monthly review

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In this issue:

A Decade of Sixth District Bank Merger Activity

by Emerson Atkinson

During the Sixties, bank mergers became a much-discussed and, often, controversial national topic. However, merger activity in the Sixth Federal Reserve District has received less attention than holding company formations and acquisitions, which have surged in this region. For this reason, the following article will focus on District merger activity during the last ten years and will point out relevant legislation and court decisions and the characteristics of merging banks.

The merger route is only one of several methods that banks use to expand their operations. Other procedures include establishing branches and forming holding companies.[1] Which method a bank uses is governed by both state and Federal law. In the Sixth District, banking laws—with respect to mergers, the establishment of branches, and the formation of holding companies—vary from state to state.

State Law

Alabama. Establishing branches is prohibited except under certain conditions. A branch can be established (1) in a county in which branching was authorized by law on or before June 21, 1955; (2) where the population of the county in which the proposed branch is to be located is 200,000 or more; or (3) where branching is authorized by general laws of local application. All branches must receive the approval of the Superintendent of Banks. The preceding condition also must be met for mergers, which are allowed subject to proper notice and approval of the participating banks' stockholders. There is no specific statute regarding holding company operation or formation.

Florida. This is the only state in the Sixth District that prohibits branch banking completely. Mergers are permitted if the participating banks' stockholders accept the details of the merger as specified in a joint resolution of the directors of each participating bank. The merger must be approved by the Banking Commissioner if the resulting bank is to be a state bank. There is no specific statute regarding holding company formation or operation.

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[1] *Holding company organization and expansion was reviewed in Charles D. Salley's "A Decade of Holding Company Regulation in Florida," this Review, July 1970, pp. 90-99.*

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Georgia. Limited branch banking is permitted under three conditions: (1) The parent bank (the principal place of business of a bank) must have only one "branch bank" (an additional place of business outside the county of the parent bank) per county. With minor exceptions, only branches established before 1920 are permitted. (2) The parent bank or branch bank may have, within the same county, no more than one "office" (place of business other than the branch bank or parent bank) per 20,000 people (or portion thereof), except when the county's population is more than 120,000. In the latter case, the number of banking offices is not specifically limited. (3) The Superintendent of Banks must give his approval.

Mergers are permissible if the participating banks' stockholders adopt a joint resolution giving the details of the merger as agreed upon by the board of directors of each bank involved. Approval must also be received from the Superintendent of Banks if both banks are state chartered. The law relative to approval is not clear when one of the banks is a national bank. Bank holding companies (companies owning 5 percent or more of the voting shares of two or more banks) are permitted to retain those bank investments made before February 9, 1960, but cannot acquire more than 5 percent of the stock of any additional bank.

Louisiana. Establishing branches is permitted (1) if the parent bank has capital of $100,000 or more, (2) if the branch to be opened is in a parish that has no state bank, and (3) if the branch to be opened is the only branch of the parent bank in that parish. (There is no restriction on the number of branches in a parent bank's home parish.) These three considerations do not apply to branches in Allen, Calcasieu, Cameron, or Jefferson Davis parishes or when a branch is to be located in a foreign country. Under all circumstances, the State Bank Commissioner must approve the establishment of the branch.

There is no provision for mergers except for the sale of a bank's assets. Holding companies are permitted when ownership or control is limited to less than 25 percent of the voting shares of the banks owned. Operation of one-bank holding companies is permitted.

Mississippi. Several conditions must be met for branches to be allowed in Mississippi. (1) A branch must be located within 100 miles of the parent bank; (2) the parent bank may have no more than 15 branches; and (3) the branch may not be located in a town that already has a bank and that has a population of less than 3,100. Additionally, the branch must display on its premises the name of the parent bank, the name of the municipality, and the word "branch." Less stringent limitations apply in large cities and counties adjacent to the parent bank's home county. Approval of branches is necessary from the Governor, the State Comptroller, and the Attorney General, or any two of the three.

Mergers are permitted when the stockholders of participating banks give two-thirds majority approval to a joint resolution of the boards of directors detailing the merger plan. Approval of the State Comptroller must also be obtained in situations where the resulting bank is a state bank. The law is not clear where the resulting bank is a national bank. According to the State Comptroller, holding company operation and formation is prohibited.

Tennessee. Branching is permitted when the branch is to be within the county of the parent bank and the approval of the Superintendent of Banks is obtained. Branches in other counties established before April 6, 1925, may be continued.

Mergers are permitted when the participating banks are within the same county and when a joint resolution by the participating boards of directors defining the merger is accepted by stockholders. Approval by the Superintendent of Banks is necessary when the resulting bank is to be a state bank. There is no specific statute regarding the formation and operation of holding companies.

Sixth District. Thus, as is evident, all states in the Sixth Federal Reserve District permit some form of branch banking, with the exception of Florida. There, in the absence of branching, holding companies are the most common vehicle of bank expansion. During the 1960's, there were 51 holding company acquisitions or formations in Florida. In states where some branching is permitted, banks are more likely to use mergers as a method of expansion, but the extent to which they are used partly reflects the liberality of branch banking laws.

Among District states, Georgia and Tennessee experienced a majority of the merger activity, followed by Mississippi and Alabama. Since branching is prohibited in one of the District states and is limited in others, it is not surprising that there have been only 28 mergers in the Sixth District during the 1960-1969 period, in sharp contrast with 56 holding company acquisitions or formations.[2] Quite the opposite is true in most other parts of the country.

Federal Law

In addition to state law, Federal law plays an important role in bank mergers. To specify the

[2] *In 1970, 2 additional mergers were announced, compared with 39 holding company acquisitions or formations.*

standards that regulatory agencies should apply to bank mergers, Congress passed the Bank Merger Act of 1960. The Act stipulated that before a merger could be consummated, one of the three banking regulatory agencies would have to give its written approval. Which agency would have the final responsibility for approval would depend on the classification of the resulting bank. The Comptroller of the Currency was given jurisdiction if the resulting bank were to be a national bank; the Board of Governors of the Federal Reserve System, for a state member; and the Federal Deposit Insurance Corporation, for an insured nonmember bank.

Before granting consent to any merger, the regulatory agency was required to consider seven points: (1) the financial history and condition of the banks involved, (2) the adequacy of the resulting bank's capital structure, (3) the future earnings prospect of the resulting bank, (4) the general character of the resulting bank's management, (5) the convenience and needs of the community to be served, (6) an evaluation of the transaction's effect on competition, and (7) assurance that the resulting bank's corporate powers would be consistent with the Bank Merger Act.

In addition, before giving approval or disapproval to any merger, the Bank Merger Act required the appropriate regulatory agency to request competitive factors reports from the other two regulatory agencies and from the Attorney General. Normally, the reports had to be submitted within thirty days, but in an emergency situation, ten days would be the deadline. After a merger was approved, the deciding agency was to include in its annual report a description of each merger, the name and resources of each bank involved, a summary of the Attorney General's report, and a statement by the deciding agency as to the basis for its approval.

After passage of the Act in 1960, banking was generally believed to be exempt from many provisions of general antitrust legislation. However, this idea was short lived. Soon after the Act was passed, the Justice Department filed a complaint against the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank. The Justice Department contended that the banks' proposed union would be in violation of Section 7 of the Clayton Act and Section 1 of the Sherman Act.[3] In 1963, the Supreme Court concurred with the Justice Department's position as to the applicability of Section 7, and the banks never merged. The high court held that merger of the two largest banks in that section of the country would enable the resulting institution to control effectively 30 percent of the line of commerce (banking) in the local market, a level of market concentration that was regarded as unacceptable.

