Monthly Review

Atlanta, Georgia
July • 1965

Also in this issue:

Federal Reserve Bank of Atlanta

Bank Lending in the Southeast: Still Booming

The casual reader, scanning the financial pages in April, probably saw the headline: "Borrowing from Banks Booming." Then in May he ran across quite a different one: "Hectic Loan Demand Slackening." Better than a thousand words, these two headlines describe bank lending developments in the nation through the spring. But what about bank credit in this part of the South, that is, Alabama, Florida, Georgia, the southern halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee? Did banks in this Federal Reserve Bank District experience the same swings in credit demands as those nationally?

Although the general course of economic activity in the Southeast resembles that of the rest of the country, it varies sometimes for short periods. Even if this were not so, loan activity might still be different because certain kinds of borrowers rely more heavily on banks in certain regions than in others. Thus, banks in some areas might be affected more by an upsurge in credit demands emanating from one or two types of businesses than would those in another area. Domestic businesses financing large plant and equipment outlays and foreign concerns, for example, often receive bank financing through a "term loan," which is a loan with a maturity of a year or more. Term lending, according to past studies, is less important here than in the United States as a whole. And while available data do not distinguish between term loans made to domestic and foreign firms, banks in this District unquestionably extend less credit to foreigners, relative to their total loan volume, than do New York City banks.

Vigorous Lending by District Banks

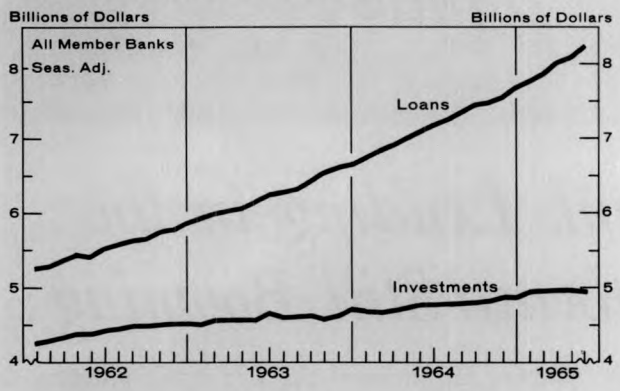
Because a rapid rise in foreign lending and other special factors explain a substantial portion of the heavy lending at the nation's banks in early 1965, one might expect banks here to have experienced only modest loan demand. This has not been so. Lending by this region's banks has actually been quite heavy this year. After allowance for the normal seasonal change, loans at District member banks climbed at an annual rate of 18 percent in the first five months of this year. Moreover, while the exceptionally fast pace slackened nationally this spring, banks in major District cities did not experience such a letup.

How can we explain the sharp rise in borrowing in this part of the South? While it is hard to tell from the figures why banks located outside the big District cities (Atlanta, Birmingham, Chattanooga, Jackson, Jacksonville, Knoxville, Miami, Mobile, Nashville, New Orleans, St. Petersburg, and Tampa) should have experienced a strong loan demand, data for these twelve cities suggest what did happen. Of primary importance were the extremely rapid expansion in real estate lending and the unusually heavy business demand for credit.

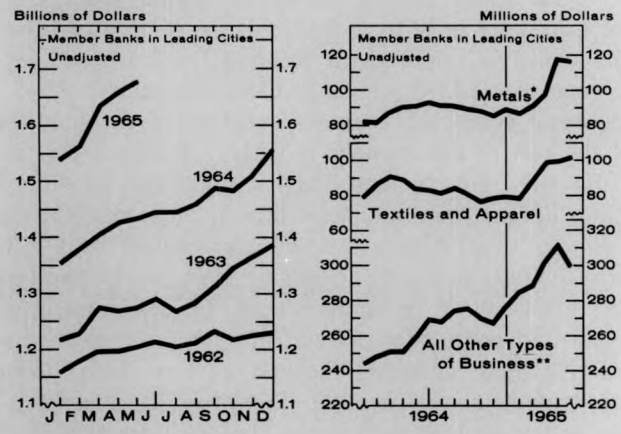
Business Borrowing Surges

Increasing by nearly $170 million during the first six months of 1965, business loans expanded over three times as much as the average growth

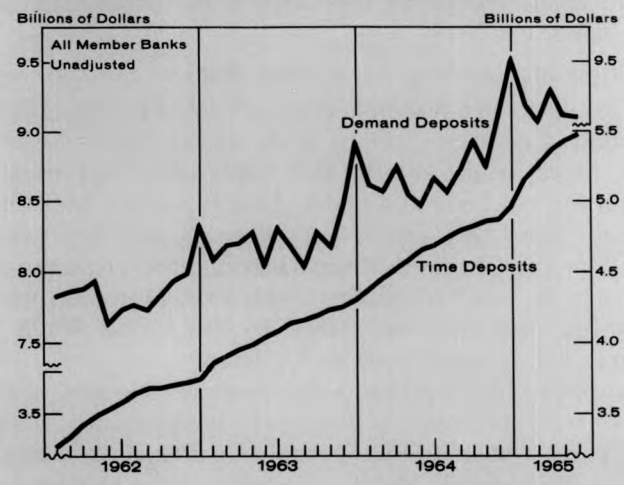
In early 1965, a sharp increase in LENDING and a leveling off in investments took place at District banks.



