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Monthly Review

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Also in this issue:

Federal Reserve Bank of Atlanta

PIF—It's Wonderful, Or Is It?

The region served by this Bank has long had a friend in the capital markets. His nickname is PIF. His friendship is volatile, calculated, and demanding. His visits during the decade of the 1950's were most apparent in the mortgage market, usually got under way shortly after cyclical peaks, were sometimes brief, and at times threatened never to be renewed.

PIF's full name is Pressure of Investable Funds, a term familiar to mortgage bankers. His current period of warm friendship for this region began in early 1960 and has been long and productive. Not only has it promoted sharp changes in the skylines of our large cities, but it also has helped to alter the industrial, residential, and public facility contours of our towns and villages. Furthermore, PIF has assisted in improving the distribution of the region's expanded housing inventory.

Much of this has happened before and in the more distant past has contributed to difficult and sometimes prolonged periods of adjustment. Will this happen again?

The Conditions Necessary for PIF's Amity

The financial market place is the locus of PIF's operations. He is as timeless and ubiquitous as money itself. While he operates in both the equity and debt markets, the latter typically absorb most of his time and attention. He is ordinarily not much in evidence during a strong cyclical or secular upswing in the overall economy; in fact, during such periods he readily changes his personality and becomes more recognizable as Demand for Funds.

PIF operates at the margin of the market through the tools of competition and true yield differentials. When demand for funds is strong relative to supply, competition among borrowers not only forces the cost of funds to higher levels but also limits the range of choices that suppliers of funds must consider. It is during periods of relative excess in the supply of funds that PIF is most effective. Reluctance of lenders to accept falling yields on a narrowed range of choices, together with competition among suppliers of funds, invigorates the search for a broader range of investment opportunities.

Ideally, then, a growth region that requires large importations of mortgage funds could expect to benefit most from a strong PIF under two conditions. First, the total supply of funds should grow vigorously relative to demand and not be impounded in market sectors that cannot be reached by mortgage demand. Second, the period should be long enough to permit improvements in the institutional arrangements by which such demand is presented to the market. In both respects, the current expansion period has differed from those of the 1950's.

Capital market conditions over the past four and one-half years have approached the ideal for PIF's operations. Growing disposable income from increased employment, lower taxes, and rising wages permitted continued expansion in savings. Absence of inflationary psychology and high competitive rates paid by savings intermediaries helped to channel

the bulk of these savings into capital market institutions. Federal Government borrowing requirements were held to moderate expansion, while state and local governments found new customers for their issues. Liberalized tax treatment of growing corporate profits and other internally generated funds tended to mute the net demand for funds in the markets. These and other orderly but powerful changes were aided by monetary and fiscal policies that were responsive to the twin needs of flexibility in financial markets and growth of the economy.

This region entered the current period of expansion with a large and varied backlog of capital requirements. It had emerged from the 1950's with strong growth trends in industrial development, nonfarm employment, and population and with income levels that were rising more rapidly than those of the nation. Despite large but intermittent flows of mortgage funds from the national capital markets in the postwar period, housing needs were acute. The ratio of sound to total existing housing in the six District states, for example, averaged only 72 percent, compared with a national average of 81 percent. Only in the largest cities, which had monopolized PIF's help in the 1950's, was this proportion anywhere near that of the nation's. Moreover, as improvement in the District's economic base broadened to include more and more medium-and smaller-size communities, housing demand was further stimulated.

The evident need for increasing flows of mortgage funds was thus matched by a greater capacity to support higher levels of construction. The remaining element of the problem was to make this demand more effective in the national capital markets where participants allocate financial resources largely on the basis of true yield differentials. The region needed access to a market with a broader geographic range and a broader range of types of mortgage contracts.

This region's mortgage bankers, broadly defined to include commercial banks and other non-specialized intermediaries, bid for increased direct flows of mortgage funds through three types of contracts: the Government insured or guaranteed mortgage, the conventional residential mortgage, and the conventional commercial or industrial mortgage. Each of these instruments played a major role in the net importation of almost $3 billion of life insurance and savings bank money into the six District states between year-end 1960 and 1964. Let's now take a brief look at how each instrument works in conjunction with PIF, after which we'll return to review the results of their use.

PIF's most prominent helper in the residential mortgage market during the 1950's was the Government underwritten mortgage. From inception, both the VA-guaranteed and the FHA-insured mortgage have had one outstanding plus and one equally outstanding minus in terms of their competitiveness in the capital markets. When properly administered, they are virtually risk-free as to principal. At the same time, their flexibility as capital market instruments is inhibited by their contract rate ceilings. To meet market yields, their market price usually must be adjusted, either by discounting or by adding a premium.

This method of adjustment to improve the Government underwritten mortgage does not make it fully competitive with other capital market instruments under all conditions. Particularly when demand for funds is outracing the available supply, numerous difficulties appear. However, when the opposite is true and PIF is dominant, the adjustment is a very effective tool in influencing both the availability and cost of funds. The following table illustrates how this method of adjustment has worked out from the period of peak gross yields of 6.24 percent on FHA mortgages in late 1959 to the present 5.45 percent.

