



Monthly Review

Consumer Credit Quality— A Search for an Answer

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The postwar growth in the level of outstanding consumer credit has been spectacular. Aided by a stimulative monetary credit policy, most sectors of the economy have shared in the growth. Consumers added to their present consumption at the expense of future income; merchants and retailers increased their sales; lenders received interest income from extending credit; and other segments felt the impact through the growth in aggregate demand.

This continuing uptrend in the use of consumer credit is reflected in a current level of outstanding debt in excess of \$90 billion. Not only has the level of debt grown, but the ratio of consumer credit to disposable personal income has advanced, indicating that consumer credit has become increasingly more pervasive.

Has this growth in private indebtedness been so rapid as to warrant grave concern and worry? Whether or not the current level of outstanding debt has become excessive depends upon the prospects of its repayment. If the growth in debt has been offset by an increase in the ability and desire to repay, there may be little need for worry. However, many persons fear that more and more marginal borrowers have been coaxed into borrowing, leading to the greater possibility of defaults. This idea is often given as an indication of the deterioration of credit "quality." While it is difficult, if not impossible, to define credit quality exactly, at least two meanings are commonly associated with its current usage.

One focuses on the likelihood of an individual loan, or a portfolio of loans, being repaid. Another meaning, which uses aggregate figures, centers around the likely effect of a change in the overall performance of the economy on the number of loan foreclosures and repossessions. A sharp increase in foreclosures and repossessions would be direct evidence of a deterioration in credit quality, of course. Attempts to gauge such an occurrence in advance of its actual happening have led to the widespread use of aggregate measures to assess the strain of private debt on the economy. One measure, the ratio of instalment repayments to disposable personal income, has increased, along with the growth in the level of outstanding credit. Today, about 14.5 cents out of each dollar of the consumer's take-home pay is committed to repaying instalment debt, compared with 10 cents a decade ago and only 4 cents immediately following World War II.

Measuring credit quality by aggregate figures has serious limitations. Attitudes toward borrowing have changed. The proportion of the population making purchases on credit has grown. In addition, an average increase of 6 percent per year in per capita income over the past 20 years has caused a shift in consumer spending patterns. Today's consumer, differing in many respects from his counterpart of 20 years ago, buys a larger proportion of items with credit. Growth in the ratio of repayments to personal income may not signal a lowering of quality, but merely an increase in the proportion of credit-type purchases.

In the final analysis, the quality of credit is determined by the borrower's repayment of an obligation in accordance with the original con-

tract. Perhaps the rise in consumer credit has been accompanied by an increase in the creditworthiness of borrowers. If so, the quality of credit measured in the aggregate may not be the same as that derived from adding the qualities of individual loans.

The most realistic approach to solving the dilemma of credit quality is based on the disaggregation of data. This method employs either a detailed analysis of individual loans, which are then added together for a measure of the quality of total outstanding credit, or an analysis based on average values or the distribution of certain characteristics for entire portfolios of loans. The ability of present-day computers to handle large amounts of detailed information makes both of these approaches feasible.

But what specific characteristics of borrowers are most important in judging loan quality? A great deal can be learned from the individual lender whose portfolio quality depends largely upon his judgment of those borrowers who will most likely repay. In practice, he knows that some risks must be taken in order to compete for loan business. But after deciding the level of risk, he must then determine on what basis loans will be accepted or rejected.

Bankers have generally scored each loan application by a number of borrower characteristics. But even the most experienced banker is not sure of the individual merits of these characteristics. To test the reliability of these "rules of thumb," and also, to take a closer look at the quality of consumer credit, the Federal Reserve System is conducting a special study. The objective is to determine if the loan portfolio outstanding at any particular time is stronger or weaker than that which existed at some earlier date. Once the measurement technique is developed, the System hopes to be able to measure changes in the quality of loan portfolios from year to year.

To accomplish this task, a questionnaire was designed to get borrower and loan characteristics for individual consumer loans at banks. This questionnaire was first developed and tested in 24 banks across the United States to work out problems in design and data processing and to provide data for preliminary analysis. Following the pilot phase of the study, consumer loans in an entire metropolitan area are being sampled. With these data, changes in quality that take place in that area can be identified. It will also be possible to compare various areas for regional differences in credit quality and to develop a national index, or measure of consumer credit conditions. Mobile, Alabama, was the first metropolitan area selected for this study. However, banks in Cleveland, Ohio, have since started supplying data to the Federal Reserve System, and other banks will soon be participating in the study.

Personnel in the Consumer Loan Department of each Mobile bank participating in the survey are completing four types of questionnaires. One obtains data on individual borrower and loan characteristics for about one-tenth of all new loans made during each working day. A similar questionnaire samples loans as they are repaid. Information is acquired for loans when the borrower defaulted. Questionnaires are also completed for part of the rejected loans.

As the questionnaires are received at this Bank for analysis, the information is transferred to punched cards and fed into our computer. A large quantity of data is

processed, showing the average and percentage breakdowns for a number of different classifications of borrower and loan characteristics.

Thus far, over 5,000 individual questionnaires have been received from Mobile banks. For purposes of this report, all personal loans, repair and modernization, and other consumer goods loans have been grouped into a single category—nonautomobile loans. However, the same information is also available for automobile loans.

