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MONTHLY REVIEW

Federal Reserve Bank of Atlanta

1975

December

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A Florida Case Study: Performance of Holding Company Banks

By Stuart G. Hoffman

This article summarizes a staff analysis authored by Dr. Hoffman, entitled "The Impact of Holding Company Affiliation on Bank Performance: A Case Study of Two Florida Multibank Holding Companies." The complete study is available as the first in a series of Federal Reserve Bank of Atlanta Working Papers. Single copies are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Georgia 30303.

The Board of Governors, in approving or denying specific holding company acquisitions, has been influenced in part by results from several recent studies of the impact of holding company affiliation on bank performance. An implicit assumption underlying these studies is that all holding companies affect the performance of their respective subsidiary banks similarly. If this is the case, the Board's reliance on the conclusions of these studies is legitimate and useful. However, if average performance tendencies mask offsetting differences in the impact on performance of affiliation with individual holding companies, the results may be misleading if employed in analysis of specific acquisitions.

The assumption that the performances of banks acquired by different multibank holding companies are, nevertheless, similarly affected needed testing. Two large Florida holding companies—HC-1 and HC-2—offered to be good subjects for such a test. A sample of 13 paired affiliated and independent banks for each subject holding company is used to analyze the effects of affiliation on 29 measures of bank performance. (See box on Statistical Methodology.) The major conclusions are that the acquired banks tended to (1) restructure their asset portfolios in favor of loans and state and local government securities and away from cash, due from balances, and U. S. Government securities, (2) alter their loan portfolios in favor of increased holdings of

¹See for example, Robert J. Lawrence, *The Performance of Bank Holding Companies* (Washington, D.C.: Board of Governors of the Federal Reserve System, June 1967); Joe W. McLeary, "Bank Holding Companies: Their Growth and Performance," *Monthly Review*, Federal Reserve Bank of Atlanta, October 1968; Samuel H. Talley, "The Effect of Holding Company Activity on Bank Performance," Staff Economic Studies No. 69 (Washington, D. C.: Board of Governors of the Federal Reserve System, 1972); Robert F. Ware, "Performance of Banks Acquired by Multibank Holding Companies in Ohio," *Economic Review*, Federal Reserve Bank of Cleveland, March-April 1973.

Monthly Review, Vol. LX, No. 12. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303. Material herein may be reprinted or abstracted provided this *Review*, the Bank, and the author are credited. Please provide this Bank's Research Department with a copy of any publication in which such material is reprinted.

consumer loans, and (3) have offsetting increases in total operating revenue and expenses. These findings are very similar to those found in previous holding company performance studies. While there were differences in the impact on performance of affiliation with HC-1 relative to HC-2, the differences were more of degree than kind, with only one exception. Banks acquired by HC-1 achieved significantly greater operating efficiency and, thereby, relatively greater before-tax profitability than those banks acquired by HC-2. The results of this analysis support the general findings of the previous holding company performance studies and do not contradict their applicability to individual acquisitions.

Empirical Results

The findings of the study are summarized below under the headings of the general performance categories listed in Table 1. This table presents the mean changes for all 29 performance variables for each subject holding company compared to the independent banks and the direct comparison of HC-1's subsidiaries to those of HC-2.

Bank Asset Structure

Affiliation with HC-1 or HC-2 tended, on average, to increase the acquired banks' total loans/total assets and state and local government securities/total assets ratios. Looking at the composition of the increased loan portfolio, subsidiaries of HC-1 made more consumer loans to individuals; HC-2 affiliates increased loans to farmers. To the extent that there is a local market for these types of loans, this result suggests that the acquired banks made more credit available to their respective communities after affiliation. In contrast, banks acquired by each holding company tended to reduce their cash and due from balances/total assets and U. S. Government securities/total assets ratios, on average.

Prices of Bank Services

Holding company affiliation had no significant effect on prices the acquired banks charged for services. Subsidiaries of each holding company tended to reduce the service charges/total IPC demand deposits ratio and to increase the interest paid on time and savings deposits/total time and savings deposits ratio, relative to the paired independent banks. While the mean change for the interest and fees on loans/total loans ratio was positive for both HC-1 and HC-2, it was considerably larger for the former holding company. This is consistent with the finding that HC-1's subsidiaries concentrated their increased loans in the consumer category.

Bank Earnings, Expenses, and Profitability

Affiliation with HC-2 increased all four performance variables related to bank earnings,

Statistical Methodology

This study focuses on banks acquired by two Florida multibank holding companies between 1965 and 1973. Data obtained on 29 measures of bank performance for a sample of 13 paired affiliated and independent banks were used to analyze the effects of affiliation on the performance of the acquired banks. To isolate those effects on performance due solely to holding company affiliation, acquired banks were paired with similar sized independent banks located in the same banking market.

The differences between the acquired banks and the independent banks for each performance variable were computed in both the before-acquisition years and in the final year of the study—1974. From this information, the mean changes in the differences (the difference in 1974 minus the corresponding difference before acquisition) were calculated. For a given performance ratio, its mean change is the estimated average effect that affiliation with the subject holding company had on that performance aspect of the acquired banks in the sample. Finally, each mean change was divided by its standard error to test for statistical significance (t-test). This series of computations was performed separately to the acquired and paired independent banks for each of the two subject holding companies. A t-value in excess of ± 2.17 signaled rejection of the hypothesis of no change in average bank performance after affiliation with the relevant holding company.

although none significantly so. HC-1 subsidiaries significantly raised their total operating income/total assets ratio and decreased their trust department income/total assets ratio.

Subsidiaries of each holding company earned a lower average rate of return on their U. S. Government securities portfolios, both before acquisition and in 1974, though data indicate that the negative average yield differential was reduced (in absolute value) after affiliation. Also, HC-1 and HC-2's affiliates earned a higher rate of return on their state and local government securities portfolio in 1974 than their paired independent banks. These improvements in investment yields are consistent with statements made by each holding company to that effect in its applications to acquire the sample banks.

Banks acquired by HC-2 increased their average ratio of total operating expenses to total assets, compared to the independent banks. This increase may be attributed to a significant rise in the acquired banks' other operating expenses/total assets ratio. Affiliation with HC-1 brought a significantly greater improvement in operating

TABLE 1
MEAN CHANGES IN THE 1974 AND
BEFORE-ACQUISITION DIFFERENCES

Performance Variable	HC-1 Affiliates Compared with Independent Banks	HC-2 Affiliates Compared with Independent Banks	HC-1 Affiliates Compared with HC-2¹ Affiliates
Bank Asset Structure			
<u>Cash + Due from Banks</u>	—1.41	—3.07**	—1.67
Total Assets	(—1.18)	(—4.04)	(2.15)
<u>U. S. Government Securities</u>	—3.08	—3.19	—2.29
Total Assets	(—1.20)	(—1.38)	(—1.71)
<u>State and Local Government Securities</u>	4.63	2.43	1.83
Total Assets	(1.50)	(1.05)	(1.00)
<u>Real Estate Loans</u>	.59	.57	.20
Total Assets	(.27)	(.34)	(.10)
<u>Consumer Loans to Individuals</u>	5.09	1.42	3.70
Total Assets	(2.02)	(1.18)	(1.84)
<u>Commercial and Industrial Loans</u>	.54	2.62	— .87
Total Assets	(.31)	(1.14)	(— .42)
<u>Loans to Farmers</u>	.11	1.33	— .81
Total Assets	(.29)	(2.09)	(—1.87)
<u>Total Loans</u>	6.93	6.71*	.24
Total Assets	(1.76)	(2.58)	(.08)
Average Price of Bank Services			
<u>Service Charges</u>	— .06	— .19	— .15
Total IPC Demand Deposits	(— .60)	(—1.61)	(1.11)
<u>Interest and Fees on Loans</u>	2.01	.60	.94
Gross Loans	(2.14)	(.79)	(1.40)
<u>Interest on Time and Savings Deposits</u>	.40	.02	.37
Total Time and Savings Deposits	(.98)	(.09)	(1.04)
Bank Earnings			
<u>Total Operating Income</u>	.70*	.32	.45
Total Assets	(2.85)	(1.53)	(1.99)
<u>Trust Department Income</u>	— .04*	.01	— .03
Total Assets	(—2.21)	(1.15)	(—1.56)
<u>Interest on U. S. Government Securities</u>	.21	.21	— .10
Total U. S. Government Securities	(.58)	(.47)	(— .21)
<u>Interest on State and Local Gov't. Securities</u>	.19	.32	.23
Total State and Local Gov't. Securities	(.71)	(1.47)	(1.09)
Bank Expenses			
<u>Total Operating Expenses</u>	.42	.87	— .42
Total Assets	(1.36)	(1.97)	(—1.00)
<u>Interest on Time and Savings Deposits</u>	.10	— .03	.04
Total Assets	(.29)	(— .18)	(.17)
<u>Salaries and Wages</u>	.02	.16	— .09
Total Assets	(.26)	(1.39)	(— .82)
<u>Other Operating Expenses</u>	.29	.91*	— .58
Total Assets	(1.24)	(2.38)	(—1.27)
<u>Total Operating Expenses</u>	—4.49	6.64	—11.71*
Total Operating Income	(—1.37)	(1.14)	(—2.20)
Bank Profitability			
<u>Net Income</u>	.36	.08	.43
Total Assets	(1.73)	(.31)	(1.70)
<u>Income Before Tax and Security Gains (Losses)</u>	.27	— .55	.87
Total Assets	(1.13)	(—1.18)	(2.15)
<u>Net Income</u>	7.77	2.28	4.96
Total Equity Capital + All Reserves	(1.74)	(.54)	(1.49)
Capital Structure			
<u>Total Capital Accounts + Reserves</u>	—1.53	—1.19	.32
Total Assets	(—1.05)	(—1.41)	(.72)
<u>Total Capital Accounts + Reserves</u>	—1.08	— .72	.53
Total Deposits	(— .52)	(— .54)	(.91)
Other Ratios			
<u>Total Time and Savings Deposits</u>	— .87	.54	—3.02
Total Deposits	(— .42)	(.48)	(—1.40)
<u>Total Loans</u>	5.53	5.20	2.70
Total Deposits	(1.25)	(1.55)	(.75)
<u>Cash Dividends Paid</u>	27.60*	31.23*	2.82
Net Income	(2.76)	(2.82)	(.17)
<u>Total Deposits</u>	.16	— .30	.53
Total Market Deposits	(.45)	(— .57)	(1.35)

