

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

MAY 31, 1937

April statistics indicate that trade and industrial operations in the Sixth District failed to maintain the high level of March, but in most instances April figures are higher than for that month of other recent years. At weekly reporting member banks in leading cities of the district loans have recently increased, but investments have declined.

Business Volume of business at both retail and wholesale reporting firms in the Sixth District declined somewhat in April, but the index of daily average sales at retail firms was the highest for April since 1927, when Easter fell on April 17, and the wholesale trade index was the highest for April since 1929. The decline in total sales by 49 reporting retail firms from March to April was 13.3 per cent, but the seasonally adjusted index number of 107.3, based on sales of 28 firms, after allowance for the number of days and the earlier date of Easter, declined 7.3 per cent from March. In the first four months of 1937, total sales of 49 reporting firms were 11.8 per cent greater than in that period last year. April sales by 70 wholesale firms declined 5.1 per cent from March, but were 25.2 per cent greater than in April, 1936, and for the four months were 26.9 per cent larger than a year ago. Stocks at both retail and wholesale firms increased in April, and continued larger in dollar value than at the same time last year. According to the Department of Commerce, rural retail sales in the South increased 19.8 per cent from February to March, and were 24.6 per cent greater than in March, 1936. Bank debits to individual accounts declined 5.6 per cent from March, but in April were 28.7 per cent greater than a year ago, and the largest for April since 1930.

Banking Total loans and investments of weekly reporting member banks in leading cities of the district have continued in recent weeks to decline, reflecting principally a reduction in holdings of government securities. Balances held by reporting member banks with the Federal Reserve Bank have increased in the face of a substantial decline in deposits due to domestic banks, and reporting member banks have drawn down their own balances with correspondent banks to the lowest level in nearly two years. Borrowings from the Federal Reserve Bank on May 12, 1937, were \$1,028,000, an amount not equalled since early in 1934. All other loans, which include those for commercial, industrial and agricultural purposes, declined slightly in the four weeks ended May 12, but this decline

was more than offset by an increase in loans to banks, with the result that total loans showed an increase during the period.

Total loans at weekly reporting member banks declined in 1935 and early 1936, but have since risen consistently except for a small reduction in January and February of this year. Holdings of investment securities, however, rose sharply in the last half of 1935 and in the summer and early fall of 1936, but have declined each month since October. The increase in loans has been principally in all other loans, which include those for commercial, industrial and agricultural purposes, and the larger part of the decline in investment holdings has been in direct obligations of the United States. Changes since July 10, 1935, and since December 23, 1936, in selected loans and investment accounts are shown in the table.

LOANS AND INVESTMENTS OF 22 MEMBER BANKS IN SELECTED CITIES—(In Thousands of Dollars)

	May 12, 1937	Change from Dec. 23, 1936	Change from July 10, 1935
Total Loans and Investments..	\$ 559,375	-- 42,105	+ 107,529
Total Loans.....	274,753	+ 6,642	+ 47,935
Total Investments.....	284,622	-- 48,747	+ 59,594
"All Other" Loans.....	178,705	+ 2,350	+ 33,028
Government Securities, Direct and Fully Guaranteed.....	207,237	-- 40,881	+ 50,633

In the four weeks ending May 12, there were increases in discounts and in holdings of United States securities, and in member bank reserve deposits, at the Federal Reserve Bank of Atlanta. Discounts increased in the last week of April and the first week of May and on May 5 were the largest in more than three years. Holdings of United States securities were 10.9 millions larger on May 12 than a year ago. Required reserves of member banks in the District declined somewhat in April due to smaller daily average deposits, and in the last half of the month excess reserves averaged 36.1 millions of dollars, or 27.4 per cent of requirements. Available figures for the first week in May, after the final increase in member bank reserve requirements became effective, indicate average excess reserves of about 24.5 millions, or 16.3 per cent of requirements. Treasury deposits at the Federal Reserve Bank declined in April. There was also a slight decline in Federal Reserve note circulation.

