

MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

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Credit Cards — Can Small Banks Compete?

Can small banks compete effectively in offering credit cards or related plans? Some persons believe they cannot and that the growth of credit card banking “tips the competitive scales” in favor of big banks. As evidence, they point to the high cost of starting a credit card operation and the time normally required to recover the original outlay. These factors, they claim, give large banks a decided advantage.

Despite these theoretical arguments and the recent publicity surrounding the entry of many large banks into the credit card field, a number of plans are offered by small banks in the Sixth District. Average outstandings of \$579,000 per bank in this region are considerably less than the national average of \$1,340,000. Smaller District banks have also shared in the recent growth of credit card banking.

How have these small banks overcome the handicaps to successful participation in credit card banking? Data on the types of plans generally favored by banks of various sizes give a partial answer.

The Data

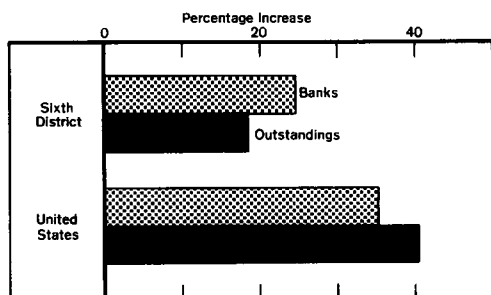
Although credit card banking is not new, data on the number of banks offering various types of plans and the associated volume of outstanding loan balances became available for the first time in 1967. In April of last year commercial banks were requested to report outstandings under credit cards and related plans to the appropriate supervisory agency—the Comptroller of the Currency for national banks, the Federal Reserve for state member banks, and the Federal Deposit Insurance Corporation for state insured nonmember banks—as a part of their regular report of condition (Call Report). The following October banks reported outstanding balances for each of the major types of plans separately. Special tabulations of these data for Sixth District banks provide the basis for this article. About 12 percent of the nation’s commercial banks involved in credit card banking are located in this District and account for 5 percent of the total outstandings.

Credit Cards and Credit Card Banking in the Sixth District

To evaluate the competitive thrust of credit card activity on small banks, the major aspects of credit card banking must be differentiated. Most

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The number of banks with balances under credit card and related plans and their reported outstandings increased sharply between April and October 1967 in the Sixth District and the nation.



people are familiar with local bank credit card plans and how they operate. Somewhat less familiar, however, are the other facets of credit card banking, such as nonbank cards, check-credit, and overdraft plans. These related plans are similar in many respects to the ordinary bank credit card. However, certain differences are important in the small bank's ability to participate in credit card banking.

Bank credit cards are generally issued by a local bank and enable the cardholder to charge purchases at participating merchants in the same area. The issuing bank shoulders the full cost of starting the operation and receives the resulting income or takes the loss. Normally, this type plan requires relatively high start-up and operating costs because of special processing equipment and large promotional expenses in trying to obtain a wide coverage immediately. Nonbank and check-credit plans, on the other hand, generally

require only a small fraction of the initial cost of a full-fledged credit card operation.

Although many smaller banks have operated their own credit card plan for a number of years, most of them were not faced with direct competition during the beginning stages of the program's development. Over one-half the banks that offer their own credit card plan in this District are in the \$50-million or under deposit category. Nearly all of them are located in cities with a 1960 population of under 50,000, where another plan is not offered. Banks with deposits of over \$100 million and cities with a population above 100,000 are dominant in terms of outstanding balances, however.

Observers who think the small bank's future is threatened by recent growth in credit card banking argue that today's environment is different. Banks considering entry into this field most likely face direct competition immediately from banks already in the business or others also thinking of entering. Thus, the level of merchant and customer participation needed to recover the initial outlay in a reasonable period may be harder to achieve today than several years ago.

Participation through other means, however, may enable the small bank to overcome these handicaps. Nonbank credit cards, such as American Express and Carte Blanche—the familiar travel and entertainment cards, are now being issued through banks. These plans are similar to the ordinary bank credit card in that they allow the cardholder to receive a bank loan to repay the

Major Types of Plans

Several major types of plans are currently being used by banks in offering prearranged credit privileges to their customers. These plans can be classified broadly as *credit cards*, *check-credit* or *overdraft plans*, and *nonbank credit card plans*.

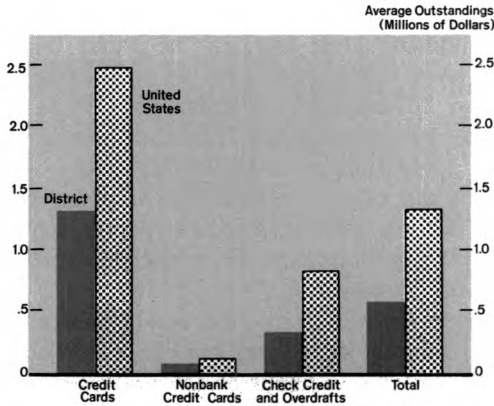
The credit card in effect combines the loan granting function of the bank with the accounts receivable function of the merchant. They operate on two levels, one oriented toward the customer and the other toward the merchant. The issued card allows the holder to make purchases, in accordance with a predetermined maximum amount, from participating merchants. The merchants discount their sales tickets to the bank at a rate determined, in most cases, by their total volume of credit card business. At the end of the month, the bank sends a statement to the cardholder indicating the total amount of credit purchases made. The customer may either pay in full or pay only part and revolve the balance. A growing number of banks are offering such plans to their customers through a correspondent or agency arrangement.

Check-credit is similar to the credit card plan, but has no connection with specific retail merchants. The bank customer is given an approved line of credit just as in the case of a credit card. Instead of a card, he receives a number of especially prepared checks. The checks, when used, activate a loan for a specified amount, generally printed on the check.

Special overdraft plans have also become popular in some areas. Under this agreement, which is generally tied to a check-credit plan, the bank approves a maximum line of credit. Loans against this line are activated by the customer's regular checking account when his account balance is not sufficient to cover the check.

