# MONTHLY REVIEW

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# Bank Holding Companies: Their Growth and Performance

Bank holding companies have become a popular means of expanding the size of the market area served by banks in some states. Throughout the United States the number of banks operated as subsidiaries of bank holding companies rose from 428 in 1956 to 609 in 1967. The formation of new holding companies contributed significantly to this expansion. Perhaps a more meaningful measure of this growth is the increased share of banks in holding companies and bank deposits they control. In 1956 holding company banks accounted for 3.2 percent of the nation's commercial banks and 7.5 percent of total bank deposits. By the end of 1967, their share had jumped to 4.4 percent and 11.1 percent, respectively. This expansion is continuing in 1968.

The formation and expansion of holding companies has been especially rapid in some states but slow and nonexistent in others. Individual states in the Sixth Federal Reserve District provide an excellent example of this contrast. This article will (1) review and suggest reasons for the expansion in this District, and (2) present a partial analysis of the performance of subsidiaries of holding companies compared with a selected group of independent banks. A brief summary of the relevant legislation affecting bank holding companies is a preliminary step in accomplishing these objectives.

## Legislation

The Bank Holding Company Act passed by Congress in 1956 and amended in 1966 governs the expansion and defines the permissible activities of bank holding companies. According to the 1956 Act, a bank holding company is any company which directly or indirectly owns or controls 25 percent or more of the voting shares of each of two or more banks or in any way controls the election of a majority of their directors. The Board of Governors of the Federal Reserve System administers the legislation for all bank holding companies.

Upon passage of the 1956 Act, all companies meeting the specified definition of a bank holding company and new companies being formed were required to register with the Board of Governors. In administering the Federal statute, the Board reviews and approves or denies all applications to form new holding companies and acquisitions of subsidiary banks by existing companies. The Justice Department, of course, may challenge the Board's decision in cases involving anti-trust issues.

Under the original Act, the Board was required to consider five factors in approving or denying an application: (1) the financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the areas concerned; (5) whether the effect of the transaction would expand the size or extent of the holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition. Even though these same factors are still considered in every case, the 1966 amendment shifted the major emphasis to the competitive effects of the proposed transaction.

In considering the competitive effects, the Board may not approve any holding company application which would result in an actual or attempted monopoly, regardless of the probable public benefit. Where the Board finds that a proposed transaction would lessen banking competition—short of an actual or attempted monopoly—it may, nevertheless, approve the application if the anticompetitive effects are clearly outweighed by the public interest benefits. Approval may be granted where the transaction would have no actual or potential anticompetitive results even without any evidence of public benefit. In every case, however, the Board is directed to consider the financial condition, management, and future prospects of the holding company and banks involved. An application may be denied on the basis of these factors where the proposal might otherwise provide public benefit and have no anticompetitive effects.

Applications are submitted to the Board through the Federal Reserve Bank in the District where the banks involved are located. In the Sixth District it is not unusual for prospective applicants to visit the Atlanta Bank to discuss a proposed transaction. When the application is received, it is reviewed for completeness and analyzed with respect to the competitive and banking factors and convenience and needs aspects. The analysis generally includes a visit by Federal Reserve representatives to the banks involved, as well as to competing banks. Following this, the Reserve Bank forwards its views and recommendation to the Board's staff, where furtheir review and analysis take place. A final staff recommendation is then submitted to the Board for consideration and decision.

While the staffs of the Federal Reserve Bank and Board are reviewing an application, comments and views are also solicited from other banking agencies and interested persons. When an application is accepted, notice of its receipt is published in the *Federal Register* and copies of the application are forwarded to the Department of Justice and banking authorities. If either the applicant or any one of the banks to be acquired is a national bank, the application goes to the Comptroller of the Currency for his consideration; if a state bank, a copy of the application is sent to the bank supervisory authority in that state. The views and comments received from various parties are then taken into account by the Board.

The same review by the banking authorities and control by the Board of Governors do not apply to all types of group banking. Banks linked through common ownership or control by an individual or group of individuals or companies owning less than 25 percent of each of several banks are not covered by the Bank Holding Company Act. The Act also only applies to companies owning 25 percent or more or indirectly controlling two or more banks. Excluded from the Federal statute, therefore, are companies which own or control a single bank. This type arrangement is referred to as a one-bank holding company and does not require Board approval.

## Growth Since 1956

Although bank holding companies have existed for many years, a convenient benchmark for reviewing recent developments is the 1956 legislation. Since then, the expansion of holding companies has followed an unusual pattern. The initial response to the legislation was a decline in the number of registered holding companies in the United States, from 53 in 1956 to 47 in 1960. Some groups automatically covered by the Act may have desired to dissolve their affiliation rather than register with the Federal Reserve Board. Activity picked up somewhat between 1960 and 1965, but only moderately.

By far the greatest expansion has occurred in 1966 and 1967. In these two years alone, 21 additional holding companies throughout the country registered with the Board and 141 more banks became holding company subsidiaries. Current indications from the number of applications received by the Board and inquiries to this Bank suggest a further sizable expansion in 1968.

The initial decline and the slow expansion from 1956 to 1965 in the number of registered holding companies may have resulted from delays in filing applications until some indication of the Board of Governors' policy could be ascertained as it acted on applications. After the Board had published its decisions on several applications, the relevant considerations leading to the approval or denial of the applications became clearer. Knowledge of the factors weighed by the Board, therefore, probably encouraged applications by those who believed their particular situations would meet approval.

The recent urge to expand has characterized

Table I

Bank Holding Company Growth
U.S. and Three Southeastern States, Selected Recent Years

| | 1956 | 1960 | 1965 | 1966 | 1967 |
|---|---|---|---|---|---|
| U.S. | | | | | |
| Registered holding companies | 53 | 47 | 53 | 65 | 74 |
| Separate holding company groups[1] | 47 | 42 | 48 | 58 | 67 |
| Banks in holding companies (subsidiaries) | 428 | 426 | 468 | 561 | 609 |
| Subsidiaries as percentage of | | | | | |
| All commercial banks | 3.2 | 3.2 | 3.4 | 4.1 | 4.4 |
| Total commercial bank deposits | 7.5 | 8.0 | 8.3 | 11.6 | 11.1 |
| Florida | | | | | |
| Registered holding companies | 5 | 3 | 7 | 10 | 13 |
| Separate holding company groups | 4 | 2 | 5 | 8 | 11 |
| Banks in holding companies (subsidiaries) | 15 | 13 | 24 | 62 | 86 |
| Subsidiaries as percentage of | | | | | |
| All commercial banks | 6.0 | 4.3 | 5.5 | 14.1 | 19.1 |
| Total commercial bank deposits | 12.4 | 8.1 | 10.1 | 24.9 | 34.4 |
| Georgia | | | | | |
| Registered holding companies | 6 | 6 | 5 | 7 | 7 |
| Separate holding company groups | 4 | 4 | 3 | 4 | 4 |
| Banks in holding companies (subsidiaries) | 24 | 21 | 18 | 19 | 19 |
| Subsidiaries as percentage of | | | | | |
| All commercial banks | 5.8 | 5.0 | 4.2 | 4.5 | 4.5 |
| Total commercial bank deposits | 35.3 | 35.2 | 33.5 | 34.9 | 34.5 |
| Tennessee | | | | | |
| Registered holding companies | 3 | 3 | 2 | 4 | 4 |
| Separate holding company groups | 3 | 3 | 2 | 3 | 3 |
| Banks in holding companies (subsidiaries) | 11 | 9 | 8 | 9 | 9 |
| Subsidiaries as percentage of | | | | | |
| All commercial banks | 3.7 | 3.1 | 2.7 | 3.0 | 3.0 |
| Total commercial bank deposits | 3.3 | 3.3 | 2.6 | 3.4 | 3.4 |
| Three-State Total[2] | | | | | |
| Registered holding companies | 13 | 11 | 13 | 18 | 21 |
| Separate holding company groups | 10 | 8 | 9 | 13 | 16 |
| Banks in holding companies (subsidiaries) | 50 | 43 | 50 | 90 | 114 |
| Subsidiaries as percentage of | | | | | |
| All commercial banks | 5.2 | 4.2 | 4.3 | 7.7 | 9.8 |
| Total commercial bank deposits | 15.9 | 13.8 | 14.1 | 21.5 | 25.8 |

[1]In the case where one bank holding company is controlled by another, both are counted as registered bank holding companies. Data for the number of separate holding company groups count such arrangements as only one holding company.

