

# MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

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# Absentee Ownership—Its Impact On Bank Holding Company Performance

In some states, the acquisition of a bank by a bank holding company is a popular means of extending the market area served by the banking group. The operating policies of these banks are determined and directed in different degrees from the headquarters of the parent company or lead bank that is usually located in a different area than the subsidiaries. Does absentee ownership affect the responsiveness of the subsidiary banks to the banking needs of the area they serve directly?

Differing opinions are often given in answer to this question. One view holds that the local community should benefit through improved banking performance, since the subsidiary bank will have immediate access to the financial and managerial resources of the larger banking organization. At the same time, response to the banking needs of the local area is assured, because the subsidiary bank would continue to operate in the same area and retain its identity and local ties through its own board of directors.

An opposing view holds that the area served by a nonlocal holding company might suffer from such an acquisition. The holding company organization, according to the proponents of this view, is probably most concerned with the efficient and profitable operation of the banks it controls. This could mean less responsiveness to the banking needs of some areas in favor of other areas also

served by the banking group. From the standpoint of the entire banking system, this might eventually result in the best allocation of banking resources, although the immediate impact on certain local areas is not at all clear. Those who favor this view also argue that the same results can be achieved through the correspondents of the local bank without their formally joining the holding company.

On theoretical grounds, both arguments have some merit. By uniting a group of banks—such as through a holding company organization—the mobility of bank funds and management resources may be increased. The result might be an increased flow of money and other resources from the banking group through a subsidiary bank and into a local area needing the funds; or, the result could be a drainage of resources away from that area into one of higher need. On the other hand, the only change could be merely of an internal operating nature with little noticeable effect on the pooling or allocation of the group's total resources.

The particular operating policies of individual holding companies vary widely. The focus of this article, however, is an empirical investigation of holding company subsidiaries in the Sixth Federal Reserve District as a clue to general differences in performance of local and absentee ownership.

## Bank Holding Companies and Subsidiaries in the Sixth District

Currently, bank holding company activity in the Sixth District is confined to three states—Florida, Georgia, and Tennessee. Florida has the largest number of holding company groups and subsidiary banks in this region and has accounted for most of the holding company expansion and activity in recent years. At the end of 1967, 84 holding company subsidiaries held 34.2 percent of Florida's total bank deposits.<sup>1</sup> In Georgia, 19 holding company banks accounted for 34.5 percent of the state's total deposits, and in Tennessee, 9 subsidiaries held 3.4 percent of the total deposits.

These 112 subsidiary banks in 3 District states were operated by 16 separate holding company groups from 10 different counties. The overall influence of holding company banking was much more widespread, however, as the subsidiary banks were located in 41 additional counties besides these 10 home office counties. This locational dispersion of District holding company activity with regard to local-nonlocal ownership provides the basis for this article.

### Judging Needs and Measuring Performance

Whether a bank operated by a locally based holding company is more responsive or less responsive to the banking needs in the area it serves than one controlled by outside interests depends on many elements. It depends partly on the ability of the bank to provide the services needed and on the level of demand for those services. In some cases, the best allocation of bank resources from the public's view might be away from certain areas and into other areas where the demands are greater. Thus, the existing banking needs of each area must be taken into account when comparing locally owned and operated holding company banks with those operated by outside interests.

In making comparisons of this sort, there is no single and widely accepted method of judging bank performance. Accordingly, it is necessary to decide what criteria should be used to measure the banks' performance in meeting these needs.

<sup>1</sup>Excludes two subsidiaries approved but not acquired in 1967. For a discussion of recent holding company activity in the Sixth District, see "Bank Holding Companies: Their Growth and Performance," *Monthly Review*, October 1968, pp. 131-38.

Each holding company subsidiary in operation in the Sixth District in 1967 was selected for study. These banks were grouped into two categories: (1) those holding company subsidiaries operating in the same county or metropolitan area as the lead bank (local), and (2) those subsidiaries located in an area away from the holding company's principal location (absentee). After eliminating those cases where no independent bank was available for comparison, there were 23 holding company subsidiaries in the local group and 59 in the absentee group.