¹ In seven cases, HC-1's subsidiary was acquired in an earlier year than the subsidiary of HC-2 with which it was paired. In these instances, the before-acquisition comparison was made in the year prior to HC-1's subsidiary's acquisition, the earlier of the two years.

* Statistically significant at the 5-percent level

** Statistically significant at the 1-percent level

NOTE: t-statistics of the mean differences given in parentheses

efficiency (as measured by the operating expenses/operating income ratio) compared to affiliation with HC-2.

Before acquisition, affiliates of HC-1 had lower average net income per dollar of assets or per dollar of capital and lower average income before taxes and security gains (losses) per dollar of assets than the paired independent banks; in 1974, all three ratios had risen.

Subsidiaries of HC-2 had lower average net income per dollar of assets or per dollar of capital, but higher average income before taxes and security gains (losses) per dollar of assets than their paired banks before acquisition. In 1974, net income per dollar of assets was still lower, but less so; net income per dollar of capital was actually higher; however, income before taxes and security gains (losses) per dollar of assets had dropped.

Capital Structure

Neither holding company improved the capital position of its acquired banks. Before acquisition, HC-2 subsidiaries had higher capital accounts plus reserves per dollar of assets or per dollar of deposits

than paired independent banks, on average. In 1974, these ratios had dropped below those of the paired banks, though not significantly so.

Subsidiaries of HC-1 had lower average ratios of capital accounts plus reserves per dollar of assets or per dollar of deposits than paired independent banks, both before acquisition and in 1974. However, the negative differential was much larger (in absolute value) in 1974.

Other Performance Variables

The only performance variable with a mean change significant at the 5-percent level for both holding companies was the cash dividend paid/net income ratio. This may partially explain lower capital plus reserves/total assets or total deposits ratios.

In 1974, both holding companies' affiliates had a significantly higher total loans/total deposits ratio than their paired independent banks, on average. Finally, holding company affiliation had no significant effect, on average, on the ratio of total time and savings deposits to total deposits or the market share of the acquired banks. ■

"The Impact of Holding Company Affiliation on Bank Performance: A Case Study of Two Florida Multibank Holding Companies" by Stuart G. Hoffman is the first paper circulated by the Federal Reserve Bank of Atlanta in our new Working Paper Series. The purpose of this series is to make available to an audience somewhat more specialized than our Monthly Review readership the full text of some of our Bank economists' research efforts. Some papers will represent tentative findings of authors who plan to use this series as a way of getting further critical comment; others will probably be reprinted with few, if any, changes in yet another series of Bank publications. We also plan to publish in our Monthly Review summaries in varying detail of each study in the Working Paper Series.

One copy of each working paper will be sent without charge upon request. In addition, those interested may have their name placed on a subscription list for future studies in the Series. Such requests should include name, street address or post office box number, city, state, and ZIP code and should be sent to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

*Harry Brandt
Vice President and Director of Research*

The Impact of Discount Activity on Federal Funds Borrowings

by John M. Godfrey

Banks which are members of the Federal Reserve System may use the discount window for a variety of reasons—short-term adjustment credit, seasonal borrowing, and emergency credit. When a bank uses the discount window, the bank's balance sheet may change in one or more ways. Loans and securities might increase; that is, banks might extend additional credit as a result of receiving accommodations at the discount window. Or banks might turn to the discount window to offset deposit losses or to replace other types of borrowed funds such as Fed funds (interbank borrowings).

To better understand the balance sheet adjustments that accompany discount activity, all Sixth District member bank borrowing at the discount window during 1974 was examined. The initial assumption was that unless a bank's deposits drop or credit demands increase, discount activity is most likely to serve as a substitute for other types of borrowed funds.

To test the significance of this hypothesis, the weekly average dollar changes in discount window borrowing of individual member banks were compared with the weekly average dollar changes in those banks' net Fed funds purchases (gross purchases less sales). If a bank uses the discount window as a substitute for Fed funds, then there should be a high negative relationship between changes in discount activity and net purchases of Fed funds. An increase in discount window borrowings would bring a significant drop in net Fed funds purchases, while a decrease would be accompanied by more net Fed funds purchases.

During 1974, banks faced generally strong loan demands, and deposit inflows were weak. As a result, many banks made heavy use of borrowed funds such as money market CD's and Fed funds. Interest rates were high throughout the year. In particular, the Fed funds rate exceeded the discount

rate during the entire year and, at mid-1974, was more than 500 basis points above it.

Banks had considerable incentive, then, to use the discount window and reduce their use of the more expensive Fed funds. To some extent, the interest rate differential in favor of the discount window during the period may bias results in favor of the hypothesis. There is no question that banks use the discount window more when the spread is wide, and one need only examine periods of negative rate spread to see this. The dollar level of discount borrowing moves directly with the spread of interest rates. But we are investigating to what extent these borrowings serve as a substitute for Fed funds at individual banks, not explaining the amount of total borrowings in the District or System.

The results confirm the hypothesis that District banks use adjustment credit from the Federal Reserve as a substitute for Fed funds. The change in such borrowings of Sixth District banks explains 40 percent of the change in net Fed funds purchases (NFF). And the relationship further indicates that a \$10-million increase (decrease) in Federal Reserve borrowings would be associated with a \$7.7-million decrease (increase) in net Fed funds purchases. The relationships are highly significant.

Statistically, there is, however, considerable variation in the impact of borrowing when these banks are analyzed by size. The larger ones would expectably have more ability to adjust their alternative sources of funds; this is supported by the data. At large banks, the change in borrowings explains 42 percent of the change in NFF (with a regression coefficient of 0.78). This drops to 18 percent (and a regression coefficient of 0.60) at the medium banks and to 5 percent at the small banks (with a regression coefficient of 0.34).

The large banks engage in a massive window dressing the last week of the year, reducing both borrowings and net Fed funds purchases in order to show a "cleaner" balance sheet. In addition to statistical reasons for not using data from the last week in 1974 (see box), then, there are also institutional reasons. This atypical behavior during one week has a disproportionately large impact on the results obtained from the remaining 51 weeks. For these reasons, the last week of the year was deleted.

Expectably, there was little relationship between seasonal borrowings and NFF. Seasonal borrowings are supposed to involve extensions of credit to banks without alternative sources of funds. (The regression results showed very small coefficients [0.06] and R^2 's [0.0004]—the proportion of total variation in net Fed funds attributed to the variation in F. R. borrowing—with no significant results.) Banks that borrow for seasonal purposes do not, apparently, use those borrowings as a substitute for NFF. This supports seasonal

This study includes all 184 Sixth District member banks that borrowed at the discount window during 1974. These included 14 large banks (deposits in excess of \$400 million), 32 medium banks (deposits of less than \$400 million but over \$100 million), and 138 small banks (deposits of less than \$100 million). These categories are arbitrary and constrained by the need to have a sufficient number of observations in each group. Perhaps \$100 million in deposits is too much for a bank to be considered small, but results indicated that there would not be any benefits from subdividing that category into two or more additional groups.

These 184 banks made nearly 2,400 changes in their borrowings during 1974. The large banks made 289 changes, the medium banks, 572, and the small banks, 1,529.