[2]Data for individual states represent bank holding companies having subsidiary banks in these states rather than bank holding companies whose home office is located in such states. The three-state total has been corrected for such duplication and therefore does not equal the sum of the state figures.

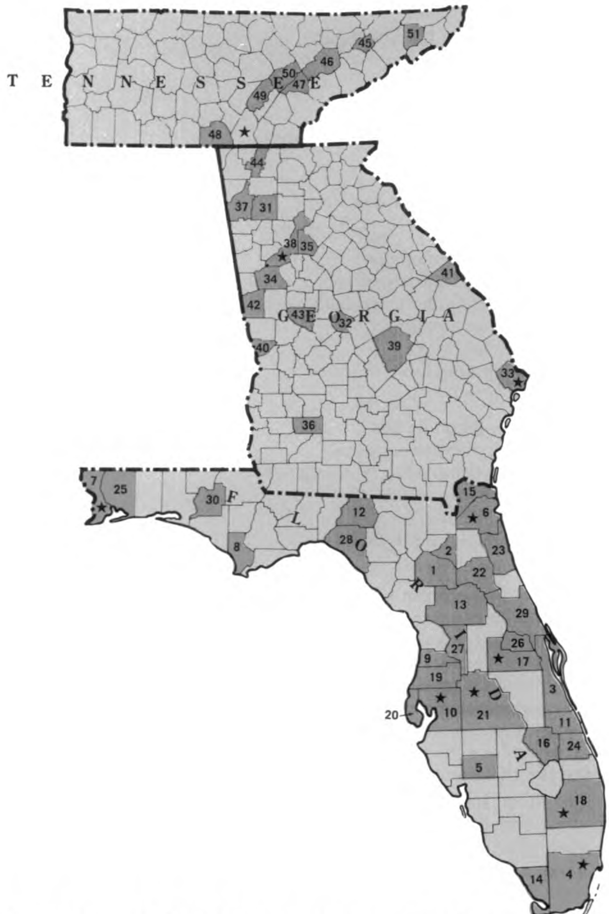
Source: **Federal Reserve Bulletins** and Federal Reserve records.

banking, as well as business in general; and the growth in the number of holding companies and mergers may be ascribed to this tendency. The banking laws of states, however, have helped shape the form of this expansion. Where statewide branching is permitted, bank mergers have become a popular means of establishing branches. In states where no branching is permitted, expansion is more likely to follow the holding company route. In states with limited branching—banking confined to the same city, county, or limited area contiguous to the home office—the combination of branching within the home office area and the use of holding companies to gain control of banks outside the area has been popular. In other states, holding company formation may be limited by law, thus preventing banks from using this method. The different laws in the Sixth District states, therefore, have shaped the direction of holding company growth in this District.

## Sixth District Activity

Florida, the Sixth District state with the largest number of holding companies and the most activity recently, forbids branch banking altogether. The influence of holding companies in Florida about tripled between 1956 and 1967, as measured by the percentage of all banks and total deposits held by holding companies. At the end of 1967, there were 13 registered companies in Florida which controlled 19.1 percent and 34.4 percent, respectively, of the state's banks and bank deposits.

| County | Number of Banks in Holding Companies | Percent of County Deposits Held by Holding Company Banks | Number of Holding Company Groups Operating in County |
|---|---|---|---|
| **FLORIDA** | | | |
| 1. Alachua | 2 | 61.0 | 2 |
| 2. Bradford | 1 | 59.3 | 1 |
| 3. Brevard | 3 | 26.8 | 2 |
| 4. Dade | 12 | 47.3 | 4 |
| 5. DeSoto | 1 | 100.0 | 1 |
| 6. Duval | 13 | 80.5 | 3 |
| 7. Escambia | 4 | 60.6 | 3 |
| 8. Gulf | 1 | 50.2 | 1 |
| 9. Hernando | 1 | 17.9 | 1 |
| 10. Hillsborough | 3 | 31.0 | 1 |
| 11. Indian River | 1 | 30.0 | 1 |
| 12. Madison | 1 | 57.6 | 1 |
| 13. Marion | 1 | 22.5 | 1 |
| 14. Monroe | 1 | 37.3 | 1 |
| 15. Nassau | 1 | 100.0 | 1 |
| 16. Okeechobee | 1 | 100.0 | 1 |
| 17. Orange | 7 | 62.6 | 3 |
| 18. Palm Beach | 6 | 32.2 | 4 |
| 19. Pasco | 1 | 20.6 | 1 |
| 20. Pinellas | 1 | 6.5 | 1 |
| 21. Polk | 9 | 38.7 | 4 |
| 22. Putnam | 1 | 58.1 | 1 |
| 23. St. Johns | 1 | 42.8 | 1 |
| 24. St. Lucie | 1 | 18.4 | 1 |
| 25. Santa Rosa | 1 | 13.6 | 1 |
| 26. Seminole | 3 | 68.6 | 2 |
| 27. Sumter | 1 | 46.2 | 1 |
| 28. Taylor | 1 | 63.6 | 1 |
| 29. Volusia | 5 | 46.4 | 3 |
| 30. Washington | 1 | 100.0 | 1 |
| **GEORGIA** | | | |
| 31. Bartow | 1 | 68.0 | 1 |
| 32. Bibb | 1 | 73.2 | 1 |
| 33. Chatham | 2 | 91.5 | 2 |
| 34. Coweta | 1 | 40.4 | 1 |
| 35. DeKalb | 3 | 45.1 | 2 |
| 36. Dougherty | 1 | 44.7 | 1 |
| 37. Floyd | 1 | 42.0 | 1 |
| 38. Fulton | 3 | 30.8 | 3 |
| 39. Laurens | 1 | 44.6 | 1 |
| 40. Muscogee | 1 | 19.7 | 1 |
| 41. Richmond | 1 | 16.6 | 1 |
| 42. Troup | 1 | 43.7 | 1 |
| 43. Upson | 1 | 71.5 | 1 |
| 44. Whitfield | 1 | 32.1 | 1 |
| **TENNESSEE** | | | |
| 45. Hamblen | 1 | 46.6 | 1 |
| 46. Knox | 1 | 12.0 | 1 |
| 47. Loudon | 2 | 73.2 | 1 |
| 48. Marion | 1 | 62.7 | 1 |
| 49. Rhea | 1 | 24.8 | 1 |
| 50. Roane | 1 | 51.7 | 1 |
| 51. Washington | 1 | 45.2 | 1 |



**Location of holding company banks**

★ **Location of home offices of holding companies**

Bank holding companies in the Sixth District are confined to Florida, Georgia, and Tennessee. The largest number is in Florida, where most of the recent growth has been. Each of the six District states places some restriction on multi-office or branch banking, but Florida forbids branching altogether.

On December 31, 1967, in the three District states with holding companies, 16 separate holding company groups operated 114 subsidiary banks. These subsidiaries were located in 51 different counties, including 10 counties where the main office or lead bank of a group was domiciled. The majority of counties where subsidiaries operate was served by only one holding company. Formation of new holding companies and their entry into counties where another holding company already operated, however, has been responsible for most of the recent expansion.