Nonbank plans, such as American Express and Carte Blanche, are also being used. With his type of operation, the cardholder signs the appropriate agreements with a participating bank in which case the bank agrees to extend the customer credit for the amount of his purchases on the T & E card. In most cases, the customer can also receive a cash advance from the bank by presenting this card.

Average outstandings per bank are larger in the nation than in the District for each of the major types of plans. Credit cards dominate the picture in terms of per bank balances. The District average for credit cards is only one-half the comparable U. S. figure.



indebtedness incurred under such plans. Although nonbank cards are of more limited use in local markets than ordinary retail cards, they are accepted nationally.

Check-credit plans do not involve a card at all, except for identification purposes in some cases. Under this arrangement the preauthorized loan privilege, which is a common feature of all facets of credit card banking, is activated when the customer presents a check in payment for a purchase. The customer is not limited to charging purchases only at certain participating merchants.

The implications for small banks of these alternative means of participating in credit card banking are obvious. If, for example, a check-credit plan or a nonbank credit card is reasonably acceptable as a substitute for a bank's own credit card operation, the cost of initiating the program may be reduced considerably. Of course, whether or not small banks can compete effectively through these means depends on their acceptance as reasonably good substitutes for the ordinary retail type credit card.

Again, those persons who believe small banks are at a competitive disadvantage are not impressed by the availability of these substitutes as effective alternatives. They contend that each type plan appeals to a different market. On this score, they do have some empirical backing. Several banks in the Sixth District offer a combination of plans, suggesting that distinct markets exist for each type. Most of the multi-plans, however, are found at larger banks and generally involve a combination of a credit card and one of the other plans. Therefore, this might also indicate that, with a successful credit card plan, the

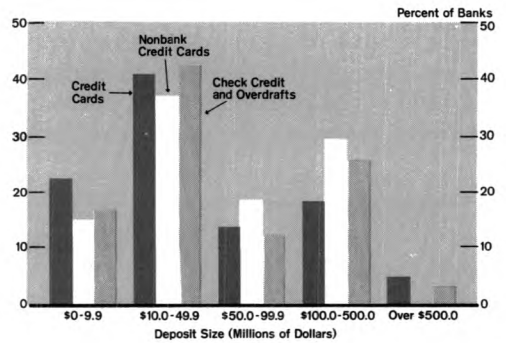
added costs of offering the second plan is small and may be worthwhile even if the markets are largely the same.

Many District bankers apparently think check-credit and nonbank plans are reasonably good substitutes for credit cards, at least within the competitive environment of this District. Of the 99 District banks reporting outstandings under a credit card, a check-credit, or a nonbank plan last October, over 80 percent were in the latter two categories. Credit card plans accounted for about 60 percent of the \$57 million in total outstandings, however.

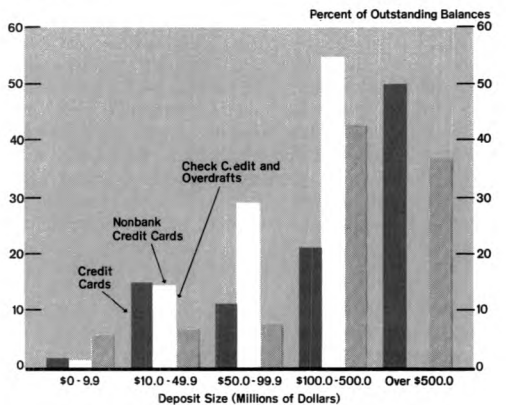
A more important indicator of the relative competitive position of smaller banks is the manner in which recent growth has occurred. Practically all the growth in credit card banking in this District has been through plans other than credit cards. Several of these new plans are being offered by smaller banks which face direct competition from other banks in the same area.

The presence of a check-credit and/or nonbank plan may not present as much of an obstacle to another bank desiring to offer a similar plan in

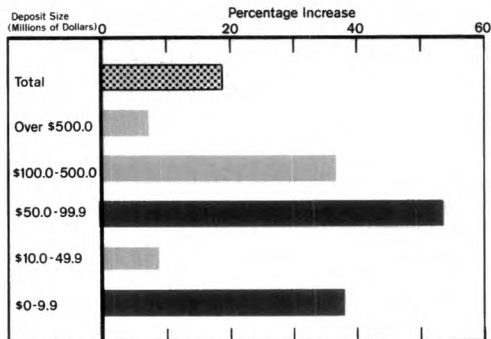
The majority of District banks offering credit card and related plans as of October 1967 are in the less than \$50-million deposit category,



... but most of the outstandings of each type plan are in the larger banks.



Banks with deposits between \$50 million and \$100 million increased their outstandings of credit cards and related plans most rapidly in the April-October 1967 period, and those with deposits of less than \$10 million also grew fast.



the same market as does a credit card plan. The frequency of multi-plans was much higher in District cities where a credit card was not offered. Possibly, this is related to a credit card operation's dependence upon the cooperation of a large number of merchants, whereas the other plans are not tied directly to specific merchants.

Implications for Future Banking Structure and Competition

Those who see credit card banking as a threat to small banks are not supported by currently available evidence. Small banks are actively involved in all phases of credit card banking. Nonbank and check-credit arrangements, which offer one means of overcoming the high costs of launching a full-scale credit card operation, have accounted for most of the increased small bank participation in recent months. Whether or not such plans will prove effective substitutes for credit cards will depend, in the final analysis, on customer acceptance and demand.

Most studies of the demand for banking services indicate that customers choose their bank primarily on the basis of convenience. Thus, even though imperfect substitutes for a credit card, check-credit and nonbank plans, or correspondent plans may be effective alternatives when offered through the customer's local bank. Apparently, many Sixth District bankers must think so, judging by their increased commitment to such plans when credit card activity is expected to become even more widespread.

