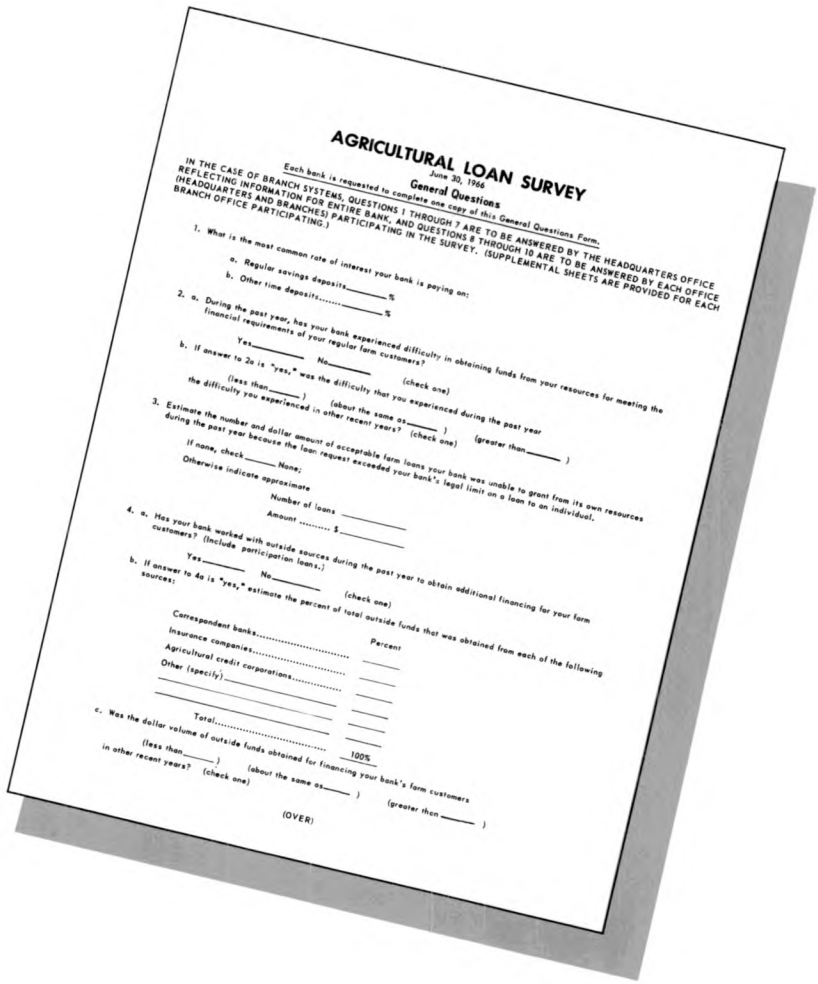
MONTHLY REVIEW

IN THIS ISSUE:

FEDERAL RESERVE BANK OF ATLANTA

March 1967



AGRICULTURAL LOAN SURVEY

June 30, 1966

General Questions

Each bank is requested to complete one copy of this General Questions Form.

IN THE CASE OF BRANCH SYSTEMS, QUESTIONS 1 THROUGH 7 ARE TO BE ANSWERED BY THE HEADQUARTERS OFFICE REFLECTING INFORMATION FOR ENTIRE BANK, AND QUESTIONS 8 THROUGH 10 ARE TO BE ANSWERED BY EACH OFFICE (HEADQUARTERS AND BRANCHES) PARTICIPATING IN THE SURVEY. (SUPPLEMENTAL SHEETS ARE PROVIDED FOR EACH BRANCH OFFICE PARTICIPATING.)

1. What is the most common rate of interest your bank is paying on:
   a. Regular savings deposits_____%
   b. Other time deposits_____%

2. a. During the past year, has your bank experienced difficulty in obtaining funds from your resources for meeting the financial requirements of your regular farm customers?
   Yes_____ No_____ (check one)
   b. If answer to 2a is "yes," was the difficulty that you experienced during the past year
   (less than_____) (about the same as_____) (greater than_____)
   the difficulty you experienced in other recent years? (check one)

3. Estimate the number and dollar amount of acceptable farm loans your bank was unable to grant from its own resources during the past year because the loan request exceeded your bank's legal limit on a loan to an individual.
   If none, check_____ None;
   Otherwise indicate approximate
   Number of loans _____
   Amount ..... $ _____

4. a. Has your bank worked with outside sources during the past year to obtain additional financing for your farm customers? (Include participation loans.)
   Yes_____ No_____ (check one)
   b. If answer to 4a is "yes," estimate the percent of total outside funds that was obtained from each of the following sources:

	Percent
Correspondent banks.....	_____
Insurance companies.....	_____
Agricultural credit corporations.....	_____
Other (specify)_____	_____
_____	_____
_____	_____
Total.....	100%

   c. Was the dollar volume of outside funds obtained for financing your bank's farm customers
   (less than_____) (about the same as_____) (greater than_____)
   in other recent years? (check one)

(OVER)

The Southern Agricultural Bank

The credit needs of the southern farm producer are varied. Farmers operating small, general farms may borrow only a few hundred dollars annually to finance next year's crop. Some producers with large vegetable farms require funds exceeding $1,000 per acre just to produce winter vegetables with a three-month growing season. Livestock producers may borrow several thousand dollars for three months to a year to purchase feeder cattle. Other farmers need long-term financing, ten to twenty years or more, to buy farm lands. Nearly all farm operators request intermediate-term credit periodically for farm improvements for the purchasing of equipment and/or livestock.

To meet farm credit needs, financial institutions must be familiar with the financial requirements of agriculture and sufficiently flexible to meet the varied and sometimes volatile demands of farmers. While many different types of institutions to serve particular sectors of the farm lending market have developed over the years, commercial banks are still best suited to meet the total credit needs of farm borrowers.

On June 30, 1966, 84 percent of the 1,521 insured commercial banks in the Sixth Federal Re-

Monthly Review, Vol. LII, No. 3. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

serve District reported having outstanding farm loans. They held 319,000 farm loans totaling $792 million, making them the largest class of holder of the region's farm debt.

From time to time questions arise concerning bank lending to farmers. Is agriculture still served by local banks? Are country banks satisfying farmers' demands for larger loans, as production expenses and farm consolidation continue to grow? Are legal lending limits imposed by various state and Federal regulatory agencies restricting bankers' financing of agricultural production? Are bankers working with outside credit sources, such as correspondent banks, insurance companies, farm credit agencies, or other financial institutions, to better serve farm borrowers? And are bankers generally using loanable funds efficiently?

To answer these and other questions, the Federal Reserve System initiated a comprehensive nationwide survey of farm loans and bank lending practices in 1966. The survey, similar to studies conducted in 1947 and 1956, was designed to give an accurate picture of the characteristics of farm borrowers and banks with agricultural loans in the Sixth District and the United States.

In a statistical sampling, 11 percent of the region's banks holding $224 million, or 30 percent, of the farm loans were asked to participate in the study. They supplied data concerning individual borrower, loan, and bank characteristics for a proportion of their farm loans outstanding June 30, 1966. Their figures were then expanded to reflect the total volume of farm loans reported in the June 30, 1966, Report of Condition.