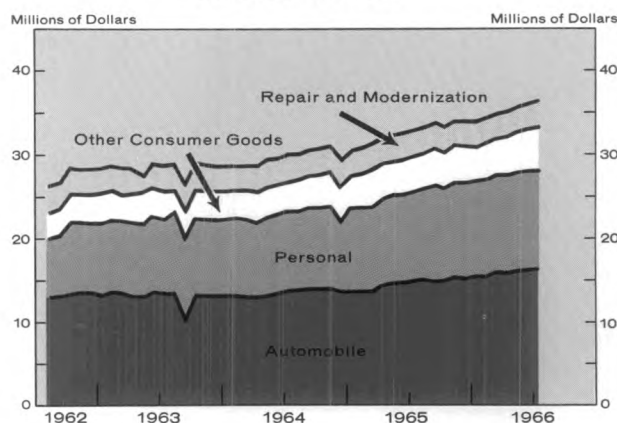
Mobile, Alabama

One of the reasons Mobile was selected as the first area to be studied is that its population of 412,000 contains a good cross section of American consumers. Engaging in industry, shipping, farming, and tourism, Mobile has been similar to the nation in the growth of retail trade and consumer indebtedness. The large increase in Mobile's credit is the result of a rapid growth in personal income and spending on more credit-type purchases. Personal incomes have increased approximately 7 percent per year. Similarly, per capita incomes, probably a better indicator of the economic well-being of Mobile residents, have moved steadily upward. Meanwhile, retail spending has advanced at about the same rate.

Although some important differences exist between Mobile and the U.S., the composition of Mobile's commercial bank consumer credit resembles that of the nation. Automobile loans, the largest single component of instalment credit outstanding, account for about one-half of the total in both Mobile and the nation. Since mid-1962, these loans have contributed only about one-third of the growth in Mobile's consumer debt, while accounting for two-thirds of the nation's. However, personal loans have advanced more rapidly in Mobile than in the nation. The growth rates in other consumer goods and repair and modernization loans have been about the same in Mobile and the U.S. Since mid-1962, instalment debt at Mobile banks has grown by nearly 40 percent, or about 10 percent annually. During the same period, the national figure was about 18 percent per year, on average.

The 1,683 nonautomobile loans in our study revealed that the typical borrower from the commercial banks in Mobile was 41 years old, had lived in the area slightly

Consumer Instalment Debt Held by Commercial Banks
Mobile, Alabama
June 1962—July 1966



over ten years, and had been with his firm for about the same time. His household income averaged a little over \$6,500. Not all of the borrowers were indebted before they made their new loans, but those that were, owed \$96 per month, on average. Their new debt to the bank averaged \$596, to be repaid in 15 months at the rate of \$39 a month.

The characteristics of the borrowers that defaulted were significantly different from those of all borrowers. On average, they were younger, had lived in the area a shorter time, had been on the job fewer years, and received somewhat lower incomes. The amounts of their new loans were higher, as well as their monthly payments.

This general picture is useful in evaluating the differences between borrowers who defaulted and those who repaid their indebtedness, but some significant changes may be hidden in the averages. For example, while the average borrower that defaulted was one year younger than those who repaid their loans, borrowers between 20 and 30 years old had the highest default ratio. Similarly, nearly 70 percent of all borrowers that defaulted had lived in Mobile for five years or less, even though these short-term residents accounted for only 50 percent of the loans. Borrowers who worked for the same firm for five years or less also had a considerably worse repayment record than those who had been employed longer.

These yardsticks of the quality of individual loans appear to measure the maturity and attitude of the borrower, as well as the stability of his income and whether he will still be in the area when the final payments come due. It is not clear, however, how these variables are interrelated or what is the relative importance of each in determining the quality of loans.

The variables are obviously good proxy measures for the borrower's maturity and attitude toward repayment. Nevertheless, income and indebtedness of the borrower are significant in that they measure the borrower's ability to repay. The table shows that average incomes for borrowers that defaulted were much less than for other borrowers. As expected, a more detailed review of written-off loans revealed that borrowers with low incomes (less than \$2,000) had relatively poor repayment records.

However, further analyses showed that borrowers with household incomes of \$10,000 or more also had relatively poor repayment records. Sixty-nine percent of all borrowers with high household incomes had more than one source of income, primarily a working spouse. Conversely, borrowers with household incomes of less than \$10,000 had two or more sources of income in only 15 percent of the cases. Combining the two average level incomes may add to the family's ability and desire to incur debt, but the additional income may not always be fully available for retiring debt. Thus, the income variable alone is perhaps not sufficient information on which to base credit quality.

While the borrower's household income measures his potential repayment ability, monthly instalment indebtedness both before and after the loan measure his approximate net ability to retire his debts. Borrowers not indebted before negotiating loans had better repayment records. Meanwhile, borrowers with preloan indebtedness of \$60 to \$100 had the highest default ratio. This level

of indebtedness did not seem too great, but adding a new debt apparently overburdened many borrowers.

Characteristics of Nonauto Consumer Loans at Mobile, Alabama, Area Banks¹

July 1965—June 1966

Borrower and Loan Characteristics	Average Values		
	Defaults	Loans Repaid	Difference ²
Age of Borrower	40.0	41.0	- 1.0
Years Residing in Area	7.2	10.4	- 3.2
Years with Firm	8.6	10.5	- 1.9
Household Income (Yearly)	\$6,212	\$6,511	-\$299
Monthly Preloan Debt (Indebted Borrowers Only ³)	\$77	\$96	- \$19
Amount of Loan	\$685	\$596	+ \$89
Number of Monthly Payments	14.3	15.2	- 0.9
Amount of Monthly Payments	\$54	\$39	+ \$15

¹Data based on simple averages.