Several operating ratios for the banks in each of the two groups were analyzed (see Table). In the absence of direct evidence of the public's banking needs of each area and the banks' response to these needs, the average of each of the operating ratios for all banks in the given area was used as a proxy measure. Then, the performance of the holding company bank in each area, as reflected in the operating results, was compared with the performance of all banks in the same area.

By making this comparison, each of the performance variables shown in the table is expressed as a percentage of that same measure averaged for all banks in the same metropolitan area or same county.

### Selected Performance Measures

Averages for Holding Company Subsidiaries  
in the Sixth District  
1967

Performance Measure	Local	Absentee
<b>Percent of Total Assets</b>		
State and Local Securities	128*	145*
U.S. Government Securities	87*	100
Cash Balances with Banks	87	112
Net Operating Earnings	102	98
<b>Percent of Total Deposits</b>		
Total Capital	85	95
Loans	99	95
Demand Deposits	113*	107
<b>Percent of Total Loans</b>		
Business Loans	116	127*
Revenue from Loans	94*	94*
<b>Percent of Time Deposits</b>		
Interest Paid	98	100

\*Significant at .05-percent level using the mean differences between individual subsidiaries and paired banks within each group.

NOTE: Performance measures derived from operating ratios of individual banks relative to average of all banks in the same area. Ratios computed from Reports of Condition for December 1966 and June 1967 and Income and Dividend Statements for the year 1967. There were 23 subsidiaries included in the local group and 59 in the absentee group.

## The Results

As an example of the interpretation of the results, consider the measure of state and local securities relative to total assets. This performance measure is often used as one indication of the response of a bank to the banking needs of the local area it serves. The value of 128 in the table indicates that in this region the locally controlled banks held, on average, 28 percent more of their total assets in state and local obligations than did the average of all banks in the same area. Subsidiaries operating away from their group's principal office held, on average, 45 percent more state and local securities than did banks in the same area.

Differences in the average values of other performance measures among the two groups are shown in the table. Locally controlled holding company banks on average carried fewer U.S. Government securities and smaller cash balances relative to total assets than did all banks in their local area. Those subsidiary banks located away from their group's principal office held larger cash balances as a percent of assets and the same ratio of U.S. Government securities to assets than did other area banks.

Holding company subsidiaries—local and absentee—usually had less capital as a percent of total deposits, but carried relatively more business loans.

Although some differences in operating performance between holding company banks and their competitors exist, the differences in most cases are not significant when subjected to sta-

tistical testing. Thus, based on the operating results of banks in this region, the performance of local and absentee ownership holding company subsidiaries is fairly similar. Moreover, the performance of both local and absentee subsidiaries is, in many respects, close to that of independent banks in the same area.

## Implications

The results of the analysis presented for Sixth District banks confirm what most other studies have found in comparing the performance of holding company and other banks. Regardless of the performance measures used, definite statistical guidelines are difficult, if not impossible, to establish for judging the expected operating results of individual banks that are to be acquired by a holding company. We have shown here that a comparison by location of the subsidiary banks relative to the group's principal location is also of little help in establishing general ground rules for judging performance.

Arguments pro and con concerning the flow of banking benefits to certain areas from holding companies will undoubtedly continue, and with merit. There were extremely wide variations in the operating performance of individual banks in each of the groups studied, as well as among the competing banks in each of the areas analyzed. With such wide variations among individual cases, no substitute for a careful and detailed analysis of each case is likely to be found.

JOE W. McLEARY

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## Bank Announcements

**First National Bank of Folkston**, Folkston, Georgia, a conversion of Peoples Banking Company, opened on July 1 as a member bank. J. M. Jackson is president; S. P. Golaszewski, executive vice president; and Robert F. Kimball, vice president and cashier. Capital is \$150,000; surplus and other capital funds, \$165,000.

