

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

February 28, 1938

In January there were small increases over December in residential contracts awarded in the Sixth District, in building permits issued at twenty reporting cities, and in pig iron production in Alabama. Business failures increased, and other series of trade and industrial statistics declined. Farm income in 1937 was 4.3 per cent larger than in 1936, and the largest since 1929.

Trade The volume of retail trade in the Sixth District declined somewhat more than seasonally in January, and was only slightly larger than in January last year. Wholesale trade declined further in January, and business failures, both number and liabilities, increased over December and were more than double those in January, 1936.

January sales by 49 reporting retail firms were smaller by 55.4 per cent than in December, and the adjusted index, which makes allowance for the number of business days and the usual seasonal change, declined from 113.5 per cent of the 1923-1925 average for December to 109.2 per cent for January. Preliminary figures for the first two weeks in February indicate a small increase over that period last year. Inventories at the close of January were 5.8 per cent smaller than for December, although a small increase usually occurs at that time, and were 3.1 per cent less than for January a year ago. The collection ratio declined from 32.0 per cent for December to 31.0 per cent for January, which compares with 33.7 per cent a year earlier.

Wholesale distribution in this District, according to figures reported to the United States Department of Commerce by 99 firms, declined 9.5 per cent from December to January, and was 13.7 per cent less than in January last year. Inventories reported by 55 wholesale firms increased 2.8 per cent in January, but were 1.6 per cent smaller than a year ago.

Banking Total loans and investments at 22 weekly reporting member banks in selected cities of the Sixth District have recently increased, a decline in loans having been more than offset by an increase in investments. Estimated excess reserves of all member banks in the District averaged nearly 5 millions of dollars larger in January than in December, and available figures indicate a further increase in early February.

In the five weeks ending February 16, loans for commercial, industrial and agricultural purposes, loans on real estate, and loans to banks increased somewhat, but there were larger decreases in other kinds of loans, principally in those now classified in the weekly report as "Other loans." Total loans on February 16 were about 27 millions greater than a year earlier. Holdings of investment securities, which had declined about 81 millions of dollars between September 16, 1936, and January 12 this year, have recently shown a small increase, but on February 16 were 58.5 millions less than a year ago.

After declining about 27 millions between August 11 and January 5, demand deposits-adjusted increased in the latter part of January but have since declined, and at the middle of February were 19.8 millions less than a year ago. Time deposits have recently averaged somewhat less than in the last four months of 1937, but continue to be larger than on the corresponding report dates last year. Balances maintained by these 22 weekly reporting banks with their correspondents, and deposits held for other banks, although substantially less than a year earlier, have increased since early December.

At the Federal Reserve Bank of Atlanta discounts for member banks increased in the last week in January and the first week of February but later declined, and on February 16 were at the January 12 level. Industrial advances have recently declined slightly, and there has been no change in holdings of purchased bills or of United States securities. Discounts on February 16 were larger than a year ago, but holdings of purchased bills, industrial advances and of United States securities were smaller. Member bank reserve deposits increased to the highest level on record on February 9, and declined only slightly the following week. Estimates based on latest available figures of deposits indicate that total member bank reserve deposits at the Federal Reserve Bank of Atlanta on February 16, which amounted to \$181,357,000, were about 29.8 millions of dollars, or 19.8 per cent, greater than legal requirements. In