Although they experienced vigorous loan demands, especially from BUSINESS,



District banks managed to meet them from extraordinarily large increases in their TIME AND SAVINGS DEPOSITS.



*Includes primary metals, machinery, and other fabricated metal products.
**This category includes mainly services and all classified loans other than durable goods and nondurable goods manufacturing, mining, trade, transportation, communication, public utilities, and construction.

for the same period of the previous three years. Although some special factors contributed to this upsurge, increases in the loan volume of practically every major type of business suggest that an enlarged use of bank credit was widespread.

Some of the heaviest credit demands came from manufacturers of textiles and apparel, service establishments, and from concerns engaged in metals and metal fabrication. Understandably, a substantial portion of this money was used to finance a buildup in steel inventories because of the possibility of a steel strike. After an interim contract at least delayed the possibility of a strike, financing needs for building up inventories apparently diminished. This probably accounts for the slackening off in May and June of loans outstanding to metal users.

Lending to foreigners contributed only slightly to the loan expansion in early 1965. After the turn of the year, foreigners did step up their borrowing, perhaps in anticipation of restrictions eventually imposed on such loans. This loan volume, however, was subsequently whittled down, as banks cut back the level of their foreign loans in line with the Voluntary Restraint Program. With an eye to holding down foreign bank financing under the President's balance-of-payments program, the suggested ceiling on foreign bank lending has been set at 5 percent above the year-end figure for 1964.

Continued expansion in total lending suggests that slackening in this and other sources of demand has been offset by increases elsewhere. Consumer lending, for example, rose considerably in May. Some of this increase, however, seems to have been temporary as under-withholding of income taxes led taxpayers to borrow funds to meet April 15 tax payments.

Financing the Loan Expansion

Without a substantial increase in time and savings deposits, banks might not have accommodated these vigorous loan demands so easily. By another measure—member bank borrowing from Federal Reserve Banks—it would appear, on the other hand, that banks were under some pressure. Both the number of banks borrowing and the average amount borrowed from the Federal Reserve discount window were higher through June 1965 than in the same period last year. Some of the added borrowing can be traced to a preference for this means of adjusting reserve positions to the alternate of buying Federal funds (*i.e.*, borrowing excess reserves from other banks). Since early March, the rate on Federal funds has often been above the Federal Reserve discount rate. The combined amount of Federal funds and Reserve Bank borrowing remained quite small, however.

If banks had financed the loan expansion to a significant degree through such means, one might become alarmed about the expansion in bank lending. That this has not happened, therefore, is reassuring. Whether surging credit demands have been all to the good is answered less easily, however, because the statistics provide us with only an insight into the quantity of credit, and not into its standards of quality.

HARRY BRANDT

Regional Corporate Financing: Losing Its Importance?

Corporate financing through the issue of securities by firms headquartered in this District was last reviewed as of mid-1963. At that time, some emergent trends suggested that this source of capital was becoming less important as the economic expansion of the Sixties proceeded. Among these trends, which were still regarded as tentative because of the severe disruption of the equity markets in May and June of 1962, the following seemed most firmly established: (1) Since reaching a peak in 1958, total volume of securities offered by private regional firms had continued to decline each year. (2) A similar decline in the volume of securities offered by manufacturing firms was evident. (3) Sharp cutbacks were taking place in the financing of relatively new, speculative, or quasi-speculative companies in "other" fields.

Since the severe disruption of the corporate securities markets in 1962, recovery in the national volume of new securities issued and in price levels has been substantial. Cash offerings in the United States increased from $10.7 billion in 1962 to $12.2 billion in 1963. Last year's volume reached $14.0 billion, more than 30 percent higher than that of 1962. Dollar prices of most stocks also had recovered sharply from their 1962 lows by the end of 1964. Although the recoupment in average price earnings ratios of outstanding common stock had not returned them to the high levels of late 1961, there still had been a substantial comeback from the depressed levels of mid-1962. Corporate bond yields remained virtually stable during 1964, after having declined throughout the last half of 1962 and the first quarter of 1963. Under these improving conditions, recovery in total volume of corporate securities issues in this District might have been expected. This expectation was not realized, however.

Why Such a Drop in the District?

The dollar volume of District sales declined from $575 million in 1960 to $262 million in 1964, a drop of 54 percent in the level of annual sales. Moreover, from the 1960 high of 5.6 percent of total U. S. volume, the District's share in total volume declined to 1.9 percent in 1964, as shown in the accompanying table. The relative decline, amounting to 66 percent between 1960 and 1964, was thus more severe than the very steep decline in dollar volume itself.

Several factors that influenced the shrinkage in volume of capital raised through corporate securities since 1962 can be identified. They may conveniently be grouped under two headings: those that reduced the filing of prospective securities issues as a necessary first step in raising new capital and those that contributed to a lower ratio of actual sales to intended sales.

Reduced filings. Since 1955, the District's public utilities have without exception accounted for over half of the registrations of new securities. Their peak year was in 1960, when they sold over $400 million in securities and accounted for over two-thirds of the District's total. Since that time, some reduction in their apparent needs for outside financing has occurred each year. Investment spending, of course, has continued to expand, but more efficient use of existing facilities, growth in internal sources of funds relative to expansion of need for new facilities, and other factors cut their securities issues to just over $200 million in 1964.

