

ELEVENTH ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK OF
ATLANTA



1925

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LETTER OF TRANSMITTAL

Atlanta, Ga., March 10, 1926.

Sirs:

I have the honor to submit herewith the Eleventh Annual Report of the Federal Reserve Bank of Atlanta, covering the year 1925.

Respectfully,

OSCAR NEWTON,

Chairman and Federal Reserve Agent

Federal Reserve Board,
Washington, D. C.

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FOR 1926**

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GENERAL BUSINESS CONDITIONS.

Improvement in general business conditions in the sixth district during 1925 as compared with the year before is reflected in increases in wholesale and retail trade, bank deposits, building and construction, and in an increase in the estimated value of farm products.

Based upon prices prevailing on December 1st, the United States Department of Agriculture estimated that agricultural products produced during 1925 in the States of Georgia, Florida, Alabama, Louisiana, Mississippi and Tennessee were worth \$1,268,571,000, an increase of \$96,636,000 over the value of crops produced in 1924, parts of the States of Louisiana, Mississippi and Tennessee being in other Federal Reserve Districts. These six states produced 5,845,000 bales of cotton in 1925, an increase of 46 per cent over the amount produced in 1924.

Index numbers of retail trade, computed from sales reported by more than 40 department stores throughout the district were higher in 1925 than in 1924 for every month except January and September, and in December reached a point higher than has been recorded since these statistics were first collected six years ago. Wholesale index numbers computed from combined sales reported by dealers in groceries, dry goods, hardware and shoes were higher for every month in 1925 except February than in 1924, and for the last three months of the year were higher than ever recorded in this series of numbers.

Savings deposits reported monthly to the Federal Reserve Bank by 92 banks in the district averaged 9 per cent greater in 1925 than in 1924. Commercial failures in the sixth district were 18.4 per cent smaller in number, and 24.2 per cent smaller in amount of liabilities in 1925 than in 1924. Required reserves of member banks in the sixth district increased from approximately \$62,355,000 at the close of 1924 to \$80,060,000 at the close of 1925, or approximately 29 per cent. Debits to individual accounts referred to elsewhere in this report were greater during 1925 than in 1924 at all but one of the 24 reporting cities in the district, the increase ranging up to 105 per cent. Building permits were issued in 1925 at 20 reporting cities in the district for the construction of buildings valued at \$186,608,172; an increase of 61.5 per cent over permits issued at the same cities in 1924.

Production of pig iron in Alabama during 1925 totaled 2,846,995 tons, an increase of 3.7 per cent over the 1924 output.

RESULTS OF OPERATION.

Comparative Balance Sheets.—The total resource and liability items of the Federal Reserve Bank of Atlanta increased \$53,683,000 during the year, from \$242,845,000 on December 31, 1924 to \$296,528,000 on December 31, 1925. Cash reserves decreased \$52,893,000, from \$176,318,000 at the close of business December, 1924, to \$123,425,000 at the close of December, 1925. Bills discounted and bought in the open market and United States Government securities amounted to \$124,244,000 on December 31, 1925, which was \$94,923,000 greater than the amount held on December 31, 1924. The amount of credit extended to member banks amounted to \$27,428,000 the last of the year 1925, as compared with \$16,070,000 on the corresponding date in 1924, an increase of \$11,358,000. Bills bought in the open market amounted to \$76,732,000 on December 31, 1925, as compared with \$9,202,000 on the same date in 1924. United States Government securities owned amounted to \$19,764,000 as compared with \$3,785,000 on December 31, 1924. Federal Reserve Notes in actual circulation increased \$26,087,000, from \$142,879,000 on December 31, 1924, to \$168,966,000 on the same date in December, 1925. The Reserve Deposits of member banks amounted to \$78,276,000 on December 31, 1925, which was \$15,379,000 greater than on the same date the previous year.

MOVEMENT OF PRINCIPAL ASSETS AND LIABILITY ITEMS.