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

	February 16 1938	Change From : Jan. 12, 1938 Feb. 17, 1937	
Loans and Investments.....	\$549,741	+ 1,857	-31,453
Loans—Total.....	289,449	+ 1,175	+27,055
Commercial, industrial and agricultural loans :			
On Securities.....	11,438	— 559	*
Otherwise secured and unsecured.....	148,666	+ 968	*
Open market paper.....	3,825	— 118	- 2,404
Loans to brokers and dealers in securities.....	5,629	— 169	- 3,383
Other loans for purchasing or carrying securities.....	14,902	— 275	*
Real estate loans.....	27,591	+ 332	+ 1,808
Loans to banks.....	2,200	+ 304	+ 1,330
Other Loans :			
On Securities.....	24,505	— 876	*
Otherwise secured and unsecured.....	50,693	— 782	*
Investments—Total.....	260,292	+ 3,032	-50,508
U. S. direct obligations.....	154,352	+ 2,250	-47,308
Obligations guaranteed by U. S.....	32,355	+ 1,193	- 3,271
Other securities.....	73,585	— 411	- 7,929
Reserve with F. R. Bank.....	106,495	+ 1,339	+13,792
Cash in vault.....	10,276	— 1,345	- 473
Balances with domestic banks.....	114,326	+ 4,584	-33,527
Demand deposits—adjusted.....	319,460	+ 2,550	-19,805
Time deposits.....	182,635	+ 332	+ 5,281
U. S. Government deposits.....	16,831	— 1,295	- 1,939
Deposits of domestic banks.....	204,882	+11,442	-36,320
Borrowings : From F. R. Bank.....	165	— 192	+ 165
From others.....	61	+ 11

*Comparable figures not available.

FEDERAL RESERVE BANK OF ATLANTA (In Thousands of Dollars)

	February 16 1938	Change From : Jan. 12, 1938 Feb. 17, 1937	
Bills Discounted.....	\$ 1,061	+ 901
Bills Bought in Open Market.....	19	- 89
Industrial Advances.....	124	— 2	- 236
United States Securities.....	107,461	- 2,481
Total Bills and Securities.....	108,665	— 2	- 1,905
Total Reserves.....	244,779	+ 1,289	- 8,164
Member Bank Reserve Account.....	181,024	+ 2,669	+23,341
U. S. Treasurer General Account.....	4,603	+ 948	- 2,481
F. R. Note Circulation.....	154,035	+ 4,280	-29,466

DEBITS TO INDIVIDUAL ACCOUNTS
(In Thousands of Dollars)

	January 1938	December 1937	January 1937
ALABAMA			
Birmingham.....	\$ 88,600	\$ 99,992	\$ 99,129
Dothan.....	3,172	3,673	3,339
Mobile.....	37,889	44,758	38,148
Montgomery.....	20,589	24,184	23,773
FLORIDA			
Jacksonville.....	77,782	86,543	84,217
Miami.....	43,198	41,280	49,373
Pensacola.....	8,200	9,575	9,026
Tampa.....	30,632	32,335	32,737
GEORGIA			
Albany.....	5,187	5,928	5,818
Atlanta.....	187,828	229,936	193,671
Augusta.....	15,084	18,682	21,275
Brunswick.....	2,641	3,260	2,514
Columbus.....	12,246	15,320	15,067
Elberton.....	1,018	1,299	1,086
Macon.....	12,534	16,095	16,444
Newnan.....	1,587	2,309	2,525
Savannah.....	28,348	33,655	34,830
Valdosta.....	3,408	4,146	4,482
LOUISIANA			
New Orleans.....	219,969	257,762	237,417
MISSISSIPPI			
Hattiesburg.....	4,347	4,686	4,715
Jackson.....	25,461	29,555	29,285
Meridian.....	9,121	9,613	9,910
Vicksburg.....	7,400	8,905	7,776
TENNESSEE			
Chattanooga.....	42,513	44,877	47,172
Knoxville.....	32,702	33,172	31,860
Nashville.....	71,159	88,275	82,336
TOTAL 26 CITIES.....	\$ 992,615	\$ 1,149,795	\$ 1,087,925

the last half of January estimated excess reserves averaged 26.7 millions, or 17.8 per cent, of legal requirements.