²Difference between defaults and loans repaid.

³Includes reported monthly payments for auto, rent, mortgage, and other debts before bank loan was made.

These characteristics are normally used by bankers considering loan applications. Perhaps equally important in assessing the possibility that a loan will be repaid are the characteristics of the loan itself. Is the repayment period so long that future events place the loan in jeopardy? Is the loan too large or too small in relation to the borrower's income or previous debt? Answers to these and other questions may give further insight into the quality of loans.

The table shows that the average borrower who defaulted borrowed more money and tried to repay it with less, but larger, monthly payments. One might conclude that borrowers with larger, short-term loans have the worst repayment record. This is partly true in that relatively more loans defaulted when they totaled \$1,500 or more and were to be repaid with 12 monthly payments of \$90 or more. Loan contracts placing greater pressures on borrowers' present incomes appear to reduce loan quality. However, borrowers with small loans requiring a few small monthly payments also had relatively poor repayment records. Many had very low incomes and were faced with the problem of becoming overburdened.

Measuring Future Credit Quality

The comparisons of borrower characteristics suggest that they are significant measures of the repayment potential of prospective borrowers. However, bank data may be utilized to measure many other aspects of credit quality. For example, a consideration of the importance of age, relative to income, may be desirable. What exactly do age, years residence, or other variables measure? Apparently, the ultimate quality of a bank's or a nation's loan portfolio depends, in part, upon the borrower's attitude toward indebtedness and repayment. Do these variables provide proxy measures of attitudes or should other characteristics be reviewed? Is it possible to quantify a borrower's attitude toward indebtedness?

Just as attitude is important in evaluating credit quality, so is the borrower's ability to repay. Bankers have a gen-

eral idea of the repayment capacity of their borrowers, but are they always fully aware of their current outstanding indebtedness? Should they evaluate net, rather than gross, income of the borrower? How does the number of dependents affect a borrower's repayment potential?

So far, this study has raised many questions, but it has clarified enough issues to guarantee that, as these and

other data are studied, many more questions will become answerable for the first time. As information is collected during periods of changes in the rate of economic growth, it will become more possible to adequately measure and quantify changes in credit quality in local areas. Then, the quality of the national consumer loan portfolio can be better measured by totaling the regional changes.

ROBERT E. SWEENEY AND JOE W. MCLEARY

What Happened to State and Local Government Borrowing?

Late last year state and local governments in the Southeast found it increasingly expensive to borrow. As the consumer may have found it necessary to go into debt to purchase a car, governmental units may have had to borrow to finance the building of a road. What effects have the rising costs of borrowing had on state and local governments in the Sixth District states of Alabama, Florida, Georgia, Louisiana, Mississippi and Tennessee?

State and local governments, like most any individual or company, must pay a price for using someone else's money. That price is measured by the net interest cost (NIC), at an annual rate. In order to analyze this cost movement in the District states, this Bank computed weighted average NIC (weighted by dollar volume) on new issues, by rating.

The price state and local governments must pay is a function of credit quality, which is measured by ratings of one or more national rating organizations. As with other debt securities, a large number of tax-exempts are rated from Aaa to C. Table I shows the weighted average NIC, by rating, for the 1964-66 period and so far as possible for available data. This period was selected because it represents approximately equal portions of time before and after the recent rapid climb of NIC's.

By third quarter 1965, NIC's had begun their rapid climb. Preliminary data for the third quarter of this year indicate that they were still advancing at an increasing rate, but had started some firming in October. A com-

parison of the weighted average NIC for first quarter 1964 and second quarter 1966 shows that Aa rated issues have increased .76 percentage points; A issues, .62 points; and Baa, .50 points. The lower rated Baa's gained less, on average, because they tend to be smaller issues, have more interest for local investors, and are somewhat insulated from movements in the national markets. Another factor contributing to the smaller gain in Baa's net interest cost is the continuing long-term trend resulting from an increase in investors' confidence in lower-rated issues.

What effects have these rising costs had on state and local governments? Assume that an "average" state or local government had a rating of A in first quarter 1964 and second quarter 1966 and that in both periods it issued a \$5 million, 20-year bond. Over the life of the two bonds the second would have cost \$620,000 more.

Some analysts believe that when NIC's rise normally, there is little, if any, downward movement in the volume of offerings. Even if this is generally true, we are now in an "abnormal" market. Some state and local governments, having reached their legal interest rate ceilings, have curtailed their issuance of debt. Other state and local governments are faced with a problem similar to that of the consumer who late last year realized that he needed a new roof but postponed his purchase in hopes that the cost would go down. Now the roof is leaking and he must buy a new one even though the cost is higher.

Like the consumer, most state and local governments have acted in terms of postponements, not cancellations. The amount of new securities offered by state and local governments in the District states has increased in every postwar year. In 1965, volume reached over \$2 billion. However, the first half of 1966 was approximately one-quarter billion dollars below the same period for 1965 and the same as the second half of 1965. This decline was associated mainly with the relatively low level of issues in first quarter 1966, which may have resulted from the postponement of some issues by state and local government debt managers because they felt that NIC's were too high and would soon drop. Cancellations and bid rejections also contributed to the decline. Quarterly totals for District states are listed in Table II.

