SIXTH FEDERAL RESERVE DISTRICT

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Also in this issue:

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District Banks Expand Their Role as Capital Market Intermediaries

A "banking revolution" has occurred in the 1960's, judging from the variety of innovations to expand the role of banks as capital market intermediaries. Corporate certificates of deposits, commercial bank capital notes and debentures, Euro-dollar accounts, unsecured negotiable notes, and consumer savings certificates were seldom heard of in 1960, but are now common terms.

In the first phase of the banking revolution, banks were less successful in employing savings flows than in attracting them. They were quite adept, however, in expanding their holdings of earning assets in forms long acceptable to bank supervisors. In addition, supervisory attitudes toward their efforts to expand their uses of increased funds flows were modified.

A second phase of the banking revolution has occurred since early 1965. Corporate demand for external funds has increased greatly, along with growing credit demand from other sectors. Commercial banks have found that experience with issuing new forms of intermediary liabilities has strengthened their abilities to meet greater credit demands.

Participation in this banking revolution has varied considerably, not only in range of innovations but also in pace. For example, banks in this District expanded their total deposits almost as rapidly as did money market banks[1] between mid-1959 and mid-1965 without extensive use of the newer forms of bank liabilities. Growth in earning assets was also achieved within the range of accustomed uses of funds for a great majority of District banks. Nevertheless, the impact of the "banking revolution" on District banks, as well as on other financial institutions, has been significant enough to warrant looking at banking revolutions in longer perspective.

A Recurring Phenomenon

What is a "banking revolution"? Basically, it is a positive effort by commercial banks to enlarge their role as financial intermediaries in the national economy. A financial intermediary, in turn, influences financial flows by providing services or by changing either side of its balance sheet. Since commercial banks are already primary administrators of the money supply and to a great extent the main agencies of the money market, a "banking revolution" entails expansion of commercial banks' role ". . . as intermediaries between savers and borrowers, providing the financial assets savers want and the funds borrowers want."[2] A sharp expansion in the intermediary role thus involves new forms of claims, as well as changes in services or assets.

[1]In addition to the large New York and Chicago banks, this term includes a number of banks in regional money centers. While it is used here in the broader sense, data availability limits its use in the table and chart on page 43 to New York and Chicago reserve city banks.

[2]*The Report of the Commission on Money and Credit,* Prentice-Hall, Inc., p. 153. Chapter 6 of this study offers an excellent summary of the family of private financial intermediaries.

Banks have been responsive to changes in major financial needs throughout the history of this country. However, they have had a legacy of regulatory or philosophical inhibitions to overcome in order to further refine the instruments and practices of the money and capital markets.

Banking revolutions, both major and minor, abound in the history of American banking. Expansion of the intermediary function typically occurred at the initiative of the banks themselves, as they sought to provide the developing economy with more services. Conversely, banks were periodically forced by legislation or regulation to give up some functions and concentrate more on administering the money supply. Even the severely restrictive national banking legislation of the 1860's did not keep commercial banks from re-establishing themselves as major capital market intermediaries for long.

The range of intermediary functions open to commercial banks was narrowed severely, following the collapse of the economy in the 1930's. The national mortgage market, which had been slowly developed and redeveloped over many previous crises and in which commercial banks had become major participants, was virtually destroyed overnight. In the banking legislation of the mid-thirties bankers had to choose between continuing as investment bankers or commercial bankers. Payment of interest on demand deposits was forbidden and controls on time and savings deposits were instituted. Mortgage bonds, which many banks had underwritten and distributed, were outlawed in some states, along with mortgage participation certificates. The whole mortgage guaranteed by private sources was taken over by Federal government insurance. Underwriting of state and local securities by banks was limited to general obligations and underwriting of corporate securities was forbidden entirely.

Given the severity of these and other restrictions, the uncertainties of the late 1930's, and a long world war, it is not surprising that banks were slow to broaden their role in financial intermediation.

In longer historical perspective it is not unusual to see the resumption of banking's efforts to broaden and fill out its role as the major financial intermediary. Only in the rapidity of such a movement, after more than a generation of quiescence, is it rightly considered as revolutionary today.

The Current Banking Revolution

The present banking revolution, viewed by many observers as having begun around the end of the 1950's, is mild indeed in comparison with past ones, but it has proceeded rapidly and has brought significant changes.

The main stimulus of the current banking revolution came from a decrease in the early 1960's in the need for financing the investment expansion of corporate and other business which had been a prominent feature of the 1950's. To this extent, it was similar to the mid-1920's. Demand for bank credit in the late 1950's was further reduced by rising business profits and a substantial redefinition of taxable corporate "profit." Because of rising interest rates and other factors, the public preferred interest-bearing intermediary claims over demand deposits or currency. Moreover, as corporate borrowing needs declined with the tapering off of investment expansion in the private sector, the volume and character of military production needs also changed markedly.

Money market banks now found that their erstwhile corporate customers had become banking competitors. They had developed competence in the direct investment management of their large internal cash flows, sharply reducing their idle balances with banks. And they had become providers of credit in the normal channels of trade, curtailing bank credit demand from this source.