Service Area

Generally, the farm loan survey revealed that the local country bank still plays the lead role in serving the financial needs of southern agriculture. In all states except Florida and Mississippi, the average borrower lived less than 15 miles from the bank that held his loans. In Florida and Mississippi, farmers lived an average of 28 and 33 miles, respectively, from their banks.

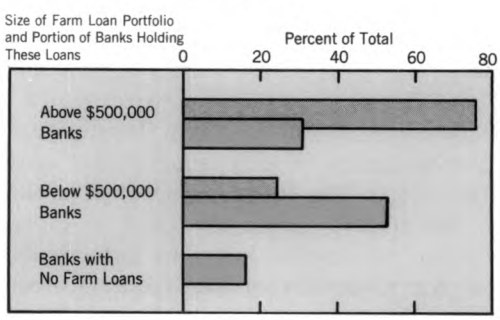
The larger average service area for banks in these two states reflects different trends. In Mississippi, the ratio of banks to land area is lower than in other Gulf Coast states. However, because of a large number of relatively small farms, the average bank services a larger geographical area containing many farm borrowers. In Florida, however, the ratio of banks to farmers is higher than in any other southeastern state. But with the large and specialized credit needs associated with citrus, vegetables, and sugarcane production, many farmers have found it necessary to bank at larger banks often located in urban areas. In other District states the distance between the borrower and the lending bank increases with the amount of the farm loan.

Loan Demand

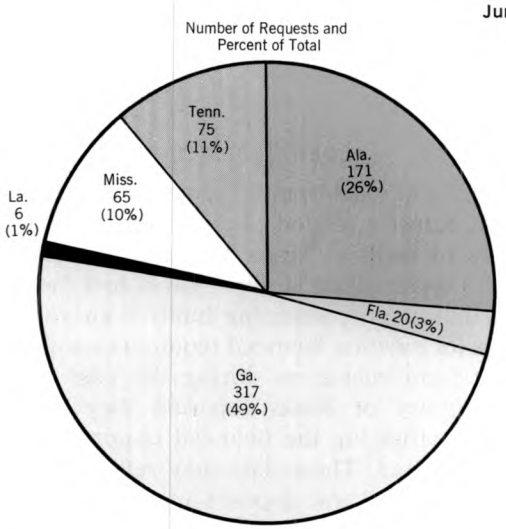
The ability of local country banks to finance farm loans is directly related to the tendency of some farmers to bank at larger financial institutions. Bankers were asked if their bank had "experienced difficulty in obtaining funds from your resources for meeting financial requirements of your regular farm customers during the past year?" The majority of banks reported they had no difficulty satisfying the financial requirements of farm borrowers. These data may reflect the general growth in bank deposits of country banks. And since farm loans represent only a part of a bank's total loan portfolio, bankers in smaller communities have some flexibility in filling loan demands from different sectors of the local economy.

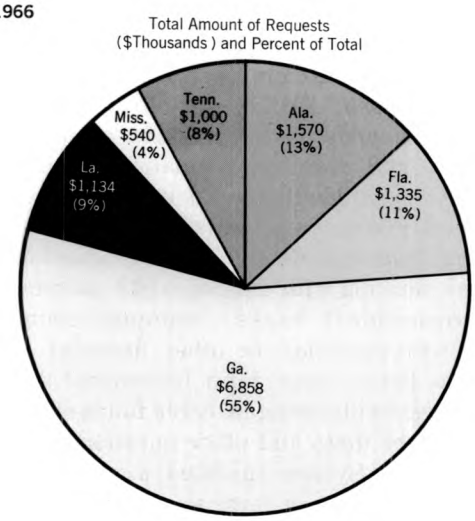
However, an estimated 85 bankers, or nearly 7 percent of the District's banks with farm loans, did experience some difficulty in fulfilling the financial requirements of farm borrowers. Usually, these banks were relatively small, with $200,000-$1,000,000 of farm loans outstanding. As a group, they were actively competing for time deposits—a major source of loanable funds—since seven out of every eight banks were paying 4 percent for passbook savings and 77 percent were paying 4.5 percent or more for other time deposits. These rates were equal to or above rates paid at that time for similar deposits at most other District banks. Furthermore, nearly 58 percent of the 85

Agricultural Loans at Insured Commercial Banks
Sixth District
June 30, 1966



Loan Requests Exceeding Legal Lending Limits
Insured Commercial Banks
Sixth District
June 1965—June 1966





The volume of farm loan requests exceeding legal lending limits are larger, relative to the number of such requests, in Florida, Georgia, and Louisiana. This reflects, in part, the demand for very large individual loans from producers in specialized growing regions in Florida and southern Louisiana.

banks were actively working with outside credit sources, such as correspondent banks, insurance companies, farm credit corporations, and other lending institutions, to obtain additional funds. Many had relatively high loan-to-deposit ratios of 60 percent or more, indicating aggressive lending policies.

Requirements

Legal lending requirements imposed by Federal and state regulatory agencies may also influence the ability of banks to fulfill the credit needs of farm borrowers. When asked to "estimate the number and dollar amount of acceptable farm loans your bank was unable to grant from its own resources because the loan request exceeded your bank's legal limit . . .," District bankers reported that about 650 individual requests totaling $12.4 million exceeded the lending limit. This volume of potential farm loans was less than 2 percent of total farm loans outstanding in mid-1966.

Generally, the intermediate-size banks with $200,000-$1,000,000 in farm loans had the highest frequency of loan requests that exceeded lending limits. The lower the level of capitalization, the criteria commonly used to determine maximum permissible loans to individuals, the higher the proportion of loan requests exceeding the legal limit.

There was one notable exception to this general pattern, however. Banks with very low levels of capitalization and only a few farm loans reported no problems with loan requests exceeding legal lending limits. Many of them are so small that they accept only modest loan requests. Thus, farmers with large credit needs may not even apply for loans at these small banks although they live in their general service area.

The relatively low volume of farm loan requests going beyond legal lending limits probably reflects the large number of small family farms in the South. In most cases, the loan requests from these units are modest. The average farm loan at District banks totaled $2,840, and the average borrowing per customer was $3,806 on July 30, 1965. However, large units in Florida's citrus, vegetable, and sugarcane areas, the Delta cotton region, and Louisiana's cane and rice areas borrowed more money for production expenses to purchase equipment and livestock, and in some cases to purchase additional land. Country banks in these regions reported the high frequency of large individual loan requests.

The fact that a loan request exceeds a bank's legal lending limit does not mean that the farmer's financial needs cannot be satisfied by that bank. Bankers who served borrowers with approximately 500 large loan requests worked with other financial institutions to obtain additional

financing, primarily participation loans with other banks. By asking other banks to share in the loan, the initiating bank can fill the credit needs of its farm customers, even though it holds only a fraction of the total loan. Moreover, many of the large loan requests were satisfied when the banker helped place large real estate loans with insurance companies and Federal land bank associations. Some non-real estate loans were also referred to institutions, such as the production credit associations and the Farmers Home Administration.