Table II

Increase in Subsidiaries by
County Holding Company Deposit Concentration
Florida, 1966 and 1967

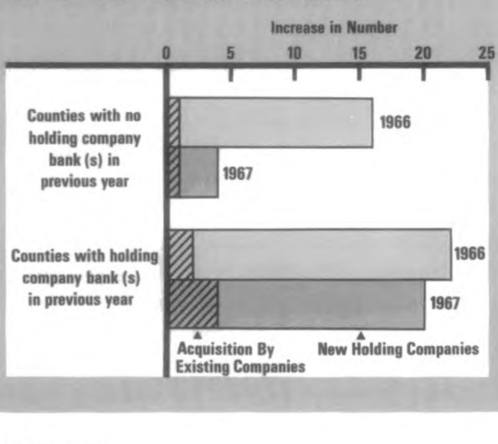
| Counties with Holding Company Deposit Control in 1967 of | Increase in Number of Subsidiaries 1966 | 1967 |
|---|---|---|
| 0- 20 percent | 2 | 1 |
| 21- 50 percent | 19 | 14 |
| 51- 75 percent | 9 | 7 |
| 76-100 percent | 8 | 2 |
| Total increase | 38 | 24 |

The large jump in Florida's holding company subsidiaries in 1966—from 24 to 62—primarily reflected reaction to the amendment to the 1956 Act. This amendment, which extended the provisions of the legislation to include control of banks through trustees, required one group with 30 banks to register as a holding company.

Further growth and expansion of holding companies in Florida has occurred in 1968. Through midyear, the Board of Governors granted approval for the formation of one new holding company with two banks and the acquisition of two banks by two existing groups.

Other Sixth District states also have varying restrictions on branch banking, but have not participated in the recent rush to expand holding company banking. Georgia and Tennessee are the only other District states that presently have registered holding companies. The only change in these two states since 1956 resulted from a change in the law as reflected in the 1966 amendment. This change automatically placed another group involving two holding companies with a subsidiary bank in Georgia and Tennessee under the provisions of the Act. The group existed previously, but a special provision in the original Act exempted it and other companies with banking subsidiaries if covered by the Investment Company Act. Currently, Georgia and Louisiana restrict the formation and expansion of holding companies.

RECENT EXPANSION IN THE NUMBER OF HOLDING COMPANY SUBSIDIARIES IN FLORIDA HAS OCCURRED MAINLY IN THOSE COUNTIES WHERE HOLDING COMPANY BANKS ALREADY OPERATED. MOST OF THE EXPANSION REFLECTS THE FORMATION OF NEW HOLDING COMPANIES.




Although Florida has been responsible for the recent holding company activity in the Sixth District, inquiries to this Bank about filing applications, as well as one completed application, have recently come from other District states. Accelerating expansion by existing and new holding company groups in turn spurs the interest of other banks. Expansion into additional market areas is watched closely by bankers in the invaded areas, and their decision may be to compete by also forming a holding company if not already part of one.

That efforts to meet altered competitive conditions has been the motive for at least some of the recent expansion of holding company banking is suggested by their geographical distribution. The 114 holding company subsidiary banks in the three District states with holding companies at the end of 1967 were operated by 16 separate groups from only 10 counties. They had banks in 42 counties other than the 10 home office counties.

In some of these counties the holding company subsidiary was the only bank, and in several others one subsidiary of a holding company accounted for a large share of the county's bank deposits. In about one-fourth of the 52 counties with holding companies, however, more than one holding company was represented through a subsidiary.

Florida's experience sheds some light on the county-by-county growth of holding companies. The state's increase in holding companies—one of the most rapid in the country in the past two years—may indicate further expansion patterns in that state, as well as in other unit or limited branch banking states.

For each year, 1966 and 1967, new subsidiary banks were grouped according to whether they were a part of a new or old holding company and whether they represented the initial or additional entry of a holding company into the county where they are located. It was clear that the major expansion in each year was through the formation of new holding companies. Of the 38 banks that became subsidiaries in 1966, 30 resulted from the automatic coverage of one group following the 1966 amendment and 5 from the formation of 2 new holding companies. In 1967, the formation of 3 more new holding companies accounted for 19 of the 24 additional subsidiaries that year.

The expansion through new holding companies was greater for both years in those counties where a holding company bank previously existed. And expansion by both new and existing holding companies has occurred largely in counties with less than 50 percent holding company deposit control. Over one-half of the increase in holding company subsidiaries in Florida in 1966 and 1967 occurred in counties where the increase resulted in between 20 and 50 percent holding company concentration—the proportion of total deposits held by holding companies. In these same counties, holding company banks generally accounted for less than 50 percent of all banks in the county. For the most part, the increase that resulted in greater concentration for certain counties represented the acquisition of the county's only bank.

## Bank Holding Company Performance

From the banks' point of view, forming a holding company is an opportunity to increase the amount of banking resources under the control of a single organization. Sometimes it is expected that the market will be broadened, organization control strengthened, and operating efficiencies of individual banks improved. The objective is either an improvement in the rate of profit or an increase in the amount.

Banking, however, is vested with a public interest. Improved operating economies and greater profitability, taken by themselves, may not necessarily serve the public interest. Benefits must accrue to the public in the form of lower costs and a better and wider range of services. Demonstrating that the convenience and needs of the public will be better served is an especially important consideration in applications where there may be some anticompetitive effects. Thus, the Board of Governors in approving or denying holding company applications involving actual or potential anticompetitive issues must consider the possible public benefits.

Almost without exception in applications to form or expand holding companies, it is argued that this form of banking can respond more effectively and efficiently to the public's banking needs. For example, by being in a position to tap other subsidiary banks' financial and nonfinancial resources, including specialized personnel and management, it is usually claimed that the new subsidiary might be able to offer services which could not be provided by a comparably situated independent bank. Moreover, the greater services offered by the bank acquired by the holding company might, it is argued, stimulate competition with other banks or banking groups and result in offering of better and lower cost services throughout the area.

Finding evidence in precise statistical terms to support or refute the claims made that public benefits result from a bank's affiliating with a holding company is extremely difficult. There are no direct statistical measures for most of the convenience and needs aspects. Moreover, because the surge in the formation of holding companies has been very recent, experience is insufficient to justify making firm generalizations on the basis of performance. Nevertheless, comparing selected measures of performance for holding company and nonholding company banks from available evidence is of some interest and provides the basis for making tentative judgments.

Sometimes it is claimed that a subsidiary of a holding company has a greater ability to attract capital than an independent bank. With a larger capital base, it might be in a better position to serve the community. We should expect, if this claim reflects actual experience, that the ratios of capital to deposits at holding company banks would probably be significantly higher than at comparable independent banks.

Carrying the argument further, it is sometimes said that since holding company subsidiaries have close ties with other banks in the group they can more fully utilize their resources in making loans and investments. Ready access to supplemental funds to cover emergency needs means less need to tie up resources in cash balances and short-term Government securities and a greater ability to make loans and invest in securities of the state and local governments in the areas served. If this is so, ratios of cash balances and government securities to total assets should average lower at holding company banks. We should also expect to find that the ratios of loans to deposits or total assets and state and political subdivisions to total assets would average higher. In addition, there should be a greater dependence on loan revenues.

Frequently, applicants stress that the business community will be better served through a holding company affiliate. Evidence in support of this position might be a higher average ratio of business loans to total loans for subsidiary banks. In many cases we also might expect the ratio of demand to total deposits to be higher if the banks were dealing more actively with business.

An often claimed benefit resulting from holding company affiliation is that heightened competition and increased operating efficiencies will bring price benefits to the public. Thus, loan charges should average lower and interest paid on time deposits higher at holding company banks. Finally, if holding company affiliates share in operating economies, the ratio of operating earnings to total assets should average significantly higher.