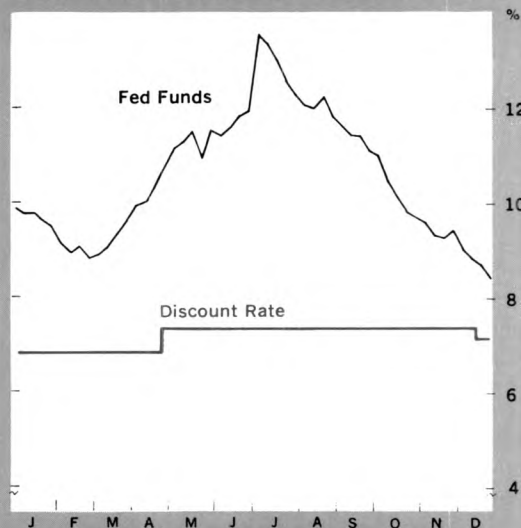
Data are drawn from the first 51 weeks of 1974; including the last week in 1974 would give significantly different results than those reported above. The results for 52 weeks, although still significant, explain less about the relationship between borrowings and Fed funds purchases than do those for 51 weeks. The regression coefficient for 51 weeks is 0.707 and *negative* while the coefficient for the last week in the year is 3.728 and *positive*. The Chow test clearly indicates that these two coefficients are from significantly different populations and should be removed from the first 51 weeks of the year.

borrowings' basic purpose as credit for banks without access to the Fed funds market.

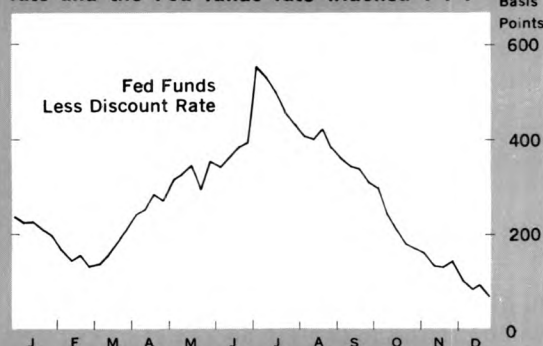
There is a significant negative correlation between changes in borrowings for *adjustment* credit and changes in net Fed funds purchases, but these results are very different when a bank's changes in borrowing are positive and when they are negative. When borrowings increase, 44 percent of the decrease in NFF is explained (and the regression coefficient is -0.91); but when borrowings decrease, only 31 percent of the rise in NFF (with a regression coefficient of -0.67) is explained. This asymmetrical pattern suggests that banks use the time that they are in the discount window to make portfolio adjustments that reduce their need for NFF. This behavior is consistent with the discount window's function of allowing banks the time to make orderly adjustments.

The pattern described above varies, however, with bank size. Larger banks seem to reduce their NFF more when increasing borrowings from the Federal Reserve than when reducing them, but the difference is not significant. Still, the change in borrowings does explain more of the change in NFF for large banks than for medium and small

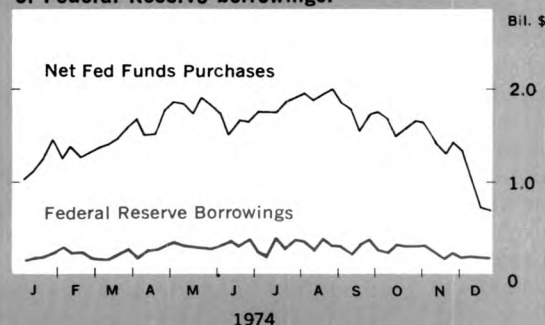
As the cost of borrowed funds increased . . .



. . . and the spread between the discount rate and the Fed funds rate widened . . .



. . . District banks increased the dollar level of Federal Reserve borrowings.



are thought to depend heavily upon liability management.

At medium and small banks, the change in borrowings explains much less of the change in NFF, but the difference between increases and decreases in borrowings is significant. At the medium banks, only about 15 percent of the changes in NFF is explained by the change in borrowings. At the small banks, more of the change in NFF is explained when borrowings decline than when they increase.

The use of the discount window, of course, varies directly with the difference between the discount rate and alternative borrowing costs. During 1974, the discount rate was always at least 100 basis points below the weekly average Fed funds rate; in July, it was over 500 basis points lower. To test the influence of this rate spread, the year 1974 was separated into two periods. From the week ended May 29 to the week ended September 4, the discount rate was 300 or more basis points under the Fed funds rate; the spread was smaller in all the remaining weeks.

For the large banks, we find a surprising result. When the rate spread was less than 300 basis points, the large banks were most apt to substitute Reserve Bank borrowings for the NFF than when it was wider. How is it that the aggressive liability management banks do not substitute cheaper discount window accommodations for the more expensive Fed funds? The answer may lay in the financial pressure which developed in the summer of 1974. The large banks did not substitute reserve bank borrowings for Fed funds because they needed both. The former were a complement, not a substitute. Because the demand for credit was strong last summer, many large banks that borrowed may have made use of all borrowed funds sources.

When the interest rate spread is large, the large banks clearly show different behavior patterns. Discount window borrowings explain much less of the change in NFF—only 26 percent when the spread is wide compared to 54 percent when the spread is narrow. The difference may reflect the intense pressure banks were under, or it may reflect closer administration of the discount window. While there was no statistically significant difference between increases and decreases in borrowings when the spread was wide, the relationship between borrowings and NFF appeared to be much weaker when banks reduced their Federal Reserve borrowings. Then the change explains only 4 percent of the change in NFF. (Examining the 42 reductions in FRB borrowings when the spread was wide, we find some atypical behavior. On 12 of the 42 occasions, banks also reduced NFF. This behavior is contrary to our hypothesis that banks will increase NFF when borrowing decreases but may be explained if banks used the discount

banks. The results indicate that large banks use the discount window as just another source of funds and not to make other portfolio adjustments. This is consistent with the idea that these banks

window to acquire excess reserves to carry over into the next reserve week.)

At medium and small banks, it is apparent that the wider the spread between the discount and Fed funds rates, the more the change in FRB borrowings explains the change in NFF. The difference is not significant for medium banks; it is for the small banks. (At medium banks, the

change in borrowings explains 29 percent of NFF [with a regression coefficient of 0.73] when the spread is wide and 13 percent [with a regression coefficient of 0.5] when narrow. For small banks, 12 percent is explained during wide spreads and 2 percent when narrow.) Small and medium banks tend to substitute discount activity for NFF more when the spread is over 300 basis points. ■

This study will be available in early 1976, with complete statistical methodology and data, as one in the Federal Reserve Bank of Atlanta's Working Paper Series. Single copies will be available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

1975 Crop Production: Outstanding in Both the Nation and District

by Gene D. Sullivan

The 1975 District crop production forecasts are for record highs in corn, soybeans, tobacco, grain sorghum, sugar cane, and rice.¹ Only cotton production will decline substantially from year-ago levels because farmers sharply reduced planted acreage in response to 1974's plunging cotton prices. Unlike last year, crop production in District states closely resembled output trends for the U. S. as a whole.

This year's crop production has drawn unusual attention because of short supplies of several important commodities. Relatively brisk worldwide demand in the face of 1974's severe drought in the Midwest stimulated unusually intense interest in 1975's feed crop, particularly corn. Observers have anxiously awaited each successive U.S.D.A. forecast for new indications of crop production in 1975.

Corn: The initial August estimate of the District's corn production was about 9 percent above last year's level, which was in turn nearly one-fifth larger than the 1973 crop. In November, the crop was still estimated at a record high, though it had declined slightly since the initial August forecast. Georgia and Tennessee, in that order, account for most District corn production.

District states' 1975 corn production amounts to an insignificant 3.6 percent of the total U. S. crop. U. S. corn production is projected to be up by one-fourth from 1974's drought-reduced level.

Sugar Cane: The unprecedentedly high sugar prices in 1974 stimulated District sugar cane growers to increase production. The first 1975 forecast released in August showed an estimated increase of 14 percent over 1974's level. Favorable weather and ideal circumstances for cane production have raised subsequent

¹The data reported in this article refer to the entire areas of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, states which are either partially or totally included within the Sixth District.

projections so that November's forecast is up another 4 percent. The entire District sugar cane crop is produced in Florida and Louisiana.

The U. S. crop is also projected to increase in 1975 in approximately the same proportion as in the District. This District usually accounts for well over half of U. S. sugar cane production.

Rice: Rice has shared in the sharp grain price increases over the past two or three years, stimulating District farmers to increase acreage. In 1974, output was up one-fifth from 1973, and the August projection of 1975's crop was up 6 percent from 1974. November's projection declined slightly, but output is still projected to reach a record level.