Another means that a growing number of smaller District banks are utilizing to enter this field is the offering of another bank's credit card plan. In this manner, the correspondent or licensee bank can provide most of the advantages of a credit card operation without the full costs of initiating its own plan or assuming the added liability which could result from carrying the accounts receivable. They merely share in the resulting income, however.

The franchise or agency type of arrangement appears attractive to the issuing bank as well. The lead bank, with the necessary equipment and experience from its own plan, can expand its operation into other areas without raising costs proportionately. In some cases, such plans are subfranchised, which increases the extent of the coverage and spreads the costs thinner.

Future developments could alter the competitive position of smaller banks, but recent credit card activity in the Sixth District does not indicate that big banks have gained an upper hand. If anything, small banks are competing more aggressively than before through a growing number of alternative arrangements.

JOE W. McLEARY

Bank Announcements

On January 1, three nonmember banks began to remit at par for checks drawn on them when received from the Federal Reserve Bank. They are the **City Bank and Trust Company**, Roanoke, Alabama; **The Commercial Bank of Roanoke**, Roanoke, Alabama; and **The Citizens Bank**, Hogansville, Georgia.

The Bank of Augusta, Augusta, Georgia, and **The Quincy State Bank**, Quincy, Florida, also nonmember banks, began to remit at par on January 2.

The First State Bank of Tuscaloosa, Tuscaloosa, Alabama, a newly organized nonmember bank, opened on January 8 and began to remit at par. Officers are Henry J. Brislin, president; Douglas L. Modling, vice president and cashier; and Clyde Daniel, vice president. Capital is \$500,000; surplus and other capital funds, \$250,000.

The Colonial Bank, New Orleans, Louisiana, a newly organized nonmember bank, also opened on January 8 and began to remit at par. Adrian Duplantier is president; Ralph Giardina, executive vice president; and V. Gordon Isaacson, vice president. Capital is \$1,000,000; surplus and other capital funds, \$2,600,000.

The Citizens Bank and Trust Company, Quincy, Florida, a nonmember bank, began to remit at par on January 15.

The Parish National Bank of Bogalusa, Bogalusa, Louisiana, opened on January 25 as a member bank and began to remit at par. Officers are Purvis Hall, president; Asa Miller, executive vice president and cashier; and John H. Spillmon, vice president. Capital is \$200,000; surplus and other capital funds, \$300,000.

King Cotton's Dwindling Empire

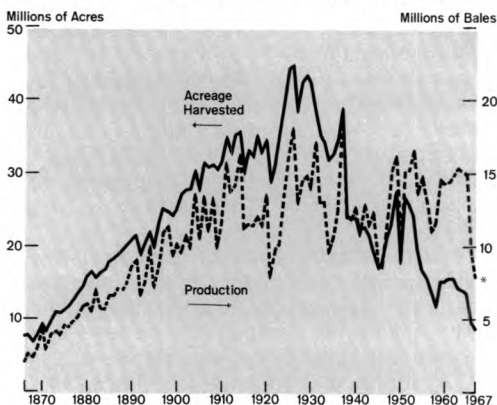
For well over a century, cotton was kingpin of southern agriculture and favored prince of the southern economy. Acreages reached their peak in 1926 after almost constant expansion since post-Civil War days. And, with the expanding influence of the fibrous monarch, supporting crops and industries also increased. Corn acreages, required to support the major power source (mules), advanced steadily, as did the number of cotton gins, small farm supply businesses, and the agricultural labor force.

Cotton's success as the world's most important clothing material resulted from growing domestic and foreign demands, plus technical innovations in production, marketing, and manufacturing. In meeting market demands, southern cotton producers pushed planted acreages to over 40 million in every year but one during the 1925-30 period. Domestic utilization remained relatively constant, ranging from 6.1 to 7.2 million bales, while exports advanced significantly. In the late 1920's, the United States accounted for 51 percent of the world's cotton acreages and 58 percent of the

production. U. S. cotton exports reached their all-time peak of 11.3 million bales in 1926.

By the 1930's, the territorial rights of King Cotton began to diminish. The world depression caused a sharp drop in the effective demand for cotton both at home and abroad. Meanwhile, farmers continued to plant larger acreages in an attempt to maintain farm incomes, and in 1931 cotton production exceeded 17 million bales, or the second highest recorded level. With reduced demands, annual carryover stocks became oppressive, and the seasonal average price fell to 5.66 cents per pound in 1931. These disastrously low cotton prices and the severely depressed state of agriculture throughout the South and the U. S. contributed to the passage of the Agricultural Adjustment Act of 1933. This Act was designed to help farm incomes through price supports and supply management or acreage controls. Since 1933, modifications in farm programs and acreage allotments, plus changing production patterns, have caused an irregular but continuous decline in cotton acreages. Harvested cotton for 1967 will total only 8,545,000 acres, the smallest crop since 1871. The most recent adjustments reflect production and marketing problems that have developed in the 1960's.

In 1967 U.S. production reached the lowest level since 1921, while harvested acreages dropped to post-Civil War levels.



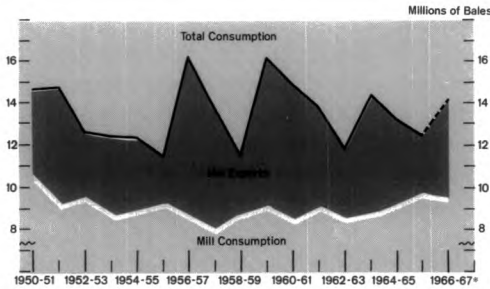
*U.S.D.A. crop estimate, November 1967.

Developments in the 1960's

In the first half of the 1960's cotton acreages in the Sixth District states and the U. S. declined steadily. But average yields advanced over 200 pounds per acre since the early 1950's, so total production moved to near or above 15 million bales in the 1962-65 growing seasons.

Meanwhile, domestic consumption moved irregularly upward to 9.5 million bales in 1965, or the highest level since 1950. But exports declined erratically throughout the period so that total

With more competitive pricing, U.S. cotton exports expanded in the 1966-67 marketing year, despite greater world production.