Statistical comparisons between these related performance variables for 1966 for a group of holding company banks with a paired group of independent banks are shown in Table III. The method of selecting banks and the statistical techniques employed are described elsewhere in this *Review*.

## Results

On average, measured by the performance variables used, holding company banks were found to be just about like the comparable independent banks. Some minor differences were noted. However, when subjected to rigorous statistical tests, most of the differences could very well have resulted from chance. In other words, most of them were not statistically significant.

Differences between the averages for banks that were subsidiaries of holding companies and independent banks were statistically significant for only four measures of performance. Subsidiary banks generally charged lower interest rates on loans; carried fewer U.S. government securities and more state and local obligations relative to assets; and had a higher percentage of their deposits in demand accounts than did independent banks.

These results, although partial evidence of the responsiveness of holding companies in meeting the public's banking needs, cannot be taken as conclusive proof that holding companies have a superior performance record. Most of the variables analyzed showed similar operating results in the two groups, with wide variations among the performances of individual banks in each group. Also it is not clear whether the measures which were significantly different represented substantial variations or merely proxy measures for other factors not included. For example, a lower average interest charge says nothing about the loan mix. The holding company banks were, on average, larger banks which generally carry

Table III

Selected Performance Measures

Based on Holding Company Subsidiaries and Independent Banks in Three District States

| | Holding Company Subsidiaries | | | Independent Banks | | |
|---|---|---|---|---|---|---|
| | | Range | | | Range | |
| | Average | Low | High | Average | Low | High |
| Performance variables | | | | | | |
| Capital adequacy | | | | | | |
| Percent of total deposits | | | | | | |
| Total capital | 9.9 | 5.6 | 40.2 | 9.6 | 4.8 | 25.2 |
| Lending and investing policies | | | | | | |
| Percent of total assets | | | | | | |
| Cash assets | 13.3 | 2.9 | 34.9 | 13.3 | 2.9 | 23.5 |
| U.S. Government securities* | 22.9 | 8.3 | 70.0 | 25.7 | 4.0 | 51.7 |
| Loans | 46.0 | 30.0 | 60.6 | 46.9 | 37.6 | 65.4 |
| State and local securities* | 10.9 | 1.3 | 24.0 | 8.2 | 0.1 | 25.7 |
| Percent of total deposits | | | | | | |
| Loans | 52.0 | 27.6 | 79.9 | 52.5 | 23.4 | 82.3 |
| Response to business | | | | | | |
| Percent of total loans | | | | | | |
| Business loans | 28.8 | 6.0 | 54.2 | 25.5 | 4.9 | 67.8 |
| Percent of total deposits | | | | | | |
| Demand deposits* | 57.5 | 34.3 | 93.1 | 54.1 | 15.1 | 89.7 |
| Pricing policy | | | | | | |
| Percent of total loans | | | | | | |
| Revenue from loans* | 7.1 | 1.8 | 11.1 | 7.6 | 5.7 | 14.0 |
| Percent of time deposits | | | | | | |
| Interest paid | 3.9 | 1.5 | 5.1 | 4.0 | 2.9 | 6.2 |
| Operating efficiency | | | | | | |
| Percent of total assets | | | | | | |
| Net operating earning | 1.3 | −0.9 | 2.2 | 1.3 | 0.1 | 3.6 |

*Significant difference in mean values at .05 percent level using t-test.

NOTE: Ratios computed from Reports of Condition for December 1965 and June 1966 and Income and Dividend statements for the year 1966.

relatively more business loans with a smaller average interest charge.

Further, our results were based on a cross section of holding company and independent banks. No attempt was made to trace the before and after effects on operating performance of joining a holding company. (A recent study by Robert J. Lawrence, *The Performance of Bank Holding Companies*—Board of Governors; June 1967—after comparing holding company subsidiaries before and after acquisition with independent banks reported only moderate differences in performance.)

## Implications

The comparisons used in our study give little confidence in predictions of performance based solely on statistical experience for a bank that is about to become a subsidiary of a holding company. The wide range of performance experience within each group further supports the conclusion.

The ranges of the performance measures within each group are shown in Table III. Wide variations between the low and high value were evident for each measure. For example, the ratio of capital accounts to total deposits averaged 9.9 percent for the holding company subsidiaries, representing values from 5.6 percent to 40.2 percent. A similar wide range also occurred for the other performance values in each group. Apparently, there are few "typical" holding company or independent banks.

With such wide variations and only minor differences between the two groups, definite statistical guidelines for determining the possible competitive and convenience and needs aspects of holding company formations and acquisitions are extremely difficult, if not impossible, to establish. Until clearer indications and additional performance experience become available, no alternatives to a careful and detailed consideration of each case on its own merits are available.

JOE W. MCLEARY

## SOURCES OF DATA AND METHOD OF ANALYSIS

### The Data

The data used in our study were taken from individual banks' Report of Condition and Income and Dividend statements. For each holding company subsidiary in the Sixth District in 1966, the independent bank in the same county or metropolitan area closest in size to that subsidiary was selected for analysis. After elimination of those cases where no independent bank was available for comparison, there were 82 banks in each group.

On average, the subsidiaries exceeded the other group in deposit size by about $14 million. In order to remove part of the influence of bank size, the selected performance variables were expressed as operating ratios. For example, instead of comparing the actual volume of demand deposits, the ratio of demand deposits to total deposits was calculated for each bank. Thus, even though larger banks may have more demand deposit balances than smaller banks, each bank's demand deposits, relative to its total deposits, should provide a meaningful comparison among banks.

### Statistical Analysis and Test

The average values for each performance measure for the two groups were used as the basis for comparing holding company and independent banks. If all banks in the District had been selected for the study, differences in the mean values for the two separate groups could be taken at face value as an indication of variations in performance. However, in our study a sample of banks from each group was selected and the average values calculated from those banks. Therefore, differences in the average values between the two groups could result merely from chance in the samples chosen. It is desirable, therefore, to use certain statistical tests based on the average and the variation to determine if differences in the average values for each of the performance measures probably resulted from chance variations or reflected a statistically significant difference. Statistically significant can be interpreted to mean a difference large enough that it would occur by chance only infrequently if repeated random samples were taken, in our case only 5 times out of 100.

The statistical test used in our analysis was the T-distribution. Specifically, the test was based on the individual differences for each pair of banks. These differences in turn were averaged and a measure of variation (the standard error of the mean differences) calculated. In each case, if the mean difference were more than about twice the standard error, it was accepted as a significant difference. The variables marked with an asterisk in Table III were statistically significant.

# Florida Still on the Growth Path

Floridians make no bones about bragging about their state's economic fortune and they have every right to do so. In 1967, for example, Florida not only moved to a new high ground but displayed a remarkable vigor in her viable economy. Measured by the relative increase in personal income, the Sunshine state outperformed every state except Alaska in 1967. Florida's personal income increased by 9 percent last year, compared with 7 percent for the U.S. Net gain in the state's personal income over 1966 was no less than $1.5 billion.

Still more impressive last year was Florida's strength in maintaining the sustained rate of growth in the face of the nation's declining one. U.S. personal income dropped from a 8.5-percent increase in 1966 to a 7-percent rise in 1967. The decline in Florida's growth rate was almost imperceptible—a 9.9 percent increase in 1966 compared with a 9.6 percent rise in 1967, a decrease of only one-third of one percentage point. The retarded rate of the U.S. personal income was largely attributable to sluggishness in durable manufacturing and a sharp reduction in farm income. Florida fared quite well in these two areas.

