



## FEDERAL RESERVE BANK OF ATLANTA

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## Do You Remember When?

The following quotations from past issues of the MONTHLY REVIEW of the Federal Reserve Bank of Atlanta cover the periods of recession and recovery after World War I.

### High Prices Here to Stay

(December 1918)

"Business men think that the era of high prices is here to stay for some years because of the fact there is hardly a surplus in any particular line. . . . The leaders of agricultural, industrial, and commercial enterprises are not inclined to underestimate the Nation's strength and power to recuperate; and a gradual readjustment of business and the proposed plan of demobilization of the Army give hope for a bright future. . . . The opinion is general that the Government restrictions and regulations should be lifted gradually. . . ."

"With the prevailing uncertainty and high price of labor and raw materials, manufacturers are inclined to play a waiting game until the situation clarifies, and are not stocking up with manufactured products. . . . The brick and building industry have been seriously handicapped during the war. Brick stocks are now low, and, with little or no stock being accumulated before spring, when the season opens, this indicates higher prices, and the tendency to hold stocks has tightened. The lumber millmen are complaining that shortage and insufficient labor, poor car facilities, and Government restrictions are reducing the output."

### Cost of Living Increases

(January 1919)

"While war wages were extremely high, compared with normal times, the cost of living increased in a gradual proportion, and, with the general disposition of the American people to spend money and enjoy heretofore luxuries, very little, if any, real saving or spirit of economy has grown out of the war conditions. There appears to be a disposition on the part of the wage earner who purchased Liberty Bonds now to dispose of the same, feeling that he has fulfilled his patriotic duty."

### Holding Cotton for Thirty-five Cents

(March and April 1919)

"The past few weeks have seen organized in the South a most determined, and probably the most influential and powerful, movement in the interest of the cotton grower. Meetings have been held in the interest of this movement, attended by Governors of the cotton producing States, large cotton farmers, bankers and business men, and it is planned to extend the organization into every county of each cotton State, with a view to having farmers hold off the market every possible bale of last year's cotton, until the price reaches 35 cents a pound, and to reduce the acreage planted to cotton the coming season at least one-third.

"The question of farm labor still is a pressing problem;

from all sections comes the report of a shortage. Discharged soldiers do not appear to desire work on the farm, as only a small percentage of those who left the farm to enter military service have returned to their agricultural pursuits. . . ."

### Retail and Wholesale Trade Increases

(May 25, 1919)

"Reports from practically all sections of the Sixth Federal Reserve District indicate that business in almost all lines has continued active during the past month. The retail trade is still on the increase, and wholesale merchants also report an increased volume of trade. This applies to all lines, but especially is it true with regard to the dry-goods business, and to those lines which during the period of the war were more or less restricted. A large increase has been noticeable in the number of sales by automobile houses and jewelry stores."

### Foreign Trade Grows

(June 1919)

"Reports from New Orleans indicate a noticeable increase in May in trade to Central and South American ports, as well as to other foreign points. . . . Conditions existing at this time in trade with Central and South America, Cuba and Panama are reported to be better than those prevailing before the war. . . ."

### Real Estate Trading Active

(October 1919)

"The volume of building, both in residences and apartment houses, continues in all of the cities of the district, and no abatement is indicated in the near future, notwithstanding the high prices for lumber and labor. A large number of houses are constantly changing hands and the trade in farm lands has also been active."

### Restlessness Over Cost of Living Growing

(November 1919)

"There has never been a time when the economic situation in the United States requires so much thought and consideration by very influential citizen. . . . The restlessness in the public mind is principally due to the cost of living, and while the wage for individual labor has been climbing upward, the demands are for still further increases which are made as a result of the high cost of living."

### Cotton Crop Shortest on Record

(November 1919)

"The cotton crop is the shortest on record in this territory. The damage caused by the boll weevil has been very great, and the infested area is still spreading."

### Holiday Buying Highest on Record

(December 1919)

"In only a few lines has there been any slackening of trade, and the volume of holiday trade generally during the month

appears to be greater than has ever been experienced. Christmas buying has been very heavy, and while the amount of goods sold is equal to, or larger, than for any previous holiday season, it is undoubtedly true that in dollars and cents the business will very greatly exceed that done for last year or any previous year."

*Farm-Land Values Continue to Increase* (March 1920)

"A marked increase in the value of farm lands throughout the district is indicated in the reports by Field Agents of the Department of Agriculture. Georgia land values are reported to have increased from 20% to 25% during 1919, and are much more than double those of five years ago. The increase is remarkable in view of the fact that the boll weevil has almost completely infested the state. A rise in value is noted in all classes of farm property, but is especially marked in that having good improvements."

*Consumers Organize Resistance* (April 1920)

"Overall Clubs' have been organized in various cities to combat the high and increasing price of clothing, and while the idea back of the movement is commendable, it is not probable there will be any appreciable decrease in prices of clothing or of food until the public generally become determined to wear the clothes they already have, and to buy only what is necessary for the table. . . . In some quarters there is a tendency to look for a lowering of prices in the coming months, but there is no evidence up to this time of any decrease in those lines which enter into daily consumption, either in wearing apparel or food."

*Credit Expanded to the Limit* (May 1920)

"Credit has expanded to the limit, and the time has come when there must be a reversal and every effort made toward curtailment in all lines termed during the war as non-essential. . . . Much unrest still prevails over the high prices.

"Figures recently compiled show instances where manufacturers' net profits have increased as much as five times the increase of their sales. This condition has been reflected to the middleman, the retailer and even to labor. There has apparently been a disposition on the part of every one to make increased profits on a relatively smaller increase in sales or production."

*Deflation Setting In* (June 1920)

"There is on the whole no uneasiness concerning the future of business and industry. It is becoming more and more apparent, however, that the process of deflation has begun. . . . While the volume of retail trade is large, there has been quite a subsiding of the rush caused by the announcement of "sales" by large stores at price reductions of from ten to twenty and thirty per cent. Prices are so high that even with these reductions they are far above normal, and there is a firm determination on the part of many to wait until further declines take place, and until prices reach a permanently lower level."

*Some Building Halted* (June and August 1920)

"During the past two or three months. . . . there has been a number of instances reported where buildings have been halted in course of construction because of the great and increasing expense. Apartment houses and residences in numerous cases had been begun, excavations made and foundations laid, and in some instances the basements practically finished, when it was found the expense was to be from twenty-five to fifty per cent, or even more, in excess of previous estimates.

"Reports from principal lumber producing sections show that the curtailment of production is becoming more general. Instances were recorded where mills have withdrawn from the market entirely until orders previously accepted can be shipped."

*Cotton Crop Largest Since 1914; Price Low* (Dec. & Jan. 1921)

"The final estimate by the United States Department of Agriculture, of the 1920 cotton crop shows the production to be larger than that of any year since 1914, when the country's record crop was grown. . . . Practically all of the crop has been harvested, but reports show that little is being sold, the farmers in a large number of instances declining to sell at the low prices prevailing, which have been around 14.25 to 15.25 during the month. A considerable amount is being held on the farms, while the warehouses are said to be full of cotton.

"While . . . the total production for the United States [was] 1,566,237 bales more than the crop of 1919, . . . it will be noted that the States comprising the Sixth Federal Reserve District produced 304,298 bales less in 1920 than in 1919, and 1,258,707 bales less than the five year average for those States."

*Sales Decline, Collections Slow, Factories Closing* (January 1921)

"While the volume of business done during the holiday season was large . . . measured in terms of dollars, a decrease is shown in retail sales. . . . All reporting retail stores show stocks lower on December 31 than on November 30. . . . This figure emphasizes the fact that retailers have been buying in a very limited way and only to meet immediate needs.

"Decreases are shown in net average sales during December reported by wholesale firms, . . . both as compared to the sales during the previous month (November), and to sales during December 1919. December collections are almost universally reported slow and in some cases very unsatisfactory.

"The closing down of various manufactories, mines and mills has added considerably to the number of workers now unemployed. . . . A large number of the blast furnaces, and some mines have closed down entirely and others are operating only two to four days a week. Fertilizer factories and cotton and peanut oil mills are also practically closed down or operating on greatly curtailed bases. The greatest number of unemployed are unskilled.

"Imports at New Orleans for the month of November were about 60% less than for November 1919, which was the record month, and about \$1,600,000 less than for November 1918. . . . Demand deposits are reported declining in many places and stationary at other points. . . ."

*Sixty Per Cent of Cotton Unsold; Loans Being Renewed* (April 1921)

"Approximately 60% of the cotton produced in the Sixth Federal District is still held, and a large proportion of it is pledged as collateral for loans on a basis considerably above the present low market price of staple. . . . Very few farmers have been able to liquidate all of the debts contracted in connection with last year's crops. (March 1921) Most of the reports state that 90% of agricultural paper is being renewed, and 60 to 75 per cent of other classes of loans."

*Cotton Price Advances; Business Improves* (Sept. & Oct. 1921)

"The outstanding feature of the business situation . . . is the

improvement in the South's economic position resulting for the most part from the advance of approximately forty dollars a bale, from \$60 to \$100, in the price of cotton, the principal agricultural product of the District.

"The business public does not expect any sudden revival of prosperity, nor a revival of the excessive profits which were made in 1919 and the early part of 1920, but those enterprises which are willing to conduct their business as economically as possible, and who are satisfied with fair profits, do most toward effecting a return to normalcy.

"All reporting wholesale lines of trade show sales during September greater than in August, and one line . . . shows September sales greater than those for September 1920. Textile manufacturing in this District is on a full time basis. . . . Additional furnaces are being put in operation in the iron and steel district.

"The shortage of houses is being relieved to some extent by active building programs. . . . The labor situation has shown some improvement."

*Some Adverse Factors Continue* ..... (Dec. 1921 and Jan. 1922) Jan. 1922)

"It cannot be said that adverse factors in the business situation have disappeared. The small production of cotton this year, it is true, has caused a substantial increase in the price of this staple, and this increase has resulted in much benefit not only to producers, but to business generally. . . . In some sections, however, . . . the almost complete failure of the cotton crop has brought a condition contrasted with that of a year ago, in that last year farmers had a fair crop on which they could hardly realize the cost of production, while this year the crop, while produced at a greatly reduced cost, is the smallest in many years.

"The increased price has had a psychological effect for good in the cities and the larger towns, but producers in many sections have not enough cotton to reap much benefit from the increased returns. More foodstuffs have been produced this year, probably, than in many years. But for this fact, however, many farmers would be obliged to ask for extension for another year of much more of the indebtedness incurred in raising the crops of this year and last, than will now be necessary. . . . There are still a great many farmers laboring under the burden of a large part of their 1920 debts, as well as their 1921 obligations.