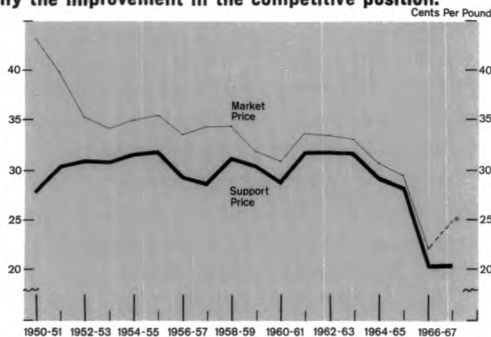
*U.S.D.A. preliminary estimates.

disappearance in each year from 1960 to 1965 was less than production. The result: total carry-over stocks of cotton reached unprecedented levels of 16.6 million bales on August 1, 1966 (the end of the marketing year for the 1965 crop).

Part of the problem of equating production with total effective demand was associated with the cotton support programs. Price support levels were relatively high, ranging between 29 to 32 cents per pound. Farmers were thus encouraged to plant their maximum allotted acreages. In addition, they used large quantities of fertilizer, resulting in record yields and production. In 1964 and 1965 the program was slightly modified with further incentive to reduce planted acreages, but the changes had only limited success.

On the demand side, the price support levels kept market prices high, making cotton less competitive with manmade fibers and foreign imports. To offset this disadvantage, direct payments of 5.75 cents per pound were made to textile mills for each pound of cotton used. Furthermore, our domestic price level kept world prices higher, stimulating increased world production and caus-

Reduction of the Commodity Credit Corporation price support loan allowed domestic market prices to drop, making cotton more competitive with other fibers and in world markets. However, advances during the 1967-68 marketing year may modify the improvement in the competitive position.



*Federal Reserve Bank of Atlanta estimate for first six months of 1967-68 marketing year.

ing U.S. cotton exports to be less competitive in foreign markets.

Food and Agricultural Act of 1965

To correct these and other structural problems, basic changes in cotton programs were incorporated into the Food and Agricultural Act of 1965. The Act contains provisions to reduce carryover stocks, keep cotton competitive with other fibers in world markets, maintain farm incomes, reduce government expenditures, grant greater freedom to producers in selecting production levels, and encourage efficient resource allocation.

Under this plan, farmers who wished to qualify for price support payments in 1966 and 1967 had to divert from production a minimum of 12½ percent of their cotton allotment. They received payments for the acreages diverted, based on the normal yields. Payments were 10.5 cents per pound in 1966 and 10.78 cents per pound in 1967. Growers have the option of diverting a maximum of 35 percent of their allotments for which they receive the acreage diversion payments.

For this cooperation farmers are eligible to receive a loan price equal to 90 percent of the estimated average world price. If the market price exceeds the loan price, producers are encouraged to sell through regular market channels. The loan price was 21 and 20.25 cents per pound, respectively, in 1966 and 1967.

Finally, farmers receive a price support payment, based on the normal or average output from their planted acreage. These payments were 9.42 and 11.53 cents per pound in 1966 and 1967, respectively. When they are added to the loan price, the effective price received by farmers is around 30 cents per pound.

Other provisions of the Act allow further flexibility in selecting production levels. Since the cotton program is voluntary, individual producers are not required to participate in the acreage control price support program, but may request a share of the 250,000 National Export Acreage. Approved farmers may plant their full allotment, plus their export acreage allotment. However, all production must be sold in export markets at world prices. Only nine Alabama and Louisiana farmers elected to plant 5,050 acres for export production in 1966. By 1967 two additional farmers had received export acreage approval, raising the total to 5,237. Also, farmers, subject to certain restrictions, may choose to sell or lease their allotments to farmers in other parts of the state but not across state lines. And all farmers had the option of retiring their entire farms to

soil conserving uses for five to ten years in 1966 and 1967 by participation in the Upland Adjustment Program.

Program Meeting Objectives?

The answer seems to be Yes. However, adverse growing conditions have caused production declines to exceed expected levels. In 1966, most farmers took advantage of the option to divert the maximum, or 35 percent of their allotment. Consequently, harvested acreage dropped 30 percent below 1965 levels in the U. S. and District states. In addition, adverse growing conditions in the Cotton Belt caused average yields to fall. The net result was that total production in both the District states and the U. S. was 36 percent less in 1966 than in 1965. U. S. production totaled only 9.6 million bales.

The 1967 season was largely a repeat of 1966. Even more farmers reduced planting by diverting maximum acreages, and the growing season was worse than in 1966. The result was a 43-percent acreage cut and a 51-percent production decline for District farmers in two years. Nationally, cotton production is projected to reach only 7,969,000 bales, down 47 percent from 1965 and the lowest level since 1921, a year of peak boll weevil infestations.

With these very low production levels, the annual carryover or inventory of cotton will be reduced because total consumption exceeds production. During the 1966 marketing year (beginning August 1, 1966) domestic mill consumption was 9,478,000 bales, or nearly equal to total production. However, because the domestic price level dropped when the loan price of 21 cents became effective, U. S. cotton was more competitive in world markets and exports jumped to 4.7 million bales, compared with 2.9 million a year earlier. Thus, in one year, carryover stocks were reduced nearly 4.5 million bales, or to approximately 12 million bales.

The 1967 marketing year is not complete, but projected disappearance for the year indicates that both exports and domestic consumption will remain near present levels. If these projections materialize, total consumption will exceed 1967 production by over 6 million bales, thus reducing all carryover stocks further.

1968 Production Up?

Recognizing the sharp adjustments in production and total consumption, the Secretary of Agriculture significantly modified the provisions of the 1968 crop program for Upland cotton.

Since carryover stocks for August 1, 1968, are expected to be near the 6.5-million bale mark, this year's production must equal domestic and foreign demands. To meet this goal, the program has been modified, making the required acreage diversion only 5 percent of a farmer's allotment and reducing the diversion payments for any additional acreages diverted. With these changes, many farmers will find it profitable to increase planting significantly in the spring of 1968.