Market Differentials in FHA Mortgage Prices

	Price as a Percentage of Face Amount			*Differential*	
	U. S. Average	*Northeast*	*Southeast*	*SE/U.S.*	*SE/NE*
Sept. 1, 1959[1]	95.8	97.7	95.0	.8	2.7
June 1, 1960	96.6	97.4	96.3	.3	1.1
Dec. 1, 1960	97.7	99.3	97.4	.3	1.9
Apr. 1, 1961[2]	97.7	98.7	97.5	.2	1.2
Sept. 1, 1961[3]	96.5	97.3	96.0	.5	1.3
June 1, 1962	97.2	98.0	96.6	.6	1.4
Dec. 1, 1962	97.8	99.1	97.4	.4	1.7
Dec. 1, 1963	98.5	99.6	98.0	.5	1.6
Dec. 1, 1964	98.6	99.8	98.0	.6	1.8
June 1, 1965	98.6	99.7	98.2	.4	1.5
Aug. 1, 1965	98.6	99.7	98.3	.3	1.4

[1]Based on 5¾% new-home mortgages (Sec. 203), 25 year, 10% downpayment.
[2]Based on 5½% new-home mortgages (Sec. 203), 25 year, 10% downpayment.
[3]Based on 5¼% new-home mortgages (Sec. 203), 25 year, 10% downpayment.
Source: Federal Housing Administration news releases.

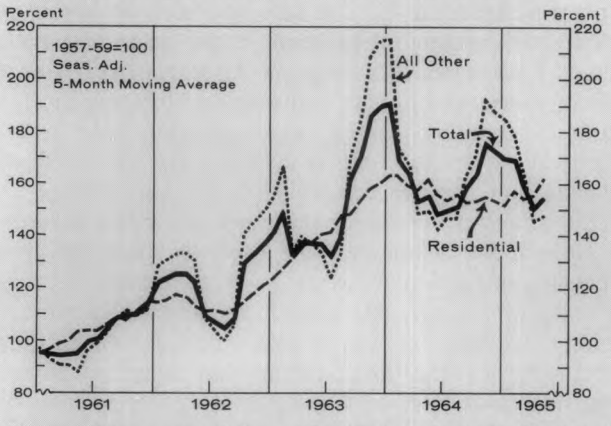
Conventional mortgages, on the other hand, have greater flexibility at the point of origination but lack the risk protection of principal of the FHA and VA mortgages. The appraisal and discounting process of the finished or prospective contract is much more individualized. PIF must therefore rely more heavily upon his intra-regional originating and servicing agents—the mortgage bankers—to see that maximum competitiveness attends their offerings. It is primarily up to them to follow and to serve the shifts in economic base, types of housing demand, and the overall credit-worthiness of their clientele.

Regional Shifts in Construction Markets

This region has become a stronger partner of PIF during the past four years. Its growth rate in virtually all of the factors that enlarge housing and other construction demand substantially exceeded that of the United States as a whole. These factors include population, nonfarm employment, total personal income, per capita personal income, and population shifts from rural to urban centers. Growth rates in the region's means of financing these increased construction demands also exceeded national rates but by much smaller margins. Our mortgage bankers thus teamed up with PIF to bridge the gap.

The contours of surging construction demand in this District are shown in the upper panel of the chart on Page 3. During 1961-64, the six-state aggregate of construction contract awards was $4 billion, or 32 percent, higher than in the preceding four years of heavy building. The intra-regional pattern of growth, however, was quite different in the two periods. Florida and Louisiana had led the upsurge in the 1957-60 period, while Georgia, Tennessee, and Mississippi were the leaders in the current expansion. Alabama also exceeded the six-state growth rate in the current period, but Florida and Louisiana, chiefly because of a late start in the 1961 recovery, fell considerably below the regional average. Measured in terms of percentage changes between lows in the two periods, Louisiana experienced the smallest increase—only

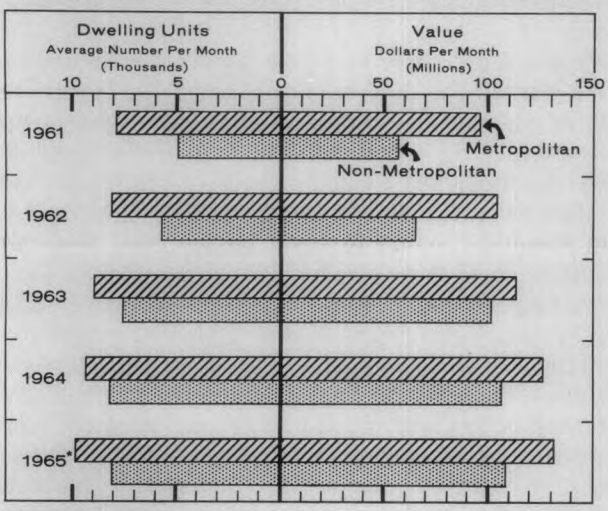
Construction Contracts in the Sixth District



Source: Data computed from "Construction Contracts Bulletin," Regions III and VI, F. W. Dodge Corporation.

District construction has expanded sharply over the current economic expansion. Lumping of large industrial, utility, and missile-space contracts produced most of the sharp fluctuations. Residential contract volume, while more stable, also exhibited strength.

Residential Construction in the Sixth District



*January-June 1965.

Source: Data computed from "Construction Contracts Bulletin," Regions III and VI, F. W. Dodge Corporation.

Steady expansion in dwelling units and in dollar volume of residential construction took place from 1961 through mid-1965. Areas outside the 26 standard metropolitan areas sharply increased their share of both dwelling units and dollar volume of contracts beginning in 1963. The apartment boom helped to maintain dwelling unit volume in the larger metropolitan markets.

1.7 percent—while Florida and Mississippi reported increases of only 5.6 and 6.4 percent, respectively. Tennessee, Georgia, and Alabama experienced gains between the two low points of 46.9, 40.9, and 31.7 percent, respectively.

