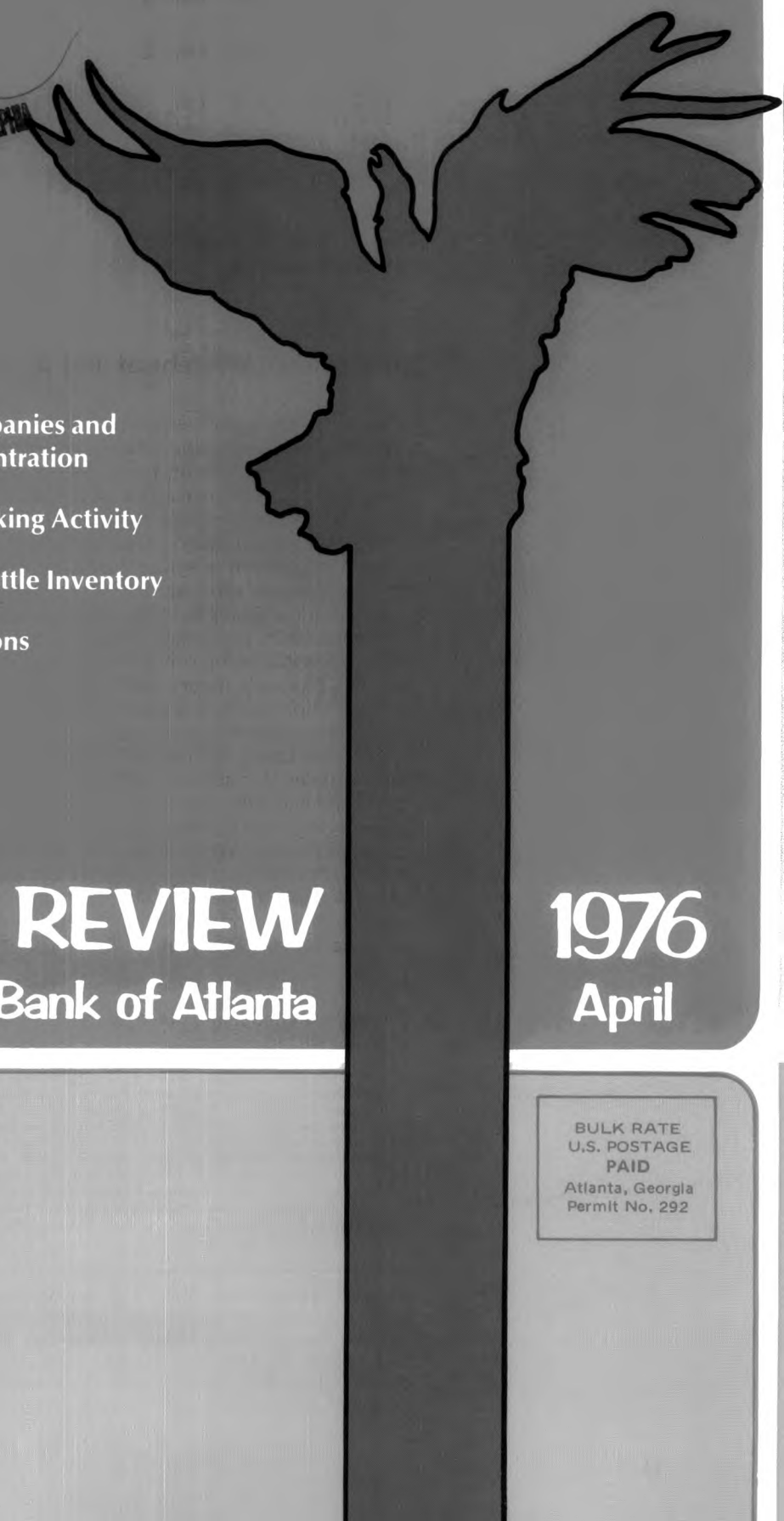

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Multibank Holding Companies and Local Market Concentration

by David D. Whitehead and B. Frank King

There is currently much concern that enactment of multibank holding company legislation will undermine independent banks and stifle competition in the banking industry. This concern centers on the belief that multibank holding company expansion increases concentration of banking resources and, at the same time, erodes bank competition. This issue is of particular interest in the Sixth Federal Reserve District this year. Three states in the District have recently considered or will probably soon consider bills affecting multibank holding company expansion.

Whether multibank holding company expansion is in the public interest is a complex issue. This article focuses on only one aspect, the impact of multibank holding companies on concentration of banking resources in local banking markets. Economic theory implies that, at least in the short run, higher market concentration results in higher prices and lower output, causing a misallocation of resources. Empirical research on concentration and performance in banking markets has found that the relationship between higher concentration and higher prices is statistically significant but is fairly small.[1]

This study is a two-part exploration of the influence of holding company entry on local market concentration. We first review evidence from previously published studies. We then develop new evidence from the experience of three Sixth District states—Alabama, Florida, and Tennessee. These states have allowed multibank holding companies for some time and, therefore, offer fertile ground for studying the effects these organizations have had on local market concentration.

Issues

It is often argued that banks acquired by multibank holding companies gain competitive advantages over independent banks. Even opponents

[1]Early studies are summarized in Neil B. Murphy and Steven J. Weiss, "The Effect of Concentration on Performance: Evaluating Statistical Studies," **The Magazine of Bank Administration,** Vol. 45 (November 1969), pp. 34-37; studies since that time include A. A. Heggested and J. J. Mingo, **Prices, Nonprices, and Concentration in Selected Banking Markets** (Washington, D. C.; Research Papers in Banking and Financial Economics, Board of Governors of the Federal Reserve System, 1974), Donald P. Jacobs, **Business Loan Costs and Bank Market Structure** (New York, Occasional Paper 115, National Bureau of Economic Research, 1971), Donald R. Fraser and Peter S. Rose, "More on Banking Structure: The Evidence from Texas," **Journal of Financial and Quantitative Analysis,** Vol. 6 (January 1971), pp. 601-611, Robert F. Ware, "Banking Structure and Performance: Some Evidence from Ohio," **Economic Review,** Federal Reserve Bank of Cleveland (March 1972), pp. 3-13.

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of holding company banking assert that a banking subsidiary of a multibank holding company may enjoy increased operating efficiencies, financial strength, the ability to offer a wider range of services, and improved management and management succession. These may help the subsidiary bank gain in deposits and market share at the expense of independent banks. This, it is often argued, would increase the concentration of deposits in markets that multibank holding companies enter. Conversely, it has also been argued that independent banks may be able to avoid losses to multibank company subsidiaries through a superior understanding of local markets and economic conditions, personalized service, and specialization in certain product lines.[2] Indeed, independent banks' response to multibank companies may intensify competitiveness.

In addition to giving their subsidiaries competitive advantages, multibank holding companies may influence market concentration in other ways. The type of holding company entry itself may have an important influence. Concentration would increase if a multibank company acquired more than one bank in the same market, though enforcement of Federal holding company and antitrust laws discourages such acquisitions. The relative size of an acquired bank could have a bearing on concentration changes. If multibank company subsidiaries have competitive advantages over independent banks, then acquisition of new or small banks would be expected to reduce local market concentration for a time as the acquired bank took business away from larger independent competitors; acquisition of larger banks, on the other hand, would be expected to increase concentration. If independent banks increase their competitive edge, the opposite would be expected. Thus, the ultimate effect of multibank company acquisition depends on whether (and by how much) banks gain or lose competitive advantages when acquired by multibank companies and on the number and relative size of the banks acquired.

Concentration changes in local markets may have nothing to do with multibank holding companies. Concentration may increase when two independent banks merge or when an independent bank makes changes in its operations that increase its deposits at a greater rate than those of other banks in the market. Concentration may decline if new independent banks enter a market, if deposits at existing smaller banks grow more than the market average, or if existing banks compete for deposits on a more equal footing.

All of these possible influences make it difficult to predict **a priori** whether or not multibank company expansion will raise local market concentration. To see if, in practice, concentration rises when multibank companies expand, one must review the experience of communities where holding companies have acquired banks. Several studies have focused on this question.

Studies of Multibank Company Entry

Previous studies give little evidence that multibank companies systematically increase local market concentration. We divide these studies into three groups. The first compares the performance of multibank holding company subsidiaries with the performance of similarly-sized independent banks in the same local areas. A second group looks at changes in the share of market deposits held by banks acquired by multibank holding companies. The third measures concentration changes in markets multibank holding companies entered.