Another provision modifying rules for measuring acreages planted in skip-row planting patterns will also stimulate production slightly, particularly in the Mississippi Delta and western growing regions. Thus, if farmers increase plantings and if the projected national yield of 545 pounds is reached, 1968 production will more nearly equal domestic consumption and exports in the 1968-69 marketing year.

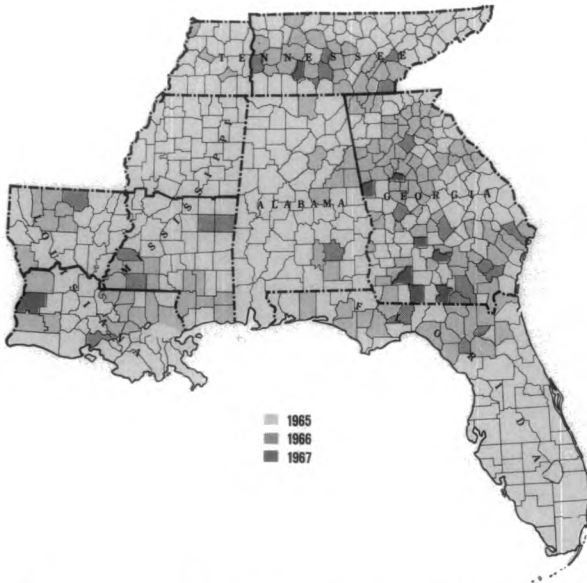
Impact on Farmer and Community

One stated objective of the cotton program was to maintain farm income. At first glance, the program seemed to have failed because 1966 gross incomes from cotton, including sales of fiber, seed, and Government payments, fell over \$135 million short in meeting 1965 levels for District farmers. Actual cash receipts dropped very sharply, mirroring the combined effects of the 30-percent acreage reduction, the 9-percent reduction in yields, and the 25-cent drop in average market prices.

But gross production costs were lower in 1966 than a year earlier because of the reduced cotton acreages. Operating expenses for maintaining the acreages diverted in soil conserving uses are much less. So, even though gross receipts were down, net farm incomes were higher for many farmers. For example, 1966 net farm incomes for the average large-scale cotton farm in the Mississippi Delta were projected to exceed 1965 levels by 20 percent. It is still impossible to estimate 1967 net farm incomes accurately. However, they may nearly match 1966 levels because the sharply higher market prices, particularly for high-quality cotton, plus a slight increase in Government payments and continued low operating costs, will offset reduced yields and production.

The cotton legislation also modified income flows for farmers. Traditionally, major production expenses occur in the spring and summer, and income from sales comes in the fall. However, farmers may now receive one-half their acreage diversion payments in February and March during the sign-up period. Since this pro-

Since 1966, farmers in 35 percent of the counties in the Sixth District states have voted to sell or lease allotments.



vides some additional working capital for producers during the growing season, most District farmers requested advance payments. Recognizing this change in income flows, some farm creditors have added clauses to loan contracts requiring that a portion of these advance payments be used for debt retirement.

It may be that in poor production years, like 1966 and 1967, farm incomes have been maintained better under present legislation than under past programs. In most former cotton programs, the only source of income was from the sale of cotton actually produced. Thus, if yields dropped sharply, total receipts also declined in spite of relatively high prices.

Under the new legislation, however, farmers receive acreage diversion payments and price support payments determined at the time a farmer signs up for the program. These payments remain unchanged even in years when yields are below average and receipts from cotton sales drop.

Effects of the new program on farm communities fall into two general categories. First, the acreage reduction has an impact on the demand for fertilizer, chemicals, petroleum, other production items, and credit. Although District farmers reduced cotton acreages by 43 percent, the utilization of these items did not necessarily drop by a like amount. In fact, total fertilizer sales in the Southeast expanded by approximately 6 percent from 1965 to 1966. Also, the total volume of farm loans outstanding at banks, PCA's and FLB's, maintained past growth rates.

Sales of fertilizer and many other items have remained unchanged because diverted acreages must be maintained according to good soil conservation practices. This means that farmers incurred some expense for seed, petroleum, chemicals, and other items to keep land in summer fallow or in an acceptable cover crop. Also, acreages of some crops have been expanding, and the average per acre quantity of purchased resources used in the Southeast continues to expand steadily. Of course, the sales of specific items, such as cotton pickers, chemical defoliant, and cotton seed, were reduced when acreages declined.

The new cotton program may also affect rural community growth. Provisions allowing farmers in any county to sell or lease their allotment to other producers within the state may cause the level of economic activity to change in some communities. This provision provides greater flexibility in the allocation of natural resources to cotton production. Because of changing production patterns, allotments in areas like North Georgia may move to more productive regions of the state. Since 1966, farmers in 35 percent of all the counties in the District states have voted to sell or lease allotments.

In regions where profitable cotton production is difficult, many of the allotments simply were not being utilized anyway. In these cases, the transfer of allotments would have little economic impact. Also, with the increased acreages committed to soybeans and with advancing cattle production, former cotton acreages now have profitable alternative employments, further reducing the economic impact from the movement of cotton allotments. Of course, areas experiencing a net increase in cotton acreages may gain in economic activity.

One additional side effect of the dramatic production drop is the changing composition of cotton inventories. During 1966, large quantities of cotton under government storage were sold to fill the gap between production and consumption. But since longer staple cotton is generally preferred by the textile industry, this quality of cotton was liquidated at a more rapid rate. Thus, by August 1, 1967, 40 percent of all carryover stocks had fiber lengths under one inch and 74 percent 1-1/32 inches or less. This run-off of longer staple cotton, combined with the small 1967 crop, caused sharply higher prices for top-quality cotton in recent weeks. Although these prices will help support farm incomes, they may result in reduced exports and further substitution of manmade fibers for cotton.