Agriculture Farm income from the sale of principal farm products, including livestock and livestock products, with Government payments added, amounted in March to about 75 millions of dollars, substantially

CONDITION OF 22 MEMBER BANKS	IN SELECTED CITIES		
	May 12 1937	Change from April 14, 1937	Change from May 13, 1936
Loans and Investments.....	\$ 559,375	— 11,871	+ 20,356
Loans—Total.....	274,753	+ 2,228	+ 53,134
On Securities.....	60,246	+ 265	+ 3,083
To Brokers and Dealers.....	7,054	— 421	+ 949
To Others.....	53,192	+ 667	+ 2,134
Real Estate Loans.....	26,998	+ 534	+ 4,910
Acceptances and Com'l. Paper			
Bought.....	4,955	+ 106	— 533
Loans to Banks.....	3,849	+ 2,381	+ 3,112
All Other Loans.....	178,705	— 1,059	+ 42,562
Investments—Total.....	284,622	— 14,099	— 32,778
U. S. Govt. Direct Obligations	174,631	— 9,708	— 26,478
Obligations Guaranteed by			
U. S.....	32,606	— 3,216	— 6,657
Other Securities.....	77,385	— 1,175	+ 357
Reserve with F. R. Bank.....	107,076	+ 9,852	+ 46,238
Cash in Vault.....	11,868	+ 459	+ 1,346
Demand Deposits—Adjusted..	336,933	+ 23	+ 39,755
U. S. Govt. Deposits.....	5,687	+ 4,533	+ 37,716
Balances with Domestic Banks.	103,749	+ 22,833	+ 40,474
Borrowings at F. R. Bank.....	1,028	+ 1,028	+ 1,028
Deposits of Domestic Banks...	202,110	— 22,608	+ 13,346

larger than in March of other years. The first quarter total is 61 per cent larger than for that period last year. Figures by states are compared in the table.

Heavy rainfall and lower than usual temperatures during April have delayed farm work. The excessive rains early in April did considerable damage in parts of Florida, and in the southern parts of Alabama, Mississippi and Louisiana. In Louisiana a storm on April 30 resulted in further damage to corn, cotton, truck and field crops. Prospects for peaches in Georgia indicate a crop only 42 per cent as large as that of last year, and prospective production in the ten Southern States is 27 per cent less than the 1936 crop. On May 1 the estimate of production of oranges in Florida was 21.4 million boxes, and of grapefruit 17.8 million boxes, slightly higher than previous estimates. April sales of fertilizer tags were somewhat smaller than in March but well above April of other recent years.

The price of cotton on the ten designated spot cotton markets declined from 14.91 cents on March 30, the highest point in nearly seven years, to 12.90 cents on May 13, about the level of late February prior to the sharp advance in March.

CASH RECEIPTS FROM SALE OF PRINCIPAL FARM PRODUCTS AND GOVERNMENT PAYMENTS—(000 Omitted)	January—March Incl.			
	March 1937	March 1936	1937	1936
Alabama.....	\$ 12,824	\$ 5,745	\$ 28,942	\$ 18,914
Florida.....	20,650	14,603	49,396	38,993
Georgia.....	9,148	7,548	29,541	19,557
Louisiana.....	7,315	2,721	21,140	9,187
Mississippi.....	13,539	3,460	36,468	15,928
Tennessee.....	11,476	6,026	35,420	22,399
Total.....	\$ 74,952	\$ 40,103	\$ 200,907	\$ 124,978

Industry Employment and payrolls increased 1.8 per cent and 3.4 per cent, respectively, from February to March, at firms in this District reporting to the Bureau of Labor Statistics, and were at new high levels for the recovery period. Number of workers was 11.1 per cent,

FEDERAL RESERVE BANK OF ATLANTA (000 Omitted)	Change from		
	May 12, 1937	April 14, 1937	May 13, 1936
Bills Discounted.....	\$ 1,565	+ 1,483	+ 1,565
Bills Bought in Open Market...	107	— 1	— 57
Industrial Advances.....	251	— 79	— 560
United States Securities.....	111,091	+ 1,407	+ 10,882
Total Bills and Securities.....	113,014	+ 2,810	+ 11,830
Total Reserves.....	263,495	— 1,297	+ 52,205
Member Bank Reserve Account	180,581	+ 10,368	+ 70,848
U. S. Treasurer—Gen. Account.	2,102	— 6,665	+ 27,723
F. R. Note Circulation.....	182,352	— 2,146	+ 6,713

and payrolls 21.4 per cent, greater than in March last year.

