Imagine, if you will, a banker and a business analyst comparing notes about how things went in this region in 1964. “Was it as good as the year before?” queried the analyst. “Yes, just as good,” said the banker. “I agree, it was as good as last year.” Certainly, not every District banker experienced a year exactly as good as 1963, nor did every state and community. But in the aggregate, both economic activity and banking matched almost perfectly their performances of 1963.

Although final returns are not yet in, total economic activity, as measured by personal income, showed exactly the same rate of gain during the first ten months of 1964 as it had in the same period of 1963. In fact, you would have to carry this figure—some 7 percent—to one decimal before you found any difference. There is uncanny correspondence if you measure activity in terms of nonfarm employment. Up 3.17 percent in the first eleven months of 1964, this statistic is exactly the same as it was in the comparable period of 1963.

Since, at the regional and state level, banking activity and income generally move together, it is not surprising that bankers had a good year as well. Here again, it is remarkable how closely 1964 paralleled 1963. During the eleven months ending in November 1964, total loans and investments—bank credit—of District member banks increased $1.1 billion, or about 10 percent. The increase for the previous year was 9 percent.

In some parts of the region, however, banks did not do quite as well as they had in 1963. Of the District’s twenty-seven trade and banking areas, thirteen experienced smaller rates of growth in deposit volume in 1964 than in 1963, according to data for the first eleven months. Among them was the Orlando, Florida area, even though it showed the largest percentage increase in deposits of any area in this region. Only Miami experienced exactly the same gain as in 1963, while thirteen other trade and banking areas surpassed their 1963 performances.

Why should the overall banking picture have been so strikingly similar to that of 1963? Part of the answer is that economic activity continued to expand without letup. Another is that monetary policy remained generally stimulative. It’s quite true that the Federal Reserve Banks in late November raised the rate at which they were willing to lend to member banks. This action followed the increase in the British Bank rate and was undertaken largely as insurance against the possibility that rising interest rates abroad would act as a stronger magnet to domestic funds and, thereby, add to our balance of payments deficit. It’s also true that the Federal Reserve from time to time modified its policy stance slightly. Basically, however, it stood firm in its determination to stimulate domestic business and continued to supply banks with reserves, thus enabling them to accommodate 1964’s sizable credit demands.
Banks Expand Loans

About one out of every eighteen dollars of the credit that banks supplied nationally came from institutions located in this part of the country. Loans, in fact, went up at a faster rate here than nationally and at a slightly faster tempo than in 1963. If we make allowance for seasonal forces, the volume of these loans, moreover, showed a remarkably steady growth from month to month.

In 1964, District member banks expanded their loan portfolios to include nearly every major type of borrower. The strength of the demand was not uniform, however. At banks in leading cities, the volume of loans for buying and carrying securities showed practically no change. This category of loans is fairly small though. Businesses, in contrast, needed considerable amounts of additional bank credit, although they continued to rely heavily on retained earnings and other internal cash funds.

Banks Try to Compete

As every banker knows, banks face competition from many different lending institutions for business and other kinds of loans. The figures do not tell us how well this District’s commercial banks staved off the competition, but they do show that these banks accounted for a large portion of the total rise in consumer instalment credit and that most of their increase came from auto loans. For banks, the rate of expansion in these loans, nevertheless, lagged behind the 1963 rate, even though consumers were stepping up auto purchases. The competition for the consumer lending business was undoubtedly severe.

As in past years, District banks eagerly sought to expand their mortgage lending. Banks in leading District cities during 1964 increased their real estate loans one-third as much as their commercial and industrial loans. This gain in real estate lending was, indeed, a good deal larger than in 1963. Undoubtedly, a major reason for the upsurge was an attempt to cover the higher costs of time and savings deposits.

Despite their growing interest in real estate lending, banks still regarded commercial and industrial loans as highly important to their loan portfolios. At banks in leading cities, retail and wholesale trade concerns accounted for almost a third of the business loan total in 1964; in fact, they added nearly twice as many loans in this category to their portfolios as they had in 1963. Lending to construction concerns also showed a spectacular gain, relative to the year earlier, but there were also a good many industries showing only sluggish loan growth.