Other disputed mergers and the realization that clearer standards were needed to appraise bank mergers prompted Congress to pass the Bank Merger Act of 1966. This Act specifically made banks subject to Clayton and Sherman Act standards. In essence, each of the three regulatory agencies is required to subject the proposed merger to basically the same conditions contained in the 1960 Bank Merger Act, but with important additional considerations: (1) The deciding agency could not approve any merger that would result in a monopoly or that would further any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States (much of this wording parallels that of the Sherman Act). (2) It also could not approve any merger transaction, in any section of the country, the effect of which might be substantially to lessen competition, or that would tend to create a monopoly, or that would be, in any other manner, a restraint of trade (much of this wording parallels that of the Clayton Act), unless the anticompetitive effects are "clearly outweighed in the public interest by the probable effect of the transactions in meeting the convenience and needs of the community to be served." (3) Under ordinary conditions, the merger cannot be consummated until 30 days after approval. If possible bank failure is involved, the merger could take place immediately, or if some other emergency situation existed, the merger could take place five days after approval. (4) Any litigation must begin before the earliest date on which a merger might be consummated. Such initiated litigation would serve to delay the effective date of the agency's approval until the issues were resolved in court. However, any litigation attacking a merger decision must utilize the same standards that the agencies were required to use in making their decisions. (5) A merger may not be challenged after its consummation for any violation of antitrust law, with the exception of Section 2 of the Sherman Act.

District Mergers in the National Spotlight

After being challenged by the Justice Department, three mergers involving District banks received national attention. The first such merger took place in Nashville, Tennessee, and merged the Third National Bank in Nashville and Nashville Bank and Trust Company. The Comptroller of the

[3] *Section 7 of the Clayton Act, in summary, prohibits stock acquisitions the effect of which may be substantially to lessen competition or tend to create a monopoly in any line of commerce in any section of the country. Section 1 of the Sherman Act prohibits any unlawful combination or unreasonable restraint of trade and commerce.*

Currency approved the merger on August 4, 1964, but on August 10, the Justice Department challenged this approval. The District Court upheld the merger on November 22, 1966, but the judgment was reversed on March 4, 1968, when the U. S. Supreme Court held that the merger violated Section 7 of the Clayton Act. A settlement was arranged, the result being that Third National was required to spin off some of its assets, deposits, and offices and form a new bank. Important to future mergers was the judicial reasoning involved in the decision. It was established that the final determinant of a merger's legality would be the effect of that merger upon the public interest. And, if merging banks claim, in the face of substantially adverse competitive factors, that the results of a merger would advance the public interest, it was made clear that the banks must bear the burden of proof for this line of reasoning. Not only must the banks prove that the benefits of the merger to the public clearly outweigh the anticompetitive effects, they must also show that the public cannot reasonably be expected to receive the benefits in any other way except through the merger.

Another case important in the District involved the merger of two Mississippi banks: the Bank of Greenwood and the First National Bank of Jackson. The Comptroller of the Currency approved the merger on April 29, 1968, but on May 28, 1968, the Justice Department announced its intentions to block the proposal on a Section 7 violation. The District Court decided against the Justice Department's challenge and the banks merged on June 27, 1969. The most important aspect of the decision was the ruling by the court that the relevant line of commerce was broader than commercial banking. The court ruled that in local markets, the entire scope of financial activities carried on by commercial banks, not just its unique ability to accept demand deposits, must be viewed in determining the appropriate line of commerce within which to measure the anticompetitive aspects.

Still another merger involving District banks that achieved national prominance was the union of the Deposit Guaranty National Bank—Jackson, Mississippi—and the City Bank and Trust Company—Natchez, Mississippi. The merger was approved by the Comptroller of the Currency on April 29, 1968, but it, too, was challenged by the Justice Department as violating Section 7 of the Clayton Act. The final settlement resulted in a consent judgment by Deposit Guaranty and the Justice Department. (The Comptroller of the Currency, a party to the suit on the side of the banks, did not sign the consent judgment.) The original suit filed by the Justice Department was based on the premise that Deposit Guaranty had the necessary resources to branch into Natchez. The Justice Department pointed out that Deposit Guaranty had established ten *de novo* offices in Jackson during recent years and, through mergers, had established itself in four counties outside its home county. It was the Justice Department's opinion that potential competition would be lessened if two of Mississippi's largest banks (Deposit Guaranty and First National Bank of Jackson) established a trend by acquiring banks that already operated in well-developed markets in other parts of the state. On November 24, 1969, the merger was allowed, but the settlement also stipulated that Deposit Guaranty would be prohibited for a period of ten years from acquiring control of any other commercial bank in Mississippi without the approval of the Justice Department.[4]

Characteristics of Merging Banks

When two or more banks merge, the merger application designates one bank as the acquiring bank; thus, the remaining one or ones are acquired banks. In order to highlight the main characteristics of these two groups, ratio comparisons of selected financial data were made. Out of a total of 28 acquiring and 33 acquired banks in the six states of the District between 1960 and 1969, 25 acquiring and 27 acquired banks were used in the analysis.[5] Of the 25 acquiring banks, 17 were national banks; 3 were state members; and 5 were state nonmember par banks. On the other hand, the 27 acquired banks were composed of only 7 nationally chartered banks, 13 state nonmember par banks (almost twice the number of acquiring banks), and 7 state nonmember, nonpar banks. There were no state member banks. Not surprisingly, acquiring banks were larger than acquired banks; the median asset size (or middle value) of the acquiring banks near the time of acquisition was $49,566,000—contrasting sharply with the $11,276,000 asset size of the acquired banks.

The size range of the banks involved in the study clouded somewhat the comparisons of the resulting financial ratios. Nevertheless, some generalizations can be made as a result of the

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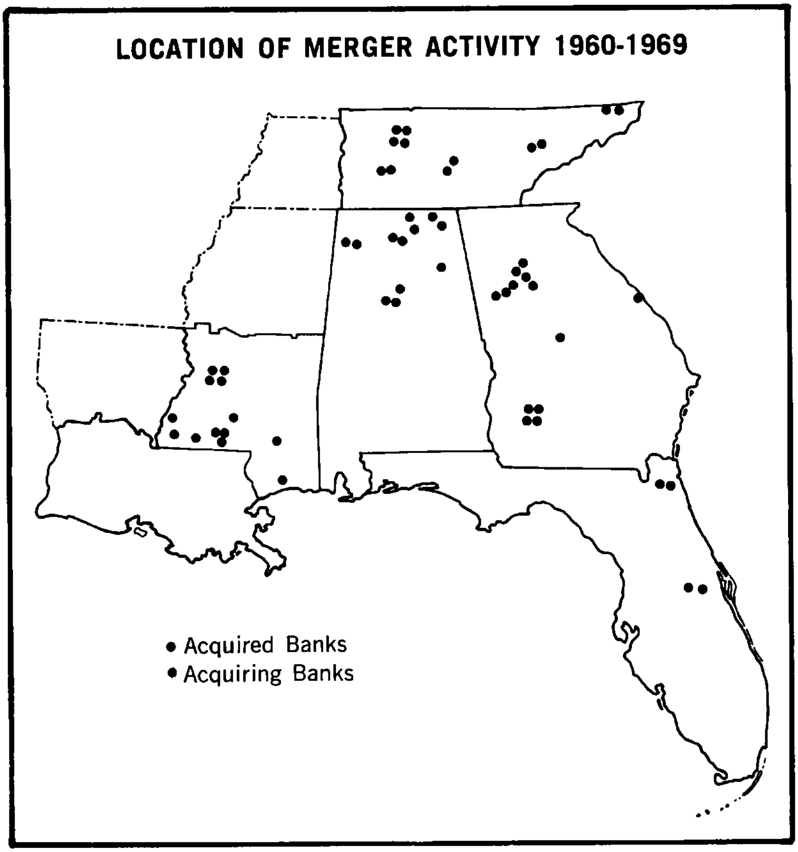
[4] *In early 1971, still another three cases involving Atlanta's three largest banks received considerable attention.*