Bankers also faced competitive limitations on the expansion of their intermediary role from two other sources. Although they had never been "out" of the mortgage lending or consumer lending fields, most banks had not especially emphasized these forms of intermediation. Specialized intermediaries had pre-empted a major share of consumer savings flows and dominated the conventional residential mortgage credit field. With only a few significant exceptions, bankers had not attempted to re-enter the national mortgage banking field. By 1960, mortgage bankers were leaders in originating and servicing FHA home mortgages and had expanded their operations in commercial and other mortgage lending. Changing needs of state and local governments had stimulated substantial growth in volume of long-term financing in forms barred to bank participation. Moreover, governmental agencies had developed and expanded numerous programs to fill "credit gaps" in spite of the growth of these private specialized intermediaries.

The emerging pattern of fiscal and monetary policies in the early 1960's further complicated the banking problem. Domestic growth in employment and output required provision of additional financial resources and their redirection. Service to consumption and social needs had to be expanded while the slack in investment in productive capital was restimulated through fiscal means. Meanwhile, balance-of-payments constraints dictated maintenance of short-term interest rates at relatively high levels.

Under these conditions it was hardly surprising that the banking revolution was led by money market banks. Nor was its direction contrary to the general pattern of past banking revolutions which concentrated on the major problem of the times. In the current revolution, expansion of the intermediary function began on the "liability issuing" side, i.e., the development of negotiable certificates of deposit. Rapid growth of this instrument's use, to a level of $17.6 billion in May of this year, is eloquent testimony to its efficacy in helping to expand bank intermediation for the larger banks.

The rapid rate at which money market banks were able to regain custody of these large corporate cash funds emphasized the problem of redirecting them in the economy. Concentration of these funds in money market instruments was hardly consistent with banks' overall objectives, even if it had been possible. Although the banking community had by the later 1950's recognized the need to help reestablish a broader national mortgage market, necessary legislation had not been secured. Regulatory attitudes and actions were favorable in some areas of intermediation, such as underwriting and owning state and local securities. Banks also found sympathy and favorable rulings in their expansion into some business areas, such as equipment leasing, insurance, and travel agencies.

Rising costs for deposits and for providing services required large outlets for more profitable employment of bank funds. Expanded underwriting and ownership of tax-exempt securities, increase in consumer and real estate lending, purchases of mortgages, increased foreign lending, and growth of term lending to business were the major areas of intermediation still open to banks.

The rapid move by money market banks into more aggressive acquisitions of tax-exempt securities and real estate mortgages was important in helping them meet rising costs. It also served a broader national purpose, because the investment of these funds put additional pressure on the downward trend of long-term interest rates, particularly between 1961 and 1964. It helped to improve access to the financial markets by capital-short regions and stimulated commercial banks in smaller financial centers to become more broadly based intermediaries as deposit costs continued to rise.

District Banks' Response

Banks in this region were not under the same kind of pressure to modify their liability mix or their portfolio policies as were the large money market banks. Tighter management of corporate cash affected them, but in a different way. Expansion of corporate investment and operations in the region, even under cash-conserving policies, sometimes required larger demand balances. Growing inflows of funds for residential construction and expansion of plant and services of state and local governments, as well as for Federal expenditures, also supported growth in transaction balances. Commercial banks in this region thus enjoyed a sharply higher rate of demand deposit growth of individuals, partnerships, and corporations than did the money market banks or all banks as a group (see table).

As the table shows, this region's banks also had a somewhat larger growth rate in time deposits of "individuals, partnerships, and corporations" than did all banks. While their growth rate for total IPC deposits was higher than that of the all-bank group, it was substantially below that of the money market banks.

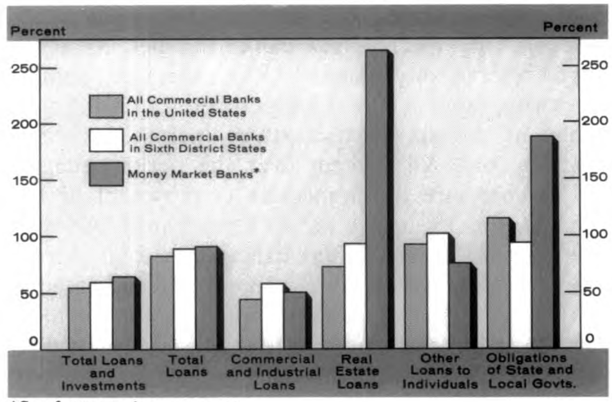
Part of the reason for this latter difference, of course, was that most District banks did not elect to enter aggressive competition for corporate funds through issuance of negotiable certificates of deposits. A study by this Bank (*Monthly Review,* August 1964) found that in late 1962 District banks accounted for only 3 percent of all outstanding negotiable CD's. The study revealed that the

Deposit Expansion of Individuals, Partnerships, and Corporations
Mid-1959 to Mid-1965

	Demand Deposits	*Time Deposits*	*Demand and Time Deposits*
		(Percent)	
New York City Member Banks	+ 5.1	+ 366.5	+ 63.7
Chicago Member Banks	+ 4.5	+ 299.0	+ 58.8
Other Reserve City Member Banks	+ 5.6	+ 100.3	+ 38.2
All Commercial Banks in Sixth District States	+ 25.5	+ 102.0	+ 50.6
All Commercial Banks	+ 14.1	+ 98.7	+ 45.2