Agriculture In spite of freezing temperatures over much of the Florida citrus belt in the latter part of January, the United States Department of Agriculture reported that there was apparently no appreciable damage to citrus fruits. No change has been made in the estimate of 13 million boxes of grapefruit in Florida, which compares with 18.1 million boxes last season, but the estimate of the production of oranges, at 23,750,000 boxes, is slightly less than earlier estimates, as a result of a decrease in the tangerine estimate. The January freeze resulted in damage to truck crops, however, particularly strawberries, potatoes, beans, celery and cabbage in Florida, and to onions, cabbage and strawberries in Louisiana.

Fertilizer tag sales increased substantially in January, but for the August-January period were only slightly larger than in the corresponding part of the previous season.

Estimates of farm income declined in December, and were 4.3 per cent less than in December a year earlier, but for the year 1937 were 4.3 per cent larger than in 1936, 19.2 per cent larger than in 1935, and more than twice the total for 1932.

Cotton prices averaged somewhat higher in January than in December, and increased further in February. Prices of farm products generally, however, according to the index of the Bureau of Labor Statistics, declined 2.9 per cent between January 1 and February 5, and were then 26.1 per cent below the high recorded on April 3 last year.

The annual inventory estimates by the United States Department of Agriculture indicate fewer cattle, but more horses, mules and hogs on the farms in this District on January 1 than a year ago. The value per head of horses, mules and hogs was lower than a year earlier, but the values of cattle and sheep were higher. Totals for the six states of this District are compared in the table.

LIVE STOCK ON FARMS — JANUARY 1
(000 Omitted)

	1938 Number	1937 Number	1938 Value	1937 Value
Horses and colts.....	472	454	\$ 40,587	\$ 41,320
Mules and colts.....	1,552	1,543	204,797	220,549
All cattle.....	6,160	6,194	132,527	127,755
*Cows and heifers.....	2,325	2,332	73,894	72,032
Sheep and lambs.....	844	832	3,875	3,560
Hogs and pigs.....	5,925	5,834	43,686	48,060
TOTAL VALUE.....			\$425,472	\$441,244

*Included in All Cattle

Industry Employment and payrolls at 5,600 firms in the six states of the Sixth District reporting to the United States Bureau of Labor Statistics declined further in December, and were below the levels of December, 1936. Contrary to the general trend, employment and payrolls in Florida increased in December, primarily at canning establishments, in wholesale and retail trade, and at hotels. Employment and payrolls were slightly higher than in December, 1936, in Florida and Louisiana.

The value of construction contracts awarded in the Sixth District declined from December to January. Building permits issued at twenty reporting cities increased 4.2 per cent in January, but were 25.6 per cent less than in January, 1937, and except for the month of December were the smallest in nearly three years. Value of contracts awarded in January declined 44.1 per cent compared with December, although residential contracts increased 3.8 per cent. The January decline, like the December increase, was in non-residential building, public works and utilities. Compared with January, 1937, total contracts declined 49.6 per cent, residential awards 17.7 per cent, and other contracts 57.1 per cent, in January this year. Press reports indicate some improvement recently in buying by retail lumber yards. In the five weeks ending February 5 orders booked by an average of 109 Southern Pine mills were 16.3 per cent larger than their production, and 9.1 per cent larger than their shipments, and shipments averaged 6.6 per cent larger than output. Orders, shipments and production, however, continue less than in corresponding periods last year.

Daily average consumption of cotton by mills in this District declined 1.9 per cent further in January, the fourth consecutive month to record a decrease from the previous month. The rate of consumption declined 7.4 per cent in Alabama, and 0.5 per cent in Georgia, but increased 10.8 per cent in Tennessee. Crushings of seed, and production, at cotton seed oil mills declined further in January, and were at a level slightly lower than in January, 1937.

Coal production in Alabama and Tennessee declined further in January and continued less than a year earlier. Production of pig iron in Alabama increased 2.1 per cent in January, but was 27 per cent less than in January, 1937. In the United States, January production declined 4.1 per cent. The number of active furnaces in Alabama increased to 13 the latter part of January, but has since been reduced to 12. A year ago 15 furnaces were operating. Current steel and iron bookings are reported to consist mostly of small spot orders. Daily average production of electric power increased slightly in December, but was 3.6 per cent less than a year earlier. Total production in 1937 increased 4.9 per cent over 1936.