"According to statistics compiled and published by R. G. Dun & Co., the number of commercial failures, both in the Sixth District and in the United States, was larger in November than in any previous month during the current year, and also larger than the number of failures in November during recent years. The total of liabilities in the Sixth District were \$3,711,252, being smaller, by 29.6 per cent than liabilities for October, but larger by 94.1 per cent than those for November last year. . . ."

*Continued Improvement* (April 1921)

"Unmistakeable evidences of continued improvement in business conditions in the Sixth Federal Reserve District are contained in a large majority of the reports received from banks and business firms in various lines of trade throughout the District. Since the middle of March there have been more expressions of optimism than at any time in the past year and a half, and the mental attitude of business men have undergone a change for the better which in itself is indicative of progress."

## Industrial Information Service

ALL over the South new industries are springing up and the old established industries are expanding. Many of the firms, both new and old, are encountering troublesome problems in getting needed materials and supplies, overcoming local disadvantages, and controlling the quality of their products. Frequently, especially in the case of the small businessman or manufacturer, the firm lacks the technical resources, the time, or the money necessary to evolve its own solutions. Often the individual businessman does not know where to seek the answers and is too busy with every-day problems to spend much time making inquiries. The First National Bank of Atlanta now offers such firms a research service through which they can obtain the answers to many of their questions and help in answering others. The aim of this service is to bring the findings of hundreds of research agencies to bear on the problems of the individual business.

The idea originated with B. H. White, vice president of the Liberty Bank of Buffalo, New York. During the course of his relations with bank customers, he encountered numerous requests for information to which no answers were readily available. Tours through commercial, industrial, and institutional research laboratories, as well as personal contacts with research workers in various fields, convinced Mr. White that the solution of such problems was more often than not already available but that there should be a medium for bringing the solution to the attention of the man with the problem. For that reason he organized the Research Advisory Service, in 1937, to serve as a clearing house between the sources of technical information and those persons and business firms in need of it. From a modest beginning, its scope has been widened until the service now has available the facilities and findings of some 1,200 research laboratories, including those in industrial, commercial, educational, and governmental organizations. The name of the organization was changed to Industrial Information Service in 1946, a name that is more in keeping with the services rendered.

Because of the strategic place the commercial banks occupy in industrial society, a plan was worked out to utilize the facilities of certain banks in extending the service. The First National Bank of Atlanta, realizing the need for such a service in this District, joined the plan in August 1944. Through a section of its New Business Department, it now makes the service available to businesses in Alabama, Florida, Georgia, and East Tennessee.

There are several ways in which prospective users may utilize the service. The primary purpose is to furnish answers to technical problems for business concerns, including those firms that have research laboratories of their own but have particular problems that may be outside the scope of their facilities. In this period of many critical shortages, a particularly valuable part of the service is the help it can give in locating suitable substitutes for scarce materials, in discovering needed machines and parts, and in finding markets for surplus materials, by-products, and salvageable waste. To facilitate this part of the work and to stimulate thought about new products and processes a monthly bulletin is widely distributed within the area. Additional, but less tangible, benefits accruing from the use of this service are the encouragement to the development of new business enterprises, the stimulation of new processes and products, and the counteraction of

any tendency for industry to move outside the area owing to local processing or material difficulties.

When the First National Bank of Atlanta first decided to provide this service for the area, it communicated with about 300 persons and business firms, primarily manufacturers. As interest grew and the value of the service became more apparent this number grew to 500. Recently the addition of the names of many professional men, other persons interested in research, institutions, and other establishments brought it to more than 1,200. The recipients are a cross section of business and research interests in the four-state area.

Every month the bank sends out to each of the names on this list a copy of the monthly bulletin, entitled *Results from Research* and published by the Industrial Information Service. Usually each issue consists of four parts. First is a list of some 25 or 30 products, processes, and improvements designed for the office, shop, home, or plant together with a brief description of each. This section is followed by a short summary of reports prepared previously in answer to specific requests for help on special problems that have been encountered by users of the service. Each of these reports bears a code number that may be copied on a return card enclosed in each issue for mailing to the bank if the full report is desired. The report is received in an average of ten days or less. Products listed over the past two years included among other things heating units and lamps; a number of small tools, holders, and fixtures; precision instruments and safety appliances; electronic devices for various purposes; small motors and pumps; insect and weed killers; lubricants and abrasives; and chemicals for hardening, coating, cleaning, disinfecting, and cementing various surfaces.

Each issue carries also a summary of available reprints of magazine articles, Government bulletins, and business brochures on topics of timely interest. This part is usually broader in scope than the first two sections. Random titles from those made available in the past two years are "Lanolin", "Post-War Employment and Liquidation of War Production", "Are the United States United", "Post-War Textile Horizons", "New Magic in Wood", "Industrial Electronics". Usually the final section is made up of a list of new patents for sale or lease and a list of wanted materials and markets or other information. In each case only a request to the bank giving the code number or the title of the listing is necessary to bring the inquirer all available information on the item.

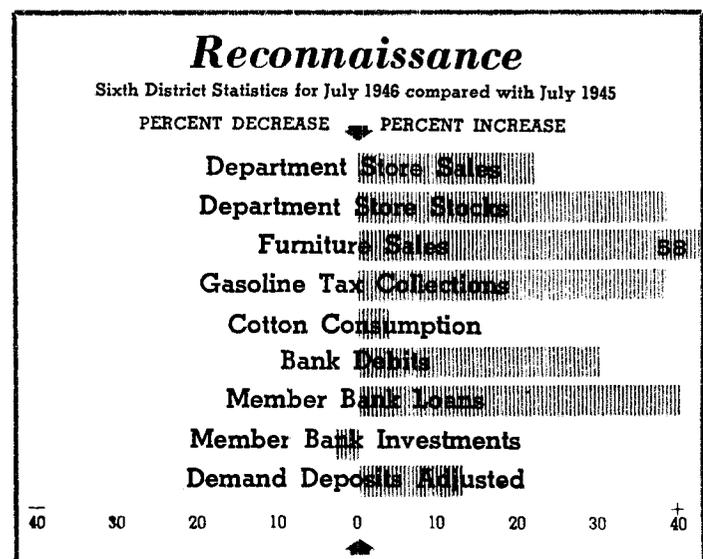
In addition to these previously prepared reports the requests for aid in solving original problems of the particular business that the prepared reports do not cover are welcomed by the bank. All the bank requires is a brief written summary of the problem. Upon receipt of the request the bank forwards it to the Research Information Service. The length of time required to prepare reports in answer to these requests varies, of course, with the nature of the problem and the availability of the needed information or product. A preliminary report, however, is usually completed in about two weeks' time. Often supplemental reports giving further information are sent later as more facts or sources are discovered. Usually one to three such requests are received each month as compared to about 60 for the regularly prepared reports or materials listed in the bulletin. The requests cover a wide range of problems. A bank housed in a concrete and steel building sought advice on means of preventing the walls from sweating and the floor covering from rotting due to moisture. A railroad wanted to find a preservative for its crossties. A manufacturer wanted to find makers of fiber or metal pre-

cision gears. A shoe company wanted to know how to prevent lime burns among its employees in the tannery beam house. A laundry sought suggestions on how to prevent clothes from catching on fire while in the tumblers of its cleaning plant. An oil mill wanted information about the use of peanut hulls in the manufacture of plastics. A large paper company wished to locate a substitute available in ton lots for the wheat flour it was using in manufacturing kraft grocery bags. A metal manufacturer wanted information on making and using mold castings and an estimate of the comparative costs of using two different kinds of castings.

To the First National Bank the cost of providing this service is partly compensated for by the value the service has as a contribution to customer relations. It is also an investment in the industrial development of the Deep South, secured by a far sighted appraisal of the area's economic potentialities. The bank does not guarantee the sources or solutions recommended; it simply acts as a clearing house for technical information in providing this service. The value of the service to those receiving it is attested by the increasing number of requests received each month and their wide geographical distribution.

An accurate appraisal of the value of this information service to its users is difficult. The fact that the number of responses to each month's listings is increasing plus the fact that many of the same businessmen send in requests month after month for further information about the various subjects listed are evidence of its usefulness. Apparently the larger corporations are the ones utilizing this part of the service, possibly because they have greater appreciation of the value of research. In time more of the smaller business units that are unable to maintain extensive research facilities of their own will probably come to realize that they too may profit through a use of this free service. C. H. DONOVAN

INSTALMENT CASH LOANS			
Lender	Number of Lenders Reporting	Percent Change June 1946 to July 1946	
		Volume	Outstanding
Federal credit unions.....	38	- 22	+ 3
State credit unions.....	19	- 40	+ 2
Industrial-banking companies.....	9	- 6	+ 4
Industrial-loan companies.....	18	+ 13	+ 1
Small-loan companies.....	52	+ 15	+ 2
Commercial banks.....	34	+ 11	+ 7



## *A New Sixth District Index: Lumber, the South's Second Largest Industry*

RECENT trends toward a more industrialized South have had the effect of obscuring somewhat the basic importance of lumber production. During the war interest was concentrated in munitions production, aircraft manufacture, and shipbuilding. Since its ending industrial planning for the South has been focused on the light-manufacturing industries, such as garment and food processing. The severe shortage of building materials for the national housing program, however, has accentuated the fact that lumber production is one of the District's major industries.

In reality it ranks in many Southern states second only to the processing of cotton and the manufacturing of textiles. In those six states that lie wholly or partly within the Sixth Federal Reserve District the Forest Service in 1942 counted 10,813 sawmills. The total value of lumber products manufactured in 1939 by 2,169 of these mills and basic-processing plants amounted to \$151,022,502. This figure included the products of sawmills, veneer mills, and cooperage-stock plants, and also of logging camps and planing mills, but not the output of such establishments as furniture factories and other plants producing finished wooden products, paper, or other pulp products.

The lumber industry is now entering the postwar transitional period, with no certainty of what its future will be. Despite some downward trends, however, present indications are that the production of lumber is still an important part of the District economy. Estimates made in the first half of 1946 showed more than 150,000 workers cutting and processing saw timber in the region. As an industrial employer in the District lumber ranks second, with 16 percent of total manufacturing employment; textile production is first, with 20 percent, and food and food products is third, with 13 percent.

Though the lumber industry composes the largest manufacturing activity in one of the states, its part in the economic activity of some of the others is a relatively minor one. In Mississippi, according to estimates, 35 percent of all manufacturing workers are employed in lumber and basic-timber-products industries. Twenty-two percent of manufacturing employment in Alabama is in the industry, which in that state ranks second only to cotton and textile manufacturing. In Louisiana 19 percent is in lumber, and in Florida 14 percent. Employment in the industry constituted 13 percent of total manufacturing in Georgia and 6 percent in Tennessee.