Residential housing in the District expanded somewhat less rapidly than total construction through 1963. However, it has been more stable throughout the period in total volume of annual contract awards. Since 1957, volume has fallen below that of the previous year only once. This occurred in 1960, when the six-state region was retreating some $280 million from a $2.1-billion housing year and when Florida alone accounted for more than $154 million of the decline. Moreover, strength in the residential sector

Rates of Change in Residential Construction Contract Volume

Sixth District States, 1961 through 1964

	Base, Average of 1959-60 Volume	*4-Year Total 1961-64*	*Total 1964*	*4-Year Average as a Percentage of Base*	*1964 as a Percentage of Base*
	(Millions of Dollars)				
Alabama	204.7	1,091.1	343.2	133.3	167.7
Florida	919.8	3,683.1	1,035.1	100.1	112.5
Georgia	292.8	1,749.9	535.0	149.4	182.7
Louisiana	232.5	1,254.2	419.2	134.9	180.3
Mississippi	98.5	514.1	162.6	130.5	165.1
Tennessee	224.2	1,189.1	371.2	132.6	165.6
Total, Six States	1,972.6	9,481.5	2,866.3	120.2	145.3

has been especially well dispersed in the region—both for the four years as a whole and for the last year, 1964.

Still another shift appeared and became particularly noticeable in 1963. Construction volume in the District's nonmetropolitan areas began to expand faster than in the 26 metropolitan areas. The lower panel of the chart shows that growth "outside the 26 metropolitan areas" was greater in dollar volume than in number of dwelling units. Two factors largely accounted for this changed relationship. First, the multi-family apartment boom in the larger cities, involving lower outlays per housing unit, accelerated in 1963; second, the smaller cities and nonurban areas began to build a greater volume of more expensive and larger single-family dwellings.

Sharp changes in demand for new housing and for mortgage funds also appeared within the District's 26 metropolitan areas. In a number of the largest and medium-size cities, the ratio of new dwelling units to household formations averaged less than one over the four years. In some cases, this ratio fell as low as .2 in the smaller cities. Out of the total of 26, eleven areas fell below .75, and five areas had a ratio of .5 or lower. In most of these cases, excessive over-building in the late 1950's or relatively large declines in the demand for military housing or housing associated with other Government projects had occurred. On the other hand, a few cities had ratios for the four years of 2.0 or more, as large shifts in military and space requirements in or near their metropolitan areas boosted housing demand. In a number of other cities, sustained population expansion and economic growth underwrote continued high levels of housing output. Last year, more than 70 percent of the 26 metropolitan areas were producing one or more dwelling units for each new household formation.

Such are the highlights of a four-year residential construction boom that has exceeded $2 billion in each year and that reached almost $3 billion in 1964 for this six-state region. Before concluding that PIF is wonderful, however, it is useful to remember that he is also treacherous. Those who enjoy his favors are most vulnerable when they are stretching to take fullest advantage of his largesse. The economic sector or growing region that needs his continuing help must therefore strike a balance between short- and long-term benefits. During periods of favorable capital availability and costs, it must continue to upgrade channels of access to the capital markets under potentially less favorable conditions. What is the evidence that this region has made some strides in this direction?

Gains and Risks Under PIF

Gains and risks under PIF during the past four years can be identified in the three areas already explored, *i.e.,* the changing economic base, the instruments of mortgage capital importation, and the family of market intermediaries serving this region.

Evidence confirms that this region has improved its economic base over the past four years, and current data for employment, income, and capital expenditures on new and expanded plants suggest that this growth is continuing. The relative importance of construction in total economic activity on a regional basis is difficult to ascertain, however. Nevertheless, the behavior of construction employment and of income from this source suggests that the continuing high levels of construction are not out of line with growth in other regional indicators. The ratio of personal income derived from contract construction to total income is one measure. While this ratio was slightly higher in 1964 than in 1961 in five of the six District states, it was much lower than in 1957 or 1961. The same general pattern is evident in the broader ratio of wage and salary disbursements in construction, insurance, and real estate to total wage and salary disbursements. While not conclusive, these trends suggest that construction in this region, as in the nation, represents a declining proportion of gross product.

Our occupancy patterns and the trends of construction in specific metropolitan markets suggest that most of the impact of sharp changes in Defense needs, space spending, and over-building in the late 1950's is under control. The number of weak housing markets declined during 1964 and has continued to do so through mid-1965. There exists, nevertheless, the risk that some of these markets, though improving, may not compare favorably with other opportunities for investors as funds become tighter.

It seems reasonable to expect that the major trends underlying the recent improvement in this region's economic base will continue. Indeed, one of the major factors that now appears likely to weaken PIF with respect to mortgage investment is the continuing expansion of corporate needs for investment funds. This area's participation in new capital spending by such corporations has been strong, however, and there is no present suggestion that it will change greatly in the near future.

This region also improved the instruments through which it taps the national capital market for mortgage money during the 1961-64 period. Partial evidence of this improvement is that the discount for Government underwritten mortgages not only tended to grow smaller, but the spread against the Southeast also tended to narrow. The quality of conventional mortgages as competitive capital importers also rose if one may judge by the relative increase in their use. The region's upgraded economic base undoubtedly accounted for part of the improved acceptance of both types of mortgages. It seems likely that the region's mortgage bankers and those performing mortgage banking functions played an important role through growth in experience in risk underwriting, more effective servicing, and greater flexibility.