With reserve availability practically undiminished, banks met the loan demand without the sizable increases in interest rates on bank loans that have occurred in other cyclical periods of business expansion. The rates that banks charged on short-term loans to businesses remained virtually unchanged.

Banks Add to Investments

Banks also managed to add to their security portfolios at the same time they were expanding loans. District member banks enlarged their investments $179 million during the first eleven months of 1964, or about as much

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Federal Reserve Bank of St. Louis
as they had the year before. Faced with the need to profitably employ time deposits, they continued to buy state and local securities. While the rate at which they were acquiring these securities slowed down to about 14 percent, this gain was still quite large considering the spectacular 21-percent growth rate of 1963.

To meet their loan demands and add to their investments in municipal securities, District banks reduced their holdings of U.S. Government securities. While they had reduced their holdings sharply in previous periods of business expansion, the decline in 1964 was slight. Here again, a major reason was the Federal Reserve’s policy of providing ample reserves.

Since monetary policy remained fairly easy, few banks found it necessary to borrow from the Federal Reserve Bank of Atlanta. Of the more than 500 member banks, only fifteen borrowed during an average week in 1964. This number was just about the same as a year earlier. While the volume of member bank borrowing increased, it too was small—averaging $28 million—compared with that of other cyclical expansions.

For meeting temporary deficiencies, District banks followed past trends of turning more often to the so-called “Federal funds” market. Through this market, banks with excess funds lend to those experiencing a temporary deficit. Through November, the net amount District banks borrowed in this manner increased, compared with 1963. On average, they bought (borrowed) an estimated $78 million of Federal funds and sold (lent) $55 million.

New Banking Techniques Develop Slowly

Still, relative to banks in many other parts of the country, the importance of District banks in the Federal funds market has remained fairly small. Nor have banks in this region been as aggressive in developing time certificates of deposit. These are interest-bearing certificates that banks offer, primarily to corporations and state and local governments, for leaving money with them for a definite period. If the bank is well-known and the certificate is a large denomination, the holder can readily sell it before maturity. Growing from a $205-million volume for banks in leading District cities on February 5, 1964, to $327 million by year-end, this type of time deposit has been issued on a much smaller scale here than in other areas of the country.

District banks also have been fairly slow in obtaining funds through another fairly new device—the issuance of capital notes and debentures. Only a handful have borrowed in this manner to enlarge their capital base, and none have as yet followed the example of some banks elsewhere of offering unsecured negotiable notes. Developed to compete for short-term investment funds, these notes are not deposits but debts of a bank and, as such, are free from rate regulation.

The banking story for 1965 is, of course, still to be written. But, in view of the rapidly changing developments in banking and the ever shifting economic and credit scene, the central theme may not echo the “as good as last year” refrain of 1964.

Harry Brandt

New Challenges for Georgia’s Economy

During the past four recovery years, Georgia has experienced accelerated population growth with gains averaging more than 2 percent annually. This is in sharp contrast with the average annual growth rate of slightly more than 1.3 percent during the 1950’s. Meanwhile, shifts in population and in employment opportunities from rural to urban centers have continued, though at a somewhat slower rate than in the 1950’s. Although Georgia’s economy has been challenged throughout the postwar period to accommodate moderate population growth and inter-industry employment shifts, new and sharper challenges have emerged during the past four years. Some perspective on these changes may be gained by an analysis of the challenge and response in three major problem areas: (1) Continually providing job opportunities of the sort that help to close the gap in per capita income between Georgia and the United States; (2) accommodating the increased volume of public services required to underwrite economic growth; and (3) expanding and upgrading housing facilities for people and business.

Jobs and Income — Challenge . . .