Also on July 1, two nonmember banks—**Bank of Ellaville**, Ellaville, Georgia, and **Fannin County Bank**, Blue Ridge, Georgia—began to remit at par for checks

drawn on them when received from the Federal Reserve Bank.

On July 22, **The Brickell Bank**, Miami, Florida, opened as a newly organized nonmember bank and began to remit at par. Officers are: John Robert Terry, president; Wayne Carlton, executive vice president; and Reed M. Deering, Jr., vice president and cashier. Capital is \$525,000; surplus and other capital funds, \$225,000.

# Comparative Advantage and Structural Change in Regional Exports

In a recent issue of this *Review*,<sup>1</sup> an analysis of the pattern of exports from the Sixth Federal Reserve District in 1966 revealed substantial differences from the U. S. pattern of exports. It also showed that this region exported significantly different goods to industrialized countries than it did to less developed areas. These differences were explained in terms of the region's advantage vis-a-vis the U. S. and vis-a-vis diverse foreign countries in the production of certain types of goods. However, a region's relative advantage in exporting certain goods is subject to change. In fact, long-run changes in the production structures of dynamic economies do take place and have altered export patterns. This article focuses on the changes that have taken place in the pattern of District manufactured exports during the period 1960-66 and how such changes are related to trends in production. In addition, it examines the relation between District and U. S. export trends to point out common influences in both export patterns (see Table).

The data for this study are derived from the Survey of Exports of Manufactured Products conducted by the Census Bureau of the U. S. Department of Commerce. The survey provides data on individual states—including the Sixth District states of Georgia, Florida, Alabama, Mississippi,

Louisiana, and Tennessee. Since data of this type are not available for nonmanufactured exports,<sup>2</sup> only manufactured exports are considered.

For this article, exports have been classified as consumer goods, intermediate goods, and fabricated products on the basis of prominent characteristics common to each category. Thus, goods that are destined primarily for final consumption fall into the consumer goods category. Intermediate goods include products that are mostly derived from the processing of raw materials and that serve basically as inputs to other industries. Goods that involve extensive fabrication and assembly of metal parts (and generally incorporate more advanced levels of technology) make up the fabricated products category.<sup>3</sup> These also serve as inputs to other industries, but satisfy some important areas of final demand as well.

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<sup>2</sup>The Census Bureau has published for each of the 50 states a *State Export Report* which provides data on agricultural, mining, and seafood exports. However, the data on mining exports are incomplete. Furthermore, the estimates for agricultural exports are based on state shares of national agricultural production and sales and may therefore diverge substantially from the true value of such exports from a given state.

<sup>3</sup>Miscellaneous manufactured goods, which more logically belong to consumer goods, are also included in the data for this category because of the difficulty in separating them from ordnance, with which they were combined in the original data source.

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<sup>1</sup>"A Regional View of Export Patterns," *Monthly Review*, March 1969, pp. 34-38.

## Composition and Trends in District Exports

In 1966, intermediate goods dominated District manufactured exports, claiming over one-half the total. Consumer goods and fabricated goods were nearly equal in value, each accounting for somewhat under one-fourth of the total. But growth trends of products within these three major categories during the 1960-66 period indicate that the District's comparative advantage in exporting different types of manufactures experienced noticeable modification. Thus, despite the preponderance of intermediate goods in District exports, their combined share shrank during the period. The share of consumer goods also declined slightly. In contrast, fabricated products as a whole registered impressive gains (see Table).

**Intermediate Goods.** The large predominance of intermediate commodities reflects an abundance of the District's natural resources which have stimulated their production. For instance, output of wood and paper products draws upon Southern forests—paper product exports are especially important in Georgia and Florida. The

petroleum extraction industry provides inputs for the manufacture and subsequent export of petroleum and petrochemical products, especially in Louisiana. Florida also exports substantial amounts of chemical fertilizer derived from local phosphate deposits. Local iron ore deposits and other necessary minerals originally fostered primary metal production and exports from Alabama. Relatively cheap water transportation continues to make the necessary raw materials available for this industry in Alabama as well as Louisiana.