SIXTH DISTRICT BUSINESS STATISTICS

SALES				STOCKS	Collection Ratio Jan. 1938
Jan. 1938 Compared With :			Compared With	Jan. 1937	
Dec. 1937	Jan. 1937		Jan. 1937		
RETAIL TRADE					
Atlanta	-57.5	+ 3.6	- 5.7	26.5	
Birmingham	-58.0	- 1.8	- 7.8	33.6	
Chattanooga	-57.1	- 0.3	+ 2.6	31.4	
Montgomery	-57.1	-14.2	- 5.5	...	
Nashville	-59.0	+ 3.7	-10.2	28.0	
New Orleans	-55.7	+ 4.3	+ 1.0	34.1	
Other Cities	-51.4	- 2.4	- 1.5	33.3	
DISTRICT (49 Firms) ..	-55.4	+ 0.6	- 3.1	31.0	
WHOLESALE TRADE					
Groceries	- 7.6	- 7.7	- 4.8	71.9	
Dry Goods	- 0.1	-27.8	-21.6	36.7	
Hardware	- 1.8	-21.5	+ 6.4	44.9	
Furniture	-22.2	-14.9	...	46.4	
Electrical Goods	-32.4	-24.3	+21.8	65.9	
Drugs	-12.1	- 3.8	+ 2.8	72.1	
TOTAL (70 Firms)	- 9.5	-13.7	- 1.6	54.4	

(000 Omitted)

	Jan. 1938	Dec. 1937	Jan. 1937
COMMERCIAL FAILURES—			
DISTRICT			
Number (Actual).....	84	36	31
Liabilities.....	\$ 527	\$ 415	\$ 249
CONTRACTS AWARDED—			
DISTRICT			
Residential.....	\$ 11,379	\$ 20,344	\$ 22,586
All Others.....	3,524	3,393	4,280
Alabama.....	7,855	16,951	18,306
Florida.....	1,688	3,679	1,780
Georgia.....	3,311	6,128	14,560
Louisiana.....	1,925	4,205	2,258
Mississippi.....	2,164	3,940	1,769
Tennessee.....	985	2,700	1,781
...	5,061	3,503	2,522
BUILDING PERMITS—			
20 CITIES			
Atlanta.....	\$ 2,931	\$ 2,812	\$ 3,939
Birmingham.....	234	216	326
Jacksonville.....	404	129	235
Nashville.....	313	361	487
New Orleans.....	82	55	111
15 Other Cities.....	277	264	182
...	1,621	1,786	2,599
PIG IRON PRODUCTION—Tons			
Alabama.....	153	150	210
COAL PRODUCTION—Tons			
Alabama.....	950	1,175	1,192
Tennessee.....	350	430	474

(000 Omitted)

	Jan. 1938	Dec. 1937	Jan. 1937	Aug. 1 to Jan. 31 1937-38	Inc. 1936-37
COTTON CONSUMPTION—					
Bales					
Alabama.....	42	47	73	317	419
Georgia.....	83	87	134	602	759
Tennessee.....	12	11	17	81	94
Total 3 States.....	137	145	224	1,000	1,272
COTTON SEED CRUSHED—					
Tons*					
...	224	252	233	1,515	1,335
FERTILIZER TAG SALES—Tons					
Total 6 States.....	200	92	189	534	526

*Georgia, Alabama, Louisiana and Mississippi.