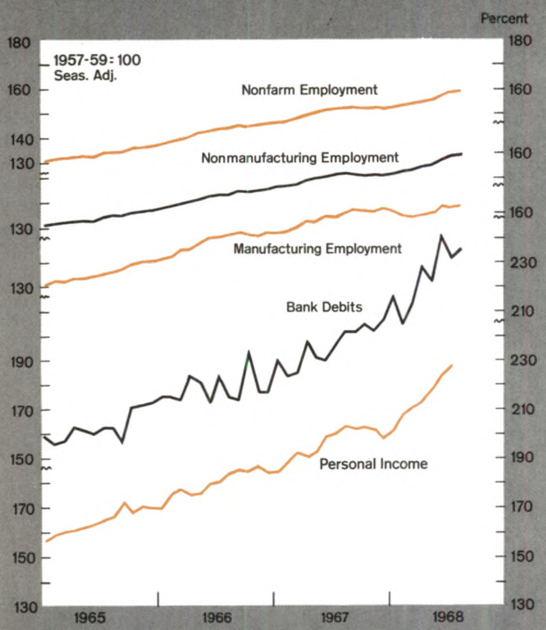
Other key economic indicators of the state, closely monitored by "growth-conscious watchers," continued on an upward path, again outpacing the nation in 1967. The state's nonfarm employment rose 5 percent, compared with a national average gain of 3 percent. While the nation's manufacturing employment increased by less than one percent, Florida registered a 6.5-percent gain. In 1967 asset values of the state's financial institutions resumed their rapid rate of expansion to a level of 14 percent, after pausing in 1966. The comparable figure for the nation was 11 percent.

## Performance During First Half of 1968

When the seasonal factors peculiar to the state were considered, Florida's economy continued to expand at a rapid rate during the first half of the year. Preliminary Bank estimates indicate that Florida's seasonally adjusted personal income was rising at an annual rate of 11 percent, compared with 8 percent for the nation. While some segments of the state's industry, notably her nondurable manufacturing, were in the seasonal lull, others, such as finance and insurance, transportation, public utilities, and construction, exhibited considerable strength.

Exceptionally strong demand for housing gave a healthy push to the state's construction activities. Total contract awards reached a cumulative total of $1.5 billion during the first six months, 32 percent higher than the same time span of 1967. Most of the upsurge is attributable to a

ALL IMPORTANT ECONOMIC INDICATORS OF FLORIDA CONTINUE TO POINT STRONGLY UPWARD.




high volume of apartment and hotel construction in the Miami-West Palm Beach-Fort Lauderdale-Hollywood area.

Preparation for the National Republican Convention, as well as strong summer tourist trade, had favorable impacts on the state's tourist related business during the first half of this year. Although the overall employment picture of the Cape Kennedy area seems to have changed little, some increases in aerospace employment have been reported. Farm cash receipts of the state increased by 21 percent during the period compared with the like period of 1967. The state's member bank debits during the first six months of 1968 were 17 percent above the comparable 1967 period.

The continuing uptrend in Florida's business is reflected in new business incorporations and business failure data. The state's new business formation rose 18 percent, representing twice the amount attained by the nation as a whole. While Florida's new business formation was outpacing the nation's, the state's business failure statistics trailed the national average by a considerable margin during the first half of 1968. Unequivocally, Florida's economy continued to expand with undiminished vigor during the first half of 1968.

## What Is Ahead?

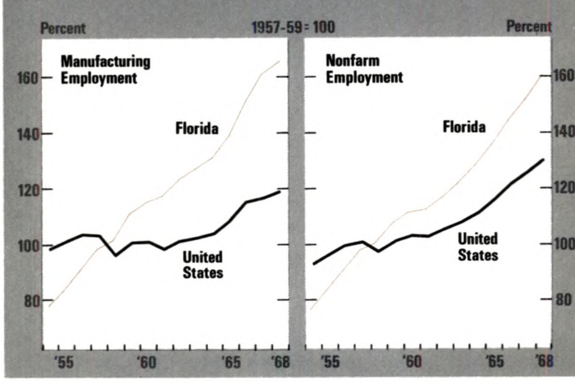
Much has been said recently about the possible slowdown in the U.S. economy as a result of the restraints imposed by Federal fiscal policy. Should the nation's business slacken significantly, impacts are likely to be felt by different regions, including Florida. Postwar experience reveals that impacts of the nation's general business slowdown upon Florida were typically less severe than those endured by the nation. Can one assume, therefore, that Florida's economy might show strength in any future slackness in the nation's business? Answers to this question are contingent upon how far one looks ahead.

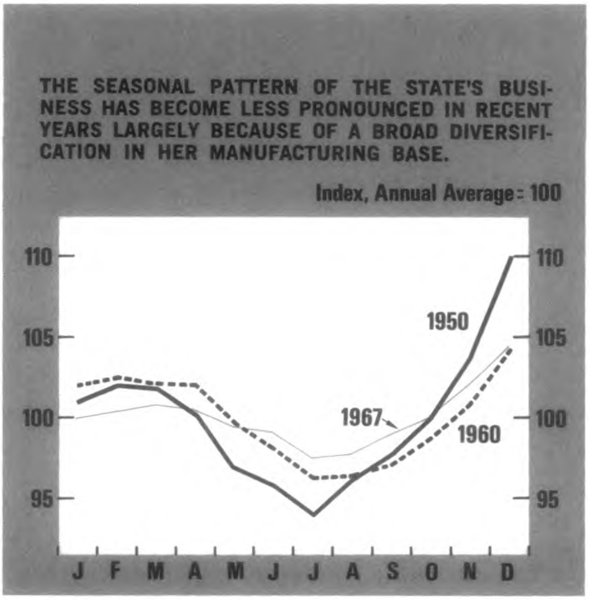
For the immediate future, barring a major recession in the nation's economy, it does not appear that growth of Florida's economy will be seriously affected by the speculated slowdown. Being heavily weighted by service industries and nondurable manufacturing whose activities are historically far less volatile than those of manufacturing, particularly durables, Florida has a built-in cushion in her economic base that tends to minimize impacts of the national business slowdown. Indeed, this structural characteristic has been the single most important factor responsible for the state's suffering much less than the nation during the postwar recessions.

For a longer-run perspective, however, the structural characteristic may not necessarily continue to act as a cushion in the event of a general slowdown. The underpinning of the state's economic base has changed gradually, making her increasingly susceptive to national fluctuations.

Since 1950, for instance, the nation's manufacturing employment has risen at an annual average rate of less than 1.5 percent; Florida's, about 6.5 percent. In a more dramatic perspective, the

FLORIDA CONTINUES TO PROVIDE NONFARM AND MANUFACTURING JOBS AT A FASTER RATE THAN THE NATION.






state's manufacturing employment increased as much as 187 percent since 1950, while the comparable data for the nation rose only 27 percent. If the state's manufacturing employment had grown at the national average rate, her manufacturing work force would have increased by 27,400 since 1950. Florida's actual employment gain in manufacturing since 1950 is a whopping 191,000.

The phenomenal growth in the state's manufacturing was not achieved through employment alone; it was accompanied by a broad diversification of the manufacturing base. As late as 1950, two relatively low-wage industries—food processing and furniture, lumber and wood industries—provided about half of the state's total manufacturing employment. In 1967 the two industries' share decline to about 27 percent.

Since 1950 employment in relatively high-wage industries, such as fabricated metals, electric and non-electric machineries, and chemical industries, increased substantially. Especially impressive in the changing profile of Florida's employment was a spectacular upsurge in both machinery and electrical machinery. In the short span of 12 years since 1955, the state's machinery employment quadrupled and employment in electrical machinery and supplies increased 18 times. Growth of the state's trade and service industries kept a steady pace, but trailed that of manufacturing substantially. As a result of the rapid increase in manufacturing employment, Florida's share in total U.S. manufacturing increased from .7 percent in 1950 to 1.5 percent as of July 1968.