Increased cash flow and more ready availability of term loans, private placements of securities, and bank credit in general undoubtedly played a role in the reduction of SEC filings of securities by manufacturing firms. Such filings had averaged $55 million per year between 1958 and 1961. The average for 1963-64 was a scant $13 million. This decline was accentuated because only one of the eight District business firms that are among the 500 largest U. S. manufacturing concerns was engaged in outside public financing in 1963 and 1964.

These reasons also explain some of the reduction in filings of "other" corporations. However, other explanations are at hand for the decline in the average annual level of these filings from $138 million for 1958-61 to a $69-million average for 1963-64.

Loss of identity as independent businesses has imparted a significant downward bias in aggregate filings for outside financing by District non-utility firms. Failures and reorganizations of highly speculative ventures also have played a part in this drop. However, a much greater impact has come from merging or outright purchase of District firms by larger national firms. Many instances of such loss of identity through sale or merger have occurred within the past five or six years. In many cases, the former District business was relatively large in its field or within its local market and during the 1950's or early 1960's had issued sizable dollar amounts of securities.

Direct issues of private corporate securities also appear to have been inhibited by increased use of tax-exempt

Corporate Securities Issues, by Business Firms Headquartered in the Sixth Federal Reserve District

Year	Total Registered with SEC (Mil. of Dollars) All	Public	Reg. A	Total Sold* (Mil. of Dollars) All	Public	Reg. A	Total U. S. Issues Sold* (Bil. of Dollars)	Ratio of District Sales to U. S.
1959	495.1	484.8	10.3	476.6	471.1	5.5	9.8	4.9
1960	599.7	579.1	20.6	575.0	564.2	10.8	10.2	5.6
1961	453.4	430.9	22.5	377.7	366.4	11.3	13.1	2.9
1962	394.5r	382.5r	12.0r	318.3r	314.8r	3.5r	10.7	3.0r
1963	302.6	296.7	5.9	281.4	278.9	2.5	12.2	2.3
1964	294.3	288.5	5.8	262.4p	261.3p	1.1p	14.0	1.9p
Total	2,539.6	2,462.5	77.1	2,291.4	2,256.7	34.7	70.0	3.3
Percentage Distribution	100.0	97.0	3.0	100.0	98.5	1.5		
Percentage of Filings Actually Sold				90.2	91.6	45.0		

*All sales recorded in year filed, even though partial sales occurred in subsequent years. p Preliminary. r Revised.

Sources: Tabulated from data supplied by Securities and Exchange Commission, Investment Bankers' Association, *Moody's Industrial Manual, Moody's Bank and Finance Manual,* and *The Commercial and Financial Chronicle.*

financing of facilities for new business and expansion of existing business by industrial development bodies in some District states. Of somewhat less importance have been the growing use of sale-and-lease-back techniques to release capital and the development and expansion of bank services, such as factoring, revolving credit plans, and similar services.

Outside the public utility and manufacturing categories, the most significant factor in the sharp reduction of securities filings during 1963 and 1964 was the lack of market receptivity. Poor marketability also affected quite severely the ratio of sales to total filings.

Securities sales become more difficult. In mid-1962, this Bank studied the time lag between initial filings and sales of corporate securities by District firms. Evaluation of quarterly data for first quarter 1959 through fourth quarter 1961 disclosed significant lags between filing dates and sales dates in only two out of twelve quarters. Thus, the ratios shown in the table through mid-1961 largely reflect disposition of registrations within the year in which they were filed. However, for filings during the latter half of 1961, withdrawals and suspensions of registrations occurring after 1961 reduced the ratio of sales to registrations for full-year 1961 considerably. This trend was accentuated in 1962 in both the public issue and Regulation A issue categories. In each year, an increasing time lag between filing of registrations and sale of securities became evident.

As initial registration volume shrank in 1963 and 1964, the ratio of sales to registrations rose from the depressed levels of 1961 and 1962. However, the time lag between filing and final disposition continued to be wide, so that some of the sales reflected in the table for 1962 were not made until 1963 or 1964. In turn, a substantial amount of 1963's registrations were not sold until 1964, and some issues originally filed in 1963 and 1964 are still in registration.

Sales of Corporate Securities as a Percentage of Registrations, by Year and by Type of Filings

Sixth Federal Reserve District

Year	*All Issues*	*Regular Public Issues*	*Exempt, Regulation A Issues*
1959	96.3	97.2	53.2
1960	95.9	97.4	52.3
1961	83.3	85.0	50.3
1962	80.7r	82.3r	29.2r
1963	93.0	94.0	42.4
1964	89.2	90.6	19.0

Sources: Tabulated from data supplied by Securities and Exchange Commission, Investment Bankers' Association, *Moody's Industrial Manual, Moody's Bank and Finance Manual,* and *The Commercial and Financial Chronicle.* Computations by this Bank. Data for 1962 revised.

