

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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Sixth District Member Bank Operating Ratios for 1943

FOLLOWING a practice inaugurated for the year 1937 and followed annually ever since, the Research Department of the Federal Reserve Bank of Atlanta has again calculated operating ratios of Sixth District member banks. The ratios for the year 1943 were derived from condition reports submitted by member banks as of December 31, 1942, June 30, 1943, and October 18, 1943, and from two earnings reports covering the entire year. Asset, liability, and capital items used as bases in calculating the ratios represent averages for the three condition report dates. The banks included in the ratio study were largely the same as for the preceding year. For the 1942 ratios, 315 banks were included, while for the 1943 ratios, 312 banks were included.

For the 1943 ratios a new classification of banks graded according to size was selected. Illustrating the very considerable growth in bank deposits that took place in all of the banks, a considerable upward shift into the larger size groups took place all along the line. Only one bank had average deposits of less than \$250,000 in 1943 as compared with seven in the preceding year. For the year 1942, 32 District member banks had average deposits of less than \$500,000, while for the year 1943, only 12 member banks were in this category.

Three principal tables are again shown for the purpose of summarizing the findings of the operating ratio study: (a) operating ratios of all member banks in the Sixth Federal Reserve District, 1937-1943; (b) Sixth District member bank changes in deposits, earning assets, and profits for the year 1943; and (c) average operating ratios of member banks in the Sixth Federal Reserve District in 1943. For the most part, the experience of the banks during 1943 reflected a continuation of the trends outlined in the 1942 study.

1. The year 1943 was the most profitable in the past seven for the Sixth District member banks as a whole. The average ratio of net current earnings to total capital accounts for 1943 was 9.9 as compared with 9.4 for 1937, the year that marked the previous high during the seven-year period.

The average ratio of net profits to total capital accounts for the year 1943 was 8.8 as compared with 6.0 for 1942. The 1943 ratio was about as high as any attained for the System banks as a whole since the year 1925. For the period 1926-1929, the System-wide average net profits were about 9 per cent of total capital. During the depression years, 1930-1934, the average profit turned to an average net loss, reaching a level for the lowest year of 7.5 per cent. By 1937, Sixth Dis-

trict banks had so far recovered as to achieve an average ratio of net profits to capital of 8.0, an average that was also attained for the years 1939 and 1941.

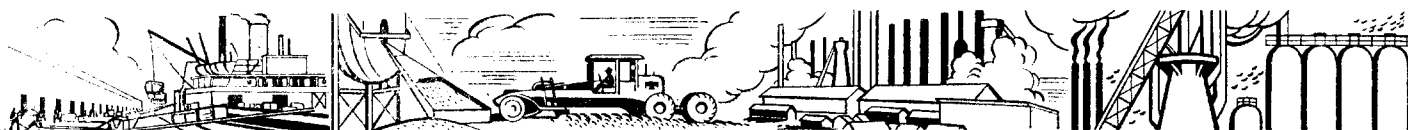
The 312 banks for the year 1943 earned net profits of \$20,716,000 as compared with \$14,874,700 for 1942, or an increase for the year of \$5,841,300. The percentage increase for the year, therefore, was 39.3. The 12 banks in the group having less than \$500,000 in deposits had a percentage increase in net profits of 96.4, a percentage increase greater than for any other group. The 57 banks in the group having deposits between \$5,000,000 and \$15,000,000 had the next greatest percentage increase in profits, an increase of 74.7 per cent.

2. Sixth District member banks during the year 1943 continued to draw an increasing proportion of their earnings from interest and dividends on securities, primarily governments. For the year the banks obtained, on an average ratio basis, 35.9 per cent of their earnings from securities as compared with 25.0 per cent for 1942 and 20.5 per cent for 1941. In contrast, the proportion of earnings derived from interest and discounts on loans has been decreasing. For 1943, earnings from this source constituted 42.8 per cent of the total, as compared with 55.0 per cent for 1942, and 62.7 per cent for 1941. Service charges, on the other hand, have continued to play an increasing part in total earnings. In 1943, such earnings showed an average ratio to total earnings of 8.1; in 1942, 6.6; and in 1941, 5.4.

For the smaller banks, earnings on loans still constitute the principal source of income. Banks with average deposits up to \$500,000 had an average ratio of interest and dividends on securities to total earnings of 25.1, while banks with deposits of over \$75,000,000 had a corresponding ratio of 44.1. Only in the group of banks having deposits of more than \$5,000,000 did earnings from securities surpass earnings from loans.

The importance of service charges on deposit accounts as a source of earnings varied in considerable degree with the size of the bank. Banks having average deposits of less than \$500,000 had an average ratio in this respect of 7.1, while banks in the group having deposits between \$5,000,000 and \$15,000,000 had an average ratio of 11.1. The very largest banks, those having deposits of more than \$75,000,000, had an average ratio of service charges to total earnings of 4.5.

3. The margin of earnings above expenses widened during the year. For 1943, the average ratio of expenses to earnings



was 69.0 as compared to 74.0 for the preceding year. As a matter of fact, the ratio for 1943 was the lowest for any one of the past seven years.

The principal saving in expenses in the seven-year period has been in payments of interest on time and savings deposits. The average ratio for 1937 of such interest to total earnings was 15.3. With each succeeding year, this average has declined until in 1943 it was 8.9.

On the other hand, over the same period, the average ratio of salary and wages to total earnings rose from 28.6 in 1937 to 32.5 in 1942, and then declined moderately to 32.2 for 1943. Charge-offs with an average ratio of 2.9 to total earnings, for the year 1943, were at the low point for the seven-year period.