Not all bankers with loan requests in excess of legal lending limits obtained outside financing for their customers, however. Bankers serving farmers with about one-fifth of the loans exceeding the limit set by banking laws made no attempt to secure outside funds. Their customers presumably had to seek additional financing at other banks or financial institutions or be satisfied with smaller loans available at banks where they made requests.

Correspondent Banking

The practice of participating with a correspondent bank in large individual farm loans is one way a local banker can continue to serve his farm customers. However, the farm loan survey indicates that only 169 of the District's bankers had obtained additional financing from correspondent banks in the last year, and only one-half of them actually had participation loans outstanding on June 30, 1966. These banks had initiated and held portions of over 600 individual participation loans totaling nearly $30 million, or an average of $49,000 per loan—yet only a fraction of one percent of all outstanding farm loans and less than 4 percent of the value of all loans.

Besides granting large loan requests through one's own bank, participation loans also enable banks to share risks associated with relatively large loans, to meet growing loan demands with a limited supply of loanable funds, and to serve the financial needs of farm borrowers. Therefore, one might expect that small rural banks with relatively low legal lending limits and small farm loan portfolios would be the major users of participation loans. This is not the case, however. Only 90, or 15 percent, of the individual participation loans outstanding at District banks were initiated by the 761 District banks with less than $500,000 in farm loans. Less than one in eight of the smaller banks with farm loans granted this type of loan to farm customers. The average participation loan at these institutions was $100,000.

Meanwhile, larger banks with total farm loan portfolios exceeding $1 million originated 205 farm participation loans equal to 38 percent of the total value of participation loans originated by reporting banks. Since 188 of the District's

Participations Originated by Reporting Banks

Sixth District

June 30, 1966

	Number of Banks With Farm Loans	Number of Participation Loans Originated by Reporting Banks	Amount Held by Reporting Banks	Amount Held by Correspondent Banks	Average Value Per Participation Loan
			($000)	($000)	Actual Dollars
Volume of Farm Loans Outstanding at District Banks					
More than $1,000,000	188	205	5,817	5,644	55,907
$500,000-$1,000,000	332	316	2,488	6,796	29,380
Less than $500,000	761	90	4,491	4,757	102,756
Distribution of Farm Loans					
Alabama	254	*	*	*	*
Florida	275	394	8,312	10,029	46,551
Georgia	359	101	3,445	4,206	75,752
Louisiana**	113	*	*	*	*
Mississippi**	84	63	862	1,372	35,460
Tennessee**	196	50	150	1,350	30,000
Sixth District Total***	1,281	611	12,796	17,197	49,087

*Figures withheld to prevent disclosure of individual bank data.
**District portion of the state only.
***The same total applies to distribution of farm loans by state and the volume of farm loans.

banks making farm loans are this large, the frequency of participation loans per bank or the general use of this practice is much more common than for smaller banks.

The survey data also indicate considerable variation in the use of participation loans among states. Florida bankers held nearly two-thirds of the District's outstanding participation loans. Of the total volume of farm loans in Florida, 13 percent were participation loans initiated by reporting banks, indicating the common acceptance of this type of bank financing. It may also mirror the attempts of some banks to dissipate the risks associated with volatile farm incomes in the fruit and vegetable producing regions. The average sizes of original participation loans in Georgia and Florida were $76,000 and $46,000, respectively.

Alternative Sources of Funds

Sixteen of the 169 District banks that negotiated multi-bank participations also worked with other nonbank financial institutions to assist farm customers in securing operating and/or capital funds. Eleven of these banks helped farmers get real estate loans through insurance companies, while five worked with insurance companies, as well as agricultural credit corporations and correspondent banks. In addition, 60 bankers reported no participation with correspondent banks, but they did encourage borrowers to get loans from agricultural credit corporations. Similarly, 22 bankers placed loans with insurance companies exclusively, while 14 bankers helped farmers secure funds from other sources, including individuals with money to lend. A total of 280, or 18 percent, of the District's 1,521 bankers attempted to supplement financing for farm borrowers.

At first glance, it may be difficult to understand why a banker would refer farm customers to a competitive lending institution. Part of the answer may lie in the fact that bankers seek deposits, as well as loan accounts. The banker who fails to assist a customer in finding additional financing may lose the borrower's future loan business, as well as one or more deposit accounts.

Compensating Balances

The practice of requiring compensating balances, commonly demanded for business and industrial loans, is used infrequently for farm loans. On June 30, 1966, less than one percent of all farm borrowers were required to maintain such a balance.

Compensating balances were required most frequently for large loans. Over 11 percent of all borrowers with loans for $50,000 or more maintained offsetting balances, compared with less than one percent for loans of $10,000 or less. Also, bankers demanded balances most frequently when farmers used the funds to purchase feeder livestock, equipment, or to refinance an old note. The average balance required was 14 percent of the original loan.

Historically, farmers have low bank balances in their demand accounts. For traditional agriculture, most production expenses come in the spring, with major income flows occurring in the fall. Thus, the irregular flows of incomes and expenses are not as adaptable to the practice of requiring compensating balances as businesses or industries with continuous flows of incomes and expenditures.

Alternative Sources of Funds
Insured Commercial Banks
Sixth District

Source	Number of Banks
Correspondent banks only	153
Correspondent banks and insurance companies	11
Correspondent banks, insurance companies, and agricultural credit corporations	5
Insurance companies only	22
Insurance companies and agricultural credit corporations	15
Agricultural credit corporations only	60
Other sources	14
TOTAL	280

Implications

In the seventeen years since 1950, commercial banks in the six District states increased the volume of loans secured by farm real estate nearly five times; the volume of non-real estate farm loans, over two and one-half times; and total deposits, nearly three times. Insurance companies indicate that the farm mortgage loans they hold are up nearly seven-fold, while similar loan volume at Federal land bank associations are up over five times. Production credit associations, banks' major competition for production and intermediate-term loans in the Southeast, report that their loan volume is nearly nine times larger than in 1950.

Thus, since 1950, expansion in the volume of farm loans at banks in District states has only slightly exceeded the growth in deposits, while loans of competitive institutions have expanded relatively faster. Furthermore, these nonbank institutions tend to be making the largest loans.

In the future, banks with rapid deposit growth

may be able to expand farm loan volumes as quickly as needed. Also, some country banks may even experience declining farm credit demands because of reduced farming activities in their service areas. However, the bulk of the country banks in the Southeast most certainly will experience an increase in the number of large individual loan requests, as well as an expansion in total farm loan demand. Some bankers will not respond to the challenge.

The degree with which other banks maintain their role as the major supplier of farm credit depends in part upon their efficiency in allocating available funds to farm borrowers. The use of multi-bank participation loans could move capital from deficient demand areas into excess demand areas. These agreements could also result in the flow of funds between two areas with different growing seasons, thereby making more funds available for both producing regions. In any event, the success individual bankers have in meeting future loan demands of their farm customers may influence the future of their institutions, as well as agricultural producers, the banking industry, and the growth patterns of other institutions lending to farmers.

ROBERT E. SWEENEY

This is the first in a series of articles on the 1966 farm loan survey.

The Per Jacobsson
Foundation Lectures

Foundation lectures on "The Role of the Central Banker Today" were delivered in Rome on November 9, 1966, by Mr. Louis Rasminsky, Governor of the Bank of Canada; Mr. Marcus Wallenberg, Stockholms Enskilda Bank; and Dr. Franz Aschinger, Neue Zücher Zeitung.

