

MONTHLY REVIEW

FEDERAL RESERVE BANK OF
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FEDERAL RESERVE BANK OF ATLANTA

October 1967

Southern Mortgage Banking Matures—Part I

Essential Role in a Growing Region

Will the supply of mortgage funds be adequate to finance the anticipated expansion in home building in the South? If this question seems familiar, you might have read it seven years ago in an analysis of home financing in the South (*Monthly Review*, October 1960). At that time the South¹ was confidently looking forward to continued improvement during the “Soaring Sixties.” High rates of population growth and migration were matched by rising income as industrialization intensified. These trends were broadly based and their extension in the decade ahead was expected to generate sharp increases in capital needs. Of course, the South’s savings were growing also, but the outlook for heavy dependence upon outside sources of financing persisted.

The magnitude of the capital importation job offered opportunity and challenge to the region’s financial institutions. One of the youngest of this

¹In the previous analysis, as in this one, the South consists of the states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, all or part of which lie in the District served by this Bank.

family was the mortgage banker, who by 1960 had become established extensively throughout the area. He had made a substantial contribution to financing the region’s growth by exporting residential mortgages, mainly to New York and New England life insurance companies and mutual savings banks. By the end of the 1950’s, however, his outside source of mortgage funds was sharply curtailed. Rising interest rates and more attractive investment choices for institutional investors challenged the mortgage banker to find new ways to grow and maintain his service to the region.

The southern mortgage banker and the region he serves became substantial beneficiaries of a new approach to fiscal and monetary policies in the early 1960’s. This policy mix was oriented toward stimulating more rapid growth in the national economy. The South was ready to utilize a larger share of the enlarged capital investment possible under such policies, and the mortgage banker was in a position to help bring lender and borrower together.

How Has Southern Growth Fared?

The projections of rapid population growth, rising income, increased housing needs, and expansion of public facilities beyond the savings capac-

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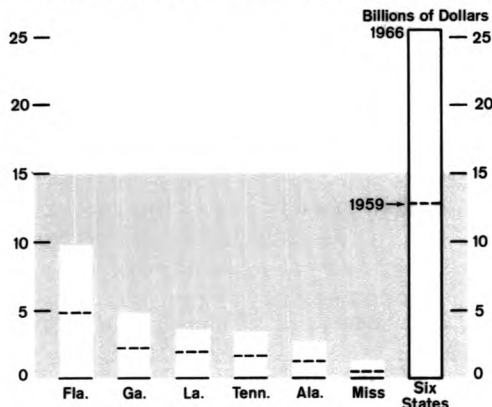
ity of the region continued to be met. Approximately 1,350,000 housing units were built, total construction volume rose year after year, and private mortgage debt outstanding doubled between 1959 and the end of 1966. Savers and borrowers participated in this growth bonanza, as the region's long established financial institutions increased the rewards offered to savers and these institutions in turn found or developed more productive uses for savings. Although their contributions to a growing South are important, this is not their story. It is, instead, the story of the maturing mortgage banker who has learned to serve his region better, even though he has had to work with the least efficient instruments in the capital markets.

What Is the Background of Increasing Capital Needs?

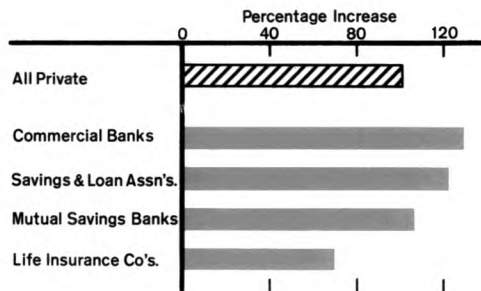
While the total United States population was expanding by 10.6 percent, that of this region grew by 14.4 percent in the seven years under review. Total personal income expanded from 8.8 percent of the national total to 9.3 percent. In terms of annual levels, this amounted to an increase of \$20 billion, i.e., from \$33.5 billion in 1959 to \$53.5 billion in 1966.

Changes of this magnitude might have been expected to stimulate rising demand for more and better housing. But this was only the beginning of the upward spiral of capital demands as more people with more current income expanded their goals. Pressure mounted for more and better roads, schools, water and sewer systems, recreational facilities, and all the other public capital expenditures which help make a bigger house into a better home. The potential home buyer found

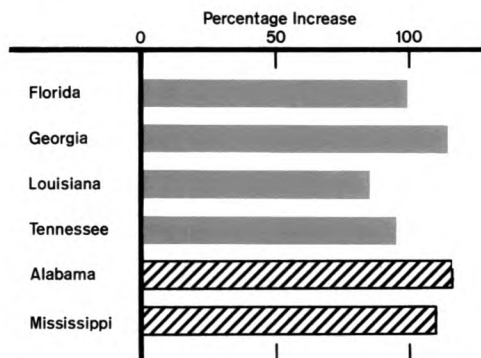
Privately held nonfarm mortgage debt against properties in the Sixth District states more than doubled between year-end 1959 and 1966, with Florida continuing as the largest user.



Among the "big four" financial institutions, commercial banks experienced the greatest rate of growth in mortgage debt holdings; life insurance companies, the smallest.



Alabama and Mississippi led the six states in the growth rate of mortgage debt during the 1959-66 period.



himself in competition for the available supply of savings not only with business firms and consumers, but also stronger competition from his own state and local government units.

Mortgage borrowers doubled their outstanding debt against properties in the South. Mortgages held by the "big four" financial institutions—savings and loan associations, life insurance companies, commercial banks, and mutual savings banks—increased from \$12.7 billion to \$25.6 billion. State and local government units issued \$11.6 billion in securities, of which only a minor part was for refunding purposes. Some measure of the need for outside funds can be seen in the total for these two types alone. Amounting to more than \$24 billion, they surpassed the entire increase in long-term savings of the region by a substantial margin.