4. Sixth District member banks experienced important gains in deposits during the year 1943. The 312 banks included in the study gained approximately \$742,000,000 in deposits for the year, or an increase of 23.3 per cent. Banks in the group having less than \$500,000 in total deposits recorded an increase of 38.5 per cent in total deposits for the year, an increase that was greater than that for any one of the other groups. The banks in the group having total deposits between \$2,000,000 and \$15,000,000 showed the next

greatest percentage increase in deposits, an increase of 34.3 per cent.

Despite the considerable increase in deposits for the year, the percentage increase was less for the year 1943 than for the previous year. For the year 1942, the banks experienced a gain of 35.8 per cent in total deposits as compared with an increase for 1943 of 23.3 per cent.

5. The ratio of total capital accounts to total deposits continued to decrease. In 1939, it was 17.1; in 1940, 16.1; in 1941, 14.7; in 1942, 11.5; and in 1943, 8.4. The decline in this ratio has been brought about by a very considerable expansion of deposits without corresponding relative increases in capital. An earlier accepted principle was that deposit liabilities should not exceed 10 times the amount of capital. Wartime investments in readily marketable Government securities and very large increases in cash assets have largely made meaningless this yardstick, a measure that was arbitrary at best.

Ranked by size of total deposits, the smaller banks tend to have higher ratios of capital accounts to total deposits than do the larger banks. The banks with less than \$500,000 in total deposits, for example, had an average ratio of 18.5,

SUMMARY TABLE							
Operating Ratios of All Member Banks in the Sixth Federal Reserve District							
1937 - 1943							
	1937	1938	1939	1940	1941	1942	1943
Number of banks	320	318	313	314	315	315	312
RATIOS:							
TO TOTAL EARNINGS							
Interest and dividends on securities	27.5	24.7	23.6	21.6	20.5	25.0	35.9
Interest and discount on loans	55.4	59.1	60.3	62.3	62.7	55.0	42.8
Service charges	**	4.8	4.9	5.1	5.4	6.6	8.1
All other earnings	17.1	11.4	11.2	11.0	11.4	13.4	13.2
Total earnings	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Salaries and wages	28.6	29.1	29.6	30.1	30.4	32.5	32.2
Interest on time and savings deposits	15.3	15.2	14.7	14.4	13.6	12.8	8.9
All other expenses	25.8	25.7	25.9	27.1	28.1	28.7	27.9
Total expenses	69.7	70.0	70.2	71.6	72.1	74.0	69.0
Net current earnings	30.3	30.0	29.8	28.4	27.9	26.0	31.0
Net charge-offs, etc.	3.6	4.6	2.9	3.7	3.2	5.7	2.9
Net profits	26.7	25.4	26.9	24.7	24.7	20.3	28.1
TO TOTAL CAPITAL ACCOUNTS							
Net current earnings	9.4	9.0	9.0	8.7	8.9	8.0	9.9
Net charge-offs, etc.	1.4	1.4	1.0	1.3	.9	2.0	1.1
Net profits	8.0	7.6	8.0	7.4	8.0	6.0	8.8
Cash dividends declared	*	3.3	3.4	3.4	3.5	3.1	3.3
TO TOTAL ASSETS							
Total earnings	4.1	4.1	3.9	3.8	3.6	2.8	2.2
Net current earnings	1.2	1.3	1.2	1.1	1.0	.7	.7
Net profits	1.1	1.0	*	.9	.9	.6	.6
Securities	*	*	25.0	23.0	22.0	27.4	42.6
Loans	*	*	37.2	36.5	35.5	27.2	17.4
Real estate assets	*	*	3.6	3.2	2.7	2.1	1.3
Cash assets	*	*	33.9	37.0	39.5	43.1	38.4
All other assets	*	*	.3	.3	.3	.2	.3
Total assets	*	*	100.0	100.0	100.0	100.0	100.0
TO TOTAL DEPOSITS							
Total capital accounts	*	*	17.1	16.1	14.7	11.5	8.4
Time deposits	*	*	35.2	34.6	32.6	26.0	19.8
TO TIME DEPOSITS							
Interest on time and savings deposits	*	*	1.8	1.7	1.6	1.5	1.0
TO SECURITIES							
Interest and dividends on securities	3.7	3.6	3.5	3.3	3.2	2.4	1.7
Net losses (or rec. & pr.) on securities	.5	.6	.9	.7	.8	.0	.1
Net return on securities	4.2	4.2	4.4	4.0	4.0	2.4	1.8
TO LOANS							
Interest and discount on loans	6.5	6.5	6.5	6.6	6.5	6.0	5.7
Net losses (or rec.) on loans	-.4	-.4	-.4	-.4	-.2	.1	+.0
Net return on loans	6.1	6.1	6.1	6.2	6.3	5.9	5.7