No doubt, the phenomenal growth in the state's manufacturing employment, accompanied by a broad diversification, has made Florida's industrial mix more broadly balanced and favorable for further expansion. There is also little doubt that the rapid and diversified growth in the manufacturing sector has flattened the magnitude of Florida's seasonal fluctuation in her economic activities. However, as manufacturing, especially nondurables, provides an increasing share of the state's total employment structure, it appears that the economy is going to be increasingly susceptive to the change in outside business conditions.

C. S. Pyun

*This is one of a series of articles in which economic developments in each of the Sixth District states are discussed.*

# Sixth District Statistics

## Seasonally Adjusted

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

### SIXTH DISTRICT

#### INCOME AND SPENDING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 66,477 | 65,917r | 64,929r | 59,955 |
| Manufacturing Payrolls | Aug. | 231 | 229 | 229 | 207 |
| Farm Cash Receipts | July | 102 | 121 | 135 | 146 |
| Crops | July | 143 | 184 | 170 | 147 |
| Livestock | July | 159 | 154 | 151 | 144 |
| Instalment Credit at Banks* (Mil. $) | | | | | |
| New Loans | Aug. | 321 | 339 | 315 | 302 |
| Repayments | Aug. | 282 | 319 | 278 | 256 |
| Retail Sales | June | 183 | 180 | 168 | 170 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 142 | 141 | 141 | 138 |
| Manufacturing | Aug. | 140 | 140 | 140 | 137 |
| Apparel | Aug. | 172 | 172 | 172 | 168 |
| Chemicals | Aug. | 135 | 135 | 134 | 132 |
| Fabricated Metals | Aug. | 159 | 159 | 159 | 153 |
| Food | Aug. | 114 | 114 | 116 | 112 |
| Lbr., Wood Prod., Furn. & Fix. | Aug. | 105 | 104 | 104 | 104 |
| Paper | Aug. | 124 | 123 | 123 | 120 |
| Primary Metals | Aug. | 129 | 125 | 126 | 130 |
| Textiles | Aug. | 110 | 110 | 110 | 109 |
| Transportation Equipment | Aug. | 185 | 182 | 185 | 183 |
| Nonmanufacturing | Aug. | 142 | 142 | 141 | 138 |
| Construction | Aug. | 128 | 127 | 127 | 122 |
| Farm Employment | Aug. | 63 | 66 | 62 | 62 |
| Unemployment Rate (Percent of Work Force) | Aug. | 3.9 | 3.8 | 3.9 | 4.1 |
| Insured Unemployment (Percent of Cov. Emp.) | Aug. | 2.0 | 1.9 | 1.8 | 2.5 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 41.1 | 41.2 | 41.3 | 40.9 |
| Construction Contracts* | Aug. | 244 | 197 | 194 | 194 |
| Residential | Aug. | 217 | 213 | 202 | 193 |
| All Other | Aug. | 268 | 183 | 187 | 195 |
| Electric Power Production** | July | 146 | 150 | 153 | 148 |
| Cotton Consumption** | Aug. | 102 | 104 | 107 | 107 |
| Petrol. Prod. in Coastal La. and Miss.** | Aug. | 264 | 262 | 257 | 272 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Loans* | | | | | |
| All Member Banks | Aug. | 286 | 282 | 276 | 256 |
| Large Banks | Sept. | 254 | 250 | 249 | 229 |
| Deposits* | | | | | |
| All Member Banks | Aug. | 215 | 214 | 208 | 194 |
| Large Banks | Sept. | 187 | 186 | 186 | 172 |
| Bank Debits*/** | Aug. | 233 | 235 | 238 | 203r |

### ALABAMA

#### INCOME

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 8,635 | 8,504r | 8,458r | 7,930 |
| Manufacturing Payrolls | Aug. | 201 | 200 | 198 | 181 |
| Farm Cash Receipts | July | 161 | 150 | 132 | 160 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 127 | 127 | 126 | 126 |
| Manufacturing | Aug. | 126 | 125 | 125 | 125 |
| Nonmanufacturing | Aug. | 127 | 127 | 126 | 126 |
| Construction | Aug. | 116 | 114 | 114 | 117 |
| Farm Employment | Aug. | 68 | 74 | 64 | 66 |
| Unemployment Rate (Percent of Work Force) | Aug. | 4.8 | 4.5 | 4.8 | 4.6 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 40.9 | 41.8 | 41.7 | 40.4 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Member Bank Loans | Aug. | 263 | 260 | 256 | 241 |
| Member Bank Deposits | Aug. | 206 | 205 | 197 | 190 |
| Bank Debits** | Aug. | 220 | 219 | 213 | 199 |

### FLORIDA

#### INCOME

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 19,546 | 19,204r | 18,709r | 17,188 |
| Manufacturing Payrolls | Aug. | 293 | 285 | 286 | 263 |
| Farm Cash Receipts | July | 182 | 180 | 188 | 140 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 160 | 160 | 158 | 153 |
| Manufacturing | Aug. | 163 | 163 | 164 | 160 |
| Nonmanufacturing | Aug. | 159 | 159 | 157 | 152 |
| Construction | Aug. | 111 | 110 | 108 | 103 |
| Farm Employment | Aug. | 87 | 84 | 91 | 77 |
| Unemployment Rate (Percent of Work Force) | Aug. | 2.9 | 2.9 | 2.8 | 3.0 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 42.4 | 41.5 | 41.9 | 42.0 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Member Bank Loans | Aug. | 311 | 303 | 295 | 270 |
| Member Bank Deposits | Aug. | 235 | 234 | 227 | 201 |
| Bank Debits** | Aug. | 235 | 232 | 141 | 202r |

### GEORGIA

#### INCOME

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 12,960 | 12,850r | 12,646r | 11,613 |
| Manufacturing Payrolls | Aug. | 239 | 234 | 234 | 210 |
| Farm Cash Receipts | July | 170 | 159 | 145 | 141 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 142 | 142 | 142 | 138 |
| Manufacturing | Aug. | 135 | 135 | 135 | 133 |
| Nonmanufacturing | Aug. | 146 | 146 | 145 | 141 |
| Construction | Aug. | 144 | 145 | 145 | 136 |
| Farm Employment | Aug. | 61 | 58 | 52 | 62 |
| Unemployment Rate (Percent of Work Force) | Aug. | 3.5 | 3.4 | 3.9 | 3.8 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 41.0 | 40.9 | 41.1 | 40.4 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Member Bank Loans | Aug. | 298 | 292 | 288 | 265 |
| Member Bank Deposits | Aug. | 237 | 231 | 225 | 212 |
| Bank Debits** | Aug. | 260 | 267 | 274 | 223 |

### LOUISIANA

#### INCOME

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 10,064 | 9,990r | 9,957r | 9,323 |
| Manufacturing Payrolls | Aug. | 199 | 203 | 203 | 187 |
| Farm Cash Receipts | July | 170 | 154 | 155 | 159 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 131 | 131 | 130 | 129 |
| Manufacturing | Aug. | 121 | 121 | 122 | 118 |
| Nonmanufacturing | Aug. | 134 | 133 | 132 | 131 |
| Construction | Aug. | 137 | 137 | 138 | 127 |
| Farm Employment | Aug. | 58 | 61 | 62 | 62 |
| Unemployment Rate (Percent of Work Force) | Aug. | 5.1 | 4.9 | 4.9 | 5.1 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 41.5 | 42.6 | 42.4 | 41.8 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Member Bank Loans* | Aug. | 238 | 239 | 233 | 233 |
| Member Bank Deposits* | Aug. | 173 | 174 | 170 | 163 |
| Bank Debits*/** | Aug. | 189 | 193 | 192 | 171 |

### MISSISSIPPI

#### INCOME

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Personal Income (Mil. $, Annual Rate) | July | 5,075 | 5,161r | 5,044r | 4,536 |
| Manufacturing Payrolls | Aug. | 268 | 266 | 265 | 226 |
| Farm Cash Receipts | July | 175 | 189 | 153 | 154 |