(000 Omitted)

	Dec. 1937	Nov. 1937	Dec. 1936	Year 1937	Year 1936
FARM INCOME*—Six States					
Alabama.....	\$ 77,338	\$ 99,598	\$ 80,835	\$808,132	\$774,935
Florida.....	11,029	19,023	9,683	132,857	116,829
Georgia.....	9,363	8,264	9,595	123,598	99,681
Louisiana.....	9,889	14,508	11,180	140,476	145,186
Mississippi.....	12,582	24,517	13,961	117,150	117,349
Tennessee.....	18,429	20,548	20,863	163,656	183,357
...	16,046	12,738	15,553	130,395	112,533
ELECTRIC POWER					
PRODUCTION—kw Hours					
Alabama.....	225,703	214,010	249,795	2,763,303	2,602,566
Florida.....	86,752	78,444	77,661	919,861	814,420
Georgia.....	156,304	151,963	135,905	1,742,008	1,555,059
Louisiana.....	131,695	131,742	137,389	1,668,264	1,620,405
Mississippi.....	5,828	7,177	5,512	75,989	68,676
Tennessee.....	116,614	109,431	143,503	1,396,833	1,501,570
Total 6 States.....	722,896	692,767	749,765	8,566,258	8,162,696
By Water Power.....	386,100	390,616	475,512	4,665,900	4,866,294
By Fuels.....	336,796	302,151	274,253	3,900,358	3,296,402

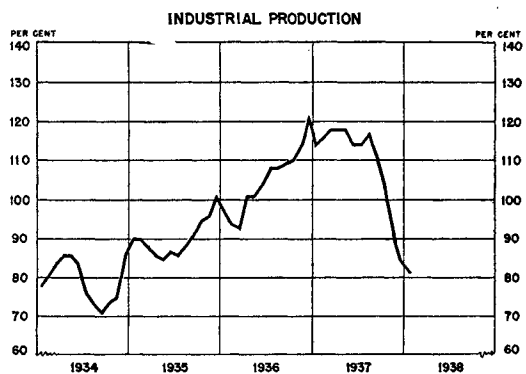
*Includes Government benefit payments.

SIXTH DISTRICT BUSINESS INDEXES

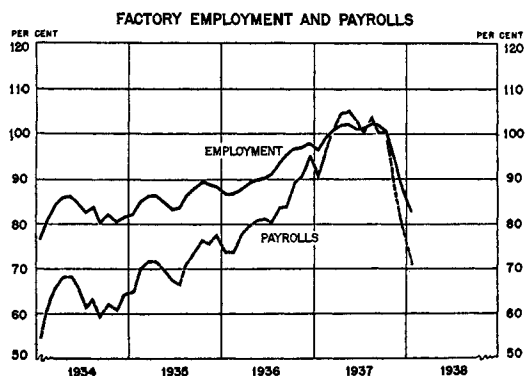
(1923-1925=100 except as noted)