The first group hypothesizes that holding company subsidiaries obtain competitive advantages through affiliation with a larger financial organization. If they do, banks acquired by multibank holding companies would be expected to lower their prices, show increasing rates of return and faster growth, and expand their market shares relative to independent banks in the same market. Generally, these studies have found that asset portfolios of acquired banks change relative to those of independent banks. These studies have not, however, generally found differences in prices, earnings, or profitability between holding company banks and independent banks.[3]

Three studies in this group give additional evidence on changes in growth rates and market shares. Lawrence's study of a national sample of holding company banks found no significant difference in deposit growth rates of holding company subsidiaries and independent banks. Hoffman's study of banks acquired by two large Florida companies shows no statistically significant difference

[2]For a more detailed discussion of these questions, see Jerome C. Darnell and Howard Keen, Jr., "Small Bank Survival: Is the Wolf at the Door," **Business Review,** Federal Reserve Bank of Philadelphia (November 1974), pp. 17-18, and William Jackson, **Multibank Holding Companies and Bank Behavior** (Richmond, Virginia: Working Paper 75-1, Federal Reserve Bank of Richmond, 1975), pp. 3-5.

[3]Studies using national samples include Robert J. Lawrence, **The Performance of Bank Holding Companies** (Washington, D. C.: Board of Governors of the Federal Reserve System, 1967), and Samuel H. Talley, **The Effect of Holding Company Acquisition on Bank Performance** (Washington, D. C.: Staff Economic Study, No. 69, Board of Governors of the Federal Reserve System, 1971). Regional samples are studied in Joe W. McLeary, "Bank Holding Companies: Their Growth and Performance," this **Review,** October 1968, pp. 131-138, Robert F. Ware, "Performance of Banks Acquired by Multibank Holding Companies in Ohio," **Economic Review,** Federal Reserve Bank of Cleveland (March/April 1973), pp. 19-28, and Stuart Hoffman, "A Florida Case Study: Performance of Holding Company Banks," this **Review,** December 1975, pp. 202-205.

Table 1

Subsidiaries of Multibank Holding Companies in Alabama, Florida, and Tennessee

	Alabama	Florida	Tennessee
Number of bank subsidiaries acquired by multibank holding companies between June 1970 and December 1974	54	306	53*
Number of bank subsidiaries in existence in December 1974	54	430	59
Percent of bank subsidiaries in December 1974 acquired between June 1970 and December 1974	100	71	90

*Two were sold in late 1974.

between the change in market shares of acquired banks and similarly-sized independent banks in their markets.[4] Another recent study of smaller independent banks competing with banks merged into larger banks in Pennsylvania found no significant changes in balance sheet ratios, operating ratios, or deposit growth of independent banks after mergers involving their competitors.[5] The mergers studied are the initial entries of large banks into the towns of the independent banks. In this respect, they are similar to holding company acquisitions.

The second group of studies concludes that multibank holding companies had little to do with changes in market shares of banks they acquired in the late 1960's.[6] One study finds this to be so for acquired banks of all sizes and market shares;[7] however, the other finds some tendency for relatively large banks acquired by large, aggressive holding companies to increase their market share after acquisition.[8]

Studies of changes in local market concentration in four states with substantial holding company development fail to support the hypothesis that holding company acquisitions necessarily increase local market concentration. Schull studied concentration changes in metropolitan areas in New York between 1960 and 1971 and in Virginia between 1962 and 1971; concentration had increased in two of six areas in New York and in two of five areas in Virginia. Schull found no systematic relationship between holding company entry and changes in local market concentration.[9] In an as yet unpublished study of holding company acquisitions in Alabama, Martell and Hooks found evidence that concentration in markets entered by multibank holding companies tended to decline relative to other markets.[10] Ware studied concentration changes in Ohio areas where multibank holding companies had acquired subsidiaries between 1969 and 1974. He found that concentration, measured by the Herfindahl Index, declined in a majority of SMSA's and in one half of non-SMSA counties.[11]

These three groups of studies cast considerable doubt on the contention that multibank holding company acquisitions lead to increased local market concentration. The first group indicates that banks acquired by holding companies do not gain (or at least fail to use) sufficient competitive advantages to enable them to change significantly their profit rates, rates of return, or growth rates relative to

[4]Lawrence, pp. 20-21, and Hoffman, p. 205.

[5]Jerome C. Darnell and Howard Keen, Jr., pp. 20-22.

[6]R. Alton Gilbert and Nancy Jianakoplus, "The Impact of Holding Company Affiliation on the Market Share of Banks," Federal Reserve Bank of St. Louis, Mimeographed, 1973, and Lawrence G. Goldberg, "Bank Holding Company Acquisitions and Their Impact on Market Shares," Board of Governors of the Federal Reserve System, Mimeographed, 1974.

[7]Goldberg, p. 17-18.

[8]Gilbert, p. 21.

[9]Bernard Schull, "Multiple-Office Banking and the Structure of Banking Markets: The New York and Virginia Experience," **Proceedings of a Conference on Bank Structure and Competition,** October 26-27, 1972, Federal Reserve Bank of Chicago, pp. 36, 40.

[10]Terrence F. Martell and Donald L. Hooks, "The Impact of the Multi-Bank Holding Company Organizational Form on Local Market Competition," Mimeographed, 1974. Some results of this study are summarized in "Holding Company Affiliation and Economies of Scale," **Journal of the Midwest Finance Association,** 1975, pp. 57, 69, by the same authors.

[11]Robert F. Ware, "Banking Concentration in Ohio," **Economic Commentary,** November 24, 1975, Federal Reserve Bank of Cleveland.

Table 2

Proportions of Markets Recording Increased Concentration, June 1970-December 1974

	All Markets	Markets Entered June 1970-December 1974
Number of Markets	98	61
Proportion with increases in three-bank concentration	.10	.13
Proportion with increases in Herfindahl Index	.09	.13
Markets with deposits of more than $300 million	25	13
Proportion with increases in three-bank concentration	.00	.00
Proportion with increases in Herfindahl Index	.04	.08
Markets with deposits of $100-300 million	34	23
Proportion with increases in three-bank concentration	.12	.13
Proportion with increases in Herfindahl Index	.00	.00
Markets with deposits of less than $100 million	39	25
Proportion with increases in three-bank concentration	.15	.20
Proportion with increases in Herfindahl Index	.21	.28

competing independent banks. The second group finds little effect of holding company acquisitions on the market shares of acquired banks, and the third finds no systematic evidence of increasing local market concentration in holding company states.

The results of these studies are consistent; however, the direct evidence presented is limited, drawn from only a few of the states which allow multibank holding company activity. For this reason, we have developed additional evidence from the three Southeastern states which allow this type of banking organization.

Evidence from Alabama, Florida, and Tennessee

During the 1970's, bank holding companies have expanded rapidly in Alabama, Florida, and Tennessee. Between June 30, 1970, and December 31, 1974, multibank companies in Alabama acquired 54 bank subsidiaries; in Florida, they acquired 306; and in Tennessee, they acquired 53.[12]

To determine whether multibank holding company entry in these three states resulted in higher local market concentration, we studied all markets with three banking organizations and at least one multibank company subsidiary on December 31, 1974. We first computed measures of deposit concentration for June 30, 1970, and December 31, 1974.[13] We then used changes in these measures—the combined shares of the three largest banks (three-bank concentration) and the Herfindahl Index of concentration—as the basis for analyzing the effects of multibank holding company acquisitions

[12]Two of the Tennessee acquisitions were sold in late 1974.

[13]June 30, 1970, data were used because branch data are available for direct adjustment for multimarket branch banks in Alabama and Tennessee. Data for December 31, 1974, were available from another study and were indirectly adjusted.

on concentration in local markets.[14]

The market areas we chose for this study had been designated banking markets by the Board of Governors of the Federal Reserve System. The Board defines banking markets in its analysis of the competitive effects of bank acquisitions by multibank holding companies. The most recently cited market definitions were used. These definitions differ from those used by Schull and Ware, who based market areas exclusively on county or SMSA boundaries. Market definitions used by the Board of Governors incorporate some study of economic patterns and customer-bank relationships prior to the banking market designation.[15] The Board's designations are approximate, but they are not so arbitrary as those based exclusively on county and SMSA boundaries.

In all, there were 98 markets in the study—25 in Alabama, 46 in Florida, and 27 in Tennessee. The markets varied greatly in size; the smallest had $20 million in deposits on December 31, 1974, and the largest had upwards of $6 billion (see Appendix I). In discussing these markets, changes in the Herfindahl Index will be emphasized, since it is a superior measure of concentration.