A broader measure of the overall capital needs of the South is total construction contracts, which exceeded \$38 billion in the period. Starting with an annual level of \$4.0 billion in 1960, each year brought an unbroken string of advances. Even in 1966, a year of sharply restricted availability of

funds, the annual level had risen to \$6.6 billion.

Nevertheless, residential construction continued to be the single most important component of building, amounting to \$17 billion in the 1959-66 period. The proportion of residential to total building averaged 44.5 percent of the total and ranged from a high of 47.4 percent in 1965 to a low of 41.4 percent in the sharp housing recession of last year. Although firm data are not available for the actual number of housing units built, the seven-year total exceeded an estimated 1,350,000, or about 14 percent of the U. S. total.

How Do You Get This Kind of Increase in Capital?

You get it by spending future money. That's easy, you say? Then try this one: How much future money can you spend? Only as much as some present holder of money will turn over to you in exchange for his appraisal of your credit worthiness. Credit worthiness rests basically upon future ability to pay, accompanied by formal assurances of performance of obligations.

The bulk of "present money" available in our economy is turned over by its owners to institutions, which relieve the owner of determining its "best" use. They stand between the owner and the eventual user of such funds, providing services to both sides of the savings-investment process. Each little rivulet of savings has the potential of joining up with other flows through this intermediary system. In practice the bulk of total available savings thus goes into the central capital markets where efficiency, speed, and the highest possible degree of certainty in appraisal of credit worthiness becomes crucial for the potential user. Getting the capital funds needed by an individual, a community, state, or region depends upon the investment instruments and the service institutions available to convey these bids to the market.

Much of the South's capital investment during the past two decades was accomplished without the bidding for a share of the national pool of savings emanating from the region itself. This is not to say that community initiative in getting a new or expanded industrial plant, military installation, or other forms of capital investment was not important. However, the instruments through which such bidding was registered, or the institutional arrangement by which it was transmitted, were not crucial. Indeed, a great deal of investment was put in place through Fed-

eral government or giant corporation financial initiative. Some of it may have been managed from non-borrowed funds, either from current tax flows or internal corporate savings which never got into the mainstream of total current savings. When such borrowing did occur, it was done through instruments and an institutional framework developed over many decades. Their demands for funds were prime, subject only to determination of a prime rate.

Some of the \$11.6 billion of capital funds needed to provide public improvements in the South over the past seven years would fall into the same "prime" classification, as would a minor portion of the regionally headquartered corporation borrowing. But for the bulk of the South's borrowing needs, the complex of ability to pay, appraisal facility, efficiency of instruments, and institutional services moves rapidly away from "prime" toward the point where the market rationing process cuts off some would-be borrower. Now the region's available instruments and institutional family becomes crucial. Here a well-capitalized mortgage banking industry is essential to a growing region.

Let's take a closer look at the \$13-billion increase in mortgage borrowing demand in the 1960's because it was the single largest sector of the South's total capital needs and a substantial part of it is always so vulnerable to being cut off by capital market rationing. The total lends itself to three divisions in relation to the savings-investment flows of the capital markets.

Well over half the total was supplied from local or subregional savings flows which never got into the main flow of savings to the capital markets. Instead, with one significant interruption, these flows went directly to local savings and loan associations, commercial banks, and local life insurance companies. For the region as a whole, the bulk of these savings came from increasing incomes of long-time residents, new entrants into the labor market, and in many cases from new, highly paid arrivals who came in with expanding industry. In some cases—for instance, Florida—incoming population brought significant amounts of accumulated liquid savings which went into the local savings institutions where they located. Insofar as these savings flows matched local demand for funds, neither saver nor borrower was concerned further with capital market instruments or institutions.

When one moves from this simplified but seldom encountered model, instruments and institutions take on increasing significance. Savings may

be attracted to deficit markets by a wide variety of improved intermediary claims, which broadens the reach of local institutions both within and between regions. In the case of the South in the 1960's, a great deal of this type of augmentation of local savings flows was successfully undertaken by its financial institutions. Similar augmentation of local investment outlets was accomplished.

Few of these improvements and innovations got even close to solving the main problem of free and full access to the institutionally administered mainstream of savings flows. The special province of mortgage banking—whether carried on by a specialized mortgage company, a bank, the institutional investor itself, or by other firms—is to solve this problem. In the absence of its solution, a large slice of mortgage credit demand would go unsatisfied, wide interest rate differentials would persist, differential regional growth would be out of the question, and growth of the entire economy would be substantially impaired.

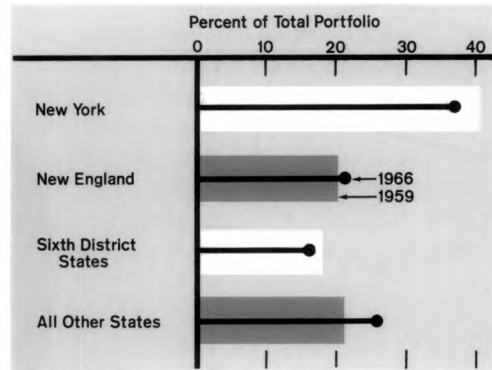
Where Does the Money Come From?

Mortgage bankers encountered substantial shifts in preferences among the major financial institutions to whom they transmitted the bids of their borrowing clients. These shifts affected both the sources of imported funds and the instruments utilized. Their major contours are shown graphically in the upper right-hand chart.

The declining relative importance of New York State as the principal geographic source of mortgage funds serviced² by the southern mortgage banker was one change. This, in turn, was related to the declining importance of life insurance companies as purchasers of FHA and VA home mortgages, a trend which began in the late 1950's. Many of the largest life insurance investors were located in New York and had been among the major buyers of these single-family mortgages.

²Mortgage servicing, or mortgage administration, is a continuing function which mortgage bankers view as their main source of revenue and profit. It is usually done under contract with the investor-owner of the mortgage and includes timely collection, accounting for, and remittance of payments due; insuring that proper hazard insurance is maintained, that taxes and other charges against property are paid, that delinquencies and foreclosures are properly handled; and the performance of other services as agreed upon. Servicing fees are usually paid monthly on a percentage-of-outstanding-balance basis and range from as much as 1/2 percent annually on single-family mortgages down to less than 1/8 percent on larger mortgages.