The decline of intermediate products' portion in District exports was concentrated in the paper, chemical, petroleum, and primary metal products—the major exports in this category. Several factors may explain these declines. First, the proportion of raw materials in international output has contracted over time, and has led to a reduction in the proportion of raw materials in world trade. This probably has also dampened the expansion in world trade of products derived primarily from the processing of raw materials. Secondly, the District may have lost some of its

Structure of Sixth District Manufacturing Exports and Output,\*  
and U. S. Manufacturing Exports  
(in percent)

SIC Code	Product Group	District Exports			U. S. Exports			District Value Added		
		1960	1966	Change	1960	1966	Change	1960	1966	Change
20	Food	13.4	14.8	+	10.3	9.0	—	15.0	12.3	—
21	Tobacco	.3	.3	0	2.9	2.7	—	.7	.4	—
22	Textiles	5.4	3.6	—	2.8	1.6	—	8.9	8.3	—
23	Apparel	1.5	1.4	—	1.4	.9	—	5.5	6.4	+
25	Furniture	.3	.2	—	.3	.2	—	1.9	2.1	+
27	Printing	.3	.3	0	.9	1.2	+	4.1	3.5	—
30	Rubber	1.3	1.1	—	1.9	1.6	—	1.9	2.3	+
31	Leather	.3	.2	—	.6	.3	—	1.1	1.1	0
Total—Consumer Products		22.8	21.9	—	21.1	17.5	—	39.1	36.4	—
24	Lumber	2.6	3.4	+	1.0	1.3	+	4.1	3.8	—
26	Paper	13.5	12.7	—	2.6	2.8	+	9.4	8.0	—
28	Chemicals	30.2	26.9	—	11.6	11.4	—	15.0	15.2	+
29	Petroleum	6.0	3.5	—	3.6	1.9	—	2.5	1.6	—
32	Mining	.2	1.4	+	1.2	1.3	+	4.8	4.4	—
33	Primary Metals	8.7	6.1	—	7.0	5.1	—	6.6	6.9	+
Total—Intermediate Products		61.2	54.0	—	27.0	23.8	—	42.4	39.9	—
34	Fabricated Metals	2.6	4.5	+	3.3	4.4	+	4.6	4.5	—
35	Machinery	3.6	4.9	+	19.0	22.2	+	2.7	3.1	+
36	Electrical Machinery	1.0	2.6	+	6.5	7.5	+	3.1	4.1	+
37	Transportation Equip.	5.2	7.5	+	17.2	16.2	—	6.0	8.7	+
38	Instruments	.8	.5	—	2.8	3.7	+	.5	.5	0
39 and 19	Miscellaneous	2.9	3.9	+	3.1	4.6	+	1.7	3.1	+
Total—Fabricated Products		16.1	23.9	+	51.9	58.6	+	18.6	24.0	+
TOTAL—ALL EXPORTS		100.1	99.8		100.0	99.9		100.1	100.3	

(+ increase, — decrease, 0 no change)

\*Value added; numbers do not add because of rounding.



comparative advantage in the production and export of intermediate goods. For example, the rapid increase of new sources of petroleum production throughout the world in recent years almost certainly reduced the District's advantage in its exports of petroleum and petrochemical products. Furthermore, the increase of domestic output of iron and steel in many less developed countries, in addition to the rapid expansion of productive capacity in many industrialized nations, has restricted the demand for the District's primary metal exports.