#### PRODUCTION AND EMPLOYMENT

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Nonfarm Employment | Aug. | 143 | 143 | 142 | 140 |
| Manufacturing | Aug. | 153 | 151 | 152 | 146 |
| Nonmanufacturing | Aug. | 139 | 140 | 138 | 137 |
| Construction | Aug. | 139 | 136 | 134 | 142 |
| Farm Employment | Aug. | 54 | 62 | 53 | 49 |
| Unemployment Rate (Percent of Work Force) | Aug. | 4.6 | 4.5 | 4.8 | 5.0 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) | Aug. | 40.8 | 41.0 | 41.2 | 40.1 |

#### FINANCE AND BANKING

| | Latest Month (1968) | | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| Member Bank Loans* | Aug. | 345 | 339 | 328 | 310 |
| Member Bank Deposits* | Aug. | 248 | 244 | 239 | 231 |
| Bank Debits*/** | Aug. | 247 | 248 | 235 | 220 |

| TENNESSEE | | Latest Month (1968) | One Month Ago | Two Months Ago | One Year Ago |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Personal Income (Mil. $, Ann. Rate) | July | 10,197 | 10,208r | 10,115r | 9,365 |
| Manufacturing Payrolls . . . . . . . | Aug. | 218 | 217 | 219 | 197 |
| Farm Cash Receipts . . . . . . . . | July | 134 | 147 | 124 | 126 |
| **PRODUCTION AND EMPLOYMENT** | | | | | |
| Nonfarm Employment . . . . . . . | Aug. | 138 | 138 | 139 | 136 |
| Manufacturing . . . . . . . . . | Aug. | 147 | 146 | 148 | 144 |
| Nonmanufacturing . . . . . . . . | Aug. | 134 | 133 | 134 | 131 |
| Construction . . . . . . . . . | Aug. | 158 | 156 | 161 | 158 |
| Farm Employment . . . . . . . . . | July | 61 | 64 | 62 | 67 |
| Unemployment Rate (Percent of Work Force) . . . . . | Aug. | 3.6 | 3.9 | 3.8 | 4.3 |
| Avg. Weekly Hrs. in Mfg. (Hrs.) . . . | Aug. | 40.3 | 40.2 | 40.6 | 40.2 |
| **FINANCE AND BANKING** | | | | | |
| Member Bank Loans* . . . . . . . | Aug. | 275 | 276 | 272 | 239 |
| Member Bank Deposits* . . . . . . | Aug. | 191 | 193 | 191 | 181 |
| Bank Debits*/** . . . . . . . . . . | Aug. | 244 | 251 | 253 | 207 |

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

# Debits to Demand Deposit Accounts

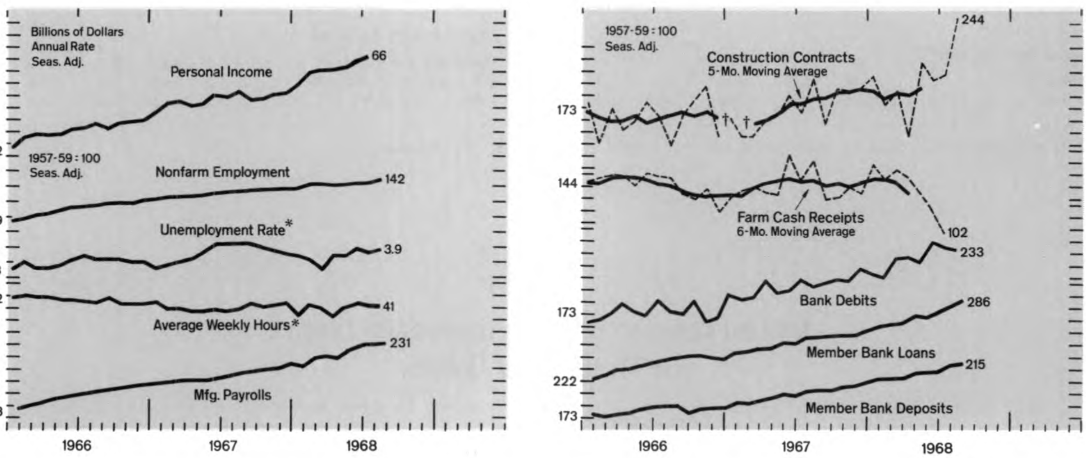
## Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