This year the distribution of the volume of new issues has been rather exceptional to the normal seasonal pattern. Normally, the first quarter is the highest; the third quarter, the lowest; the second quarter, somewhat above average;

Table I: Weighted Average Net Interest Cost of New Issues for State and Local Governments
Sixth District States
(In Percent)

	Quarters	Aaa	Aa	A	Baa	Ba
1964	I	3.36	3.07	3.32	3.65	4.01
1964	II	—	3.08	3.33	3.64	3.93
1964	III	—	3.27	3.48	3.75	4.08
1964	IV	—	3.27	3.39	3.53	—
1965	I	3.29	3.23	3.27	3.51	3.93
1965	II	3.22	3.22	3.37	3.63	—
1965	III	3.22	3.28	3.49	3.65	4.00
1965	IV	—	3.64	3.67	3.84	3.87
1966	I	—	3.68	3.84	4.11	—
1966	II	—	3.83	3.94	4.15	—

Source: Computed from information in *The Weekly Bond Buyer* and *Moody's Bond Survey*.

Table II: Tax-Exempt Sales of New Issues

Sixth District States
(In Millions of Dollars)

I 1965	602	III 1965	489	I 1966	350
II 1965	534	IV 1965	391	II 1966	530
Half-Year Totals	1,136		880		880

and the fourth quarter, moderately below. First quarter 1966 was low and the second quarter substantially higher. Preliminary data indicate that the third quarter will reach approximately the same level as the second quarter.

In such a complex market it is difficult to establish the one reason for a contraseasonal pattern, but two main considerations stand out: timing and urgency. Like the man needing a new roof, state and local governments in the District states appear to have postponed their borrowing in the first quarter only to return to a more costly market. But in spite of higher costs, state and local governments continue to offer a large volume of securities.

Eliminating the effects of seasonal influences by taking an average over the past ten quarters reveals that Florida is the leader in state and local governments as a percent of the District states' volume (see Table III). During second quarter 1966 almost 30 percent of the volume was attributed to Alabama. One issue, by the Camden Industrial Development Board, accounted for 45 percent of Alabama's volume. The percent of volume for any quarter is greatly influenced by singularly large issues or a group of issues. The averages give the best representation, although Florida has been declining in importance on a quarter-to-quarter basis.

Table III: Percent of Total for New Issues of Tax-Exempts

Sixth District States
First Quarter 1964—Second Quarter 1966
(In Percent)

Florida	23.0 (2)	Louisiana	14.8 (5)
Alabama	21.2 (1)	Tennessee	14.2 (3)
Georgia	20.1 (4)	Mississippi	6.7 (6)

Note: Figures in parentheses indicate ranking on basis of percent of volume for second quarter 1966.

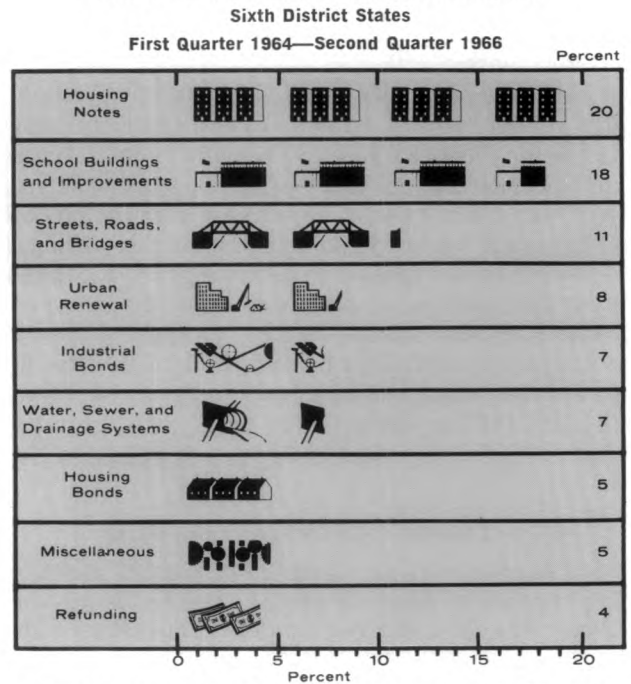
Just as changing costs of bank borrowing would not move the consumer who needed a new roof to buy a car he did not need, state and local governments do not change the purpose for which their money is to be put to use because NIC's have risen. When classified by purpose, the sharp increase between first and second quarter 1966 shows up in the urban renewal and industrial bond categories. Urban renewal advanced from 8 to 20 percent of the six-state total and industrial bonds from 1 to 18 percent, or from \$26 million to \$106 million and from \$5 million to \$90 million, respectively. The largest single issue in second quarter 1966 was \$70 million issued by the Camden Board for industrial development. This was the largest issue to come out of the District since March 1964, when the Jacksonville Expressway Authority made an issue for over \$135 million. The large increase in urban renewal was associated with a number of large issues of Tennessee cities.

On the basis of purpose of issue, the large decrease in volume between the first half of 1965 and the first half of 1966 can be explained primarily by the reduction in funds applied to school buildings and improvements and housing notes. These decreases, from \$264 million to \$156 million for school buildings and improvements and from \$225 million to \$109 million for housing notes, were partially offset by a substantial increase in streets, roads, and bridges—from \$69 million to \$124 million. Chart I shows the average distribution of tax-exempt issues for state and local governments in District states, by purpose, over the past ten quarters.

Who is finding these costs higher? The large jump in the District states' volume between the first and second quarters in this year was mainly associated with increases in the volume of issues made by local public agencies and special authorities. Local public agencies, which are usually concerned with urban renewal, went from \$26 million to \$106 million. A large increase in the cost of borrowing was also noticed when classification was on the basis of purpose for urban renewal. Special agencies increased their volume of issues from \$80 million to \$161 million, mainly in the industrial bond category. In terms of percent composition, as an average over the past ten quarters, the rankings in Table IV were found.