This brings us to one of the more favorable aspects of the outlook for continued high levels of construction and of housing in particular. In the postwar period, this region has reacquired a valuable asset in its network of mortgage banking facilities. These capital market intermediaries specializing in the importation and administration of mortgage funds have accomplished substantial consolidation and improvement in their techniques during the current period of regional growth. They have actively participated in the upgrading of the FHA-VA mortgage as a capital market instrument through legislative and administrative changes. Presently, they are servicing a large and growing share of both Government underwritten and conventional mortgages and in most cases have maintained delinquency and foreclosure rates lower than the national average.

By and large, these mortgage bankers (including many in the market who do not limit their activities to this field, such as commercial banks, real estate development firms, and several other types of firms) have displayed flexibility in serving the changing needs of the region. Aided by their investors and in some cases by the regulatory authorities, they seem to have learned how to detect at an earlier stage those weakening markets that should not be oversupplied with funds. Moreover, the same partnership has developed means of evaluating and improving the marketability of housing and other large projects and has upgraded the underwriting function in the field. Ways also have been found to aid builders and sponsors directly in their cost-cutting and marketing activities. At the same time, the District's importers of mortgage funds have avoided many of the practices that eventually swamped their predecessors in the 1920's and in some earlier periods.

It seems reasonable to conclude that whatever the degree of PIF's amity for this region in the near future, his friendship in the past has not been overly abused. Some mistakes of judgment and some increases in risks in some markets have occurred. On balance, however, PIF's continued cooperation under changing capital market conditions seems a reasonable expectation.

HIRAM J. HONEA

Alabama's Economy Emits a Healthy Glow

Employment bulletins from Alabama currently convey good news about the state's economic well-being. The impressively long upward trend in nonfarm employment has been further extended, and unemployment has dwindled. In August this year, unemployed workers in Alabama covered by the State Insurance Program numbered only 13,317, and the seasonally adjusted unemployment rate was 2.3, comfortably below the 4- to 5-percent rate prevailing in much of 1962, 1963, and early 1964. These gains left only three small towns in Alabama—Clanton, Heflin, and Jasper—classified as areas of substantial unemployment in July 1965. The state's two major cities, Birmingham and Mobile, were classified as having moderate unemployment—3 to 6 percent of the total work force—

in that month. These improvements, morever, occurred in conjunction with expansions in both the state's population and labor force.

Factories Hum

While much of the economic steam in Alabama has been generated by the stepped-up operations of nonfarm business firms and of Federal, state, and local government agencies, the hottest boilers have been in the bustling manufacturing sector. Leading the upward movement in manufacturing employment from 1961 to 1965 were firms in the transportation equipment, machinery and electrical equipment, apparel, chemicals, paper and allied products, fabricated metals, and primary metals industries. In July 1965, these industries were employing about half of Alabama's 276,300 manufacturing workers, according to the Alabama Department of Industrial Relations. Moreover, workers in these manufacturing industries have been receiving relatively high hourly earnings. Those employed in the primary metals industry, for example, averaged $3.15 an hour in July 1965, and those at chemical firms averaged $2.51 an hour. Apparel workers, however, received an average hourly wage of only $1.46.

Virtually the same picture emerges when we narrow our focus to changes in the manufacturing work force in the more recent July 1963-July 1965 period. Again the transportation equipment and machinery firms have experienced the greatest growth in the number of workers employed, while chemical and apparel firms ran a close second and third. Pulp and paper and primary metals firms also gave a powerful boost to employment in this period. On the other hand, employment has increased at a relatively slower rate in the timber and wood products and food industries. Alabama's sawmills and planing mills actually cut back their aggregate work force. Textile employment also has expanded less rapidly than other segments of manufacturing during this period.

Employment in Alabama, by Industry Classification
(Thousands of Employees)

Classification	*July 1961*	*July 1965*	*Percentage Change from July 1961*
Nonagricultural			
Manufacturing	231.2	276.3	+19
Nonmanufacturing	542.4	591.3	+ 9
Total	773.6	867.6	+12
Manufacturing, selected subclasses			
Lumber and wood products	23.2	23.9	+ 3
Stone, clay, and glass	8.0	8.1	+ 1
Primary metals	43.6	48.1	+11
Fabricated metals	11.5	13.7	+19
Machinery, including electrical	9.3	13.3	+43
Transportation equipment	8.9	17.2	+93
Food	23.0	24.9	+ 8
Textile mill products	37.0	37.1	+ 0
Apparel	26.1	36.5	+40
Paper and allied products	12.2	14.2	+16
Printing and publishing	5.7	6.4	+12
Chemicals and allied products	8.5	11.0	+29
Nonmanufacturing			
Mining and quarrying	11.8	7.7	−35
Contract construction	43.9	51.7	+18
Transportation, communications, and public utilities	49.3	50.0	+ 1
Trade	148.4	165.0	+11
Finance, insurance, and real estate	33.2	35.4	+ 7
Service and miscellaneous	93.9	107.9	+15
Government, total	161.9	173.7	+ 7
Federal	68.5	66.8	− 2
State and local	93.4	106.9	+14

Source: Alabama Department of Industrial Relations.

Outside the Factories

Nonmanufacturing employment moved up at a slower rate than manufacturing employment in the 1961-65 period mainly because fewer workers were employed in mines and quarries and employment in the transportation, communication, and public utilities sectors rose rather slowly. A sizable gain in construction employment and a healthy rise in total government employment spurred the increase. However, the major impetus for nonmanufacturing employment stemmed from active hiring by trade, construction, and service firms, which together employ about 55 percent of Alabama's nonmanufacturing work force.