The proceedings will be published, as heretofore, in English, Spanish, and French for free distribution.

Requests for copies (indicating the language desired) should be addressed to:

THE PER JACOBSSON FOUNDATION
International Monetary Fund Building
Washington, D. C. 20431 U.S.A.

Bank Announcements

On February 1, three nonmember banks—**The Perkins State Bank,** Williston, Florida; **The Citizens Bank** and **The Columbia Bank,** Columbia, Mississippi—began to remit at par for checks drawn on them when received from the Federal Reserve Bank.

The Bank of South Pinellas, St. Petersburg, Florida, a newly organized nonmember bank, opened on February 20 and began to remit at par. George H. Bangert, Jr., is president, and Jack E. Baker, cashier. Capital totals $200,000; surplus and other capital funds, $150,000.

Another new nonmember bank, **The Bank of West Florida, Ensley,** Pensacola, Florida, opened on February 24 and began to remit at par. Officers include F. M. Turner, Jr., president; E. Allen Brown, vice president; and D. R. Mair, vice president and cashier. Capital is $350,000; surplus and other capital funds, $175,000.

Georgia's Climb Runs Into Air Pockets

Surveying the economy of an entire state is a difficult job, and one often wishes he could size it up as easily as the pilot scans the terrain. Though an economic survey from the air seems rather ludicrous, some general insights into the economy can be gained this way. The pilot flying over Georgia during the past two decades has certainly been able to infer that incomes were rising, if only from the increased tempo of activity below. The growth of industry would also have been apparent from the increased number of industrial plants and the encroachment of trees on abandoned farms.

Georgia's Economic Landscape

As the airborn observer could have guessed, the super boom of the mid-sixties pushed up personal income in Georgia at a rate well above the national average. In 1966, however, Georgia's personal income ran into some air pockets, holding its rate of climb down to the nation's. Through December, personal income in Georgia posted an 8.2-percent gain over the previous year, compared with an 8.5-percent increase in the nation.

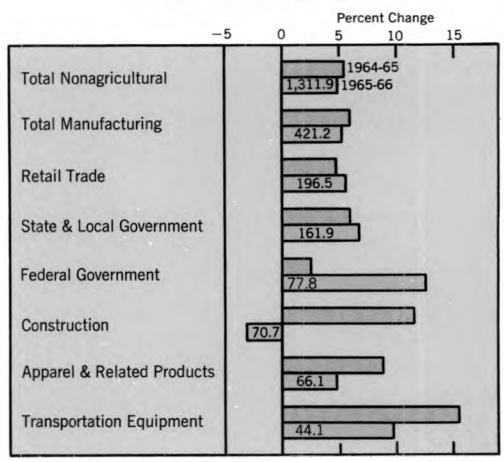
On the investment scene, the expectation in our last survey[1] of a good performance by the state in 1966 was justified. During her first year in the major leagues Georgia's batting average was high. The state enjoyed a substantial gain in investment in 1966, and as usual, investment was rather diversified.

The largest investor was the chemical industry, a relatively small employer in Georgia, which easily outdistanced the second-ranking investor, textiles. Despite heavy investment, employment in chemicals and textiles failed to grow as rapidly as in 1965.

Following tradition, the pulp and paper industry invested a substantial amount in the state last year. A new mill in Augusta turned out the state's first newsprint. An already established paper mill in Savannah also made news by becoming the first mill in history to produce one million tons of paper in a single year. Unlike chemicals and textiles, average employment in this industry grew more rapidly in 1966 than in 1965.

Employment growth in the third-ranking Georgia investor and the state's highest paying manufacturing sector, transportation equipment, failed to match its extremely vigorous 1965 pace. The slowdown can be attributed in part to reduced automobile sales. Late in 1966 auto production was cut throughout the nation, resulting in layoffs at Atlanta assembly plants. Atlanta, location of a majority of the employment in this sector and all the state's auto assembly employment, experienced a 1,400-man decline in auto

Average Yearly Employment
Selected Industries



NOTE: Average annual employment for 1966 (in thousands) indicated in bar.

Although some large sectors exhibited more rapid growth in 1966, overall employment growth slowed as did rapid growers in 1965.

[1]See *Monthly Review,* March 1966.

Master models for the world's largest plane, the C-5A, lie next to production lines for the C-130 Hercules and C-141 StarLifter.

The chemical industry was Georgia's largest manufacturing investor last year.

jobs from October to December. Despite the drop, December employment in the transportation equipment sector was 850 above the previous December. The gain a year earlier, however, was 6,300. The slowing in this industry continued into 1967.

Though employment growth in the transportation equipment sector (which includes aircraft) was dampened by the layoffs in auto assembly plants, exceptionally large government aerospace expenditures provided some relief. The 1966 start on the construction of the giant C-5A military cargo plane by a Marietta defense contractor, transportation equipment's largest single company, gave the state a big boost.

Georgia's increased share of military prime contracts—the largest part going to the Marietta plant located in the Atlanta SMSA—led the gains of each of the other District states. As in the past, Georgia, like the District, benefitted more than did the average state from the nationwide rise in defense expenditures.

Military aircraft did not make all the news last year, however. A Georgia-based commercial airline announced plans to buy several of the Hercules cargo planes originally designed for military use from the Marietta plant. Initial deliveries of 66 of these planes ordered by the Royal Air Force began last year. Another aircraft manufacturer announced that a new facility would be opened at Savannah's Travis Field to produce small, civilian passenger planes.

Indicative of increasing government activity in general was the better than twice as rapid climb of Federal government employment as total nonagricultural wage and salary employment. Since, among major employer groups, the average civilian Federal government pay is the highest in the state, this rise contributed greatly to the growth of personal income. Backing up this sector's impact on income was the continued above-average growth of the state's higher paying manufacturing industries.

Big Year For Agriculture

Invisible to the airborn observer would have been the boost given to personal income by agriculture in 1966. In Georgia the 12-month period ending in September saw cash receipts from farm marketings top one billion dollars for the first time. Georgia's total farm cash receipts for the calendar year exceeded 1965 figures, as did the nation's. Livestock and livestock products were exceptionally high.

Late in the year cash receipts were less bouyant in Georgia, as in the nation, as agriculture lost some of its earlier steam. Lower prices for hogs, broilers, and eggs pleased the housewife, but not the farmer. The Georgia State Agriculture Commissioner reported that the price per pound for broilers fell below the cost of production. Largely as the result of the fall harvest of the smallest cotton acreages since 1868 and reduced yields, the greatest slowing was in cash receipts for crops. Government payments should offset the impact on farm income, however.

Mixed Picture in Construction

Despite a faltering of its largest component, residential construction, total construction hit a record level in Georgia in 1966. For the fourth con-

secutive year the value of construction contracts in the state exceeded the one billion-dollar mark. Of course, higher costs ate up part of the increase. The rise in total construction activity, as measured by the value of construction contracts, was steeper than in the nation. The vigor of activity in Georgia was largely the result of a surge in commercial construction, spurred perhaps by funds diverted from the housing market by the sharply increasing returns available on commercial building.