Only a small proportion of these markets showed increased concentration (see Appendix I). Of the 98 markets, 9 had higher Herfindahl Indices and 10 had higher three-bank concentration ratios. Thus, only about 10 percent of the markets recorded increased concentration. Smaller markets tended to have increased concentration more often than large ones. Twenty-one percent, or eight of the 39 markets with deposits of less than $100 million, had increased concentration. Only one of the 59 markets with deposits of more than $100 million had a higher Herfindahl Index.

If holding company subsidiaries have competitive advantages over independent banks, those advantages should be most obvious shortly after acquisition. Thus, some tendencies toward increased concentration might be masked by using markets entered before mid-1970. We, therefore, took the additional step of separating markets entered before June 1970 from those entered between June 1970 and December 1974. Sixteen of the 46 markets in Florida, 20 of the 27 markets in Tennessee, and all of the 25 markets in Alabama were entered after June 1970.

The 61 markets entered after June 30, 1970, account for all but one of the increases in concentration recorded in this study (see Appendix I). However, even in markets entered after mid-1970, the proportion with higher concentration is quite small—13 percent as compared with 10 percent in markets entered before and after that date. Concentration declined in most markets in this group, just as it did in most markets studied.

These results are consistent with those Schull and Ware found in their studies of New York, Virginia, and Ohio. Concentration declined in a majority of areas in each study. As in Ware's Ohio study, we found a smaller proportion of large markets showing concentration increases than smaller markets. Our results differ from those found in New York, Virginia, and Ohio in that we found increased concentration in a far lower proportion of markets in each state and market-size class than did previous studies.

Markets Where Concentration Increased

Analyzing in greater detail those nine markets with increased concentration produces no evidence that holding company entry is systematically related to rising concentration. Four of these markets are in Tennessee, four are in Alabama, and one is in Florida. All subsidiaries of multibank holding companies had reduced market shares in four of the nine markets. In two of the remaining five, mergers between independent banks were directly responsible for the market's increased concentration; the subsidiaries of holding companies in each of these markets either maintained their rather small market shares or increased them slightly.

In only three markets did subsidiaries of holding companies manage to increase market shares between June 1970 and December 1974. Two were in Tennessee and one was in Florida. In one of the two Tennessee markets, the holding company subsidiary was small and increased its share by less than one percentage point, while the largest independent bank substantially increased its share. The one holding company subsidiary in the other Tennessee market was the market's largest bank. It managed to increase its share from 47 percent of deposits in June 1970 to 51 percent in December 1974. This particular bank has been a subsidiary since its holding company registered in 1956. Its 51-percent market share in 1974 was on a par with its market share in 1956. Therefore, its increased share of the market from mid-1970 through 1974 seems no more due to its holding company affiliation than was its loss in market share between 1956 and mid-1970.

The one Florida market with increased concentration has three banks, each a subsidiary of a different multibank holding company. Therefore, it would be very difficult to suggest that holding company affiliation was responsible for the market's overall increase in concentration. The higher concentration in this market came, in fact, from a substantial increase in state and local government deposits in one of the market's two largest banks. This raised the bank's relative share of market

[14] See Appendix II for a discussion of concentration measures.

[15] See Charles D. Salley, "Uniform Price and Banking Market Delineation," this **Review**, June 1975, pp. 86-93.

deposits from 38 percent to 51 percent and also raised deposit concentration.

Conclusion and Implications

Like the evidence presented in previous studies, the experience in Alabama, Florida, and Tennessee from June 1970 to December 1974 provides no support for the proposition that multibank holding companies systematically cause increased bank deposit concentration when they enter local markets. In the three states studied, concentration increased in only 10 percent of all 98 local markets with holding company subsidiaries. Of the 61 markets entered between June 1970 and December 1974, only 13 percent recorded increased concentration. An analysis of the nine markets where concentration rose failed to discover any direct relationship with holding company entry.

This study's conclusion is based on changes in concentration during a four-and-one-half-year period and may not reveal all long-run effects. However, one would expect the major competitive advantages of holding company membership discussed above to show up rather soon so that there would be little difference between short- and long-run effects.

Although strongly contradicting the contention that multibank holding company entry increases local market concentration, this evidence sheds no light on two other related issues: the influence of multibank companies on statewide concentration and the relationship of multibank company entry to concentration decreases. These results relate strictly to local banking markets; they should not be applied to statewide concentration. Two studies by economists on the staff of the Board of Governors of the Federal Reserve System have found that statewide concentration increases more (or decreases less) in unit and limited branching states allowing multibank holding companies than in all other states.[16] However, the implications of changes in statewide concentration for the public interest are difficult to assess. State boundaries do not usually conform to the market boundaries for any bank service; thus the theory and evidence linking market concentration and performance do not necessarily apply.

Finally, from the conclusion that multibank holding company entry is not systematically related to local market concentration increases, does it follow that such entry causes reduced concentration? The evidence developed here does not necessarily support or contradict this hypothesis. Concentration may decline, as already noted, because of the type or number of holding company acquisitions, the actions of independent banks, and competitive interactions between holding company subsidiaries and independent banks. Further analysis of local market shares will be necessary in order to expand our conclusion (that holding company entry is not related to concentration increases) into a comprehensive set of evidence concerning the influences of such entry.

[16] Lawrence G. Goldberg and Samuel H.Talley, "Statewide Concentration in Banking," Mimeographed, March 11, 1974, and Samuel H. Talley, **The Impact of Holding Company Acquisitions on Aggregate Concentration in Banking** (Washington, D. C.: Staff Economic Studies, No. 80, Board of Governors of the Federal Reserve System, 1974).

APPENDIX I

Exhibit 1

Changes in Concentration in Markets with Multibank Holding Company Subsidiaries, June 1970-December 1974

Banking Market	December 1974 Deposits ($ millions)	First Entered after June 1970	Three-Bank Concentration			Herfindahl		
			1970	1974	Change	1970	1974	Change
Alabama								
Jefferson County	$2,272	X	.84	.81	− .03	.30	.28	− .02
Mobile Area	914	X	.86	.83	− .03	.30	.28	− .02
Montgomery SMSA	739	X	.79	.74	− .05	.27	.24	− .03
Columbus SMSA	448	X	.79	.79	.00	.23	.24	.01
Madison County	344	X	.79	.70	− .09	.26	.22	− .04
Anniston Area	254	X	.66	.60	− .06	.18	.15	− .03
Florence Area	217	X	.74	.72	− .02	.26	.25	− .01
Tuscaloosa County	213	X	1.00	.98	− .02	.47	.46	− .01
Etowah County	202	X	.60	.53	− .07	.16	.13	− .03

APPENDIX I

Exhibit 1 (cont'd)

Changes in Concentration in Markets with Multibank Holding Company Subsidiaries, June 1970-December 1974