*Not published

**Included in "all other earnings"

SIXTH DISTRICT MEMBER BANK CHANGES IN DEPOSITS, EARNING ASSETS, AND PROFITS FOR THE YEAR 1943**

(In thousands of dollars)						
Group*	Number in Group	Year Ending Dec. 1943	Year Ending Dec. 1942	Change Amount	Change Per Cent	
Deposits						
A	12	5,030.1	3,630.7	+ 1,399.4	+ 38.5	
B	40	33,104.2	26,269.8	+ 6,834.4	+ 26.0	
C	73	122,231.7	93,498.8	+ 28,732.9	+ 30.7	
D	88	316,558.6	235,630.6	+ 80,928.0	+ 34.3	
E	57	547,843.7	413,056.7	+ 134,787.0	+ 32.6	
F	30	1,204,619.3	977,644.5	+ 226,974.8	+ 23.2	
G	12	1,697,340.3	1,434,761.3	+ 262,579.0	+ 18.3	
Total	312	3,926,727.9	3,184,492.4	+ 742,235.5	+ 23.3	
Government Securities						
A	12	1,770.4	830.5	+ 939.9	+ 113.2	
B	40	12,323.4	5,304.7	+ 7,018.7	+ 132.3	
C	73	47,795.7	22,147.5	+ 25,648.2	+ 115.8	
D	88	144,393.9	68,309.6	+ 76,084.3	+ 111.4	
E	57	278,413.3	141,398.2	+ 137,015.1	+ 96.9	
F	30	637,610.8	411,640.8	+ 225,970.0	+ 54.9	
G	12	806,050.0	586,254.4	+ 219,795.6	+ 37.5	
Total	312	1,928,357.5	1,235,885.7	+ 692,471.8	+ 56.0	
Loans						
A	12	917.9	829.9	+ 88.0	+ 10.6	
B	40	7,568.9	6,860.1	+ 708.8	+ 10.3	
C	73	25,518.7	23,515.4	+ 2,003.3	+ 8.5	
D	88	50,884.1	50,119.4	+ 764.7	+ 1.5	
E	57	78,425.2	75,955.0	+ 2,470.2	+ 3.3	
F	30	158,387.7	158,950.3	- 562.6	-.0	
G	12	337,864.9	316,029.9	+ 21,835.0	+ 6.9	
Total	312	659,567.4	632,260.0	+ 27,307.4	+ 4.3	
Profits						
A	12	43.2	22.0	+ 21.2	+ 96.4	
B	40	194.5	165.9	+ 28.6	+ 17.2	
C	73	762.7	518.5	+ 244.2	+ 47.1	
D	88	1,832.6	1,330.2	+ 502.4	+ 37.8	
E	57	2,829.4	1,619.2	+ 1,210.2	+ 74.7	
F	30	7,027.4	4,913.5	+ 2,113.9	+ 43.0	
G	12	8,026.2	6,305.4	+ 1,720.8	+ 27.3	
Total	312	20,716.0	14,874.7	+ 5,841.3	+ 39.3	
*Average Deposits						
Group A—	Up to \$ 500,000					
Group B—	\$ 500,000— 1,000,000					
Group C—	1,000,000— 2,000,000					
Group D—	2,000,000— 5,000,000					
Group E—	5,000,000— 15,000,000					
Group F—	15,000,000— 75,000,000					
Group G—	Over 75,000,000					

**The banks in each group are identical for both years, the classification of each bank being determined by its average deposits for 1943.

while the banks in the largest group, those with deposits of over \$75,000,000, had an average of 5.6.

6. Sixth District member bank deposit liabilities were increasingly backed up by Government securities. At the close of the year 1943, the 312 member banks included in the study had total deposits of 3.9 billion dollars and owned total Government securities of 1.9 billion dollars. At the close of the year 1942, the same banks had deposits of 3.2 billion dollars and owned Government securities of 1.2 billion dollars. The ratio of Government securities to total deposits was, therefore, 49.1 at the end of 1943, and 38.8 at the end of 1942. During the year 1943, deposits of this group of banks increased by 23.3 per cent, while ownership of Government securities increased by 56.0 per cent.

With numerous exceptions, the larger banks had more of their deposits offset by Government securities than was the case with the smaller banks. The average ratio of Government securities to total deposits was 47.4 for banks with deposits in excess of \$75,000,000 and 29.9 for banks with deposits of less than \$500,000.

7. While the percentage of loans to total assets declined during the year, the loan volume remained about the same. In 1939, loans constituted 37.2 per cent of total assets of member banks. Since that year the percentage has decreased until for the year 1943 only 17.4 per cent of total assets was represented by loans for the banks as a whole. The actual volume of loans, however, was greater at the close of 1943 than at the close of 1942 by 4.3 per cent, having increased from \$632,000,000 to \$660,000,000 during the year. Banks having deposits of less than \$1,000,000 increased the volume of their loans during the year by a little more than 10 per cent; and the banks in the largest group, those having deposits over \$75,000,000, increased their volume of loans by nearly 7 per cent.

8. The ratio of cash assets to total assets continued high, but the average ratio was less for 1943 than for the two previous years. For 1943, the average ratio of cash assets to total assets was 38.4 per cent as compared with 43.1 for 1942 and 39.5 for 1941. In general, the smaller banks had higher cash asset ratios than did the larger banks. Banks with deposits of between \$500,000 and \$1,000,000 had average cash asset ratios of 44.4, while banks with deposits over \$75,000,000 had average cash asset ratios of 29.5.

Following the Bank Holiday and continuing up to the most recent years, bankers have maintained themselves in an over-liquid situation. This practice, although abnormal and more or less completely foreign to previous banking experience, was of such long duration that in the minds of many the abnormal became the normal. Despite the great inflow of deposit funds, it is now probable that the tendency towards overliquidity will be reversed and that once more bankers will return to the standards prevailing in the 1920's and before.

Prospective demands by the Government for funds with which to prosecute the war give no grounds for assuming that there will be any sharp reversal during 1944 in the trends that characterized Sixth District banking during 1943. Bank investments in Government securities may be expected to increase. Profit margins will become wider. The ratio of capital to deposits will become smaller. Banks in general can confidently look forward to better-than-average operating profits.

Sixth District Statistics

RESERVES AND RELATED ITEMS OF SELECTED SIXTH DISTRICT MEMBER BANKS (In Thousands of Dollars)						
For reserve city banks figures are averages of seven-day period ending March 3, 1944; for country banks they are averages of fourteen-day period ending February 29, 1944.						
Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	5	0	420	4	227	208
B	17	40	3,527	785	1,615	178
C	37	686	12,094	4,443	5,917	143
D	65	3,181	35,148	14,936	19,797	162
E	62	8,545	60,445	38,228	37,445	131
F	31	31,701	54,386	50,735	43,349	130
G	41	622,714	268,355	383,573	397,152	114
Total	258	666,867	434,375	492,704	505,502	118

* Group A: 1942 average deposits up to \$250,000; Group B: \$250,000 to \$500,000; Group C: \$500,000 to \$1,000,000; Group D: \$1,000,000 to \$2,000,000; Group E: \$2,000,000 to \$5,000,000; Group F: \$5,000,000 to \$10,000,000; Group G: over \$10,000,000.