ROBERT E. SWEENEY

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) Nov.	58,577	57,379r	57,202r	54,334	Manufacturing Dec.	158	157	158	154
Manufacturing Payrolls Dec.	207	204	200	194	Nonmanufacturing Dec.	148	149	148	144
Farm Cash Receipts Nov.	139	130	129	138	Construction Dec.	106	106	106	109
Crops Nov.	140	103	99	134	Farm Employment Dec.	104	92	82	95
Livestock Nov.	143	147	161	145	Unemployment Rate (Percent of Work Force) Dec.	3.0	2.9	3.0	2.5
Instalment Credit at Banks* (Mil. \$)					Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	42.2	42.1	42.4	42.7
New Loans Dec.	273	303r	325	286	FINANCE AND BANKING				
Repayments Dec.	263	263	279	249	Member Bank Loans Dec.	276	273	270	245
Retail Sales Nov.	169	165r	174	160	Member Bank Deposits Dec.	214	209	205	184
					Bank Debits** Dec.	207	202	205	177
PRODUCTION AND EMPLOYMENT					GEORGIA				
Nonfarm Employment Dec.	137	137	137	135	INCOME				
Manufacturing Dec.	137	136	136	137	Personal Income (Mil. \$, Annual Rate) Nov.	11,216	11,205r	11,248r	10,349
Apparel Dec.	167	166	165	168	Manufacturing Payrolls Dec.	208	200	200	196
Chemicals Dec.	133	132	132	131	Farm Cash Receipts Nov.	135	127	141	114
Fabricated Metals Dec.	151	152	151	151	PRODUCTION AND EMPLOYMENT				
Food Dec.	116	114	114	113	Nonfarm Employment Dec.	136	136	135	133
Lbr., Wood Prod., Furn. & Fix. Dec.	105	104	104	105	Manufacturing Dec.	131	131	130	131
Paper Dec.	118	118	118	115	Nonmanufacturing Dec.	139	139	138	135
Primary Metals Dec.	132	128	124	131	Construction Dec.	130	128	128	127
Textiles Dec.	106	105	105	107	Farm Employment Dec.	59	53	54	63
Transportation Equipment Dec.	180	179	178	179	Unemployment Rate (Percent of Work Force) Dec.	3.2	3.6	3.6	1.4
Nonmanufacturing Dec.	137	137	137	134	Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	41.3	40.5	41.0	41.0
Construction Dec.	126	125	125	128	FINANCE AND BANKING				
Farm Employment Dec.	67	62	56	74	Member Bank Loans Dec.	273	263	265	247
Unemployment Rate (Percent of Work Force) Dec.	3.8	3.9	4.0	3.5	Member Bank Deposits Dec.	217	212	215	193
Insured Unemployment (Percent of Cov. Emp.) Dec.	2.1	2.1	2.4	1.9	Bank Debits** Dec.	243	231	225	202
Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	41.4	41.2	41.1	41.3	LOUISIANA				
Construction Contracts* Dec.	180	177	179	146	INCOME				
Residential Dec.	215	189	184	116	Personal Income (Mil. \$, Annual Rate) Nov.	8,756	8,731r	8,583r	8,046
All Other Dec.	151	166	176	171	Manufacturing Payrolls Dec.	184	184	187	166
Electric Power Production** Oct.	146	147	146	142	Farm Cash Receipts Nov.	166	149	143	164
Cotton Consumption** Dec.	120	105	114	117	PRODUCTION AND EMPLOYMENT				
Petrol. Prod. in Coastal La. and Miss.** Dec.	255	251	241	214	Nonfarm Employment Dec.	128	128	128	125
FINANCE AND BANKING					Manufacturing Dec.	121	121	121	117
Loans*					Nonmanufacturing Dec.	129	129	129	127
All Member Banks Dec.	262	258	258	240	Construction Dec.	143	140	139	145
Large Banks Dec.	236	230	230	217	Farm Employment Dec.	56	63	60	66
Deposits*					Unemployment Rate (Percent of Work Force) Dec.	4.7	4.8	5.0	4.5
All Member Banks Dec.	200	197	196	179	Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	42.1	42.3	42.7	40.7
Large Banks Dec.	180	174	176	163	FINANCE AND BANKING				
Bank Debits** Dec.	216	206	206	186r	Member Bank Loans* Dec.	235	228	231	224
ALABAMA					Member Bank Deposits* Dec.	168	164	164	155
INCOME					Bank Debits** Dec.	175	173	176	166
Personal Income (Mil. \$, Annual Rate) Nov.	7,635	7,339r	7,461r	7,187	MISSISSIPPI				
Manufacturing Payrolls Dec.	184	182	176	174	INCOME				
Farm Cash Receipts Nov.	100	94	125	116	Personal Income (Mil. \$, Annual Rate) Nov.	4,246	3,975r	4,011r	3,892
PRODUCTION AND EMPLOYMENT					Manufacturing Payrolls Dec.	231	224	221	215
Nonfarm Employment Dec.	125	125	125	124	Farm Cash Receipts Nov.	149	118	85	132
Manufacturing Dec.	124	123	121	124	PRODUCTION AND EMPLOYMENT				
Nonmanufacturing Dec.	126	126	126	125	Nonfarm Employment Dec.	140	139	138	136
Construction Dec.	122	122	123	129	Manufacturing Dec.	147	146	145	145
Farm Employment Dec.	70	66	54	67	Nonmanufacturing Dec.	136	136	136	134
Unemployment Rate (Percent of Work Force) Dec.	4.3	4.4	4.7	4.0	Construction Dec.	136	137	132	144
Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	41.3	40.9	40.0	41.4	Farm Employment Dec.	56	46	45	63
FINANCE AND BANKING					Unemployment Rate (Percent of Work Force) Dec.	4.5	4.9	4.9	4.6
Member Bank Loans Dec.	244	243	240	229	Avg. Weekly Hrs. in Mfg. (Hrs.) Dec.	41.7	41.2	41.2	41.6
Member Bank Deposits Dec.	191	191	190	177	FINANCE AND BANKING				
Bank Debits** Dec.	204	191	191	187r	Member Bank Loans* Dec.	324	316	314	297
FLORIDA					Member Bank Deposits* Dec.	237	230	232	214
INCOME					Bank Debits** Dec.	243	214	207	201
Personal Income (Mil. \$, Annual Rate) Nov.	17,223	17,164r	17,248r	15,882					
Manufacturing Payrolls Dec.	249	247	250	232					
Farm Cash Receipts Nov.	162	165	164	175					
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment Dec.	149	150	150	145					