Numerous observers have emphasized the diversified character and balance of Georgia’s economy and employment mix. This diversification contributed to the state’s ability to achieve major employment shifts and overall employment growth during the 1950’s. Moreover, cyclical instability had been less than that of the nation as a whole during most of the postwar period. However, a reversal occurred with the downturn of 1960. Georgia’s recession, although it began somewhat later than the nation’s, was relatively more severe, and recovery from its effects was slower. At the same time, employment diversification continued to favor nonmanufacturing job growth. Per capita income growth had become more stable cyclically, but its rate of climb had been reduced. The job challenge was thus both quantitative and qualitative, particularly so in view of the acceleration in population growth.

In addition to changes in markets for Georgia’s products, technological changes, and the major trend from farm to nonfarm employment, a significant new element now entered the picture: Georgia, like other states, received some unfavorable effects from readjustments in government policies at the national level. These effects were important in at least four employment areas: Federal civilian employment, military hardware procure-
ment, military installation closings, and transportation.

Not only were more jobs needed, but higher-paying jobs were required if Georgia expected to progress further in closing the income gap. Georgia's income base has long been heavily oriented to production income, as opposed to property or transfer payment income. Less than 10 percent of total personal income in 1959 was from property income, substantially lower than the U.S. proportion of almost 13 percent. Moreover, when property incomes and proprietors' incomes are combined as a proportion of total income, the differential between Georgia and the nation as a whole was wide in 1963. It is thus apparent that Georgia depends heavily upon upgrading wage and salary sources to bring its per capita personal income up to par with that of the nation.

... and Response

Most indicators show that over the current expansion period, Georgia's economy has responded well, both in comparison with past cyclical behavior and national and regional performances. At the end of November 1964, the index of total nonagricultural employment stood at 119, 15 index points higher than in February 1961. Nonmanufacturing and manufacturing employment indices each registered gains of 15 index points. These gains, in turn, are reflected in the behavior of unemployment. Georgia's rate of insured unemployment declined from a recession high in February 1961 of 6.1 percent to a low of 2.1 percent in June 1964. Moreover, this rate remained below 3.0 percent in each of the first eleven months of 1964.

Total personal income growth in Georgia in 1961 reflected the lag in employment recovery. In each of the following two years, however, sharp surges exceeding 8 percent occurred. Data through the third quarter of 1964 suggest some slowing in this exceptional rate of gain.

During the three-year period 1961-63, per capita income in Georgia rose a hefty 16 percent, again exceeding national and regional rates of gain. Per capita disposable income gained 18 percent between 1959-63. This rate of increase also was higher than that of the nation or of the Southeast.

Consumption and savings measures confirm that Georgia's economy has responded well to its expanding opportunities. Patterns in the fourth quarter of 1964 indicate that sales of new passenger automobiles were setting new records for the second year in a row, some 60 percent greater than the poor sales year of 1961. The index of department store sales registered 138 for October 1964, compared with 101 in October 1961. The index of furniture store sales for October, at 116 versus 92 in October 1961, reinforces the expansionary glow.

While much of this spending and consumption was credit-financed, Georgians added substantially to their savings and liquidity positions over the period. Almost $1 billion was added to savings capital of savings and loan associations and to time deposits in commercial banks during the four-year period from November 1960 to October 1964. The rate of increase for savings and loans averaged more than 14 percent annually, while time deposits climbed at an average annual rate of more than 15
percent. Monthly sales of ordinary life insurance increased to a level in 1964 more than 46 percent higher than in 1960.

Public Services — Challenge . . .

Population growth and rising incomes created an increasing demand for more and better public services. The public revenue base, however, was inadequate to meet these growing needs, even though it had expanded and significant improvements in state and local fiscal administration had occurred. No convenient means of quantifying the challenge, either in increased current services or in capital plant, is available. In the case of the latter, however, its magnitude may be approximated by assessing the extent to which Georgia and her local communities turned to the national markets for funds.

During the four-year period ending in 1963, Georgia’s public economy borrowed almost $1.2 billion. This total was 77 percent greater, or slightly more than $500 million, than the total borrowed in the four-year period ending in 1959. The challenge presented had at least three major facets: to borrow so much; to distribute borrowing power judiciously; and to do both at minimum present and future cost.