	Jan. 1938	Dec. 1937	Jan. 1937
RETAIL SALES* Unadjusted			
DISTRICT (28 firms).....	86.3	193.0	84.7
Atlanta.....	151.4	342.5	145.7
Birmingham.....	76.2	184.5	77.5
Chattanooga.....	63.2	141.6	63.4
Nashville.....	65.2	153.2	62.9
New Orleans.....	75.9	164.8	72.8
RETAIL SALES* Adjusted			
DISTRICT (28 firms).....	109.2	113.5	107.2
Atlanta.....	201.9	207.6	194.3
Birmingham.....	105.8	108.5	107.6
Chattanooga.....	80.0	90.8	80.3
Nashville.....	86.9	97.1	83.9
New Orleans.....	90.4	95.8	86.7
RETAIL STOCKS Unadjusted			
DISTRICT (24 firms).....	60.7	64.8	63.5
Atlanta.....	100.7	99.6	107.4
Birmingham.....	57.1	63.7	61.9
Chattanooga.....	54.3	53.5	52.9
Nashville.....	46.4	48.6	51.6
New Orleans.....	50.6	56.9	50.1
RETAIL STOCKS Adjusted			
DISTRICT (24 firms).....	66.7	72.8	69.8
Atlanta.....	109.5	114.5	116.7
Birmingham.....	63.4	70.0	68.8
Chattanooga.....	61.0	60.8	59.4
Nashville.....	53.3	54.0	59.3
New Orleans.....	55.6	63.9	55.1
WHOLESALE SALES—TOTAL			
...	63.7	70.4	77.7
Groceries.....	49.8	53.9	56.2
Dry Goods.....	45.2	45.2	62.4
Hardware.....	72.3	73.6	93.5
Furniture.....	53.4	68.6	79.5
Drugs.....	116.9	133.0	98.5
CONTRACTS AWARDED—DISTRICT			
Residential.....	32.4	58.0	64.4
All Other.....	25.1	24.2	30.5
Alabama.....	37.3	80.5	86.9
Florida.....	36.9	80.5	38.9
Georgia.....	22.8	42.3	100.4
Louisiana.....	28.9	63.1	33.9
Mississippi.....	34.4	62.6	28.1
Tennessee.....	51.1	140.0	92.3
...	91.3	63.2	45.5
BUILDING PERMITS—20 Cities			
Atlanta.....	26.1	25.0	35.0
Birmingham.....	15.1	14.0	21.1
Jacksonville.....	27.3	8.7	15.8
Nashville.....	38.1	43.8	59.1
New Orleans.....	12.9	8.7	17.5
15 Other Cities.....	21.5	20.5	14.1
...	29.6	32.6	47.4
PIG IRON PRODUCTION—ALABAMA*			
...	64.8	63.4	88.8
COTTON CONSUMPTION—3 STATES*			
Alabama.....	115.7	117.9	189.1
Georgia.....	127.3	137.4	220.1
Tennessee.....	109.8	110.3	177.4
...	122.0	110.1	173.1
EMPLOYMENT—(Av. for 1932=100)			
Alabama.....	145.7	147.6	149.6
Florida.....	123.4	111.8	121.9
Georgia.....	142.9	144.8	146.2
Louisiana.....	123.8	129.0	123.2
Mississippi.....	112.3	118.5	121.4
Tennessee.....	127.8	132.2	138.2
Six States.....	135.1	136.5	142.1
PAYROLLS—(Av. for 1932=100)			
Alabama.....	215.0	219.8	228.7
Florida.....	97.9	90.7	97.3
Georgia.....	177.9	182.1	189.4
Louisiana.....	150.4	154.9	144.0
Mississippi.....	145.5	151.1	164.7
Tennessee.....	156.8	168.4	175.7
Six States.....	171.3	175.5	177.7
ELECTRIC POWER PRODUCTION*			
Alabama.....	282.5	276.8	312.7
Florida.....	426.5	398.8	381.9
Georgia.....	260.2	261.4	226.2
Louisiana.....	494.5	511.2	515.9
Mississippi.....	90.0	114.4	85.2
Tennessee.....	185.9	180.2	228.7
Six States.....	282.2	279.5	292.7
By Water Power.....	286.8	299.8	353.2
By Fuels.....	277.1	256.9	225.7

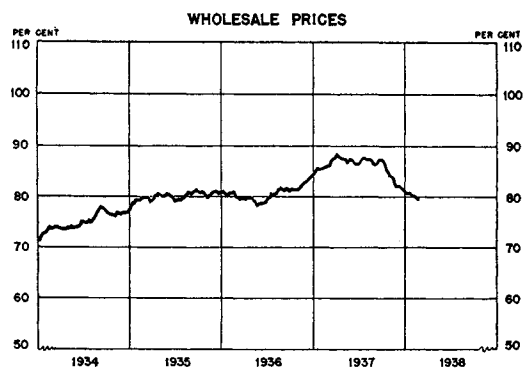
*Indexes of retail sales, electric power and pig iron production and of cotton consumption are on a daily average basis.