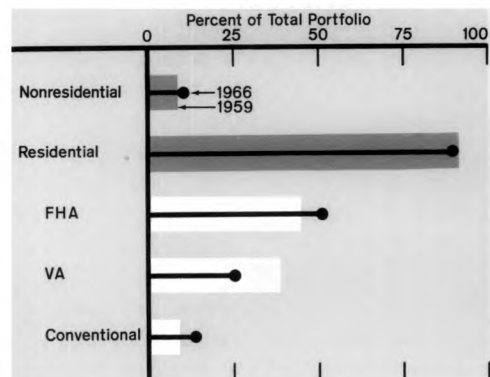
New York supplied less mortgage funds to the Southeast in the 1959-66 period, while New England and "all other states" increased their holdings of mortgages on southern properties.



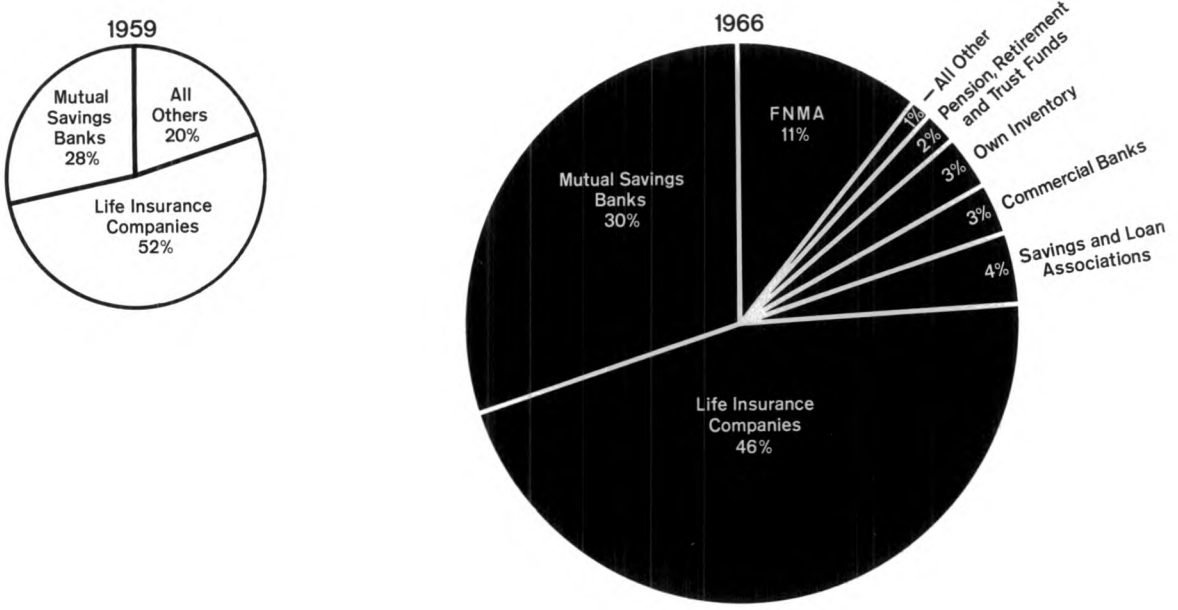
In order to retain these investors as clients, mortgage bankers had to produce the kind of mortgage instruments they preferred. They were unable to overcome entirely this shift away from a mortgage instrument with a very high rating for credit worthiness (accompanied as it was by either FHA insurance or VA guarantee) but which was impaired in a competitive capital market by ceilings on contract interest rates.

Some mortgage bankers were able to meet this shift in part by becoming less specialized in residential mortgages and expanding their originations of nonresidential mortgages. In addition, in many areas of the South, conventional residential mortgages became relatively more credit-worthy and at somewhat higher interest rates more acceptable overall, as employment and incomes continued to rise. Mortgage bankers in a number of cases were thus able to expand their origination of these mortgages as a partial offset to the declining importance of VA guaranteed mortgages.

Nonresidential mortgages had become more important by 1966, but residential mortgages remained the essential vehicle for capital importation.



Mortgage bankers expanded their mortgage servicing for mutual savings banks and other investors, offsetting the decrease in mortgage investments by life insurance companies.

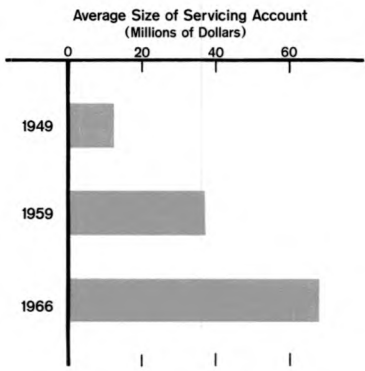


But mortgage bankers must serve both sides of the lender-borrower relationship, and traditionally they have been unable to move with investor preferences any further or faster than the basic conditions in their home territory permitted. Since overall regional growth tended to vary widely between particular urban subregions, it was difficult for many mortgage bankers to increase staff, capital, and branching operations enough to meet shifting investor preferences by diversification. This fact, plus the continuing

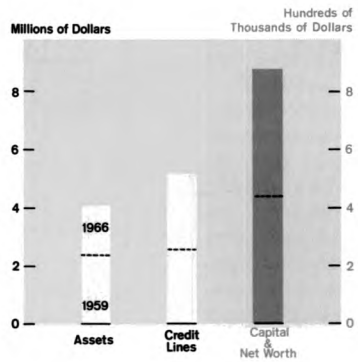
overriding need for replacement sources of residential mortgage funds through Government underwritten mortgages, led to a second significant shift. Mutual savings banks, located primarily in New York and New England, took up some slack. "All other" investors expanded from 20 to 24 percent of total servicing accounts.