Data for the first halves of 1965 and 1966 reveal increasing volume, in spite of higher cost, for local public agencies and special authorities and decreases in volume for all other categories. Housing authorities and cities show the largest decrease in absolute terms. With respect to percent composition, local public agencies and special authorities in second quarter 1966 were 11 percentage

Chart I: Distribution by Purpose of Tax-Exempt Issues for State and Local Governments



Although wide fluctuations are found on a quarter-to-quarter basis, housing notes have been the overall leader for the periods immediately before and after the rapid rise in NIC's.

Note: All other (7) components add to 15 percent.

Source: *The Weekly Bond Buyer*; classifications by this Bank.

Table IV: Distribution of Issuing Body for Tax-Exempts

Sixth District States

First Quarter 1964—Second Quarter 1966

(In Percent of Dollar Volume)

Housing Authorities	26	Counties	13
Cities	20	School Boards	10
Special Authorities	19	Local Public Agencies	9
		States	3

points above their average over the past ten quarters. In contrast, housing authorities were 14 percentage points below their averages and cities were 7.

Just as a retailer sells the goods of manufacturers, an underwriter sells the bonds of state and local governments. The underwriter, usually through a competitive bidding process, buys the bonds of a municipality and then sells them, hopefully at a profit. Over the past ten quarters, on the basis of the location of the underwriter, those syndicates composed entirely or predominantly of Southern firms accounted for 17 percent of the underwriting. The average size of the issue these firms handled was \$812,000, while it was \$2,999,000 for entirely non-Southern underwriters. Over time the trend seems to be toward Southern underwriters handling progressively larger issues.

Rising costs have stimulated some unusual approaches to marketing municipals, although none of these methods have been reported in the District states. When Tulsa reached its interest rate ceiling, the city's banks agreed to buy the bonds just below the ceiling if the city would re-deposit the funds with banks in the syndicate. In Pittsburgh a conditional bid was made on bonds which had also reached their interest rate ceiling. The bid was made to purchase an option for two weeks in hopes that market conditions might improve in that time.

Although rising costs do not seem to have a cause-effect relationship with distributions on the basis of purpose or issuing body, they may make their impression on dollar volume of new issues. Third quarter preliminary data for the District states and a fourth quarter "guesstimate" indicate that this may be the first year since World War II that has not shown an increase over the preceding year for dollar volume of new issues. At this writing, the tax-exempt market appears to be firming; if this continues, volume may increase as postponed issues are returned to market. However, because of the planning that is necessary to market tax-exempt bonds, the impact of this firming on dollar volume of new issues may not be revealed until early 1967 or later.

C. WILLIAM SCHLEICHER, JR.

Bank Announcements

THE AMERICAN BANK, Geneva, Alabama, a nonmember bank, began to remit at par on October 10 for checks drawn on it when received from the Federal Reserve Bank.

On October 12, THE COMMERCIAL BANK OF GAINESVILLE, Gainesville, Florida, opened as a nonmember bank and began to remit at par. Officers include William C. Ruffin, Jr., President; Guy R. Dudley, Executive Vice President; and Jerry C. Evans, Cashier. Capital is \$350,000, and surplus and other capital funds, \$175,000.

