247	71,690	71,368	-8	-7	+6
Laurel	41,001	40,906	39,879	+0	+3	+5
Meridian	29,920	31,322	31,492	-4	-5	+8
Natchez	55,143	52,585	58,049	+5	-5	+0
Pascagoula	30,595	28,833	27,128	+6	+13	+13
Moss Point						
Vicksburg	44,795	41,787	40,260	+7	+11	+6
Yazoo City	27,190	27,105	27,918	+0	-3	+9
	22,993	21,487	21,568	+7	+7	+12
Bristol						
Johnson City	54,101	54,111	60,206	-0	-10	-4
Kingsport	53,479	58,186	52,529	-8	+2	+12
	106,483	105,687	96,494	+1	+10	+12
SIXTH DISTRICT, Total						
Alabama†	21,845,254	23,277,963*	21,512,436	-6	+2	+8
Florida†	2,992,835	2,986,861	2,964,430	+0	+1	+9
Georgia†	6,762,176	7,724,398*	6,742,818	-13	+0	+8
Louisiana†††	5,240,795	5,567,615	5,116,364	-6	+2	+5
Mississippi†††	3,147,638	3,211,876	3,108,333	-2	+1	+9
Tennessee†††	1,003,176	991,281	998,136	+1	+1	+9
U.S., 344 Cities	2,698,634	2,795,932	2,582,355	-4	+5	+12
	329,700,000	349,900,000	318,000,000	-6	+4	+10

*Richmond County only. **Includes only banks in the Sixth District, portion of the state †Partially estimated. n.a. Not available. r Revised.