. . . and Response

The main types of capital improvements for which borrowing power was utilized during the two periods are indicated in the chart. In interpreting the data, it should be borne in mind that they reflect governmental borrowings at both state and local levels. Another qualification is that the amounts shown for “Housing” include a considerable volume of short-term notes, of which varying amounts are “rolled over” at fairly short intervals. On balance, it appears that Georgia has concentrated the bulk of its increased long-term borrowing in the service areas of schools, roads, water, and hospitals. Relatively little borrowing was done for public utilities, refunding, or industrial development.

In meeting the minimum borrowing cost feature of the challenge, it seems reasonable to assume that judicious use of borrowing power and an expanding revenue base played some part. More direct effects came from the continuing effort to upgrade Georgia’s credit rating by legislative and other changes, which resulted in a higher appraisal by the national rating services. A major partner in the overall task of borrowing more capital funds at lower cost, of course, was national monetary policy. Its effect, in turn, was evident not only in the increased supply of total funds but also in a significant re-direction of savings flows.

Housing — Challenge . . .

As in the case of public services, the challenge of increased housing needs for people and for business has no quantitative handle. The major dimension of these needs, however, may be outlined by surveying the net increase in mortgage debt. During the three-year period ending in 1963, demand for nonfarm mortgage funds by Georgia’s private sector grew by well over 40 percent. The four major mortgage investors—commercial banks, mutual savings banks, savings and loan associations, and life insurance companies—increased their mortgage holdings secured by Georgia properties by over $1 billion.

Rapid growth in the savings capital of Georgia’s savings and loan associations and in time deposits of commercial banks enabled these institutions to provide almost 60 percent of this sum. Georgia’s life insurance companies, growing more slowly and limited by diversification requirements, were able to supply only about one percent of the net increase. Thus, a deficit of more than $400 million had to be brought in from other sources. Again, in this challenge, as in the provision of public services, borrowing costs were an important factor.

. . . and Response

In filling this capital gap, Georgians exported over $100 million net of mortgages to mutual savings banks, located mainly in New York and New England. Almost $300 million net imported funds were supplied by more than 130 life insurance companies. As shown in the chart, these companies represented every major geographic region except the Mountain states.

Georgia’s private sector had three major advantages in responding to this challenge. First, a good record of diversified growth in the decade of the 1950’s had already attracted a large flow of mortgage funds from out-of-state life insurance companies and mutual savings banks. At the end of 1960, these two groups of investors held mortgages on Georgia properties amounting to $1.2 billion. A second advantage was the presence of a well-established and growing network of mortgage bankers and other mortgage servicers skilled in the placement and servicing of mortgage funds. Finally, a lengthening recovery, aided by favorable monetary and fiscal policies, assured further growth in the national pool of private savings and extended the ability of borrowers to service increased mortgage debt.

Because of data lags, most of the results surveyed here apply to the period ending in 1963. It is clear, however, that Georgia has responded well to the major challenges of the current expansion and that the national fiscal-monetary policy mix has had far more favorable than unfavorable effects upon the state’s economy.

Hiram J. Honea

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Alabama’s economy were analyzed in the July 1964 Review, and a discussion of Mississippi’s economy is scheduled for a forthcoming issue.

Bank Announcements

On November 21, the Citizens Bank of Clayton County, Forest Park, Georgia, a newly organized nonmember bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Henry C. Dorsey, Chairman of the Board;
Charles E. Wells, President; and Herman R. Walker, Cashier. Capital is $200,000, and surplus and undivided profits, $200,000.

The Okaloosa National Bank at Niceville, Niceville, Florida, a newly organized member bank, opened for business on December 1 and began to remit at par. Officers include Richard G. Boyd, Chairman of the Board; R. A. Harper, Sr., President; and M. Z. Jones, Jr., Vice President and Cashier. Capital is $200,000, and surplus and other capital funds, $200,000, as reported by the Comptroller of Currency at the time the charter was granted.