Implications

These developments must be evaluated against a background of vigorous growth in employment and industrial expansion in the Sixth District. A recent study by this Bank shows that nonfarm employment rose 8.3 percent between 1961 and 1964, a rate substantially above the national rate of 5.2 percent. It is obvious then that the region's growth was not crucially dependent upon indigenous firms having continuous access to capital market funds. This is not to say, however, that such firms did not continue to prosper or that the region did not continue to benefit from the formation of new small business firms. It does seem to mean, however, that other sources of capital inflow have become relatively more important in the overall expansion of the 1960's. In addition to the growth in bank credit, expansion of direct plant and distribution facilities by national firms and firms headquartered in other regions has loomed large in the total picture. Federal Government direct investment in defense and space facilities also has been a net expansionary force. Importation of capital through the export of state and local securities has continued to grow larger each year. And, of course, the growing export of private mortgage securities has brought in large supplies of capital funds. Recent developments in the latter two sources of District capital funds will be surveyed in a forthcoming issue of this *Review.*

HIRAM J. HONEA

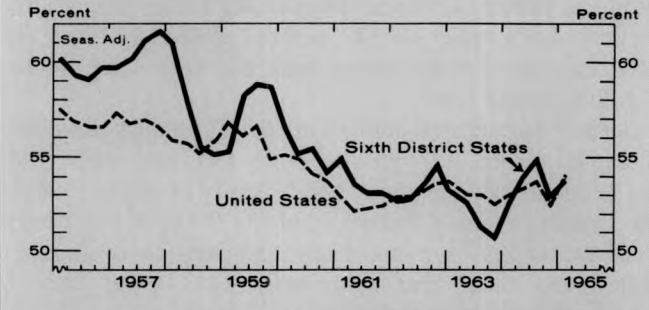
Changing Habits of the District Consumer

Over the past nine years, retail sales in the Sixth Federal Reserve District have increased about 54 percent, while in the United States as a whole they went up about 48 percent. To some extent, this reflects the faster economic growth of this region and its development into a lucrative mass consumption market. The comparison conceals some other interesting changes, however.

Although District retail sales have increased relative to the U. S., personal income in the Sixth District states has increased much more—73 percent in the District states as opposed to 58 percent nationally. This means that the relative importance of retail sales as a use of personal income has declined in the Sixth District relative to the nation. In early 1956, District retail sales were 60.2 percent of personal income, but in the first quarter of 1965 they were only 53.7 percent. Nationally, this ratio has declined also, but rather less, from 57.5 percent to 54.0 percent.

Retail Sales, as a Percentage of Personal Income

Sixth District States and United States



Retail sales as a percentage of personal income have declined more in the Sixth Federal Reserve District than in the nation since 1956 and have fluctuated more widely.

The decline in the ratio of retail sales to personal income in both the District and the nation may have resulted from several possible developments. In the national income accounts of the Department of Commerce, five principal uses of personal income are distinguished: (1) purchases of durable consumer goods (such as automobiles and home furniture and appliances); (2) purchases of nondurable consumer goods (such as food and clothing); (3) purchases of services (such as entertainment, domestic services, *etc.*); (4) personal tax payments; and (5) personal saving. The retail sales figures correspond reasonably well to total purchases of durable and nondurable consumer goods, which means that the declining ratio of retail sales to personal income must be explained largely by increases in the other three uses of personal income.

We know that consumer purchases of services in the nation as a whole have grown faster than other types of consumer expenditures. From 30 percent of personal income in early 1956, such purchases climbed to 33.6 percent in the first quarter of 1965. Personal taxes and personal saving changed hardly at all as a percentage of personal income in that period. Thus, the decline in the ratio of *national* retail sales to personal income is almost wholly explained by the growing importance of services in household budgets. For the Sixth District, the explanation is not quite so simple. There are no national income accounts for individual states, so our analysis must proceed by means of indirect evidence.

Services have probably increased in importance as a use of personal income in the Sixth District in about the same proportion as they have in the nation. A comparison of the last two Censuses of Business, those for 1958 and 1963, shows that expenditures on certain selected services (the Census does not cover all types of services) have increased as a proportion of personal income by about the same percentage in District states as in the nation as a whole. This evidence alone should indicate that the ratio of retail sales to personal income should have declined about the same amount in the District as in the nation. For an explanation of why it declined *more* in the District, we must look to the two remaining uses of personal income—personal taxes and personal saving.

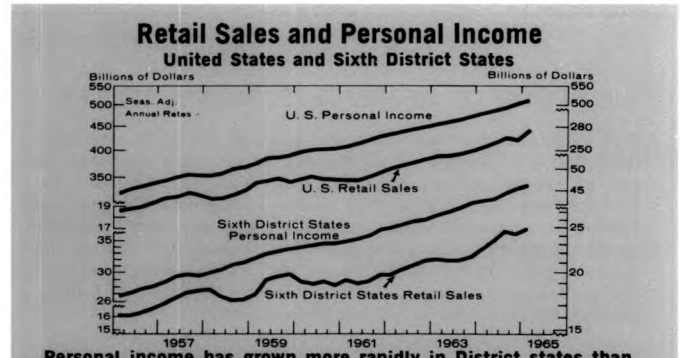
Personal taxes in each state can be derived from a Commerce Department tabulation in the August 1964 *Survey of Current Business* that shows total personal income and disposable personal income. Personal tax payments of residents of the Sixth District states have risen faster than those of the whole country because per capita personal income has risen faster in these states than in the nation (although it is still below the national average). Thus, the importance of personal taxes in the disposition of personal income has grown in District states, whereas it has remained about the same nationally.