[5] *Three acquiring and six acquired banks were not considered in the analysis. Two facilities were trust companies without demand deposits; three banks were located outside the Sixth District; and four banks were not allowed to merge as a result of a court decision.*



analysis. Aside from the large differences in size, *acquiring* banks generally possessed less U. S. Government securities as a percentage of total assets than did acquired banks, a smaller portion of consumer loans of their total loans, and a larger portion of their total loans as real estate loans and as commercial and industrial loans. This was in contrast to *acquired* banks that had more Government securities as a percentage of total assets, a larger portion of total loans as consumer loans, and a smaller portion of real estate loans and commercial and industrial loans than did acquiring banks. These differences are not too surprising in view of the historical development of most bank mergers in which smaller outlying banks were acquired by larger, metropolitan institutions. In fact, the number of times in which merging banks were not in the same town was nearly double the rate of mergers among banks in the same town.

Other selected ratios proved to be interesting—and to some observers of the banking scene, possibly surprising. Loan-to-deposit ratios, an often-used measure of whether banks are meeting the borrowing needs of the community or areas that they serve, were not too different for the two groups of banks, based on a comparison of median values. These results imply that according to this measure, one group was not serving the public any better than the other.

What about profitability? To determine if there were any differences between the two groups' operations from this standpoint, two measures were used for comparison: (1) net income after taxes as a percentage of total assets and (2) net income after taxes as a percentage of total capital.[6] The median values of both ratios were identical or practically equal for both groups, indicating that neither was operating much more profitably than the other. The same was essentially true for the comparison of earnings ratios shown in Table 1.

Thus, it seems that based on the foregoing ratios, acquiring and acquired banks had many of the same characteristics, other than their obvious difference in size. Undoubtedly, a more

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[6] *The ratio of net income after taxes to total assets gives an indication of how profitably a bank has been*

TABLE I

Except for Asset Size, Acquiring and Acquired Banks Had Many of the Same Characteristics

	Acquiring Banks (25 Banks) Median	Acquired Banks (27 Banks) Median
Asset Size ($000)	49,566	11,276
Asset Structure	%	%
Total loans as a percentage of total assets	49.5	48.9
U. S. Government securities as a percentage of total assets	17.5	21.3
Bank premises as a percentage of total assets	2.0	1.1
Loan Structure		
Real estate loans as a percentage of total gross loans	14.9	12.8
Financial loans as a percentage of total gross loans	1.0	0.0
Farm loans as a percentage of total gross loans	2.9	0.7
Commercial and industrial loans as a percentage of total gross loans	32.9	10.4
Consumer loans as a percentage of total gross loans	26.5	37.1
Auto loans as a percentage of consumer loans	38.5	25.2
Miscellaneous Ratios		
Total gross loans as a percentage of total deposits	58.6	53.5
Savings deposits as a percentage of total deposits	18.0	27.0
IPC deposits as a percentage of total demand deposits	78.5	89.5
Profitability Ratios		
Net income after taxes as a percentage of total capital	9.6	9.1
Net income after taxes as a percentage of total assets	0.8	0.8
Earnings Ratios		
Interest and fees on loans as a percentage of total loans	6.6	7.1
Service charges on demand deposit accounts as a percentage of total demand deposits	0.5	0.8
Current operating income as a percentage of total assets	4.8	5.4
Expenses Ratios		
Wage and salary expenses as a percentage of total assets	1.2	1.3
Interest on time and savings deposits as a percentage of total assets	1.0	1.4
Current operation expenses as a percentage of total assets	3.7	4.1

NOTE: Comparisons based on data from Reports of Condition and Income and Dividends as of the closest reporting date prior to merger.

valid comparison could have been made if the variability in banking size had been less.

Effect on Banking Concentration

The effect of the mergers with respect to the concentration of banking resources in the District and respective states has been slight. This is evident in Table 2, which shows the number of banks, excluding branches and offices, as of June 30, 1960 and 1970. For each state, the number of banks "lost" through mergers over the ten-year

able to utilize its resources in terms of after-tax returns. It incorporates all aspects of a bank's operation, including current income and expenses, nonoperating items, and taxes. No consideration is given to the return on stockholder's equity. A ratio that does is net income to total capital. However, it should be remembered that two banks may have the same amount of total assets and net income after taxes; yet, the ratios of net income to capital will be different if one bank is more heavily capitalized than another. See Ernest Kohn, The Future of Small Banks—An Analysis of Their Ability to Compete with Large Banks. (Albany: New York State Banking Department, 1966), p. 8.

Sixth Distri
1960-

ACQUIRING BANK	ACQUIRED BANK	RESULTI
1960		
The Citizens and Southern National Bank Savannah, Georgia	City Bank and Trust Company Macon, Georgia	The Citizens and
1961		
First National Bank in Bristol Bristol, Tennessee	The First National Bank of Kingsport Kingsport, Tennessee	The First National B
First State Bank of Albany Albany, Georgia	Albany Trust and Banking Company Albany, Georgia	First State Bank an
1962		
Commerce Union Bank Nashville, Tennessee	Broadway National Bank Nashville, Tennessee	Commerce Union
Citizens National Bank of Orlando Orlando, Florida	Central Trust Company of Orlando Orlando, Florida[1]	Citizens National
The Citizens and Southern National Bank Savannah, Georgia	The Citizens and Southern Bank of Atlanta Atlanta, Georgia	Citizens and Sou
1963		
Birmingham Trust National Bank Birmingham, Alabama	Bank for Savings and Trusts Birmingham, Alabama	Birmingham Trust N
1964		
Fidelity-Bankers Trust Company Knoxville, Tennessee[1]	Tennessee Valley Bank Knoxville, Tennessee	Valley Fidelity Bank
Third National Bank in Nashville Nashville, Tennessee	The Nashville Bank and Trust Company Nashville, Tennessee	Third National Bank
Mechanics-State Bank McComb, Mississippi	Farmers Exchange Bank Centerville, Mississippi	Mechanics State Ba
State National Bank of Alabama Decatur, Alabama	The First National Bank in Gadsden Gadsden, Alabama	State National Ban
1965		
Deposit Guaranty National Bank Jackson, Mississippi	Greenville Bank and Trust Company Greenville, Mississippi[3] Lawrence County Bank Monticello, Mississippi Mechanics State Bank McComb, Mississippi	Deposit Guaranty N
The First National Bank of Jackson Jackson, Mississippi	Amite County Bank Gloster, Mississippi Commercial National Bank of Greenville Greenville, Mississippi[3] First National Bank of McComb City McComb, Mississippi Tylertown Bank Tylertown, Mississippi	The First National B
1966		
City National Bank of Russellville Russellville, Alabama	Vina Banking Company Vina, Alabama	City National Bank
The First National Bank of McMinnville McMinnville, Tennessee	The Farmers and Merchants Bank Viola, Tennessee	The First National I
1968		
The Citizens and Southern National Bank Savannah, Georgia	The Commercial and Savings Bank of Augusta Augusta, Georgia	The Citizens and S
Marine National Bank of Jacksonville Jacksonville, Florida	Central National Bank of Jacksonville Jacksonville, Florida	Marine National Ba
Deposit Guaranty National Bank Jackson, Mississippi	City Bank and Trust Company Natchez, Mississippi	Deposit Guaranty N
The First National Bank of Jackson Jackson, Mississippi	The Bank of Greenwood Greenwood, Mississippi[3]	The First National
American Bank of Atlanta Atlanta, Georgia	The Peoples Bank Atlanta, Georgia	Peoples American
The First National Bank of Huntsville Huntsville, Alabama	Farmers and Merchants Bank Madison, Alabama	The First National
First State Bank and Trust Company Albany, Georgia	Albany Savings Bank Albany, Georgia	First State Bank an
The Middle Tennessee Bank Columbia, Tennessee	The Hampshire Bank Hampshire, Tennessee	The Middle Tennes
1969		
Trust Company of Georgia Atlanta, Georgia	Atlanta Bank and Trust Company Atlanta, Georgia	Trust Company of (
The Citizens and Southern DeKalb Bank Avondale Estates, Georgia	The Citizens and Southern Belvedere Bank Decatur, Georgia	The Citizens and S
Central Bank and Trust Company Birmingham, Alabama	State National Bank of Alabama Decatur, Alabama	
First National Bank of Hattiesburg Hattiesburg, Mississippi	First National Bank of Biloxi Biloxi, Mississippi	First Mississippi N
The First National Bank of Scottsboro Scottsboro, Alabama	American National Bank of Bridgeport Bridgeport, Alabama	The First National

