

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

June 30, 1938

In May the volume of retail trade in the Sixth Federal Reserve District declined less than seasonally, wholesale trade declined slightly more than usual, and business failures, both number and liabilities, also declined. Construction contract awards increased and were larger than a year ago, and cotton mill activity increased somewhat, but output of pig iron and coal in Alabama declined.

Trade May sales by 49 reporting retail firms declined 4.9 per cent from April, and were 8.4 per cent less than a year ago, and for the five months of 1938 have been 3.6 per cent less than in that part of 1937. Inventories declined 3.3 per cent over the month, and were 7.0 per cent smaller than a year ago. The index of daily average sales, which is based on reports from 28 firms which have reported over a long period of years, declined in May by less than the seasonal amount, and the adjusted index rose from 104.8 per cent of the 1923-1925 average for April to 106.0 per cent for May. Preliminary sales figures for the first two weeks of June indicate a decrease of 7.6 per cent compared with the corresponding weeks last year.

Wholesale trade, according to figures reported to the United States Department of Commerce by 141 firms in this District, declined 1.7 per cent from April to May, and was 14.8 per cent less than in May last year. The decline from April was less than one-half of one per cent larger than the average decrease from April to May in the past eighteen years. In the five months of 1938 wholesale trade has been 14.0 per cent less than in that part of 1937. Inventories, reported by 66 wholesale firms, declined 3.0 per cent in May and were 10.5 per cent smaller than a year ago.

Banking Total loans and investments at 22 weekly reporting member banks in leading cities of the Sixth District declined in the latter part of May and early June, and on June 15 were 5.4 millions less than four weeks earlier and 9.4 millions less than a year ago. Loans

for commercial, industrial and agricultural purposes, which declined from 148 millions on May 12 last year to 131 millions in August and increased by December to 162 millions, had declined about 14 millions by June 15. Loans to banks, and "Other loans," have recently increased, and loans to brokers and dealers in securities on June 15 were larger than on any other Wednesday since early November, with the single exception of May 18. Compared with the corresponding Wednesday last year, total loans on June 15 show an increase of 10.2 millions of dollars, increases in commercial loans, loans on real estate, and "Other loans," being partly offset by declines in other classes of loans. Holdings of investment securities, which had declined during 1937, increased somewhat in March, April and May. On June 15 total investments were 19.6 millions less than a year earlier, a decrease of 28.6 millions in United States direct obligations being offset in part by increases in securities guaranteed by the United States and in Other Securities.

Demand deposits-adjusted at the middle of June were slightly lower than the average for March, April and May, and were 14.5 millions less than a year ago. During most of this year time deposits have been somewhat less than in the last four months of 1937, but on June 15 they were 3.5 millions larger than on the corresponding report date last year. Balances with other banks have increased somewhat further, but deposits of correspondent banks have recently declined.

At the Federal Reserve Bank of Atlanta discounts for member banks, after declining to the lowest level on May 18 in more than a year, increased on each of the following four Wednesdays, but have continued less than a year earlier. Industrial advances increased in June. Federal Reserve note circulation has continued to decline, and on June 15 was 32.7 millions less than a year ago. United States Government deposits increased in June, after declining through most of May, and on June 15 were 40.4 millions greater than a year earlier. Member bank reserves declined about 35.5 millions of dollars between April 6 and June 15, most of the decrease having occurred after reserve requirements were reduced on April 16. Daily average figures of deposits and reserves indicate that excess reserves averaged 36 millions in the first half of April, and following the reduction in requirements increased to 40.8 millions in the latter half of the month, although actual reserves averaged about 18 millions less. In May, however, with a further reduction in actual reserves, the average excess in the last half of the month was about 33.2 millions, and available