Banking Market	December 1974 Deposits ($ millions)	First Entered after June 1970	Three-Bank Concentration			Herfindahl		
			1970	1974	Change	1970	1974	Change
Alabama (cont'd)								
Dothan Area	194	X	.84	.86	.02	.31	.30	− .01
Morgan County	193	X	.83	.83	.00	.30	.28	− .02
Marshall County	148	X	.51	.47	− .04	.13	.13	.00
Dallas County	139	X	.87	.85	− .02	.27	.27	.00
Opelika-Auburn Area	123	X	.61	.63	.02	.19	.19	.00
Covington County	110	X	.77	.78	.01	.23	.23	.00
Walker County	94	X	.77	.82	.05	.33	.36	.03
DeKalb County	78	X	.72	.65	− .07	.22	.18	− .04
Barbour County	72	X	.63	.68	.05	.17	.19	.02
Limestone County	53	X	1.00*	1.00	.00	.50	.44	− .06
Marion County	49	X	.79	.80	.01	.28	.29	.01
Randolph County	38	X	.80	.80	.00	.26	.25	− .01
Uniontown Area	35	X	.88	.78	− .10	.32	.26	− .06
Lamar County	34	X	1.00	.87	− .13	.35	.28	− .07
East Lauderdale County	31	X	1.00	1.00	.00	.37	.37	.00
Macon County	26	X	1.00	1.00	.00	.45	.45	.00
Florida								
Miami Area	6,185		.32	.31	− .01	.06	.06	.00
Jacksonville Area	1,882		.60	.50	− .10	.13	.10	− .03
Tampa Area	1,750		.58	.52	− .05	.13	.11	− .02
North Broward Area	1,615		.39	.26	− .12	.08	.05	− .03
Orlando Area	1,383		.51	.41	− .10	.13	.09	− .04
South Pinellas Area	1,267		.48	.38	− .10	.10	.07	− .03
West Palm Beach Area	1,258		.33	.26	− .07	.07	.05	− .02
North Pinellas Area	820		.43	.35	− .08	.09	.07	− .02
Sarasota Area	597	X	.66	.59	− .07	.18	.15	− .03
Lee County	563	X	.76	.61	− .15	.23	.16	− .07
West Polk County Area	421		.67	.63	− .04	.23	.21	− .02
Pensacola SMSA	410		.47	.41	− .06	.11	.09	− .02
Bradenton Area	389	X	.75	.67	− .08	.21	.17	− .04
East Volusia County Area	321	X	.61	.52	− .09	.17	.12	− .05
Leon County	309	X	.82	.67	− .15	.23	.16	− .07
East Polk County Area	308		.58	.54	− .04	.16	.14	− .02
Boca Raton Area	271	X	1.00	.94	− .06	.41	.36	− .05
Naples Area	230	X	.99	.75	− .24	.40	.23	− .17
North Lake County Area	229		.52	.51	− .01	.15	.14	− .01
Alachua County	225		.75	.62	− .13	.22	.17	− .05
Marion County	204		.78	.68	− .10	.22	.18	− .04
New Port Richey Area	196	X	1.00	.76	− .23	.65	.24	− .41
Bay County	180	X	.91	.84	− .07	.41	.29	− .13
East Martin County Area	174	X	.96	.88	− .08	.41	.31	− .10
Central Brevard County Area	173		.70	.68	− .02	.22	.19	− .03
West Volusia County Area	165		.81	.82	.01	.27	.26	− .01
Sebring Area	164	X	.62	.62	.00	.18	.18	.00
South Brevard County Area	162		.65	.58	− .07	.19	.17	− .02

Exhibit 1 (cont'd)

Changes in Concentration in Markets with Multibank Holding Company Subsidiaries, June 1970-December 1974

Banking Market	December 1974 Deposits ($ millions)	First Entered after June 1970	Three-Bank Concentration 1970	1974	Change	Herfindahl 1970	1974	Change
Florida (cont'd)								
Okaloosa County	151	X	.70	.54	— .16	.20	.14	— .06
Venice Area	125	X	1.00	1.00	.00	.48	.40	— .08
Indian River County	124		1.00	.81	— .19	.45	.28	— .17
St. Lucie County	119		1.00	.87	— .13	.42	.33	— .09
Port Charlotte Area	117	X	1.00*	.91	— .09	.50	.34	— .16
East Pasco County Area	109		1.00	.91	— .09	.37	.31	— .06
North Seminole County Area	93		.89	.88	— .01	.31	.29	— .02
North Brevard County Area	81	X	1.00	1.00	.00	.36	.39	.03
Putnam County	70		.86	.88	.02	.34	.33	— .01
St. Johns County Area	69		1.00	1.00	.00	.48	.42	— .06
East Hernando County Area	66		1.00*	1.00	.00	.56	.40	— .16
Key West	61		1.00*	1.00	.00	.50	.36	— .14
North Osceola County Area	58		1.00	.96	— .04	.37	.33	— .04
Belle Glade Area	45		1.00	1.00	.00	.36	.34	— .02
Chipley Area	38		1.00	.92	— .08	.35	.30	— .05
Nassau County	28		1.00**	1.00	.00	1.00	.50	— .50
Madison County	27		1.00*	1.00	.00	.50	.37	— .13
Moore Haven Area	20	X	1.00**	1.00	.00	1.00	.63	— .37
Tennessee								
Nashville Area	3,083	X	.81	.77	— .03	.25	.21	— .04
Memphis Area	2,690	X	.90	.81	— .09	.31	.26	— .05
Knoxville SMSA	1,120	X	.65	.58	— .07	.18	.15	— .03
Chattanooga SMSA	1,070		.95	.87	— .08	.36	.32	— .04
Johnson City Area	231		.77	.76	— .01	.24	.23	— .01
Obion County Area	191	X	.49	.47	— .02	.12	.11	— .01
Montgomery County	132	X	1.00	1.00	.00	.34	.34	.00
Gibson County	130	X	.48	.47	— .01	.11	.11	.00
Bradley County	121	X	1.00	.94	— .06	.34	.30	— .04
Hamblen County	100		1.00	.97	— .03	.36	.35	— .01
Lawrence County	99	X	.89	.73	— .16	.32	.20	— .12
Green County	99	X	.89	.73	— .16	.32	.20	— .12
Warren County	94	X	1.00	.94	— .00	.43	.41	— .11
Sevier County	79	X	.93	.81	— .12	.31	.24	— .07
Giles County	78	X	.96	.96	.00	.38	.36	— .02
Roane County	77		1.00	1.00	.00	.36	.39	.03
Coffee County	74	X	.82	.79	— .03	.27	.24	— .03
Loudon County	64		.89	.89	.00	.30	.29	— .01
Henry County	62	X	.98	.98	.00	.45	.46	.01
Polk County	57	X	.91	.86	— .05	.30	.27	— .03
Franklin County	54	X	.73	.83	.10	.23	.29	.06
Hardeman County	46	X	.81	.80	— .01	.30	.27	— .03
Jefferson County	41	X	1.00	1.00	.00	.38	.35	— .03
Rhea County	39		1.00	1.00	.00	.45	.42	— .03
Marion County	36		1.00	1.00	.00	.44	.37	— .07
Hardin County	31	X	1.00*	1.00	.00	.50	.37	— .13
Cannon County	25	X	.98	.99	.01	.55	.58	.03

* Only two banking organizations in market
** Only one banking organization in market

APPENDIX I

Exhibit 2

Number of Markets with Increases in Concentration June 1970-December 1974, All Markets

	Alabama	Florida	Tennessee
All Markets			
Number	25	46	27
Number with increases in three-bank concentration	6	2	2
Number with increases in Herfindahl Index	4	1	4
Markets with deposits of more than $300 million			
Number	5	16	4
Number with increases in three-bank concentration	0	0	0
Number with increases in Herfindahl Index	1	0	0
Markets with deposits of $100-300 million			
Number	10	18	6
Number with increases in three-bank concentration	3	1	0
Number with increases in Herfindahl Index	0	0	0
Markets with deposits of less than $100 million			
Number	10	12	17
Number with increases in three-bank concentration	3	1	2
Number with increases in Herfindahl Index	3	1	4

Exhibit 3

Number of Markets with Increases in Concentration, June 1970-December 1974, Markets First Entered Between June 1970 and December 1974

	Alabama	Florida	Tennessee
All Markets			
Number	25	16	20
Number with increases in three-bank concentration	6	0	2
Number with increases in Herfindahl Index	4	1	3
Markets with deposits of more than $300 million			
Number	5	5	3
Number with increases in three-bank concentration	0	0	0
Number with increases in Herfindahl Index	1	0	0
Markets with deposits of $100-300 million			
Number	10	9	4
Number with increases in three-bank concentration	3	0	0
Number with increases in Herfindahl Index	0	0	0

Exhibit 3 (cont'd)

	Alabama	Florida	Tennessee
Markets with deposits of less than $100 million			
Number	10	2	13
Number with increases in three-bank concentration	3	0	2
Number with increases in Herfindahl Index	3	1	3

APPENDIX II

Measuring Concentration in Banking Markets

The measurement of market concentration often appears to involve varying proportions of necromancy, legerdemain, and alchemy. The following brief discussion of concentration is an attempt to dispel some of the aura of mystery (if not the mystery itself) about this subject.

Market concentration refers to the distribution of the business in a market among sellers. Markets with many sellers who control the total business more or less equally are less concentrated than markets in which fewer sellers control a disproportionately large share of the total business. There is no entirely satisfactory way to measure concentration. The combined market share of the market's largest sellers is commonly used. Thus, concentration is often discussed in terms of the combined shares of the two, four, or ten largest sellers in a particular market. Measures of this type do not account for the total number of sellers and the distribution of business among them. Thus, a market with three sellers may have a .90 two-bank concentration ratio and a market with 100 sellers of which two are disproportionately large may have the same .90 two-bank ratio. Yet one would expect more effective competition in the latter.[1]

The Herfindahl Index is one of several concentration measures developed as an attempt to solve this problem. This index is the sum of the squared market shares of each seller in the market. It is superior to measures using combined shares of the largest firms because it varies with both the number of sellers and the distribution of market shares. Though it does not uniquely describe the distribution of market shares, it does encompass what are believed to be the most important facets of market concentration in a single number.