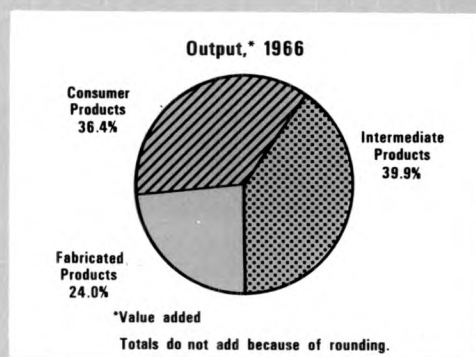
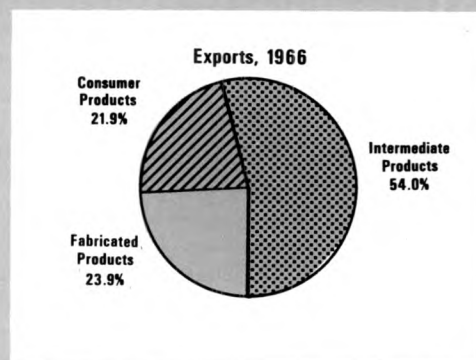
**Consumer Goods.** These exports were dominated by food and textile products, both derived from important agricultural raw materials such as grains and cotton. Thus, agricultural land represents an additional natural resource that has influenced the pattern of District exports.

The relatively small contraction in consumer products reflected only a slight or no decline for most individual product shares, although textile exports registered a fairly pronounced decline. The expansion of food products partially offset the decline of other consumer goods.

The failure of consumer goods as a whole to expand their share of District exports stems in part from changes in the patterns of production that normally accompany industrialization. Traditionally, nations on the path of industrialization first expand consumer goods industries before establishing other types of manufactures. In addition, these countries tend to achieve a greater degree of self-sufficiency in the production of consumer goods. Thus, industrialization programs in many less developed countries that are major purchasers of District consumer goods must have dampened the overall growth of these exports. Furthermore, the decline in the significance of these goods, especially textiles, in world trade almost certainly acted as an additional drag on the growth of such exports from the District.

**Fabricated Goods.** In 1966, fabricated products held second place in the total value of District manufactured exports. Georgia's exports of fabricated metals, electrical and nonelectrical machinery, and, especially, transportation equipment (automobiles and airplanes) contributed substantially to these exports. Alabama and Tennessee also exported important quantities of fabricated metals and electrical and nonelectrical machinery. The expansion of these products in District exports corresponds to their rising importance in total world trade. These gains parallel the growing prominence of industries

Consumer products account for a smaller share of District manufacturing exports than of output; the opposite is true for intermediate products.



producing metal products as countries reach high levels of industrialization.

### Comparison of Production and Exports

A comparison of District manufactured exports with District manufacturing output indicates that the two patterns are not closely related. Nevertheless, trends in output apparently had an impact on broader export trends.<sup>4</sup>

One striking fact that emerges in the comparison is that consumer goods account for a substantially larger portion of District output than of District exports, while the reverse is true

<sup>4</sup>Value-added estimates for 1960 and 1966 made by this Bank for the entire Sixth District are used for comparison instead of value-added or value of shipments data from the *Annual Survey of Manufacturers* published by the Census Bureau. [These estimates provide District data that were withheld to prevent disclosure in the Census Bureau's published figures for individual states. They also avoid some of the double counting inherent in the published value of shipments data.] A brief examination of these alternate sources of data indicated that their use would not significantly alter the general conclusions to be made.



for intermediate products. In contrast, fabricated product shares of output and of exports were nearly identical. Exports and output in most individual product groups tended to move in a similar direction as did the overall categories into which they fell. These differences suggest that exports account for a low proportion of the total demand for consumer goods produced within the District but have a more significant claim on intermediate goods production. The District's exports of fabricated goods command a moderately high proportion of District output of these goods.

Despite the differences in the importance of each of the three categories in exports and output in individual years, their relative significance moved in a similar direction over time. Hence, consumer and intermediate goods lost ground in total output and exports, while fabricated products gained in output and exports over the period under review.