UNITED STATES TREASURY BILLS		
Dated	Tenders	Allotments
March 2, 1944	\$ 5,075,000	\$ 4,435,000
March 9, 1944	23,912,000	18,323,000
March 16, 1944	14,468,000	10,619,000
March 23, 1944	12,005,000	11,331,000

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)					
Area	Feb. 1944	Jan. 1944	Feb. 1943	Per Cent Change Feb. 1944 from	
				Jan. 1944	Feb. 1943
ALABAMA					
Anniston	17,474	16,886	12,244	+ 3	+ 43
Birmingham	173,961	197,395	140,942	- 12	+ 23
Dothan	9,304	7,891	6,044	+ 18	+ 54
Gadsden	10,114	9,962	8,795	+ 2	+ 15
Mobile	108,859	116,850	90,714	- 7	+ 20
Montgomery	39,256	38,064	33,338	+ 3	+ 18
FLORIDA					
Jacksonville	183,514	165,406	136,760	+ 11	+ 34
Miami	140,165	135,803	76,234	+ 3	+ 84
Orlando	27,153	28,874	19,460	- 6	+ 40
Pensacola	22,907	23,065	17,197	+ 1	+ 33
St. Petersburg	24,996	23,177	18,746	+ 8	+ 33
Tampa	77,632	79,709	61,931	- 3	+ 25
GEORGIA					
Albany	9,318	11,046	7,428	- 16	+ 25
Atlanta	457,091	437,647	348,527	+ 4	+ 31
Augusta	31,885	37,079	30,061	- 4	+ 6
Brunswick	13,978	15,502	10,764	- 10	+ 30
Columbus	32,892	39,228	29,618	- 6	+ 11
Elberton	1,722	1,661	1,392	+ 4	+ 24
Macon	42,104	36,979	32,560	+ 14	+ 29
Newnan	5,195	4,436	4,113	+ 17	+ 26
Savannah	74,876	83,014	61,489	- 10	+ 22
Valdosta	6,118	6,848	4,414	- 11	+ 39
LOUISIANA					
Baton Rouge	41,485	39,898	38,082	+ 4	+ 9
Lake Charles	22,759	23,672	16,454	- 4	+ 38
New Orleans	427,149	405,892	307,363	+ 5	+ 39
MISSISSIPPI					
Hattiesburg	12,992	12,493	11,023	+ 4	+ 18
Jackson	68,705	49,930	46,775	+ 34	+ 43
Meridian	18,328	15,319	12,889	+ 20	+ 42
Vicksburg	26,702	22,109	18,930	+ 21	+ 41
TENNESSEE					
Chattanooga	83,059	108,397	71,918	- 23	+ 15
Knoxville	94,677	98,058	46,766	+ 3	+ 102
Nashville	175,510	174,787	148,629	+ 0	+ 18
SIXTH DISTRICT					
32 Cities	2,479,880	2,466,877	1,871,580	+ 1	+ 33
UNITED STATES					
334 Cities	70,717,000	71,888,000	54,872,000	- 2	+ 29