Source: Computed from data in *Reports of Call,* Federal Deposit Insurance Corporation. Expansion rates for New York and Chicago reserve city banks and other reserve city banks from data in *Federal Reserve Bulletins.*

Percentage Growth of Selected Assets of Commercial Banks
June 10, 1959-June 30, 1965



*See footnote 1 on page 41.

majority of bankers did not feel that expansion prospects or changes in banking practices required by large negotiable CD's were appropriate for their situations. In short, established patterns of intermediation were producing good expansion of funds inflows in most markets. The same growth factors which were producing increases in demand deposits were also important in raising personal incomes. Moreover, in some important financial submarkets in the District, the competitive vigor characteristic of nonbank depositary institutions in the 1950's had been weakened by slow recovery from residential overbuilding in 1959-60. By and large, rising interest rates paid by banks on the accustomed types of intermediary claims were sufficient assurance of continued growth in savings and time deposits.

The philosophy of the banking revolution held that banks could rely more heavily upon issuance of their expanding variety of liabilities for liquidity as needed. Owned liquidity reserves with their low yields could be further minimized, allowing greater flexibility in asset management. More stable deposits and rising ratios of amortized loans would also augment liquidity, so that rising loan-to-deposit ratios were accepted as appropriate under the new philosophy.

Although some of the larger District banks found this new philosophy either wholly or partially acceptable, many did not. Since mid-1965 they have witnessed what many expected: that under conditions of increased credit demand from money market banks and rising interest rates, funds represented by CD's and time deposits can acquire considerable mobility.

The comparative response of District banks in expanding their capital market intermediary role on the asset side is suggested by the chart above. Total loans and investments expanded in line with total deposit growth that was somewhat greater than that of all banks but less than that of money market banks. The same relationship held for total loans, as commercial and industrial loans expanded more rapidly for District banks than for either group. Since the rate of total deposit growth was greater at money market banks, it would be expected that total loan and investment growth would be greater, as it was.

The sharpest contrast occurred in municipals and real estate loans, reflecting the immediate needs of the money market banks to utilize large increases in time-deposit funds. Holdings of tax-exempt securities of the money market banks increased rapidly, particularly after 1961, rising by 187 percent during the period under review. The ratio of such securities to total loans and investments of New York City reserve city banks doubled as a result. Chicago reserve city banks' ratio increased somewhat more slowly, from 8.6 to 13.8 percent.

Banks in the six District states increased their tax-exempts by only 94 percent over the period, suggesting much less pressure for immediate employment of higher cost funds. On the other hand, these banks had started the period with a ratio of tax-exempts to total loans and investments of better than 10 percent and increased it to more than 12 percent. In short, banks in this region had already been quite active as intermediaries in channeling savings flows into state and local government uses, particularly in smaller communities.

Two especially noteworthy developments were the regulatory upgrading for bank participation of a significant number of "authority or revenue" issues and the growing size of general obligation issues from this region. Expanded bank underwriting interest had the effect of substituting national groups of bidders for this region's local or intraregional groups. Banking resources of this region could thus be shifted to more aggressive search for underwriting or purchase of smaller issues which previously had severely limited interest.

The contrast in expansion of real estate loans among the all-bank group, money market banks, and District banks was most outstanding among major uses of banks' increasing funds flow. As in the case of tax-exempts, the money market banks expanded their real estate loans sharply in the period. This development was all the more remarkable in view of the absence of many forms of marketing mortgage debt which had existed in earlier periods.

Banks in the six District states expanded conventional residential mortgage holdings somewhat less than did all U.S. banks. Comparative growth in nonresidential mortgages was also less. On the other hand, District banks increased their holdings of FHA and VA mortgages at a much higher rate than did all banks.

Rapid growth of mortgage debt during the early sixties and the continued pressure of investable funds suggested a growing opportunity for banks. Many large banks became buyers of government underwritten mortgages for their own portfolios. They also broadened construction lending and warehousing of real estate loans with correspondent banks. Mortgage companies found that some commercial banks were becoming better customers for their export of mortgage originations but others were competing with them in the mortgage banking business.

As a part of the effort to broaden their role as intermediaries, a number of banks purchased well-established mortgage companies. Other banks, already active in the mortgage banking business, expanded their operations. Still others sought to expand their mortgage departments and enter mortgage banking gradually. Newcomers, however, found that this highly competitive field was difficult and expensive to penetrate.

Precise measurements of the changing role of commercial banks in the mortgage banking field of intermediation

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Florida's Employment Profile

Floridians added another billion dollars to their personal income in 1965. "What's another billion dollars?" you ask. It does seem rather unimpressive when the nation's economy is cranking out more than $700 billion of goods and services this year. Nevertheless, this $1-billion increase raises total personal income in Florida to over $14 billion—almost twice the state level just ten years ago. Moreover, the rate of increase in personal income, which quickened in the latter half of 1965, seems to be maintaining its gain through the first three months of this year, indicating that 1966 will see at least another $1-billion increase.