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

	June 15 1938	Change From :	
		May 18, 1938	June 16, 1937
Loans and Investments—Total	\$549,630	— 5,385	— 9,418
Loans—Total	280,798	— 2,857	+ 10,161
Commercial, Industrial and agricultural loans	147,657	— 2,955	+ 6,328
Open market paper	3,116	+ 137	— 2,652
Loans to brokers and dealers in securities	6,832	— 250	— 290
Other loans for purchasing or carrying securities	15,030	— 343	— 1,997
Real estate loans	27,722	— 72	+ 1,134
Loans to banks	4,178	+ 547	— 826
Other loans	76,263	+ 79	+ 8,464
Investments—Total	268,832	— 2,528	— 19,579
U. S. direct obligations	150,719	— 3,389	— 28,608
Obligations guaranteed by U. S.	38,896	— 1,015	+ 8,225
Other securities	79,217	+ 1,876	+ 804
Reserve with F. R. Bank	90,286	— 3,777	— 15,596
Cash in vault	10,231	— 1,065	— 319
Balances with domestic banks	132,653	+ 1,516	+ 32,217
Demand deposits—adjusted	323,329	— 2,719	— 14,549
Time deposits	183,215	+ 243	+ 3,524
U. S. Government deposits	22,828	— 192	+ 8,449
Deposits of domestic banks	193,563	+ 6,866	+ 7,702
Borrowings : From F. R. Bank	110	+ 40	— 1,199
From Others	50	— 200

FEDERAL RESERVE BANK OF ATLANTA
(In Thousands of Dollars)

	June 15, 1938	Change From :	
		May 18, 1938	June 16, 1937
Bills Discounted	\$ 1,062	+ 369	— 880
Bills Bought in Open Market	19	— 90
Industrial Advances	115	+ 44	— 100
United States Securities	11,416	+ 325
Total Bills and Securities	112,611	+ 412	— 746
Total Reserves	245,729	— 3,958	— 11,369
Member Bank Reserve Account	154,529	— 5,723	— 20,253
U. S. Treasurer General Account	45,213	+ 2,748	+ 40,445
Total Deposits	208,749	— 1,379	+ 20,633
F. R. Note Circulation	142,507	— 2,794	— 32,654

DEBITS TO INDIVIDUAL ACCOUNTS
 (In Thousands of Dollars)

	May 1938	April 1938	May 1937
ALABAMA			
Birmingham.....	\$ 75,077	\$ 75,629	\$ 85,717
Dothan.....	2,669	2,775	3,207
Mobile.....	34,857	35,472	38,073
Montgomery.....	18,985	19,037	22,409
FLORIDA			
Jacksonville.....	69,117	72,928	75,186
Miami.....	33,425	38,996	36,304
Pensacola.....	8,240	8,171	8,866
Tampa.....	26,213	27,350	29,635
GEORGIA			
Albany.....	4,012	4,487	4,335
Atlanta.....	179,716	185,821	179,203
Augusta.....	14,479	15,157	18,423
Brunswick.....	2,554	2,703	3,071
Columbus.....	12,031	11,876	14,853
Elberton.....	1,065	1,102	1,238
Macon.....	12,132	12,477	13,835
Newnan.....	1,309	1,340	2,279
Savannah.....	26,124	26,743	35,578
Valdosta.....	3,435	3,495	4,163
LOUISIANA			
New Orleans.....	190,347	189,836	206,490
MISSISSIPPI			
Hattiesburg.....	3,861	4,223	4,730
Jackson.....	22,036	25,373	24,383
Meridian.....	8,343	9,094	10,321
Vicksburg.....	7,361	6,967	6,823
TENNESSEE			
Chattanooga.....	35,129	36,373	41,806
Knoxville.....	25,603	26,176	27,792
Nashville.....	71,525	72,922	77,573
TOTAL 26 Cities.....	\$ 889,745	\$ 916,523	\$ 976,034

figures indicate that by the middle of June this estimate of excess reserves had declined to about 27.7 millions.