The last use of personal income is personal saving. We have no data on this measure by state, but we do have figures on holdings of long-term financial assets by individuals. Such holdings, which constitute most of the forms in which people save, have increased more in District states than in the nation. It seems reasonable to believe, therefore, that consumers in the District states are saving a higher percentage of their personal income, whereas nationally they are not.

To summarize, the percentage of personal income devoted to the purchase of consumer goods at retail has fallen over the last nine years in both the District and nation, but the drop has been sharper in the District. The national decline is explained primarily by the increasing importance of services in the consumer budget. This is also true of the Sixth District; but, in addition, taxes have taken a slightly larger bite because of more rapidly increasing prosperity in this region, and consumers in this area have apparently increased their rate of saving faster than in the nation as a whole.

Cyclical Sensitivity

Sixth District retail sales have fluctuated more widely during the course of the business cycle than have national retail sales, as can be seen from the chart. Personal income rarely has actually decreased in either area, partly because unemployment compensation payments to some extent take up the slack that would otherwise occur during recessions. Retail sales, however, respond quite rapidly to changes in employment opportunities and business conditions in general, and this is particularly true in the Sixth District.



Personal income has grown more rapidly in District states than in the entire country. So have retail sales, but the difference is less striking, and fluctuations have been larger.

There seems to have been a change in the District consumer's response pattern in the current prolonged business expansion that began in February 1961. In previous expansion periods, for example, 1955-57 and 1958-60, District consumers allocated a higher percentage of the *increase* in personal income to retail sales than did consumers nationally. In the latest expansion period, however, this percentage has so far been smaller in the District. This may portend a change in the old pattern of low income—high consumption—low saving that has in the past characterized the District as a region in the process of economic development. As the region reaches higher stages of economic development, the ratio of saving to personal income can be expected to rise. If our guesses about the change in the saving ratio are correct, this stage may be already in process.

LAWRENCE F. MANSFIELD

TECHNICAL NOTE: The Bureau of the Census currently provides this Bank with a special monthly tabulation of retail sales in this Federal Reserve District. This series started with April 1962. Census also provides, starting with January 1955, a District series on retail sales of Group I stores (those with one to ten outlets). A regression run between the two series from April 1962 to February 1965 revealed a high degree of correlation between them. The regression equation was:

Y (District Retail Sales) = 60.7 + 1.267X (District Group I Sales)

The coefficient of determination was .91; the standard error of estimate was 39.5, compared with average retail sales of 1,845; and the b coefficient was significant at the .01 level. On the basis of this regression equation, District total retail sales were projected backwards to 1955.

Bank Announcements

On June 3, the COMMERCIAL GUARANTY BANK OF MOBILE, *Mobile, Alabama, 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 Marion E. Ward, President and Chairman of the Board; Mario R. Bottesini, Vice President; and William R. Culver, Cashier. Capital is $500,000, and surplus and undivided profits, $500,000.*

THE FARMERS AND MERCHANTS BANK, *Hurtsboro, Alabama, a nonmember bank, began to remit at par on June 14. Officers are Roy M. Greene, President; and Hugh W. Vann, Sr., Cashier.*