Total Earning Assets.—The total of bills and securities decreased from \$29,239,000 on the first report date of the year, January 7th, to \$19,260,000 on February 11th, the second report date of that month. From this date until the end of the year, there was a gradual increase, with some fluctuation, until the holdings of these assets amounted to \$123,360,000 on December 30, 1925, the last report date of the year, and there was a still further increase on the last day of the year of \$884,000. The daily average of earning assets during the year was \$55,679,000, as compared with \$43,705,000 for the previous year.

Bills Discounted for Member Banks.—Accommodation extended to member banks amounted to \$18,474,000 on January 7, 1925, which declined to \$11,688,000 on February 18th. From that date, the amount of credit extended to members fluctuated and at no time during the year was the demand from member banks heavy. The largest amount of accommodation extended to member banks was \$36,877,000 on August 26th. The daily average of bills discounted for members was \$22,812,000 as compared with \$35,152,000 in 1924.

Bills Bought in the Open Market.—On the first report date of the year, the holdings of bills bought in the open market amounted to \$8,306,000. On February 11th, the amount was \$3,404,000, or a decrease of \$4,902,000. After that date purchases were made in greater volume, and the amount increased, with some fluctuation, until on the last report date of the year, December 30th, the holdings amounted to \$76,045,000. The average daily holdings of this class of assets was \$21,796,000, as compared with \$6,215,000 for the previous year.

United States Securities.—There was a gradual increase in the holdings of United States securities from \$2,195,000 on January 7th, the first report date of the year, to \$17,857,000 which was reached on December 30th, the last report date; with daily average holdings for the year of \$10,684,000. The amount of holdings increased to \$19,764,000 on the day following the last report date of the year.

Total Cash Reserves.—The total cash reserves amounted to \$172,916,000 on January 7, 1925. The amount increased until on February 25th, total cash reserves were \$189,233,000, which was the largest amount shown on any report date during the year. Following that date, the reserves declined, with some fluctuation, until December 23rd when the reserves amounted to \$125,199,000. On December 31st, there was a further decline to \$123,425,000. The daily average cash reserves through December 30, 1925, was \$161,138,000 as compared with \$152,784,000 the previous year.

Member Banks' Reserve Deposits.—Member banks' reserve deposits fluctuated during the year in a range of approximately \$21,000,000. At the beginning of the year, the amount of reserves was \$67,683,000. The lowest point of reserves for the year was \$63,295,000 on February 4th, while the peak of \$84,158,000 was reached on November 10th. The daily average of member banks' reserves during 1925 was \$71,305,000, as compared with \$56,871,000 for 1924, an increase of \$14,434,000 or 25 per cent.

Federal Reserve Notes in Actual Circulation.—Federal Reserve notes in actual circulation fluctuated between \$131,000,000 and \$144,000,000 from the beginning of the year until the first of September. After this time, there was a gradual increase until the peak of \$174,641,000 was reached on December 23rd. The average daily circulation of Federal Reserve notes was \$144,846,000 as compared with \$136,879,000 for the previous year, an increase of nearly \$8,000,000.

Reserve Position.—The total cash reserves against combined deposit and Federal Reserve note liability was 82.4 per cent on January 7th; the peak of 89.3 per cent was reached on February 11th. From that date the ratio of cash reserves declined proportionately as there was an increase in the invested assets until reserves dropped to 60.9 per cent on November 10th, with a further decline to 49.9 per cent on December 23rd. There was an increase to 50 per cent on December 30th and a drop to 49.7 per cent on the last day of the year. The daily average reserves amounted to 73.7 per cent through December 30, as compared with 77.7 per cent for the previous year.

VOLUME OF DISCOUNT AND OPEN MARKET OPERATIONS.

The total volume of bills discounted for member banks during the year amounted to \$527,945,000 compared with \$550,312,000 discounted the previous year, and a volume of \$728,081,000 for 1923. The volume of bills discounted the last six months of 1925 was nearly 100 per cent greater than the volume for the first six months of the year. Approximately 59.5 per cent of the volume was commercial and agricultural paper, and 39.5 per cent was secured by United States Government obligations; the remaining one per cent being trade acceptances and sight and demand bill of lading drafts. The smallest volume of bills discounted for member banks during any month of the year was \$15,862,000 in February, while the largest volume for any one month was \$66,650,000 in December.