Because of the lumber industry's importance to the Sixth Federal Reserve District, an index of production has been constructed to measure the activity in the Six States. Generally an index is of more value in economic analysis than is a computation of percentage changes from one period to another. It allows a comparison of any individual month or year with the 1935-39 average, or with any other period. An index, moreover, may be plotted to show a trend, or a change in trend, of the series being measured, and it may be adjusted for expected seasonal variations caused by the weather, buyers' habits, or changes in the labor force.

Data furnished by the Forest Service, some of them previously unpublished, have been used for the construction of

the lumber index. In some cases these data agree with figures compiled by the Bureau of the Census, but in others they differ because adjustments have been made in recent years to take into account the underreporting of small sawmills. Current figures are derived from the monthly estimates made by the regional forest experiment stations. According to the Forest Service, its sampling technique has been so developed that the chances of the estimated totals', by regions, being within 5 percent of the true figures are two to one. In general these regional estimates are likely to be slightly more accurate than state estimates.

The daily average lumber production in each state is used to compute the index. This method prevents monthly variations in the number of working days from affecting it. The period 1935-39 has been selected as the base period, in terms of which all other periods are compared. Therefore, the daily average production for that period is said to equal 100, and the production in other periods is stated in terms of a percentage of the base. Back figures for each state and for the Six-State total have been compiled in the forms of an annual index from 1919 to date and a monthly index from October 1942 to the present. These figures, which are available on request, show the past trends and present condition of the lumber industry in the District states.

The index of lumber production in Sixth District states furnishes a useful indicator for one of the main producing regions of the country. In the year 1945 the Sixth District states produced 22 percent of the nation's total saw timber. Alabama and Georgia together accounted for half of this production, with 6 and 5 percent of the national total. Mississippi followed with 4 percent, while Louisiana accounted for 3 percent and Florida and Tennessee for 2 percent each.

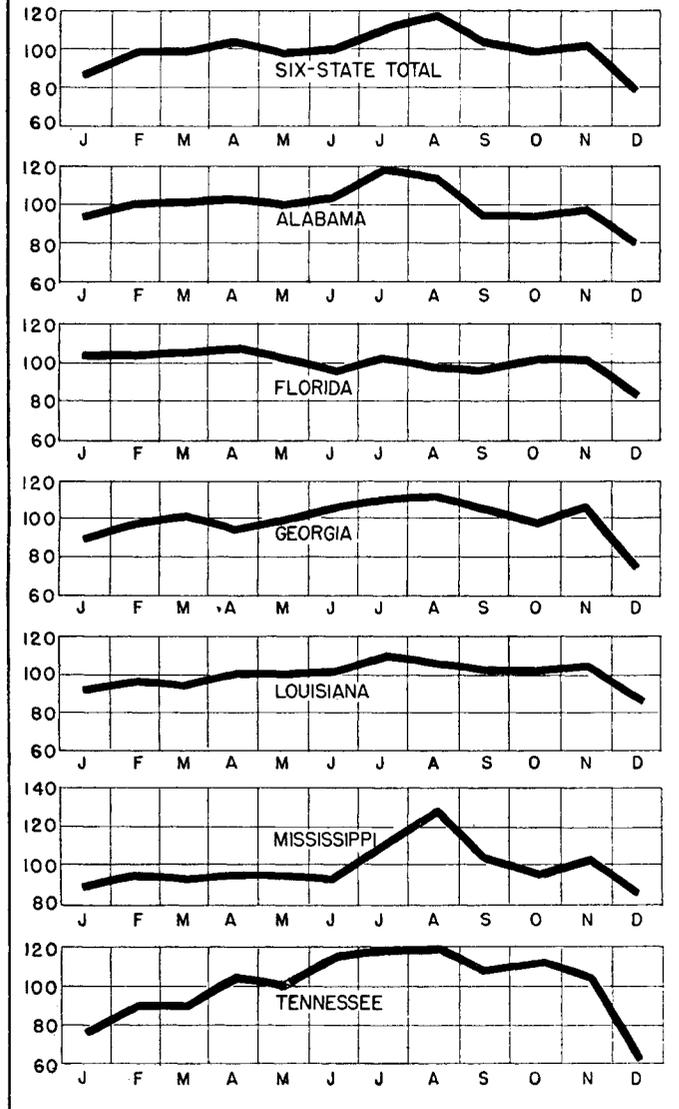
In general the activity of an industry may be measured by its output. In other words, the short-run changes in employment, pay rolls, and sales of a specific industry are reflected in its monthly production figures. The production index for the lumber industry not only will furnish a clue to conditions in the industry itself, but will give some indication, because of its importance in the District economy, of changes in all District business activity and, hence, District employment.

In periods of normal economic activity lumber-production and manufacturing-employment statistics in the Six States tend to follow similar courses. During the war, however, when there occurred a shift of the district labor force out of the basic industries into war manufacturing, lumber-production statistics were a less reliable indicator of the degree of employment. As the industries of the South return to the pre-war pattern, the course of employment figures may again show a close similarity to activity in the lumber industry measured by the index of production.

Like many other business activities, the production of lumber varies from month to month according to the influence of weather, the habits of producers, and variations in the supply of labor. These expected monthly changes in the pattern of production may be determined mathematically. An index of production may therefore be adjusted so as to minimize seasonal variations. In this way it is possible to determine

**CHANGES IN WEATHER AND  
LABOR SUPPLY  
INFLUENCE MONTH-TO-MONTH VARIATIONS  
IN DISTRICT  
LUMBER PRODUCTION**

SEASONAL ADJUSTMENT FACTORS 1942-46  
(MONTHLY AVERAGE=100)



**COMPARISON OF 1945 LUMBER PRODUCTION AND 1946-47 GOALS**  
(Production in Thousands of Board Feet)

Place	Production 1945	Goals		Percent Increased Needed to Meet Goals	
		1946	1947	1946	1947
Alabama	1,593	1,850	2,100	16	32
Florida	431	575	650	33	51
Georgia	1,409	1,725	1,950	22	38
Louisiana	801	1,095	1,220	37	52
Mississippi	1,180	1,630	1,830	38	55
Tennessee	659	675	750	2	14
Sixth District States	6,074	7,550	8,500	24	40
United States	27,951	32,000	36,000	14	28

whether lumber production is actually increasing or decreasing, apart from the relative changes from month to month that are caused by recurring changes in weather, in producers' habits, or in the labor supply. The December index of lumber production is always expected to be lower than the November index, for example, since inclement winter weather usually causes a curtailment of logging operations. In addition December and January lumber production is low because of a customary long vacation period, during which the mills perform maintenance work and take inventories. The December index, however, when corrected for these seasonal variations may actually show an increase over the November index if the December production did not decline as much as would normally have been expected.

Seasonal-adjustment factors have been computed for each state as well as for the Six States as a whole. These factors reveal certain characteristics of the lumber industry in the South. They show, for example, that in the states of Alabama, Georgia, and Mississippi particularly, production may be expected to decline in the late spring and again in the fall. These declines coincide with the increases in requirements for labor in the cotton fields during the planting and chopping seasons in the spring and the picking season in the fall. Variation in labor supply at these times appears to be the controlling factor since many workers in this industry are only part-time employees who supplement their agricultural income by working in the woods and mills during slack farming seasons. For Tennessee, the index of lumber production shows a great deal more variation between the winter and summer months, because the severity of the winters there is a hindrance to logging operations. In Florida, on the other hand, production remains at a relatively high level all spring but declines during the summer months, when the rainy season sets in.

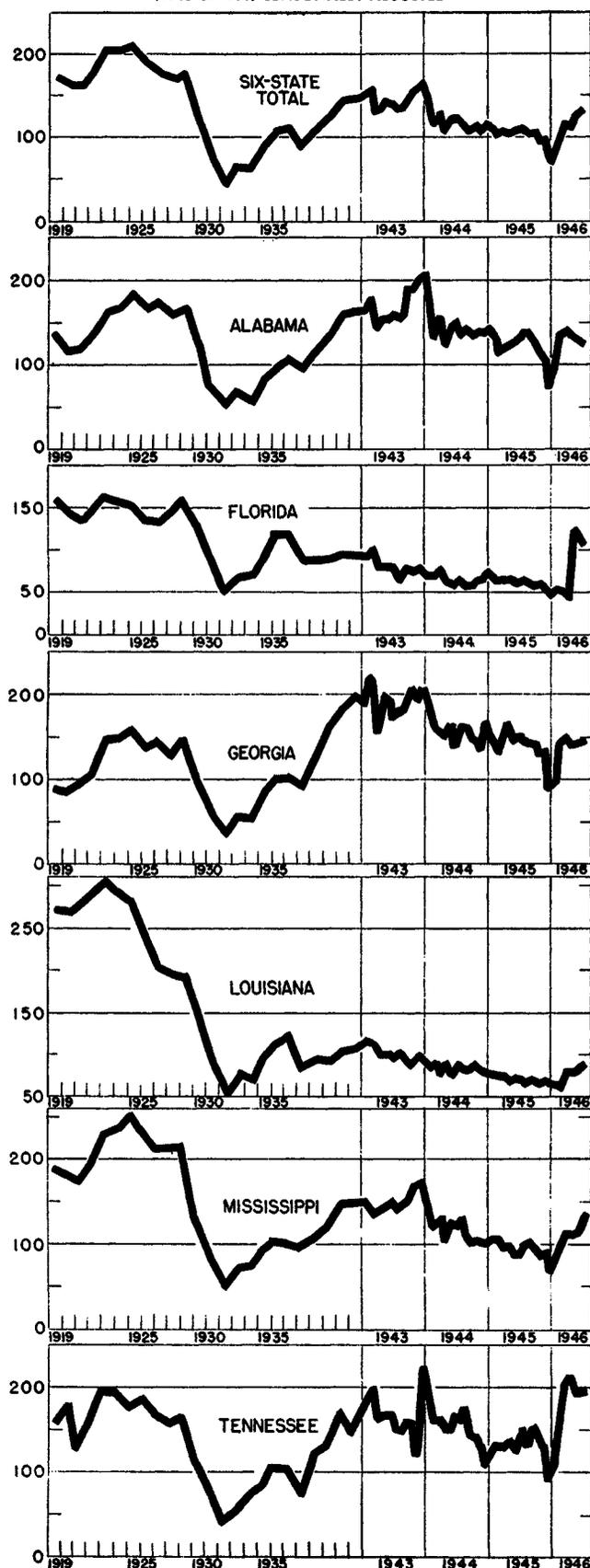
In this District lumbering is often a part-time farm operation. The difference between the price of the dominant farm crop and the price of lumber may determine somewhat the extent to which farmers and other farm workers find it more profitable to use equipment, in the form of idle sawmills, for the cutting of farm-owned timber than to engage in their normal farming activity. At any time when the return on lumbering is higher than the return on farming, in other words, the number of low-cost sawmills will tend to increase.

