

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

DECEMBER 31, 1937

There were declines in November in retail and wholesale trade, in building and construction, and in other lines of industrial activity in the Sixth District. At weekly reporting member banks loans have continued to increase, and recently holdings of investment securities have also increased.

Trade The volume of trade in the Sixth District, at both retail and wholesale, declined from October to November. Total sales by 49 reporting retail firms declined 9.1 per cent over the month, and were 2.9 per cent larger than in November 1936. Because of the different number of business days, however, daily average sales declined by more than the seasonal amount. The seasonally adjusted index of daily average sales by 28 firms which have reported over a long period of years, after reaching in August the highest level in the series, at 131.8 per cent of the 1923-1925 average, declined to 127.8 per cent in September, 109.6 per cent in October, and 105.4 per cent in November, which is at about the level of November last year. Total sales by the 49 reporting firms in the eleven months of 1937, however, were 7.8 per cent larger than in that part of 1936. Inventories at the close of November increased over those a month earlier by slightly more than the seasonal amount, and were 13.5 per cent larger than a year ago. The collection ratio was about the same as for October, but below that for November 1936.

November sales by 70 reporting wholesale firms declined 14.6 per cent from October and were 4.7 per cent less than in November a year ago, but for the eleven months were 13.6 per cent larger than in that part of last year. November sales of drugs and groceries were larger than a year ago, but decreases were reported in other lines. Sales of dry goods in the eleven months period have been 2.7 per cent less than in that part of 1936. Increases ranging from 1.7 per cent in furniture to 19.2 per cent for hardware are shown for other reporting lines.

Business failures increased in number and in liabilities, compared with October, and with November last year.

Banking Total loans and investments at weekly reporting member banks in leading cities of the Sixth District increased nearly 11 millions of dollars between November 17 and December 15, but were 36.2 millions less than on the corresponding Wednesday a year earlier. Total loans by these banks have increased on each Wednesday since August 18, and on December 15 were 29.9 millions greater than a year ago, and the largest in more than four and one-half years. Commercial, industrial and agricultural loans increased 5.3 millions since November 17, and on December 15 were 28.8 millions greater than on August 18; "Other" loans have increased in this four months period about 9.7 millions. There have been declines recently in loans to brokers and dealers in securities, and in holdings of open market paper. Loans to banks have been considerably smaller in the last two months than they were between early May and the middle of October. Holdings of investment securities, after reaching a peak at 338 millions at the middle of September 1936, declined to 261 millions on December 1, 1937. In the following two weeks, however, total investment holdings increased to 269.7 millions, most of the increase being in direct obligations of the United States. Total investment holdings on December 15 were, however, 66.2 millions less than a year earlier, and holdings of United States direct obligations were 53.5 millions smaller.

Demand deposits-adjusted reached on December 8 the lowest point in a little over a year, but increased in the week following. Time deposits have recently been somewhat less than in September and early October, and on December 15 were about 5.7 millions greater than a year ago. Deposits of other banks, which declined substantially between February and late July, increased in September and early October but have since declined.

At the Federal Reserve Bank of Atlanta discounts for member banks increased from \$4,114,000 on November 17 to \$4,821,000 three weeks later, but declined by December 15 to \$2,919,000. In the past four weeks industrial advances declined slightly; holdings of United States Government securities increased, however, and on December 15 were 13 millions greater than a year earlier. Member bank reserve deposits have recently increased and at the middle of December were the largest in more than two months. Estimates based on latest available figures indicate that total member bank reserve deposits at the Federal Reserve Bank of Atlanta on December 15, which amounted to \$172,436,000,

CONDITION OF 22 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)

	December 15 1937	Change From Nov. 17, 1937 Dec. 16, 1936	
Loans and Investments.....	\$565,264	+ 10,977	-36,211
Loans—Total.....	295,568	+ 7,086	+ 29,940
Commercial, industrial and agricultural loans:			
On Securities.....	12,000	— 303	*
Otherwise secured and unsecured....	148,300	+ 5,627	*
Open market paper.....	3,889	— 303	- 1,774
Loans to brokers and dealers in securities.....	6,201	— 537	- 304
Other loans for purchasing or carrying securities.....	15,277	+ 6	*
Real estate loans.....	27,132	+ 270	+ 1,582
Loans to banks.....	2,405	+ 58	+ 1,665
Other Loans:			
On Securities.....	26,073	+ 992	*
Otherwise secured and unsecured....	54,291	+ 1,276	*
Investments—Total.....	269,696	+ 3,891	-66,151
U. S. direct obligations.....	159,634	+ 5,783	-53,471
Obligations guaranteed by U. S.....	33,754	+ 1	- 4,088
Other securities.....	76,308	- 1,893	- 8,592
Reserve with F. R. Bank.....	104,643	+ 2,017	+ 17,708
Cash in vault.....	10,691	— 687	— 19
Balances with domestic banks.....	95,593	- 4,156	-44,016
Demand deposits—adjusted.....	328,498	+ 5,227	-10,723
Time deposits.....	183,580	- 2,035	+ 5,678
U. S. Government deposits.....	16,864	+ 6,544	-22,607
Deposits of domestic banks.....	185,702	- 3,133	-40,211
Borrowings: From F. R. Bank.....	1,822	— 275	- 1,822
From others.....	311	+ 311