AVERAGE OPERATING RATIOS OF MEMBER BANKS

GROUPED ACCORDING

GROUPS WITH AVERAGE DEPOSITS OF..... NUMBER OF BANKS IN EACH GROUP.....	Up to \$500,000		\$500,000 to \$1,000,000		\$1,000,000 to \$2,000,000	
	12		40		73	
	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks
	%	%	%	%	%	%
PERCENTAGE OF TOTAL CAPITAL ACCOUNTS:						
Net current earnings.....	7.0	4.5— 9.2	7.1	4.2— 9.4	9.9	6.5— 12.6
Profits before income taxes.....	8.3	5.1— 10.8	7.0	5.2— 10.5	9.5	5.3— 12.5
Net profits after taxes.....	7.3	4.8— 10.8	5.9	4.2— 8.5	8.6	4.9— 11.2
Cash dividends declared.....	5.7	.6— 4.0	2.8	2.0— 3.8	3.2	2.1— 4.1
PERCENTAGE OF TOTAL ASSETS:						
Total earnings.....	2.9	2.9— 3.4	2.4	2.1— 2.7	2.4	2.0— 2.7
Net current earnings.....	.8	.5— 1.0	.7	.4— .8	.8	.5— 1.0
Net profits after taxes.....	.9	.6— 1.2	.6	.4— .8	.7	.4— .8
PERCENTAGE OF TOTAL EARNINGS:						
Interest and dividends on securities.....	25.1	12.3— 33.8	26.6	13.0— 35.1	30.4	19.7— 38.3
Earnings on loans.....	57.3	47.6— 63.3	53.5	44.2— 63.9	50.1	39.7— 61.5
Service charges on deposit accounts.....	7.1	3.5— 10.5	6.8	3.6— 9.9	7.1	2.3— 9.7
Trust department earnings.....	.....	.....	.0	.....	.1	.....
All other earnings.....	10.5	4.1— 15.8	13.1	7.9— 15.3	12.3	7.2— 16.5
Total earnings.....	100.0	X X X X	100.0	X X X X	100.0	X X X X
Salaries and wages.....	36.0	33.6— 38.5	34.6	29.8— 38.5	32.1	28.0— 35.0
Interest on time and savings deposits.....	8.1	3.4— 9.3	9.4	4.2— 12.5	10.2	6.4— 12.8
All other expenses.....	26.8	21.1— 30.9	28.7	24.1— 33.5	26.6	22.4— 29.9
Total expenses.....	70.7	66.9— 73.8	72.7	65.2— 82.6	68.9	61.1— 74.3
Net current earnings.....	29.3	26.2— 33.1	27.3	17.4— 34.8	31.1	25.6— 38.5
Net charge-offs, etc.....	+ 6.8	+ 9.0— 1.0	+ .9	+ 3.2— 2.4	+ .8	+ 3.5— 5.1
Taxes on net income.....	4.3	...— 8.6	3.5	...— 6.1	3.1	...— 5.2
Net profits after taxes.....	31.8	22.8— 38.0	24.7	18.0— 33.6	27.2	19.6— 34.1
PERCENTAGE OF TOTAL SECURITIES:						
Interest and dividends on securities.....	1.9	1.2— 2.2	1.8	1.4— 2.2	1.8	1.4— 2.0
Net losses (or rec. & pr.) on securities.....	+ .2	+ .1— ...	+ .1	+ .1— ...	+ .0	+ .1— .0
PERCENTAGE OF TOTAL LOANS:						
Earnings on loans.....	8.7	7.6— 10.9	6.7	5.5— 7.8	6.2	5.3— 7.1
Net losses (or recoveries) on loans.....	+ .5	+ .6— .0	+ .4	+ .1— .6	.0	+ .1— .2
PERCENTAGE OF TOTAL ASSETS:						
Government securities.....	25.8	21.6— 26.4	26.6	20.3— 31.0	30.3	21.9— 37.7
Other securities.....	8.2	.8— 9.0	6.6	1.9— 8.2	7.6	2.5— 8.8
Loans.....	20.0	14.1— 20.1	20.7	14.9— 25.5	20.3	13.1— 25.9
Cash assets.....	43.2	37.1— 50.8	44.4	39.0— 52.8	40.5	34.9— 45.9
Real estate assets.....	2.7	.6— 1.7	1.5	.7— 1.8	1.1	.6— 1.4
All other assets.....	.0	...— .0	.2	...— .0	.2	...— .1
Total assets.....	100.0	X X X X	100.0	X X X X	100.0	X X X X
CAPITAL AND DEPOSIT RATIOS: (In Percentage)						
Cap. accts. to total assets.....	14.8	10.5— 13.9	9.8	7.3— 10.9	8.2	6.2— 9.5
Cap. accts. to total assets less gov'ts and cash assets.....	49.3	40.5— 62.8	36.3	24.6— 48.3	32.1	21.7— 38.9
Cap. accts. to total deposits.....	18.5	11.7— 16.1	11.0	7.9— 12.3	9.0	6.6— 10.5
Time to total deposits.....	21.4	9.9— 32.7	19.4	11.3— 28.9	22.2	14.8— 27.4
Interest to time deposits.....	1.7	.9— 1.7	1.1	.9— 1.5	1.1	.9— 1.4
RATIO TO TOTAL DEPOSITS:						
Government securities.....	29.9	26.6— 29.5	29.5	22.6— 36.1	33.1	24.6— 41.4

IN THE SIXTH FEDERAL RESERVE DISTRICT IN 1943

TO SIZE OF DEPOSITS

<u>\$2,000,000 to \$5,000,000</u> 88		<u>\$5,000,000 to \$15,000,000</u> 57		<u>\$15,000,000 to \$75,000,000</u> 30		<u>Over \$75,000,000</u> 12		<u>All District Member Banks</u> 312
Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group
%	%	%	%	%	%	%	%	%
10.0	6.9— 12.0	10.1	7.8— 11.5	12.5	9.4— 15.7	13.3	10.6— 14.0	8.8
10.3	7.1— 12.6	10.5	8.1— 11.4	12.8	8.3— 14.9	12.0	10.0— 12.1	10.0
9.3	6.7— 11.3	9.4	6.9— 10.6	10.7	7.7— 12.2	9.6	7.9— 9.5	8.8
3.6	2.5— 4.1	2.8	2.1— 3.3	2.8	1.8— 3.5	3.7	2.8— 3.3	3.3
2.1	1.8— 2.3	2.0	1.8— 2.2	1.9	1.7— 2.1	1.8	1.7— 2.1	2.2
.7	.4— .8	.6	.5— .7	.7	.5— .8	.8	.5— 1.0	.7
.6	.4— .7	.6	.4— .6	.6	.4— .7	.5	.4— .5	.6
37.8	28.4— 49.6	41.6	32.9— 49.5	45.9	35.3— 54.9	44.1	36.6— 49.0	35.9
41.8	28.2— 56.6	33.9	25.0— 39.2	29.4	18.7— 36.6	32.5	29.3— 34.6	42.6
8.7	4.1— 11.2	11.1	5.9— 13.8	6.7	4.1— 7.7	4.5	3.2— 5.2	8.1
.7	...— .2	1.3	...— 1.8	3.2	1.4— 3.7	4.0	2.1— 4.4	.9
11.0	6.5— 14.1	12.1	7.3— 15.9	14.8	7.7— 19.0	14.9	11.9— 16.8	12.3
100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0
32.1	27.0— 37.1	33.3	29.8— 36.5	28.5	25.7— 31.4	25.1	22.4— 27.8	32.2
10.2	5.6— 13.3	7.7	5.5— 10.1	5.8	4.0— 7.3	4.8	3.8— 5.1	8.9
26.6	22.5— 29.7	28.6	23.2— 33.1	30.8	26.8— 32.8	32.3	29.6— 35.2	27.9
68.9	61.6— 75.9	69.6	65.3— 75.1	65.1	57.0— 70.0	62.2	57.4— 69.6	69.0
31.1	24.1— 38.4	30.4	24.8— 34.5	34.9	29.8— 38.7	37.8	30.4— 42.6	31.0
+ 1.4	+ 5.5— 1.5	+ 1.6	+ 3.5— 1.8	+ 1.1	+ 1.0— 3.5	4.5	+ .7— 8.4	+ .8
3.3	.3— 4.7	3.4	.1— 5.8	5.8	1.8— 7.0	6.4	3.7— 7.9	3.7
28.2	21.5— 33.7	28.6	20.0— 36.5	30.2	21.8— 31.8	29.9	22.6— 28.7	28.1
1.8	1.4— 2.1	1.6	1.4— 1.9	1.7	1.4— 1.8	1.6	1.4— 1.7	1.7
+ .1	+ .1— .1	+ .1	+ .1— .0	+ .1	+ .1— .1	+ .0	+ .1— .0	+ .1
5.7	4.9— 6.1	4.9	4.4— 5.4	4.2	3.1— 4.6	3.2	2.9— 3.6	5.7
+ .0	+ .2— .2	+ .2	+ .2— .0	.1	+ .1— .1	.3	+ .0— .6	+ .0
36.3	29.3— 45.6	40.5	34.0— 44.6	44.6	40.5— 48.5	44.7	41.2— 48.2	35.2
7.0	2.5— 10.2	8.6	3.8— 11.4	7.5	4.9— 9.7	5.2	3.2— 6.9	7.4
16.2	10.4— 22.0	14.3	9.3— 16.4	13.8	9.3— 15.7	18.9	16.4— 20.7	17.4
39.2	32.3— 44.6	34.6	29.7— 39.4	32.1	27.6— 37.1	29.5	27.5— 31.6	39.4
1.2	.7— 1.6	1.3	.5— 1.6	1.7	.9— 1.7	1.3	1.1— 1.7	1.3
.1	.0— .1	.7	.0— .3	.3	.0— .4	.4	.3— .5	.3
100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0
7.0	5.5— 8.2	6.2	4.9— 6.8	5.7	4.9— 6.0	5.3	4.7— 5.2	7.6
32.1	23.1— 38.3	28.8	21.8— 31.2	27.6	19.9— 32.4	21.1	16.7— 23.4	28.8
7.6	5.9— 9.0	6.7	5.2— 7.3	6.1	5.2— 6.5	5.6	4.9— 5.6	8.4
21.9	15.4— 27.0	18.8	13.6— 24.1	14.0	11.5— 15.9	9.6	9.1— 10.4	19.8
1.0	.8— 1.2	.9	.8— 1.0	.8	.7— .9	.9	.8— .9	1.0
39.1	31.2— 47.8	43.3	36.9— 48.3	47.7	43.5— 51.5	47.4	43.1— 50.7	39.0