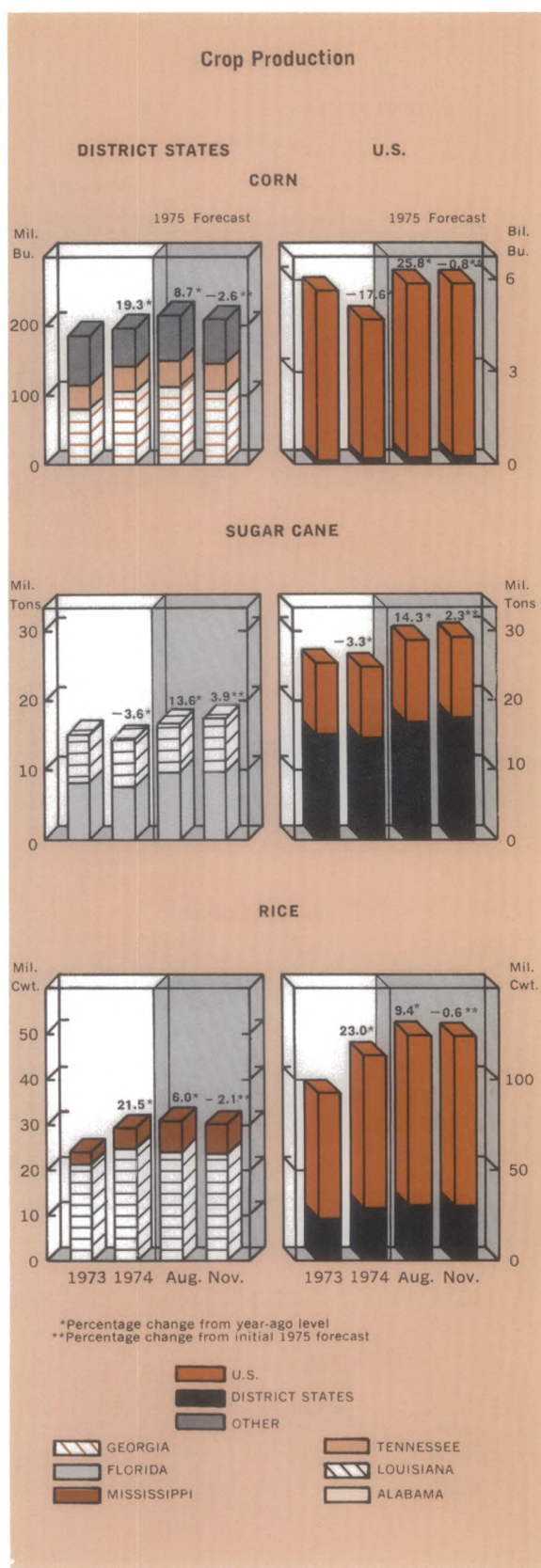
The U. S. rice crop has also increased rapidly since 1973. And 1975's August projection was up approximately 10 percent from last year; subsequent projections remain unchanged. District states' rice production in Louisiana and Mississippi usually makes up about one-fourth of the U. S. total.

Cotton: One of the most drastic changes in District crops in 1975 was the reduction in estimated cotton production. In response to plunging cotton prices received by farmers in 1974, District acreage was sharply reduced. In August, projected production was down by more than a fourth from 1974's level. The cotton crop declined further with succeeding forecasts, so that November's estimate was only two-thirds of last year's level and nearly 40 percent below 1973's crop. Mississippi accounts for over one-half of this year's expected cotton output in District states.

U. S. production is also down for the second year in succession. August's forecast was nearly 20 percent below the 1974 total, and by November expected production was only 70 percent of 1973's level. Declining September and October crop forecasts reflected damage to the crop in Texas and Mississippi. Sixth District states provide one-fourth of 1975's projected U. S. total cotton crop.

Tobacco: Tobacco production in District states jumped by more than one-third in 1974. The expected crop in 1975 was estimated fairly near the 1974 crop in August, and succeeding forecasts have shown little change. Georgia produces most of the District's tobacco crop; Tennessee is the second largest producer.

U. S. tobacco production increased again rather sharply in 1975, reflecting the increase in planted

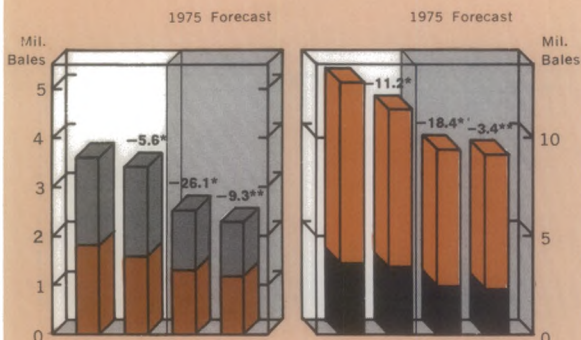


Crop Production

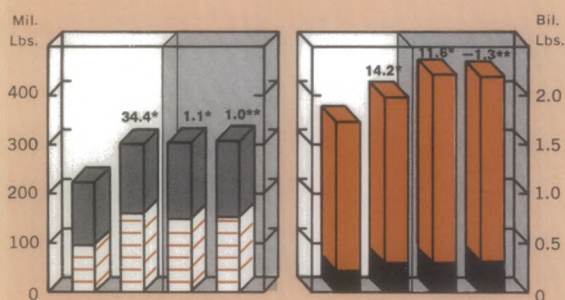
DISTRICT STATES

U.S.

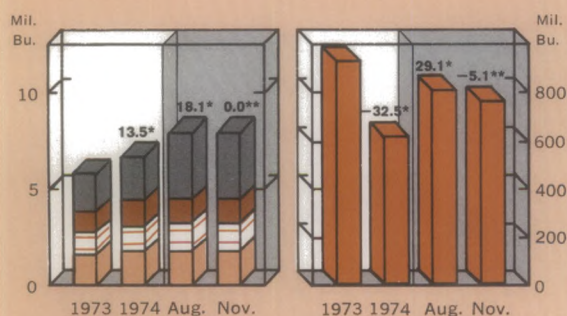
COTTON



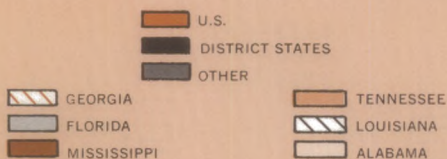
TOBACCO



GRAIN SORGHUM



*Percentage change from year-ago level
**Percentage change from initial 1975 forecast



acreage. August's crop estimate was over 10 percent above the 1974 output. Production has declined only slightly with succeeding forecasts, making 1975 another year of record tobacco output. The District accounts for about 15 percent of the total crop.

Grain Sorghum: Although grain sorghum is a minor crop in District states, its production has increased sharply for the past three years. The 1974 output was up approximately 14 percent from 1973; August's estimate for the 1975 crop rose again by 18 percent. Mississippi, Georgia, and Tennessee continued to be the major contributors to the District crop output.

U. S. output of grain sorghum dropped sharply in 1974, following a severe drought in the plains states. The August 1975 forecast showed a recovery of nearly 30 percent from last year; however, this still did not return production to 1973's level. Subsequent monthly projections of the total U. S. crop declined with November's estimate, falling 5 percent below the initial August forecast. The District's portion of total grain sorghum output (1.0 percent) is perhaps least of all the nation's crops considered in this analysis.

Soybeans: In response to 1974's extremely high prices, the soybean acreage in District states increased sharply this year. Initial estimates in August showed an expected increase in production of 20 percent. Subsequent monthly forecasts had remained fairly stable until November's upward revision. In the District states, Mississippi accounts for most of this year's expected increase; Tennessee and Louisiana also grow significant portions of the crop.

U. S. production is up from 1974's drought-reduced level, but the crop is not record large as in the District. In August, estimated production was about equal to the 1973 crop, and November's forecast has been increased by 4 percent from that level. District states' soybean production accounts for 15 percent of the total U. S. crop. Though still a relatively minor portion of the total, the District's soybean production is much more significant to the U. S. total than its corn production.

Oranges: Almost all of the District's orange crop is grown in Florida. Production reached another record high in 1974, and the initial forecast of 1975's production shows only a slight decline

from last year. So, barring unfavorable weather, Florida is expected to harvest another near-record orange crop.