The value of building permits issued in April at twenty reporting cities was the largest for that month since 1931. The April total was 10.4 per cent less than for March, but 10.3 per cent larger than a year ago. In the first four months of 1937 permits have been 2.3 per cent larger than in that part of 1936, and the largest for that period since 1929. Total value of contracts awarded in April was smaller than for March or for April a year ago, but for the four months total awards have been 8 per cent, and residential contracts 44 per cent, greater than in that period last year. State totals decreased from March, except in Alabama and Georgia, but increased over April last year, except in Alabama and Florida. The large decrease in Alabama compared with April, 1936, was due to awards for "public works and utilities" in that month last year amounting to about 6.5 millions. Production at lumber mills continued in April somewhat larger than a year ago, but orders, shipments and unfilled orders were less. Press reports indicate an active demand for car material and long leaf timbers. Cotton mills continued operating at a high level in April. Daily average consumption of cotton was 3.9 per cent less than in March and slightly less than in February, but was, with these exceptions, the highest on record. Operations at cotton seed oil mills showed a further seasonal decline in April, but continued greater than in that month of other recent years. Coal production in Alabama and Tennessee increased substantially from February to March, the last month of the coal year, but April production was seriously curtailed by a strike which extended into early May. Total production of electric power increased 8.2 per cent from February to March, but daily average production declined 2.3 per cent. Production in March was 10.5 per cent greater than a year earlier. Pig iron production in Alabama declined 6.6 per cent, on a daily average basis, from March to April, but was 21.9 per cent greater than in April last year and was the largest for April of any year since 1930. In the first four months of 1937 production was the largest for that period in seven years. April receipts of turpentine and rosin, and stocks of rosin, were the smallest for that month in eleven years. Price quotations on rosin were substantially higher than a year ago, but those on turpentine were at about the same level.

SIXTH DISTRICT BUSINESS STATISTICS

Percent Change from 1936:

	SALES		STOCKS	Collection Ratio
	April	Jan.-Apr., Incl.		
RETAIL TRADE				
Atlanta	+ 7.0	+15.1	+18.8	28.1
Birmingham	+ 5.8	+14.3	+20.4	34.8
Chattanooga	- 0.2	+19.1	+17.9	30.1
Montgomery	- 7.1	+ 3.8	+25.6
Nashville	+ 7.5	+14.7	+22.5	28.2
New Orleans	+ 3.3	+ 4.8	+11.6	38.3
Other Cities	+ 6.8	+12.5	+ 9.9	36.2
DISTRICT (49 Firms)	+ 5.3	+11.8	+15.1	32.9
WHOLESALE TRADE				
Groceries	+13.1	+14.9	92.4
Dry Goods	+ 2.9	+15.3	+29.8	36.4
Hardware	+36.8	+35.9	+16.8	49.6
Furniture	+16.6	+31.8	+34.5	43.4
Electrical Supplies	+65.8	+71.1
Drugs	+ 9.9	+ 9.1
Total (70 Firms)	+25.2	+26.9	+27.2	57.7

(000 Omitted)
APRIL JAN.-APRIL INCL.
1937 1936 1937 1936

COMMERCIAL FAILURES				
—DISTRICT:				
	1937	1936	1937	1936
Number (Actual)	35	29	125	113
Liabilities \$	355	1,634	1,269	2,435

LIFE INSURANCE				
SALES—6 States				
	1937	1936	1937	1936
Alabama	6,236	5,082	21,475	18,070
Florida	7,597	6,372	27,225	23,238
Georgia	8,784	7,424	32,253	28,077
Louisiana	6,130	5,463	22,913	20,563
Mississippi	4,082	3,200	14,351	11,999
Tennessee	9,332	7,567	34,473	29,579