FEDERAL RESERVE BANK OF ATLANTA (In Thousands of Dollars)

	December 15 1937	Change From Nov. 17, 1937 Dec. 16, 1936	
Bills Discounted.....	\$ 2,919	- 1,195	+ 2,588
Bills Bought in Open Market.....	99	— 9
Industrial Advances.....	127	— 7	— 358
United States Securities.....	112,238	+ 307	+ 13,050
Total Bills and Securities.....	115,383	- 895	+ 15,271
Total Reserves.....	246,718	+ 5,796	-11,650
Member Bank Reserve Account.....	172,436	+ 2,754	+ 25,054
U. S. Treasurer General Account.....	12,812	+ 8,315	+ 7,468
F. R. Note Circulation.....	163,233	- 1,412	-26,198

*Comparable figures not available.

DEBITS TO INDIVIDUAL ACCOUNTS
 (In Thousands of Dollars)

	November 1937	October 1937	November 1936
ALABAMA			
Birmingham.....	\$ 83,586	\$ 93,967	\$ 75,116
Dothan.....	3,205	3,718	3,743
Mobile.....	37,341	42,610	31,920
Montgomery.....	24,239	24,771	23,673
FLORIDA			
Jacksonville.....	68,298	69,782	59,137
Miami.....	32,865	30,644	34,844
Pensacola.....	8,221	8,975	8,750
Tampa.....	26,925	26,038	25,604
GEORGIA			
Albany.....	5,641	5,649	5,571
Atlanta.....	172,393	184,165	168,951
Augusta.....	16,468	19,054	19,246
Brunswick.....	2,700	2,625	2,159
Columbus.....	13,299	15,484	13,352
Elberton.....	1,297	1,490	1,317
Macon.....	15,191	17,402	17,489
Newnan.....	1,938	2,355	2,333
Savannah.....	30,698	32,898	29,448
Valdosta.....	3,609	3,994	4,369
LOUISIANA			
New Orleans.....	209,741	259,965	210,784
MISSISSIPPI			
Hattiesburg.....	4,496	4,916	4,049
Jackson.....	33,671	36,041	34,204
Meridian.....	9,757	11,682	9,423
Vicksburg.....	9,959	10,874	9,942
TENNESSEE			
Chattanooga.....	41,444	43,836	38,153
Knoxville.....	26,077	29,508	23,820
Nashville.....	75,192	88,369	74,719
TOTAL 26 CITIES.....	\$958,251	\$1,070,812	\$932,116

were about 24.3 millions, or 16.4 per cent, greater than legal requirements. Daily average figures for the last half of November indicate an excess of about 20.4 millions, or 13.8 per cent, over legally required reserves.

Agriculture The last cotton estimate by the United States Department of Agriculture for the 1937 season, based on conditions on December 1, indicates a record crop of 18,746,000 bales in the United States, an increase of more than 51 per cent over the 1936 crop. Yield per acre is also reported to be the largest on record. Estimates for the six states of this District show an increase of 2,118,000 bales, or 39.5 per cent, over production last year. Production in these six states is estimated to amount to about 40 per cent of the total for the United States, compared with about 43 per cent in 1936. The reduction in this proportion may be attributed to the large increases in production in

COTTON PRODUCTION — Bales

	1937 Estimates		Percent Change	1936 Production	Percent Change
	Dec. 1	Nov. 1			
Alabama.....	1,610,000	1,520,000	+ 5.9	1,145,000	+ 40.6
Florida.....	40,000	41,000	- 2.4	31,000	+ 29.0
Georgia.....	1,490,000	1,470,000	+ 1.4	1,086,000	+ 37.2
Louisiana.....	1,080,000	1,080,000	..	761,000	+ 41.9
Mississippi.....	2,625,000	2,575,000	+ 1.9	1,911,000	+ 37.4
Tennessee.....	640,000	630,000	+ 1.6	433,000	+ 47.8
Six States.....	7,485,000	7,316,000	+ 2.3	5,367,000	+ 39.5

Texas, Arkansas and Oklahoma. December estimates for the six states of this District are compared in the table.