Data for "all other" investors by type are not available for 1959, but it seems likely that the Federal National Mortgage Association accounted for a substantially larger share of total servicing

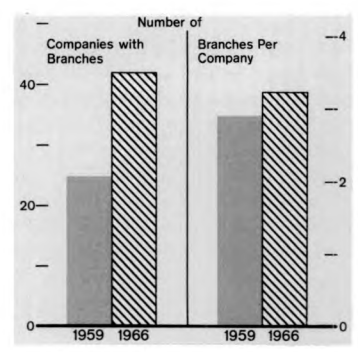
The average mortgage banker has almost doubled his servicing volume since 1959.



Assets, credit lines, and capital and net worth of firms have all advanced.



The number of mortgage bankers operating branch offices increased in the 1959-66 period, but the average number of branches moved up only slightly.



accounts than at the end of 1966. Mortgage companies typically service a large proportion of FNMA holdings, in 1959 amounting to \$910.5 million in the six states. At the end of 1966 they had expanded by 44 percent, to \$1.3 billion, while the growth of holdings of life insurance companies exceeded 70 percent and that of mutual savings banks 106 percent. It thus appears that mortgage companies were quite successful in developing alternative private sources for mortgage funds. More than likely, the shares of "all other" private investors in 1966, small as they are, represent several-fold gains over 1959.

Have Challenges Been Met?

From the foregoing appraisal of the performance of the industry between 1959 and 1966, it is possible for reasonable observers to differ as to the extent to which mortgage bankers have met the challenges of the period. From the investor's standpoint, they have been unable to convince all of the major life insurance company investors that they can best handle all of their business in the South. Evidence of this is the direct servicing of an estimated \$1.7 billion out of \$8.2 billion life insurance company mortgage investments in the six states. It is also supported by the fact that a number of larger commercial and other investment property sponsors have found it unnecessary to utilize their services in securing a mortgage loan.

One bit of additional evidence which might suggest that the mortgage banker is losing ground is to be found in the changing proportions of total mortgage debt in the South held by outside investors. At the end of 1959 the proportion of total southern nonfarm mortgage debt held by its savings and loan associations and com-

mercial banks amounted to approximately 46 percent. Life insurance companies located outside the South, mutual savings banks, and FNMA held approximately 52 percent. By the end of 1966 these proportions were reversed, amounting to about 52 and 45 percent, respectively.

On the other hand, the reasonable observer might conclude that the South has become better able to finance more of its capital requirements from its own savings. It might also be true that the South now has a greater number of credit-worthy entities large and productive enough to compete directly with other would-be borrowers in the capital markets. To the extent that these are acceptable conclusions, the mortgage banker can take pride in helping to achieve these accomplishments by this region. Perhaps more evidence is needed, and a good source for this is the mortgage banker himself.

The accompanying graphic sketch of the representative southern mortgage banker has been drawn from the replies of 106 mortgage bankers to a questionnaire. The response amounted to 61 percent of the 174 mortgage bankers known to be active and whose headquarters were located in the six-state region. Coverage of dollar amount of mortgages serviced by these 106 mortgage bankers amounted to \$7.2 billion, or 89 percent of the estimated total of \$8.1 billion of servicing by the 174 companies.

A concluding article will present a more complete analysis of the maturing southern mortgage banker.

HIRAM J. HONEA

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Bank Announcements

The **Perry Loan and Savings Bank**, Perry, Georgia, a nonmember bank, began to remit at par on September 1 for checks drawn on it when received from the Federal Reserve Bank.

The **Bank of Miami**, Miami, Florida, a conversion of the Southern Industrial Savings Bank, opened on September 5 as an insured nonmember commercial bank and began to remit at par. Officers are Willard M. Ware, president; T. F. Ozburn, Jr., executive vice president; M. E. Stephens, vice president; Robert D. Thornbury,

assistant vice president; and Edward M. Null, cashier. Capital is \$320,000; surplus and other capital funds, \$304,460.

On September 11, the **Baton Rouge Bank and Trust Company**, Baton Rouge, Louisiana, a newly organized nonmember bank, opened and began to remit at par. Officers include Donald C. Haney, president; Wayne McVadon and Jerry J. Hollis, assistant vice presidents. Capital is \$2,050; surplus and other capital funds, \$2,050.

A Perspective on Florida's Income

Florida has been in a tight struggle for a place among the nation's leading income producing states since 1963, when it first became tenth in total personal income. At that time personal income amounted to \$11.9 billion, or \$52 million more than the next ranking state, Indiana. Last year it appeared that Florida was gaining ground, with an income of \$15.4 billion—approximately \$1.3 billion higher than the previous year and \$180 million more than was received by Hoosiers. However, the differential narrowed again in first quarter 1967, with Florida leading by \$67 million.

In the past Floridians have managed to sustain rapid aggregate personal income growth by creating new income sources and modifying old ones. Some of these efforts have been discussed in *Monthly Review* articles highlighting Florida's changing seasonal and employment patterns.¹ Other states have also changed and expanded their income sources. Accordingly, we need to compare the growth of various income sources in Florida over the past four years with that of other states.

¹See August 1965 and June 1966.

Changes in Income Sources

Most income in Florida, as in other states, arises from the exchange of labor for wages and salaries. Two-thirds of the \$3.5-billion rise in Florida's personal income from 1963 to 1966 was accounted for by greater wage and salary disbursements. Strong gains in all 23 types of labor activity (e.g., manufacturing, trade, services, etc.), for which state estimates are available, helped keep Florida among the top ten states in income. Percentage increases were greater in Florida than in the nation for every type of wage and salary disbursement except the military.

One of the fastest growing income sources in Florida over this period was manufacturing, a less important source there than in the nation. Much of this accelerated growth came in the durable goods area, where increased output of transportation equipment and electrical machinery has brought rising employment. Although these gains reflect to some degree the newness of manufacturing in the state, more traditional Florida sectors such as wholesale and retail trade,

Florida has held its place among the nation's top ten states in total personal income, but ranks only 29 in per capita income.