Where does the money come from? Although it is often said that you can't get rich working for a living, it is still by far the most common way of gaining income. Where the money comes from, therefore, is reasonably well depicted by employment data. In the accompanying table, we have shown the percentage distribution of nonfarm employment, by type, for the United States, Florida, and selected areas within the state. Looking at the slightly

	Star					
	Ft. Lauderdale-Hollywood		*Jackson-ville*		*Mian*	
	1965	*1960*	*1965*	*1960*	*1965*	*1*
Manufacturing	10.7	10.7	13.8	14.4	15.0	1
Mining	—	—	—	—	—	
Construction	13.3	14.7	6.8	8.3	6.3	
Transp., Com., Pub. Util.	5.7	6.0	10.4	10.3	10.4	1
Trade	29.0	29.4	28.3	28.3	27.3	2
Wholesale	3.9	3.8	9.6	9.6	7.1	
Retail	25.1	25.6	18.7	18.7	20.2	2
Fin., Ins., Real Estate	7.1	8.2	9.0	9.7	6.9	
Services, Misc.	19.2	16.5	14.8	13.2	21.5	2
Government	15.0	14.5	16.9	15.8	12.6	1
TOTAL	100.0	100.0	100.0	100.0	100.0	1(
Rate of Unemployment (March 1966—not seasonally adjusted)	2.5		2.4		2.5	

Source: Florida Industrial Commission, Florida State Employment Service.

darker portion of the table, one can compare the importance of various types of employment in Florida and the U. S. It is easy to see that Florida has a much higher proportion of her workers engaged in construction, trade, and services and comparatively fewer people employed in manufacturing than the U.S. as a whole.

These differences in the relative importance of employment types are certainly to be expected. But the similarity of changes in the employment mix from 1960 to 1965, also shown by the table, may shatter a few illusions about the degree of change in Florida's economy in the past five years. Note that the pattern of change is virtually the same in Florida as in the U.S.

What of Florida's heralded diversification? Her growing manufacturing? Her new trades and talents? In order to find these changes, one must look beneath the state totals to catch economic developments in the scattered metropolitan areas. Here we find that there have been sizable shifts in several types of employment.

Looking again at the table, this time at the slightly lighter area, we see that many offsetting changes in employment have occurred among the Standard Metropolitan Statistical Areas and other areas. A prime example is manufacturing. Note that, *on average,* manufacturing accounted for about the same percentage of total nonfarm employment in Florida in 1965 as in 1960. However, the proportion of workers employed by manufacturing firms grew considerably in Miami and West Palm Beach, where manufacturing employment has generally been less important. These gains were offset by declines in areas of heaviest manufacturing employment. Every area above the state average for manufacturing employment in 1960—Orlando, Pensacola, Tampa-St. Petersburg, Brevard and Polk Counties—experienced a decline in percentage of manufacturing workers. Decreases were most evident in Orlando and Brevard County, two areas currently undergoing rapid economic expansion.

Trade and services, two types of employment which play a declining, yet prominent, role in the economies of Miami and West Palm Beach, increased their shares of employment in Orlando and Pensacola. In Jacksonville and Tampa-St. Petersburg, also "industrialized" areas by Florida standards, small declines in the percentage of persons employed in manufacturing and construction have been counterbalanced by increases in the relative importance of services and government employment.

What are the results of these gyrations? To repeat, the relative shares of various types of employment have changed little in Florida in the past five years, indicating that the state is depending to a large extent upon her traditional income producers. But within the framework of this dependence is the willingness and ability of her major centers to change—to evolve and adapt. Cities which have heretofore not attracted tourists in great numbers are promoting their natural resources. Areas which have long been prime tourist and retirement areas are expanding their economic bases to include more manufacturing.

In the last five years the state has undergone some significant changes, many of which were prompted by a slowdown in the rate of population increase. (The average annual increase in population in this decade has been less than one-half that of the 1950's.) What these changes have entailed varies with the section of the state, as we have illustrated. The degree of success is measured in part by the rate of unemployment, given on the bottom line of the table. Each area currently has a lower rate than the national average. This low rate of unemployment is one of the many factors contributing to Florida's rising personal income.