The greatest absolute gain in commercial building activity was experienced in Atlanta, a city still in the throes of a skyscraper boom. A slower pace of state construction activity in the second half of the year can be traced to Atlanta, where strikes brought many projects to a standstill and building permits fell off during the summer.

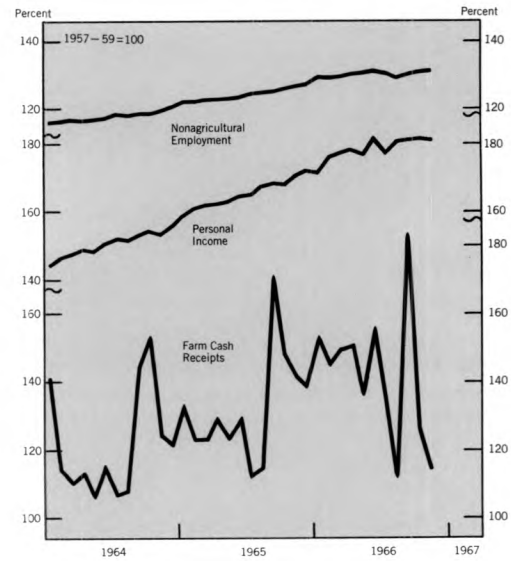
The accompanying decline in the always mercurial indicator, construction employment, was sharp. Atlanta's December construction employment was 5,800 below the 1965 mark; the state's was down by 8,600. Despite these declines, total employment in the Atlanta area posted a 14,350 December increase over the previous year, less than half the 1965 gain. State employment also recorded a smaller December-to-December gain in nonfarm employment.

In 1966 the aviator would have seen much less ground cleared for homesites as he flew across the state, because interest sensitive areas such as residential construction sagged. However, the decline in Georgia was less precipitous than in the nation.

Home construction was hard hit by the reduction of mortgage lending by Georgia financial institutions, particularly savings and loan firms which are a leading source of new home mortgages. Their reduction of new mortgages was the result of a loss of savings capital and a sharp slowdown in mortgage repayments. Accenting the decline in new mortgages was the previous boom in residential construction and the ready availability of funds through mid-1965.

As 1967 began, the outlook for home building took a turn for the better. The quantity of funds available for home loans rose significantly, as the government pumped funds into the market and interest rates fell for alternative uses of funds. Savings and loan institutions experienced a deposit inflow and were able to begin repaying their borrowings, thus paving the way for new mortgage lending. And though demand deposits of Georgia banks that are members of the Federal Reserve System did not show much improvement,

Economic Indicators—Georgia



time deposits grew significantly and brought some ease to another sector of the mortgage market formerly strapped for loanable funds. Local mortgage bankers also report that national lenders are coming back into mortgage investment more quickly than anticipated and that an expected mortgage shortage has stimulated good price rises for available mortgages.

Expansion Continues

In March Georgia's greatest boom began its 73rd month. Despite the considerable inhibiting force during the summer of the tightest credit conditions in four decades, economic activity in Georgia rose to new heights in 1966. Although some sluggishness was visible late in the year, Georgia's economic indicators continued to climb. Many national forecasters expect a continuation of the boom in 1967, but this year may well be labeled one of "worrisome prosperity." If this prediction comes to pass, an economy so closely akin to the nation's as Georgia's, is unlikely to escape a share of it.

CAROLE E. SCOTT

This is one of a series in which economic developments in each of the Sixth District states are discussed. Developments in Mississippi's economy were analyzed in the December 1966 REVIEW, *and a discussion of Tennessee's economy is scheduled for a forthcoming issue. • Copies of* A REVIEW OF MISSISSIPPI'S ECONOMY, 1960-66, *are now available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.*

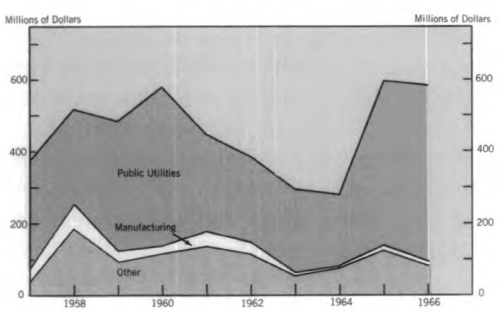
Regional Corporate Financing: Regaining Its Importance?

Corporations headquartered in the Sixth Federal Reserve District had a near-record year in 1966 in terms of security filings and sales. Filing is the process of registering certain information with the Securities and Exchange Commission about a proposed offering. According to data on large security issues (over $300,000), filings in 1966 were $582.2 million for the District (Alabama, Florida, Georgia, and parts of Louisiana, Mississippi, and Tennessee), while sales were $541.1 million. In 1965 filings were a bit higher and sales somewhat less than last year's total.

These high volume years were preceded by a five-year decline in the volume of corporate filings for this District. When corporate financing was last reviewed in this publication (July 1965), the question was asked: "Had corporate financing through security sales been losing its importance for District corporations?" The answer for that period was Yes, but the trend was not expected to continue if certain conditions were attained.

In ranking the last ten years, 1966 was second in filings and third in sales, while 1965 was first in filings and fourth in sales. Rounding out the top four years in filings and sales were 1958 and 1960. Given that these are the highest years, let us look at some characteristics they have in common.

Corporate Security Filings
Sixth District



When total volume increases, all types of corporations in the District do not participate equally in the increase.

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

Common Characteristics

The high volume does not necessarily indicate that the increase was shared by all types of corporations. In fact, the most important common thread during these years has been the participation of public utilities. Over the past ten years public utilities have always accounted for over half the District's filings. Although they represented only 52 percent of filings in 1958, they recorded 76, 77, and 83 percent in 1960, 1965, and 1966, respectively. As stated in our last review of this area, the main prerequisite for a high volume year is to have the public utilities in our region active in this phase of corporate financing.

Because public utilities account for such a large proportion of total filings in the high volume years and because they rely heavily on bonds and debentures, these instruments represent greater-than-normal percentages for record years. Always accounting for more than half of the security filings, bonds and debentures represented 68, 74, 78, and 74 percent in 1958, 1960, 1965, and 1966, respectively.

Moreover, securities filed by public utilities tend to be larger issues, thus making the average size issue larger. Over the past ten years the average issue has been about $7.5 million. Three of the four high volume years have been significantly above this average and one below. These averages were: 1958, $12.3 million; 1960, $5.7 million; 1965, $11.5 million; and 1966, $10.2 million. The average size for public utilities has always been above $14.0 million in the ten-year period. Only in the high volume year of 1958 did non-public utilities share in the increase in average size; otherwise they were below $3.6 million.

Regaining Its Importance?

Is regional corporate financing regaining its importance? Although long-run growth could be projected, mergers and acquisitions of firms headquartered in this District by firms outside the region will be a negative influence. If public utilities continue to play their present role, the swings in filings and sales will fairly much depend on their activities in this method of financing.