These patterns have persisted from July 1963 to July 1965, although not without some modifications. The growth rate in finance, insurance, real estate, and services employment slowed appreciably. On the other hand, favorable developments in the coal industry moderated the drop-off in employment that has afflicted the mining and quarrying sector for some time.

Farm employment has continued to dwindle, reflecting the long-term downtrend stemming largely from the changed income alternatives for farm laborers and operators. Many of these workers apparently are being absorbed into nonfarm jobs.

Investments Spur Activity

In considerable degree, Alabama's favorable employment trends reflect the large investments made for building new industrial plants, expanding existing plants, and modernizing many established production facilities. According to the Alabama State Planning and Industrial Development Board, a record $406 million total investment for these purposes was announced in 1964. In 1963 and 1962, the totals were also large, $337 million and $143 million, respectively. Metal producing and fabricating plants, pulp and paper plants, textile plants, and chemical plants attracted new funds in large amounts. Scheduled expansion of a nylon plant near Mobile will make it the largest of its type in the nation.

Accompanying these increases in productive capacity has been an emphasis on the application of cost-cutting techniques and related technical processes. The first steel to be produced by the new basic oxygen process in Alabama was turned out at Gadsden in August this year. Not only will the speed of steel ingot production be materially increased, but the oxygen furnaces will be controlled by a computer. At the same plant, a $40-million expansion to incorporate a large steel plate mill is currently under way. Burgeoning demand for sheet steel is one element encouraging these investments. In textile mills, technical advances in machinery design and systems and in fiber processing have brought about better labor utilization and improved plant operations generally. Alabama's important pulp and paper industry also has experienced pronounced technological advances, especially in mechanical handling of pulpwood and finished products and in the instrumentation of machine processes.

Plant expansion and modernization apparently will continue at a rapid clip in Alabama for awhile longer.

From January 1965 through mid-year, new commitments for these purposes totaled $200 million, according to the State Chamber of Commerce. Plans for exceptionally large investments in plant and equipment nationally, as announced by major industries, imply continued growth in Alabama as well. On top of this, there will be some impact from Federal, state, and local government spending for a multitude of purposes in Alabama. Bridge, road, and school construction and other public works long have been a positive economic force in the state. Federal expenditures in Huntsville, Alabama, for space exploration continue to be large, and the military build-up begun this year no doubt will have an expansionary effect upon the state.

Incomes Rise

The expansion in Alabama's manufacturing employment and in segments of its nonmanufacturing employment induced certain snowballing effects in the state's economic activity. Alabamians' incomes have risen, and their spending for consumer items has moved into higher gear. Total personal income in the state has increased virtually without interruption since July 1963 and in July 1965 stood at $6.8 billion on an annual seasonally adjusted basis, according to estimates of this Bank. The sharply rising bank debits in the past year reflect increased consumer spending as do the stepped-up sales in certain retail establishments such as restaurants. In the end, of course, overall employment gains mirror the spending of consumers as well as the investments and spending of businesses and governments.

Further Employment Gains Possible?

With the unemployment rate in Alabama now significantly reduced, the pool of employable workers growing relatively slowly, and many student part-time workers back in school, will further increases in total nonfarm employment occur in Alabama through early 1966? Judging from the major elements in the situation, the answer could be a qualified yes.

A further modest growth should occur in the available labor supply for nonfarm jobs. Then, too, the manufacturing industries experiencing the greatest increases in recent years probably will continue to provide a market for Alabama labor. The final outcome for employment and for Alabama's economy, however, depends upon the national economy's progress. Should the national economy take on larger dimensions in the months ahead, Alabama undoubtedly would further enhance its economic standing.

ARTHUR H. KANTNER

Bank Announcements

On September 1, THE BANK OF GEORGIA, *Atlanta, Georgia,a state member bank, converted into a national banking association under the title of* THE NATIONAL BANK OF GEORGIA.

THE PEOPLES BANK OF TAMPA, *Tampa, Florida, a newly organized nonmember bank, opened for business on September 1 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are Charles W. Metzger, President; and Orlando Garcia, Cashier. Capital is $420,000, and surplus and undivided profits, $126,000.*

THE VIDALIA BANKING COMPANY, *Vidalia, Georgia, a state member bank, converted into a national banking association under the title* FIRST NATIONAL BANK AND TRUST COMPANY *on September 15.*