The total volume of bills bought in the open market and from other Federal Reserve Banks amounted to \$201,253,000 for the year 1925, as compared with \$59,621,000 for the previous year. The volume of United States securities purchased in the open market and from other Federal Reserve Banks was \$34,016,000 for the year, as compared with \$20,501,000 for 1924. The total volume of discounts and purchases of all classes for 1925 was \$764,810,000, which was \$134,112,000 greater than for 1924, but \$137,865,000 less than the volume for 1923.

VOLUME OF BILLS DISCOUNTED FOR MEMBER BANKS IN EACH STATE.

Alabama.—During 1925 accommodation amounting to \$47,733,000 was extended to 88 member banks in Alabama, with a membership of 124 banks. This was \$956,000 less than the volume discounted during 1924.

Florida.—Seventeen banks in Florida out of a membership of 70 received accommodation during 1925 amounting to

\$2,941,000, which was approximately 10 per cent of the amount extended to member banks in that state during the previous year when the amount was \$28,218,000.

Georgia.—With a membership of 153 banks, accommodation was extended 131 members during 1925 amounting to \$192,591,000; an increase of \$31,531,000 over 1924.

Louisiana.—The volume of bills discounted for 27 member banks in Louisiana during 1925 amounted to \$223,498,000. This was \$37,356,000 in excess of the volume discounted for 29 members in that state in 1924. The membership in Louisiana in 1924 was 32 banks, with total membership in 1925 of 31 banks.

Mississippi.—There are 24 member banks in Mississippi and 10 of this number received accommodation during 1925 amounting to \$4,761,000 as compared with a volume of \$8,822,000 extended to 15 members the previous year, or a decrease of 46 per cent.

Tennessee.—During the year bills were discounted for 47 member banks in Tennessee amounting to \$53,666,000, as compared with \$117,131,000 discounted for 58 members during the previous year or a decrease of 54 per cent. There were 93 members in Tennessee on December 31, 1924, with no change in membership at the close of 1925.

With a total membership of 495 banks at the close of 1925, the volume of accommodation extended to 320 members during the year aggregated \$527,945,000, which was \$22,367,000 less than the amount extended to 390 member banks during 1924, when the membership at the close of the year was 516 banks.

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS.

During 1925, 7,325 applications for the rediscount of 43,025 items amounting to \$527,945,000 were handled, as compared with 10,492 applications for the rediscount of 68,912 items amounting to \$550,312,000 during 1924.

The volume of bills purchased in the open market during 1925 numbered 13,602 amounting to \$172,856,000 as compared with 4,426 items amounting to \$59,621,000 in 1924.

During the year, 126,202,000 pieces of currency were received and counted amounting to \$529,979,000 as compared with 106,694,000 pieces received and counted in 1924 amounting to \$450,008,000

or an increase of 18.3 per cent in number of pieces, and an increase of \$79,971,000 in amount. Coin received and handled numbered 75,915,000 pieces, amounting to \$8,659,000, which was an increase of 30 per cent in number of pieces handled and 11 per cent in amount over 1924.

There were 29,092,000 checks handled in 1925 amounting to \$12,436,129,000, as compared with 25,299,000 amounting to \$8,650,648,000 the previous year; an increase of 15 per cent in number of items and 43.8 per cent in amount.

The number of United States coupons and other collection items handled in 1925 was 1,139,000 pieces as compared with 1,349,000 pieces handled in 1924, amounting to \$192,970,000 in 1925, and \$175,582,000 in 1924; an increase in amount of approximately 10 per cent.

Transactions in United States securities in 1925 numbered 243,000 pieces amounting to \$69,689,000, as compared with 692,000 pieces amounting to \$56,731,000 during the previous year.

Transfers of funds numbered 67,000, amounting to \$2,134,535,000 in 1925, as compared with 73,000 transfers handled in 1924, amounting to \$1,738,402,000.