District Business in March

IN March, department store sales began again to run well ahead of 1943 levels. Monetary circulation showed little change and the same was true of demand deposits. The supply of Southern pine, as in recent months, fell far short of demand. The Crop Reporting Board released estimates of 1944 crop acreage that indicated little change in cropland utilization from last year.

Retail Trade: In the first three weeks of March, department store sales in the Sixth Federal Reserve District were more than 30 per cent greater than in the first three weeks of March last year. In the week ending March 18, department store sales in Atlanta were 40 per cent greater than in the corresponding week of 1943; in Nashville, sales were 39 per cent above last year; in Miami, they were 32 per cent higher; and in Birmingham, they were 31 per cent above the preceding year. These rises, no doubt, partly reflect forward buying in anticipation of higher excise taxes that will apply to many items beginning with the first of April.

For the larger group of stores that report monthly, sales in February were 10 per cent above sales in February 1943. In February, after making allowance for seasonal factors, total department store sales were 125 per cent larger than the average of the five prewar years, 1935-39.

Inventories in department stores of the District rose substantially from the end of January to the end of February. Again taking the five prewar years as 100 and allowing for seasonal factors, inventories stood at 182 on February 29, as compared with 176 on January 31, and 140 on February 28, 1943. Thus at the end of February 1944, inventories were 23 per cent larger than at the end of February 1943. The striking fact is that despite tremendously increased sales, department stores in this District have on the average been able to increase the size of their inventories. This is, of course, a reflection of the ability of the American economic system to turn out huge civilian supplies coincident with the production of record amounts of war materiel.

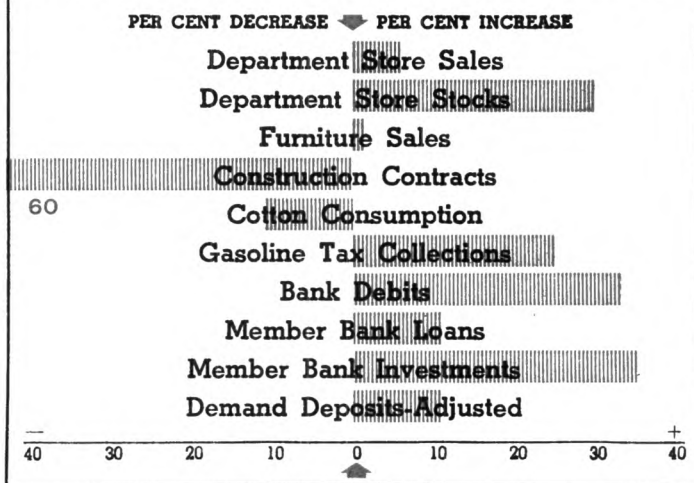
The collection ratio continues good. During February, department stores in this District collected 63 per cent of the amount outstanding on regular accounts at the end of January, and they collected 30 per cent of the amounts outstanding on instalment accounts at the end of January.

Banking: Since March 1, the circulation of Federal Reserve notes issued by this Bank has been relatively stable in the neighborhood of 990 million dollars. It is still, however, too early to say whether the peak in monetary circulation has been reached. It does appear that the period of rapid and continuing increases in demand for cash has passed. On March 22, total circulation of notes issued by the Atlanta Bank stood at 993 million dollars as compared with 595 million dollars a year earlier.