C. WILLIAM SCHLEICHER, JR.

Large Banks — Important Suppliers of Long-Term Business Credit

Commercial banks have traditionally been major suppliers of short-term credit to business firms, but have increasingly become important sources of longer-term funds as well. On January 31, 1967, 28 cents of each dollar of business credit at large commercial banks in the Sixth District was originally extended for a year or more. On that date, their term loans (loans with maturities of over a year) amounted to about $556 million out of a total of approximately $2 billion in business loans of all maturities.

Reliance on loans as a source of long-term funds varied widely from industry to industry, as the table indicates. Public utility firms, such as transportation and communication companies, tend to have heavy cash needs for plant and equipment investment. It is perhaps not surprising, therefore, that this group takes more of its bank credit, 63 percent, in term loans than any other major type of business. Service firms, those dealing in repair, personal, medical services and the like also rely heavily on term loans. Their term loans amounted to 43 percent of total loans at the end of January.

Over a fourth of the loans outstanding to manufacturers of nondurable goods was in long-term form. Term loans to food and tobacco manufacturers, one of the District's major industries, amounted to 31 percent of their total indebtedness to banks. Textile and apparel firms, another important manufacturing industry, had 16 percent of total loans in term form. On the other hand, trade concerns which are major customers of large commercial banks, as measured by total loans, require relatively little credit for periods of over a year.

The information on business lending structure comes from regular reports made by 23 of the larger commercial banks in the Sixth District. Those banks, whose assets comprise 32 percent of total assets of all banks in the District, report weekly total loans outstanding to each industry group. They have started to report monthly the amount of term loans outstanding to each industry.

Term lending to business by commercial banks has increased significantly during the last two decades, but it is still less pronounced in the District than in some other areas. Although strictly comparable data are not available, information developed in special surveys suggest that term loans as a percent of total business loans increased from 22 percent in 1957 to the 28 percent indicated for early 1967 in the District. The proportion in 1946 was probably no more than 14 percent. The growing use of term loans reflects in part business firms' heavy needs since World War II to finance plant and equipment investment. Such a rise would not have been possible, of course, without a significantly changing attitude on the part of bankers. They have been willing to extend term credit on an instalment basis and to devise the specialized financing arrangements required by many businesses.

W. M. Davis

Commercial and Industrial Loans Outstanding by Industry At Large Commercial Banks in the Sixth Federal Reserve District

(In Millions of Dollars)

January 25, 1967

	Total Loans Outstanding	Term Loans[1] Outstanding	Term Loans as Percent of Total Loans
DOMESTIC COMMERCIAL AND INDUSTRIAL LOANS CLASSIFIED BY BUSINESS OF BORROWER			
DURABLE GOODS MANUFACTURING	235.6	38.4	16.3
Primary Metals	19.1	2.5	13.1
Machinery	63.9	8.4	13.1
Transportation Equipment	32.2	5.2	16.1
Other Fabricated Metal Products	48.8	5.5	11.3
Other Durable Goods	71.6	16.8	23.5
NONDURABLE GOODS MANUFACTURING	347.9	89.3	25.7
Foods, Liquor, and Tobacco	121.2	37.8	31.2
Textiles, Apparel, and Leather	120.8	19.6	16.2
Petroleum Refining	24.5	10.9	44.5
Chemicals and Rubber	51.2	12.5	24.4
Other Nondurable Goods	30.2	8.5	28.1
MINING	54.7	31.0	56.7
TRADE	526.0	78.5	14.9
Commodity Dealers	50.2	3.1	6.2
Other Wholesale	206.5	24.6	11.9
Retail	269.3	50.8	18.9
TRANSPORTATION, COMMUNICATION, AND OTHER PUBLIC UTILITIES	255.3	161.8	63.4
Transportation	179.6	131.8	73.4
Communication	6.0	3.2	53.3
Other Public Utilities	69.7	26.8	38.5
CONSTRUCTION	221.2	39.3	17.8
SERVICES	247.9	105.7	42.6
COMMERCIAL AND INDUSTRIAL LOANS NOT CLASSIFIED BY BUSINESS OF BORROWER			
BANKERS' ACCEPTANCES	2.7	N.A.	N.A.
FOREIGN COMMERCIAL AND INDUSTRIAL LOANS	9.9	1.8	18.2
NOT ELSEWHERE CLASSIFIED	87.2	10.1	11.6
TOTAL COMMERCIAL AND INDUSTRIAL LOANS, 23 LARGE COMMERCIAL BANKS	1,988.4	555.9	28.0

[1]Term loans have an original maturity of over one year. Commercial and industrial loans include loans to non-financial business firms except those secured by real estate mortgages. N.A.—Not Available