Spot cotton prices at the ten designated markets averaged 7.84 cents in November, compared with 8.14 cents in October and with 12.06 cents in November 1936. Prices during the first half of December have strengthened, and on December 17 the ten-market average was 8.22 cents. Reports by the Department of Agriculture indicate that foreign as well as domestic production this year is at record levels. Growers are pledging their cotton for Government loans in large volume.

October receipts from the sale of principal farm products, with Government payments added, in the six states of this

District, increased seasonally over September, reflecting the movement of crops, but were slightly less than in October 1936. For the ten months, January through October, total receipts were 18.7 per cent larger than in that part of 1936. Figures by states are shown in a table on page 3 of this Review.

Sales of fertilizer tax tags increased substantially from October to November, particularly in Florida, and total sales in the six states were 23 per cent larger than in November last year.

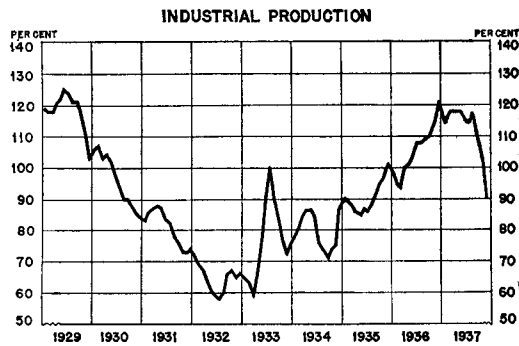
The unusually low temperatures early in December are reported to have resulted in considerable damage to truck crops in Florida.

Industry Contrary to seasonal tendency, both number of workers and the amount of a week's payroll at 5,500 firms in the six states of this District reporting to the United States Bureau of Labor Statistics declined slightly from September to October. The October indexes were, however, higher than a year ago, except for Mississippi. An increase from September to October of 6.9 per cent in Florida, because of increased employment in wholesale and retail trade and in cigar manufacturing, largely offset decreases in the other five states.

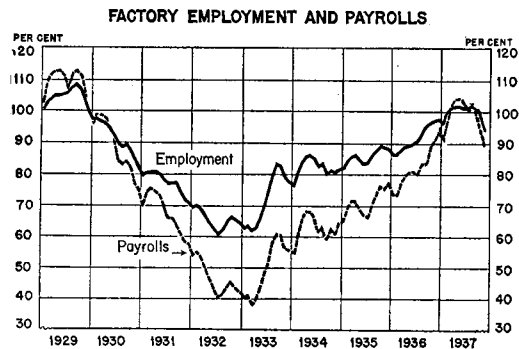
A further decline in building activity is indicated in building permits issued at reporting cities and in contracts awarded in the District as a whole. The value of building permits issued in November declined 36.7 per cent compared with October and was less than for November of the past two years. Of the twenty reporting cities, only four reported increases over November last year, and seven reported increases over October this year. For the eleven months of 1937, the total was 2.1 per cent less than for that part of 1936, but was larger than for that period in other years since 1929. Total value of contract awards in the District declined 9.9 per cent in November and were 53.4 per cent less than in November 1936 and the smallest since March of that year. Increases in the value of contract awards in Alabama, Georgia and Mississippi from October to November were outweighed by decreases in Florida, Louisiana and Tennessee. Only in Louisiana and Mississippi were contracts greater than in November last year. For the eleven months period, increases are shown for Florida and Louisiana, but decreases are indicated for the other four states, compared with that part of 1936. Press reports indicate that production of lumber is being held down to approximate the current demand, and orders, shipments and production at Southern Pine mills are well below the level of corresponding periods a year ago.

Daily average consumption of cotton by mills in this District declined 6.7 per cent from October to November, and was 28.3 per cent less than a year ago. Total consumption in the four months of the current cotton season has been 16 per cent smaller than in that period a year earlier. Operations at cotton seed oil mills declined further in November, but continued greater than a year ago.

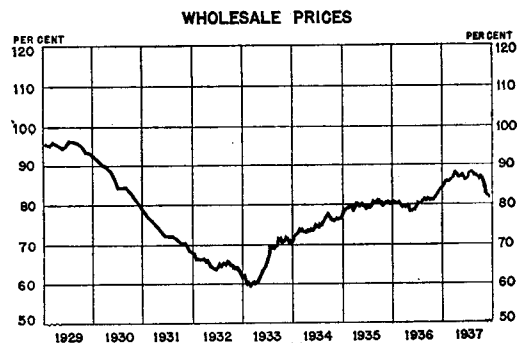
Coal production in Alabama and Tennessee declined 6.5 per cent in November, but was about 2 per cent larger than in November 1936, and for the eleven months period shows an increase of 7.7 per cent over that part of last year. After increasing in October, daily average production of pig iron in Alabama declined 18.9 per cent in November and was slightly less than a year earlier. For the eleven months, however, total production has been 35.2 per cent greater than in that period last year.