So far, we have referred to sellers' shares of the business in a market. To apply this to banking, some specific measure or measures of business in a market must be chosen. No measure is without fault. Both tradition and decisions of the U. S. Supreme Court, however, lean heavily toward the use of deposits as a measure of the product of banks and the percent of a market's total deposits held by an individual bank as a measure of that bank's market share.[2]

[1]This problem and the use of the Herfindahl Index to solve it are discussed more fully in Charles D. Salley, "Concentration in Banking Markets: Regulatory Numerology or Useful Merger Guideline," this **Review,** November 1972, pp. 186-193.

[2]For a more thorough discussion of the concepts, disagreement, and evidence on this subject, see Joel M. Yesley, "Defining the Product Market in Commercial Banking," **Economic Review,** Federal Reserve Bank of Cleveland (June/July 1972), pp. 17-31, and W. F. Mackara, "What Do Banks Produce?," this **Review,** May 1975, pp. 70-74.

A Profile of Alabama Banking Activity

by William N. Cox, III

This article, intended as the first in a series of six state studies, compares Alabama banks' loan, deposit, asset, and investment activity with that of banks both in the District and in the U. S. We use the participation index developed in "Two Decades of Regional Participation in U.S. Banking Activity" (**Monthly Review,** March 1976), which measured banking activity among Sixth District banks for the past twenty years.

We have created a measure of banking activity relative to economic activity by dividing Call Report data by total personal income and comparing the ratios of Alabama's activity to the District's and the nation's. We interpret this index in terms of the difference from 1.0, or parity. We use the terms "overparticipate" and "underparticipate" to designate index levels above parity and below parity, respectively.[1]

Alabama's overall banking participation pattern is very similar to that of the District as a whole. In 1975, seven of the 13 Alabama/District participation indices were close to parity (see table). Among these indices are the broadest measures of banking activity: total assets, deposits, loans, and capital accounts. In the same year, Alabama's banking activity, relative to income, exceeded the District's in three other balance sheet items. In the three remaining categories, Alabama underparticipated relative to the District.

Alabama's participation in relation to the U. S. closely resembles the District/U. S. results published earlier (see table). Both Alabama and the District underparticipate relative to the U. S. in the broadest measures of banking activity. As the earlier study suggests, these differences in participation levels may reflect relative differences among regional incomes. According to 1975 estimates, Alabama's per capita personal income constituted 77 percent of the nation's per capita personal income, while the District's

[1]The earlier "Two Decades of Regional Participation in U. S. Banking Activities" explains this methodology in more detail.

NOTE: Ruth Goeller, Statistical Analyst, contributed significantly to this article.

Table 1

Alabama Participation Indices

	Participation Indices			Cents Per Dollar of Total Personal Income, 1975		
	Alabama/District 6/75	Alabama/U. S. 6/75	Sixth District/U. S. 6/75	Alabama	Sixth District	U. S.
Alabama Participates at Parity in:						
Total Investments	1.03	1.06	1.03	15	14	14
Business Loans	1.04	.67	.64	10	9	14
Other Loans[1]	1.00	.83	.83	32	32	39
Total Deposits	.99	.87	.88	53	54	61
IPC Demand Deposits	.95	.91	.96	17	18	18
Total Assets	.98	.84	.86	63	65	75
Capital Accounts	.98	.93	.95	5	5	5
Alabama Overparticipates in:						
IPC Time and Savings Deposits	1.07	.91	.85	27	26	30
Consumer Loans	1.08	1.38	1.29	11	11	8
State and Local Obligations	1.16	1.25	1.08	10	9	8
Alabama Underparticipates in:						
Deposits of States and Political Subdivisions	.93	1.23	1.32	6	7	5
Loans to other Financial Institutions	.83	.27	.34	1	1	3
U. S. Government Securities[2]	.82	.79	.96	4	5	5

[1]Other loans = total less loans to domestic and foreign banks.
[2]Includes agency issues

per capita personal income constituted 86 percent of the nation's figure. Moreover, in 1975 Alabama made up 1.3 percent of the nation's total personal income, but Alabama's banks accounted for only 1.1 percent of the nation's total deposits. The District, we found earlier, contributed 9.8 percent of the nation's income and 8.6 percent of its deposits. These unequal proportions of deposit and income contribution restate both Alabama's and the District's underparticipation.

Despite this overall similarity between the state and the District, indices for specific call report items point out differences in Alabama's banking activity relative to the Sixth District. Among these, consumer lending stands out. The Alabama/U. S. participation index for consumer lending was 1.38 in 1975, compared to a District/U. S. index of 1.29. Still, in 1975 both Alabama and the District lent consumers 11 cents per dollar of personal income; nationally, banks lent 8 cents per dollar of income to consumers.

The second item in which Alabama overparticipates relative to the District is state and local obligations. The Alabama/District participation index confirms that Alabama has exceeded the District in purchasing state and local obligations. Since the early Sixties, U. S. banks have been adding dramatically to their holdings of state and local obligations (per dollar of income), while they have reduced their holdings of U. S. Government securities. In fact, Alabama banks hold less Government securities, relative to income,

than either the District or the nation.[2]

In one deposit category, Alabama banks participate more heavily than do banks in the District. The state's banks hold 27 cents per dollar of personal income in time and savings deposits, compared to the District figure of 26 cents and the nation's 30 cents. Our participation indices reflect these relationships (see table). In Alabama as in the District, growth in time and savings deposits has probably been accompanied by an economization of noninterest earning balances. Alabama holds 17 cents in demand deposits per dollar of personal income, while both the District and the U. S. hold 18 cents.

Alabama/U. S. participation indices for loans to other financial institutions (which include loans to insurance and mortgage companies, Federal lending agencies, and all other business and personal finance companies) show substantial underparticipation just as they did in the District study. Conditions specific to the several types of lending agencies involved in this grouping, as well as the smaller size of the loan dollar volume, may contribute to both the District's and Alabama's extremely low participation indices.

[2]Our more detailed analysis of these participation indices over the past 20 years is available upon request.

Bank Announcements

January 19, 1976

WATAUGA VALLEY BANK

Elizabethton, Tennessee

Opened for business as a par-remitting nonmember.

February 2, 1976

FIRST SHELBY NATIONAL BANK

Pelham, Alabama

Opened for business as a member. Officers: Vondal S. Gravlee, chairman; Denton Cole, president; Richard Tramel, vice president; William Stivers, cashier. Capital, $600,000; surplus and other funds, $900,000.

February 17, 1976

SINGER ISLAND NATIONAL BANK

Riviera Beach, Florida

Opened for business as a member. Officers: Paul V. Egan, chairman; William R. McDonald, president and chief executive officer; David N. Devick, cashier. Capital, $500,000; surplus and other funds, $700,000.

February 18, 1976

FIRST NATIONAL BANK OF EUNICE

Eunice, Louisiana

Opened for business as a member. Officers: Stewart Paul Rozas, chairman; Raymond E. Kron, Jr., president and chief executive officer; Horace J. Thibodeaux, vice president and cashier; Karen L. Hail, assistant cashier. Capital, $400,000; surplus and other funds, $400,000.

February 19, 1976

COMMONWEALTH NATIONAL BANK

Mobile, Alabama

Opened for business as a member. Officers: George L. Langham, chairman; Mrs. Betty M. Jordan, president and chief executive officer; E. Malcolm Collins, III, vice president and cashier. Capital, $375,000; surplus and other funds, $375,000.

March 1, 1976

CITY NATIONAL BANK OF LAUDERHILL

Lauderhill, Florida

Converted to a national bank from City Bank of Lauderhill.

Recent Changes in the Cattle Inventory

by Gene D. Sullivan

Liquidation of inventory has been widely recommended as a solution to the economic problems of U. S. cattlemen during the past two years. The inventory of cattle on January 1, 1976, showed that total numbers actually were down by nearly 4 million head, or 3 percent, from January 1, 1975 (see accompanying table). All of that reduction occurred after July 1, 1975, when the inventory was still 1 percent larger than the year-ago level. The recent inventory reduction contrasts starkly with the 3- to 5-percent annual inventory gain since 1972.