[1]Trust company without deposits
[2]Challenged by Justice Department; merger dissolved
[3]Out of District
[4]Challenged by Justice Department; settlement later arranged
[5]Challenged by the Justice Department; District Court ruled against challenge
[6]Blocked by Federal judge on basis of a Federal law prohibiting the merger of a national bank into a state chartered bank where state la

ct Mergers
1969

NG BANK	REGULATORY ACTION	DATE OF MERGER	CITATION
hern National Bank	Approved	September 23, 1960	Comptroller of Currency Annual Report 1960
Bank of Sullivan County	Approved	February 8, 1961	Comptroller of Currency Annual Report 1961
Trust Company	Approved	March 2, 1961	F.D.I.C. Annual Report 1961
k	Approved	May 2, 1962	Federal Reserve Bulletin May 1962
Bank of Orlando	Approved	May 3, 1962	Comptroller of Currency Annual Report 1962
hern National Bank	Approved	May 4, 1962	Comptroller of Currency Annual Report 1962
ational Bank	Approved	December 5, 1963	Comptroller of Currency Annual Report 1963
and Trust Company	Approved	April 1, 1964	F.D.I.C. Annual Report 1964
in Nashville	Approved[2]	August 4, 1964	Comptroller of Currency Annual Report 1964
nk	Approved	December 9, 1964	F.D.I.C. Annual Report 1964
of Alabama	Approved	December 18, 1964	Comptroller of Currency Annual Report 1964
tional Bank	Approved	December 10, 1965	Comptroller of Currency Annual Report 1966
ank of Jackson	Approved	December 10, 1965	Comptroller of Currency Annual Report 1966
Russellville	Approved	April 29, 1966	Comptroller of Currency Annual Report 1966
nk	Approved	July 27, 1966	Comptroller of Currency Annual Report 1966
thern National Bank	Approved	February 21, 1968	Comptroller of Currency Annual Report 1968
of Jacksonville	Approved	May 23, 1968	Comptroller of Currency Annual Report 1968
ional Bank	Approved[4]	April 29, 1968	Comptroller of Currency Annual Report 1968
nk of Jackson	Approved[5]	April 29, 1968	Comptroller of Currency Annual Report 1968
k of Atlanta	Approved	August 8, 1968	F.D.I.C. Annual Report 1968
k of Huntsville	Approved	August 22, 1968	Comptroller of Currency Annual Report 1968
Trust Company	Approved	November 1, 1968	F.D.I.C. Annual Report 1968
Bank	Approved	November 25, 1968	Federal Reserve Bulletin December 1968
gia	Approved	September 18, 1969	Federal Reserve Bulletin October 1969
hern DeKalb Bank	Approved	October 10, 1969	F.D.I.C. Annual Report 1969
	6		
nal Bank	Approved	August 29, 1969	Comptroller of Currency
k	Approved	June 26, 1969	Comptroller of Currency

akes such a merger more restrictive than the Federal procedure

TABLE 2

	Total Banks Mid-1960	Total Banks Mid-1970	Banks "Lost" by Merger Between 1960 and 1959[1] Number[2]
Alabama	321	330	5
Florida	336	483	2
Georgia	696	438	8
Louisiana	295	328	—
Mississippi	232	269	9
Tennessee	273	350	7

[1]Par and nonpar banks within entire state; excludes branches and offices

[2]Absorptions within Sixth District portion of states only

period, when compared with the number of banks existing in mid-1970, was extremely small. For the District, the figure was about 2 percent. If the table had included all branches and offices, the percentage of banks "lost by mergers" would have, of course, been smaller.

In summary, it is clear that Federal and state legislation have played an important role in shaping District merger activity. This was particularly evident in the three mergers that received nationwide attention in the Sixties. Yet, over the past ten years, the effect of bank mergers on the concentration of banking resources has been minimal. And, aside from size, Sixth District banks that were involved in merger activity, whether they were acquiring or acquired banks, displayed many of the same characteristics. ■

Bank Announcements

MARCH 1, 1971
SECURITY FIRST NATIONAL BANK
Plantation, Florida

Opened for Business. Officers: Howard Boteler, president; and Grace A. Cronin, cashier. Capital, $500,000; surplus and other capital funds, $500,000.

MARCH 2, 1971
LONGBOAT KEY BANK
Longboat Key, Florida

Opened for business as a member. Officers: Emmet Addy, chairman; Charles D. Bailey, president; Joe B. Jenkins and John P. Siegel, vice presidents; and Hollis Turbeville, cashier. Capital, $300,000; surplus and other capital funds, $135,000.

MARCH 4, 1971
GWINNETT COUNTY BANK
Snellville, Georgia

Opened for business as a nonmember. Officers: H. Vance Eaddy, Jr., president; Thomas W. Briscoe, vice president; and Philip N. Britt, cashier. Capital, $250,000; surplus and other capital funds, $250,000.

MARCH 8, 1971
BANK OF AMERICA INTERNATIONAL OF FLORIDA
Miami, Florida

Opened for business as a nonmember.

MARCH 15, 1971
EAST FIRST NATIONAL BANK
Fort Myers, Florida

Opened for business. Officers: Edward M. Henry, president; James W. McFadden, executive vice president; John S. Lowman, III, vice president and cashier; and W. H. McCloskey, assistant vice president. Capital, $600,000; surplus and other capital funds, $300,000.

MARCH 18, 1971
BARNETT BANK OF ORLANDO
Orlando, Florida

Opened for business as a nonmember. Officers: Wayne E. Puls, president; Dan W. Stebbins, executive vice president; Julius T. Williams, Jr., cashier; and Ronald G. Melvin, assistant cashier. Capital, $500,000; surplus and other capital funds, $300,000.