	PERSONAL INCOME					PER CAPITA PERSONAL INCOME				
	1st Quarter 1967		1963		Percent Change in Amount	1966		1963		Percent Change in Amount
	Rank	Amount (\$ Millions)	Rank	Amount (\$ Millions)		Rank	Amount (\$)	Rank	Amount (\$)	
California	1	68,224	2	52,615	29.7	6	3,457	4	2,997	15.3
New York	2	66,919	1	52,697	27.0	4	3,497	5	2,979	17.4
Illinois	3	40,204	3	30,228	33.0	2	3,532	7	2,915	21.2
Pennsylvania	4	35,961	4	27,847	29.1	19	2,968	19	2,441	21.6
Ohio	5	33,123	5	25,144	31.7	15	3,056	14	2,509	21.8
Texas	6	28,434	6	21,589	31.7	33	2,542	32	2,105	20.8
Michigan	7	28,222	7	20,787	35.8	10	3,269	13	2,587	26.4
New Jersey	8	24,966	8	19,400	28.7	7	3,445	6	2,965	16.2
Massachusetts	9	18,516	9	14,547	27.3	9	3,271	9	2,770	18.1
FLORIDA	10	16,061	10	11,865	35.4	29	2,614	31	2,145	21.9

Source: U.S. Department of Commerce.

contract construction, and services of all types also outpaced national growth rates.

Among the non-wage sources of Florida income, transfer payments from the government to citizens on pension or welfare, or for other purposes also advanced more rapidly than in the nation. These gains were bolstered by increased payments to citizens over 65, in part through new programs such as medicare. Property income, generally a relatively more important source of income in Florida, increased at about the national rate. On the other hand, proprietors' income, the smallest of the three non-wage income sources, grew less rapidly. Declining farm proprietors' income, which accounts for the low growth rate in this category, can be attributed to labor and production expenses increasing faster than gross receipts. Wage and salary disbursements to farm workers rose appreciably from 1963 to 1966, reflecting advancing production of Florida's labor intensive crops.

Recent Developments

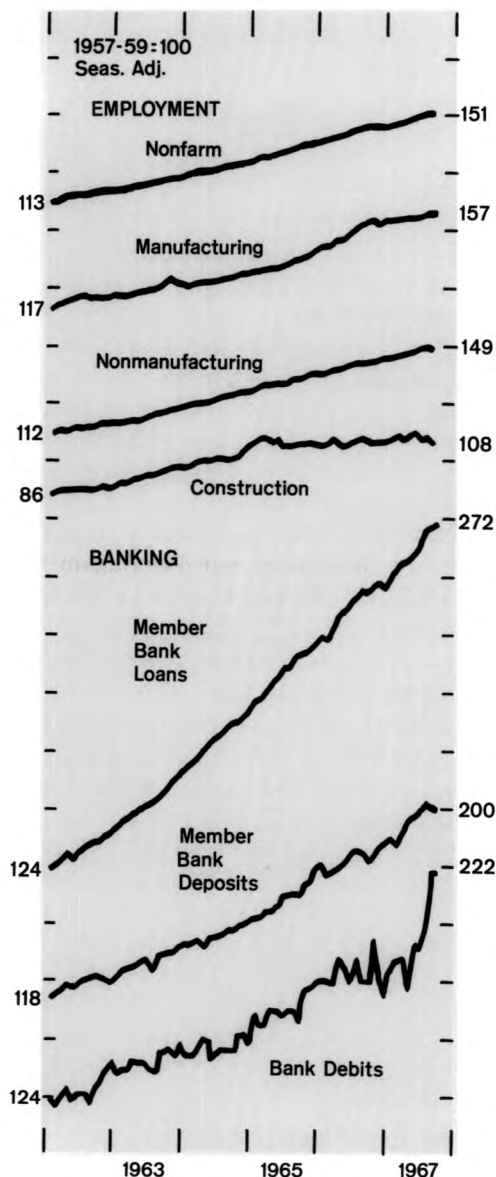
The pause in Florida's personal income growth during first quarter 1967 was generally experienced by other states as well. Nevertheless, there is considerable evidence that Floridians will engineer another strong advance in personal income this year now that national economic activity has turned up. In fact, personal income in Florida appears to have advanced faster than the national rate, according to estimates made by this Bank. Above-average gains for the state's non-manufacturing employment, especially trades and services, coupled with rising manufacturing payrolls, are providing the impetus. Considering the upturn in contract awards in 1967, construction employment should add to nonmanufacturing employment gains later this year.

Data for Florida member banks also point to rising levels of economic activity, with debits, deposits, and loans all showing sizable gains. Growth in time certificates of deposits, which expanded greatly in the first half of 1967, has slackened recently. However, growth in passbook savings accounts and a small revival in demand deposit expansion indicate that Florida banks are still being supplied with lendable funds.

In Perspective . . .

Even if Florida produces another \$1-billion-plus income growth, progress will be slow on what is perhaps her major economic problem. Despite expanding personal income, Florida ranks only 29 in per capita income. Over the 1963-66

Rising employment and increased banking activity mirror Florida's income expansion.



period the state's rate of increase in per capita income, though generally topping other leading income producing states, was only slightly above the national average.

The state's population growth has been slower in recent years but remains well above that of all but a few states. Considering the projected growth of her population and present per capita income rank, reaching the top ten in per capita income is an impossibility for the near future. Even further improvement in ranking, which demands continued rapid income gains, presents a real challenge to the people of Florida.