Sixth District Statistics

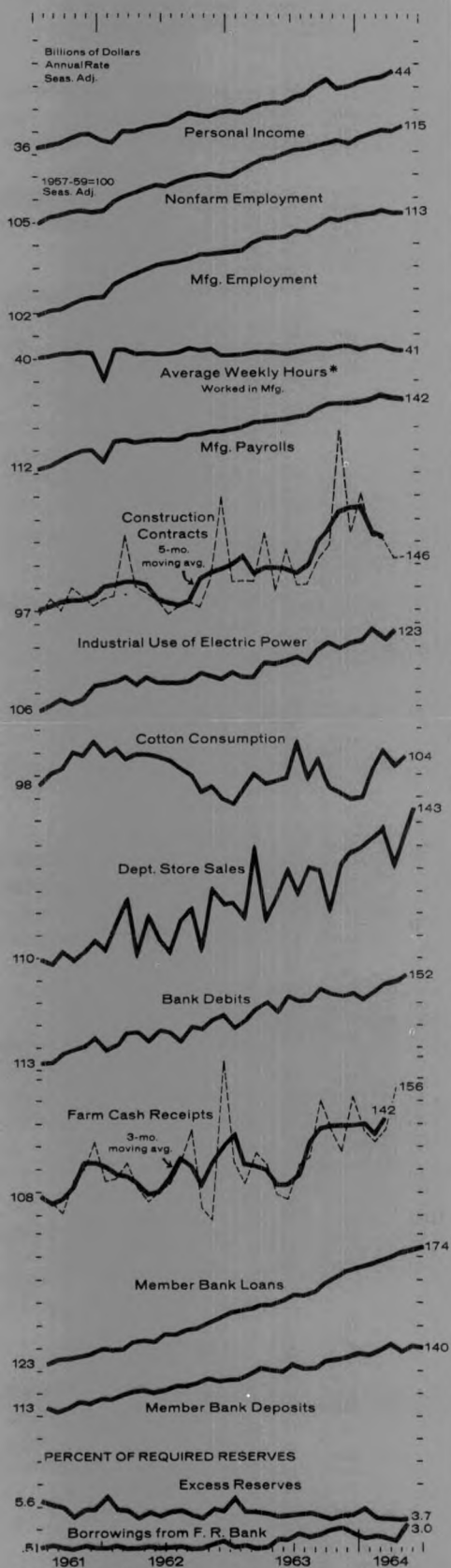
Seasonally Adjusted

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

	Latest Month (1964)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1964)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					GEORGIA				
INCOME AND SPENDING					INCOME AND SPENDING				
Personal Income, (Mil. \$, Annual Rate)	Apr. 44,156	43,563r	43,373r	40,677	Personal Income, (Mil. \$, Annual Rate)	Apr. 8,273	8,266r	8,232r	7,686
Manufacturing Payrolls	May 142	143r	144	133	Manufacturing Payrolls	May 140	143r	146	129
Farm Cash Receipts	Apr. 156	137	132	122	Farm Cash Receipts	Apr. 116	122	126	114
Crops	Apr. 170	170	146	131	Department Store Sales**	May 132	125	133	117
Livestock	Apr. 116	116	117	115	PRODUCTION AND EMPLOYMENT				
Department Store Sales**/**	June 143p	139	132r	130	Nonfarm Employment	May 117	116	117	114
Instalment Credit at Banks, *(Mil. \$)					Manufacturing	May 113	112	113	109
New Loans	May 179	182	188	166	Nonmanufacturing	May 119	118	119	116
Repayments	May 164	167	166	154	Construction	May 122	119r	117	123
PRODUCTION AND EMPLOYMENT					Farm Employment	May 74	73	71	85
Nonfarm Employment	May 115	115	115	112	Insured Unemployment, (Percent of Cov. Emp.)	May 2.2	2.4	2.6	2.7
Manufacturing	May 113	113	114	111	Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.0	40.4r	41.0	39.6
Apparel	May 136	135	135	134	FINANCE AND BANKING				
Chemicals	May 110	110	110	106	Member Bank Loans	May 175	174	173	153
Fabricated Metals	May 119	119r	119	111	Member Bank Deposits	May 149	145	150	134
Food	May 104	104	104	102	Bank Debits**	May 159	158	156	142
Lbr., Wood Prod., Furn. & Fix.	May 93	93	94	93	LOUISIANA				
Paper	May 109	109	110	108	INCOME AND SPENDING				
Primary Metals	May 103	103	103	102	Personal Income, (Mil. \$, Annual Rate)	Apr. 6,499	6,403r	6,440r	6,064
Textiles	May 95	95	96	95	Manufacturing Payrolls	May 128	126	129	120
Transportation Equipment	May 124	125r	126	117	Farm Cash Receipts	Apr. 153	118	158	104
Nonmanufacturing	May 116	115	115	112	Department Store Sales**/**	May 118	118	121	111
Construction	May 106	105	104	104	PRODUCTION AND EMPLOYMENT				
Farm Employment	May 82	79	81	86	Nonfarm Employment	May 104	104	104	102
Insured Unemployment, (Percent of Cov. Emp.)	May 3.0	3.2	3.3	3.8	Manufacturing	May 100	100	101	98
Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.7	40.8r	41.3	40.6	Nonmanufacturing	May 105	104	105	103
Construction Contracts*	May 146	145	162	117	Construction	May 89	88	88	87
Residential	May 147	152	176	130	Farm Employment	May 90	80	78	97
All Other	May 146	139	150	106	Insured Unemployment, (Percent of Cov. Emp.)	May 3.6	3.7	3.9	4.2
Industrial Use of Electric Power	Apr. 123	122	124	117	Avg. Weekly Hrs. in Mfg., (Hrs.)	May 42.1	41.8	42.7	41.9
Cotton Consumption**	May 104	102	105	99	FINANCE AND BANKING				
Petrol. Prod. in Coastal La. and Miss.**	May 168	163	168r	163	Member Bank Loans*	May 159	158	153	139
FINANCE AND BANKING					Member Bank Deposits*	May 125	124	125	118
Member Bank Loans*	June 174p	173	172	154	Bank Debits**/**	May 140	137	131	126
All Banks	June 165	161	160	147	ALABAMA				
Leading Cities	June 165	161	160	147	INCOME AND SPENDING				
Member Bank Deposits*					Personal Income, (Mil. \$, Annual Rate)	Apr. 6,038	5,946r	5,957r	5,677
All Banks	June 140p	141	139	133	Manufacturing Payrolls	May 132	130	130	126
Leading Cities	June 136	133	131	128	Farm Cash Receipts	Apr. 136	128	136	120
Bank Debits**/**	May 152	149	148	137	Department Store Sales**	May 118	108	114	103
MISSISSIPPI					PRODUCTION AND EMPLOYMENT				
INCOME AND SPENDING					Nonfarm Employment	May 108	108	108	107
Personal Income, (Mil. \$, Annual Rate)	Apr. 3,360	3,291r	3,311r	3,105	Manufacturing	May 104	104	104	103
Manufacturing Payrolls	May 152	148	153	142	Nonmanufacturing	May 110	110	111	108
Farm Cash Receipts	Apr. 199	130	140	117	Construction	May 101	101r	101	97
Department Store Sales**/**	May 105	101	100	98	Farm Employment	May 82	79	78	85
PRODUCTION AND EMPLOYMENT					Insured Unemployment, (Percent of Cov. Emp.)	May 3.2	3.4	3.5	4.1
Nonfarm Employment	May 118	117	118	116	Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.9	40.4	40.9	40.8
Manufacturing	May 121	120	121	118	FINANCE AND BANKING				
Nonmanufacturing	May 116	116	117	116	Member Bank Loans	May 170	170	171	153
Construction	May 118	116	113	125	Member Bank Deposits	May 142	139	142	131
Farm Employment	May 74	76	77	78	Bank Debits**	May 150	146	148	134
Insured Unemployment, (Percent of Cov. Emp.)	May 3.7	4.2	4.3	4.2	FLORIDA				
Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.3	40.1	40.7	40.5	INCOME AND SPENDING				
FINANCE AND BANKING					Personal Income, (Mil. \$, Annual Rate)	Apr. 7,178	7,136r	7,052r	6,602
Member Bank Loans*	May 194	198	187	170	Manufacturing Payrolls	May 140	142r	142	133
Member Bank Deposits*	May 156	153	152	146	Farm Cash Receipts	Apr. 123	117	109	119
Bank Debits**/**	May 156	152	152	143	Department Store Sales**/**	May 125	115	116	113
TENNESSEE					PRODUCTION AND EMPLOYMENT				
INCOME AND SPENDING					Nonfarm Employment	May 116	116	115	112
Personal Income, (Mil. \$, Annual Rate)	Apr. 7,178	7,136r	7,052r	6,602	Manufacturing	May 118	118	118	114
Manufacturing Payrolls	May 140	142r	142	133	Nonmanufacturing	May 115	115r	114	111
Farm Cash Receipts	Apr. 123	117	109	119	Construction	May 146	140	141	135
Department Store Sales**/**	May 125	115	116	113	Farm Employment	May 89	84	90	90
PRODUCTION AND EMPLOYMENT					Insured Unemployment, (Percent of Cov. Emp.)	May 3.5	3.9	4.2	4.6
Nonfarm Employment	May 116	116	115	112	Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.6	40.5r	40.8	41.0
Manufacturing	May 118	118	118	114	FINANCE AND BANKING				
Nonmanufacturing	May 115	115r	114	111	Member Bank Loans*	May 174	173	171	151
Construction	May 146	140	141	135	Member Bank Deposits*	May 142	141	143	129
Farm Employment	May 89	84	90	90	Bank Debits**/**	May 155	154	155	136
Insured Unemployment, (Percent of Cov. Emp.)	May 3.5	3.9	4.2	4.6	FINANCE AND BANKING				
Avg. Weekly Hrs. in Mfg., (Hrs.)	May 40.6	40.5r	40.8	41.0	Member Bank Loans*	May 177	173	172	150
FINANCE AND BANKING					Member Bank Deposits	May 142	141	143	131
Member Bank Loans	May 177	173	172	150	Bank Debits**	May 153	153	148	140
Member Bank Deposits	May 142	141	143	131					
Bank Debits**	May 153	153	148	140					