Prices and profits of the larger operators in the District are peculiarly sensitive in downward swings of the business cycle because the number of low-cost competing firms increases. At these times farmers tend to supplement their reduced income by cutting farm woodlots. The small mill operators, having an advantage over the larger mills in overhead costs, may sell lumber for a price below that the larger mills must ask in order to obtain their required margins of profit. Therefore there is a relative increase in the number of competing low-cost operators and a consequent depression of prices.

Even in periods when the prices of farm products are high, as they are at present, if the demand for lumber is extraordinarily great, many small sawmills may operate on farm-owned timber tracts and agricultural labor may be diverted into the manufacture of lumber. Thus there may be in prosperous times also an increase in the number of competing low-cost producers, and increases in prices may be moderated.

One characteristic common to most durable-goods industries is that production during booms tends to go beyond the level of normal consumption. Stocks are thus built up to a point beyond that required for normal trade. When a break in con-

### SIXTH DISTRICT LUMBER PRODUCTION (1935-39=100) SEASONALLY ADJUSTED



struction activity occurs lumber producers, therefore, frequently find the market oversupplied. As a result of this oversupply, the depression of prices and production is then greater than it might have been if production had been more closely related to demand.

During the war, however, the reverse was true. Wartime control measures, including an allocation of manpower and equipment, prevented the normal expansion of the lumber industry in proportion to the expansion of construction activity. Therefore, stocks were depleted in attempts to satisfy the demand for lumber. This depletion necessitated an increase of production facilities, not only to meet the current demand for lumber but increase inventories to the point normally required by the building trade. Government agencies estimate that four billion board feet of lumber are needed to bring stocks up to a normal working level. This figure represents about one seventh of the 1945 production.

In addition to reflecting seasonal variations and cyclical movements, the data on lumber show certain long-term directions, or "secular" trends. This secular trend in the Sixth District has been downward since 1919. In some of the states it has been more so than in others. Florida and Louisiana have suffered particularly severe secular declines. In Georgia, however, lumber production has climbed, and during the war it reached an all-time peak for the state.

There are a number of reasons for the decline in Florida and Louisiana. Both these states have past histories of heavy lumber production. In the course of time a number of large mills in Louisiana exhausted their immediate timber resources and, faced by rising costs, began curtailing operations or transferring their plants to other regions, particularly to the Pacific Northwest. Lumber production in Florida, on the other hand, has declined because of a combination of circumstances. Although forests cover almost 67 percent of the total land area of that state, an abnormally high percentage of the commercial forest land has been either poor- or non-restocking in character. In other words, Florida forests in general have had slow replacement growth after the first growth was cut. Furthermore, despite a high outlay for fire protection, Florida annually has large losses of both mature timber and seedlings.

Contrary to the general picture of declining timber operations in the South as a whole, in Georgia, where operators cut more lumber at the peak of war production in 1942 than ever before, the secular trend appears to be rising. The degree of past utilization of timber resources in Georgia contrasted with that in the other states of the District may partly explain this trend.

The degree of such utilization has been largely responsible for the present relative scarcity or abundance of timber land in the various states. Seemingly a significant indicator of this degree of utilization is the type of forest-land ownership. Logging operations prior to the 1920's were usually carried on by permanent sawmills that represented great capital investments. To insure an adequate source of supply and justify their original investment many operators purchased large holdings of timber land. In Florida 80 percent of the forest land, and in Louisiana 75 percent, is in industrial ownership. Formerly large operators in general maximized their production by intensive cutting, though recently they have taken the lead in advocating conservation methods. Overcutting by industrial owners in the past, however, has constituted a factor in the decline of forest resources in those states.

On the other hand, in Georgia 56 percent of the forest land is farm owned and only 41 percent industrially owned. Large operators were hesitant to build mills in some areas, and, as a result, only in relatively recent years have these sections of the state had adequate sawmilling facilities. With the advent of the small portable mill, however, the cutting of small farm-owned timber tracts has been more profitable, and the present increase in Georgia lumber production may be partially accounted for by that development.

In addition to the above factors, the geographical development of the lumber industry in the South has been a contributory cause to the differences in the present rates of production in the various states. Georgia was the earliest state of the District to undergo extensive lumber operations. In the 1880's the industry was centered there, later migrating westward as well as south into Florida. Since Georgia was the first state in the District to be a base of operations, cutting was not as intensive as it was in the states that were cut over later and restocking followed more quickly. Second-growth timber, moreover, has had a longer time to mature in Georgia.

The South's forest resources are a permanent part of its natural wealth, and there is little danger of any real exhaustion of its timber. Forests cover more than half of the land area of the Six States. In addition, the growth of softwood trees is extremely rapid in most of the states. There has been, however, a depletion of the old-growth trees that furnish prime-quality lumber, and second-growth tree stands lack the quality of the old growth stands. In a recent estimate of timber resources in the South published by the Southern Forest Experiment Station it was revealed that though timber of a size suitable for lumber had declined about 14 percent since the middle of the 1930's when the initial surveys were made, the total growing stock of the region had declined only a negligible amount.

Along with this decline in saw-log growing stock, a shift of production into less accessible areas has taken place. Timber is now being cut in swamps and on hillsides that were formerly considered inaccessible areas. New logging methods and equipment have been developed so that these areas can be profitably cut, but these innovations have also increased the costs of production. The cost increases have partially accounted for the decline in lumber production.

The secular decline in lumber production alone does not mean that timber resources are diminishing in importance. Though less lumber may be produced from second-growth timber, as it is compared with first growth, other uses have been developed for these stands. In a great many cases the growth of industries that utilize wood pulp has offset the decline of forest resources available for saw-timber production and the consequent abandonment of sawmill operations in certain communities. Many plants in recent years have gone into fields of cellulose extraction, kraft-paper making, and pulp and pulp-board manufacturing. These industries are able to use the young second-growth timber that is available in areas where sawmilling is no longer an important industry. Thus both in Florida and in Louisiana pulp and paper production has increased. At least one sawmill operator in Florida, foreseeing the end of saw-log production because of a lack of suitable timber resources in his area, is now making plans to convert his operation to pulp processing for which he will utilize the young pulpwood-sized trees that have grown up on formerly cut-over land.

The downward secular trend, moreover, should not be in-

terpreted to indicate the eventual extinction of the lumber industry in the South. Such is not the case. At some time in the future the downward direction of the trend, it may be expected, will cease and a period of relatively constant production may well set in. If advanced forestry techniques that would assure a more nearly constant source of supply of timber resources are applied, the production of lumber may take on the nature of a timber-crop-harvesting operation rather than that of an operation tending to deplete natural resources.

Depending upon the degree of accuracy with which it measures past performance, an index may be used to make cautious predictions of future behavior. The District, with the country as a whole, is now entering a period of expanding residential construction that will probably outdistance anything seen since the housing boom in the 1920's. A recent survey by the Bureau of Agricultural Economics estimates that 3.1 million spending units have indicated intentions of probably or definitely buying houses. To satisfy this demand, in view of the current short supply of housing, a large volume of new residential construction is anticipated. Despite the development of new building materials a fairly safe assumption is that no radical change may occur in the housing styles most in demand and lumber therefore will still be one of the principal building materials.

A study of the 1920 boom as depicted in the District index of lumber production permits some tentative conclusions regarding the probable reaction of the Southern lumber industry in the years immediately ahead. Present schedules call for beginning the construction of 2.4 million permanent housing units in the United States in the two-year period 1946-47. At the peak of the building boom in the 1920's only slightly more than 900,000 housing units were produced in any single year. The present housing goal represents a large potential demand for Southern lumber, since housing booms in the United States are characterized by the erection of numerous frame dwellings constructed from softwood lumber, of which the South furnishes a high percentage.

In a recent estimate of the cost of building an average \$12,000 home in New York City, it was calculated that 31.8 percent of the total represented the cost of lumber and lumber products. The percentage of total cost represented by lumber tends to be even higher in less expensive homes. Although a large percentage of District lumber is consumed in the South, much of it is sold in the East and Midwest, to which the Southern industry has a distance advantage over some of the other major producing regions. On the basis of past performances, the lumber industry in the District should benefit more than the industry in the nation as a whole from such an increased demand for building materials.

Lumber production in the South appears better able to respond to increased demand than does the industry in other regions, because of the large number of small mills that characterize the industry in the South. These small mills have an advantage over the larger mills in that their fixed costs make up a relatively smaller proportion of their total costs and they are therefore better able to adjust production to market demands and price trends. Of the 10,813 sawmills counted by the Forest Service in the Six States in 1942, 1,414 were idle or out of business. These idle mills represent a potential addition to operating facilities when, and if, a resumption of production becomes profitable.

A comparison of the index of lumber production in the

District with that of lumber production in the nation shows that Sixth District production increased more than national production during the residential building boom of the 1920's and again during the flurry of military building in the early part of World War II. Further, it is fairly conclusively shown that during a housing boom the percentage of total lumber production accounted for by the Sixth District is higher than it is in other periods. The rise is particularly striking in the first half of such a boom period. For instance, in 1915 the Six States accounted for 24 percent of the nation's total lumber output, but in the years from 1921 through 1925 they accounted for 30 percent or more of the total. When residential construction activity began to decline in 1926 the District's share of total lumber production also declined until, in 1931, the South was again producing only 24 percent of the national total. Whether a similar reaction occurs during the current residential building boom remains to be seen, although such an occurrence appears probable.

The anticipated increase in production activity does not necessarily mean that any large expansion in the physical equipment of the lumber industry is taking place. For the most part this expansion of production may be made possible by the return of idle sawmills to production. Although some capital is being expended for the purpose of providing additional production facilities, the greater part of investment is for the mechanization and modernization of operations as well as for the replacement of worn equipment.

In setting its 1946 and 1947 goals for lumber production, the Civilian Production Administration has recognized that the Southern lumber industry has greater ability to expand production than has the industry in some of the other regions. An accompanying table shows the state goals set by the CPA and the percentage increases over the 1945 production necessary to attain these goals. The quota for the District as a whole agrees fairly closely with estimates of the area's ability, based on past performance, to expand its lumber production.

Though the activity of the lumber industry will undoubtedly expand in the postwar building boom, this anticipated expansion is less than that of most of other fields. Forecasts of the 1947 national lumber market compiled by the Committee for Economic Development in August 1945 anticipate an increase of 25.9 percent over the 1939 level. Though this figure may seem large in itself, compared to other industry groups, it is relatively small. Of 20 groups surveyed, the lumber and timber-basic-products industry ranked eighteenth according to the degree of market expansion anticipated.

At present the lumber industry in the South appears to be entering a period of transition, during which significant changes may develop. Since it is so vital an economic activity of the District, a regular reporting of measurements of that activity seems imperative. The index of lumber production that makes its initial appearance on this page will satisfy that need and, at the same time, aid in measuring general business activity in the section.