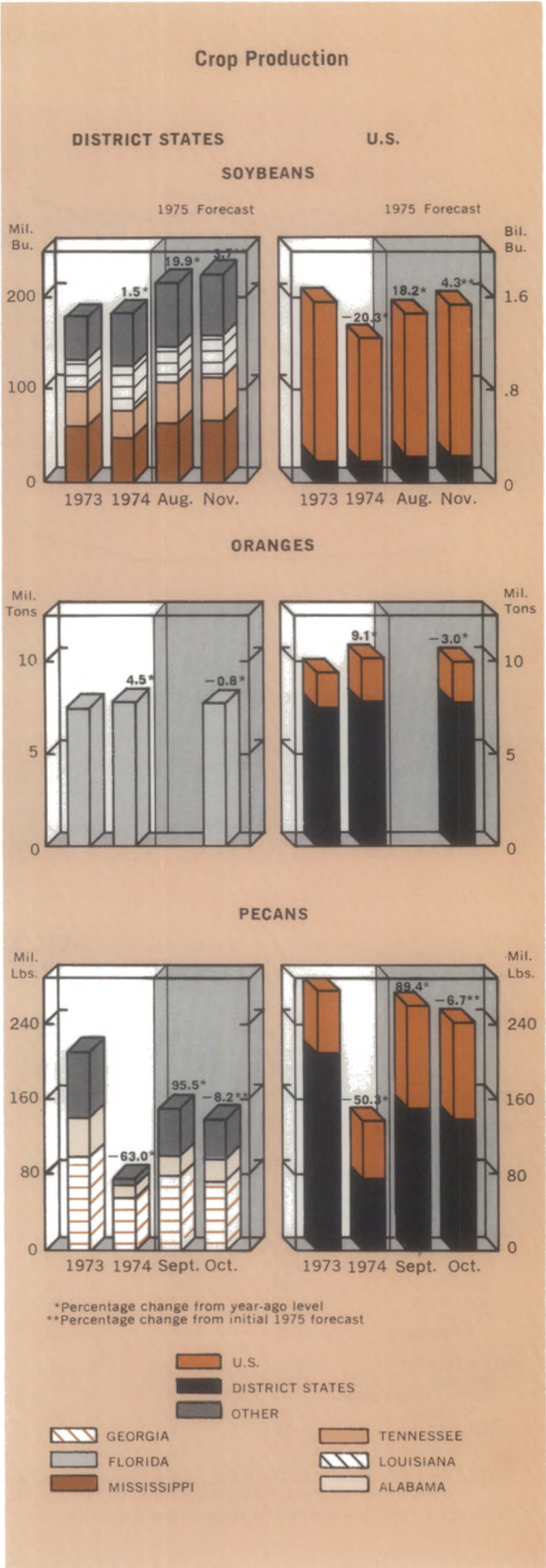
Florida usually accounts for more than three-fourths of the nation's orange crop, so U. S. production tends to follow the state's trend. Total U. S. output is expected to decline slightly this year from 1974's high; it may well be the second largest crop on record, however.

Pecans: Pecans are not usually thought of as a major crop in this area, but they are important, particularly in Georgia which accounts for nearly half of District states' production. The pecan crop usually fluctuates sharply from year to year, reflecting weather variations that especially influence the yields of wild varieties. Production fell sharply in 1974. It is expected to recover somewhat this year, though it will not reach the large 1973 crop. The October forecast of 1975 production was revised downward from September's level, largely because of hurricane damage in Alabama and Georgia.

District states produce well over half of the U. S. crop. Thus, total U. S. production fell sharply in 1974, even though the crop outside this area shrank very little from 1973's level. The forecast of the 1975 crop is up, partly because production has improved in states outside the Sixth District. However, the U. S. crop will apparently not reach the 1973 level.

The Effect on Income

Although production of most crops in the District will be even better than in 1974, it probably will not result in higher gross incomes. In October, crop prices averaged 14 percent below 1974 levels. Thus, price declines have more than offset production gains for most crops. This is particularly true for soybean producers, whose one-fifth larger crop faces a market price reduction of more than one-third from the fall of 1974. Oranges are the major exception to the pattern, since recent prices have averaged 16 percent higher than a year ago, even though production is expected to be unchanged. On balance, crop farmers' incomes will still be unusually high by historical standards. Net income of crop producers has been squeezed by both rising costs and falling prices, but in this region at least, it is likely to remain above levels experienced in all years prior to 1974. ■



ORANGES

Mil. Tons

10

5

0

1973

1974

Sept.

Oct.

4.5*

-0.8*

Mil. Tons

10

5

0

1973

1974

Sept.

Oct.

9.1*

-3.0*

PECANS

Mil. Lbs.

240

160

80

0

1973

1974

Sept.

Oct.

-63.0*

95.5*

-8.2**

Mil. Lbs.

240

160

80

0

1973

1974

Sept.

Oct.

50.3*

89.4*

-6.7**

*Percentage change from year-ago level

**Percentage change from initial 1975 forecast

U.S.

DISTRICT STATES

OTHER

GEORGIA

FLORIDA

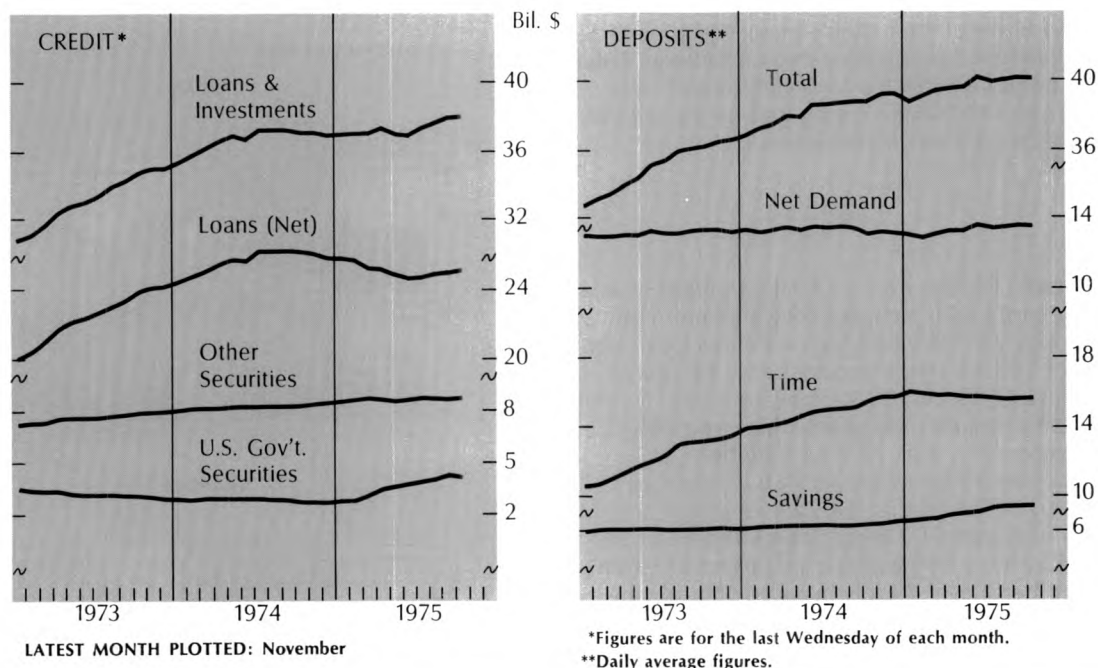
MISSISSIPPI

TENNESSEE

LOUISIANA

ALABAMA

BANKING STATISTICS



SIXTH DISTRICT BANKING NOTES

Real Estate Lending Increases

REAL ESTATE LOANS SIXTH DISTRICT COMMERCIAL BANKS

DISTRICT	June 1970 Amount (million \$)	June 1975 Amount (million \$)	% Change June 1975 From June 1970	DISTRICT	June 1970 Amount (million \$)	June 1975 Amount (million \$)	% Change June 1975 From June 1970
	4,717	11,869	+ 152	GEORGIA	1,062	2,455	+ 131
ALABAMA	529	1,186	+ 124	Atlanta	573	1,477	+ 158
Anniston-Gadsden	52	111	+ 113	Augusta	80	141	+ 76
Birmingham	199	493	+ 148	Columbus	58	122	+ 110
Dothan	61	121	+ 98	Macon	124	260	+ 110
Mobile	98	230	+ 135	Savannah	101	213	+ 111
Montgomery	119	231	+ 94	South Georgia	126	242	+ 92
FLORIDA	1,596	4,418	+ 177	LOUISIANA*	668	1,622	+ 143
Jacksonville	159	429	+ 170	Alexandria-			
Miami	661	1,798	+ 172	Lake Charles	75	124	+ 65
Orlando	165	461	+ 179	Baton Rouge	153	366	+ 139
Pensacola	71	175	+ 146	Lafayette-Iberia-			
Tampa-St.				Houma	136	311	+ 129
Petersburg	540	1,555	+ 188	New Orleans	304	821	+ 170
MISSISSIPPI*	241	484	+ 101	TENNESSEE*	621	1,704	+ 174
Jackson	149	343	+ 130	Chattanooga	123	380	+ 209
Hattiesburg-Laurel-				Knoxville	154	381	+ 147
Meridian	73	104	+ 42	Nashville	294	836	+ 184
Natchez	19	37	+ 95	Tri-Cities	50	107	+ 114

NOTE: Figures shown are for trade and banking areas, which include several counties surrounding central cities. Boundaries of some areas include counties in two states. Some data are partly estimated.

*Represents that portion of the state in the Sixth District.

Bank lending grew faster at commercial banks in the Southeast than in the nation as a whole from mid-1970 to mid-1975, and a major reason was the increase in real estate mortgage lending. Over these five years, total loans in the District increased from \$20.0 billion to \$39.5 billion, up 98 percent. Nationally, bank loans rose only 74 percent.