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Sept. 1966	Aug. 1966	Sept. 1965	Percent Change		
				Year-to-Date		
				Sept. 1966	Aug. 1965	Sept. 1965
						from 1965
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,378,015	1,450,377	1,293,340	-5	+7	+13
Gadsden	63,948	66,392	56,215	-4	+14	+10
Huntsville	173,069	183,085	158,867	-5	+9	+5
Mobile	414,214	460,313	385,414	-10	+7	+9
Montgomery	290,027	343,526	264,063	-16	+10	+11
Tuscaloosa	83,410	90,965	77,825	-8	+7	+14
Ft. Lauderdale—						
Hollywood	506,878	519,006	422,710	-2	+20	+16
Jacksonville	1,312,153	1,410,076	1,200,579	-7	+9	+15
Miami	1,837,476	1,945,954	1,593,090	-6	+15	+14
Orlando	409,286	421,265	377,297	-3	+8	+9
Pensacola	202,148	205,356	182,473	-2	+11	+7
Tampa—						
St. Petersburg	1,065,280	1,131,475	972,024	-6	+10	+10
W. Palm Beach	369,941	378,288	301,529	-2	+23	+21
Albany	97,885	90,235	91,113	+8	+7	+8
Atlanta	4,154,755	4,459,831	3,918,309	-7	+6	+12
Augusta	256,727	273,444	200,012	-6	+28	+23
Columbus	213,891	210,825	193,921	+1	+10	+7
Macon	221,295	238,071	196,333	-7	+13	+11
Savannah	244,909	263,409	222,115	-7	+10	+11
Baton Rouge	544,005	563,860	432,052	-4	+26	+21
Lafayette	115,352	120,975	100,174	-5	+15	+16
Lake Charles	138,931	138,945	108,986	-0	+27	+18
New Orleans	2,235,687	2,304,313	1,987,879	-3	+12	+16
Jackson	598,270	646,670	507,352	-7	+18	+16
Chattanooga	552,719	568,730	505,876	-3	+9	+14
Knoxville	432,965	458,217	390,883	-6	+11	+9
Nashville	1,439,524	1,382,445	1,228,337	+4	+17	+13
OTHER CENTERS						
Anniston	64,676	64,499	55,276	+0	+17	+15
Dothan	61,655	56,913	58,829	+8	+5	+11
Selma	42,822	41,776	39,324	+3	+9	+16
Bartow	39,012	35,976	30,089	+8	+30	+17
Bradenton	59,225	57,044	40,142	+4	+48	+20
Brevard County	199,979	209,867	181,365	+5	+10	+10
Daytona Beach	77,279	86,087	73,393	-10	+5	+9
Ft. Myers—						
N. Ft. Myers	63,856	64,688	55,459	-1	+15	+14
Gainesville	83,411	78,695	74,397	+6	+12	+11
Monroe County	29,198	32,722	27,147	-11	+8	+16
Lakeland	107,190	105,901	91,737	+1	+17	+12
Ocala	51,897	52,879	45,431	-2	+14	+11
St. Augustine	19,298	22,355	17,493	-14	+10	+15
St. Petersburg	254,078	281,676	238,685	-10	+6	+12
Sarasota	90,287	91,888	82,338	-2	+9	+12
Tallahassee	113,960	129,881	103,589	-12	+10	+12
Tampa	610,697	636,617	556,619	-4	+10	+8
Winter Haven	52,507	54,293	49,199	-3	+7	+7
Athens	80,661	70,996	64,664	+14	+25	+13
Brunswick	38,791	40,529	39,753	-4	-2	+1
Dalton	81,550	79,942	88,089	+2	-7	-1
Elberton	15,838	13,661	10,966	+16	+44	+18
Gainesville	68,543	72,148	67,408	-5	+2	+5
Griffin	31,674	32,354	29,505	-2	+7	+14
LaGrange	24,028	22,600	21,417	+6	+12	+17
Newnan	22,118	27,442	22,909	-19	-3	+5
Rome	72,076	74,667	65,705	-3	+11	+10
Valdosta	50,254	54,771	57,757	-8	-13	+2
Abbeville	13,216	11,152	11,809	+19	+12	+14
Alexandria	116,582	124,151	105,460	-6	+11	+13
Bunkie	6,169	6,128	6,274	+1	-2	+5
Hammond	36,258	33,460	26,297	+8	+38	+14
New Iberia	34,986	35,838	31,062	-2	+13	+9
Plaquemine	10,832	10,769	8,698	+1	+25	+20
Thibodaux	21,106	21,984	20,138	-4	+5	+11
Biloxi-Gulfport	92,963	105,761	81,219	-12	+14	+18
Hattiesburg	53,362	56,419	49,442	-5	+8	+19
Laurel	34,516	35,526	36,776	-3	-6	+2
Meridian	62,141	70,848	56,293	-12	+10	+9
Natchez	33,451	36,449	30,142	-8	+11	+15
Pascagoula—						
Moss Point	51,506	52,983	44,574	-3	+16	+13
Vicksburg	40,545	43,526	34,306	-7	+18	+18
Yazoo City	25,739	46,892	23,030	-45	+12	+14
Bristol	71,419	74,722	60,722	-4	+18	+13
Johnson City	66,247	74,960	61,956	-12	+7	+11
Kingsport	142,606	155,054	126,120	-8	+13	+16
SIXTH DISTRICT, Total	26,798,068	28,079,638	24,322,630	-5	+10	+12
Alabama‡	3,473,852	3,699,330	3,265,567	-6	+6	+10
Florida‡	7,699,520	8,091,308	6,963,361	-5	+11	+11
Georgia‡	6,821,925	7,158,613	6,360,313	-5	+7	+12
Louisiana*†	3,820,728	3,902,286	3,318,834	-2	+15	+16
Mississippi*†	1,277,916	1,417,183	1,134,794	-10	+13	+15
Tennessee*†	3,704,128	3,810,918	3,279,761	-3	+13	+12