Agriculture The prolonged drouth in Florida was broken by general rains in the last week of May, and moderate rains relieved the southern part of Georgia that had suffered some damage from earlier dry hot weather, especially to truck crops and tobacco. Continued frequent rains in eastern Tennessee have delayed harvesting of small grains, made germination poor and necessitated considerable replanting of cotton. In Louisiana and Mississippi, however, rainfall has been deficient and progress of crops has been retarded. Citrus trees in Florida have revived and prospects for the coming crop have improved materially. The 1937-38 production of oranges was estimated on June 1 at 25,550,000 boxes, an increase of 300,000 boxes over the May estimate and 3,050,000 boxes larger than the previous season, and the June estimate of grapefruit was 13,900,000 boxes, an increase of 400,000 boxes over the estimate a month earlier but 4,200,000 boxes less than a year ago. Prospects for peaches improved in Georgia and Florida in May, and the June estimates for the six states of this District combined are 47.0 per cent larger than the 1937 crop. The Georgia crop is estimated at a little more than twice the small 1937 production, and other states also show increases except Tennessee, where the crop is expected to be much smaller than last year. In Louisiana sugar cane fields are in good condition but need rain, and rice, generally, has made good progress.

Estimated receipts from the sale of principal farm products in the six states of this District, including Government payments, declined 15.4 per cent in April, and were 17.5 per cent less than in April 1937. April receipts from crops were 29.0 per cent less than a year ago, but receipts from livestock and livestock products were 13.5 per cent larger. Government payments for the month were 7.3 per cent less than in April last year, and for the four months have been 62.9 per cent smaller than in that part of 1937.

The ten-market average of spot cotton prices declined in the latter part of May but increased from 8.06 cents per

pound on May 27 and June 3 to 8.43 cents on June 17. A year ago the average was 12.31 cents. According to the index of the United States Bureau of Labor Statistics, prices of farm products rose somewhat in the latter part of May, declined on June 4, but rose 1.6 per cent on June 11, when they were 22.4 per cent below the corresponding time last year.

Fertilizer tag sales in the six states of this District declined substantially in May, as they usually do, but were 21.1 per cent greater than a year ago, and larger than in May of other recent years.

Industry Reports of 5,933 firms in the six states of this

District to the United States Bureau of Labor Statistics indicate that employment declined 2.6 per cent from March to April, and payrolls were 4.4 per cent smaller. Declines in Florida were principally at canning establishments and hotels, in Georgia mainly in cotton goods and fertilizers, in Mississippi in cotton and knit goods and at sawmills, and in Alabama for the most part in cotton goods and shipbuilding. In April number of workers was 11.6 per cent, and payrolls 17.2 per cent, smaller than a year earlier.

The value of construction contracts awarded in the Sixth District increased 25.4 per cent in May and was 7.3 per cent larger than in May last year. May is the first month since December, and the second since August, to record an increase over the corresponding month a year earlier. Residential contracts increased only slightly, but other awards increased 46.2 per cent over April and were 11.2 per cent larger than in May 1937. The five-months total for the District is 17.3 per cent smaller than for that part of last year, residential contracts in that period being 11.0 per cent less and other awards 20.9 per cent smaller. The value of building permits issued at twenty reporting cities declined 12 per cent from April to May and was 39 per cent smaller than a year ago, and for the five months of 1937 the total was 14.2 per cent smaller than in that part of 1937, slightly less than in the same period of 1936, but larger than in other years since 1929. Demand for lumber continues unsatisfactory, and in May orders, shipments and production at mills reporting to the Southern Pine Association continued less than a year ago. For the week ending June 11, however, orders increased 19 per cent over the previous week and were 11 per cent larger than a year earlier.

Cotton mills in Alabama, Georgia and Tennessee consumed an average of 5,151 bales of cotton for each business day in May, an increase of 3.5 per cent over April, nearly 40 per cent less than in May last year, and with the single exception of April, the smallest in nearly three years.

Coal production in Alabama and Tennessee declined 5 per cent from April to May, was 4 per cent less than a year ago, and for the five months of 1938 has been 9.2 per cent less than in that part of last year. Daily average production of pig iron in Alabama declined 27.4 per cent in May, and active furnaces were reduced from nine to six. May production in Alabama was 41.3 per cent less than a year ago, as compared with a decrease of 64.5 per cent for the country. Daily average production of electric power declined 4.3 per cent in April, was 4.7 per cent less than a year earlier, and the four months total was 2.1 per cent smaller than for that part of 1937. Receipts of both turpentine and rosin increased in May, and were larger than a year ago. Quotations on both commodities declined in May, but improved slightly in the first three weeks of June.