PAUL A. CROWE

Percentage Distribution of Nonfarm Employment

ropolitan Statistical Areas										Other Areas											
Orlando		Pensacola		Tampa-St. Petersburg		W. Palm Beach		Brevard County		Polk County		Volusia County		State of Florida		United States					
965	1960	1965	1960	1965	1960	1965	1960	1965	1960	1965	1960	1965	1960	1965	1960	1965	1960				
17.7	20.1	26.1	26.8	17.6	18.3	18.4	14.8	15.1	20.6	18.0	18.8	15.8	11.1	15.6	15.7	29.8	31.0				
—	—	—	—	—	—	—	—	—	—	8.8	8.9	—	—	0.6	0.6	1.0	1.3				
8.7	11.7	8.2	9.0	8.0	10.3	10.4	12.0	14.6	8.4	11.3	9.3	7.0	8.0	8.5	9.2	5.3	5.4				
5.6	5.4	5.5	6.1	7.1	7.2	4.9	5.9	2.9	3.6	4.3	5.0	4.8	6.3	6.9	7.7	6.7	7.4				
0.2	29.1	21.3	20.8	29.3	30.1	25.5	28.4	17.0	17.3	26.3	27.1	27.1	31.9	26.5	27.3	20.8	21.0				
9.8	9.9	3.7	3.6	7.1	7.4	3.6	4.1	4.0	3.0	9.9	9.5	3.0	3.5	6.5	6.6	5.4	5.5				
0.4	19.2	17.6	17.2	22.2	22.7	21.9	24.3	13.0	14.3	16.4	17.6	24.1	28.4	20.0	20.7	15.4	15.5				
6.8	6.2	3.9	3.8	6.0	5.8	6.3	7.5	3.0	3.0	5.0	3.9	6.4	6.6	6.1	6.2	5.1	4.9				
6.5	15.4	10.3	9.6	16.6	14.8	18.0	18.1	29.5	31.9	12.9	13.9	22.3	21.2	17.6	16.6	14.7	13.6				
4.5	12.1	24.7	23.9	15.4	13.5	16.5	13.3	17.9	15.2	13.4	13.1	16.6	14.9	18.2	16.7	16.6	15.4				
00.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
2.6		3.2		2.5		1.8		2.2		3.8		2.5		2.5		4.0					

District Banks

continued from page 44

are not available at this time. Judging from the continuing decline in the share of bank originations of both home and project mortgages insured by FHA, however, it would appear that whatever net expansion has taken place has been through mortgage banking subsidiaries.

Whither the "Banking Revolution"?

Financial developments since mid-1965 suggest that some of the pressures for broadening the banks' role as intermediaries have lessened. Resurgence of corporate credit demand under a prolonged investment spending splurge, reversal of declining trends in defense spending, and continued high consumer credit demand have been more obvious. Expansion of banks' total intermediary volume in familiar areas of credit allocation appears for the moment to have replaced pressures for growth in the variety of such services. Meanwhile, sharp growth in credit demands upon the money market banks, which pioneered the negotiable CD as a new form of intermediation, has left them with this powerful innovation for expanding their share of a declining amount of uncommitted corporate and other savings.

Commercial banks in this District have in recent months experienced a growing competitive disadvantage in holding corporate funds represented by negotiable CD's, as credit demands and interest rates have risen. Some District banks which had issued this type of intermediary claim have recently intensified their use of the consumer savings certificates. There is some suggestion that wider use of these intermediary claims is a defensive one, operating as a means of shifting pressures in the large CD market to less competitive banks and nonbank depositary institutions.

On balance, it is clear that a number of banks in this District have broadened their roles as capital market intermediaries. It appears that pressures for further innovations in their offerings of "financial assets savers want" and in developing new uses for funds have subsided. Judicious allocation of a savings supply inadequate to meet all credit demands is now the prime requisite of a growing region, as it is for the whole economy. Reshaping of total financial flows to fit a reduced margin of real resources not fully employed need not result in unwarranted pressures on particular sectors or types of institutions.

HIRAM J. HONEA

Bank Announcements

THE FARMERS AND MERCHANTS BANK, *Ashford, Alabama, a nonmember bank, began to remit at par on May 1 for checks drawn on it when received from the Federal Reserve Bank.*

On May 16, the UNITED NATIONAL BANK, *Cocoa Beach, Florida, a conversion of the* COCOA BEACH STATE BANK, *opened for business as a member bank and began to remit at par. Officers include O. J. Mooneyham, Jr., Chairman and President; E. L. Johnson, Jr., Executive Vice President; A. Loriz, Vice President; and E. Chamas, Cashier. Capital amounts to $375,000, and surplus and other capital funds, $397,061.*