Sixth District Statistics

Seasonally Adjusted

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

		Latest Month	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	53,789	54,202r	53,190r	50,053
Manufacturing Payrolls	Jan.	197	193r	190	178
Farm Cash Receipts	Dec.	120	138	130	124
Crops	Dec.	108	134	100	115
Livestock	Dec.	152	145	153	148
Instalment Credit at Banks, *(Mil. $)					
New Loans	Jan.	229	286r	277r	257
Repayments	Jan.	253	249r	235r	231
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	136	134r	132	129
Manufacturing	Jan.	137	136r	133	130r
Apparel	Jan.	169	166r	161	161r
Chemicals	Jan.	131	131r	128	126r
Fabricated Metals	Jan.	154	151r	144	144r
Food	Jan.	116	113r	114	111r
Lbr., Wood Prod., Furn. & Fix.	Jan.	109	106r	104	106r
Paper	Jan.	116	115r	116	111
Primary Metals	Jan.	129	128r	116	124r
Textiles	Jan.	106	106r	105	104r
Transportation Equipment	Jan.	179	179r	172	167r
Nonmanufacturing	Jan.	135	134r	132	129
Construction	Jan.	135	132r	127	130r
Farm Employment	Dec.	74	69	63	74
Unemployment Rate (Percent of Work Force)***	Dec.	3.5	3.5	3.6	3.7
Insured Unemployment (Percent of Cov. Emp.)	Jan.	2.1	1.9	1.7	2.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.4	41.3	41.3	41.9
Construction Contracts*	Jan.	156	146	188	173
Residential	Jan.	150	116	129	174
All Other	Jan.	160	171	238	172
Electric Power Production**	Dec.	145	146	139	135
Cotton Consumption**	Jan.	110	117	114	117
Petrol. Prod. in Coastal La. and Miss.**	Jan.	217	210	212r	193
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Jan.	244	240	241	222
Leading Cities	Feb.	222	222	217	207
Member Bank Deposits*					
All Banks	Jan.	183	179	179	173
Leading Cities	Feb.	167	167	163	155
Bank Debits*/**	Jan.	186	178r	185r	175r
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	7,154	7,185r	6,941r	6,807
Manufacturing Payrolls	Jan.	177	174r	171	168r
Farm Cash Receipts	Dec.	112	116	95	122
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	125	124r	122	121r
Manufacturing	Jan.	124	123r	120	120r
Nonmanufacturing	Jan.	126	125r	122	121
Construction	Jan.	127	129r	128	125r
Farm Employment	Dec.	69	73	60	72
Unemployment Rate (Percent of Work Force)***	Jan.	4.5	4.0	4.3	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.5	41.4r	41.2	42.3
FINANCE AND BANKING					
Member Bank Loans	Jan.	229	229	225	209
Member Bank Deposits	Jan.	180	177	178	172
Bank Debits**	Jan.	191	179r	181r	175r
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	15,574	15,769r	15,752r	14,375
Manufacturing Payrolls	Jan.	236	232r	225	210r
Farm Cash Receipts	Dec.	126	175	168	122
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	146	145r	144	139
Manufacturing	Jan.	154	154r	149	143r
Nonmanufacturing	Jan.	145	144r	143	138r
Construction	Jan.	112	110r	111	110r
Farm Employment	Dec.	96	100	84	100
Unemployment Rate (Percent of Work Force)***	Jan.	2.7	2.5	2.3	2.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	42.2	42.7r	42.5	42.3r
FINANCE AND BANKING					
Member Bank Loans	Jan.	250	245	248	224
Member Bank Deposits	Jan.	187	184	183	176
Bank Debits**	Jan.	181	169	177r	175
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	10,520	10,348r	10,398r	9,845
Manufacturing Payrolls	Jan.	197	196r	188	184r
Farm Cash Receipts	Dec.	134	114	127	136
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	135	133r	132	130
Manufacturing	Jan.	131	130r	128	128r
Nonmanufacturing	Jan.	136	134r	133	131
Construction	Jan.	132	130r	124	145r
Farm Employment	Dec.	65	54	56	75
Unemployment Rate (Percent of Work Force)***	Jan.	3.0	3.2	3.5	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.2	41.0r	40.6	41.5
FINANCE AND BANKING					
Member Bank Loans	Jan.	253	247	249	234
Member Bank Deposits	Jan.	202	193	190	184
Bank Debits**	Jan.	196	193r	204r	183r
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	8,092	8,045r	7,959r	7,410
Manufacturing Payrolls	Jan.	173	167r	166	165r
Farm Cash Receipts	Dec.	132	164	154	113
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	128	125r	122	119
Manufacturing	Jan.	121	117r	113	113r
Nonmanufacturing	Jan.	129	127r	124	120r
Construction	Jan.	159	151r	139	138r
Farm Employment	Dec.	69	72	70	7[illegible]
Unemployment Rate (Percent of Work Force)***	Jan.	4.0	4.5r	4.4	4.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	42.2	40.7r	42.0	43.5
FINANCE AND BANKING					
Member Bank Loans*	Jan.	222	224	218	204
Member Bank Deposits*	Jan.	158	154	153	154
Bank Debits*/**	Jan.	170	158r	163r	156r
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)	Dec.	3,868	3,878r	3,656r	3,688
Manufacturing Payrolls	Jan.	212	215r	206	200r
Farm Cash Receipts	Dec.	102	132	109	112
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	140	139r	133	133r
Manufacturing	Jan.	149	149r	145	145r
Nonmanufacturing	Jan.	135	134r	128	127r
Construction	Jan.	152	148r	135	141r
Farm Employment	Dec.	63	57	55	64
Unemployment Rate (Percent of Work Force)***	Jan.	4.3	4.6r	4.9	3.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	41.1	41.6r	41.4	41.7
FINANCE AND BANKING					
Member Bank Loans*	Jan.	296	297	294	260
Member Bank Deposits*	Jan.	220	214	222	207
Bank Debits*/**	Jan.	194	192r	195r	186r

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $ Ann. Rate)***	Dec.	8,581	8,977r	8,484r	7,928
Manufacturing Payrolls	Jan.	199	190r	192	172
Farm Cash Receipts	Dec.	110	125	118	128
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Jan.	138	136	136	130
Manufacturing	Jan.	146	145r	144	136
Nonmanufacturing	Jan.	134	132	132	127
Construction	Jan.	177	170r	159	164
Farm Employment	Dec.	90	75	66	76
Unemployment Rate (Percent of Work Force)***	Dec.	3.5	3.4	3.4	3.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Jan.	40.7	40.8r	41.1	41.0
FINANCE AND BANKING					
Member Bank Loans*	Jan.	238	232	237	220
Member Bank Deposits*	Jan.	173	171	173	167
Bank Debits*/**	Jan.	193	189r	202r	181r

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

***Unemployment Rate, (Percent of Work Force) has replaced Insured Unemployment (Percent of Cov. Emp.) for each District state. 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.

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

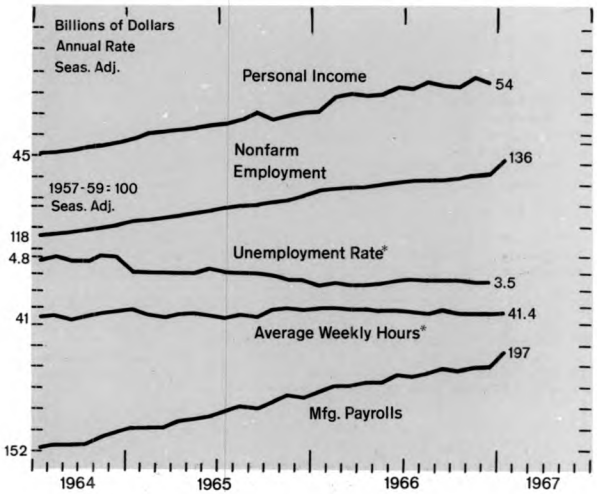
(In Thousands of Dollars)