PAUL A. CROWE

Sixth District Statistics

Seasonally Adjusted

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

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT									
INCOME AND SPENDING									
Personal Income (Mil. \$, Annual Rate) July	58,313	57,786r	56,731r	53,115	Manufacturing Aug.	157	157	156	153
Manufacturing Payrolls Aug.	200	198r	197	192	Nonmanufacturing Aug.	149	150	149	142
Farm Cash Receipts July	146	166	132	149	Construction Aug.	108	110	109	110
Crops July	147	193	119	126	Farm Employment Aug.	78	83	95	80
Livestock July	144	149	140	157	Unemployment Rate (Percent of Work Force) Aug.	3.0	3.1	3.0	3.1
Instalment Credit at Banks* (Mil. \$)					Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	42.4	42.3r	42.9	42.7
New Loans Aug.	286	322r	308	282	FINANCE AND BANKING				
Repayments Aug.	256	270r	277	265	Member Bank Loans Sept.	272	270	261	245
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment Aug.	136	136	136	133	Member Bank Deposits Sept.	200	202	198	181
Manufacturing Aug.	135	135	135	135	Bank Debits** Aug.	222r	197r	190	175
Apparel Aug.	164	166r	165	167	GEORGIA				
Chemicals Aug.	131	130r	130	130	INCOME				
Fabricated Metals Aug.	152	152	152	150	Personal Income (Mil. \$, Annual Rate) July	11,311	11,177r	10,959r	10,157
Food Aug.	114	114r	114	112	Manufacturing Payrolls Aug.	202	202	199	190
Lbr., Wood Prod., Furn. & Fix. Aug.	103	103r	102	107	Farm Cash Receipts July	141	151	133	135
Paper Aug.	118	118	119	115	PRODUCTION AND EMPLOYMENT				
Primary Metals Aug.	126	126	125	130	Nonfarm Employment Aug.	135	135	135	131
Textiles Aug.	106	104r	105	106	Manufacturing Aug.	130	131	131	129
Transportation Equipment Aug.	180	185	181	175	Nonmanufacturing Aug.	138	137	137	132
Nonmanufacturing Aug.	137	137	136	132	Construction Aug.	124	124	128	121
Construction Aug.	122	121	123	127	Farm Employment Aug.	62	63	59	64
Farm Employment Aug.	62	68	65	69	Unemployment Rate (Percent of Work Force) Aug.	3.8	3.5	3.8	3.9
Unemployment Rate (Percent of Work Force) Aug.	4.1	4.1	4.1	3.6	Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	40.7	40.4	40.5	41.1
Insured Unemployment (Percent of Cov. Emp.) Aug.	2.3	2.5	2.2	2.4	FINANCE AND BANKING				
Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	40.9	40.7	40.9	40.7	Member Bank Loans Aug.	265	263	260	252
Construction Contracts* Aug.	188	159	174	139	Member Bank Deposits Aug.	212	210	203	196
Residential Aug.	179	177	178	137	Bank Debits** Aug.	225	223	217	199
All Other Aug.	195	144	171	141	LOUISIANA				
Electric Power Production** July	148	145r	143	144	INCOME				
Cotton Consumption** Aug.	107	110r	111	114	Personal Income (Mil. \$, Annual Rate) July	8,648	8,571r	8,509r	7,995
Petrol. Prod. in Coastal La. and Miss.** Aug.	279	250	223	212	Manufacturing Payrolls Aug.	181	182r	179	171
FINANCE AND BANKING									
Loans*					Farm Cash Receipts July	159	155	142	153
All Member Banks Aug.	256	256	251	240	PRODUCTION AND EMPLOYMENT				
Large Banks Sept.	229	226	228	223	Nonfarm Employment Aug.	127	126	126	123
Deposits*					Manufacturing Aug.	120	119	120	115
All Member Banks Aug.	194	193	189	180	Nonmanufacturing Aug.	129	127	128	125
Large Banks Sept.	172	174	174	159	Construction Aug.	127	121	134	142
Bank Debits/** Aug.	204	208	196r	184	Farm Employment Aug.	62	64	66	67
ALABAMA									
INCOME									
Personal Income (Mil. \$, Annual Rate) July	7,635	7,567r	7,510r	7,099	Unemployment Rate (Percent of Work Force) Aug.	5.3	5.5	4.8	4.2
Manufacturing Payrolls Aug.	178	177r	175	178	Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	41.6	42.6r	42.0	41.9
Farm Cash Receipts July	160	151	136	157	FINANCE AND BANKING				
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment Aug.	125	125	124	125	Member Bank Loans* Aug.	233	234	224	225
Manufacturing Aug.	122	121	121	124	Member Bank Deposits* Aug.	163	164	160	156
Nonmanufacturing Aug.	126	126	125	125	Bank Debits/** Aug.	171	184	168	166
Construction Aug.	121	119r	119	130	MISSISSIPPI				
Farm Employment Aug.	66	82	66	78	INCOME				
Unemployment Rate (Percent of Work Force) Aug.	4.6	4.3	4.6	4.2	Personal Income (Mil. \$, Annual Rate) July	4,416	4,490r	4,388r	3,966
Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	40.5	40.7r	40.9	41.4	Manufacturing Payrolls Aug.	211	211	213	207
FINANCE AND BANKING									
Member Bank Loans Aug.	241	238	235	224	Farm Cash Receipts July	154	210	139	177
Member Bank Deposits Aug.	190	187	183	178	PRODUCTION AND EMPLOYMENT				
Bank Debits** Aug.	184	200	184	181	Nonfarm Employment Aug.	137	137	136	137
FLORIDA									
INCOME									
Personal Income (Mil. \$, Annual Rate) July	17,136	16,851r	16,352r	15,340	Manufacturing Aug.	143	143	143	147
Manufacturing Payrolls Aug.	245	243	244	230	Nonmanufacturing Aug.	135	135	134	133
Farm Cash Receipts July	140	175	128	137	Construction Aug.	131	128	126	145
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment Aug.	151	151	150	144	Farm Employment Aug.	49	58	56	56
FINANCE AND BANKING									
Member Bank Loans* Aug.	310	309	298	283	Unemployment Rate (Percent of Work Force) Aug.	4.9	5.3	5.1	4.0
Member Bank Deposits* Aug.	231	232	222	228	Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	40.2	39.9r	40.8	41.0
Bank Debits/** Aug.	220	202	203	208	FINANCE AND BANKING				
MONTHLY REVIEW									