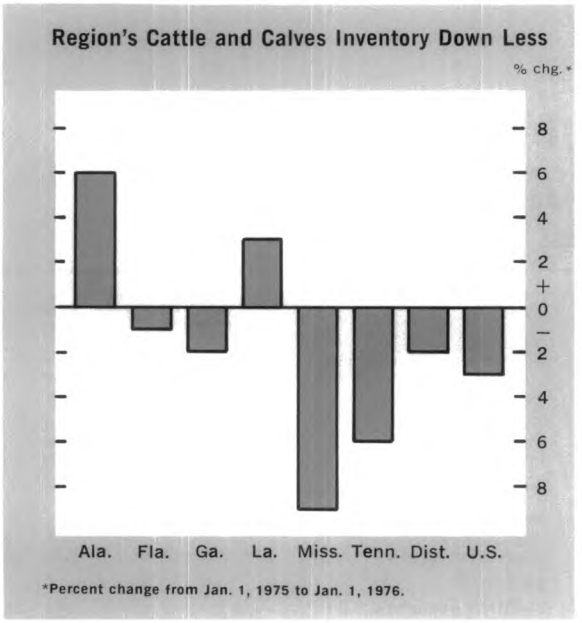
The reduced inventory in District states as a whole was slightly less than nationally but varied greatly from state to state. Alabama and Louisiana bucked the trend by sharply increasing numbers again in 1975. Mississippi cattlemen, on the other hand, cut their inventories by 9 percent during the year; Tennessee's inventory was reduced by 6 percent. It is not clear why Alabama and Louisiana did not liquidate inventories as other states in the region did.

The beef cow class was reduced the most at the national level. Milk cow numbers declined only slightly. Louisiana was the only District state where numbers of milk cows actually increased, and that, combined with the gain in the beef cow inventory, is responsible for the unusual growth in the state's total cattle inventory. Alabama's unusual inventory growth was attributable to the large increase in calves born during 1975 that were apparently still on hand at the end

CATTLE INVENTORY BY CLASSES
DISTRICT STATES AND U. S.

State or Area	January 1 1975	1976	1976 as % of 1975
	Thousand Head		
All Cattle and Calves			
Alabama	2,700	2,850	106
Florida	2,950	2,920	99
Georgia	2,420	2,370	98
Louisiana	1,832	1,880	103
Mississippi	3,000	2,723	91
Tennessee	3,300	3,100	94
District States	16,202	15,843	98
U. S.	131,826	127,976	97
Beef Cows*			
Alabama	1,238	1,310	106
Florida	1,468	1,419	97
Georgia	1,060	1,037	98
Louisiana	909	952	105
Mississippi	1,458	1,317	90
Tennessee	1,293	1,268	98
District States	7,426	7,303	98
U. S.	45,472	43,743	96
Milk Cows*			
Alabama	92	90	98
Florida	202	196	97
Georgia	130	129	99
Louisiana	134	138	103
Mississippi	126	117	93
Tennessee	217	212	98
District States	901	882	98
U. S.	11,211	11,092	99
Calves Born			
Alabama	1,140	1,250	110
Florida	1,320	1,250	95
Georgia	940	1,010	107
Louisiana	860	890	103
Mississippi	1,320	1,270	96
Tennessee	1,275	1,350	106
District States	6,855	7,020	102
U. S.	50,695	50,426	99

* Includes mature animals
Source: Statistical Reporting Service, U. S. Department of Agriculture



of the year. Alabama had a significantly larger proportion of calves weighing 500 pounds or less in its cattle inventory on January 1, 1976, than did any other District state.

The calf crop was up in all District states except Mississippi and Florida. In contrast to the U. S., the District's 1975 calf crop exceeded the year-ago level.

Although only slightly ahead of Texas, which had more than twice as many cattle and calves as any other state in the Union, Sixth District states accounted for 12.4 percent of the total inventory in 1976. That is a slightly larger percentage of both the beef cow inventory and calf crop compared with a year earlier. This upward trend would be expected when grass-fed beef is increasing in importance because the Southeast has an advantage in grass production over most of the rest of the U. S. This region's cattle industry is likely to continue to grow in prominence, particularly if animals fed on grass for longer periods are able to meet the recently revised grade standards for high-quality beef. ■

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Income	Jan.	137.3	134.2	132.6	119.4
Farm Cash Receipts	Dec.	195.4	186.9	223.9	202.9
Crops	Dec.	212.3	212.6	202.9	244.7
Livestock	Dec.	223.1	124.4	205.6	171.5
Instalment Credit at Banks*[1] (Mil. $)					
New Loans	Dec.	726	651r	747	628
Repayments	Dec.	748	718r	706	708
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Jan.	132.3	130.9	130.7	132.4
Manufacturing	Jan.	113.4	112.4	111.9	112.3
Nondurable Goods	Jan.	113.9	113.0	112.5	110.0
Food	Jan.	106.9	103.6	103.5	105.9
Textiles	Jan.	106.2	106.6	106.4	98.5
Apparel	Jan.	116.7	114.8	113.8	109.1
Paper	Jan.	108.7	108.0	108.0	110.6
Printing and Publishing	Jan.	124.9	125.3	124.2	127.4
Chemicals	Jan.	109.1	109.5	108.8	109.6
Durable Goods	Jan.	112.7	111.6	111.1	115.1
Lbr., Woods Prods., Furn. & Fix.	Jan.	101.8	100.1	99.8	98.5
Stone, Clay, and Glass	Jan.	116.7	115.1	115.6	121.9
Primary Metals	Jan.	102.2	101.4	101.6	109.6
Fabricated Metals	Jan.	121.2	122.7	122.3	125.1
Machinery	Jan.	149.0	148.1	148.3	153.6
Transportation Equipment	Jan.	107.3	106.1	105.1	104.4
Nonmanufacturing	Jan.	139.0	137.5	137.3	139.6
Construction	Jan.	125.6	123.4	122.1	144.2
Transportation	Jan.	123.2	121.6	121.2	126.3
Trade	Jan.	136.0	133.6	133.9	136.4
Fin., ins., and real est.	Jan.	150.4	151.1	150.5	152.2
Services	Jan.	157.4	157.8	157.3	155.1
Federal Government	Jan.	108.1	107.2	107.6	106.0
State and Local Government	Jan.	146.7	144.7	144.3	142.3
Farm Employment	Dec.	96.7	78.8	60.1	67.2
Unemployment Rate (Percent of Cov. Force)	Jan.	9.1	9.5	9.5	8.3
Insured Unemployment (Percent of Cov. Emp.)	Jan.	4.2	4.5	4.9	5.5
Average Weekly Hours in Mfg. (Hrs.)	Jan.	41.1	40.8	40.4	38.9
Construction Contracts*	Jan.	163.3	147.9	151.4	179.5
Residential	Jan.	137.0	129.8	132.3	120.7
All Other	Jan.	189.1	165.6	166.3	237.1
Cotton Consumption**	Nov.	73.1	74.2	73.4	64.2
Petroleum Production***	Jan.	87.3	88.8	88.6	97.9
Manufacturing Production	Dec.	147.8	147.5	146.6	145.2
Nondurable Goods	Dec.	149.8	149.0	148.1	146.4
Food	Dec.	134.2	133.7	131.4	133.2
Textiles	Dec.	147.7	145.0	142.5	134.2
Apparel	Dec.	133.4	133.0	130.8	126.7
Paper	Dec.	144.0	144.2	144.2	137.9
Printing and Publishing	Dec.	131.8	130.2	129.6	129.2
Chemicals	Dec.	161.0	160.8	161.4	162.5
Durable Goods	Dec.	144.5	144.7	144.1	143.6
Lumber and Wood	Dec.	149.8	146.0	151.2	122.1
Furniture and Fixtures	Dec.	142.4	140.4	139.6	129.3
Stone, Clay, and Glass	Dec.	145.3	147.0	144.3	149.7
Primary Metals	Dec.	102.1	102.2	101.6	106.9
Fabricated Metals	Dec.	113.8	114.5	114.2	117.0
Nonelectrical Machinery	Dec.	149.4	147.0	143.8	157.3
Electrical Machinery	Dec.	229.1	231.3	231.7	246.0
Transportation Equipment	Dec.	139.7	141.1	139.4	130.7
FINANCE AND BANKING					
Loans*					
All Member Banks	Jan.	268	272	266	278
Large Banks	Jan.	243	247	244	263
Deposits*					
All Member Banks	Jan.	225	229	226	215
Large Banks	Jan.	191	202	198	189
Bank Debits*/**	Jan.	314	324	310	289
ALABAMA					
INCOME					
Manufacturing Income	Jan.	142.2	136.5	135.2	124.8
Farm Cash Receipts	Dec.	238.8	162.9	203.6	244.4
EMPLOYMENT					
Nonfarm Employment	Jan.	124.1	122.7	122.3	120.9
Manufacturing	Jan.	112.8	112.3	111.7	111.5
Nonmanufacturing	Jan.	129.3	127.5	127.2	125.2
Construction	Jan.	137.3	140.0	139.6	137.5
Farm Employment	Dec.	63.6	61.8	58.7	61.0
Unemployment Rate (Percent of Work Force)***	Jan.	8.0	8.8	8.7	7.6
Average Weekly Hours in Mfg. (Hrs.)	Jan.	42.2	40.4	40.0	39.4
FINANCE AND BANKING					
Member Bank Loans	Jan.	278	275	271	270
Member Bank Deposits	Jan.	231	235	230	209
Bank Debits**	Jan.	302	304	288	277
FLORIDA					
INCOME					
Manufacturing Income	Jan.	131.2	131.2	130.3	123.0
Farm Cash Receipts	Dec.	195.2	228.5	310.1	157.9
EMPLOYMENT					
Nonfarm Employment	Jan.	148.3	146.8	146.4	152.4
Manufacturing	Jan.	119.8	119.0	118.5	121.9
Nonmanufacturing	Jan.	153.8	152.1	151.6	158.2
Construction	Jan.	128.8	130.3	129.4	173.1
Farm Employment	Dec.	85.8	80.2	87.0	76.1
Unemployment Rate (Percent of Work Force)***	Jan.	12.1	12.5	12.2	10.1
Average Weekly Hours in Mfg. (Hrs.)	Jan.	39.9	40.5	40.4	38.8
FINANCE AND BANKING					
Member Bank Loans	Jan.	285	288	285	306
Member Bank Deposits	Jan.	247	252	250	239
Bank Debits**	Jan.	320	345	325	288
GEORGIA					
INCOME					
Manufacturing Income	Jan.	130.9	127.9	128.9	109.9
Farm Cash Receipts	Dec.	207.6	288.7	329.1	280.1
EMPLOYMENT					
Nonfarm Employment	Jan.	127.6	126.5	126.8	128.5
Manufacturing	Jan.	106.5	105.3	105.6	104.6
Nonmanufacturing	Jan.	137.2	136.1	136.5	139.4
Construction	Jan.	119.0	117.8	118.1	135.4
Farm Employment	Dec.	65.2	62.7	57.4	70.3
Unemployment Rate (Percent of Work Force)	Jan.	8.9	9.3	8.9	9.1
Average Weekly Hours in Mfg. (Hrs.)	Jan.	41.2	40.8	40.7	38.4
FINANCE AND BANKING					
Member Bank Loans	Jan.	248	250	244	264
Member Bank Deposits	Jan.	189	196	194	189
Bank Debits**	Jan.	377	383	376	342
LOUISIANA					
INCOME					
Manufacturing Income	Jan.	153.3	150.4	142.8	133.4
Farm Cash Receipts	Dec.	162.8	217.6	196.6	176.1
EMPLOYMENT					
Nonfarm Employment	Jan.	121.5	119.6	119.8	120.6
Manufacturing	Jan.	107.2	104.4	104.4	107.8
Nonmanufacturing	Jan.	124.5	122.8	123.0	123.3
Construction	Jan.	110.6	102.2	100.7	111.1
Farm Employment	Dec.	124.5	52.5	48.6	69.2
Unemployment Rate (Percent of Work Force)***	Jan.	7.6	8.2	8.7	6.8
Average Weekly Hours in Mfg. (Hrs.)	Jan.	41.8	42.4	40.0	41.1
FINANCE AND BANKING					
Member Bank Loans*	Jan.	244	265	253	253
Member Bank Deposits*	Jan	214	215	211	203
Bank Debits*/**	Jan.	259	266	258	245
MISSISSIPPI					
INCOME					
Manufacturing Income	Jan.	143.4	139.4	136.8	119.7
Farm Cash Receipts	Dec.	233.8	73.3	138.8	233.4
EMPLOYMENT					
Nonfarm Employment	Jan	131.3	130.6	129.7	129.6
Manufacturing	Jan.	128.1	128.2	127.2	124.4
Nonmanufacturing	Jan.	132.8	131.7	130.9	132.0
Construction	Jan	127.5	124.3	118.4	138.2
Farm Employment	Dec.	131.0	54.3	55.2	57.4