A REVIEW OF GEORGIA'S ECONOMY, 1960-65

This publication has recently been expanded to include the most recent **Monthly Review** article devoted to Georgia's economy, as well as revised monthly figures of major business indicators for Georgia from 1960 to 1965. The articles in this collection discuss various aspects of Georgia's economic scene and often consider longer-run developments. Copies of this booklet, the first in the series of publications devoted to the District states to be revised, are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	May 1965	Apr. 1965	May 1964	Percent Change May 1965 from Apr. 1965	Percent Change May 1965 from May 1964	Percent Change Year-to-date 5 Months 1965 from 1964
STANDARD METROPOLITAN STATISTICAL AREAS†**						
Birmingham	1,226,447	1,258,211	1,096,793	—3	+12	+11
Gadsden	55,094	60,696	54,448	—9	+1	+9
Huntsville	159,645	177,125	143,695	—10	+11	+11
Mobile	405,997	435,455	386,383	—7	+5	+9
Montgomery	269,212	247,804	237,927	+9	+13	+9
Tuscaloosa	77,090	78,986	73,673	—2	+5	+6
Ft. Lauderdale-Hollywood	456,315	556,642	430,835	—18	+6	+6
Jacksonville	1,300,402	1,360,391	1,096,306	—4	+19	+13
Miami	1,671,651	1,886,192	1,569,550	—11	+7	+6
Orlando	418,471	457,633	411,175	—9	+2	+1
Pensacola	184,820	194,247	164,147	—5	+13	+15
Tampa-St. Petersburg	1,006,054	1,101,273	943,301	—9	+7	+6
W. Palm Beach	337,355	398,245	342,781	—15	—2	+6
Albany	84,122	87,728	67,972	—4	+24	+23
Atlanta	3,593,980	3,718,872	3,156,961	—3	+14	+12
Augusta	174,239	162,888	161,067	+7	+8	+4
Columbus	184,580	182,944	161,145	+1	+15	+12
Macon	189,663	198,131	183,098	—4	+4	+12
Savannah	228,071	224,083	222,351	+2	+3	+5
Baton Rouge	402,832	419,528	338,894	—4	+19	+19
Lafayette	98,596	110,962	82,039	—11	+20	+17
Lake Charles	107,925	124,091	107,239	—13	+1	+6
New Orleans	2,053,227	1,992,229	1,826,482	+3	+12	+11
Jackson	483,712	480,399	430,833	+1	+12	+11
Chattanooga	447,948	501,852	410,783	—11	+9	+10
Knoxville	405,148	402,742	349,021	+1	+16	+9
Nashville	1,145,514	1,292,563	1,036,378	—11	+11	+7
OTHER CENTERS						
Anniston	52,120	53,206	51,410	—2	+1	+5
Dothan	49,667	47,926	45,696	+4	+9	+8
Selma	35,858	33,602	37,047	+7	—3	+1
Bartow	30,552	33,694	28,260	—9	+8	+19
Bradenton	46,091	53,986	46,348	—15	—1	+1
Brevard County	199,940	188,674	156,055	+6	+28	+14
Daytona Beach	73,726	77,582	65,803	—5	+12	+3
Ft. Myers-N. Ft. Myers	61,148	68,686	59,123	—11	+3	+4
Gainesville	67,804	70,290	61,281	—4	+11	+11
Monroe County	26,223	32,076	23,539	—18	+11	+19
Lakeland	101,840	110,728	90,881	—8	+12	+9
Ocala	48,304	51,545	45,883	—6	+5	+5
St. Augustine	16,333	17,447	15,629	—6	+5	—2
St. Petersburg	242,779	276,336	231,009	—12	+5	+5
Sarasota	85,038	105,732	86,256	—20	—1	+1
Tallahassee	102,564	109,317	87,242	—6	+18	+14
Tampa	573,010	604,857	519,596	—5	+10	+11
Winter Haven	60,115	63,185	49,755	—5	+21	+9
Athens	59,321	59,970	51,356	—1	+16	+14
Brunswick	35,898	38,501	34,770	—7	+3	+5
Dalton	76,563	89,581	76,236	—15	+0	+14
Elberton	14,718	10,847	10,620	+36	+39	+14
Gainesville	63,637	62,903	59,215	+1	+7	+6
Griffin	27,865	26,121	25,375	+7	+10	+10
LaGrange	18,642	21,205	18,151	—12	+3	+5
Newnan	23,884	23,924	22,058	—0	+8	+2
Rome	61,073	60,351	56,587	+1	+8	+5
Valdosta	43,023	43,654	42,796	—1	+1	+10
Abbeville	8,827	8,913	7,665	—1	+15	+10
Alexandria	104,553	99,910	87,844	+5	+19	+11
Bunkie	5,482	5,061	4,765	+8	+15	+13
Hammond	32,800	32,619	31,360	+1	+5	+10
New Iberia	30,317	31,107	35,826	—3	—15	+0
Plaquemine	8,543	7,963	7,459	+7	+15	+8
Thibodaux	18,943	18,350	17,265	+3	+10	+3
Biloxi-Gulfport	77,381	77,458	66,247	—0	+17	+8
Hattiesburg	44,499	44,456	41,001	—0	+9	+7
Laurel	34,688	34,666	29,920	+0	+16	+2
Meridian	58,156	57,102	55,143	+2	+5	+5
Natchez	33,471	30,347	30,595	+10	+9	+3
Pascagoula-Moss Point	44,636	45,022	44,795	—1	—0	+8
Vicksburg	32,907	33,834	27,190	—3	+21	+17
Yazoo City	30,058	20,270	22,993	+48	+31	+14
Bristol	61,372	62,051	54,101	—1	+13	+10
Johnson City	60,705	62,752	53,479	—3	+14	+9
Kingsport	127,331	120,333	106,483	+6	+20	+14
SIXTH DISTRICT, Total	23,819,278	25,080,576r	21,584,298	—5	+10	+9
Alabama†	3,161,255	3,230,375	2,946,025	—2	+7	+8
Florida†	7,144,325	8,008,905r	6,616,673	—11	+8	+8
Georgia†	5,920,186	6,055,684	5,219,027	—2	+13	+13
Louisiana†**	3,351,435	3,329,399	2,971,884	+1	+13	+12
Mississippi†**	1,088,584	1,069,107	974,541	+2	+12	+9
Tennessee†**	3,153,493	3,387,106	2,856,148	—7	+10	+6

*Year-ago data have revised for all states and for all SMSA's except Birmingham, Tuscaloosa, Miami, Albany, Lafayette, and Lake Charles. r Revised.
**Includes only banks in the Sixth District portion of the state. †Partially estimated.