MARCH 30, 1971
FOXWORTH BANK
Foxworth, Mississippi

Opened for business as a nonmember. Officers: H. Donald Estes, executive vice president; and Clinton Summers, cashier. Capital, $62,500; surplus and other capital funds, $87,500.

Florida: Sunny Skies Ahead?

by Arnold Dill

For a long time, Florida has been growing more rapidly than the rest of the nation. However, in the past, Florida's growth has been interrupted—though not reversed—by national recessions.[1] The recessionary conditions of 1970 proved no exception, as the Sunshine State's growth slowed significantly. Now that the nation's economy is in the recovery phase, have Florida's economic skies brightened?

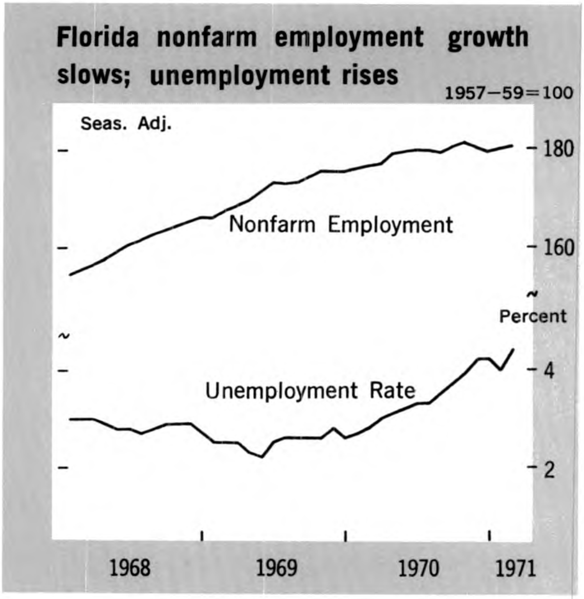
Florida businessmen and bankers have been scanning the economic horizon for the answer to this question. So far, they have noticed a mild turnaround in residential construction contracts, which declined considerably last year. Another plus factor is the rise in bank debits during January and February. This rough gauge of spending was on a plateau during the last nine months of 1970. On the negative side, Florida's nonfarm employment failed to increase in December and January and rose only slightly in February. Therefore, from the scattered evidence available so far, it does not appear that Florida's growth has picked up much from last year's slow pace.

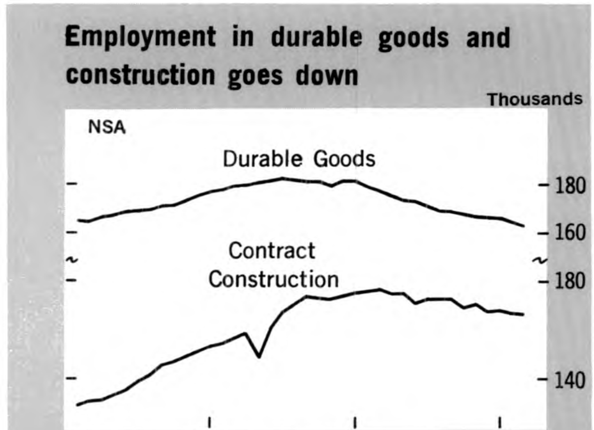
Slow Growth in 1970

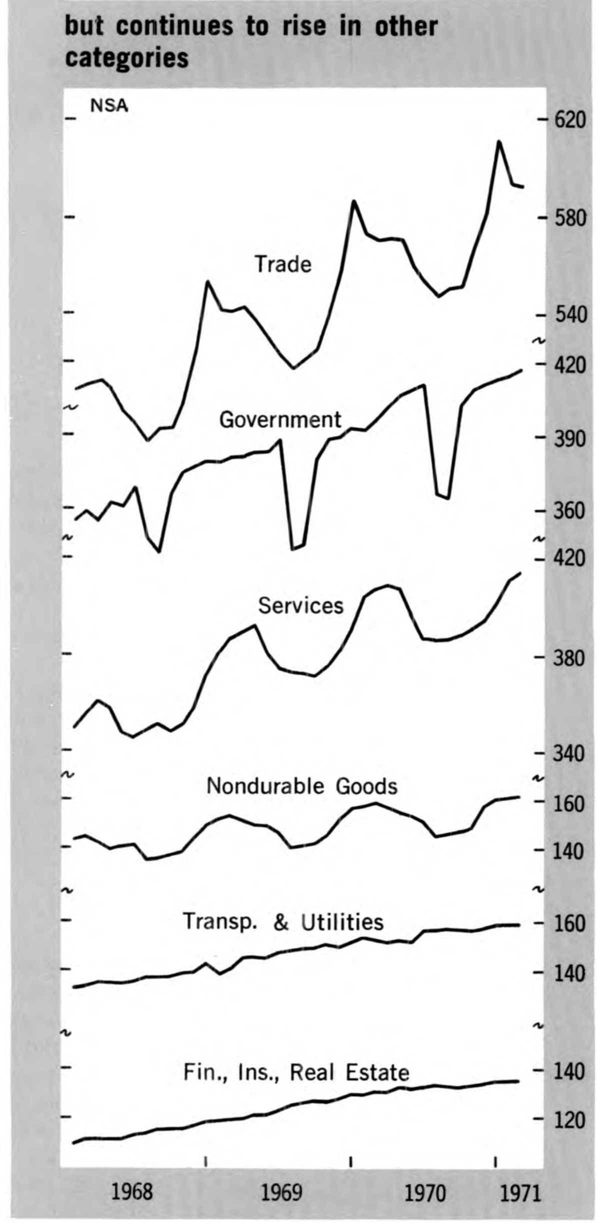
Much of last year's slow growth in Florida reflects sluggish national economic activity that, in general, reduced demand for goods and services. This, in turn, weakened the demand for labor, and unemployment went up. However, Florida's unemployment rate—which averaged 3.4 percent in 1970—was enviable when compared with the national average of 4.9 percent.

Cyclical fluctuations usually have a greater impact on residential construction and durable goods manufacturing than on such relatively stable sectors

[1] *Lawrence F. Mansfield, "A New Twist in Florida," this Review, March 1962, pp. 4-6.*







as trade and services. At least this was true in Florida last year, since construction and durable goods bore the brunt of the slowdown.[2]

The number of construction jobs in Florida declined throughout 1970, after rising sharply in 1968 and 1969. However, the 1970 decline in construction employment was mild, compared with the decrease during the 1960-61 U. S. recession. The slowdown in Florida's construction industry is evident in the dollar value of total construction contract awards, which rose only 2 percent last year (based on annual averages). This was an abrupt change of pace from the 28-percent increase during 1969. Most of the weakness in construction was in the important residential category where contracts declined 12 percent last year, compared with a 30-percent rise in 1969. Nonresidential building fared somewhat better, with awards climbing 11 percent, only half of the 1969 percent rise. In the nonbuilding sector of construction—electric generating plants, roads, etc.—1970's surge in contracts, 60 percent, actually exceeded the strong 35-percent gain in 1969.

In durable goods manufacturing, employment leveled off in the second half of 1969 and then declined steadily throughout 1970. Unlike construction, the decline in jobs in durable goods manufacturing was more severe in 1970 than it was during the 1960-61 recession. The

[2] *Relative to the rest of the nation, construction employment is large and durable goods employment small in Florida.*

sharpest decline in durable goods employment last year—about 18 percent—occurred in the "ordnance and miscellaneous" subcategory. This is directly related to less military demand for munitions. Sharp declines also occurred in the more important "electrical equipment and supplies" and "transportation equipment" subcategories. Such declines mirror weakness in the aerospace industry, in particular, and in consumer and investment spending, generally.