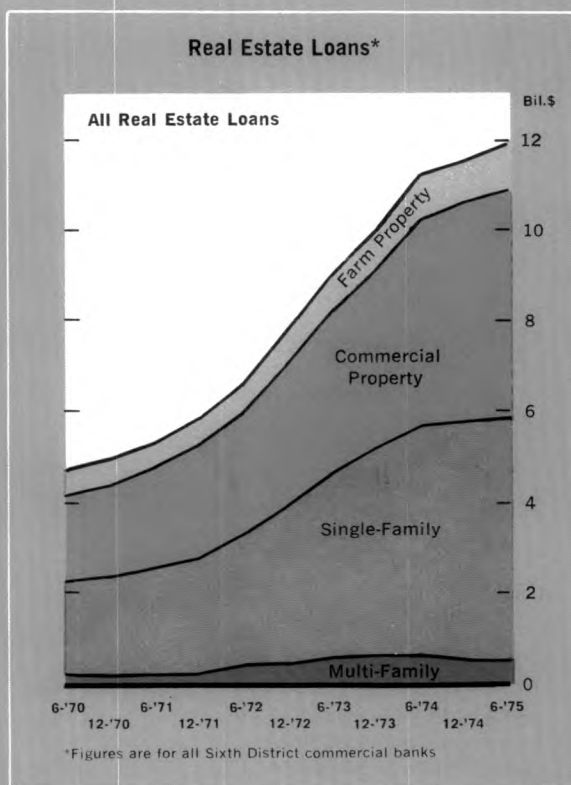
One reason District loans increased more rapidly is that banks here expanded real estate mortgage loans at nearly twice the rate as in the nation as a whole. In the Southeast, bank real estate loans rose \$7.2 billion, up over 150 percent; nationally, they were up slightly less than 90 percent.

While such an increase in real estate loans is not unexpected for a rapidly developing area such as the Southeast, it has brought about a relative shift in real estate loans at Southeastern banks, compared to the nation. In mid-1970, all types of real estate loans comprised 24.7 percent of banks' total loans in the U. S., but only 23.5 percent of District bank loans. By mid-1975, however, real estate loan growth in the Southeast had reversed this relationship. District banks had 30.1 percent of their loans secured by real estate in contrast to 26.4 percent in the U. S.

The shift in emphasis to real estate loans came at a time when banks were receiving strong consumer time deposit inflows. Much of these deposit gains came in the form of the longer maturity but more expensive deposits. These deposits allowed banks to seek the higher yields available on real estate lending. To obtain higher returns, banks increased their financing of short-term, but high-risk construction loans and long-term real estate mortgage loans. Now, some real estate loans have fallen into a reduced or noninterest-accruing category. The expected stable and high return from real estate credit has proved elusive.

All types of real estate loans in the District have grown rapidly during the last five years. Strong growth has come from traditional forms of real estate loans, such as single family housing, which increased nearly 160 percent. Nearly one-half of the District's growth occurred at banks in the Miami, Atlanta, and the Tampa-St. Petersburg areas. Residential home mortgages have probably given banks the stable yield that they were seeking. Defaults from home mortgages do not seem to have been unusually excessive during the last two years.

Most of the banks' problems have been in multifamily and commercial real estate loans, such as those for business properties, office buildings, hotels and motels, other commercial income-producing properties, and undeveloped land. These loans accounted for nearly one-half of the growth in real estate loans during the last five years. District banks extended mortgage credit to those types of properties that are now the most overbuilt and that are causing most of the defaults and interruptions in loan repayments.



Within the District, real estate loan growth has varied much more than that of total bank loans. In Florida and Tennessee, for example, real estate loans rose 175 percent; in Mississippi they advanced 100 percent. Total loans varied much less. In Alabama, Florida, Louisiana, and Tennessee, they were up slightly more than 100 percent; in Mississippi, they rose 80 percent.

Multifamily real estate loans varied most among the states. In Florida and Tennessee, these loans rose about 200 percent in sharp contrast to an average of less than half that rate in the rest of the District. Florida banks led the District in growth of total residential mortgage loans, while Tennessee banks had by far the most rapid growth in commercial real estate loans.

The rapid growth of bank loans for permanent financing of real estate has undoubtedly contributed to overbuilding in many parts of the Southeast. Loans that banks were eager to make in previous years reflected a general optimism about this region's future. If the Southeast had lived up to those expectations, banks would have had many sound real estate loans on their books. Now, however, the region's growth has slowed, causing many developers to default on interest and loan principal payments. And nowhere have more problem real estate loans surfaced than where loan growth was previously strongest.

JOHN M. GODFREY

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Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1975	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1975	One Month Ago	Two Months Ago	One Year Ago	
SIXTH DISTRICT					Unemployment Rate (Percent of Work Force)***	Oct.	8.8	9.1	9.2	5.9
INCOME AND SPENDING					Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.2	40.1	40.1	40.2
Manufacturing Payrolls	Oct.	190.0	186.4	182.5	FINANCE AND BANKING					
Farm Cash Receipts	Sept.	137	177	268	Member Bank Loans	Oct.	269	267	264	264
Crops	Sept.	145	152	418	Member Bank Deposits	Oct.	226	224	225	210
Livestock	Sept.	179	185	205	Bank Debits**	Oct.	296	293	282	259
Instalment Credit at Banks*/(Mil. \$).					FLORIDA					
New Loans	Oct.	677.7	672.4r	632.0	INCOME					
Repayments	Oct.	620.3	669.9r	646.2	Manufacturing Payrolls	Oct.	192.2	186.4	186.0	188.3
EMPLOYMENT AND PRODUCTION					Farm Cash Receipts	Sept.	106	148	411	241
Nonfarm Employment	Oct.	130.6	130.2	129.7	EMPLOYMENT					
Manufacturing	Oct.	111.6	110.8	109.6	Nonfarm Employment	Oct.	147.0	147.2	148.3	156.4
Nondurable Goods	Oct.	112.4	110.8	109.7	Manufacturing	Oct.	119.2	117.2	117.4	126.5
Food	Oct.	103.4	101.4	100.5	Nonmanufacturing	Oct.	152.4	152.9	154.3	162.2
Textiles	Oct.	106.5	105.1	103.4	Construction	Oct.	133.3	134.7	133.4	194.9
Apparel	Oct.	113.7	111.9	110.0	Farm Employment	Sept.	100.1	99.7	107.8	93.5
Paper	Oct.	107.6	106.6	105.8	Unemployment Rate (Percent of Work Force)***	Oct.	11.8	11.6	11.5	7.3
Printing and Publishing	Oct.	124.0	123.5	122.7	Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.3	39.8	39.8	40.0
Chemicals	Oct.	108.8	107.3	107.1	FINANCE AND BANKING					
Durable Goods	Oct.	110.5	110.6	109.3	Member Bank Loans	Oct.	285	285	286	314
Lbr., Wood Prods., Furn. & Fix.	Oct.	99.1	98.7	97.3	Member Bank Deposits	Oct.	247	249	249	245
Stone, Clay, and Glass	Oct.	115.5	116.0	115.7	Bank Debits**	Oct.	324	322	318	309
Primary Metals	Oct.	101.3	102.1	101.8	GEORGIA					
Fabricated Metals	Oct.	121.6	121.1	120.3	INCOME					
Machinery	Oct.	144.8	144.8	143.0	Manufacturing Payrolls	Oct.	181.0	173.5	170.1	168.6
Transportation Equipment	Oct.	103.6	104.8	103.2	Farm Cash Receipts	Sept.	237	112	229	180
Nonmanufacturing	Oct.	137.3	137.0	136.8	EMPLOYMENT					
Construction	Oct.	123.2	122.5	121.4	Nonfarm Employment	Oct.	126.3	125.6	124.4	130.1
Transportation	Oct.	120.9	120.1	121.6	Manufacturing	Oct.	104.8	103.7	101.9	109.1
Trade	Oct.	134.4	134.7	134.7	Nonmanufacturing	Oct.	136.2	136.0	134.7	139.8
Fin., ins., and real est.	Oct.	150.0	149.4	149.2	Construction	Oct.	118.8	117.7	116.1	140.9
Services	Oct.	156.8	155.7	154.7	Farm Employment	Sept.	102.3	112.2	109.3	97.1
Federal Government	Oct.	107.6	108.0	107.4	Unemployment Rate (Percent of Work Force)	Oct.	8.8	8.8	9.2	5.2
State and Local Government	Oct.	143.5	143.6	145.0	Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.4	40.1	39.2	39.4
Farm Employment	Sept.	90.5	91.7	95.6	FINANCE AND BANKING					
Unemployment Rate (Percent of Work Force)	Oct.	9.5	9.5	9.8	Member Bank Loans	Oct.	240	242	244	263
Insured Unemployment (Percent of Cov. Emp.)	Oct.	4.8	5.0	5.0	Member Bank Deposits	Oct.	193	194	192	190
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	40.2	40.1	39.8	Bank Debits**	Oct.	366	403	354	323
Construction Contracts*	Oct.	193	167	150	LOUISIANA					
Residential	Oct.	145	150	125	INCOME					
All other	Oct.	240	184	175	Manufacturing Payrolls	Oct.	174.5	177.9	171.7	164.2
Cotton Consumption**	July	73.5	64.4	61.4	Farm Cash Receipts	Sept.	128	352	259	164
Petroleum Production */**	Oct.	93.7	91.4	91.8	EMPLOYMENT					
Manufacturing Production	Sept.	146.0	144.0	142.4	Nonfarm Employment	Oct.	119.6	119.0	117.5	118.8
Nondurable Goods	Sept.	147.3	145.6	144.1	Manufacturing	Oct.	104.4	104.1	103.9	105.9
Food	Sept.	128.4	126.5	128.0	Nonmanufacturing	Oct.	122.8	122.0	120.4	121.5
Textiles	Sept.	145.3	142.4	140.3	Construction	Oct.	100.2	99.1	97.1	99.7
Apparel	Sept.	129.6	128.1	124.5	Farm Employment	Sept.	71.4	75.4	80.9	87.7
Paper	Sept.	140.5	138.0	134.2	Unemployment Rate (Percent of Work Force)***	Oct.	8.7	8.2	8.9	7.3
Printing and Publishing	Sept.	128.9	127.8	127.8	Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct.	38.8	39.7	39.1	40.0
Chemicals	Sept.	161.8	161.8	160.2	FINANCE AND BANKING					
Durable Goods	Sept.	144.3	141.5	140.0	Member Bank Loans*	Oct.	241	243	244	257
Lumber and Wood	Sept.	150.3	146.4	142.9	Member Bank Deposits*	Oct.	207	202	205	195
Furniture and Fixtures	Sept.	138.2	132.6	127.3	Bank Debits**	Oct.	279	279	280	244
Stone, Clay, and Glass	Sept.	145.3	144.3	141.4	MISSISSIPPI					
Primary Metals	Sept.	102.5	101.2	100.0	INCOME					
Fabricated Metals	Sept.	113.3	112.1	111.4	Manufacturing Payrolls	Oct.	223.2	218.2	210.1	199.0
Nonelectrical Machinery	Sept.	145.5	145.6	147.1	Farm Cash Receipts	Sept.	70	201	279	150
Electrical Machinery	Sept.	231.9	227.7	227.1	EMPLOYMENT					
Transportation Equipment	Sept.	140.1	134.9	133.7	Nonfarm Employment	Oct.	129.0	128.1	127.3	131.2
FINANCE AND BANKING					Manufacturing	Oct.	126.2	125.4	122.8	130.5
Loans*					Nonmanufacturing	Oct.	130.2	129.3	129.3	131.5
All Member Banks	Oct.	263	263	264	Construction	Oct.	116.2	110.0	103.2	138.2
Large Banks	Oct.	240	239	242	Farm Employment	Sept.	67.8	64.9	75.8	76.3
Deposits*					ALABAMA					
All Member Banks	Oct.	223	222	223	INCOME					
Large Banks	Oct.	191	192	194	Manufacturing Payrolls	Oct.	197.9	195.8	201.0	190.4
Bank Debits**	Oct.	314	322	307	Farm Cash Receipts	Sept.	187	219	286	162
ALABAMA					EMPLOYMENT					
INCOME					Nonfarm Employment	Oct.	121.7	120.9	121.7	122.6
Manufacturing Payrolls	Oct.	197.9	195.8	201.0	Manufacturing	Oct.	111.2	110.9	109.9	117.0
Farm Cash Receipts	Sept.	187	219	286	Nonmanufacturing	Oct.	126.5	125.6	127.1	125.2
EMPLOYMENT					Construction	Oct.	136.9	136.7	134.7	139.4
Nonfarm Employment	Oct.	121.7	120.9	121.7	Farm Employment	Sept.	110.1	119.9	118.9	98.2