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)***	Jan.	5.9	5.9	6.3	6.1
Average Weekly Hours in Mfg. (Hrs.)	Jan.	40.7	40.7	39.9	37.7
FINANCE AND BANKING					
Member Bank Loans*	Jan.	264	270	259	262
Member Bank Deposits*	Jan.	229	235	228	214
Bank Debits*/**	Jan.	296	270	267	270
TENNESSEE					
INCOME					
Manufacturing Income	Jan.	135.0	131.8	130.1	115.5
Farm Cash Receipts	Dec.	191.7	153.2	137.7	176.3
EMPLOYMENT					
Nonfarm Employment	Jan.	129.6	128.2	127.8	127.3
Manufacturing	Jan.	113.1	112.2	110.9	111.1
Nonmanufacturing	Jan.	138.8	137.1	137.2	136.3
Construction	Jan.	137.6	131.9	130.1	150.4
Farm Employment	Dec.	111.0	124.5	60.6	65.7
Unemployment Rate (Percent of Work Force)	Jan.	7.3	7.9	8.2	7.1
Average Weekly Hours in Mfg. (Hrs.)	Jan.	40.9	40.6	40.6	38.7
FINANCE AND BANKING					
Member Bank Loans*	Jan.	279	276	272	282
Member Bank Deposits*	Jan.	228	228	224	218
Bank Debits*/**	Jan.	274	271	254	267

*For Sixth District area only; other totals for entire six states **Daily average basis †Preliminary data r-Revised N.A. Not available
***Seasonally adjusted data supplied by state agencies.

All indexes: 1967=100, except mfg. income, 1972=100.

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. income 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 Div., McGraw-Hill Information Systems Co.; pet. prod., U.S. Bureau of Mines; 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.

[1]Data have been bench marked and new trading day factors and seasonal factors computed using December 31, 1974 and June 30, 1975 Report of Condition data as bases.

NOTE: All employment data have been revised to reflect updated seasonal factors. The manufacturing payrolls series previously calculated and reported by this Bank was based upon the state personal income estimates compiled by the U.S. Department of Commerce. Because of changes in that series, the manufacturing income estimate currently reported includes proprietor's income as well as labor income.

Debits to Demand Deposit Accounts

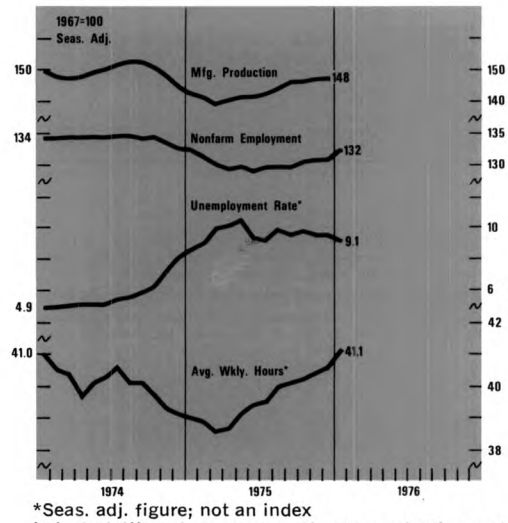
Insured Commercial Banks in the Sixth District

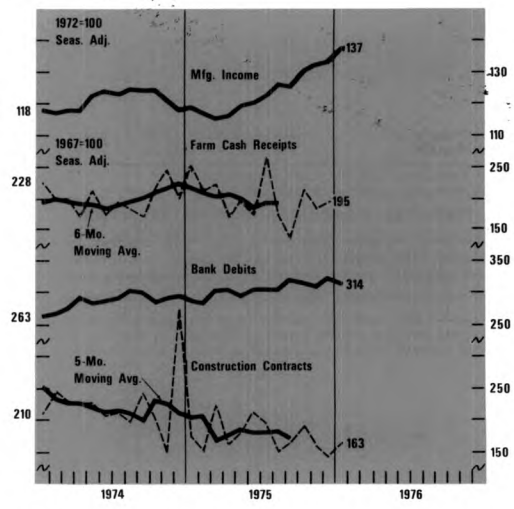
(In Thousands of Dollars)