However, several individual product groups contrasted with the trend in their respective categories. For instance, apparel, furniture, rubber, and chemicals all experienced expansion in their output shares despite a decline in their export shares. The fact that output of these goods (except rubber) grew at a below average rate in the nation suggests that the District was meeting a larger portion of national demand for them, although they were losing ground in District exports.

#### Comparison of District and U. S. Export Patterns

District manufactured exports diverged substantially from U. S. exports in both structure and rates of growth. Yet the pattern of change in District exports generally paralleled the national pattern.

Intermediate goods claimed a much larger part of District exports than in the nation, reflecting the District's favorable forest and petroleum

resources. In contrast, metal products dominated U. S. exports while accounting for less than one-fourth of District exports. This probably reflects the lower level of production technology and industrialization of District manufacturing when compared to that of the nation. The importance of consumer goods within both export patterns was very similar.

District exports as a whole also grew at a substantially higher rate than U. S. exports. During the 1960-66 period, a 54-percent increase outpaced the 38-percent rate of growth in U. S. exports. District export growth in most individual commodity groups also exceeded the national figure. The greater success of District export growth paralleled a more rapid growth of District output than U. S. output in most lines of production. In other words, the more rapid increase in the output of exportable products from the District than from the nation apparently enabled the District to surpass the nation in the rate of export growth.

Despite the contrast between the District and the nation in rates of export growth and in export structures, changes in both structures followed similar trends during the study period. In both the District and the U. S., metal goods industries expanded within total exports at the expense of consumer and intermediate goods.

In summary, despite dissimilar export patterns, fabricated goods gained at the expense of consumer and intermediate goods in both District and U. S. exports. These trends in the composition of exports resembled trends in output composition. A number of other nations have also experienced a similar direction of change in export patterns, even though these patterns have differed significantly among themselves. Again, these changes broadly paralleled a historical expansion in domestic output of fabricated products relative to consumer and intermediate goods.