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

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1966)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					GEORGIA				
INCOME AND SPENDING					INCOME AND SPENDING				
Personal Income, (Mil. \$, Annual Rate)	Aug. 54,386	54,045r	52,838r	48,708	Personal Income, (Mil. \$, Annual Rate)	Aug. 10,160	10,141r	10,137r	9,236
Manufacturing Payrolls	Sept. 189	187r	186	170	Manufacturing Payrolls	Sept. 190	187r	186	170
Farm Cash Receipts	Aug. 147	149	151	131	Farm Cash Receipts	Aug. 110	135	156	128
Crops	Aug. 114	126	134	134	PRODUCTION AND EMPLOYMENT				
Livestock	Aug. 158	157	160	130	Nonfarm Employment	Sept. 130	130	131	125
Instalment Credit at Banks, *(Mil. \$)					Manufacturing	Sept. 128	126	128	123
New Loans	Sept. 241	282r	292	252	Nonmanufacturing	Sept. 131	131	132	127
Repayments	Sept. 265	265	270	237	Construction	Sept. 118	118r	129	138
PRODUCTION AND EMPLOYMENT					Farm Employment	Sept. 52	66	65	65
Nonfarm Employment	Sept. 131	131	131	125	Insured Unemployment,				
Manufacturing	Sept. 132	132	132	125	(Percent of Gov. Emp.)	Sept. 1.5	2.1	1.4	2.1
Apparel	Sept. 160	161	162	152	Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 42.0	41.1r	41.0	41.1
Chemicals	Sept. 127	127	126	120	FINANCE AND BANKING				
Fabricated Metals	Sept. 145	145	145	132	Member Bank Loans	Sept. 252	252	250	219
Food	Sept. 111	111	110	108	Member Bank Deposits	Sept. 190	196	198	174
Lbr., Wood Prod., Furn. & Fix.	Sept. 106	105	105	103	Bank Debits**	Sept. 194	196	206	181
Paper	Sept. 114	115	115	109	LOUISIANA				
Primary Metals	Sept. 117	117	117	110	INCOME AND SPENDING				
Textiles	Sept. 105	104	104	101	Personal Income, (Mil. \$, Annual Rate)	Aug. 8,246	8,328r	8,044r	7,388
Transportation Equipment	Sept. 170	170	168	158	Manufacturing Payrolls	Sept. 168	166r	165	143
Nonmanufacturing	Sept. 131	131	131	125	Farm Cash Receipts	Aug. 210	153	147	185
Construction	Sept. 124	123	127	122	PRODUCTION AND EMPLOYMENT				
Farm Employment	Sept. 58	67	69	66	Nonfarm Employment	Sept. 121	121	121	114
Insured Unemployment,					Manufacturing	Sept. 111	112	113	105
(Percent of Gov. Emp.)	Sept. 1.8	2.0	1.8	2.4	Nonmanufacturing	Sept. 123	123	123	117
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 41.6	41.3r	41.5	41.4	Construction	Sept. 136	134	137	126
Construction Contracts*	Sept. 165	139	164	139	Farm Employment	Sept. 62	67	67	69
Residential	Sept. 124	137	151	140	Insured Unemployment,				
All Other	Sept. 199	141	175	137	(Percent of Gov. Emp.)	Sept. 1.8	1.9	1.9	2.7
Electric Power Production**	July 144	139	137	132	Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 42.9	41.9r	42.6	40.2
Cotton Consumption**	Sept. 116	114	117	112	FINANCE AND BANKING				
Petrol. Prod. in Coastal La. and Miss.**	Sept. 207	205	204	158	Member Bank Loans*	Sept. 226	225	221	200
FINANCE AND BANKING					Member Bank Deposits*	Sept. 154	156	158	142
Member Bank Loans*					Bank Debits**	Sept. 167	167	185	145
All Banks	Sept. 240	240	238	211	MISSISSIPPI				
Leading Cities	Oct. 224	223	221	198	INCOME AND SPENDING				
Member Bank Deposits*					Personal Income, (Mil. \$, Annual Rate)	Aug. 4,031	3,973r	4,030r	3,647
All Banks	Sept. 175	180	180	162	Manufacturing Payrolls	Sept. 200	201r	200	183
Leading Cities	Oct. 163	159	168	152	Farm Cash Receipts	Aug. 162	177	180	140
Bank Debits***	Sept. 181	182	192	164	PRODUCTION AND EMPLOYMENT				
ALABAMA					Nonfarm Employment	Sept. 132	132	131r	127
INCOME AND SPENDING					Manufacturing	Sept. 142	142r	142	136
Personal Income, (Mil. \$, Annual Rate)	Aug. 7,337	7,304r	7,197r	6,617	Nonmanufacturing	Sept. 127	127	127	123
Manufacturing Payrolls	Sept. 170	173r	172	163	Construction	Sept. 130	128	133	128
Farm Cash Receipts	Aug. 133	157	158	123	Farm Employment	Sept. 47	56	68	54
PRODUCTION AND EMPLOYMENT					Insured Unemployment,				
Nonfarm Employment	Sept. 121	122r	122	118	(Percent of Gov. Emp.)	Sept. 1.6	1.6	1.7	2.1
Manufacturing	Sept. 120	121	121	117	Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 41.2	41.0r	41.2	40.8
Nonmanufacturing	Sept. 122	123	123	118	FINANCE AND BANKING				
Construction	Sept. 129	128r	130	121	Member Bank Loans*	Sept. 290	283	284	223
Farm Employment	Sept. 48	79	84	67	Member Bank Deposits*	Sept. 208	228	214	170
Insured Unemployment,					Bank Debits**	Sept. 196	205	193	174
(Percent of Gov. Emp.)	Sept. 2.1	2.0	2.1	2.6	TENNESSEE				
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 41.5	41.4r	41.7	41.7	INCOME AND SPENDING				
FINANCE AND BANKING					Personal Income, (Mil. \$, Annual Rate)	Aug. 8,778	8,661r	8,501r	7,750
Member Bank Loans	Sept. 222	224	220	198	Manufacturing Payrolls	Sept. 188	186r	185	170
Member Bank Deposits	Sept. 175	178	177	164	Farm Cash Receipts	Aug. 156	140	148	122
Bank Debits**	Sept. 164	173	176	155	PRODUCTION AND EMPLOYMENT				
FLORIDA					Nonfarm Employment	Sept. 135	135	134	126
INCOME AND SPENDING					Manufacturing	Sept. 142	143	141	131
Personal Income, (Mil. \$, Annual Rate)	Aug. 15,834	15,638r	14,929r	14,070	Nonmanufacturing	Sept. 131	131	130	123
Manufacturing Payrolls	Sept. 226	221r	216	198	Construction	Sept. 154	153r	155	142
Farm Cash Receipts	Aug. 142	137	124	120	Farm Employment	Sept. 66	77	76	66
PRODUCTION AND EMPLOYMENT					Insured Unemployment,				
Nonfarm Employment	Sept. 143	142	142	136	(Percent of Gov. Emp.)	Sept. 1.8	1.7	1.9	2.5
Manufacturing	Sept. 147	147	145	137	Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 41.3	40.7r	40.7	41.9
Nonmanufacturing	Sept. 142	141r	142	136	FINANCE AND BANKING				
Construction	Sept. 110	110	112	108	Member Bank Loans*	Sept. 235	231	235	209
Farm Employment	Sept. 79	53	50	88	Member Bank Deposits*	Sept. 170	174	173	161
Insured Unemployment,					Bank Debits**	Sept. 206	195	207	182
(Percent of Gov. Emp.)	Sept. 1.8	2.0	1.9	2.2	For Sixth District area only. Other totals for entire six states. **Daily average basis. r-Revised.				
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept. 42.5	42.7r	42.5	41.8	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.				