THOMAS R. ATKINSON

### Sixth District Indexes

	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	July 1946	June 1946	July 1945	July 1946	June 1946	July 1945
DISTRICT.....	366	365	300	275	306	225
Atlanta.....	429	394	345	304	341	245
Baton Rouge.....	409	388	320	318	333	249
Birmingham.....	346	324	277	269	289	216
Chattanooga.....	442	364	326	312	348	230
Jackson.....	378	318	320	264	296	224
Jacksonville.....	443	440	376	364	389	300
Knoxville.....	386	373	273	276	335	266
Macon.....	351	336	294	250	303	209
Miami.....	422	393	326	238	268	184
Montgomery.....	378	332	312	270	287	223
Nashville.....	475	433	341	335	389	241
New Orleans.....	301	303	248	229	274	188
Tampa.....	485	437	378	354	381	276

	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	July 1946	June 1946	July 1945	July 1946	June 1946	July 1945
DISTRICT.....	267	252	198	275	255	204
Atlanta.....	430	430	295	416	394	286
Birmingham.....	231	209	185	209	196	168
Montgomery.....	290	343	298	232	313	238
Nashville.....	508	414	377	439	386	326
New Orleans.....	222	198	134	203	185	123

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	July 1946	June 1946	July 1945	July 1946	June 1946	July 1945
TOTAL.....	143	161	137	164	174	163
Alabama.....	145	168	137	173	185	177
Georgia.....	145	161	138	142	149	133
Tennessee.....	118	130	121	142	149	133

	LUMBER PRODUCTION*					
	Adjusted**			Unadjusted		
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945
SIX STATES.....	130	124	107	132	122	108
Alabama.....	129	133	132	136	133	139
Florida.....	108	123	63	103	126	60
Georgia.....	145	139	151	154	138	160
Louisiana.....	90	78	71	91	78	72
Mississippi.....	135	112	87	128	108	83
Tennessee.....	197	194	125	224	194	142

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	June 1946	May 1946	June 1945	July 1946	June 1946	July 1945
SIX STATES.....	135	134r	137	152	155	110
Alabama.....	138	138r	166	157	166	115
Florida.....	111	114	127	134	149	97
Georgia.....	131	129r	131	145	151	108
Louisiana.....	135	134r	142	139	147	104
Mississippi.....	141	138r	125	144	158	114
Tennessee.....	144	143r	125	193	163	132

	CONSUMERS' PRICE INDEX			ELECTRIC POWER PRODUCTION*			
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945	
ALL ITEMS.....	137	135	133				
Food.....	150	147	146	SIX STATES.....	251	246	272
Clothing.....	153	151	142	Hydro-generated.....	278	295	241
Rent.....	115	115	114	Fuel-generated.....	216	181r	313
Fuel, elec., and ice.....	112	111	110	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Home furnishings.....	153	154r	143				
Misc.....	133	132	129				
Purchasing power of dollar.....	.73	.74	.75				
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*							
	July 1946	June 1946	July 1945				
Unadjusted.....	218	213	208	Unadjusted.....	16.3	16.1	14.7
Adjusted**.....	218	215	208	Adjusted**.....	17.3	16.6	15.6
				Index.....	66.8	64.1	60.3

\*Daily average basis  
 \*\*Adjusted for seasonal variation  
 \*\*\*1939 monthly average=100; other indexes, 1935-39=100  
 r=Revised

## District Business Conditions

JULY and August have on the whole been profitable months for business and industry in the Sixth Federal Reserve District. Trade and industrial activity made further advances, and employment increased. There were some declines of course, a favorable one in unemployment and unfavorable ones in some phases of agriculture. Tobacco and cotton prices, however, were high.

### Employment and Industry

Though neither employment nor industrial activity in the Sixth District quite regained its wartime peak in July, in some centers, notably Atlanta, each of them was not far short of that point. Over the area as a whole, excluding Mississippi for which no data was available, the number of employed was increasing. The trend was, however, far from uniform. Chief among the factors accounting for this spottiness were uncertainty over Government price policies following the temporary ending of the OPA; additional restrictive regulations affecting construction activity; seasonal factors in some industries, such as food processing, and in some areas, such as Florida; and a few scattered but persistent labor disputes, which were remnants of the nation-wide drive by the unions for higher wages earlier this year.

Contrary to the paradoxical situation reported in June, unemployment was reported on the decline. Labor-market areas in the upper part of the District, in Georgia, northern Alabama, and Tennessee, accounted for this favorable trend by offsetting the heavy concentration of unemployed in those farther south, mainly along the Gulf coast. Seasonal influences in the Florida cities and continued declines in the shipbuilding industry largely accounted for the adverse situation in the southern part of the section. Some factors affecting the unemployment decline reported in the more northern centers were a certain amount of outmigration, consisting of partly migratory agricultural labor, and the withdrawal from the labor market of an increasing number of women and, to a lesser extent, school students.

Although data on agricultural employment are not yet available for the greater part of the District, apparently the beginning of the harvesting season, especially in tobacco, has started the expected seasonal upturn. Industries linked directly to agriculture, like fertilizer and oil processing, have not yet felt the seasonal upturn. In the food processing industry seasonal influences brought further declines in employment in the Florida citrus areas and in the Mobile area. Elsewhere, especially at Columbus and Montgomery, employment in this industry gained slightly.

Construction in almost every area showed gains despite the fact that builders continued to be plagued by critical shortages. Lumber, nails, and plumbing fixtures, were still in short supply. In some centers bricklayers and plasterers were not readily available. Continued expansion in the building industry was retarded somewhat by the confusion that accompanied the Federal Government's efforts to divert materials and labor from public and industrial projects to the more urgently needed residential housing. The temporary lapse of price control brought about no marked increase of lumber production in July, although weather conditions were favorable, especially in Florida. Shortages of sawmill and haul-

ing equipment eased slightly, but the difficulty of securing enough labor at the prevailing low wages prevented any greatly increased output. The pulp and paper industry continued to operate at high levels throughout the month.

Mining employment had recovered in July from the spring strikes. This improvement coupled with sharp increases in pig-iron and steel-ingot production made the Birmingham area one of the brightest spots in the District's employment and output picture. Iron and steel products were leading the way in Chattanooga and Montgomery also, in spite of a protracted labor dispute in one of the larger plants at Knoxville. The light-metals industry and machinery manufacture contributed to improved employment in the north Alabama-Tennessee area.

Activity in the cotton-textile industry, where the consumption of cotton and spindle hours had both declined slightly in June, continued to decline in July. Employment gains were registered in Knoxville and Montgomery mills, but in the Chattanooga and Columbus areas slight declines were recorded. Some textile mills reported they could use more workers if housing was available for them. Slight gains were also reported in the garment industry. In the trade, transportation, and service fields, including Government, there were no marked changes in employment during the past month. Florida areas, of course, reflected the midsummer lows in the tourist industry, but other areas, like Knoxville and Montgomery, showed slight gains in these nonmanufacturing industries.

C. H. D.

### Trade

In spite of July price increases, the expansion in retail buying continued in the Sixth Federal Reserve District. The index of department store sales adjusted for seasonal variation was 366 percent of the 1935-39 average in July, compared with 365 in June and 300 in July of last year. If conditions have continued during the latter part of August as they were the first part, the seasonally adjusted index for the month will be in the neighborhood of 380. The July figure has set a new record for sales in any single month since the index was begun, January 1919. Also at other types of retail stores reporting their operations to this bank the total value of July sales was greater this year than last. Sales in July were up 58 percent at furniture stores and 28 percent at jewelry stores.

These increases in sales occurred between the date OPA controls were removed and the time new types of controls were instituted. According to the United States Bureau of Labor Statistics, the Consumers Price Index for the United States rose an estimated 5.5 percent between June 15 and July 15. Complete data are not available on all items for every city ordinarily surveyed in the District. In Birmingham, where all items have been surveyed, however, the estimated increase was an even 5 percent. The rise of 12.8 percent in food prices was the greatest reported. Prices covered by the index for clothing and fuel changed little, but prices for house furnishings increased approximately 1.9 percent.

Food prices for July 15 have been surveyed for most District cities. These prices had jumped an average of 13.2 percent. For some foods prices increased much more than for others. In Jacksonville, for example, prices of all foods increased 13.1 percent but meats were reported to cost 26.2 percent more and dairy products 23.8 percent more. Fruits

and vegetables on the other hand were reported to be only 1.4 percent higher. In the list of those selected foods on which prices were reported, the 31 percent rise in the price of pork chops was exceeded only by the one of 44.3 percent in the price of round steak.

The comparatively small increases in prices of items other than foods indicate that retailers to a large extent fulfilled their pledges to hold prices as long as possible at the OPA levels or lower. Under the requirements of the new OPA law, however, the revived agency has now authorized various increases in prices at the wholesale level. Among the most important increases authorized were those of ceiling prices for textile products, based upon the higher price of cotton. If there are no counteracting factors, these and other increases in wholesale prices will be reflected in higher prices of retail commodities. By August 3 the index of wholesale commodity prices in primary markets had advanced 0.7 percent in one week's time. This index was 10.9 percent higher than it was at the end of June, when price controls were suspended, and 18.5 percent higher than it was at the end of the war.

That the high level of retail sales has continued during the past several months surprised many persons, including some of the retailers themselves. So much has been made of scarcities and of the expected postwar decline in buying power that people find it difficult to understand how the high level of retail sales can continue as it does. Both the consumer and the retailer see day-to-day evidence of scarcities. Consumers cannot obtain all the kinds of goods they want, and in many cases retailers cannot secure sufficient quantities of many types of merchandise their customers call for.

Retail sales commodities, however, are scarce only in proportion to the demand for them. An increase in demand can exert equally as great an influence upon making items scarce as can an actual decline in the quantity of goods put on the market. Both these factors have been active during recent months, but in many lines the high level of demand has made goods seem scarce when, as a matter of fact, the total amount produced and marketed has been greater than it was in pre-war years. Even if allowance is made for price increases, the quantity of goods on department store shelves is probably greater today than it was in 1941. The seasonally adjusted index of Sixth District department store stocks in July was 267 of the 1935-39 base, or an increase of 93 percent compared with 138 in the same month of 1941. During a comparable period the Department of Commerce's index of retail prices for all commodities rose 46 percent. There are, of course, many scarcities in actual quantities of such items as household appliances that are in short supply because of re-conversion and other difficulties.

Current supplies of most types of goods would be more than adequate for supplying the demand at a time when incomes were low, in 1931 for instance. In this District the value of department store stocks in June 1945 was more than two and a half times the 1931 value. The high level of consumer income and, in turn, the high level of consumer demand partly explain why there is an appearance of general scarcity in 1946 when the levels of production and inventories are themselves relatively high.