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Aug. 1965	July 1965	Aug. 1964	Percent Change: Aug. 1965 from July 1965	Aug. 1965 from Aug. 1964	Year-to-date 8 Months 1965 from 1964
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,247,100	1,258,477	1,156,865	—1	+8	+10
Gadsden	57,480	57,856	56,416	—1	+2	+6
Huntsville	162,432	158,294	149,114	+3	+9	+7
Mobile	414,724	406,253r	374,892	+2	+11	+8
Montgomery	276,225	271,418	254,184	+2	+9	+10
Tuscaloosa	76,211	79,515	70,256	—4	+8	+4
Ft. Lauderdale-Hollywood	458,626	474,081	375,308	—3	+22	+10
Jacksonville	1,353,836	1,452,227	1,112,404	—7	+22	+14
Miami	1,657,715	1,738,386r	1,412,151	—5	+17	+9
Orlando	384,444	410,231	360,084	—6	+7	+0
Pensacola	181,092	180,470	165,602	+0	+9	+12
Tampa-St. Petersburg	1,010,334	1,013,819	878,620	—0	+15	+7
W. Palm Beach	311,810	348,028	261,645	—10	+19	+8
Albany	83,178	81,580	64,478	+2	+29	+21
Atlanta	3,810,083	3,719,177r	3,321,265	+2	+15	+11
Augusta	184,859	174,847	172,486	+6	+7	+2
Columbus	196,915	184,453r	181,542	+7	+8	+8
Macon	193,214	194,392	171,970	—1	+12	+9
Savannah	231,118	230,864	204,668	+0	+13	+4
Baton Rouge	440,341	459,286	346,864	—4	+27	+20
Lafayette	101,988	106,112	84,050	—4	+21	+19
Lake Charles	103,767	115,126	89,370	—10	+16	+8
New Orleans	2,007,159	2,098,803	1,730,274	—4	+16	+12
Jackson	512,675	494,994	433,463	+4	+18	+11
Chattanooga	486,221	478,789	410,784	+2	+18	+10
Knoxville	416,299	417,176	352,078	—0	+18	+9
Nashville	1,249,128	1,204,875	1,058,620	+4	+18	+10
OTHER CENTERS						
Anniston	57,078	58,950	49,799	—3	+15	+7
Dothan	45,984	48,714	43,888	—6	+5	+5
Selma	33,128	35,859	31,946	—8	+4	+3
Bartow	31,557	34,129	20,993	—8	+50	+22
Bradenton	42,692	49,233	39,703	—13	+8	+1
Brevard County	194,467	204,086	152,444	—5	+28	+16
Daytona Beach	75,116	83,377	65,952	—10	+14	+4
Ft. Myers-N. Ft. Myers	54,750	58,149	48,999	—6	+12	+6
Gainesville	65,817	65,802	59,958	+0	+10	+9
Monroe County	28,592	26,775	21,552	+7	+33	+19
Lakeland	95,054	97,690	81,340	—3	+17	+11
Ocala	47,938	50,487	41,433	—5	+16	+6
St. Augustine	17,839	17,949	15,590	—1	+14	+3
St. Petersburg	237,995	270,906	222,870	—12	+7	+5
Sarasota	80,259	89,926	69,046	—11	+16	+4
Tallahassee	109,539	110,281	88,466	—1	+24	+15
Tampa	588,958	546,959	489,604	+8	+20	+11
Winter Haven	50,107	48,502	43,556	+3	+15	+8
Athens	63,782	65,809	51,234	—3	+24	+15
Brunswick	39,615	38,975	36,908	+2	+7	+3
Dalton	78,658	77,798	71,323	+1	+10	+14
Elberton	13,159	12,099	10,567	+9	+25	+8
Gainesville	66,343	76,021	60,761	—13	+9	+8
Griffin	29,492	27,596	25,112	+7	+17	+11
LaGrange	19,457	20,008	17,615	—3	+10	+5
Newnan	25,639	26,392	23,050	—3	+11	+2
Rome	66,265	62,123	55,079	+7	+20	+6
Valdosta	55,172	45,937	47,543	+20	+16	+10
Abbeville	10,593	9,009	7,560	+18	+40	+13
Alexandria	105,694	103,878	97,894	+2	+8	+9
Bunkie	5,839	4,990	4,535	+17	+29	+13
Hammond	26,713	29,722	25,314	—10	+6	+10
New Iberia	32,616	33,744	27,148	—3	+20	+5
Plaquemine	8,773	9,044	7,853	—3	+12	+8
Thibodaux	17,080	20,514	15,730	—17	+9	+7
Biloxi-Gulfport	85,432	86,358	70,593	—1	+21	+10
Hattiesburg	44,864	47,199	41,955	—5	+7	+8
Laurel	34,081	37,115	31,089	—8	+10	+5
Meridian	61,151	62,371	53,456	—2	+14	+6
Natchez	28,972	28,646	29,216	+1	—1	+0
Pascagoula-Moss Point	53,681	44,143	46,675	+22	+15	+5
Vicksburg	33,948	33,656	30,365	+1	+12	+15
Yazoo City	46,295	27,236	43,612	+70	+6	+12
Bristol	61,936	61,863	53,801	+0	+15	+10
Johnson City	64,025	63,292	56,195	+1	+14	+8
Kingsport	122,778	126,469	105,530	—3	+16	+13
SIXTH DISTRICT, Total	24,424,235	24,760,767	21,216,067	—1	+15	+10
Alabama†	3,210,099	3,248,370r	2,975,617	—1	+8	+7
Florida†	7,174,511	7,518,480r	6,096,400	—5	+18	+9
Georgia†	6,182,450	6,113,719r	5,375,695	+1	+15	+12
Louisiana†*	3,348,471	3,488,720	2,841,725	—4	+18	+13
Mississippi†*	1,178,147	1,126,974	1,032,837	+5	+14	+9
Tennessee†*	3,330,557	3,264,504	2,893,793	+2	+15	+8

*Includes only banks in the Sixth District portion of the state. †Partially estimated. r Revised.