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NOVEMBER 1966
 Federal Reserve Bank of St. Louis

DISTRICT BUSINESS CONDITIONS

It was "the best of times and the worst of times" as autumn hustled toward its close. Job gains in September, following the end of several labor disputes, offset the loss of an unusually large number of workers returning to school. Personal incomes continued to rise, while durable goods sales slackened. High levels of total construction contracts failed to lighten the growing concern over sharp declines in residential activity. Bankers and nonbank financial intermediaries chafed under the impact of reduced savings flows and the difficult adjustments evoked by measures to curb inflation. The outlook for record farm cash incomes in 1966 was accompanied by growing distress over rising prices, particularly by the housewife.



Employers extended the workweek and attempted to hire more workers to replace those returning to school and entering the armed forces. Job gains increased in Florida and Georgia, where labor disputes were settled, but declined elsewhere. After advancing from its spring lows, insured unemployment was reduced in September.



Rising prices nibbled the incomes of the "average" District consumer and his national counterpart. New consumer loan extensions at commercial banks remained weak, reflecting less demand for durable goods. A broader index, the seasonally adjusted volume of outstanding instalment credit at banks, actually declined in September after several months of modest gain.



Construction provided the most vivid example of "the best of times and the worst of times." Current construction jobs recovered very well from the slumps induced mainly by strikes and associated dislocations. Leading indicators of future residential construction activity, such as housing starts, permits, and residential construction contracts, pointed to further declines. Although declining irregularly since April, nonresidential contract volume reached the highest level ever achieved for the first nine months of any year. Reduced rates of growth in savings flows to banks and savings and loan associations, together with sharp declines in mortgage commitments from virtually all lenders, indicated continued weakness in housing production.

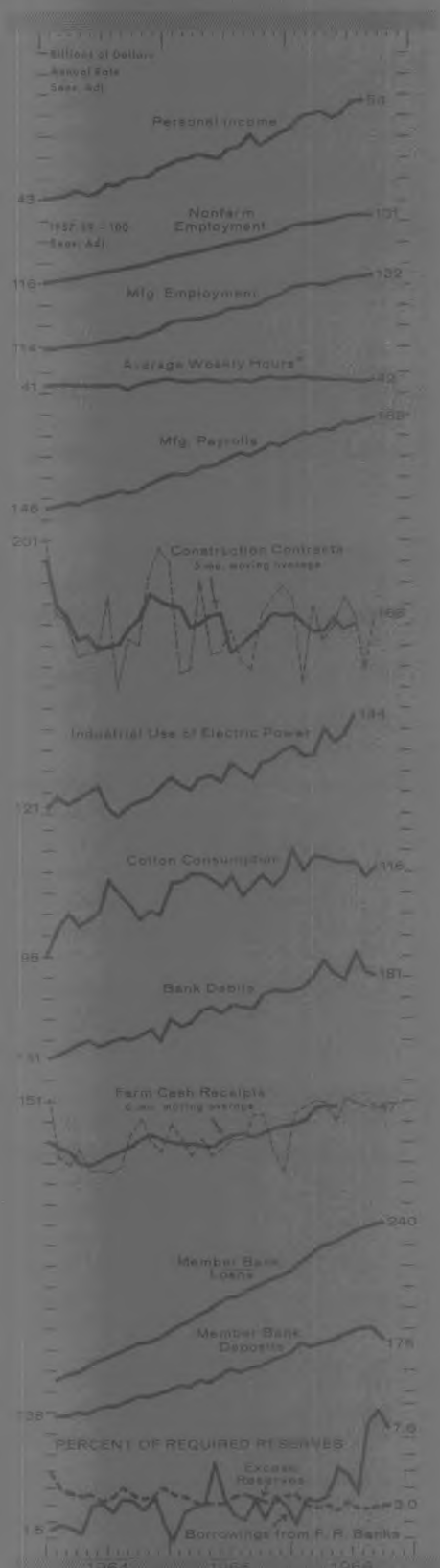


Commercial banks' rate of expanding demand and other deposits supported the pattern of general slowing over the past three months. Reduced rates of growth in the national money supply, a slackening of the volume of net regional capital imports, and a changing pattern of disposition of consumer savings have all contributed to the slowdown in bank credit. Thus, while loan activity was not especially vigorous during October, it may have reflected a shortage of lendable funds rather than a lack of loan demand. Investments in U. S. Government and "other" securities declined slightly further.



District farmers will probably have record cash incomes this year, as high livestock incomes more than offset reduced crop sales. Rain has interfered with harvesting in some areas, but most crop yields look good. Decreased acreages underlie smaller cotton and corn crops; orange production is expected to be 40 percent above last year. Prices of livestock and poultry products, though somewhat lower in recent weeks, remain relatively high, and cattle prices are strong.

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



*Seas. adj. figure; not an index.