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
TENNESSEE									
INCOME									
Personal Income (Mil. \$, Annual Rate)	Nov. 9,501	8,965r	9,169r	8,978	Nonmanufacturing	Dec. 147	144	143	147
Manufacturing Payrolls	Dec. 204	202	196	193	Construction	Dec. 165	159	157	162
Farm Cash Receipts	Nov. 117	109	107	125	Farm Employment	Dec. 71	67	57	90
					Unemployment Rate (Percent of Work Force)	Dec. 4.1	4.2	4.2	3.5
					Avg. Weekly Hrs. in Mfg. (Hrs.)	Dec. 40.7	41.0	40.2	40.8
PRODUCTION AND EMPLOYMENT									
Nonfarm Employment	Dec. 139	138	137	137	FINANCE AND BANKING				
Manufacturing	Dec. 147	144	143	147	Member Bank Loans*	Dec. 249	252	254	232
					Member Bank Deposits*	Dec. 185	184	186	171
					Bank Debits/**	Dec. 240	224	228	198r

*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.

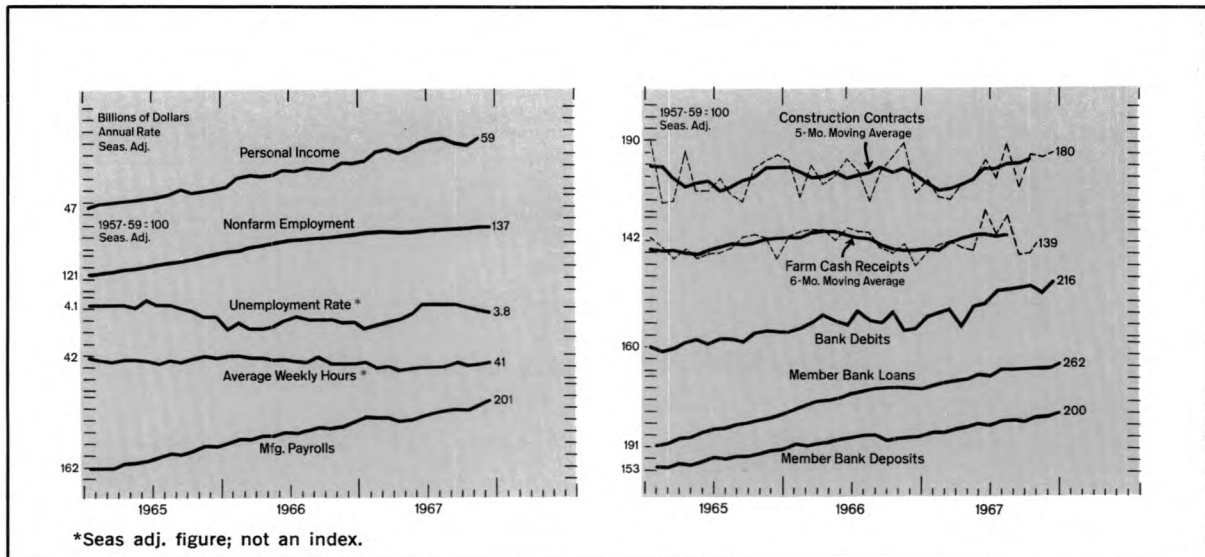
Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District (In Thousands of Dollars)