Sixth District Statistics

Seasonally Adjusted

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

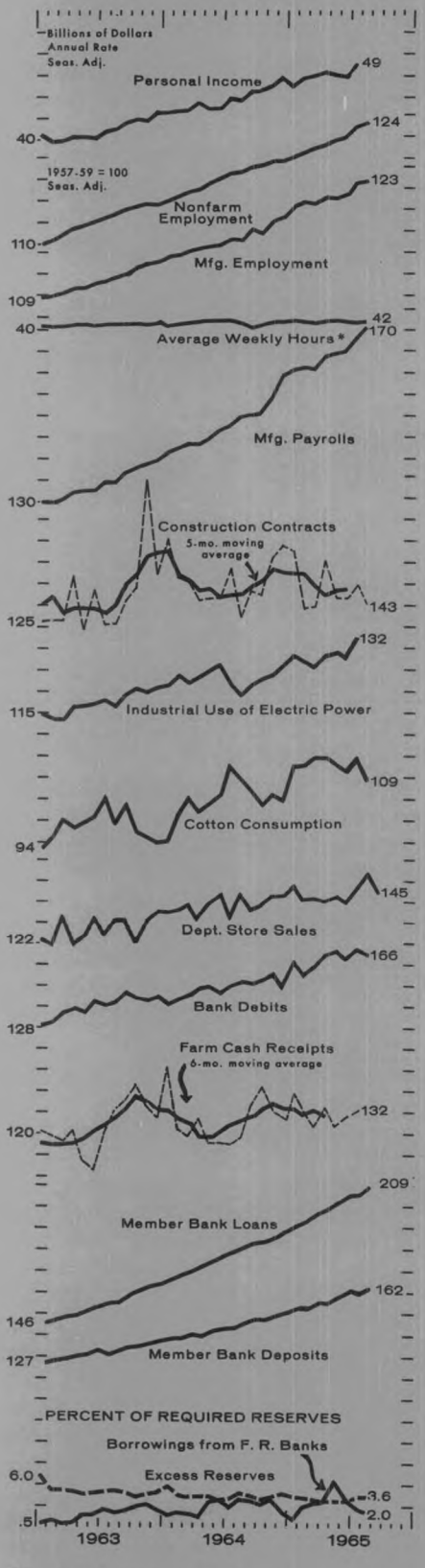
	Latest Month (1965)		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	48,564	47,404	47,568	44,817
Manufacturing Payrolls	Aug.	170	168	165	150
Farm Cash Receipts	July	132	127	124	116
Crops	July	122	120	144	105
Livestock	July	134	131	116	119
Department Store Sales*/**	Sept.	145	153	146	136
Instalment Credit at Banks, *(Mil.)					
New Loans	Aug.	219	221r	218	174
Repayments	Aug.	220	197	190	190
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	124	123	122	118
Manufacturing	Aug.	123	123	122	117
Apparel	Aug.	149	149	149	141
Chemicals	Aug.	119	118	116	112
Fabricated Metals	Aug.	132	131	130	123
Food	Aug.	109	109	107	108
Lbr., Wood Prod., Furn. & Fix.	Aug.	101	100	100	96
Paper	Aug.	110	111	111	107
Primary Metals	Aug.	113	113	111	108
Textiles	Aug.	99	99	99	96
Transportation Equipment	Aug.	151	150	143	124
Nonmanufacturing	Aug.	124	123	122	119
Construction	Aug.	119	119	119	112
Farm Employment	Aug.	72	79	80	79
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.4	2.4	2.3	2.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.7	41.3	41.5	41.0
Construction Contracts*	Aug.	143	157r	147	129
Residential	Aug.	173	170	162	145
All Other	Aug.	118	147	134	116
Industrial Use of Electric Power	July	132	127	129	121
Cotton Consumption**	Aug.	109	114	111	110
Petrol. Prod. in Coastal La. and Miss.**	Aug.	182	182	183	170
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Aug.	209	206	206	181
Leading Cities	Sept.	194	192	189	170
Member Bank Deposits*					
All Banks	Aug.	162	160	161	146
Leading Cities	Sept.	149	151	148	138
Bank Debits*/**	Aug.	166	167	163	151
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	6,673	6,541	6,476	6,003
Manufacturing Payrolls	Aug.	162	162	157	137
Farm Cash Receipts	July	142	139	127	126
Department Store Sales**	Aug.	123	120	111	118
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	116	115	115	111
Manufacturing	Aug.	116	115	115	108
Nonmanufacturing	Aug.	115	115	115	113
Construction	Aug.	113	112	113	113
Farm Employment	Aug.	73	84	78	73
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.5	2.6	2.5	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.4	41.7	41.4	41.0
FINANCE AND BANKING					
Member Bank Loans	Aug.	199	197	200	177
Member Bank Deposits	Aug.	163	160	160	147
Bank Debits**	Aug.	157	160	154	152
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	13,947	13,347	13,703	12,902
Manufacturing Payrolls	Aug.	192	188	190	177
Farm Cash Receipts	July	131	99	142	103
Department Store Sales**	Aug.	192	181	175	179
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	134	133	132	129
Manufacturing	Aug.	135	134	132	131
Nonmanufacturing	Aug.	133	133	132	128
Construction	Aug.	107	106	106	103
Farm Employment	Aug.	80	86	92	84
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.2	2.2	2.2	2.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	42.6	41.9	42.4	41.6
FINANCE AND BANKING					
Member Bank Loans	Aug.	215	211	211	185
Member Bank Deposits	Aug.	163	162	162	147
Bank Debits**	Aug.	163	163	160	145