The number of envelopes received and dispatched in 1925 was 2,139,000 as compared with 2,088,000 in 1924, an increase of 51,000.

OPERATIONS OF THE FEDERAL RESERVE CLEARING SYSTEM.

Transit Operations.—During 1925, the Federal Reserve Bank of Atlanta handled 27,690,000 items (exclusive of duplications on account of items handled by both parent bank and branch) amounting to \$12,024,437,000, as compared with 24,284,000 items handled in 1924 amounting to \$8,098,365,000. This is an increase of 21 per cent over the number of items handled in 1923, and the amount represents an increase of 55 per cent for the same period.

Clearings and Transfers through the Gold Settlement Fund.—The total payments through the Gold Settlement Fund to other Federal Reserve Banks for clearings and transfers in 1925 amounted to \$4,344,340,000, which was an increase of \$1,005,347,000 or 30 per cent, over 1924. Receipts from other Federal Reserve Banks through the Gold Settlement Fund for clearings and transfers amounted to \$4,313,168,000 in 1925, as compared with \$3,395,868,000 for the previous year, or an increase of 27 per cent. The net loss of gold for the year was \$31,172,000, as compared with a net gain of \$56,875,000 in 1924. The net gain to the Federal Reserve Bank of Atlanta in ownership of gold since the establishment of the Gold Settlement Fund in 1915 amounted to \$158,243,000 at the close of 1925.

PRINCIPAL ASSET AND LIABILITY ITEMS OF REPORTING MEMBER BANKS IN LEADING CITIES AS OF THE LAST REPORT DATE IN THE MONTH.

Thirty-six reporting member banks in Atlanta, Birmingham, Jacksonville, Nashville, New Orleans, Chattanooga, Knoxville, and Savannah, which submit weekly reports to the Federal Reserve Bank, showed loans and discounts amounting to \$530,735,000 on the last report date in December, 1925; an increase of \$71,601,000 or 15 per cent as compared with the last report date in December, 1924. The investments of these member banks increased \$22,618,000, from \$75,325,000 in December, 1924, to \$97,943,000 on the same date in December, 1925. The demand deposits of these thirty-six member banks increased from \$317,287,000 on the last report date in December, 1924, to \$358,878,000 on the last report date in December, 1925. During the same period, the time deposits of these banks increased from \$191,956,000 to \$223,817,000. The combined demand and time deposits on the last report date in December, 1925, amounted to \$582,695,000 as compared with \$509,243,000 on the last report date in December, 1924; an increase of \$73,452,000 or 14.4 per cent. Accommodation furnished by the Federal Reserve Bank of Atlanta to these thirty-six member banks amounted to \$23,360,000 at the close of December, 1925, as compared with \$6,179,000 on the date in the preceding year.

DEBITS TO INDIVIDUAL ACCOUNTS.

The volume of debits to individual accounts in the fifteen reporting clearing house cities amounted to \$13,913,384,000 for 1925, an increase of \$2,192,041,000, or 18 per cent, over 1924, as compared with an increase of 5.2 per cent in 1924 over 1923. None of the reporting cities showed decreases in the volume of debits to individual accounts for 1925 as compared with the previous year. The increases ranged from one per cent to 105 per cent in one instance. The largest volume of debits to individual accounts reported for one month during 1925 was for October when they amounted to \$1,429,618,000. Every other month of the year the volume exceeded \$1,000,000,000, except February when it amounted to \$976,073,000. During 1924, the volume exceeded \$1,000,000,000 for only three months of the year. In addition to the fifteen reporting cities included in the foregoing totals, nine other cities have been reporting their debits to individual accounts, where increases were shown for 1925 as compared with 1924 except in one instance.