Except for construction and durable goods manufacturing, Florida employment rose steadily last year, although at a slightly lower rate than in 1969. In the wholesale and retail trade, services, and government categories combined—which make up over 60 percent of the nonfarm jobs in Florida—employment rose about 5 percent during 1970, compared with a little more than a 6-percent gain in 1969.

Nonfarm employment growth in 1970 was off most sharply along the Gold Coast, mainly because of a drop in residential construction but also because of declines in durable goods manufacturing—especially in the Fort Lauderdale area. The drop in residential construction resulted from a variety of influences: weakness in the national economy, the drop in the stock market during the first half of 1970, the high cost of mortgage money and restricted savings flows, the rapid rise in land and construction costs, and the extremely large increases in residential construction during the late 1960's. Further up the East Coast, employment in 1970 continued to contract sharply in the Cape Kennedy area, as space-related jobs disappeared about as rapidly as they had appeared a few years earlier.

In north Florida, employment growth was off only mildly and in the Orlando and Tampa areas, actually accelerated. In the Orlando area, increases in construction employment (associated with Disney World) more than offset declines in durable goods manufacturing. In Tampa, not only did construction employment hold up well, but jobs in durable goods manufacturing increased, in sharp contrast to most other areas of Florida. In neighboring St. Petersburg, however, employment growth was off substantially because of employment declines in the electronics industry. And in the diversified cities of Pensacola and Jacksonville, employment growth was off slightly more than in the nation.

Percentage Change in Total Nonfarm Employment

(Based on annual averages)

	1968 to 1969	1969 to 1970
U. S.	3.0	1.2
Florida	7.1	4.1
Brevard (Cape Kennedy)	-3.0	-9.1
Broward (Fort Lauderdale)	15.9	6.8
Dade (Miami)	7.7	4.3
Duval (Jacksonville)	4.1	1.9
Escambia and Santa Rosa (Pensacola)	4.1	1.2
Hillsborough (Tampa)	4.9	6.1
Orange and Seminole (Orlando)	6.7	7.2
Palm Beach (West Palm Beach)	9.5	5.8
Pinellas (St. Petersburg)	7.4	4.5
Volusia (Daytona)	3.3	1.8

Rapid Growth Ahead?

Now that the nation's economy has begun to recover, the big question is whether or not the Sunshine State will resume a rapid rate of growth during the rest of 1971. Only time will tell. But, when all is considered, Florida's tempo will probably depend on how fast the national economy recovers and on how well the state's growth industries— construction, manufacturing, tourism, and recreation—perform relative to the national economy.

Residential construction will play an important role in any rebound in Florida. Still, it remains to be seen if more and cheaper mortgage money, a return to more prosperous conditions nationally, and the expanding ranks of the retired will cause a considerable increase in demands for Florida residences, especially for luxury housing along the Gold Coast. Although residential construction has turned around, a surge in demand has not yet materialized. This is perhaps an indication that residential construction in Florida will not boom in 1971, just as it did not during the recovery from the 1960-61 recession.

Manufacturing employment in Florida can be expected to parallel changes in industrial production nationally. So far, the production rebound has not been strong (except for GM strike-affected output), and durable goods employment in Florida declined further in February. Furthermore, there appears to be no early turnaround in Florida's aerospace-related business industry.

On the other hand, Florida's recreation industry and tourism may already be benefiting from the recovery of stock prices since last summer. Any return to more prosperous conditions is likely to be translated into even more tourists with more money. The opening of Disney World in October should also give Florida's recreation business a big boost. Nevertheless, all things considered, Florida's economic skies, like those nationally, may be clearing slowly. ■

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Feb.	133	132	131	129
Farm Cash Receipts	Jan.	128	106	88	119
Crops	Jan.	136	112	100	120
Livestock	Jan.	133	141	112	138
Instalment Credit at Banks* (Mil. $)					
New Loans	Feb.	365	321	341	311
Repayments	Feb.	344	324	338	276
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment†	Feb.	112	112	111	111
Manufacturing	Feb.	106	106	106	109
Nondurable Goods	Feb.	107	108	107	108
Food	Feb.	105	105	104	104
Textiles	Feb.	104	104	104	108
Apparel	Feb.	102	103	103	102
Paper	Feb.	110	110	110	112
Printing and Publishing	Feb.	114	115	113	113
Chemicals	Feb.	105	106	107	108
Durable Goods	Feb.	105	105	105	109
Lbr., Wood prods., Furn. & Fix.	Feb.	101	101	100	102
Stone, Clay, and Glass	Feb.	106	107	107	107
Primary Metals	Feb.	105	106	106	106
Fabricated Metals	Feb.	113	112	112	116
Machinery, Elec. & Nonelec.	Feb.	160	160	161	168
Transportation Equipment	Feb.	106	104	105	111
Nonmanufacturing	Feb.	114	114	112	111
Construction	Feb.	113	114	105	112
Transp., Comm., & Pub. Utilities	Feb.	113	113	112	110
Trade	Feb.	114	113	111	111
Fin., ins., and real est.	Feb.	119	118	118	115
Services	Feb.	116	116	116	114
Federal Government	Feb.	100	102	101	100
State and Local Government	Feb.	119	119	118	114
Farm Employment	Feb.	92	93	91	91
Unemployment Rate (Percent of Work Force)†	Feb.	4.8	4.6	4.8	3.8
Insured Unemployment (Percent of Cov. Emp.)	Feb.	2.9	3.0	2.9	2.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	40.0	40.7	40.1	40.3
Construction Contracts*	Feb.	131	126	156	151
Residential	Feb.	143	123	175	150
All Other	Feb.	120	130	137	151
Electric Power Production**	Feb.	162	165	164	165
Cotton Consumption**	Jan.	93	90	85	90
Petrol. Prod. in Coastal La. and Miss.**	Feb.	311	303	309	271
Manufacturing Production	Jan.	245	245r	242	239
Nondurable Goods	Jan.	211	210	210	205
Food	Jan.	169	169r	170	160
Textiles	Jan.	239	237r	236	233
Apparel	Jan.	266	265r	264	254
Paper	Jan.	200	199r	198	204
Printing and Publishing	Jan.	167	165r	166	171
Chemicals	Jan.	264	267	270	259
Durable Goods	Jan.	286	286r	281	280
Lumber and Wood	Jan.	168	168r	171	168
Furniture and Fixtures	Jan.	180	182r	184	190
Stone, Clay and Glass	Jan.	172	172r	168	170
Primary Metals	Jan.	204	198	196	202
Fabricated Metals	Jan.	246	246r	242	246
Nonelectrical Machinery	Jan.	359	371r	340	348
Electrical Machinery	Jan.	617	627r	624	553
Transportation Equipment	Jan.	354	346r	341	361
FINANCE AND BANKING					
Loans*					
All Member Banks	Feb.	373	369	372	342
Large Banks	Feb.	308	305	311	287
Deposits*					
All Member Banks	Feb.	264	258	254	225
Large Banks	Feb.	215	212	210	185
Bank Debits*/**	Feb.	303	301	289	279
ALABAMA					
INCOME					
Manufacturing Payrolls	Feb.	133	132	129	130
Farm Cash Receipts	Jan.	162	121	92	156
EMPLOYMENT					
Nonfarm Employment†	Feb.	107	107	105	106
Manufacturing	Feb.	108	108	108	110
Nonmanufacturing	Feb.	106	106	104	105
Construction	Feb.	106	101	83	103
Farm Employment	Feb.	86	88	89	88