CONTRACTS AWARDED—				
DISTRICT				
	1937	1936	1937	1936
Residential	7,741	6,019	25,406	17,697
All Others	9,923	14,256	45,542	48,027
Alabama	1,407	7,272	5,522	14,132
Florida	5,809	6,441	31,012	22,603
Georgia	3,636	2,359	11,175	8,465
Louisiana	3,156	2,268	11,685	12,054
Mississippi	2,230	874	8,671	4,641
Tennessee	3,926	3,227	14,213	13,319

BUILDING PERMITS—				
20 CITIES				
	1937	1936	1937	1936
Atlanta	352	355	1,398	1,627
Birmingham	272	186	1,300	605
Jacksonville	467	382	1,889	1,196
Nashville	185	660	824	3,430
New Orleans	231	338	1,167	1,170
15 Other Cities	3,460	2,585	12,408	10,524

ELECTRIC POWER				
PRODUCTION—kw Hours*				
	1937	1936	1937	1936
Alabama	247,969	187,581	700,566	570,048
Florida	79,749	73,810	236,037	218,272
Georgia	138,648	134,483	425,428	376,781
Louisiana	120,232	116,390	358,908	353,643
Mississippi	4,877	4,255	15,237	13,109
Tennessee	121,309	128,320	332,294	388,753
Total—6 States	712,784	644,839	2,068,470	1,920,606
By Water Power	468,177	426,706	1,348,910	1,256,220
By Fuels	244,607	237,837	719,560	664,386

PIG IRON PRODUCTION				
ALABAMA—Tons				
	1937	1936	1937	1936
	200	164	826	636

(000 Omitted)
APRIL AUGUST-APRIL INCL.
1937 1936 1936-37 1935-36

COTTON CONSUMPTION				
—Bales				
	1937	1936	1937	1936
Georgia	140,980	112,169	1,181,172	897,294
Alabama	75,461	62,850	649,060	509,947
Tennessee	17,104	14,080	145,131	112,511
Total—3 States	\$ 233,545	\$ 189,099	\$1,975,363	\$1,519,752

Cotton Seed Crushed**				
—Tons				
	1937	1936	1937	1936
	91	59	1,758	1,381
Fertilizer Tag Sales—6 States	692	469	2,463	1,860

SIXTH DISTRICT INDEXES FOR APRIL

Monthly Averages for 1923-1925-100

	1937	1936	1935	1934	1933
DEPARTMENT STORE SALES*					
—DISTRICT (28 firms)					
Atlanta	106.2	100.2	88.0	83.0	64.8
Birmingham	182.6	168.6	163.3	115.1	134.3
Chattanooga	94.1	89.1	65.3	62.1	48.4
Nashville	74.4	74.4	72.7	64.5	48.7
New Orleans	90.2	83.9	80.0	81.0	66.4
New Orleans	91.8	88.9	76.2	75.3	57.4
DEPARTMENT STORE STOCKS					
—DISTRICT (24 firms)					
Atlanta	78.5	66.4	64.9	60.8	49.8
Birmingham	126.5	104.6	103.7	97.6	72.8
Chattanooga	77.0	62.2	49.2	35.2	38.4
Nashville	68.3	57.9	52.4	51.7	37.8
New Orleans	68.5	55.9	66.1	68.9	57.2
New Orleans	65.0	58.3	59.6	59.6	48.6
WHOLESALE TRADE					
—(70 firms)					
Groceries	89.0	69.3	60.5	56.0	41.8
Dry Goods	59.1	54.1	50.8	45.9	36.5
Hardware	64.7	62.9	56.2	62.6	48.1
Furniture	99.3	73.4	61.8	57.9	38.1
Drugs	86.0	72.0	58.0	54.1	27.9
Drugs	95.7	87.0	80.1	71.5	56.2

CONTRACTS AWARDED					
—DISTRICT					
	1937	1936	1935	1934	1933
Residential	50.3	57.8	26.6	37.8	19.0
All Others	55.2	42.9	26.5	15.3	13.1
All Others	47.1	67.7	26.7	52.7	23.0
State Totals:					
Alabama	30.8	159.0	29.2	40.1	8.3
Florida	40.1	44.4	20.4	28.3	4.3
Georgia	54.6	35.4	25.5	50.8	12.6
Louisiana	50.2	36.1	25.3	44.4	5.1
Mississippi	115.7	45.3	79.5	131.4	6.1
Tennessee	70.8	58.2	30.4	21.6	12.6