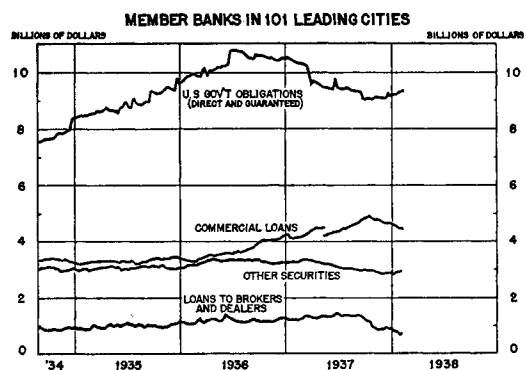
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1938. Indexes compiled by U. S. Bureau of Labor Statistics.



Index compiled by U. S. Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending February 19, 1938.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to February 16, 1938. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

National Summary of Business Conditions

Prepared by Board of Governors of the Federal Reserve System.

THE decline in business activity, which had been rapid during the last quarter of 1937, continued in January but at a slower rate.

PRODUCTION

Volume of industrial production, as measured by the Board's seasonally adjusted index, was at 81 per cent of the 1923-1925 average in January as compared with 84 per cent in December. Output of durable goods continued to decline, reflecting chiefly considerable decreases in production of automobiles and plate glass and a further decline in output of lumber. Steel ingot production increased somewhat, the output for January averaging 30 per cent of capacity. In the first three weeks of February, activity at steel mills showed little change at about 31 per cent of capacity, while production of automobiles was at a lower rate than in January.

In the textile industries, activity at silk and rayon mills in January showed a sharp rise from the low levels reached in December. At cotton mills, however, there was less than the usual seasonal increase and output of woolen products continued in small volume. Shoe production, which also had been at a low rate in December, increased considerably in January, and activity at meat-packing establishments rose somewhat further. Output of tobacco products remained at a high level, while sugar meltings declined. At mines, bituminous coal production was considerably smaller than in December, and there was also a reduction in output of nonferrous metals. Petroleum production continued at the high level of other recent months.

Value of construction contracts awarded in January was smaller than in December and somewhat below the level maintained during the last four months of 1937, according to figures of the F. W. Dodge Corporation. Contracts awarded for public projects increased somewhat further, while awards for private work continued to decline, reflecting a further decrease in residential building and a sharp reduction in awards for factory construction. In the first half of February awards for private projects were at about the same rate as in January, while those for public work showed a sharp decline.

EMPLOYMENT

Factory employment and payrolls declined substantially further between the middle of December and the middle of January. In the durable goods industries, decreases in employment were general and were particularly large at factories producing automobiles, steel, and machinery. Employment in nondurable goods industries showed a somewhat smaller decline than in previous months. There was some increase in the number employed at shoe factories and little change in the food industries as a group, but in other nondurable goods industries employment continued to decrease. Employment on the railroads, in mining, and in the construction industry also declined.

DISTRIBUTION

Department store sales showed a seasonal decrease from December to January, while sales at variety stores and mail order sales declined by more than the usual seasonal amount. Freight car loadings continued to decline in January, reflecting principally a reduction in shipments of coal.

COMMODITY PRICES

Prices of steel scrap and nonferrous metals declined from the middle of January to the third week of February, following some advance in December and the early part of January. There were further decreases in some other basic commodities, while prices of cotton and silk advanced. Livestock products continued downward and a number of finished industrial products declined further. Prices of pig iron and most finished steel products have been reaffirmed for second quarter delivery.

BANK CREDIT

During the first three weeks of February excess reserves of member banks were little changed from the level of \$1,400,000,000 reached at the end of January following the post-holiday return of currency from circulation.

During January there were substantial reductions in commercial loans and brokers loans and moderate increases in investments at reporting member banks in 101 leading cities. In the first three weeks of February loans and investments of these banks showed little change.

MONEY RATES

Rates on Treasury bills and yields on Treasury notes and bonds continued in February at the low levels reached in the latter part of January.