*For Sixth District area only. Other totals for entire six states. **Daily average basis. 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; industrial use of elec. power, 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



The District's economic vitality continues unabated. Additional jobs are lowering the rate of insured unemployment, and construction remains an element of strength. Dry weather has slowed the farm economy somewhat, but cash receipts have been higher than last year's. Retail spending continues to move ahead on the strength of increased personal income and bank lending.

Nonfarm employment expanded further in May, but the manufacturing component provided little or no stimulus. Virtually all jobs added to District payrolls were in the nonmanufacturing industries. Construction employment provided a strong upward thrust, as building activity picked up in all states except Alabama and Florida. As a result of the employment gains, the rate of insured unemployment continued to fall. Employment gains and losses in the manufacturing industries neutralized each other; among them, a noticeable decrease in transportation equipment counterbalanced a similar increase in apparel. A shorter average workweek, however, contributed to a decline in manufacturing payrolls.

New construction contract volume in both the residential and non-residential categories remains at a near-record level. Though new additions are not as strong as during the earlier part of the year, backlogs continue to be high. The volume of residential building contracts, supported by strong apartment building, is still outpacing most other types. District trends appear about in line with developments in the nation as a whole. In both cases, new construction contract volume has receded to more sustainable levels from the very high volume of the closing months of 1963.

Widespread hot, dry weather is retarding crop and pasture growth in the southern portions of Georgia, Alabama, and Mississippi. Field activity is still brisk, however. A step-up in shipments of beef and eggs has pushed beef prices down somewhat, but prices for eggs have held steady. Thus far in 1964, farmers' cash receipts from farm marketings exceed the year-earlier total by a wide margin.

Most measures of retail spending continue to press upward. Bank debits rose in May for the fifth consecutive month, and department store sales were up in May and early June. District consumers during May continued to build up outstanding debt at instalment credit windows of District banks. Although the volume of new loans extended during the first five months of 1964 has exceeded that of 1963, repayments during the same period have risen even faster, resulting in a smaller expansion of outstanding debt than in 1963. Latest available data show personal income expanding again in April. During the first four months of this year, the gain registered by each District state over the year-ago period was larger than that for the country as a whole. Year-to-year increases for the four-month period were sharpest in Florida and Tennessee.

Lending activity at District member banks proceeded at a fast pace through the middle of June. Judging by banks in leading cities, loans to consumers and businesses accounted for most of the rise. Holdings of U. S. Government securities declined further, while investment in state and local securities increased. Preliminary figures indicate that member bank deposits declined slightly in June, as demand deposits failed to show their usual early summer upswing.

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