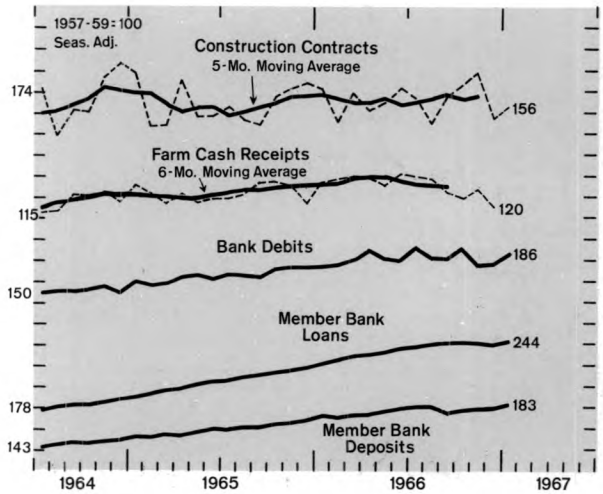
	Jan. 1967	Dec. 1966	Jan. 1966	Percent Change Jan. 1967 from Dec. 1966	Percent Change Jan. 1967 from Jan. 1966
STANDARD METROPOLITAN STATISTICAL AREAS†					
Birmingham	1,621,549	1,457,002r	1,375,551r	+11	+18
Gadsden	62,565	67,197r	67,541r	−7	−7
Huntsville	192,270	189,160r	176,714r	+2	+9
Mobile	519,167	492,690r	481,280r	+5	+8
Montgomery	306,558	311,856r	261,588r	−2	+17
Tuscaloosa	99,767	94,418	98,527	+6	+1
Ft. Lauderdale–Hollywood	772,730	658,200r	681,203r	+17	+13
Jacksonville	1,524,861	1,549,654r	1,415,469r	−2	+8
Miami	2,369,748	2,205,125	2,112,552	+7	+12
Orlando	623,358	556,633r	551,356r	+12	+13
Pensacola	194,287	191,544r	174,038r	+1	+12
Tallahassee	137,929	125,849	117,025	+10	+18
Tampa-St. Petersburg	1,466,104	1,334,617r	1,386,774r	+10	+6
W. Palm Beach	482,165	420,330r	456,253r	+15	+6
Albany	94,859	91,381	86,397	+4	+10
Atlanta	4,404,212	4,503,348r	3,946,583r	−2	+12
Augusta	296,137	312,406r	255,354r	−5	+16
Columbus	222,673	213,922r	193,024r	+4	+15
Macon	242,995	258,272r	223,082r	−6	+9
Savannah	278,515	278,535r	257,166r	−0	+8
Baton Rouge	624,880	605,483r	513,545r	+3	+22
Lafayette	134,488	117,583	126,006	+14	+7
Lake Charles	166,470	154,632	132,223	+8	+26
New Orleans	2,591,836	2,359,197r	2,302,411r	+10	+13
Jackson	598,261	641,415r	567,307r	−7	+5
Chattanooga	634,985	581,083r	583,056r	+9	+9
Knoxville	470,382	456,979r	413,512r	+3	+14
Nashville	1,482,446	1,444,995r	1,266,347r	+3	+17
OTHER CENTERS					
Anniston	64,499	64,080	60,870	+1	+6
Dothan	61,693	60,257	53,221	+2	+16
Selma	41,895	51,124	39,294	−18	+7
Bartow	49,341	43,923	42,534	+12	+16
Bradenton	87,336	66,148	68,489	+32	+28
Brevard County	248,616	214,992	248,315	+16	+0
Daytona Beach	91,553	78,335	86,737	+17	+6
Ft. Myers–N. Ft. Myers	92,905	78,728	84,317	+18	+10
Gainesville	86,766	80,811	78,348	+7	+11
Lakeland	138,859	127,224	123,061	+9	+13
Monroe County	39,969	34,294r	34,756	+17	+15
Ocala	61,934	56,843r	56,339	+9	+10
St. Augustine	24,632	20,208	19,936	+22	+24
St. Petersburg	326,549	309,813	368,625	+5	−11
Sarasota	121,445	107,114	116,841	+13	+4
Tampa	766,796	693,287	681,747	+11	+12
Winter Haven	78,810	60,465	72,337	+30	+19
Athens	80,644	80,840	68,190	−0	+18
Brunswick	43,010	44,138	39,195	−3	+10
Dalton	82,010	86,284	83,129	−5	−1
Elberton	14,707	13,853	12,058	+6	+22
Gainesville	75,004	67,714	70,498	+11	+6
Griffin	38,892	35,794	30,444	+9	+28
LaGrange	23,796	23,650	21,647	+1	+10
Newnan	26,885	30,151	23,690	−11	+13
Rome	73,073	77,490	69,197	−6	+6
Valdosta	57,473	54,635	49,548	+5	+16
Abbeville	12,772	19,968	11,385	−36	+12
Alexandria	146,901	123,776	118,594	+19	+24
Bunkie	7,272	7,029	5,793	+3	+26
Hammond	37,730	38,701	30,079	−3	+25
New Iberia	40,630	38,156	39,927	+6	+2
Plaquemine	12,649	10,519	10,594	+20	+19
Thibodaux	29,692	25,706	29,335	+16	+1
Biloxi-Gulfport	100,503	96,811	88,786	+4	+13
Hattiesburg	57,199	57,004	52,924	+0	+8
Laurel	34,126	36,541	34,578	−7	−1
Meridian	70,915	65,442	63,080	+8	+12
Natchez	39,632	39,163	34,706	+1	+14
Pascagoula–Moss Point	58,288	53,686	45,482	+9	+28
Vicksburg	44,302	43,380	37,643	+2	+18
Yazoo City	27,924	27,887	29,124	+0	−4
Briston	73,235	61,299	70,574	+19	+4
Johnson City	78,004	71,009	70,175	+10	+11
Kingsport	144,853	149,725	128,125	−3	+13
SIXTH DISTRICT, Total	31,188,629	29,770,907r	28,050,484r	+5	+11
Alabama‡	4,196,822	3,951,703r	3,670,100r	+6	+14
Florida‡	9,844,809	8,993,652	9,079,334	+9	+8
Georgia‡	7,414,416	7,496,167r	6,641,736r	−1	+12
Louisiana*†	4,403,038	4,065,136r	3,856,199r	+8	+14
Mississippi*†	1,375,473	1,399,214r	1,260,719r	−2	+9
Tennessee*†	3,954,071	3,865,035r	3,542,396r	+2	+12

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

NOTE: Estimates of Bank Debits for all Standard Metropolitan Statistical Areas and states since 1964 have been revised on the basis of latest data for all insured banks. Revised data are available upon request.

District Business Conditions





*Seas. adj. figure; not an index.

Most District "business watchers" are looking closely at building plans and activity this March. An easing in the demand for funds in the private nonconstruction sectors of the economy, coupled with consumers' shift toward saving, returned money to the mortgage market faster than was anticipated. Construction jobs suffered less-than-seasonal declines this winter, as work continued on several large building projects. Future gains will likely depend upon the speed at which more readily available mortgage funds can be translated into new building starts. Large District banks are now encouraging construction loans after withdrawing from this type of lending for many months. Elsewhere on the employment front, nonfarm jobs gained further in January. In the agricultural sector broiler prices advanced during the same month, reflecting reduced production rates which began nearly a year ago.

The mortgage market has improved rapidly in the past few weeks. Sparked by an evident shortage of marketable home mortgages, prices of government underwritten mortgages have risen sharply, and discounts have declined. Larger amounts of funds are now available to bankers and other mortgage originators for current, as well as future, deliveries.

Improvement in net savings flows to District institutions has also contributed to the slight but general easing of rates and terms on conventional mortgages. Apparently, consumers are concentrating on increasing depositary-type savings. Their spending remains subdued, while incomes continue to rise and direct investment yields remain below last year's highs. Small denomination certificates of deposit at banks have expanded briskly under this stimulus. The additional interest cost of these certificates, which bear higher rates than regular passbook savings, may prompt area banks to expand holdings of mortgages, which generally offer attractive yields.

In many major markets in this region the number of potential home buyers has expanded somewhat, as the prospects of getting adequate mortgage financing has improved. Observers and participants report that the outlook for construction and other interim financing has been considerably better since the beginning of the year. Construction loans increased sharply at large District banks in February, while most other types of loans showed little or no activity.

It is still too early to estimate the rapidity or extent of recovery in the production of new residential units. Builders and sponsors are responding to these developments, but in some areas the pinch on builders was severe, forcing many of them to retrench or leave the field. However, a substantial number of the most active mortgage originators and lenders expect a rapid rebound in the volume of new mortgage commitments during the next three months.

To assist in meeting developing credit needs, the Board of Governors of the Federal Reserve System announced a reduction in member bank reserve requirements against savings deposits and the first $5 million of other time deposits, from 4 percent to 3 percent in two steps, effective March 2 and 16. An estimated $53 million will be released from reserve requirements at District banks.

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