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)†	Feb.	4.9	4.9	5.5	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	39.9	40.6	39.8	40.5
FINANCE AND BANKING					
Member Bank Loans	Feb.	342	333	336	311
Member Bank Deposits	Feb.	247	244	240	213
Bank Debits**	Feb.	257	264r	257	249
FLORIDA					
INCOME					
Manufacturing Payrolls	Feb.	141	140	132	137
Farm Cash Receipts	Jan.	101	117	85	118
EMPLOYMENT					
Nonfarm Employment†	Feb.	119	119	119	117
Manufacturing	Feb.	109	109	108	113
Nonmanufacturing	Feb.	121	121	121	118
Construction	Feb.	134	132	125	142
Farm Employment	Feb.	89	97	100	88
Unemployment Rate (Percent of Work Force)†	Feb.	4.4	4.0	4.2	2.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	41.4	41.0	40.5	40.9
FINANCE AND BANKING					
Member Bank Loans	Feb.	423	421	420	384
Member Bank Deposits	Feb.	309	300	294	258
Bank Debits**	Feb.	326	318	308	287
GEORGIA					
INCOME					
Manufacturing Payrolls	Feb.	132	127	128	128
Farm Cash Receipts	Jan.	132	117	64	137
EMPLOYMENT					
Nonfarm Employment†	Feb.	112	112	111	112
Manufacturing	Feb.	104	103	103	109
Nonmanufacturing	Feb.	115	116	114	113
Construction	Feb.	105	110	108	107
Farm Employment	Feb.	94	87	90	91
Unemployment Rate (Percent of Work Force)†	Feb.	4.0	4.0	4.2	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	39.8	40.3	39.5	39.9
FINANCE AND BANKING					
Member Bank Loans	Feb.	363	362	369	347
Member Bank Deposits	Feb.	257	257	252	229
Bank Debits**	Feb.	365	349	339	340
LOUISIANA					
INCOME					
Manufacturing Payrolls	Feb.	128	127	125	122
Farm Cash Receipts	Jan.	118	99	103	98
EMPLOYMENT					
Nonfarm Employment†	Feb.	106	106	104	105
Manufacturing	Feb.	101	102	100	104
Nonmanufacturing	Feb.	107	107	105	105
Construction	Feb.	92	93	86	86
Farm Employment	Feb.	83	85	80	82
Unemployment Rate (Percent of Work Force)†	Feb.	6.4	6.4	6.6	5.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	42.5	42.4	42.0	41.4
FINANCE AND BANKING					
Member Bank Loans*	Feb.	306	303	295	282
Member Bank Deposits*	Feb.	209	203	201	177
Bank Debits*/**	Feb.	216	233	210	201
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Feb.	134	135	133	127
Farm Cash Receipts	Jan.	192	103	106	138
EMPLOYMENT					
Nonfarm Employment†	Feb.	110	110	109	108
Manufacturing	Feb.	109	110	109	109
Nonmanufacturing	Feb.	110	111	109	108
Construction	Feb.	111	116	108	107
Farm Employment	Feb.	99	98	95	99

		Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)†	Feb.	5.0	4.7	4.5	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Feb.	39.2	40.0	40.4	40.1
FINANCE AND BANKING					
Member Bank Loans*	Feb.	464	468	470	416
Member Bank Deposits*	Feb.	313	307	305	271
Bank Debits*/**	Feb.	320	300r	296	298

TENNESSEE

		Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
INCOME					
Manufacturing Payrolls	Feb.	128	134	134	126
Farm Cash Receipts	Jan.	111	102	128	99
EMPLOYMENT					
Nonfarm Employment†	Feb.	112	112	110	109
Manufacturing	Feb.	107	108	107	108
Nonmanufacturing	Feb.	116	115	111	110
Construction	Feb.	118	123	106	101
Farm Employment	Feb.	91	91	86	91
Unemployment Rate					
(Percent of Work Force)†	Feb.	4.8	4.5	4.7	3.7
Avg. Weekly Hours in Mfg. (Hrs.)	Feb.	38.7	40.5	39.9	39.7
FINANCE AND BANKING					
Member Bank Loans*	Feb.	364	354	366	325
Member Bank Deposits*	Feb.	240	233	232	203
Bank Debits*/**	Feb.	287	294	283	273

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

Note: Indexes for construction contracts, cotton consumption, employment, farm cash receipts, and payrolls: 1967=100. All other indexes: 1957-59=100.

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; cotton consumption, U.S. Bureau of Census; construction contracts, F. W. Dodge Div., McGraw-Hill Information Systems Co.; petrol. prod., U.S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

Debits to Demand Deposit Accounts

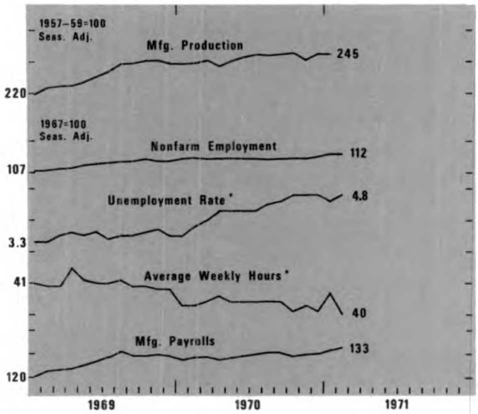
Insured Commercial Banks in the Sixth District
(In Thousands of Dollars)

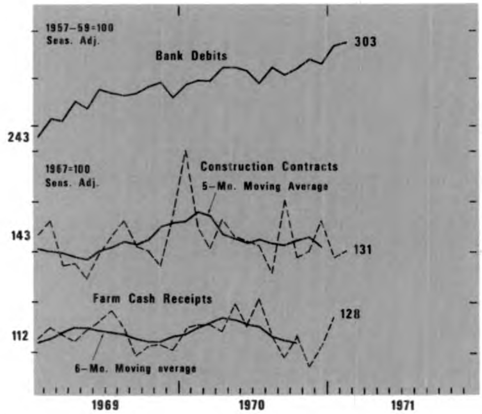
	Feb. 1971	Jan. 1971	Feb. 1970	Percent Change: Feb. 1971 from Jan. 1971	Feb. 1971 from Feb. 1970	Year to date 2 mos. 1971 from 1970
STANDARD METROPOLITAN STATISTICAL AREAS						
Birmingham	1,909,179	2,122,695r	1,875,881	−10	+ 2	+ 4
Gadsden	70,198	73,376	65,731	− 4	+ 7	+ 5
Huntsville	209,677	222,143	214,847	− 6	− 2	− 4
Mobile	624,001	675,764	574,749	− 8	+ 9	+ 4
Montgomery	384,434	409,314	336,355	− 6	+14	+10
Tuscaloosa	133,439	133,040	115,338	+ 0	+16	+ 9
Ft. Lauderdale—Hollywood	1,178,364	1,300,248	1,049,022	− 9	+12	+ 6
Jacksonville	1,989,672	1,970,677	2,000,832	+ 1	− 1	− 1
Miami	3,880,782	4,259,391	3,328,016	− 9	+17	+10
Orlando	826,795	912,935	740,216	− 9	+12	+ 9
Pensacola	296,128	310,234	222,128	− 5	+33	+27
Tallahassee	248,634	227,769	201,461	+ 9	+23	+21
Tampa-St. Pete.	2,299,018	2,607,638	2,047,331	−12	+12	+ 8
W. Palm Beach	742,784	779,562	666,037	− 5	+12	+ 4
Albany	119,176	132,642	106,361	−10	+12	+ 9
Atlanta	7,806,929	7,959,200	7,445,020	− 2	+ 5	+ 4
Augusta	325,761	348,906	292,470	− 7	+11	+ 9
Columbus	277,674	294,466	247,922	− 6	+12	+ 8
Macon	326,077	368,535	282,392	−12	+15	+13
Savannah	354,958	360,829	270,277	− 2	+31	+14
Baton Rouge	785,479	818,632	712,259r	− 4	+10	+ 4
Lafayette	157,118	185,579	154,679	−15	+ 2	+ 1
Lake Charles	174,326	182,210	157,684	− 4	+11	+ 2
New Orleans	2,648,226	3,163,482	2,497,335	−16	+ 6	+ 6
Biloxi-Gulfport	156,877	165,190	164,522	− 5	− 5	− 0
Jackson	903,865	848,208	863,522	+ 7	+ 5	+ 1
Chattanooga	810,017	1,015,360	760,908	−20	+ 6	+12
Knoxville	558,832	626,635	504,657	−11	+11	+ 9
Nashville	1,813,249	1,893,039	1,777,274	− 4	+ 2	+ 1
OTHER CENTERS						
Anniston	74,708	82,280	68,288	− 9	+ 9	+ 6
Dothan	94,162	99,464	83,897	− 5	+12	+12
Selma	47,526	50,022	48,136	− 5	− 1	− 2
Bartow	34,085	42,252	35,716	−19	− 5	−10
Bradenton	105,700	116,936	99,370	−10	+ 6	+ 4
Brevard County	199,811	242,944	199,880	−18	− 0	− 6
Daytona Beach	102,922	114,165r	94,128	−10	+ 9	+ 3
Ft. Myers—N. Ft. Myers	142,786	167,564	125,732	−15	+14	+14