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
TENNESSEE				
INCOME				
Personal Income (Mil. \$, Annual Rate) July	9,167	9,130r	9,013r	8,558
Manufacturing Payrolls Aug.	197	191	188	189
Farm Cash Receipts July	126	141	118	140
PRODUCTION AND EMPLOYMENT				
Nonfarm Employment Aug.	136	136	136	135
Manufacturing Aug.	143	142	141	144

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
FINANCE AND BANKING				
Nonmanufacturing Aug.	133	133	133	130
Construction Aug.	158	153r	154	157
Farm Employment Aug.	67	69	65	77
Unemployment Rate (Percent of Work Force) Aug.	4.3	4.5	4.7	3.1
Avg. Weekly Hrs. in Mfg. (Hrs.) Aug.	40.2	39.7	39.8	40.7
Member Bank Loans* Aug.	239	246	248	231
Member Bank Deposits* Aug.	181	181	181	174
Bank Debits/** Aug.	207	231	219	195

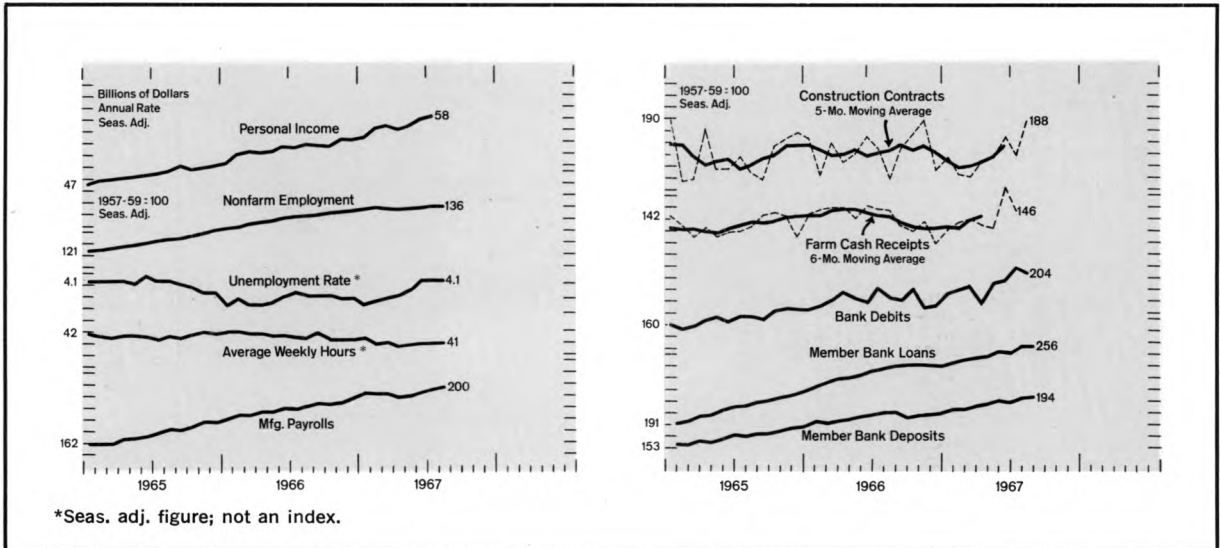
*For Sixth District area only. Other totals for entire six states. **Daily average basis. r-Revised.
 Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; cotton consumption, U. S. Bureau 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)