During the first three weeks of March, demand deposits adjusted at the weekly reporting member banks in the Sixth District continued to increase. From March 1 to March 8, they increased by 13 million dollars; from March 8 to March 15, by an additional 6 million dollars; and from March 15 to March 22, by another 5 million dollars. On the latter date,

Reconnaissance

Sixth District Statistics for February 1944 compared with February 1943



the total was 999 million dollars, an increase of 13 per cent over the corresponding date in 1943.

Lumber Production: Apparently, the supply situation in the Southern pine industry improved slightly in March. According to the Southern Pine Association, in the week ending March 4, 19 million feet of lumber were shipped by the reporting mills; 21 million feet were shipped in the week ending March 11; and 18 million feet, in the week ending March 18. At the beginning of the March 4 week, orders on hand at the same mills totaled 151 million feet, and at the close of the March 18 week, orders on hand totaled 143 million feet.

In the week ending March 18, shipments were 12 per cent below production, while orders received during the week were 15 per cent below production and 4 per cent below shipments. In the week ending March 18, orders were 33 per cent below average production in the three-year period from the end of October 1940 to the end of October 1943; shipments were 30 per cent below this figure; while actual production was but 21 per cent below the three-year average.

The over-all supply situation in the Southern pine industry remains extremely tight, however. The Central Procuring Agency is having difficulty placing orders for an additional 300 million feet of lumber urgently needed in the war effort.

Crop Plantings: According to estimates released by the Crop Reporting Board of the United States Department of Agriculture, the pattern of District crop plantings for the year 1944 will not differ materially from that of the year 1943. The estimates of plantings do not include cotton. For the other principal crops, the estimates indicate a 2 per cent decrease in corn acreage, a 6 per cent increase in oats acreage, a 3 per cent increase in peanut acreage, a 19 per cent increase in tobacco acreage, and a 2 per cent decrease in sweet potato acreage.

District corn acreage for 1944 is estimated at 14.7 million

acres as compared with 15.0 million acres for the previous year. Georgia with 3.8 million acres and Alabama with 3.2 million acres will have about the same acreage as last year. Florida reports an increase of 1 per cent in corn acreage, and Mississippi, a decrease of 4 per cent.

The acreage devoted to oats in the District for the year 1944 is placed at 1.8 million acres as compared with 1.7 million acres for the preceding year. Louisiana reports an acreage increase of 25 per cent, Mississippi of 15 per cent, and Tennessee of 5 per cent. Of the District states, Georgia with an expected oats acreage of 701,000 will be the largest producer.

The prospective peanut acreage for the District is 2.8 million acres as compared with 2.7 million acres for last year. Florida and Georgia with 286,000 acres and 1,457,000 acres, respectively, report an increase of 5 per cent in peanut acreage. Louisiana and Mississippi with expected acreages of 45,000 and 62,000, respectively, will have peanut acreages 70 to 80 per cent smaller than in the previous year. Florida, Georgia, and Tennessee are the only states of the District that have relatively large acreages of tobacco. For 1944, Georgia farmers report expected plantings of 89,000 acres as compared with 71,000 for last year; Tennessee farmers, 110,000 acres as compared with 95,000; and Florida farmers, 18,000 acres as compared with 16,000.

The Six States as a whole will have 500,000 acres devoted to sweet potatoes this year as compared with 508,000 last year. Georgia, the leading producer of sweet potatoes in the area, will have 127,000 acres of sweet potatoes this year, an acreage that represents no change from last year.

Naval Stores: In the week ending March 25, the *Savannah Naval Stores Review* reports, 2,525 drums of rosin were released from the Government stockpile. Part of this amount was withdrawn from the holdings at Brunswick, Georgia, reducing the Government holdings there to zero, and leaving no rosin for sale in Brunswick. This is the first situation of the kind there in a quarter century.

The Government stockpile now contains only 136,000 drums of rosin, of which some 63,000 have been set aside for export under lend-lease. Very little turpentine is moving out of the Government's stockpile.

The rapid exhaustion of the Government's stockpile of rosin is due on the one hand to declining production in recent years and, on the other, to increased consumption, both of which factors stem out of wartime conditions. The naval stores producers report a loss of much labor to higher-paying war industries and production has suffered in consequence. At the same time, increased industrial utilization of rosin has resulted from the war production program. Thus, for instance, a rosin product is used on the hulls of steel ships to protect them from barnacles.

Some weeks ago it appeared that the naval stores season just opening was getting off to an unusually early start as a result of favorably warm weather. Unfortunately, however, after the middle of March there was excessive rainfall over the whole of the naval stores producing area in Georgia, Alabama, and South Carolina. All work had to be suspended as a result of the flooding of the turpentine woods and the rising of many rivers to flood stage. It is thought that this development has set back movement of the crop by at least two weeks.

Sixth District Indexes

	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Feb. 1944	Jan. 1944	Feb. 1943	Feb. 1944	Jan. 1944	Feb. 1943
DISTRICT.....	225	224r	213	194	179r	188
Atlanta.....	227	241r	230	199	177r	203
Baton Rouge.....	219	236	288	170	157	223
Birmingham.....	215	243	221	179	172	184
Chattanooga.....	235	224	216	183	177	168
Jackson.....	240	231	240	187	158	187
Jacksonville.....	298	316	267	246	226	221
Knoxville.....	250	300	213	217	222	185
Macon.....	236	235	255	180	162	194
Miami.....	188	183	167	240	206	213
Montgomery.....	205	251	205	163	157	164
Nashville.....	240	267	216	205	191	185
New Orleans.....	214	207	197	177	159	162
Tampa.....	270	270	255	242	223	229