	Feb. 1971	Jan. 1971	Feb. 1970	Percent Change: Feb. 1971 from Jan. 1971	Feb. 1971 from Feb. 1970	Year to date 2 mos. 1971 from 1970
Gainesville	134,254	126,089	107,148	+ 6	+25	+16
Lakeland	180,602	186,054	161,296	− 3	+12	+ 4
Monroe County	45,667	49,791	43,299	− 8	+ 5	+11
Ocala	102,325	98,079	95,699	+ 4	+ 7	− 1
St. Augustine	21,018	25,037	21,459	−16	− 2	− 7
St. Petersburg	561,377	625,022	414,495	−10	+35	+27
Sarasota	173,757	193,117	197,822	−10	−12	−10
Tampa	1,198,031	1,355,608	1,126,085	−12	+ 6	+ 3
Winter Haven	103,425	106,689	89,987	− 3	+15	+ 7
Athens	145,231	140,987	92,077	+ 3	+58	+43
Brunswick	53,263	62,307	53,585	−15	− 1	+ 1
Dalton	120,042	124,563	97,909	− 4	+23	+16
Elberton	13,185	16,652	18,482	−21	−29	−15
Gainesville	88,366	95,058r	80,345	− 7	+10	− 2
Griffin	46,677	47,302	39,972	− 1	+17	+12
LaGrange	23,530	26,195	21,734	−10	+ 8	+ 9
Newnan	26,957	28,631	27,456	− 6	− 2	− 1
Rome	83,203	97,017	81,608	−14	+ 2	+ 1
Valdosta	63,655	67,488	61,268	− 6	+ 4	+ 1
Abbeville	12,502	16,175	11,657	−23	+ 7	− 4
Alexandria	161,583	184,390	149,761	−12	+ 8	+ 5
Bunkie	7,406	8,487	6,318	−13	+17	+ 3
Hammond	47,811	49,728	44,688	− 4	+ 7	+ 9
New Iberia	39,914	53,448	37,487	−25	+ 6	+10
Plaquemine	12,644	17,783	15,040	−29	−16	− 9
Thibodaux	27,051	37,948	23,519	−29	+15	+10
Hattiesburg	79,409	82,403	52,698	− 4	+51	+45
Laurel	50,151	51,614	45,502	− 3	+10	+ 1
Meridian	74,272	78,971	70,507	− 6	+ 5	− 2
Natchez	41,061	41,565	39,384	− 1	+ 4	− 2
Pascagoula—Moss Point	90,434	87,936r	78,573	+ 3	+15	+13
Vicksburg	52,847	57,419	47,677	− 8	+11	+11
Yazoo City	29,775	35,534	23,493	−16	+27	+30
Bristol	89,382	100,248	83,981	−11	+ 6	+ 6
Johnson City	95,762	119,151	91,964	−20	+ 4	+10
Kingsport	162,316	170,397	156,624	− 5	+ 4	+ 1
District Total	42,757,651	45,885,091r	39,347,934r	− 7	+ 9	+ 6
Alabama‡	4,837,452	5,271,725r	4,678,452	− 8	+ 3	+ 2
Florida‡	14,799,622	15,673,541r	13,040,154	− 6	+13	+ 8
Georgia‡	11,520,795	12,034,317r	10,730,806	− 4	+ 7	+ 6
Louisiana†*	4,780,655	5,477,434	4,444,815r	−13	+ 8	+ 5
Mississippi†*	1,937,602	1,936,901r	1,804,303	+ 0	+ 7	+ 4
Tennessee†*	4,881,525	5,491,173	4,649,404	−11	+ 5	+ 6

*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
Latest plotting: February—except mfg. production and farm receipts, January

With the onset of spring, new signs of life have appeared in the regional economy. Latest available figures show that nonfarm employment edged up; auto sales increased; consumer instalment credit edged higher; construction contract awards turned up again; mortgage commitments continued to expand; and price recoveries boosted farm incomes. However, much of the early spring recovery is still in the budding stage. And winter's lingering chill grips business loans, in spite of the thawing of interest rates.

Employment gains were posted in the District's nonfarm sector in February; however, declines did occur in Georgia, Louisiana, and Mississippi. The major sources of strength were wholesale and retail trade, transportation and public utilities industries, and the Federal Government. Manufacturing employment was down slightly from the January level. Nevertheless, durable goods employment advanced with the settlement of the final GM-UAW contract dispute in the Atlanta area.

Unit auto sales in February went past the year-ago mark. It was the second month of such an increase, and indications are that the movement continued in March. Consumer instalment credit outstanding at banks increased moderately, reflecting an expansion in automobile credit and some growth in home repair and modernization loan sectors.

Construction contract awards recovered somewhat in February, following January's lackluster performance. Residential awards increased vigorously, while other types of awards continued weak. It now seems likely that the bunching of December awards came at the expense of awards in early 1971. Meanwhile, continued record inflows to savings institutions have strengthened the outlook for lower mortgage interest rates. Mortgage lending commitments continued to expand.

Price recoveries for most agricultural commodities boosted farm income in February. Only egg and tobacco prices declined, while most farm cost items held steady. Interest rates on farm loans continued to fall, brightening prospects for expanded agricultural production.

Bank interest rates on loans and deposits declined further in March. The prime lending rate was reduced for the tenth time in less than a year; however, borrowing by business firms at large banks continued slack. Interest rates paid on large-denomination CD's have declined to about $3\frac{1}{2}$ percent from last summer's peak of more than $7\frac{1}{2}$ percent. Banks and savings and loan associations in several cities have recently announced the first scheduled interest rate reductions on consumer time and savings deposits, amounting — in most cases—to one-half percent.

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