Postwar unemployment did not occur on the scale generally expected. Although the rate of income payments to individuals was less in the last half of 1945 and the first three months of 1946 than it was during the two quarters immediately preceding V-J Day, in the second quarter of 1946 it almost

## Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change July 1946 from	
		June 1946	July 1945
Total sales.....	103	— 3	+ 58
Cash sales.....	95	— 5	+ 73
Instalment and other credit sales.....	95	— 3	+ 56
Accounts receivable, end of month.....	102	+ 1	+ 28
Collections during month.....	102	+ 3	+ 39
Inventories, end of month.....	81	+ 10	+ 35

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change July 1946 from	
		June 1946	July 1945
Total sales.....	24	— 17	+ 28
Cash sales.....	22	— 18	+ 23
Credit sales.....	22	— 15	+ 28
Accounts receivable, end of month.....	24	— 5	+ 33
Collections during month.....	24	— 6	+ 21

DEPARTMENT STORE SALES AND STOCKS						
Place	SALES			INVENTORIES		
	No. of Stores Reporting	Percent Change July 1946 from		No. of Stores Reporting	Percent Change July 31, 1946, from	
		June 1946	July 1945		June 30, 1946	July 31, 1945
<b>ALABAMA</b>						
Birmingham.....	5	— 3	+ 30	4	+ 7	+ 25
Mobile.....	5	— 3	+ 21			
Montgomery.....	3	— 2	+ 26	3	— 26	— 3
<b>FLORIDA</b>						
Jacksonville.....	4	— 5	+ 23	3	+ 10	+ 27
Miami.....	4	— 7	+ 35	3	+ 18	+ 37
Orlando.....	3	— 9	+ 40			
Tampa.....	5	— 3	+ 31	3	+ 0	+ 8
<b>GEORGIA</b>						
Atlanta.....	6	— 7	+ 29	5	+ 6	+ 46
Augusta.....	4	— 6	+ 38	3	+ 23	+ 45
Columbus.....	3	+ 9	+ 19			
Macon.....	4	— 14	+ 24	4	+ 13	+ 44
<b>LOUISIANA</b>						
Baton Rouge.....	4	— 1	+ 33	4	+ 4	+ 5
New Orleans.....	5	— 13	+ 26	4	+ 10	+ 67
<b>MISSISSIPPI</b>						
Jackson.....	4	— 7	+ 23	4	+ 5	+ 16
<b>TENNESSEE</b>						
Bristol.....	3	— 12	+ 19	3	+ 34	+ 12
Chattanooga.....	4	— 7	+ 41	3	+ 2	+ 65
Knoxville.....	4	— 14	+ 8			
Nashville.....	6	— 10	+ 45	5	+ 14	+ 35
<b>OTHER CITIES*</b>	18	— 4	+ 20	22	+ 8	+ 28
<b>DISTRICT</b>	94	— 8	+ 28	73	+ 8	+ 36

\*When fewer than 3 stores report in a given city, the sales or stocks are grouped together under "other cities."

WHOLESALE SALES AND INVENTORIES*						
Items	SALES			INVENTORIES		
	No. of Firms Reporting	Percent Change July 1946 from		No. of Firms Reporting	Percent Change July 1946 from	
		June 1946	July 1945		June 1946	July 1945
Automotive supplies.....	5	— 3	+ 89	4	+ 1	+ 34
Clothing.....	3	— 2	+ 9			
Shoes.....	3	— 48	— 22			
Drugs and sundries.....	9	+ 11	+ 16		+ 2	+ 20
Dry goods.....	9	+ 5	+ 28	5	+ 4	+ 122
Electrical goods.....	5	+ 8	+ 81	3	+ 25	+ 84
Fresh fruits and vegetables.....	5	— 24	— 11			
Confectionery.....	6	+ 11	+ 69			
Groceries.....						
Full lines.....	38	+ 14	+ 30	18	+ 9	+ 52
Specialty lines.....	9	+ 9	+ 30	4	+ 9	+ 5
Beer.....	3	— 21	— 45	3	+ 20	+ 51
General hardware.....	12	+ 12	+ 56	5	+ 2	+ 17
Industrial supplies.....	5	+ 29	+ 24			
Lumber and building materials.....	4	+ 10	+ 14			
Machinery, equip. and supplies.....	3	+ 7	+ 30			
Tobacco products.....	8	+ 13	+ 37	4	— 5	+ 51
Miscellaneous.....	16	+ 32	+ 56	17	+ 22	+ 31
<b>Total.....</b>	<b>143</b>	<b>+ 13</b>	<b>+ 54</b>	<b>66</b>	<b>+ 9</b>	<b>+ 46</b>

\*Based on U. S. Department of Commerce figures.

reached that level again. The seasonally adjusted annual total was 156.9 billion dollars in the first quarter of 1946, only 4.2 percent lower than it was during the first three months of 1945. In the second quarter of this year income payments on an annual basis had increased to 161 billion dollars, almost as much as they were during the record first quarter of 1945. Taxes, however, had been reduced, with the result that the 142-billion-dollar disposable income of individuals was, on a seasonally adjusted annual basis, higher than it was during the first quarter of 1945.

Not only did consumers have more money to spend during the second quarter of 1946 than they had in the corresponding quarter of 1945, but they were spending a greater proportion of what they had. Net savings of individuals were 20 billion dollars at an annual rate during the more recent period, whereas they were 41.6 billion dollars in the corresponding period of 1945. Consumers spent about 86 percent of their disposable incomes during the later period, against 71 percent a year previously and 84 percent in 1941. Thus, the proportion of disposable income used for consumption expenditures exceeded the prewar level. Consumers would probably have spent even more if such types of goods as automobiles and household appliances had been available. Demands for these goods are great not only because of the high level of purchasing power but because of the accumulated needs.

#### Finance

A decline in total resources of member banks, the first in several years, took place in the Sixth District between December 31, 1945, and June 29, 1946. During each previous six-month period in the past several years, total resources had increased, and in the latter six months of 1945, the increase amounted to 896 million dollars, or 16.2 percent. Despite the growth of member banks in the Sixth Federal Reserve District from 325 to 329 during the period ended June 30, 1946, total resources declined 313 million dollars, or 4.8 percent. At the same time total deposits declined 333 million dollars, or 5.4 percent.

The reversal of the previous years' trend was caused primarily by the ending of the war and a change in the Government's financing program. In the war period an expansion of the Government debt through direct purchasing of Government securities by the banks or through financing by the banks of such purchases for other types of investors, was the chief factor accounting for the increase in deposits. During each war-loan campaign, Government deposits in the banks increased, partly as a consequence of subscriptions by the banks themselves to the Government securities and partly as a result of corresponding decreases in the deposits of individuals, partnerships, and corporations purchasing these securities. As the Government later spent the proceeds of the loan and lowered its deposits in the banks, the deposits of individuals, partnerships, and corporations in turn increased. Since a large part of the Government deposits resulted from bank-credit expansion, the outcome was an increase in non-Government type of deposits.

Through this process, total deposits in the Sixth District member banks expanded 4.4 billion dollars from December 1939 through December 1945. Government security holdings increased 2.3 billion dollars during the same period. Part of the expansion in deposits was accounted for by an expansion of loans. There was, in addition, an inflow of funds to the

District, since the Government spent more in the area than it raised through taxes or borrowing.

The wartime conditions that led to an expansion of credit have now changed. With the reduction of some war expenditures and the high rate of tax collections during the first half of 1946 the Treasury was able to retire 10 billion dollars in marketable Government securities during that period. The securities retired have to a great extent been those owned by banks. In the six months' period ended in June 1946 the amount of Government securities held by Sixth District member banks decreased 121 million dollars. An expansion in loans and other types of security holdings was insufficient to offset this decrease, with the net result that total loans and investments declined 80 million dollars. There was also a decrease in reserves and cash balances of 313 million dollars.

To the extent that bank holdings of securities were redeemed by reducing Treasury deposits in member banks, there was no corresponding increase in resources. The net effect of such transactions was merely to decrease both the asset, Government securities, and the liability, Government deposits.

Not all of the decline of 425 million dollars taking place in Government deposits during the first six months of 1946 occurred, however, because of the retirement of Government securities. Part of the amount was used for other purposes, with the result that demand deposits of individuals, partnerships, and corporations increased 173 million dollars and time deposits 83 million dollars.

Similar changes have been taking place in banks throughout the United States. They may continue as long as the Treasury carries out its immediate program of debt retirement. According to the President's revised budget message, the total amount of marketable securities to be retired during the latter six months of 1946 will equal or exceed the retirement during the first half of the year.

Although figures for June 29 are the latest available on all member banks in the District, the reports from those member banks reporting weekly indicate that total deposits have continued to decline. Demand deposits for individuals, partnerships, and corporations, however, are somewhat larger now than they were at the end of June. Between July 17 and August 14, demand deposits adjusted increased 2 percent, time deposits maintained their former level, and United States Government deposits declined 11 percent. On the asset side, total loans and investments were 1 percent less on the August date than on the corresponding date in July. Though there were increases in commercial, agricultural, and industrial loans, real estate loans, and other loans of 2, 8, and 4 percent, respectively, they were insufficient to offset the decline in the holdings of Government securities and security loans. From an earnings standpoint, however, the banks had gained an improved position, since loans yield higher returns than do Government securities.

Partly because of a decline in earning assets, net profits before taxes of 20 weekly reporting member banks in the Sixth District were 4.4 percent less during the first six months of this year than they were in the last six months of 1945. They were, however, 7 percent higher than they were during the first six months of last year. Net profits after provision for taxes were up 3 percent above those for the first six months of 1945 and 7.2 percent higher than in the latter six months. Of greater importance than the decrease in earning assets in accounting for the decrease in net profits was the failure of these banks to earn as large profits from the sale

of securities as they did in 1945. Prices of Government bonds, which had been rising rapidly during the latter part of 1945, actually declined during the second quarter of the year. Profits were also held down by a 6 percent increase in expenses.

C. T. T.

**Agriculture**

World cotton production, still considerably below the 1935-39 average, has to all appearances barely begun its climb back to much higher levels. The demand for cotton, which grew steadily stronger against a background of falling production, continues to outrun the supply. This condition has created a situation that means high, and possibly higher, prices for the American cotton farmers, whose production for the year ending July 31, 1946, was their lowest for any year since 1921.

The International Cotton Advisory Committee estimates the world 1945-46 cotton production to be about 20.5 million bales, of which total the United States contributed slightly more than nine million. The total, though 2.5 million above the annual production figure for July 31, 1945, falls far short of the 1935-39 average, which was 29.7 million. Adverse weather conditions have added to the difficulties caused by a shortage of farm workers and a diversion of land and manpower to the planting and growing of food crops. These two factors continue to hold cotton production down at present.