	Percent Change						Percent Change											
	December		November		Year-to-date		December		November		Year-to-date							
	1967	1967	1966	1967	1966	1966	1967	1967	1966	1967	1966	1966						
STANDARD METROPOLITAN STATISTICAL AREAS†																		
Birmingham	1,503,088	1,456,672	1,457,002	+3	+3	+6	Lakeland	126,446	117,530	127,224	+8	-1	+4					
Gadsden	61,510	63,897	67,197	-4	-8	-5	Monroe County	33,717	30,538	34,294	+10	-2	+4					
Huntsville	185,576	182,803	189,160	+2	-2	+1	Ocala	59,251	53,726	56,843	+10	+4	+5					
Mobile	500,314	498,340	492,690	+1	+2	+6	St. Augustine	20,097	19,892	20,208	+1	-1	+3					
Montgomery	331,960	320,013	311,856	+4	+6	+4	St. Petersburg	338,012	327,596	309,813	+3	+9	+12					
Tuscaloosa	101,444	99,454	94,418	+2	+7	+10	Sarasota	121,572	109,954	107,114	+11	+13	+5					
							Tampa	778,492	725,643r	693,287	+7	+12	+11					
							Winter Haven	61,580	57,723	60,465	+7	+2	+4					
Ft. Lauderdale—							Athens	76,290	73,487	80,840	+4	-6	+2					
Hollywood	719,097	637,693	658,200	+13	+9	+9	Brunswick	47,673	41,697r	44,138	+14	+8	+6					
Jacksonville	1,507,087	1,448,610	1,549,654	+4	-3	+5	Dalton	95,468	91,029	86,284	+5	+11	+1					
Miami	2,607,778	2,425,602	2,205,125	+8	+18	+12	Elberton	15,476	13,665	13,853	+13	+12	+10					
Orlando	647,180	539,345	566,633	+20	+14	+8	Gainesville	68,102	69,748	67,714	-2	+1	+8					
Pensacola	196,717	188,394	191,544	+4	+3	+8	Griffin	35,586	34,716	35,794	+3	-1	+7					
Tallahassee	142,096	145,725	125,849	-2	+13	+14	LaGrange	23,078	20,090	23,650	+15	-2	-4					
Tampa—							Newnan	23,487	27,352r	30,151	-14	-22	+1					
St. Petersburg	1,508,433	1,384,367r	1,334,617	+9	+13	+11	Rome	78,245	75,853	77,490	+3	+1	+1					
W. Palm Beach	469,213	413,953	420,330	+9	+12	+5	Valdosta	60,411	58,015	54,635	+4	+11	+15					
							Abbeville	11,247	11,026	19,968	+2	-44	-7					
Albany	100,457	94,252r	91,381	+7	+10	-1	Alexandria	123,884	130,344r	123,776	-5	+0	+12					
Atlanta	5,468,862	4,981,648	4,583,348	+10	+21	+11	Bunkie	7,176	8,857	7,029	-19	+2	+15					
Augusta	288,182	292,474	312,406	-1	-8	+8	Hammond	27,840	36,260	38,701	-23	-28	+10					
Columbus	231,651	223,521	213,922	+4	+8	+10	New Iberia	38,264	34,439r	38,156	+11	+0	+1					
Macon	254,772	264,007	258,272	-3	-1	+10	Plaquemine	11,437	11,388	10,519	+0	+9	+11					
Savannah	282,658	268,936	278,535	+5	+1	+8	Thibodaux	27,757	23,310	25,706	+19	+8	+3					
							Biloxi-Gulfport	105,037	99,261	96,811	+6	+8	+8					
Baton Rouge	556,372	534,383	536,989r	+4	+4	+10	Hattiesburg	55,861	54,613	57,004	+2	-2	+0					
Lafayette	122,917	125,405	117,583	-2	+5	+6	Laurel	37,027	32,373	36,541	+14	+1	-4					
Lake Charles	156,614	151,437	154,632	+3	+1	+12	Meridian	69,321	65,497	65,442	+6	+6	+3					
New Orleans	2,448,913	2,327,214	2,359,197	+5	+4	+3	Natchez	40,535	38,025	39,163	+7	+4	+7					
Jackson	820,089	669,695	641,415	+22	+28	+12	Pascagoula—											
							Moss Point	56,162	56,624	53,686	-1	+5	+6					
Chattanooga	642,076	618,369	581,083	+4	+10	+7	Vicksburg	41,382	45,104	43,380	-8	-5	+2					
Knoxville	498,786	469,973	456,979	+6	+9	+8	Yazoo City	27,481	32,914	27,887	-17	-1	+6					
Nashville	1,811,560	1,782,918	1,444,995	+2	+25	+19												
OTHER CENTERS																		
Annishton	68,480	63,228	64,080	+8	+7	+2	Bristol	80,152	76,026	61,299	+5	+31	+8					
Dothan	61,816	63,738	60,257	-3	+3	+9	Johnson City	78,413	74,608	71,009	+5	+10	+9					
Selma	53,066	50,562r	51,124	+5	+4	+11	Kingsport	160,006	165,268	149,725	-3	+7	+6					
Bartow	38,583	33,173	43,923	+16	-12	-7	SIXTH DISTRICT, Total						32,893,376	30,949,097	29,770,907	+6	+10	+8
Bradenton	73,903	63,357	66,148	+17	+10	+19	Alabama‡	4,092,348	3,988,632	3,951,703	+3	+4	+6					
Brevard County	253,088	240,771	214,992	+5	+18	+8	Florida‡	10,061,834	9,247,298	8,993,652	+9	+12	+9					
Daytona Beach	82,064	88,121	78,335	-7	+5	+7	Georgia‡	8,567,927	8,018,266	7,496,167	+7	+14	+9					
Ft. Myers—							Louisiana*††	4,087,018	3,939,545	4,065,136	+4	+1	+4					
N. Ft. Myers	98,282	77,735	78,728	+26	+25	+11	Mississippi*††	1,621,522	1,445,323	1,399,214	+12	+16	+11					
Gainesville	92,331	91,245	80,811	+1	+14	+8	Tennessee*††	4,462,727	4,310,033	3,865,035	+4	+15	+12					

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

District Business Conditions



Most economic series are sporting turned up noses, as the District's economy returns to a growth rate closer to its potential. Manufacturing employment and construction activity flourished at year-end 1967. Relatively fewer workers were jobless in December, the third consecutive month of decline in the unemployment rate. In January, bank lending retained some of its earlier momentum. Householders, however, continued to spend cautiously through December. Farming was limited to winter chores throughout much of the District.

More jobs and a longer workweek characterized manufacturing at year-end. With the accumulation of steel stocks, primary metal jobs registered the largest gain. Increased textile output brought higher employment and rising cotton consumption. Nonmanufacturing jobs were unchanged because of less-than-seasonal gains in Florida and in the District's trade sector. With petroleum prices fading at year-end, production contracted.

Total construction contracts in December were sharply higher than for the same month in 1966. Large increases in nonresidential construction contracts brought total volume almost even with the previous year's. Continued strength in residential contracts also contributed to overall gains. Current optimism in this sector is supported by the backlog of large contracts under way and the absence of a substantial reduction of savings flows to District savings institutions during late 1967 and early 1968.

The pace of loan repayments in January was somewhat below that of most previous years. Despite higher reserve requirements, large banks

made small additions to their security holdings. Member banks reported moderately heavy gains in certificates of deposit, including a small rise in large denomination negotiable CD's.

Estimated retail sales rose only fractionally in December. Although strike depleted stocks have been rebuilt, automobile sales have not improved significantly. Spending for other consumer durables remains depressed as indicated by year-to-year declines in all categories of new installment loan extensions at banks.

Harvesting of Florida citrus, sugarcane, and winter vegetables dominates the District agricultural scene. Substantial reductions in citrus production have caused prices to advance well above last year's suppressed levels. Average sugarcane yields are higher than those of recent years, but winter vegetable production is lower. Prices for broilers, eggs, hogs, and cattle all moved upward in January.

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