BUILDING PERMITS					
—20 Cities					
	1937	1936	1935	1934	1933
Alabama	44.1	40.0	26.8	15.0	7.3
Birmingham	22.8	22.9	16.5	6.4	5.6
Jacksonville	18.4	12.5	10.0	6.0	2.9
Nashville	56.8	46.4	23.5	35.3	7.2
New Orleans	29.2	104.0	11.4	6.5	11.1
15 Other Cities	17.9	26.2	15.7	34.3	8.1
15 Other Cities	63.2	47.2	39.2	13.3	8.3

ELECTRIC POWER					
PRODUCTION*—6 States					
	1937	1936	1935	1934	1933
Alabama	278.3	251.7	213.5	200.9	174.2
Florida	310.4	234.8	217.6	176.3	134.4
Georgia	392.2	363.0	318.9	312.8	265.1
Louisiana	230.8	223.8	180.2	177.8	208.4
Mississippi	451.5	437.1	311.5	350.6	265.1
Tennessee	75.1	65.6	67.5	60.3	58.4
Tennessee	193.3	204.5	179.3	169.2	136.2

PIG IRON PRODUCTION*					
—ALABAMA					
	1937	1936	1935	1934	1933
	87.2	71.5	50.2	53.5	13.5

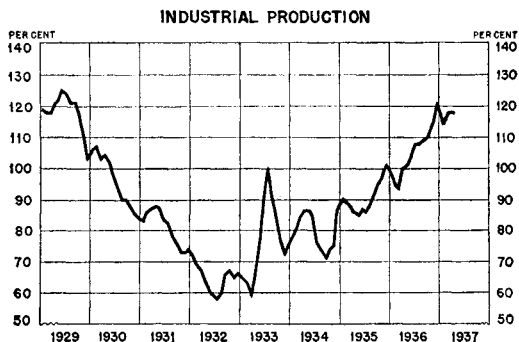
COTTON CONSUMPTION*					
—3 States					
	1937	1936	1935	1934	1933
Georgia	189.4	153.4	121.7	133.9	123.8
Alabama	179.4	142.7	109.9	123.0	111.1
Tennessee	217.8	181.3	151.8	162.0	151.8
Tennessee	170.5	140.4	110.1	122.5	126.9

* Indexes of Department Store Sales, Electric Power and Pig Iron Production, and of Cotton Consumption are on a daily average basis.

* Electric Power figures for March, and January through March.
** Georgia, Alabama, Mississippi and Louisiana.

National Summary of Business Conditions

Prepared by the Board of Governors of the Federal Reserve System



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to April, 1937.

INDUSTRIAL activity in April and the first half of May was maintained at the relatively high level of recent months. The general level of wholesale commodity prices declined somewhat, reflecting considerable reductions in prices of many raw materials and semi-finished products.

PRODUCTION, EMPLOYMENT AND TRADE

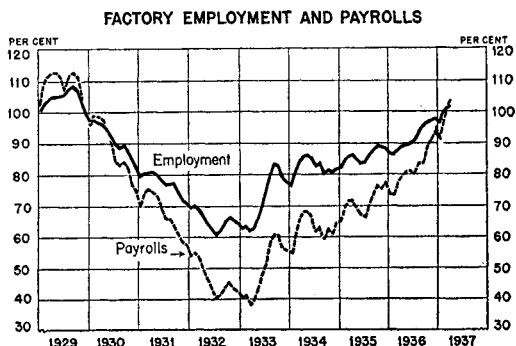
The Board's seasonally adjusted index of industrial production in April continued at 118 per cent of the 1923-1925 average. Manufacturing production rose further, reflecting increased output of durable goods. Activity at steel mills was at a rate slightly higher than in March and about equal to that in the peak month of 1929. Automobile production continued to expand. In the first three weeks of May output in these industries was maintained at the levels reached at the close of April. Increases in output in April were also reported for lumber and plate glass. At textile mills where output has been at a high level in recent months there was a slight reduction in activity.