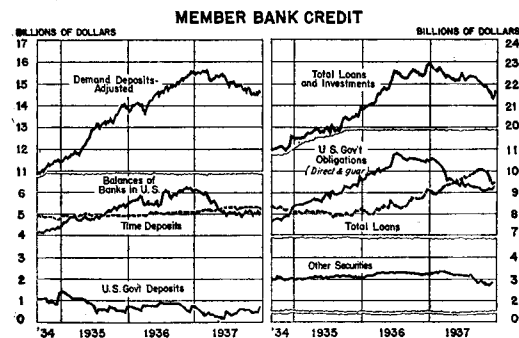
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to November, 1937.



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



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending December 18, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to December 15, 1937.

National Summary of Business Conditions

Prepared by the Board of Governors of the Federal Reserve System

IN NOVEMBER, volume of industrial production continued to decline sharply, and employment and payrolls also decreased. During the first half of November commodity prices declined further but for the past month they have been steady.

PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, declined from 103 per cent of the 1923-1925 average in October to 90 per cent in November, reflecting chiefly a sharp reduction in the manufacture of durable goods. There was a further curtailment of activity at steel mills and output for the month was at a rate of 38 per cent of capacity, a decline of one-third from October. In the first three weeks of December steel production was at about 28 per cent of capacity. Output of lumber and plate glass also declined substantially in November, and automobile production showed considerably less than the usual seasonal increase. Production of nondurable goods, which had decreased by a substantial amount earlier this year, declined further in November, reflecting a continued reduction in output of textiles and shoes, partly offset in the total by an increase in activity at sugar refineries. Output of minerals, as well as manufactures, declined in November. There were marked decreases in output of bituminous coal and in iron ore shipments, while crude petroleum production continued in large volume.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in November and the first half of December. Awards for privately-financed projects declined, reflecting chiefly a further reduction in residential building, while contracts for publicly-financed work increased.

Employment and payrolls at factories showed an unusually sharp decline between the middle of October and the middle of November, and there were decreases also in the number employed in trade and other nonmanufacturing lines. The Board's seasonally adjusted index of factory employment was at 94 per cent of the 1923-1925 average in November as compared with a level of 102 last summer and 96 in November last year. In the steel, machinery, lumber, and textile industries the number employed decreased by substantially more than the usual seasonal amount, and there was some decline at automobile factories, although an increase is usual at this season. There were declines also in the seasonally adjusted indexes for most other lines, except foods and tobacco which showed little change.

AGRICULTURE

Department of Agriculture estimates indicate that most crops will be about the same size as forecast earlier but that cash farm income will be lower than had been anticipated, largely because of price declines for crops and livestock. Cash income in 1937 is expected to be \$8,500,000,000, as compared with \$7,913,000,000 in 1936. The increase over a year ago is due primarily to increased income from marketings of wheat, tobacco, and fruits and to larger Government payments.

DISTRIBUTION

Distribution of commodities to consumers, which earlier had been maintained, declined slightly in November. There was a slight decline in sales at department stores, and mail order sales decreased considerably, while sales at variety stores showed little change. Preliminary information for the first half of December indicates that department store sales increased by approximately the usual seasonal amount.

COMMODITY PRICES

The general level of wholesale commodity prices, which had declined from the latter part of September to the third week of November, has shown little change since that time. Prices of nonferrous metals, leather, wool, textile yarns, and finished cotton goods have declined somewhat further in this period, while steel scrap, hides, rubber, cotton, print cloths, and bituminous coal have recently shown some advance.

BANK CREDIT

Excess reserves of member banks showed a small decline but for the first three weeks of December remained somewhat over \$1,000,000,000. The increase in demand for currency during December has been smaller than usual, reflecting largely the effects of the recent sharp decline in business activity and payrolls.

Total loans and investments of reporting member banks in 101 leading cities increased somewhat during the four weeks ending December 15, reflecting a growth of \$190,000,000 in holdings of United States Government obligations, mostly in New York City. A factor in this increase was the purchase by banks of the December 15 issues of Government securities. Commercial loans, which had begun to decline in October showed a further reduction.