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

				Percent Change		
				Apr. 1966 from		Year-to-Date 4 months 1966 from 1965
	Apr. 1966	Mar. 1966	Apr. 1965	Mar. 1966	Apr. 1965	
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,440,410	1,419,645	1,258,211	+1	+14	+15
Gadsden	60,077	63,298	60,696	—5	—1	+7
Huntsville	166,282	176,512	177,125	—6	—6	+1
Mobile	502,260	464,588	435,455	+8	+15	+11
Montgomery	280,437	293,613	247,804	—4	+13	+12
Tuscaloosa	85,263	89,107	78,986	—4	+8	+15
Ft. Lauderdale—Hollywood	653,432	629,214r	556,642	+4	+17	+15
Jacksonville	1,303,839	1,497,408r	1,175,450	—13	+11	+21
Miami	2,085,729	2,230,660r	1,886,192	—7	+11	+12
Orlando	464,808	508,722	457,633	—9	+2	+7
Pensacola	198,716	203,853	194,247	—3	+2	+3
Tampa—St. Petersburg	1,192,960	1,244,407	1,101,273	—4	+8	+10
W. Palm Beach	510,615	489,121	398,245	+4	+28	+20
Albany	84,415	100,756	87,728	—16	—4	+7
Atlanta	4,175,897	4,360,169r	3,718,872	—4	+12	+13
Augusta	235,365	234,781	162,888	+0	+44	+42
Columbus	189,314	210,804	182,944	—10	+3	+5
Macon	215,457	221,325	198,131	—3	+9	+6
Savannah	245,249	262,999	224,083	—7	+9	+13
Baton Rouge	481,918	557,256	419,528	—14	+15	+17
Lafayette	111,304	119,309	110,962	—7	+0	+16
Lake Charles	137,754	121,942	124,091	+13	+11	+13
New Orleans	2,286,063	2,591,169	1,992,229	—12	+15	+17
Jackson	547,402	591,119	480,399	—7	+14	+16
Chattanooga	553,008	576,532	502,852	—4	+10	+12
Knoxville	427,096	426,513	402,742	+0	+6	+9
Nashville	1,230,926	1,385,952	1,292,563	—11	—5	+13
OTHER CENTERS						
Anniston	60,982	61,953	53,206	—2	+15	+13
Dothan	56,603	57,279	47,926	—1	+18	+12
Selma	41,513	40,974	33,602	+1	+24	+20
Bartow	40,110	38,518	33,694	+4	+19	+10
Bradenton	57,340	57,987	53,986	—1	+6	+12
Brevard County	204,024	224,956	188,674	—9	+8	+15
Daytona Beach	87,896	80,088	77,582	+10	+13	+9
Ft. Myers—N. Ft. Myers	79,715	78,011	68,686	+2	+16	+14
Gainesville	77,225	78,109	70,290	—1	+10	+9
Monroe County	34,283	38,202	32,076	—10	+7	+15
Lakeland	123,083	128,309	110,728	—4	+11	+11
Ocala	54,581	59,540	51,545	—8	+6	+12
St. Augustine	20,456	21,308	17,447	—4	+17	+19
St. Petersburg	309,557	316,121	276,336	—2	+12	+14
Sarasota	113,953	111,596	105,732	+2	+8	+12
Tallahassee	111,164	112,939	109,317	—2	+2	+14
Tampa	642,361	684,113	604,857	—6	+6	+7
Winter Haven	62,898	68,664	63,185	—8	—0	+7
Athens	66,070	70,140	59,970	—6	+10	+14
Brunswick	37,347	38,616	38,501	—3	—3	—3
Dalton	80,178	89,949	89,581	—11	—10	—5
Elberton	14,570	13,688	10,847	+6	+34	+14
Gainesville	73,245	56,443	62,903	+30	+16	+6
Griffin	30,722	31,449	26,121	—2	+18	+15
LaGrange	22,530	25,159	21,205	—10	+6	+16
Newnan	28,816	25,965	23,924	+11	+20	+8
Rome	66,068	71,196	60,351	—7	+9	+11
Valdosta	46,882	50,823	43,654	—8	+7	+8
Abbeville	9,995	11,111	8,913	—10	+12	+10
Alexandria	107,820	112,659	99,910	—4	+8	+8
Bunkie	5,718	5,462	5,061	+5	+13	+5
Hammond	34,662	33,121	32,619	+5	+6	+6
New Iberia	33,678	34,953	31,107	—4	+8	+7
Plaquemine	9,751	9,776	7,963	—0	+22	+16
Thibodaux	22,636	22,005	18,350	+3	+23	+16
Biloxi-Gulfport	91,327	89,228	77,458	+2	+18	+18
Hattiesburg	50,483	52,534	44,456	—4	+14	+15
Laurel	34,402	35,915	34,666	—4	—1	+9
Meridian	63,890	61,385	57,102	+4	+12	+9
Natchez	35,741	35,443	30,347	+1	+18	+13
Pascagoula—Moss Point	48,899	51,031	45,022	—4	+9	+16
Vicksburg	39,012	39,342	33,834	—1	+15	+17
Yazoo City	30,934	24,185	21,146	+28	+46	+20
Bristol	68,302	68,765	62,051	—1	+10	+13
Johnson City	70,860	71,520	62,752	—1	+13	+12
Kingsport	135,737	162,646	120,333	—17	+13	+13
SIXTH DISTRICT, Total	27,438,786	28,827,762r	25,080,576	—5	+9	+13
Alabama‡	3 589,923	3,569,158	3,230,375	+1	+11	+12
Florida‡	8,643,791	9,097,087r	8,008,905	—5	+8	+12
Georgia‡	6,729,114	7,006,132r	6,055,684	—4	+11	+12
Louisiana*†	3,750,206	4,156,093	3,329,399	—10	+13	+16
Mississippi*†	1,234,614	1,260,386	1,069,107	—2	+15	+16
Tennessee*†	3,491,138	3,738,906	3,387,106	—7	+3	+12