On December 4, the Boynton Beach First National Bank, Boynton Beach, Florida, a newly organized member bank, opened for business and began to remit at par. Officers are Charles F. Alden, Chairman of the Board and President; Robert F. Griffield, Vice President; Thomas E. Dyer, Vice President; and John M. Howell, Vice President and Cashier. Capital is $250,000, and surplus and other capital funds, $250,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Planters Trust & Savings Bank, Opelousas, Louisiana, a nonmember bank, began to remit at par on December 4. Officers include L. J. Larcade, President; and M. Z. Jones, Jr., Vice President and Cashier. Capital is $250,000, and surplus and other capital funds, $250,000, as reported by the Comptroller of Currency at the time the charter was granted.

On December 7, the Tri-Parish Bank & Trust Company, Eunice, Louisiana, a nonmember bank, began to remit at par. Officers include L. E. Hewlett, Jr., President; and Forman J. Williams, Vice President and Trust Officer; and M. J. Fruge, Jr., Cashier.

The Capitol National Bank of Montgomery, Montgomery, Alabama, a newly organized member bank, opened for business and began to remit at par. Officers include C. S. La Garde, President; Roy A. Mongrave, Vice President and Cashier; A. J. Laurent, Vice President and Branch Manager; and C. B. Ferdon, Vice President and Branch Manager.

The merger of The First National Bank in Gadsden, Gadsden, Alabama, into State National Bank of Alabama, Decatur, Alabama, under the charter and title of State National Bank of Alabama, became effective as of the close of business December 19.

On December 21, the Bank of St. Charles and Trust Company, Luling, Louisiana, and its branches at Norco, Louisiana, both nonmember banks, began to remit at par. Officers include C. S. La Garde, President; Roy A. Mongrave, Vice President and Cashier; A. J. Laurent, Vice President and Branch Manager; and C. B. Ferdon, Vice President and Branch Manager.

### Debits to Demand Deposit Accounts

**Insured Commercial Banks in the Sixth District**

| Year-to-date | Percentage
|--------------|-----------------
| Change | from 1963 | 1964 | 1963 |

### Table of Changes

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<th>Year-to-date</th>
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*Richmond County only. **Includes only banks in the Sixth District portion of the state. ♦Partially estimated. r Revised.

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*Richmond County only. **Includes only banks in the Sixth District portion of the state. ♦Partially estimated. r Revised.
### SIXTH DISTRICT

**INCOME AND SPENDING**
- Personal Income, (Mil. $, Annual Rate) 
  - Oct. 44,797 44,871r 44,114 42,424
- Manufacturing Payrolls
  - Nov. 151 147r 146 141
- Farm Cash Receipts
  - Oct. 140 126 123 121
- Crops
  - Oct. 140 120 141 141
- Livestock
  - Nov. 122 118
- Transportation Equipment
  - Oct. 146p 141 138 134

**PRODUCTION AND EMPLOYMENT**
- Nonfarm Employment
  - Nov. 118 117 117 114
- Manufacturing
  - Nov. 136 132 132 132
- Apparel
  - Nov. 137 136 136 132
- Chemicals
  - Nov. 112 112 112 111
- Fabricated Metals
  - Nov. 124 124 123 116
- Food
  - Nov. 108 108r 108 105
- Leather, Wood Prod., Furniture, Fix.
  - Nov. 94 93 93 93
- Paper
  - Nov. 110 110 110 108
- Primary Metals
  - Nov. 106 105 105 103
- Textiles
  - Nov. 96 95 94

**FINANCE AND BANKING**
- Member Bank Deposits
  - Nov. 118 117 117 114

**LOUISIANA**

**INCOME AND SPENDING**
- Personal Income, (Mil. $, Annual Rate) 
  - Oct. 6,569 6,477r 6,407 6,215
- Manufacturing Payrolls
  - Nov. 136 133 133 133
- Farm Cash Receipts
  - Nov. 136 133 133 133
- Department Store Sales
  - Nov. 134 132 132 132