JOHN E. LEIMONE

# Sixth District Statistics

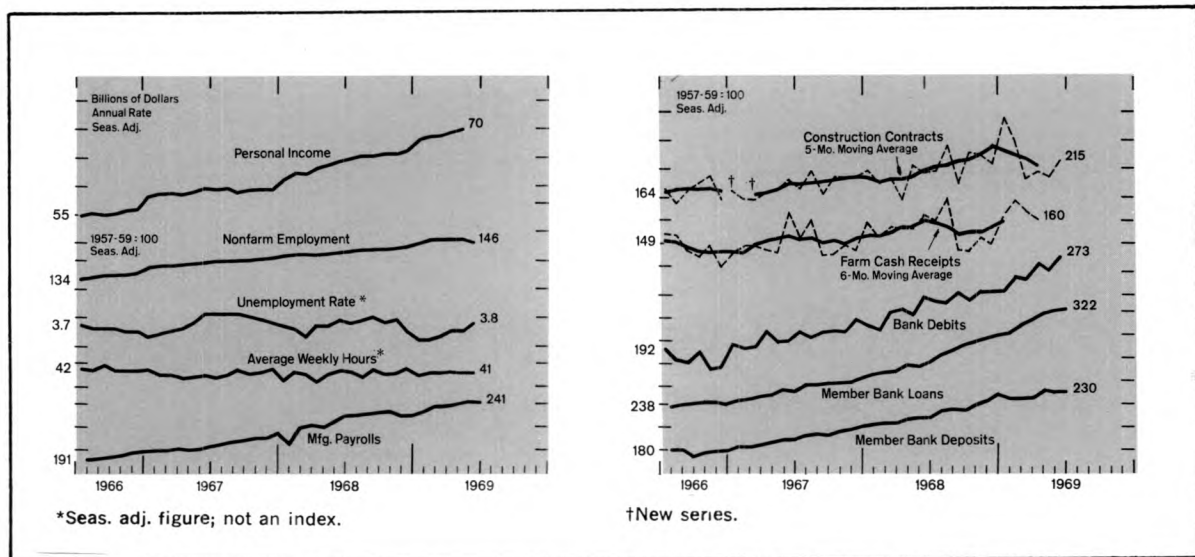
## Seasonally Adjusted

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

	Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>									
<b>INCOME AND SPENDING</b>									
Personal Income (Mil. \$, Annual Rate)	May 69,891	69,348	68,701	63,852	Manufacturing	June 173	169	170	164
Manufacturing Payrolls	June 241	242	240	229	Nonmanufacturing	June 160	167	164	157
Farm Cash Receipts	Apr. 160	168	177	152	Construction	June 126	124	112	108
Crops	Apr. 147	173	190	152	Farm Employment	May 86	77	83	88
Livestock	Apr. 166	170	172	154	Unemployment Rate (Percent of Work Force)†	June 2.7	2.4	2.3	2.8
Instalment Credit at Banks* (Mil. \$)					Avg. Weekly Hrs. in Mfg. (Hrs.)	June 42.1	41.6	41.6	41.9
New Loans	June 344.4	314.9	358.4	302.7	<b>FINANCE AND BANKING</b>				
Repayments	June 313.2	302.6	314.1	268.2	Member Bank Loans	June 366	357	358	295
					Member Bank Deposits	June 264	258	259	227
					Bank Debits**	June 287	266r	273	241
<b>PRODUCTION AND EMPLOYMENT</b>					<b>GEORGIA</b>				
Nonfarm Employment†	June 146	147	147	141	<b>INCOME</b>				
Manufacturing	June 146	146	146	142	Personal Income (Mil. \$, Annual Rate)	May 13,543	13,521	13,296	12,420
Apparel	June 175	174	173	175	Manufacturing Payrolls	June 256	251	247	231
Chemicals	June 139	138	137	135	Farm Cash Receipts	Apr. 163	174	166	152
Fabricated Metals	June 168	166	166	160	<b>PRODUCTION AND EMPLOYMENT</b>				
Food	June 117	115	116	115	Nonfarm Employment†	June 148	147	147	143
Lbr., Wood Prod., Furn. & Fix.	June 106	107	107	104	Manufacturing	June 141	139	140	136
Paper	June 130	129	125	125	Nonmanufacturing	June 151	151	150	146
Primary Metals	June 137	136	132	127	Construction	June 148	149	153	146
Textiles	June 113	113	113	111	Farm Employment	May 46	46	52	52
Transportation Equipment	June 202	198	202	190	Unemployment Rate (Percent of Work Force)†	June 3.3	2.9	2.8	3.9
Nonmanufacturing†	June 146	148	147	141	Avg. Weekly Hrs. in Mfg. (Hrs.)	June 41.1	41.0	41.2	41.1
Construction	June 135	138	137	127	<b>FINANCE AND BANKING</b>				
Farm Employment	May 58	57	59	62	Member Bank Loans	June 330	334	333	288
Unemployment Rate (Percent of Work Force)†	June 3.8	3.5	3.5	3.9	Member Bank Deposits	June 243	252	255	225
Insured Unemployment (Percent of Cov. Emp.)	June 1.7	1.8	1.8	1.8	Bank Debits**	June 315	291r	302	274
Avg. Weekly Hrs. in Mfg. (Hrs.)	June 41.1	41.0	41.2	41.3	<b>LOUISIANA</b>				
Construction Contracts*	June 215	185	193	194	<b>INCOME</b>				
Residential	June 253	210	225	202	Personal Income (Mil. \$, Annual Rate)	May 10,111	10,103	9,961	9,329
All Other	June 183	164	165	187	Manufacturing Payrolls	June 192	191	188	179
Electric Power Production**	May 159	159	154	153	Farm Cash Receipts	Apr. 178	180	197	170
Cotton Consumption**	May 107	103	110	107	<b>PRODUCTION AND EMPLOYMENT</b>				
Petrol. Prod. in Coastal La. and Miss.**	July 232	240	237	262	Nonfarm Employment†	June 133	134	134	130
					Manufacturing	June 123	123	123	122
					Nonmanufacturing	June 135	137	136	132
					Construction	June 134	144	153	138
					Farm Employment	May 63	55	56	64
					Unemployment Rate (Percent of Work Force)†	June 5.5	5.1	5.4	4.9
					Avg. Weekly Hrs. in Mfg. (Hrs.)	June 42.4	42.2	41.6	42.4
					<b>FINANCE AND BANKING</b>				
					Member Bank Loans*	June 261	259	253	233
					Member Bank Deposits*	June 180	180	178	170
					Bank Debits/**	June 203	198r	197	192
					<b>MISSISSIPPI</b>				
					<b>INCOME</b>				
					Personal Income (Mil. \$, Annual Rate)	May 5,019	5,129	5,249	4,649
					Manufacturing Payrolls	June 263	267	265	249
					Farm Cash Receipts	Apr. 168	179	214	146
					<b>PRODUCTION AND EMPLOYMENT</b>				
					Nonfarm Employment†	June 146	147	147	143
					Manufacturing	June 157	158	157	154
					Nonmanufacturing	June 141	142	142	139
					Construction	June 136	146	146	136
					Farm Employment	May 47	49	52	49
					Unemployment Rate (Percent of Work Force)†	June 4.5	4.3	4.1	4.8
					Avg. Weekly Hrs. in Mfg. (Hrs.)	June 40.2	40.9	40.9	41.2
					<b>FINANCE AND BANKING</b>				
					Member Bank Loans*	June 385	382	386	328
					Member Bank Deposits*	June 260	260	264	239
					Bank Debits/**	June 264	282	267	235
					<b>FLORIDA</b>				
					<b>INCOME</b>				
					Personal Income (Mil. \$, Annual Rate)	May 21,588	20,892	20,784	19,338
					Manufacturing Payrolls	June 308	322	314	291
					Farm Cash Receipts	Apr. 157	175	188	165
					<b>PRODUCTION AND EMPLOYMENT</b>				
					Nonfarm Employment†	June 162	167	165	158