	Latest Month (1965)		One Month Ago	Two Months Ago	One Year Ago
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	9,152	9,037	8,928	8,357
Manufacturing Payrolls	Aug.	171	169	164	149
Farm Cash Receipts	July	121	140	122	107
Department Store Sales**	Aug.	148	143	135	140
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	123	123	122	117
Manufacturing	Aug.	120	119	119	113
Nonmanufacturing	Aug.	125	124	123	119
Construction	Aug.	136	136	134	126
Farm Employment	Aug.	77	83	68	82
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.0	1.8	1.7	2.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.0	41.1	40.9	40.7
FINANCE AND BANKING					
Member Bank Loans	Aug.	219	214	213	184
Member Bank Deposits	Aug.	176	173	174	152
Bank Debits**	Aug.	177	178	177	161
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	7,383	7,287	7,202	7,045
Manufacturing Payrolls	Aug.	157	160	155	137
Farm Cash Receipts	July	137	126	115	133
Department Store Sales*/**	Aug.	136	131	125	126
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	115	115	114	109
Manufacturing	Aug.	110	110	109	105
Nonmanufacturing	Aug.	116	116	115	110
Construction	Aug.	125	126	123	107
Farm Employment	Aug.	79	80	81	89
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.8	3.0	3.0	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	42.9	42.6	42.8	41.8
FINANCE AND BANKING					
Member Bank Loans	Aug.	196	192	190	165
Member Bank Deposits	Aug.	139	141	139	130
Bank Debits*/**	Aug.	150	154	150	134
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	3,700	3,660	3,747	3,386
Manufacturing Payrolls	Aug.	185	182	175	157
Farm Cash Receipts	July	145	138	118	128
Department Store Sales*/**	Aug.	115	107	99	110
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	126	126	125	121
Manufacturing	Aug.	135	134	134	125
Nonmanufacturing	Aug.	123	122	122	120
Construction	Aug.	122	124	124	122
Farm Employment	Aug.	57	70	83	67
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.2	2.4	2.4	3.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.3	41.0	40.4	40.3
FINANCE AND BANKING					
Member Bank Loans	Aug.	221	220	217	199
Member Bank Deposits	Aug.	173	169	168	160
Bank Debits*/**	Aug.	178	164	161	164
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)***	July	7,709	7,532	7,512	7,124
Manufacturing Payrolls	Aug.	166	161	158	149
Farm Cash Receipts	July	119	127	107	110
Department Store Sales*/**	Aug.	129	123	120	124
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Aug.	124	124	122	118
Manufacturing	Aug.	128	128	125	121
Nonmanufacturing	Aug.	123	122	120	117
Construction	Aug.	135	137	137	130
Farm Employment	Aug.	74	77	79	83
Insured Unemployment, (Percent of Cov. Emp.)	Aug.	2.4	2.5	2.5	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Aug.	41.5	40.4	41.4	40.8
FINANCE AND BANKING					
Member Bank Loans	Aug.	204	203	203	184
Member Bank Deposits	Aug.	161	158	164	149
Bank Debits*/**	Aug.	177	178	168	161

*For Sixth District area only. Other totals for entire six states. **Daily average basis. ***Figures for personal income reflect revision of current monthly estimates to 1964 U. S. Department of Commerce benchmarks. 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.

Most economic measures for the District show continuing growth. Personal income, bolstered by an estimated $90 million in retroactive social security benefits, apparently rose in September, following increases in July and August. Scattered data, however, indicate retail sales slipped in August from the July high. Employment gains continued in August although at a slower pace than in July. In the farm economy, generally good production and price trends prevailed.

The rapid pace of **District bank lending** has been an outstanding feature of the region's economic expansion this year. Although bank lending expanded strongly in August, reports from banks in leading cities indicate the September loan increase was smaller than last year's. Is this slowdown in loan expansion at leading city banks an indication of a change in trend or merely a temporary fluctuation?

Figures for all District member banks show that the rate of expansion of loans for the first eight months of 1965 exceeds even the high rate of expansion that has prevailed since the beginning of the current business upturn in early 1961. Although September loans might have been expected to be relatively undramatic after the unusually strong growth in August, their performance gives reason to wonder whether the District's rate of loan expansion is moderating.

District banks have evidently experienced the same heavy demand for business loans as banks throughout the country; weekly reporting member banks record business loan increases more than twice as large this year as last year. Since July, however, the rate of expansion has fallen below that of previous years. The lower rate of expansion in September reflected mainly a sharp reduction in borrowing by transportation, communications, and other public utilities, which are seeking longer-term financing. However, retail, construction, and textile loans recorded gains that were considerably higher than is usual for September. Replies of seven large District banks to a questionnaire on their September loan practices indicated generally that business loan demands were stronger in September than in June, which allowed them to take a firmer stand on the terms and conditions of these loans.

Consumer loans, which make up a third of all loans, advanced only moderately in September after a strong spurt in August. These loans have been sluggish all year in comparison with the expansion in other loan types, so the slow growth in September represented a return to the previous pattern.

Real estate loans have been the fastest growing major category of loans this year. However, since July, they have slowed considerably, and the September gain was well below that of previous years.

Loans to nonbank financial institutions provided a sizable portion of the September loan increase. From July through September, gains were not as far above those for previous years as they had been in the first half of the year, indicating that the demand for funds by these companies in the latter part of 1965 may be more in line with that of past years.

Additional problems in maintaining the loan expansion may come from the inability of some banks to acquire additional funds to lend. Time deposit growth at District banks slowed in July and August and dropped drastically in September. The loss of negotiable certificates of deposit, which affected the September figures, may not be as large throughout the rest of the year, but on the basis of recent trends time deposit increases will fall short of those for the first half of 1965. District banks reduced investments in August and September, so further reductions will likely be moderate. Then, too, excess reserves have been small during most of the year, leaving little room to squeeze out more funds.

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