	Percent Change						Percent Change						
	Year-to-date 8 mos.						Year-to-date 8 mos.						
	August 1967 from 1967						August 1967 from 1967						
	August 1967	July 1967	August 1966	July 1967	August 1966	July 1966	August 1967	July 1967	August 1966	July 1967	August 1966	July 1966	
STANDARD METROPOLITAN STATISTICAL AREAS†													
Birmingham	1,532,931	1,477,655	1,457,579r	+4	+5	+8	Lakeland	113,723	123,027	105,901	-8	+7	+5
Gadsden	64,612	57,809	66,624r	+12	-3	-5	Monroe County	32,829	32,089	32,722	+2	+0	+4
Huntsville	193,104	176,276	190,426r	+9	+1	+1	Ocala	55,960	56,128	52,879	-0	+6	+4
Mobile	522,778	490,263	462,972r	+7	+13	+7	St. Augustine	19,934	21,798r	22,355	-9	-11	+2
Montgomery	333,933	282,629	342,541r	+18	-3	+2	St. Petersburg	307,135	330,352r	281,676	-7	+9	+11
Tuscaloosa	102,120	97,380	90,965	+5	+12	+9	Sarasota	96,923	101,273	91,888	-4	+5	+1
Ft. Lauderdale—							Tampa	706,980	685,195r	636,617	+3	+11	+7
Hollywood	587,408	602,758	541,532r	-3	+8	+7	Winter Haven	49,058	54,014	54,293	-9	-10	+1
Jacksonville	1,525,499	1,385,776	1,462,888r	+10	+4	+5	Athens	71,676	73,804	70,996	-3	+1	+7
Miami	2,272,378	2,159,795r	1,945,954	+5	+17	+9	Brunswick	41,241	43,879	40,529	-6	+2	+4
Orlando	538,311	543,296	474,072r	-1	+14	+7	Dalton	81,216	76,871	79,942	+6	+2	-4
Pensacola	199,575	192,544	186,996r	+4	+7	+9	Elberton	18,342	14,269	13,661	+29	+34	+13
Tallahassee	151,291	138,785	138,453r	+9	+9	+15	Gainesville	75,468	71,210	72,148	+6	+5	+6
Tampa—							Griffin	33,574	34,264	32,354	-2	+4	+5
St. Petersburg	1,325,163	1,326,006	1,187,468r	-0	+12	+10	LaGrange	20,877	20,766	22,600	+1	-8	-5
W. Palm Beach	384,389	376,481	347,332r	+2	+11	+2	Newnan	24,318	24,778	27,442	-2	-11	-0
Albany	87,505	84,382	90,235	+4	-3	-3	Rome	73,514	68,016	74,667	+8	-2	+1
Atlanta	4,784,437	4,463,065	4,481,252r	+7	+7	+8	Valdosta	70,506	53,327	54,771	+32	+29	+15
Augusta	310,507	284,733	290,615r	+9	+7	+11	Abbeville	11,965	11,197	11,152	+7	+7	+3
Columbus	236,462	207,550	206,730r	+14	+14	+10	Alexandria	134,368	127,738r	124,151	+5	+8	+14
Macon	261,107	244,073	241,273r	+7	+8	+11	Bunkie	6,793	7,105	6,128	-4	+11	+22
Savannah	276,884	258,680	256,484r	+7	+8	+9	Hammond	36,425	38,086	33,460	-4	+9	+16
Baton Rouge	516,149	523,088	499,606r	-1	+3	+11	New Iberia	39,846	35,185	35,864r	+13	+11	-0
Lafayette	126,289	126,595	120,975	-0	+4	+4	Plaquemine	11,430	11,369	10,769	+1	+6	+14
Lake Charles	147,557	147,250	138,945	+0	+6	+13	Thibodaux	21,799	22,032	21,984	-1	-1	+2
New Orleans	2,369,108	2,374,956	2,286,604r	-0	+4	+2	Biloxi-Gulfport	104,495	106,117	105,761	-2	-1	+9
Jackson	652,518	568,504	639,107r	+15	+2	+10	Hattiesburg	56,872	56,191	56,419	+1	+1	+2
Chattanooga	590,569	571,171	569,280r	+3	+4	+6	Laurel	32,779	31,544	35,526	+4	-8	-4
Knoxville	469,205	445,659	458,610r	+5	+2	+7	Meridian	66,751	65,816	70,848	+1	-6	+2
Nashville	1,541,642	1,535,269	1,426,395r	+0	+8	+19	Natchez	38,873	34,953	36,449	+11	+7	+7
OTHER CENTERS													
Annicton	67,027	62,489	64,499	+7	+4	+1	Pascagoula—						
Dothan	60,471	55,861r	56,913	+8	+6	+10	Moss Point	55,321	54,519	52,983	+1	+4	+9
Selma	57,820	44,712	41,776	+29	+38	+14	Vicksburg	42,427	40,463	43,526	+5	-3	+4
Bartow	31,536	32,386	35,976	-3	-12	-5	Yazoo City	51,164	31,100	46,892	+65	+9	+5
Bradenton	62,249	73,953	57,044	-16	+9	+24	Bristol	78,775	74,788	74,722	+5	+5	+4r
Brevard County	220,536	221,452r	209,867	-0	+5	+6	Johnson City	73,733	76,830	74,960	-4	-2	+8
Daytona Beach	86,964	93,540	86,087	-7	+1	+7	Kingsport	157,095	144,769	155,054	+9	+1	+6
Ft. Myers—							SIXTH DISTRICT, Total						
N. Ft. Myers	74,177	75,254	64,688	-1	+15	+8	Alabama‡	4,244,759	3,865,263r	3,863,944r	+10	+10	+7
Gainesville	78,448	74,639r	78,695	+5	-0	+8	Florida‡	9,335,686	8,661,157r	8,091,308	+8	+15	+8
							Georgia‡	7,853,322	7,304,322r	7,285,372r	+8	+8	+8
							Louisiana*	3,989,398	3,972,865r	3,874,614r	+0	+3	+4
							Mississippi*	1,469,852	1,325,302	1,434,566r	+11	+2	+9
							Tennessee†	4,083,980	4,039,809	3,841,819r	+1	+6	+12

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

District Business Conditions



The District's economy is still on the upbeat. Manufacturing employment, after the midyear turn-around, rose again in August; personal income and outstanding consumer credit increased; and construction contract volume rebounded. Harvesting of major crops is well underway, with good prospects for an increase in total production. Loan expansion was unexpectedly weak, however, and time-deposit growth moderated.

Further gains in employment in August held the unemployment rate steady. Manufacturing jobs turned up for the second consecutive month. In September, however, the transportation equipment industry was hit, as workers walked out on a major auto producer and the District's largest airplane manufacturer laid off employees. The region experienced a surge in new and expanded plant announcements during the third quarter.

Most fall crops are being harvested throughout the District. The stripping of Tennessee's tobacco, rice combining in Louisiana, and the digging of Georgia and Alabama peanut crops are virtually complete. Cotton and corn harvesting has begun. Except for cotton, estimated production is expected to exceed 1966 levels for all major crops. However, price levels are generally below those of last year and will have a modest dampening effect on cash incomes. Egg, hog, and broiler prices declined even further in August, but the expected drop in their production may cause some price strength in the period ahead.

Accompanying the August increase in personal income was a rise in outstanding consumer credit at commercial banks. Loans to purchase consumer goods other than automobiles, mainly durables, advanced. Automobile loans increased markedly

in July and declined in August, as did automobile sales. Preliminary estimates suggest higher sales for September.

Loan expansion in September was very slow at large banks. Time-deposit growth was reduced, with no compensating gain in demand deposits. The slower growth reflected, in part, a small run-off of large denomination certificates of deposit. Business loan demand at these banks was apparently very weak over the normally expansive mid-month tax period. Country member banks experienced a greater-than-seasonal increase in demand deposits in September, but their rate of time-deposit gain slowed further.

Improvement was evident in the District's dollar volume of construction contracts. The trend of month-to-month gains for the current year continues, and the year-to-year comparisons benefit from the sharp downtrend of last year's second half. As a result, value of total construction contracts has now pulled slightly ahead of the comparable eight-month period of 1966. However, the outlook for mortgage funds suggests some future slackening in the rate of recovery of homebuilding.

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