**PRODUCTION AND EMPLOYMENT**
- Nonfarm Employment
  - Nov. 107 106 105 103
- Manufacturing
  - Nov. 136 134 134 134
- Insured Unemployment, (Percent of Cov. Emp.)
  - Nov. 41.1 40.3r 39.7 41.0

**FINANCE AND BANKING**
- Member Bank Deposits
  - Nov. 169 167 167 151

**MISSISSIPPI**

**INCOME AND SPENDING**
- Personal Income, (Mil. $, Annual Rate) 
  - Oct. 4,076 4,096r 4,067 4,094
- Manufacturing Payrolls
  - Nov. 136 134 134 134
- Farm Cash Receipts
  - Nov. 136 134 134 134
- Department Store Sales
  - Nov. 191 188 187 164

**PRODUCTION AND EMPLOYMENT**
- Nonfarm Employment
  - Nov. 119 118 118 116
- Manufacturing
  - Nov. 136 134 134 134
- Construction
  - Nov. 136 134 134 134

**FINANCE AND BANKING**
- Member Bank Deposits
  - Nov. 169 168 168 159

**TENNESSEE**

**INCOME AND SPENDING**
- Personal Income, (Mil. $, Annual Rate) 
  - Oct. 7,114 7,126r 7,081 6,763
- Manufacturing Payrolls
  - Nov. 149 149r 146 140
- Farm Cash Receipts
  - Nov. 136 135 135 135

**PRODUCTION AND EMPLOYMENT**
- Nonfarm Employment
  - Nov. 119 118 118 116

**FINANCE AND BANKING**
- Member Bank Deposits
  - Nov. 169 169 169 159

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*For Sixth District area only. Other totals for entire six states. **Daily average basis. r Revised. p Preliminary.*

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.; petroleum, 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.
The old year ended on a note of optimism, as economic activity apparently continued to expand. Farmers have enjoyed a better than average year; personal income has risen faster in the District than it has in the nation as a whole; insured unemployment is below the national average; and construction activity is stronger in this region than it is nationally.

As harvest activities drew to a close, farmers' cash receipts were running slightly ahead of last year's. This gain occurred despite a weakening in some major crop and livestock prices. Demand deposits were up in most rural areas in November, while farmers' spending, as indicated by debits to demand deposits, was down. These developments reflect high receipts from crop sales and decreased expenditures for harvesting activities. With soil moisture plentiful in most areas, farmers' plans for the new crop year are optimistic.

Nonfarm employment increased strongly in November, with only Alabama and Florida failing to share in the improvement. The additional jobs in Tennessee and Louisiana were predominantly in nonmanufacturing activity, while manufacturing accounted for most of the gain in Georgia and Mississippi. Employment in the transportation equipment industry rebounded to above the pre-strike level, and most other industries also showed gains. In addition, the factory workweek lengthened and helped to fatten paychecks. The District's rate of insured unemployment continues to move down as employment increases.

Crosscurrents remained the rule in construction contract awards. As anticipated, the rate of year-to-year gain in total contract volume declined further. However, it now appears that the retreat from the sharp peaks of late 1963 and early 1964 was checked in August. Some further weakness in residential awards was more than offset by strength in nonresidential building. Among the latter were several large projects in the chemical and allied products field.

Consumers continued to increase their spending in November, and indications were that the Christmas shopping season broke all records. Department store sales rose to a new high in November, and so did debits to bank accounts. Furniture store sales, however, declined. Besides buying more goods, consumers added to their liquid savings in the form of commercial bank time deposits and savings and loan shares. They also increased their repayments of instalment credit at commercial banks to the extent that the total of this type of credit outstanding actually decreased.

Bank reserve positions remained generally easy in December. Member banks reduced their borrowings from the Federal Reserve Bank of Atlanta to about the same low level of a year ago. Borrowings by member banks from other banks for the purpose of averting temporary reserve deficiencies also stayed close to last year's volume. Judging from reports of banks in leading cities, loans in December rose less than usual, following a very rapid increase in November. These banks continued to expand their securities portfolios.

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