Sixth District Statistics

Seasonally Adjusted

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

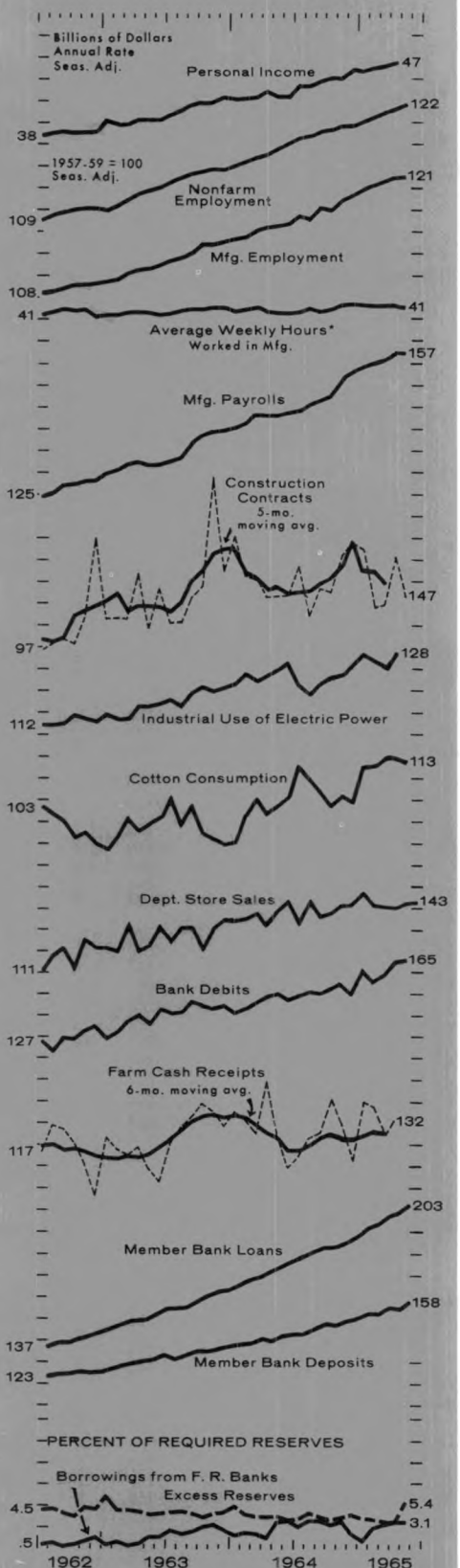
	Latest Month (1965)		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	46,859	46,458r	46,339r	43,583
Manufacturing Payrolls	May	157	158r	156	143
Farm Cash Receipts	Apr.	132	125	137	149
Crops	Apr.	158	158	163	194
Livestock	Apr.	122	114	119	118
Department Store Sales*/**	June	143p	143	140	144
Instalment Credit at Banks, *(Mil. $)					
New Loans	May	199	220r	205	178
Repayments	May	188	185	178	164
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	122	122	121	117
Manufacturing	May	121	121	121	116
Apparel	May	149	148	147	140
Chemicals	May	115	115	115	111
Fabricated Metals	May	129	130	124	121
Food	May	107	108	108	105
Lbr., Wood Prod., Furn. & Fix.	May	100	100	100	97
Paper	May	109	108	109	106
Primary Metals	May	112	112	111	106
Textiles	May	98	98	97	96
Transportation Equipment	May	144	142	140	123
Nonmanufacturing	May	122	122	121	118
Construction	May	121	119r	120	111
Farm Employment	May	76	73	73	82
Insured Unemployment, (Percent of Cov. Emp.)	May	2.3	2.4	2.5	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.3	41.5	41.5	40.7
Construction Contracts*	May	147	181	139	146
Residential	May	155	174	148	147
All Other	May	139	188	131	146
Industrial Use of Electric Power	Apr.	128	126	127	123
Cotton Consumption**	May	113	115	115	104
Petrol. Prod. in Coastal La. and Miss.**	May	176	173	175r	167
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	May	203	199	197	174
Leading Cities	June	189	184	181	163
Member Bank Deposits*					
All Banks	May	158	155	156	142
Leading Cities	June	151	146	143	133
Bank Debits*/**	May	165	164	159	150
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	6,286	6,239r	6,210	5,801
Manufacturing Payrolls	May	145	148	145	131
Farm Cash Receipts	Apr.	126	117	129	133
Department Store Sales**	May	114	110	115	117
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	115	115	114	111
Manufacturing	May	114	114	113	108
Nonmanufacturing	May	115	115	115	113
Construction	May	113	113	113	112
Farm Employment	May	79	76	73	83
Insured Unemployment, (Percent of Cov. Emp.)	May	2.3	2.5	2.6	3.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.5	42.1	41.8	40.9
FINANCE AND BANKING					
Member Bank Loans	May	197	194	192	171
Member Bank Deposits	May	157	155	155	142
Bank Debits**	May	155	158	151	145
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	13,832	13,565r	13,550	12,897
Manufacturing Payrolls	May	189	193	188	175
Farm Cash Receipts	Apr.	164	150	143	174
Department Store Sales**	May	173	171	172	171
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	132	130	130	126
Manufacturing	May	132	132r	131	128
Nonmanufacturing	May	131	130	129	126
Construction	May	108	109	109	102
Farm Employment	May	97	96	95	85
Insured Unemployment, (Percent of Cov. Emp.)	May	2.1	1.9	1.9	2.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.8	42.6	42.5	41.1
FINANCE AND BANKING					
Member Bank Loans	May	206	204	200	177
Member Bank Deposits	May	158	155	156	144
Bank Debits**	May	161	163	157	149