Of the 24 million bales consumed over the world in the cotton year ending July 31, the United States, it is estimated, used 9.2 million. The estimate of world consumption, though 2.2 million bales above that for the 1944-45 season, fell below the base-period average by somewhere between four and five million bales. Power shortages, spindle and loom scarcities, and economic disruption of the war-ravaged nations, as well as low production, will prevent any immediate return to prewar levels of consumption. As foreign mills begin to reopen, however, total world consumption should grow steadily—production permitting.

Since the world carryover was drawn on to supply the 3.5-million-bale difference between consumption and production, the world stock as it was on August 1, 1945, had dropped to 23.5 million bales by August 1 of this year. Of the present carryover, 7.6 million bales is in the United States and will supplement the 1945-46 production in meeting the domestic demand of more than 10 million bales and the export orders of four million bales that are expected for the present cotton year.

During the season just past there were about eight million bales of cotton moving in international trade channels. This movement represented 3.1 million bales more than the quantity moving the preceding cotton year but 5.2 million less than the 1935-39 average. Increasing international cotton movements are in prospect as a result of a continuation of the export subsidy on American cotton, the enactment of the British loan, and the facilitation of purchases by the Export-Import Bank. Arrangements by which Japan and Germany will pay the United States for raw cotton with the processed goods are considered mutually helpful. They solve the exchange problem for these two foreign countries, and their use of a low quality cotton for which there formerly has been little demand in foreign trade solves a problem for the United States.

The situation as it is at present adds up to a favorable outlook for the American cotton farmer in the immediate future. New York Exchange quotations on July 19 for the near futures month on fifteen-sixteenths middling closed at 35.80

**Sixth District Statistics**

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	August 21 1946	July 24 1946	August 22 1945	Percent Change Aug. 21, 1946, from	
				July 24 1946	August 22 1945
Loans and investments—					
Total	2,073,645	2,088,420	1,992,272	- 1	+ 4
Loans—total	507,593	509,220	335,982	- 0	+ 51
Commercial, industrial, and agricultural loans	259,431	258,292	174,389	+ 0	+ 49
Loans to brokers and dealers in securities	10,383	12,514	9,406	- 17	+ 10
Other loans for pur- chasing and carrying securities	106,265	111,027	59,143	- 4	+ 80
Real estate loans	36,124	33,285	23,653	+ 9	+ 53
Loans to banks	3,172	3,964	1,776	- 20	+ 79
Other loans	92,218	90,138	67,615	+ 2	+ 36
Investments—total	1,566,052	1,579,200	1,656,290	- 1	- 5
U. S. direct obligations	1,404,339	1,417,257	1,510,816	- 1	- 7
Obligations guaranteed by U. S.	1,659	1,661	3,710	- 0	- 55
Other securities	160,054	160,282	141,764	- 0	+ 13
Reserve with F. R. Bank	372,527	367,198	361,905	+ 1	+ 3
Cash in vault	30,249	30,654	29,932	- 1	+ 1
Balances with domestic banks	149,068	134,461	165,741	+ 11	- 10
Demand deposits adjusted	1,394,539	1,379,744	1,264,108	+ 1	+ 10
Time deposits	453,573	451,645	392,429	+ 0	+ 16
U. S. Gov't deposits	191,656	207,097	253,683	- 7	- 24
Deposits of domestic banks	458,200	457,418	534,964	+ 0	- 14
Borrowings	3,800	3,500		+ 9	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	July 1946	June 1946	July 1945	Percent Change July 1946 from	
					June 1946	July 1945
<b>ALABAMA</b>						
Anniston	3	19,386	19,434	17,756	- 0	+ 9
Birmingham	6	242,185	224,942	190,021	+ 8	+ 27
Dothan	2	8,562	7,802	7,080	+ 10	+ 21
Gadsden	3	14,224	13,022	10,102	+ 9	+ 41
Mobile	4	96,326	98,222	98,721	- 2	- 2
Montgomery	3	53,385	51,498	35,471	+ 4	+ 51
<b>FLORIDA</b>						
Jacksonville	3	200,859	204,092	162,422	- 2	+ 24
Miami	7	178,551	173,105	133,165	+ 3	+ 34
Greater Miami*	11	246,225	247,730	174,523	- 1	+ 41
Orlando	2	41,685	46,685	28,294	- 11	+ 47
Pensacola	3	28,435	27,317	27,317	+ 4	+ 12
St. Petersburg	3	40,879	42,722	26,049	- 4	+ 57
Tampa	3	87,126	93,397	69,268	- 7	+ 26
<b>GEORGIA</b>						
Albany	2	11,882	10,991	8,293	+ 8	+ 43
Atlanta	4	633,898	592,540	476,725	+ 7	+ 33
Augusta	3	55,011	43,151	33,451	+ 27	+ 64
Brunswick	2	8,584	7,865	11,460	+ 9	- 25
Columbus	4	46,815	44,620	32,699	+ 4	+ 43
Elberton	2	2,752	2,861	1,870	- 4	+ 47
Gainesville*	3	10,679	12,615	**	- 15	**
Griffin*	2	8,212	7,793	**	+ 5	**
Macon	3	51,381	46,175	40,979	+ 11	+ 25
Newnan	2	8,981	6,839	5,924	+ 31	+ 52
Rome*	3	16,835	16,698	**	+ 1	**
Savannah	4	74,275	82,853	66,034	- 10	+ 12
Valdosta	2	14,027	10,138	10,257	+ 38	+ 37
<b>LOUISIANA</b>						
Baton Rouge	3	58,361	54,406	43,686	+ 7	+ 34
Lake Charles	3	21,927	20,667	17,031	+ 6	+ 29
New Orleans	7	605,870	523,703	417,912	+ 16	+ 45
<b>MISSISSIPPI</b>						
Hattiesburg	2	14,185	13,493	10,938	+ 5	+ 30
Jackson	4	87,618	80,093	65,844	+ 9	+ 33
Meridian	3	26,014	23,137	16,520	+ 12	+ 57
Vicksburg	2	2,252	20,769	17,748	+ 7	+ 25
<b>TENNESSEE</b>						
Chattanooga	4	112,810	110,960	87,542	+ 2	+ 29
Knoxville	4	98,102	91,821	110,396	+ 7	- 11
Nashville	6	249,507	228,366	198,925	+ 9	+ 25
<b>SIXTH DISTRICT</b>						
32 Cities	108	3,215,655	3,017,656	2,478,060	+ 7	+ 30
<b>UNITED STATES</b>						
334 Cities		91,416,000	86,663,000	79,163,000	+ 5	+ 15

\*Not included in Sixth District total  
\*\*Not available

cents. This was a rise of six and a half cents, or about 23 percent, in one month's time. The factors contributing most importantly to this sharp increase were the removal of price-control measures, the release of a report on July 1 showing an unexpectedly low acreage, increasing speculation, an increase in domestic demand, and the prevalence of unfavorable weather in the cotton belt. A slump following the July 19 high, bringing near futures month down to 31.70 cents at closing on July 30, was largely attributable to the revival of price control. Speculators augmented this decline by liquidating some of their holdings. The trend changed shortly, however, as reports of bad weather, insect activity, and higher price ceilings on textiles and other processed cotton goods continued and as the position of the market proved basically sound. With the publishing on August 8 of a crop report lower than that expected, the market passed its high of the previous month and that day closed at 35.86.

A base was furnished the market recently when the 1946 loan program was published. The average loan rate for fifteen-sixteenths middling was established at 24.38 cents, which is 92.5 percent of the July parity price.

A domestic crop estimate of 9.29 million bales for the 1946-47 season further emphasizes the scarcity of supply. The present relationship of a strong demand and a short supply insures the farmer continued good prices on his cotton for a short while at any rate.

According to the August 1 crop report, the Sixth District, in contrast to the nation, did not appear to have any prospects of setting a new record for aggregate crop production in 1946. For the entire crop year, from the time of preparing the land on through the planting and cultivation periods, its farms have been beset by unseasonable rains, heavy insect infestations, and wet weather resulting in deteriorated products and, in some cases, complete loss.

The August 1 estimate of 1946 cotton production in the Sixth District places the crop at 2,006,000 bales, a quantity that is approximately 74 percent of the 1935-44 average. For the individual Sixth District states, the percentages indicative of cotton conditions, based on the long-time average, are 79 in Tennessee, 75 in Georgia, 74 in Alabama, 69 in Florida, 64 in Mississippi, and 58 in Louisiana. As rains slackened in the second week of August reports of generally improved crop conditions began to come in. Much-needed cultivation was again possible. Furthermore, boll weevils could be poisoned under the more favorable weather conditions, though heavy infestation continued in many areas. Picking began in cotton fields of the southern parts of Louisiana, Alabama, and Georgia during the first week of August.

With the exception of citrus fruits, tobacco is the only major cash crop that promises to set a new record in the Sixth District during 1946. The August 1 estimate placed the crop at 274,010,000 pounds, 2 percent above last year's record crop and 41 percent above the 1935-44 average. Marketing of the flue-cured types was virtually completed in Georgia and Florida by August 17, with 13 of their 19 markets closed by that date. When final reports are made, the flue-cured tobacco crop of Georgia will possibly have set a record, in total sales, of 123 million pounds. The average price in the Georgia-Florida market through the August 14 sales was \$45.27 a hundred. In Tennessee, growers of the burley, dark air-cured and dark fired types are expecting excellent yields.

The announcement by the United States Department of Agriculture on July 30 of the 1946 purchase-and-loan program

for peanuts stabilized a market that had been subject to much price uncertainty. The support price was fixed at 90 percent of parity as of July 15, 1946. Parity on that date was 9.55 cents a pound, compared to 8.30 cents for July 15, 1945. In amount, premiums and discounts are similar to those applicable to last year's crop. The 1946 crop in the Sixth District is, according to estimates, 1,127,585,000 pounds. This is approximately one percent below last year's, whereas a national production slightly greater than the one in 1945 is expected. Rains have hindered harvesting and curing of the crop in the District and have worked particular harm where a scarcity of nails for erecting stack poles has necessitated the use of windrowing in the curing process. Root rot and leaf worms have caused additional damage. Pecan harvesting in the Sixth District in 1946 will bring 57,160,000 pounds, it is estimated. Though this is 14 percent under the large crop of last year, it is somewhat higher than the 1935-44 average.

Good corn yields, it is expected, will partially offset the reduction that was made in the acreage planted to this crop in the District. Estimates set production at a figure about 2 percent less than the 1935-44 average and 8 percent less than the 1945 total. Corn planting suffered earlier in the year because of wet weather, and a smaller later crop resulted. July was favorable for corn in all the Six States except Louisiana, where moisture continued excessive.