	Latest Month 1975	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1975	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)***	Oct. 6.9	7.8	8.2	4.6	EMPLOYMENT				
Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct. 39.9	39.8	39.7	39.0	Nonfarm Employment	Oct. 127.4	126.4	125.4	130.0
FINANCE AND BANKING					Manufacturing	Oct. 110.8	110.0	109.0	119.2
Member Bank Loans*	Oct. 257	256	261	258	Nonmanufacturing	Oct. 136.7	136.6	134.5	136.1
Member Bank Deposits*	Oct. 225	223	226	214	Construction	Oct. 132.3	130.9	130.7	145.6
Bank Debits/**	Oct. 267	281	267	264	Farm Employment	Sept. 101.3	97.1	96.7	93.4
TENNESSEE					Unemployment Rate (Percent of Work Force)	Oct. 8.9	9.1	9.3	5.8
INCOME					Avg. Weekly Hrs. in Mfg. (Hrs.)	Oct. 40.6	40.5	40.3	39.7
Manufacturing Payrolls	Oct. 188.0	186.0	181.6	182.4	FINANCE AND BANKING				
Farm Cash Receipts	Sept. 115	163	167	148	Member Bank Loans*	Oct. 271	267	272	271
					Member Bank Deposits*	Oct. 218	217	218	206
					Bank Debits/**	Oct. 273	268	267	269

*For Sixth District area only; other totals for entire six states

**Daily average basis

†Preliminary data

r-Revised

N.A. Not available

***Seasonally adjusted data supplied by state agencies.

Note: All indexes: 1967=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.; pet. prod., U.S. Bureau of Mines; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

†Data benchmarked to June 1971 Report of Condition.

NOTE: All employment data have been revised to reflect updated seasonal factors.