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

Sixth District Statistics

Seasonally Adjusted

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

SIXTH DISTRICT

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	52,828	52,390r	50,893r	47,402
Manufacturing Payrolls	Apr.	182	181r	181	164
Farm Cash Receipts	Mar.	150	147	144	124
Crops	Mar.	158	151	143	145
Livestock	Mar.	152	147	140	118
Instalment Credit at Banks, *(Mil. $)					
New Loans***	Apr.	287	292	273	256
Repayments***	Apr.	249	233	222	217
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	130	130	129	123
Manufacturing	Apr.	130	130	130	122
Apparel	Apr.	159	159	159	150
Chemicals	Apr.	123	123	123	117
Fabricated Metals	Apr.	143	143	142	130
Food	Apr.	111	113r	113	107
Lbr., Wood Prod., Furn. & Fix.	Apr.	104	104	105	100
Paper	Apr.	113	111	112	108
Primary Metals	Apr.	114	113	113	111
Textiles	Apr.	103	103	103	99
Transportation Equipment	Apr.	168	168r	166	146
Nonmanufacturing	Apr.	130	130	129	123
Construction	Apr.	128	132r	132	119
Farm Employment	Apr.	67	71	71	73
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	1.6	1.8	2.2	2.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.7	41.8r	42.0	41.6
Construction Contracts*	Apr.	152	170	132	181
Residential	Apr.	164	184	145	174
All Other	Apr.	143	157	137	188
Electric Power Production**	Apr.	140	134	134	128
Cotton Consumption**	Apr.	118	119	115	115
Petrol. Prod. in Coastal La. and Miss.**	Apr.	191	192	200r	175
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Apr.	230	229	226	199
Leading Cities	May	210	210	211	184
Member Bank Deposits*					
All Banks	Apr.	174	173	171	155
Leading Cities	May	159	157	155	146
Bank Debits*/**	Apr.	188	180r	176	164

ALABAMA

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	7,155	7,078r	6,821	6,491
Manufacturing Payrolls	Apr.	168	169r	169	158
Farm Cash Receipts	Mar.	153	154	154	119
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	120	121	120	116
Manufacturing	Apr.	119	120	120	114
Nonmanufacturing	Apr.	121	121	121	117
Construction	Apr.	126	126r	126	124
Farm Employment	Apr.	69	66	71	76
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	2.0	2.2	2.6	2.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.8	42.1r	42.3	42.2
FINANCE AND BANKING					
Member Bank Loans	Apr.	213	218	216	194
Member Bank Deposits	Apr.	173	173	174	155
Bank Debits**	Apr.	184	169	168	158

FLORIDA

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	15,214	15,013r	14,385r	13,555
Manufacturing Payrolls	Apr.	206	207r	209	191
Farm Cash Receipts	Mar.	161	147	119	140
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	140	141	140	133
Manufacturing	Apr.	140	142	142	133
Nonmanufacturing	Apr.	140	140r	140	133
Construction	Apr.	108	115	116	111
Farm Employment	Apr.	90	90	94	96
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	1.3	1.3	1.5	1.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	42.2	42.4	42.7	42.6
FINANCE AND BANKING					
Member Bank Loans	Apr.	232	228	223	204
Member Bank Deposits	Apr.	174	173	171	155
Bank Debits**	Apr.	184	174r	175	163

GEORGIA

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	10,036	9,937r	9,871r	8,974
Manufacturing Payrolls	Apr.	185	182r	183	164
Farm Cash Receipts	Mar.	150	145	153	120
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	130	130	129	123
Manufacturing	Apr.	127	127	127	120
Nonmanufacturing	Apr.	132	131	130	125
Construction	Apr.	142	143r	142	133
Farm Employment	Apr.	58	62	62	64
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	1.1	1.3	1.5	1.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.6	41.3r	41.4	41.1
FINANCE AND BANKING					
Member Bank Loans	Apr.	247	251	243	205
Member Bank Deposits	Apr.	191	188	187	166
Bank Debits**	Apr.	200	196	190	172

LOUISIANA

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	8,036	7,967r	7,821r	7,231
Manufacturing Payrolls	Apr.	165	159r	162	150
Farm Cash Receipts	Mar.	137	142	144	110
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	119	120	119	112
Manufacturing	Apr.	111	112	112	106
Nonmanufacturing	Apr.	121	121	121	114
Construction	Apr.	140	146	145	107
Farm Employment	Apr.	69	72	65	69
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	2.4	2.4	2.7	3.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	42.5	42.6r	43.5	41.6
FINANCE AND BANKING					
Member Bank Loans*	Apr.	209	205	204	179
Member Bank Deposits*	Apr.	151	150	149	136
Bank Debits*/**	Apr.	168	166	153	143

MISSISSIPPI

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	4,036	4,050r	3,784r	3,638
Manufacturing Payrolls	Apr.	202	200r	197	177
Farm Cash Receipts	Mar.	155	168	170	130
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	131	131	130	125
Manufacturing	Apr.	142	143	143	133
Nonmanufacturing	Apr.	126	126	125	122
Construction	Apr.	140	139	137	133
Farm Employment	Apr.	59	64	64	62
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	1.7	2.2	2.6	2.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.7	41.7r	41.6	41.2
FINANCE AND BANKING					
Member Bank Loans*	Apr.	277	268	263	213
Member Bank Deposits*	Apr.	209	210	206	165
Bank Debits*/**	Apr.	198	190	184	164