DISTRICT NO. 6—ATLANTA
CONDITION OF FEDERAL RESERVE BANK
(In thousands of dollars)

	Dec. 31, 1925	Dec. 31, 1924	Dec. 31, 1923
RESOURCES:			
Gold with Federal reserve agent.....	\$ 87,364	\$ 143,306	\$ 93,689
Gold redemption fund with U. S. Treasury.....	5,302	2,492	5,178
Gold held exclusively against F. R. notes.....	92,666	145,798	98,867
Gold settlement fund with F. R. Board.....	20,240	12,963	17,773
Gold and gold certificates held by bank.....	3,488	8,390	6,466
Total gold reserves.....	116,394	167,151	123,106
Reserves other than gold.....	7,031	9,167	4,980
Total reserves.....	123,425	176,318	128,086
Non-reserve cash.....	3,718	4,701	6,128
Bills discounted:			
Sec. by U. S. Government obligation s.....	3,707	1,329	10,968
Other bills discounted.....	23,721	14,741	44,774
Total bills discounted.....	27,428	16,070	55,742
Bills bought in open market.....	76,732	9,202	12,154
U. S. Government securities:			
Bonds.....	2,986	1,564	261
Treasury notes.....	9,773	1,349	92
Certificates of indebtedness.....	7,005	872	31
Total U. S. Government securities.....	19,764	3,785	384
Other securities.....			51
Foreign loans on gold.....	320	264	
Total bills and securities.....	124,244	29,321	68,331
Uncollected items.....	40,982	27,950	23,411
Bank premises.....	2,715	2,780	2,664
All other resources.....	1,444	1,775	386
Total resources.....	\$ 296,528	\$ 242,845	\$ 229,006
LIABILITIES:			
F. R. notes in actual circulation.....	\$ 168,966	\$ 142,879	\$ 140,894
Deposits:			
Member bank—reserve account.....	78,276	62,897	54,697
Government.....	846	3,757	2,561
Foreign bank.....	339	81	67
Other deposits.....	136	43	246
Total deposits.....	79,597	66,778	57,571
Deferred availability items.....	34,232	19,023	16,117
Capital paid in.....	4,656	4,564	4,430
Surplus.....	8,700	8,950	8,950
All other liabilities.....	377	651	1,044
Total liabilities.....	\$ 296,528	\$ 242,845	\$ 229,006
Ratio of total reserve to deposit and F. R. note liabilities combined (per cent).....	49.7	84.1	64.5
Contingent liability on bills purchased for foreign correspondents.....	2,884	1,878	779

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VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS
FEDERAL RESERVE BANK OF ATLANTA

	1925	1924	1923
NUMBER OF PIECES HANDLED			
Bills discounted:			
Applications.....	7,325	10,492	13,240
Notes discounted.....	43,025	68,912	85,479
Bills purchased in open market for own account.....	13,602	4,426	6,673
Currency received and counted.....	126,202,000	106,694,000	97,814,000
Coin received and counted.....	75,915,000	58,325,000	50,084,000
Checks handled.....	29,092,000	25,299,000	23,956,000
Collection items handled:			
U. S. Government coupons paid.....	997,000	1,202,000	1,689,000
All other.....	142,000	147,000	147,000
U. S. securities—issues, redemptions, and exchanges by Fiscal Agency department.....	243,000	692,000	*3,981,000
Transfers of funds.....	67,000	73,000	68,000
Envelopes received and dispatched.....	2,139,000	2,088,000	2,329,000
AMOUNTS HANDLED			
Bills discounted.....	\$ 527,945,000	\$ 550,312,000	\$ 728,081,000
Bills purchased in open market for own account.....	172,856,000	59,621,000	94,701,000
Currency received and counted.....	529,979,000	450,008,000	415,243,000
Coin received and counted.....	8,659,000	7,690,000	7,119,000
Checks handled.....	12,436,129,000	8,650,648,000	8,251,381,000
Collection items handled:			
U. S. Government coupons paid.....	8,680,000	9,824,000	12,194,000
All other.....	184,290,000	165,758,000	165,548,000
U. S. securities—issues, redemptions, and exchanges by Fiscal Agency department.....	69,689,000	56,731,000	151,539,000
Transfers of funds.....	2,134,535,000	1,738,402,000	1,466,213,000

*Large total due to redemption of war savings securities which matured January 1, 1923.