For sweet potatoes generally improved crop conditions prevailed in the District during July. The August 1 estimate of 34,446,000 bushels amounts to 95 percent of the 1945 crop and 3 percent more than the 1935-44 average.

Prospects for the sugarcane crop for sugar in Louisiana and Florida are fairly good. The production indicated on August 1 for 1946 was 6,394,000 tons, 5 percent under that for 1945. Growth conditions in Florida, where the water supply is controlled, have been satisfactory, but the growth of cane in Louisiana has been hampered by rains and a lack of cultivation.

With the commercial marketing of peaches in the District almost over for the season, the crop is estimated to have been 10,135,000 bushels, about 10 percent short of the 1945 record crop but 23 percent greater than the 1935-44 average. The 1946 crop encountered more-than-average trouble from heavy insect damage and from rot that was induced by excessive rains. For the 1946-47 citrus fruit crop, the growing season in Florida continues excellent. The condition of early and midseason varieties of oranges was reported at 82 percent of the long-time average on August 1, compared with 62 percent on August 1, 1945, and the 1935-44 average of 69 percent.

The estimated tame-hay crop is 5,648,000 tons for the District, 18 percent above the 1935-44 average. Pasture conditions are generally excellent, ranging from 81 percent of average in Georgia to 92 in Mississippi, compared to 76 and 75 percent for 1935-44. Sixth District pastures are well above the national average, which has been lowered by dry-weather damage to pastures in the Southwest, the major Northern dairying states, and New England.

The number of farm milk cows has decreased mainly as a result of the feed shortage. The Sixth District, as well as the national, estimate of milk cows showed the number to be a little more than 3 percent less in June 1946 than it was one year earlier. The number of pounds of milk produced per cow rose in the District, as a result of the culling process and improved pastures, to 10.6 in August 1946 in comparison

with a yield of 10.4 for August 1945 and the 1935-44 average of 10.0 pounds. Egg production in the Sixth District in 1946, through July, was 96.5 percent of the 1945 production for the corresponding period. The number of layers during the month of July showed an accompanying decline to 96.1 percent of the previous year's inventory. Through July other parts of the country managed to keep the national egg production for this year at 99 percent of last year's. Apparently the pinch of shortened poultry feed supplies was felt to a slightly greater degree in the remainder of the United States, since laying flocks over the country were reduced to 95.7 percent of the previous year's number.

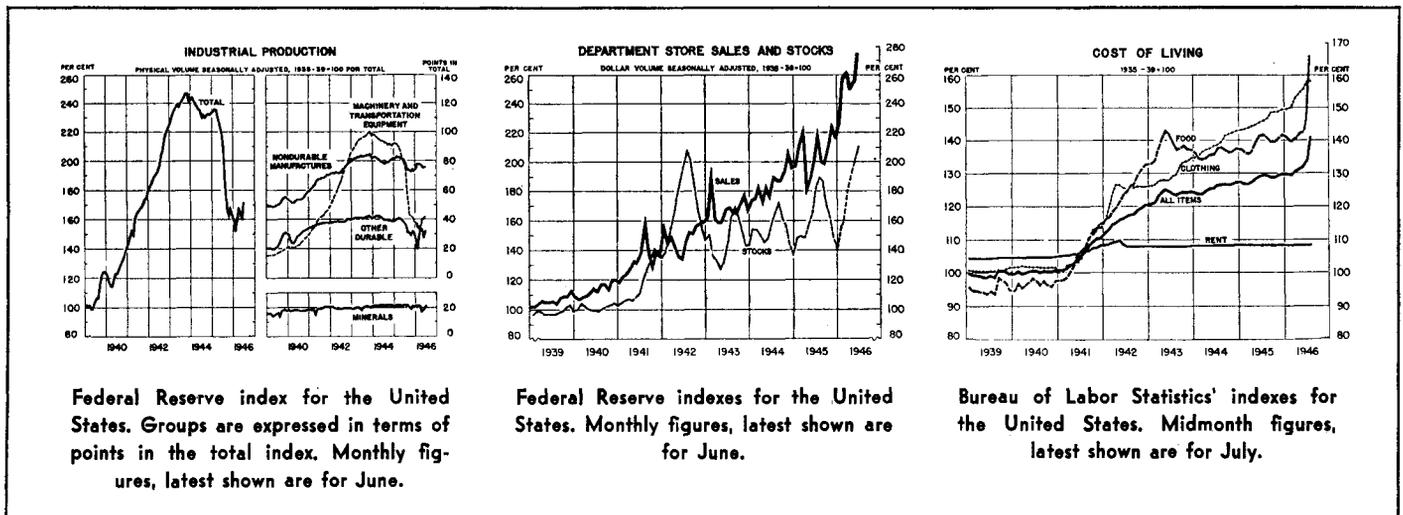
Cash farm receipts in the Sixth District were 2.2 percent lower in 1946 up to June 1 than they were in the corresponding period of 1945. Sales in these five-month periods totaled \$664,196,000 in 1946 and \$678,855,000 in 1945. Of the Six States, Florida was the only one to have increased sales, of 6.4 percent, largely as a result of the record citrus crop. The percentage decreases in the other states were: 0.3 in Mississippi, 3.4 in Tennessee, 7.2 in Georgia, 9.4 in Alabama, and 16.3 in Louisiana. Sales of crops increased in all the states except Georgia and Louisiana. Reduced livestock sales, however, in every state in the District effected an over-all decline in cash receipts. Shortened feed supplies and the uncertain

price and marketing situations that prevailed during this period hampered the animal and poultry enterprises. During the harvesting of early truck and potatoes, especially, heavy rains damaged some of the crops, particularly in Louisiana.

According to receipts, sales of livestock exceeded those of crops in two of the states, Georgia and Alabama, indicating the relative importance to gross sales of livestock and crops during this period. Later in the year this relationship will be reversed for these two states as the most important cash crops, like cotton, tobacco, and peanuts, go to market. For the entire district, total receipts up through May 31 were composed of 68.2 percent crop sales and 31.8 percent livestock and livestock products.

Total farm employment on August 1, 1946, in the geographic divisions containing the Sixth District was 7.4 percent higher than it was one year earlier. In the South Atlantic, the East South Central, and the West South Central areas, the total number of family and hired workers on farms, it was estimated, was 5,426,000 on August 1, 1946, and 5,053,000 on August 1, 1945. Increases in the numbers of both hired and family workers have occurred, the larger part of the total increase being made up of family laborers. In spite of these increases, however, the number of farm workers is still about 7 percent below the 1935-39 average.

C. F. R., JR.



Federal Reserve index for the United States. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June.

Federal Reserve indexes for the United States. Monthly figures, latest shown are for June.

Bureau of Labor Statistics' indexes for the United States. Midmonth figures, latest shown are for July.

# The National Business Situation

**I**NDUSTRIAL production increased somewhat further in July, after a sharp advance in June. Prices of commodities rose rapidly in July and continued to advance, although at a more moderate rate, in the first three weeks of August.

## Industrial Production

Industrial production advanced from 171 percent of the 1935-39 average in June to 174 in July, according to the Board's seasonally adjusted index. Output of durable goods and of minerals generally increased while output of nondurable manufactures as a group showed little change, with increases in some lines offset by declines in others.

Production at steel mills in July rose about one sixth and in August has increased somewhat further, with output of ingots increasing to about 90 percent of capacity. Activity in the machinery and transportation-equipment industries continued to advance in July. Production in the nonferrous-metal industries rose again but was still about 7 per cent below the January level. Output of stone, clay, and glass products continued to increase and the July index, at 197, was well above the previous high in March, with an increase in production of glass containers accounting for most of the July advance. Lumber production showed a decline, owing in large part to vacations for lumber workers on the Pacific Coast in the early part of July. Activity in the furniture industry remained at about the June rate.

In the nondurable industries, production at textile mills declined, owing to worker vacations during the first week in July, while output of manufactured food products increased considerably. Meatpacking rose sharply to the highest level since February and there were increases also in the output of flour, bakery goods, and dairy products. Sugar meltings declined. Output of paperboard and paper boxes declined from recent high levels while newsprint consumption showed a further advance. Activity in the chemical and rubber industries showed little change.

Mineral production rose to a new high, 46 percent above the 1935-39 average. Increases in the output of anthracite, copper ore, and iron ore accounted for most of the July rise in production of minerals.

## Construction

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in July but was still more than twice the prewar average. The drop reflected a continued decline in residential awards to a level about two fifths below the May peak. Nonresidential building awards increased slightly in July, after a small decline in June.

## Employment

Nonagricultural employment continued to rise in July, with major gains in the construction and manufacturing industries and some decrease in Government employment. Total unemployment decreased to about 2.3 million in July, the lowest of the year.

## Distribution

Value of department store sales declined less than seasonally from June to July and the Board's adjusted index rose to 278 percent of the 1935-39 average, as compared with an average of 254 for the first six months of the year. In the first three weeks of August sales continued at a high level. As a result of large receipts of merchandise, value of department store stocks continued to increase in July but relative to sales was still lower than before the war. Unfilled orders were at an exceptionally high level.

Loadings of railroad freight increased further in July as shipments of livestock and grains and of ore and coke rose sharply, and shipments of other classes of freight showed little change.

## Commodity Prices

Commodity prices, which had advanced sharply in July, rose somewhat further in the first three weeks of August. There were increases in prices of textiles, housefurnishings, and fuels as well as in some farm products and foods. Grains, however, declined and corn future contracts were still substantially below cash quotations, reflecting the continued prospect of a large harvest. With the renewal of price control at the end of July, ceiling prices were re-established but in many cases at higher levels than prevailed on June 30. Announcement was made that ceilings would not be re-established at this time on most grains or on dairy products but would be on livestock and meats and on cottonseed and soybeans and their products.

## Bank Credit

The Treasury retired for cash 3.3 billion dollars of Government securities during July and early August. War-loan balances at commercial banks were reduced by approximately the same amount. As most of the securities were held by banks, retirement operations had little effect on deposits of businesses and individuals. Drains on bank reserves resulting from redemption of securities held by the Reserve Banks were met by system purchases of Government securities and by reductions in Treasury deposits. Need for reserve funds resulted also from an increase in nonmember balances at the reserve banks, reflecting the deposit of the first instalment of the British loan, and from some outflow of currency into circulation. Changes in required and excess reserves, on the average, were negligible.

As a result of the Treasury debt-retirement operations as well as security sales to the Reserve Banks in connection with reserve adjustment, Government security holdings at banks in 101 leading cities were reduced by an additional two billion dollars during the seven weeks ended August 14. Total loans for purchasing or carrying Government securities declined further to a level comparable to that which prevailed prior to the Victory-Loan drive. Commercial loans, both in New York City and outside, increased substantially over the period.

THE BOARD OF GOVERNORS