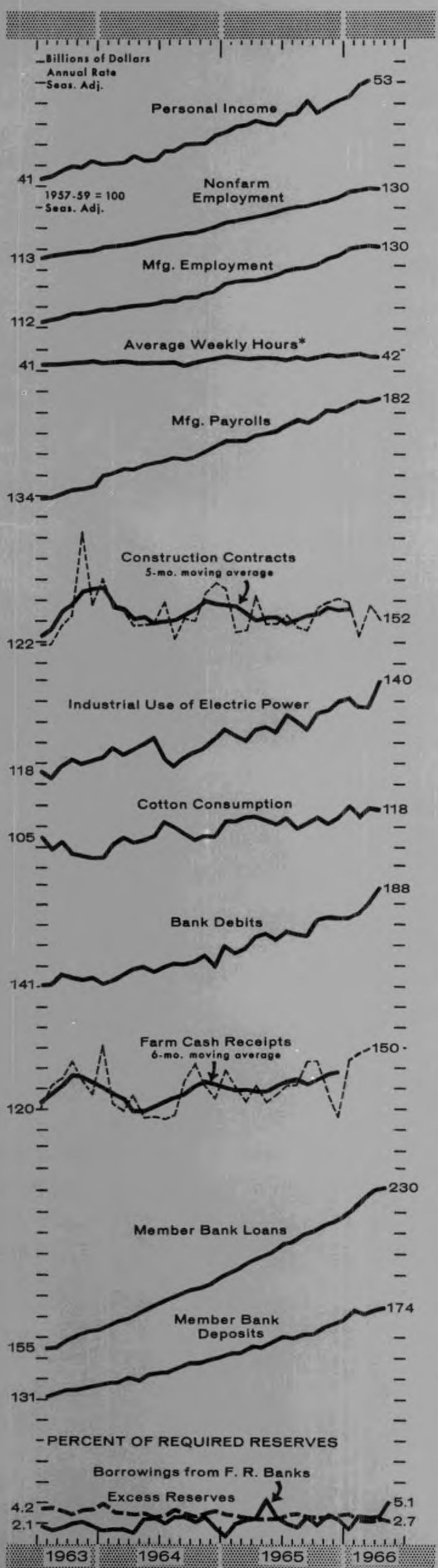
TENNESSEE

	Latest Month (1966)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	8,351	8,345r	8,211r	7,513
Manufacturing Payrolls	Apr.	180	178r	177	157
Farm Cash Receipts	Mar.	136	124	129	112
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	131	131	130	122
Manufacturing	Apr.	138	138	137	126
Nonmanufacturing	Apr.	128	127	127	120
Construction	Apr.	154	156r	155	140
Farm Employment	Apr.	70	78	79	80
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	1.9	2.2	2.8	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.3	41.5r	41.4	41.0
FINANCE AND BANKING					
Member Bank Loans*	Apr.	228	225	226	199
Member Bank Deposits*	Apr.	171	168	166	157
Bank Debits*/**	Apr.	201	196	183	186

*For Sixth District area only. Other totals for entire six states. **Daily average basis. ***Adjusted to benchmark data from June 1964, Dec. 1964, and June 1965 call reports. r-Revised.

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; cotton consumption, U. S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

DISTRICT BUSINESS CONDITIONS



*Seas. adj. figure; not an index.

Boom conditions imposed strains on the District's economy in April. Labor shortages held back nonfarm job gains, as insured unemployment dropped to 1.6 percent. Higher social security taxes and stepped-up income tax withholding restrained consumer spending. Stiffer mortgage conditions reduced the volume of residential construction contracts and curtailed used home sales. Bank credit declined at banks in leading cities, as reductions in investments far exceeded moderate increases in loans. Heavy rains reduced crop prospects in many sections of the District.

Nonfarm payrolls added only 25,000 workers and thus did not achieve the expected seasonal increase for April. The all-time low of District insured unemployment indicates a continued worker shortage. A sharp advance in average hourly earnings pushed manufacturing payrolls higher, despite a decline in seasonally adjusted employment and the average workweek. Most of the drop in manufacturing employment occurred in Florida's food processing industry. In the textile industry, recent wage increases should boost June wage earnings.

After rising substantially during the first quarter, consumer spending in the District apparently moderated somewhat in April and May. Retail sales of both durable and nondurable goods increased sharply during March; decreased District automobile sales in April and early May point to a slowdown in total retail sales, however. Major factors in the leveling off of consumer spending include higher social security taxes and the stepped-up rate of income tax withholding.

Residential construction contracts declined; costs of mortgage money rose further; and lending terms were tightened. Nonbank depositary institutions in most major mortgage markets experienced sharp reductions in net funds available in April and May. Decreased consumer savings flows, heightened bank competition, and increased direct investments in securities markets appear to have been major causes of these declines. Nonresidential construction has not yet been greatly affected by less available mortgage money, but costs of new commitments have risen sharply and some plans have been canceled or deferred. Mortgage commitment backlogs have been substantially reduced in a number of District cities.

A decline in loans to consumers, coupled with a very moderate increase in business loans, resulted in reduced gains in loans at banks in leading cities during May. Real estate loans advanced considerably more than in previous years, but these increases were concentrated in a few areas. Despite the slower pace of loan expansion, these banks continued to reduce investments, primarily short-term U. S. Government securities. May increases in total time deposits were well below those of 1964 and 1965.

Heavy rains in many sections of the District created poor crop conditions. Excess moisture has delayed the completion of planting activities and forced some farmers to replant large acreages. Furthermore, weed control operations have been hampered. April prices received for most livestock and livestock products, though still well above last year, were down from the March level. These higher prices, combined with a larger volume of marketings, have pushed District cash receipts well above last year's record level.

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