| | Aug. 1968 | July 1968 | Aug. 1967 | Percent Change: Aug. 1968 from July 1968 | Percent Change: Aug. 1968 from Aug. 1967 | Percent Change: Year-to-Date 8 months 1968 from 1967 |
|---|---|---|---|---|---|---|
| **STANDARD METROPOLITAN STATISTICAL AREAS†** | | | | | | |
| Birmingham . . . | 1,797,325 | 1,851,431 | 1,599,995r | −3 | +12 | +9 |
| Gadsden . . . . . . | 63,523 | 68,399 | 64,612 | −7 | −2 | +8 |
| Huntsville . . . . . | 194,251 | 198,356 | 193,104 | −2 | +1 | +5 |
| Mobile . . . . . . | 545,925 | 548,876 | 522,778 | −1 | +4 | +9 |
| Montgomery . . . . | 336,423 | 354,520 | 333,933 | −5 | +1 | +10 |
| Tuscaloosa . . . . . | 117,659 | 111,948 | 102,120 | +5 | +15 | +10 |
| Ft. Lauderdale—Hollywood . . . . | 710,471 | 793,654 | 587,408 | −10 | +21 | +22 |
| Jacksonville . . . . | 1,626,748 | 1,712,873 | 1,526,081 | −5 | +7 | +8 |
| Miami . . . . . . . | 2,827,429 | 2,985,304 | 2,275,208 | −5 | +24 | +25 |
| Orlando . . . . . . | 672,861 | 731,518 | 538,311 | −8 | +25 | +18 |
| Pensacola . . . . . | 220,422 | 225,062 | 199,575 | −2 | +10 | +9 |
| Tallahassee . . . . | 171,312 | 158,217 | 151,291 | +8 | +13 | +11 |
| Tampa . St. Petersburg . . | 1,458,081 | 1,632,781 | 1,325,198 | −11 | +10 | +18 |
| W. Palm Beach . . . | 437,342 | 505,513 | 384,389 | −13 | +14 | +20 |
| Albany . . . . . . | 94,560 | 105,822 | 87,505 | −11 | +8 | +15 |
| Atlanta . . . . . . | 5,825,101 | 6,177,709 | 5,064,376r | −6 | +15 | +15 |
| Augusta . . . . . . | 301,918 | 326,621 | 310,507 | −8 | −3 | +8 |
| Columbus . . . . . | 247,743 | 269,242 | 236,462 | −8 | +5 | +13 |
| Macon . . . . . . | 279,390 | 287,017 | 261,107 | −3 | +7 | +12 |
| Savannah . . . . . | 295,224 | 333,257 | 276,884 | −11 | +7 | +12 |
| Baton Rouge . . . . | 612,891 | 678,904 | 516,149 | −10 | +19 | +13 |
| Lafayette . . . . . | 141,781 | 144,868 | 126,289 | −2 | +12 | +13 |
| Lake Charles . . . . | 154,440 | 177,104 | 147,557 | −13 | +5 | +9 |
| New Orleans . . . . | 2,440,487 | 2,668,445 | 2,369,108 | −9 | +3 | +6 |
| Jackson . . . . . . | 759,540 | 701,776 | 652,518 | +8 | +16 | +12 |
| Chattanooga . . . . | 637,067 | 695,729 | 590,569 | −8 | +8 | +10 |
| Knoxville . . . . . | 553,362 | 547,073 | 469,205 | +1 | +18 | +12 |
| Nashville . . . . . | 1,889,292 | 1,988,895r | 1,541,642 | −5 | +23 | +15 |
| **OTHER CENTERS** | | | | | | |
| Anniston . . . . . | 75,014 | 75,833 | 67,027 | −1 | +12 | +14 |
| Dothan . . . . . . | 69,366 | 73,424 | 60,471 | −6 | +15 | +12 |
| Selma . . . . . . . | 46,529 | 45,862 | 57,820 | +1 | +2 | +2 |
| Bartow . . . . . . | 31,042 | 36,333 | 31,536 | −15 | −2 | −1 |
| Bradenton . . . . . | 75,747 | 94,032 | 62,249 | −19 | +22 | +16 |
| Brevard County . . . | 229,488 | 242,472 | 220,536 | −5 | +4 | +8 |
| Daytona Beach . . . | 90,075 | 112,601 | 86,964 | −20 | +4 | +9 |
| Ft. Myers—N. Ft. Myers . . . | 85,550 | 94,363 | 74,177 | −9 | +15 | +28 |
| Gainesville . . . . . | 92,229 | 104,511 | 78,854 | −12 | +17 | +18 |
| Lakeland . . . . . | 118,761 | 152,281 | 113,723 | −22 | +4 | +8 |
| Monroe County . . . | 36,192 | 39,025 | 32,829 | −7 | +10 | +10 |
| Ocala . . . . . . . | 58,932 | 68,149 | 55,960 | −14 | +5 | +10 |
| St. Augustine . . . | 23,469 | 26,310 | 19,934 | −11 | +18 | +11 |
| St. Petersburg . . . | 326,869 | 379,961 | 288,815r | −14 | +13 | +6 |
| Sarasota . . . . . . | 130,547 | 152,778 | 96,923 | −15 | +35 | +28 |
| Tampa . . . . . . | 786,235 | 854,300 | 706,984 | −8 | +11 | +22 |
| Winter Haven . . . | 62,666 | 69,291 | 49,058 | −10 | +28 | +17 |
| Athens . . . . . . | 86,046 | 95,030 | 71,676 | −9 | +20 | +19 |
| Brunswick . . . . . | 47,481 | 53,475 | 41,241 | −11 | +15 | +14 |
| Dalton . . . . . . | 106,060 | 106,425 | 81,216 | −0 | +31 | +27 |
| Elberton . . . . . . | 14,527 | 16,290 | 18,342 | −11 | −21 | −6 |
| Gainesville . . . . . | 72,100 | 83,231 | 75,468 | −13 | −4 | +0 |
| Griffin . . . . . . . | 35,291 | 38,332 | 33,574 | −8 | +5 | +7 |
| LaGrange . . . . . | 23,515 | 26,320 | 20,877 | −11 | +13 | +4 |
| Newnan . . . . . . | 25,723 | 25,240 | 24,318 | +2 | +6 | +6 |
| Rome . . . . . . . | 81,952 | 89,603 | 73,514 | −9 | +11 | +13 |
| Valdosta . . . . . . | 66,763 | 60,949 | 70,506 | +10 | −5 | +8 |
| Abbeville . . . . . | 12,355 | 12,275 | 11,965 | +1 | +3 | +7 |
| Alexandria . . . . . | 145,817 | 153,312 | 134,368 | −5 | +9 | +7 |
| Bunkie . . . . . . | 6,204 | 7,536 | 6,793 | −18 | −9 | +1 |
| Hammond . . . . . | 39,667 | 43,926 | 36,425 | −10 | +9 | +3 |
| New Iberia . . . . . | 36,811 | 41,124 | 39,846 | −10 | −8 | +4 |
| Plaquemine . . . . | 12,634 | 14,137 | 11,430 | −11 | +11 | +20 |
| Thibodaux . . . . . | 21,771 | 26,148 | 21,799 | −17 | −0 | +7 |
| Biloxi-Gulfport . . . | 123,338 | 137,905 | 104,495 | −11 | +18 | +14 |
| Hattiesburg . . . . | 62,288 | 66,457 | 56,872 | −6 | +10 | +11 |
| Laurel . . . . . . . | 40,248 | 45,604 | 32,779 | −12 | +23 | +20 |
| Meridian . . . . . | 77,124 | 72,578 | 65,751 | +6 | +16 | +6 |
| Natchez . . . . . . | 41,331 | 48,224 | 38,873 | −14 | +6 | +10 |
| Pascagoula—Moss Point . . . | 67,534 | 72,020 | 55,321 | −6 | +22 | +21 |
| Vicksburg . . . . . | 40,972 | 44,914 | 42,427 | −9 | −3 | +4 |
| Yazoo City . . . . . | 32,338 | 32,360 | 51,164 | −0 | −37 | −2 |
| Bristol . . . . . . | 83,860 | 84,881 | 78,775 | −1 | +6 | +22 |
| Johnson City . . . . | 81,426 | 91,096 | 73,733 | −11 | +10 | +8 |
| Kingsport . . . . . | 159,261 | 180,337 | 157,095 | −12 | +1 | +10 |
| SIXTH DISTRICT, Total | 34,378,071 | 36,658,033r | 31,265,327r | −6 | +10 | +13 |
| Alabama‡ . . . . . | 4,505,107 | 4,659,276r | 4,246,282r | −3 | +6 | +11 |
| Florida‡ . . . . . . | 10,355,693 | 11,179,400 | 9,339,478r | −7 | +11 | +17 |
| Georgia‡ . . . . . | 9,080,094 | 9,614,287r | 8,136,337r | −6 | +12 | +14 |
| Louisiana†* . . . . | 4,219,120 | 4,582,026 | 3,989,398 | −8 | +6 | +8 |
| Mississippi†* . . . . | 1,633,214 | 1,792,293r | 1,469,852 | −9 | +11 | +12 |
| Tennessee†* . . . . | 4,584,843 | 4,830,751 | 4,083,980 | −5 | +12 | +12 |

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

# District Business Conditions




*Seas. adj. figure; not an index.

†New series.

**Midst some skepticism about the direction of national economic prospects, the District's economy continues to expand. A modest increase in jobs, along with higher wage rates, pushed manufacturing payrolls up in August. The volume of total construction contracts awarded was sharply higher, and residential contracting continued to expand. Lending activity accelerated at District banks in September. Farm cash receipts through July reached record levels.**

**Nonfarm employment motored upward in August, with little change in the unemployment rate.** Manufacturing payrolls rose, reflecting higher wage rates and a modest increase in employment. Slow business in the steel industry again depressed steel mill employment, but iron and steel foundry employment gained moderately. Construction jobs increased in all District states except Georgia.

**Personal income and spending of District consumers continue to rise.** A sizable gain in income buoyed spending in July, and current indications suggest that spending in August remained high. Anticipated higher prices on new model cars, favorable current prices, and large inventories spurred final model-year car sales. Outstanding consumer credit rose, although new loan extensions dropped.

**The volume of both residential and nonresidential contracts expanded further in August.** Large projects included two electric power and heating system installations totaling $215 million. Residential contracting continued to grow, in spite of a further rise in conventional mortgage rates. Net savings inflows to savings and loan associations for the first eight months are running more than 25 percent lower than during 1967. New savings in August failed to cover July outflows in all states except Florida and Georgia. Nevertheless, loan commitments rose somewhat further in a majority of SMSA's.

**Less than optimum growing conditions on farms generally are keeping yields below those of 1967, but increased acreages should boost overall production above last year's.** Cotton and soybean prices strengthened significantly in August, while most livestock prices edged downward. Aggregate cotton supplies are expected to be short, causing strong prices throughout the coming marketing year.

**Loans advanced at District member banks in September.** Business borrowing at the large banks over the mid-month tax period rose considerably. Slight increases were noted in holdings of U.S. Government and other securities. Time and saving deposit inflows kept about the same pace as in August.

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