	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Feb. 1944	Jan. 1944	Feb. 1943	Feb. 1944	Jan. 1944	Feb. 1943
DISTRICT.....	182	176r	140	178	165r	137
Atlanta.....	249	246	162	236	216	154
Birmingham.....	143	133	127	138	115	122
Montgomery.....	186	170	168	182	151	164
Nashville.....	244	303	185	239	247	182
New Orleans.....	130	158	107	130	138	107

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Feb. 1944	Jan. 1944	Feb. 1943	Feb. 1944	Jan. 1944	Feb. 1943
	TOTAL.....	158	162	178	179	183	169
Alabama.....	168	167	186	182	185	174
Georgia.....	156	162	175	..	..	..
Tennessee.....	134	136	162	171	177	158

	MANUFACTURING EMPLOYMENT***		
	Jan. 1944	Dec. 1943	Jan. 1943
	SIX STATES.....	163	166	153
Alabama.....	191	194r	197
Florida.....	189	192r	130
Georgia.....	149	151r	140
Louisiana.....	171	176	152
Mississippi.....	151	156	145
Tennessee.....	140	143r	142

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	Feb. 1944	Jan. 1944	Feb. 1943	Feb. 1944	Jan. 1944	Feb. 1943
	DISTRICT.....	..	72	290	101	99	81
Residential.....	..	71	99	..	..	..
Others.....	..	72	382	..	..	..
Alabama.....	58	88	424	101	107	89
Florida.....	185	80	219	90	87	70
Georgia.....	104	30	206	90	96	74
Louisiana.....	57	100	566	96	103	86
Mississippi.....	76	110	244	93	111	83
Tennessee.....	116	46	54	135	102	90

	COST OF LIVING			ELECTRIC POWER PRODUCTION*			
	Jan. 1944	Dec. 1943	Jan. 1943	Jan. 1944	Dec. 1943	Jan. 1943	
	ALL ITEMS.....	128	128	123	254	251r	229
Food.....	144	143	137	Hydro-generated.....	201	178	
Clothing.....	134	134	127				
Rent.....	114	114	114	Fuel-generated.....	322	345r	
Fuel, electricity, & ice.....	109	109	106				
Home furnishings.....	125	125	121	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Miscellaneous.....	121	121	114	Feb. 1944	Jan. 1944	Feb. 1943	
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				Unadjusted.....	19.5	19.0	19.9
				Adjusted**.....	19.3	17.1	19.7
				Index*.....	74.6	66.1	76.2
				*Daily average basis **Adjusted for seasonal variation ***1939 monthly average = 100; other indexes, 1935-39 = 100			
				r = Revised			
Unadjusted.....				195	195	180	
Adjusted**.....				192	191	177	

The National Business Situation

INDUSTRIAL activity was maintained at a high level in February and the early part of March. Commodity prices and retail sales showed little change.

Industrial production: Output at factories and mines was at about the same rate in February as in January and the Board's seasonally adjusted index advanced 1 point to 243 per cent of the 1935-39 average.

Steel production continued to advance in February and in the first three weeks of March. Output of nonferrous metals showed little change as curtailment of aluminum production offset increases in output of other metals. Magnesium production was ordered curtailed, beginning in March, by approximately 3,000,000 pounds per month or 7 per cent of January output. Activity in the machinery, transportation equipment, and other durable goods industries showed little change from January to February.

Output of textile products was maintained at the January level and production of most manufactured food products declined less than is usual at this season. Butter and cheese production continued to increase seasonally in February. The volume of hogs slaughtered under Federal inspection declined 6 per cent from the exceptionally high January level; a much larger decline is usual in this month. Chemical production continued to decline as output of small arms ammunition and explosives was further curtailed.

Fuel production rose slightly in February to a level 10 per cent above the same month last year. Output of bituminous coal and crude petroleum was maintained at a high level, and anthracite coal production increased 19 per cent as a result of a seven-day work week in effect for the month of February.

Distribution: Total retail sales in February continued about as large as in January and exceeded somewhat the volume of a year ago. At department stores sales in February were about 10 per cent smaller than last year when there was a buying wave in clothing. During the first three weeks of March department store sales exceeded the volume of a year ago, reflecting in part the earlier date of Easter this year.

Freight carloadings, after allowance for seasonal changes,

(This page was written by the staff of the Board of Governors of the Federal Reserve System)

were maintained during February and the first two weeks in March in the unusually large volume reached in December and January.

Commodity prices: Prices of cotton and livestock increased somewhat from the middle of February to the middle of March while most other wholesale commodity prices showed little change.

Retail food prices declined 1 per cent from mid-January to mid-February owing chiefly to seasonal decreases in prices of eggs and citrus fruit. Retail prices of most other goods and services advanced slightly.

Bank credit: During the latter part of February and the first half of March the average level of excess reserves at all member banks fluctuated around one billion dollars. Member bank reserve requirements increased by about 400 million dollars as the result of private deposit expansion which, in turn, was the result of Treasury disbursements from war loan accounts which require no reserves. Money in circulation increased 400 millions and the gold stock declined by 130 millions. Funds to meet these demands were supplied by additions to Reserve Bank security holdings and a temporary decline in Treasury deposits at the Reserve Banks. In the four weeks ended March 15, Government security holdings of the Federal Reserve Banks rose by 720 million dollars, reflecting mainly substantial increases in bill holdings under repurchase option; note and certificate holdings also increased.

At reporting member banks in 101 leading cities Government security holdings declined by 540 million dollars during the four weeks ended March 15. Holdings of notes rose by 1.5 billion dollars while bonds and guaranteed obligations declined as the result of an exchange of maturing and redeemable issues for a new 1½ per cent note issue. Holdings of bills also declined, reflecting principally sales to the Reserve Banks. Loans to brokers, dealers, and others for purchasing or carrying Government securities, which had increased moderately during the Fourth War Loan Drive, fell by 340 million dollars in the following four weeks. Commercial loans also declined somewhat.