	Latest Month (1965)		One Month Ago	Two Months Ago	One Year Ago
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	8,710	8,682r	8,635r	8,119
Manufacturing Payrolls	May	157	157r	160	142
Farm Cash Receipts	Apr.	125	116	124	116
Department Store Sales**	May	144	139	145	133
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	121	121	121	117
Manufacturing	May	118	119	119	114
Nonmanufacturing	May	123	122	122	119
Construction	May	135	129	127	122
Farm Employment	May	67	64	63	73
Insured Unemployment, (Percent of Cov. Emp.)	May	1.7	1.8	1.9	2.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.9	40.8r	41.2	40.1
FINANCE AND BANKING					
Member Bank Loans	May	208	205	206	177
Member Bank Deposits	May	171	166	168	149
Bank Debits**	May	179	172	171	158
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	7,030	6,980r	6,932r	6,423
Manufacturing Payrolls	May	141	143r	138	131
Farm Cash Receipts	Apr.	137	113	122	162
Department Store Sales*/**	May	127	132	121	117
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	114	114	114	107
Manufacturing	May	109	109	109	104
Nonmanufacturing	May	115	115	115	108
Construction	May	124	125	130	104
Farm Employment	May	77	69	72	90
Insured Unemployment, (Percent of Cov. Emp.)	May	3.2	3.1	3.1	3.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	40.9	41.5r	42.5	42.1
FINANCE AND BANKING					
Member Bank Loans*	May	187	179	179	160
Member Bank Deposits*	May	139	136	137	126
Bank Debits*/**	May	149	143	145	132
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	3,510	3,547r	3,578	3,369
Manufacturing Payrolls	May	174	169r	162	149
Farm Cash Receipts	Apr.	121	134	185	194
Department Store Sales*/**	May	100	101	93	105
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	126	125	124	120
Manufacturing	May	133	132	130	123
Nonmanufacturing	May	123	122	122	119
Construction	May	127	128	126	123
Farm Employment	May	68	62	66	74
Insured Unemployment, (Percent of Cov. Emp.)	May	2.4	2.8	3.2	3.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.6	41.2r	40.7	40.4
FINANCE AND BANKING					
Member Bank Loans*	May	220	213	214	193
Member Bank Deposits*	May	168	165	167	155
Bank Debits*/**	May	170	164	163	152
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Apr.	7,491	7,445r	7,434r	6,974
Manufacturing Payrolls	May	153	150	150	139
Farm Cash Receipts	Apr.	107	111	113	114
Department Store Sales*/**	May	129	120	122	123
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	May	122	122	121	117
Manufacturing	May	125	125	125	120
Nonmanufacturing	May	121	120	119	115
Construction	May	144	136r	140	138
Farm Employment	May	80	80	77	89
Insured Unemployment, (Percent of Cov. Emp.)	May	2.6	3.0	3.3	3.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	May	41.4	41.0	41.0	40.5
FINANCE AND BANKING					
Member Bank Loans*	May	203	199	197	177
Member Bank Deposits*	May	159	157	157	144
Bank Debits*/**	May	181	186	165	164

*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.; 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



*Seas. adj. figure; not an index.

The District's economy celebrated another month of increased economic activity. Aggregate nonagricultural employment continued to rise in May, helping to drive the insured unemployment rate even lower. Consumer spending, aided by higher personal incomes, remained strong. Banking operations also were brisk, as a further expansion in loans was accompanied by advances in total deposits and liquidation of some investment securities. Improved crop prospects and higher livestock prices have stimulated the farm economy. However, construction contracts have fallen somewhat below last year's levels.

Employment advanced further in May. Nonmanufacturing employment provided the greatest stimulus, with all states except Alabama showing increases. Manufacturing employment presented a more mixed picture: Alabama, Mississippi, and Tennessee showed gains, while Florida, Georgia, and Louisiana registered slight declines. Construction employment fell in four of the six states, but the gains in Georgia and Tennessee were great enough to give the District a fair-sized increase. Manufacturing payrolls dipped slightly, reflecting a shorter average workweek. The insured unemployment rate declined still further to 2.3 percent.

Retail sales in May apparently remained at about the same high level as in April to judge from scanty and incomplete information. Debits to demand deposits changed very little in May; furniture store sales recovered some of the ground lost in April; and department store sales moved up nicely. Advance estimates indicate that department store sales were well maintained in June. Personal income apparently continued to rise in May, while personal savings seem to have rebounded from the April slump, which was perhaps occasioned by income tax payments. The increase in instalment credit outstanding at commercial banks was considerably smaller than in April. Here again, the April figures may have been inflated by borrowing to meet tax payments.

The performance of the banking community remained relatively strong during the first four weeks of June. Loans gained somewhat at banks in leading cities, as the increase in real estate and business loans countered a moderate decline in consumer loans. Investments fell because a sharp drop in U. S. Government securities—mostly Treasury bills—more than offset a sizable gain in holdings of other securities. Total deposits at these banks advanced more than is usual for this period, reflecting strength in both demand and time deposits.

Sharply higher livestock prices in June stimulated the region's farm economy. Beef cattle and hog prices rose as the nation's farmers slowed the rapid expansion in beef cattle output and reduced pork production to levels well below last year's. Broiler prices also have strengthened despite an increase in production because of the higher price levels for red meat. Farm employment in May was moderately higher than it was a month ago.

Construction contract volume continued to lag behind last year's level despite a strong upsurge in April. If the aggregate volume of construction for the first four months of 1965 were projected to a yearly total, the 1965 volume of construction would be somewhat lower than last year's. Data through April 1965 also indicate that the volume of nonresidential building contracts for large metropolitan areas was lower than in earlier periods.

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