	Jan. 1976	Dec. 1975	Jan. 1975	Percent Change Jan. 1976 from Dec. 1975	Percent Change Jan. 1976 from Jan. 1975
STANDARD METROPOLITAN STATISTICAL AREAS[1]					
Birmingham	5,400,838	5,676,415	5,159,319	− 5	+ 5
Gadsden	118,560	126,604	109,386	− 6	+ 8
Huntsville	464,036	473,154	423,487	− 2	+10
Mobile	1,496,584	1,552,640	1,536,766	− 4	− 3
Montgomery	1,023,006	1,009,018	749,579	+ 1	+36
Tuscaloosa	306,501	291,516	275,077	+ 5	+11
Bartow-Lakeland-Winter Haven	1,034,053	1,013,432	975,636	+ 2	+ 6
Daytona Beach	515,013	511,906	496,635	+ 1	+ 4
Ft. Lauderdale-Hollywood	2,935,742	2,471,944	2,126,909	+19	+38
Ft. Myers	488,894	410,262	495,626	+19	− 1
Gainesville	291,724	284,158	321,841	+ 3	− 9
Jacksonville	5,179,748	5,851,607	4,931,473	−11	+ 5
Melbourne-Titusville-Cocoa	454,147	707,964	562,279	−36	−19
Miami	8,692,128	9,365,594	8,125,198	− 7	+ 7
Orlando	1,947,911	2,070,209	1,659,738	− 6	+17
Pensacola	787,306	800,688	546,182	− 2	+44
Sarasota	517,625	685,291	694,840	−24	−26
Tallahassee	845,373	998,707	841,418	−15	+ 0
Tampa-St. Pete	5,034,925	4,967,292	4,728,593	+ 1	+ 6
W. Palm Beach	1,375,450	1,268,165	1,462,795	+ 8	− 6
Albany	215,640	229,296	229,292	− 6	6
Atlanta	22,188,005	23,685,771	20,619,620	− 6	+ 8
Augusta	600,924	654,963	646,742r	− 8	− 7
Columbus	534,407	529,256	476,606	+ 1	+12
Macon	891,720	916,070	791,936r	− 3	+13
Savannah	1,235,532	1,292,972	923,681	− 4	+34
Alexandria	347,433	345,818	322,628	+ 0	+ 8
Baton Rouge	2,063,153	2,035,494	2,175,570	+ 1	− 5
Lafayette	475,133	458,869	433,451	+ 4	+10
Lake Charles	357,502	318,366	312,578	+12	+14
New Orleans	5,889,016	6,356,194	5,763,906	− 7	+ 2
Biloxi-Gulfport	304,604	344,569	285,940	−12	+ 7
Jackson	2,112,972	2,020,269	2,005,637	+ 5	+ 5
Chattanooga	1,239,601	1,338,255	1,405,563	− 7	−12
Knoxville	1,549,641	1,702,443	1,756,844	− 9	12
Nashville	4,774,011	4,973,005	4,749,320	− 4	1
OTHER CENTERS					
Anniston	137,266	142,697	129,328	− 4	+ 6
Dothan	223,925	237,989	195,790	− 6	+14
Selma	98,751	105,324r	86,738	− 6	+14
Bradenton	197,108	184,049	246,381	+ 7	−20
Monroe County	102,460	99,269	132,675	+ 3	−23
Ocala	230,758	240,567	208,706	− 4	+11
St. Augustine	43,726	50,702	41,091	−14	+ 6
St. Petersburg	1,178,877	1,126,511	1,131,309	+ 5	+ 4
Tampa	2,640,987	2,637,691	2,362,848	+ 0	+12
Athens	198,777	195,852	177,364	+ 1	+12
Brunswick	149,964	135,800	139,204	+10	+ 8
Dalton	193,148	204,612	163,898	− 6	+18
Elberton	31,719	39,837	24,698	−20	+28
Gainesville	204,716	195,302	185,909	+ 5	+10
Griffin	83,880	81,675	74,583	+ 3	+12
LaGrange	46,821	42,908	40,207	+ 9	+16
Newnan	51,410	68,776	56,676	−25	− 9
Rome	275,861	280,258	141,234	− 2	+95
Valdosta	120,843	118,780	119,602r	+ 2	+ 1
Abbeville	22,915	23,826r	20,586	− 4	+11
Bunkie	18,093	18,009	18,609	+ 0	− 3
Hammond	93,816	97,395	109,749	− 4	−15
New Iberia	102,619	109,923	96,299	− 7	+ 7
Plaquemine	26,366	21,194r	34,145	+24	−23
Thibodaux	75,217	70,079	72,700	+ 7	+ 3
Hattiesburg	176,774	173,481	145,378	+ 2	+22
Laurel	88,909	92,259r	80,112	− 4	+11
Meridian	141,909	144,711	139,390	− 2	+ 2
Natchez	71,174	72,156	65,403	− 1	+ 9
Pascagoula-Moss Point	159,022	175,709	163,698	−10	− 3
Vicksburg	106,109	100,178	86,853	+ 6	+22
Yazoo City	64,607	59,556	68,121	+ 8	− 5
Bristol	207,339	162,396	148,638	+28	+39
Johnson City	185,174	188,652	164,866	− 2	+12
Kingsport	355,788	406,064	314,053	−12	+13
DISTRICT TOTAL	102,004,932	107,990,452r	96,642,122r	− 6	+ 6
Alabama	12,343,351	12,776,869r	11,683,676	− 3	+ 6
Florida	32,746,282	35,189,300r	30,696,196r	− 7	+ 7
Georgia	30,171,426	32,633,604	28,044,604r	− 8	+ 8
Louisiana[2]	11,170,848	11,360,325r	10,774,504r	− 2	+ 4
Mississippi[2]	4,204,697	4,137,737r	3,935,571	+ 2	+ 7
Tennessee[2]	11,368,328	11,892,617	11,507,571r	− 4	− 1

[1]Conforms to SMSA definitions as of December 31, 1972.
[2]District portion only.
r-revised
Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by the Board of Governors of the Federal Reserve System.

District Business Conditions





*Seas. adj. figure; not an index
Latest plotting: January, except mfg. production and farm cash receipts, December.

Increased employment and a reduced unemployment rate were major signs of growing strength in the economy. Although auto sales slowed, income and department store sales increased. Even construction activity grew. Business loans declined, however, and farm cash receipts rose more slowly, even though prices of farm products edged upward.

The unemployment rate dropped in January; nonfarm employment gains were the largest since the upward trend began. Jobs rose substantially in both durable and nondurable manufacturing. Notable increases occurred in transportation equipment, food, apparel, and lumber and other raw material industries. Nonmanufacturing jobs also showed strong gains that were most prominent in the trade, government, and public utilities sectors. Construction employment rose again, with solid advances in Louisiana and Tennessee more than offsetting softness in Alabama and Florida. The energetic upward thrust of the factory workweek has been interrupted only once in the past 10 months and continued to its highest level since April 1973.

Manufacturing incomes increased during January. New auto registrations declined in November and December, possibly reflecting a greater-than-normal diversion of spending to general merchandise retailers, including department stores. However, December automobile registrations were 56 percent above the year-ago level. Department store sales in December rose moderately following large November gains and held up well in January, according to preliminary indications.

The value of construction contracts moved up in January after two months of decline. Residential contracts increased moderately, the first rise in three months, as mortgage rates drifted down and record deposit inflows continued at savings and loan associations. Bunchings of large contracts in Louisiana and Florida brought a sharp jump in nonresidential contracts.

Business loans declined at the largest District banks during January, following a relatively solid advance in December. The decrease was apparently attributable to above-normal loan repayments by food processors, retailers, petroleum refineries, and transportation equipment and machinery manufacturers. Sizable runoffs of large CD's at the large banks have been more than offset by rising consumer and business savings accounts. Banks' holdings of U. S. Government securities have increased rapidly.

Prices received by farmers rose in January, and preliminary data show that prices of most grains and livestock items continued a slight upward trend in February. Farm cash receipts lagged year-earlier growth rates as 1975 drew to a close. Receipts were sharply lower in Mississippi and Louisiana, reflecting reductions in crop receipts of 15 to 20 percent from year-ago levels. Cattlemen have entered 1976 with smaller herds, except in Alabama and Louisiana. Florida's winter potato crop is in excellent condition, and the citrus crop has been reduced only slightly by freezing weather. Small grain crops throughout the area are in good condition. Broiler placements still lead year-ago levels.