# District Business Conditions



Additional signs of a cooling off are becoming more prevalent. In June, overall demand for labor decreased, largely because of a lull in the nonmanufacturing sector. While the use of bank instalment credit seemed to have quickened somewhat, large banks reported a decline in business loans. Construction activity, though pinched by rising costs and tight money conditions, was not weakened appreciably. Many farm activities were hampered by the unusually hot and dry weather that prevailed during June.

Despite a modest gain in manufacturing employment in June, a considerable decline in non-manufacturing jobs pulled the District's total non-farm employment downward from the May level. Within the manufacturing sector, all of the District's major industries posted gains in employment with the exception of the lumber, wood, and furniture industry. Manufacturing payrolls declined slightly despite the gain in employment, and average weekly work hours remained unchanged. The unemployment rate rose moderately, largely because of a large influx of young workers into the labor market.

Personal income for May continued to push upward and helped contribute to the substantial increase in the District's personal income for the first five months of 1969. Consumer instalment credit outstanding and volume extended rose in June, reflecting increased automobile loans over a month ago. Amounts repaid were down from May. The overall total of bank-credit and check-credit volume declined for June.

Preliminary figures for July suggest a reduction in holdings of loans by large banks and an accelerated attrition of their large certificates of deposit. In June, the smaller banks expanded their loans at a reduced rate.

Residential construction contract volume, after a decline in May, increased in June. Nonresidential volume also increased so that total construction contracts advanced. District savings and loan associations appear to have fared somewhat better than expected in maintaining their savings flows in the midyear reinvestment period. However, new commitment volume has leveled off.

In July, the District all-commodity index of prices received by farmers increased from June. The livestock index of prices continued to push upward in response to strong demand, while the crop index, after declining in June, rose slightly in July. Hot, dry weather plagued most District farmers and adversely affected livestock and poultry as well as crops.

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