At bituminous coal mines output declined sharply following an increase in March, when consumers accumulated stocks of coal in anticipation of a strike. Crude petroleum output, which had risen sharply from November to March, showed further growth in April. Production of most metals also increased.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased more than seasonally from March to April and continued higher than a year ago, reflecting, as in earlier months of the year, a larger volume of residential building and of other privately-financed construction. Contracts awarded for publicly-financed construction have been considerably smaller in the first four months of this year than in the corresponding period of 1936.

Employment rose further between the middle of March and the middle of April. There was a considerable growth in the number of persons employed in manufacturing and on the railroads, little change in those employed in the public utility industries and in trade, and a decline in bituminous coal mines. At factories the principal increases in employment were reported by the steel, machinery, and automobile industries, while the number employed in the clothing industry declined. Working forces at textile mills were maintained, although a decrease is usual at this season. Factory payrolls increased more than employment, reflecting chiefly further increases in wage rates.

In April sales at department stores showed little change and mail order sales were also maintained at the March level, while sales at variety stores declined.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to April, 1937. Indexes compiled by U. S. Bureau of Labor Statistics.

COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined from 88.3 per cent of the 1926 average at the beginning of April to 86.9 in the middle of May. Prices of nonferrous metals, steel scrap, cotton, and rubber declined considerably and there were also decreases in the prices of grains, cotton goods, silk, hides, and chemicals, while prices of shoes and clothing showed further small advances. Since the middle of May prices of hogs and pork have advanced sharply and grain prices have also risen.

BANK CREDIT

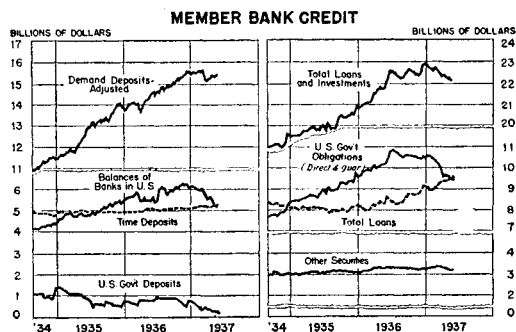
Following upon the final increase in reserve requirements, which became effective on May 1, excess reserves of member banks declined from \$1,600,000,000 to about \$900,000,000 and in the first three weeks of May fluctuated around the new level. Adjustments by banks to the new requirements were reflected in a decrease in inter-bank balances and in a small increase in borrowings. The Federal Reserve System in April purchased \$90,000,000 of United States Government securities, for the purpose of easing the adjustment to the new requirements and preserving orderly conditions in the money market.

Total loans and investments of reporting member banks showed a small decline from the middle of April through May 19. Holdings of United States Government obligations and other securities showed some decline, which was offset in part by increases in loans.

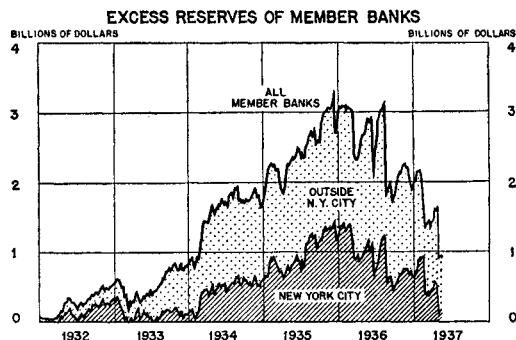
While domestic interbank and United States Government deposits declined further, balances of foreign banks and other demand and time deposits at reporting member banks increased.

MONEY RATES

The open-market rate on 90-day bankers' acceptances, which between January and the latter part of March had advanced from 3/16 to 9/16 per cent, was reduced to 1/2 per cent on May 7, and the rate on nine-months Treasury bills declined to .62 per cent on May 24 compared with a high point of .74 per cent on May 3. Other short-term rates have shown little change in recent weeks. Yields on long-term Treasury and other high-grade bonds have declined somewhat.



Wednesday figures for reporting member banks in 101 leading cities. Sept. 5, 1934, to May 19, 1937.



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932, to May 19, 1937.