Debits to Demand Deposit Accounts

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

Percent Change							Percent Change								
		Oct. 1975 from Sept. 1974		Year to date 10 mos. 1975 from 1974					Sept. 1975 from Oct. 1974		Year to date 10 mos. 1975 from 1974				
	Oct. 1975	Sept. 1975	Oct. 1974	Sept. 1975	Oct. 1974		Oct. 1975	Sept. 1975	Oct. 1974	Sept. 1975	Oct. 1974		Oct. 1975	Sept. 1975	Oct. 1974
STANDARD METROPOLITAN STATISTICAL AREAS ¹							Dothan Selma								
							248,959 94,763								
							230,446 97,062								
							219,423 87,656								
							+ 8 - 2								
							+13 + 8								
							+ 0 + 1								
Birmingham							Bradenton								
5,295,585							191,130								
4,995,976							177,566								
4,676,193							222,091								
+ 6							+ 8								
+13							-14								
-12							- 4								
Gadsden							Monroe County								
118,183							91,303								
115,521							87,158								
127,565							+ 5								
+ 5							-28								
+ 3							+ 8								
Huntsville							Ocala								
463,720							223,752								
459,642							205,257								
431,139							203,069								
+ 1							+ 9								
+ 8							+ 3								
Mobile							St. Augustine								
1,420,435							43,554								
1,284,278							43,684								
1,357,555							45,590								
+11							- 0								
+ 5							-18								
+15							+ 3								
+15							- 3								
Montgomery							St. Petersburg								
950,575							1,045,086								
864,557							1,018,250								
719,734							1,010,335								
+10							+ 3								
+32							+ 3								
+21							+ 3								
Tuscaloosa							Tampa								
312,439							2,315,582								
293,456							2,233,437								
257,760							2,111,519								
+ 6							+ 4								
+21							+10								
+13							+10								
Bartow-Lakeland- Winter Haven							Athens								
885,125							181,964								
818,853							188,212								
849,265							172,201								
+ 8							- 3								
+ 4							+ 6								
+ 6							+ 3								
Daytona Beach							Brunswick								
486,643							123,126								
429,589							124,716								
469,361							112,195								
+13							- 1								
+ 4							+10								
+ 5							+19								
Ft. Lauderdale- Hollywood							Dalton								
2,006,199							204,466								
1,743,354							202,036								
2,075,812							193,589								
+15							+ 1								
- 3							+ 6								
- 5							- 7								
Ft. Myers							Elberton								
415,288							34,665								
378,481							31,624								
370,739							24,602								
+10							+10								
+12							+ 8								
+ 8							+20								
Gainesville							Gainesville								
291,178							194,471								
257,860							182,161								
286,960							178,782								
+13							+ 7								
+ 1							+ 9								
+ 1							+10								
Jacksonville							Griffin								
5,507,199							75,603								
5,332,250							77,225								
4,973,441							86,494								
+ 3							- 2								
+11							-13								
+ 1							-12								
Melbourne							LaGrange								
419,751							45,690								
393,296							41,136								
403,203							38,027								
+ 7							+11								
+ 4							-20								
- 2							-13								
Miami							Newnan								
7,693,450							51,468								
7,206,281							46,566								
7,796,720							52,606								
+ 7							+11								
+ 1							- 2								
Orlando							Rome								
1,602,485							222,581								
1,557,454							196,603								
+ 8							172,893								
+11							158,239								
+ 4							138,051								
+13							+ 9								
Sarasota							Valdosta								
541,839							134,590								
497,869							107,751								
563,274							125,023								
+ 9							+25								
-39							+ 8								
+13							+ 4								
Tallahassee							Abbeville								
1,374,309							20,682								
970,446							20,524								
958,476							18,700								
+42							+ 1								
+43							+11								
+13							+10								
Tampa-St. Pete							Bunkie								
4,381,173							25,801								
4,208,882							16,997								
4,118,052							24,814								
+ 4							+52								
+ 6							+ 4								
+ 8							+17								
W. Palm Beach							Hammond								
1,087,098							86,846								
1,006,333							101,146								
1,244,638							106,891								
+ 8							-14								
-13							-19								
- 8							+18								
Albany							New Iberia								
220,528							91,511								
199,836							82,505								
220,940							67,700								
+10							+11								
+ 0							-35								
- 3							+ 8								
Atlanta							Plaquemine								
22,968,416							29,202								
23,670,979							29,046								
19,591,189							42,851								
- 3							+13								
+17							+60								
+11							+62								
Augusta							Hattiesburg								
612,865							172,893								
614,000							158,239								
772,234							138,051								
+ 0							+ 9								
+ 2							+25								
+10							+14								
Columbus							Laurel								
501,686							93,346								
501,419							96,140								
512,454							85,703								
+ 0							- 3								
+ 2							+ 1								
+10							+ 9								
Macon							Meridian								
911,181							148,180								
957,127							139,689								
835,890							142,965								
- 5							+ 6								
+ 9							+ 4								
+ 9							+ 3								
Savannah							Natchez								
1,104,940							70,733								
1,096,493							63,065								
764,447							68,117								
+ 1							+12								
+45							+ 0								
+62							- 4								
Alexandria							Pascagoula								
331,883							160,272								
331,649							163,817								
302,190							161,500								
+ 0							+ 2								
+10							- 1								
+11							+ 5								
Baton Rouge							Vicksburg								
2,357,878							110,520								
2,218,900							79,970								
1,992,298							132,093								
+ 6							+38								
+18							-16								
+19							-12								
Lafayette							Yazoo City								
459,472							63,585								
430,706							97,253								
378,350							58,343								
+ 7							-35								
+ 1							+ 9								
+10							+ 5								
Lake Charles							Bristol								
313,878							140,124								
306,196							136,067								
311,736							161,102								
+ 3							+ 3								
+ 1							-13								
+10							- 0								
New Orleans							Johnson City								
5,962,506							201,883								
5,820,305							190,942								
5,391,182							167,032								
+ 2							+ 6								
+11							+21								
+13							+13								
Biloxi-Gulfport							Kingsport								
328,026							389,390								
294,872							347,325								
285,162							343,657								
+11							+12								
+15							+13								
+13							+ 9								
Jackson							DISTRICT TOTAL								
1,849,055							99,793,502								
1,840,565							95,806,815 ^r								
1,889,777							91,285,374								
+ 0							+ 4								
- 2							+ 9								
+ 2							+ 6								
Chattanooga							Alabama								
1,333,272							12,167,943								
1,335,369							11,456,092								
1,343,836							10,580,133								
- 0							+ 6								
- 1							+15								
- 6							+14								
Knoxville							Florida								
1,517,861							30,061,411								
2,062,368							27,676,170 ^r								
+15							28,598,388								
+15							+ 9								
+ 7							+ 5								
+ 9							+ 0								
Nashville							Georgia								
4,729,525							30,794,901								
4,192,476							31,424,210								
4,405,511							27,002,607								
+13							- 2								
+ 7							+14								
+ 9							+ 9								
OTHER CENTERS							Louisiana								
Anniston							11,253,244								
148,472							10,861,819								
130,913							9,924,638								
126,451							+ 4								
+13							+13								
+17							+15								
+ 8							+ 4								
							+ 2								
							+ 0								

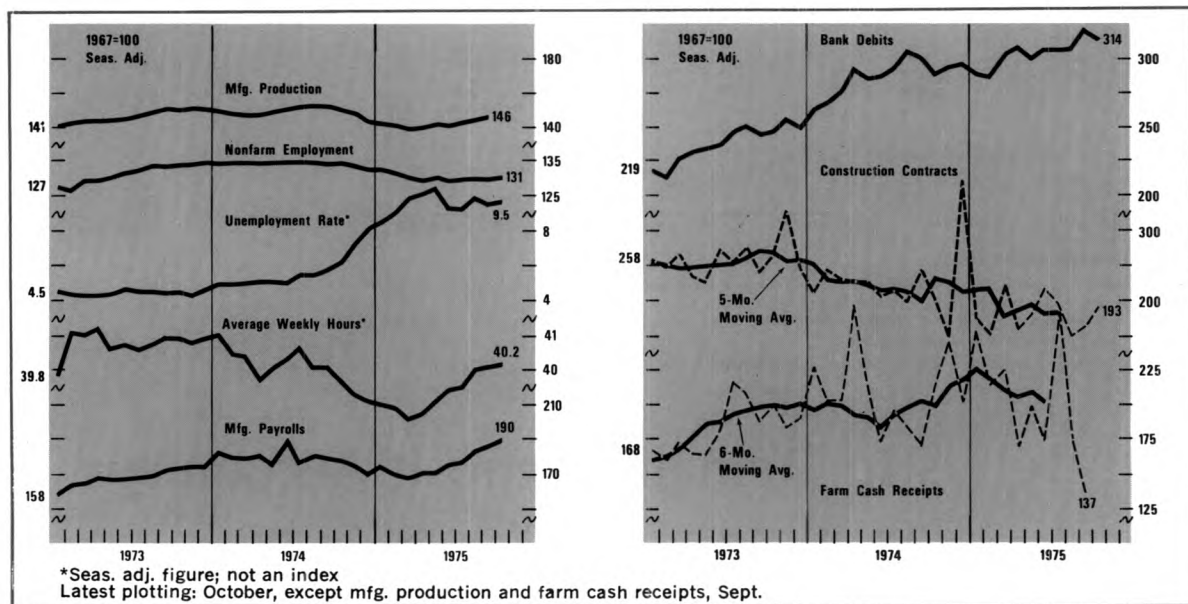
¹Conforms to SMSA definitions as of December 31, 1972.

²District portion only.

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Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

District Business Conditions



Moderate economic growth continues as 1975 draws to a close. Consumer spending, aided by increased instalment borrowing from banks, rose slowly. Employment expanded slightly. Falling prices dampened the gains in farm cash receipts. Construction activity increased, and deposit growth at financial institutions strengthened.

Employment rose moderately again in October, but the unemployment rate remained unchanged. Nonfarm employment gained strength from manufacturing, which showed increases in all nondurable industries. Even though construction jobs increased for the second month, some momentum was lost in Florida to this still sluggish sector. Nonmanufacturing was strengthened because an upturn in the transportation and public utilities sector offset a two-month downturn in government jobs. Both factory hours and earnings rose again this month, strengthening their upward trends.

Consumer expenditures grew more slowly during September, as the stimulus from tax rebates diminished. Registrations of new cars increased again, and department store sales expanded slightly. As of September, the gains throughout 1975 in income of manufacturing employees were greater than the increase in consumer prices, indicating growth in real income. Consumer instalment credit outstanding at banks increased sharply in October for the first time in over a year. This change primarily reflected a large gain in credit extensions for nonauto consumer goods.

October's downturn in prices received by farmers for most commodities continued into November, according to preliminary data. Bumper crop harvests and weakening export demand depressed

most crop prices, and gains in farm cash receipts were small despite increased production. Although cattle prices rose slightly, hogs and broilers have sold at sharply lower prices, reflecting consumer resistance to high retail prices. U. S. spot prices of foodstuffs were also falling rapidly in mid-November, as prices declined for both the livestock and products group and the fats and oils group. The spot market price index of foodstuffs was down over 25 percent from the year-ago level.

Construction activity expanded in October on the strength of gains in the nonresidential sector. A jump in the value of nonresidential contracts overcame a dip in residential contracts. Mortgage rates tended to stabilize after several months of gradual increase. Deposits flowed into savings and loan associations at record rates in October. Preliminary data indicate record inflows continued into November.

Member bank deposits advanced strongly during early November, following considerable weakness in October. A small part of the gain in savings deposits reflected newly opened business savings accounts. Bank lending has weakened, and some large banks had adopted a 7 $\frac{1}{4}$ -percent prime rate by late November. Holdings of U. S. Government securities posted a strong gain through midmonth.

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