National Summary of Business Conditions

Prepared by the Board of Governors of the Federal Reserve System.

IN MAY and the first three weeks of June industrial activity showed little change from the April level. Wholesale commodity prices generally declined further, but in June wheat and cotton prices advanced and at the end of the period some other staple commodities showed increases.

PRODUCTION

In May the Board's seasonally adjusted index of industrial production was at 76 per cent of the 1923-1925 average as compared with 77 in April and an average of 79 in the first quarter of the year. Steel ingot production, which in March and April had been at a rate of 33 per cent of capacity, averaged about 31 per cent in May, and automobile output also showed a decrease. Textile production increased in May. Activity at woolen mills rose sharply and there was some increase at cotton mills, while silk mills showed a decline. Changes in output in most other manufacturing industries were largely seasonal in character. Output of crude petroleum was curtailed sharply in May, and bituminous coal production declined somewhat, while anthracite production increased considerably. Lake shipments of iron ore were in very small volume, reflecting both the low rate of activity in the iron and steel industry and the large supply of ore remaining from the previous season.

In the first three weeks of June output of steel and petroleum increased somewhat, but the rate of activity in these industries remained below the average for May. Automobile production showed a further decline and continued below sales, so that stocks of new cars were further reduced.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a substantial increase in May, reflecting chiefly a marked rise in awards for publicly-financed projects. Contracts for residential building increased moderately and were in about the same amount as in May a year ago. Other privately-financed work remained in small volume.

EMPLOYMENT

Factory employment and payrolls continued to decline from the middle of April to the middle of May. There were further decreases in employment in the machinery, steel, and automobile industries, and a sharp decrease in the number employed in the men's clothing industry. In most other manufacturing lines changes in employment were small in amount. The number employed at mines and on the railroads continued to decline.

DISTRIBUTION

Department store sales declined considerably in May and the Board's seasonally adjusted index was at 79 per cent of the 1923-1925 average as compared with 83 in April. Sales at variety stores and by mail order houses also decreased from April to May. Reports for the first half of June indicate about the usual seasonal decline in department store sales.

The volume of railroad freight traffic showed little change in May following sharp declines in previous months.

COMMODITY PRICES

Prices of both agricultural and industrial commodities decreased in the latter part of May. In the first three weeks of June wheat and cotton prices advanced, while prices of industrial products generally continued to decline.

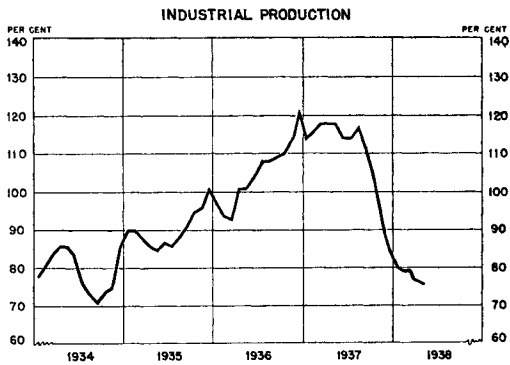
BANK CREDIT

Reserves of member banks continued to increase in May and June, largely as the result of Treasury disbursements from its deposits with the reserve banks. Excess reserves increased chiefly at city banks, reflecting retirement of Treasury bills and further expansion of bankers' balances.

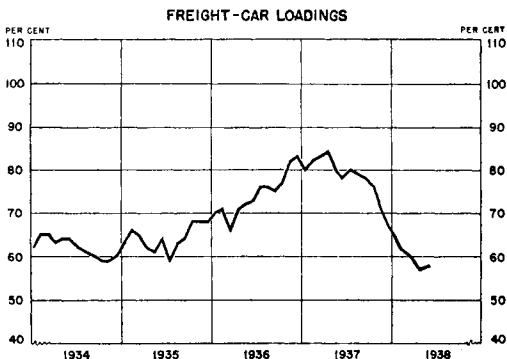
Demand deposits at reporting member banks in 101 leading cities increased further during the first half of June, and total loans and investments, which had declined in May, also increased, reflecting substantial purchases of United States Government obligations by New York City banks.

MONEY RATES

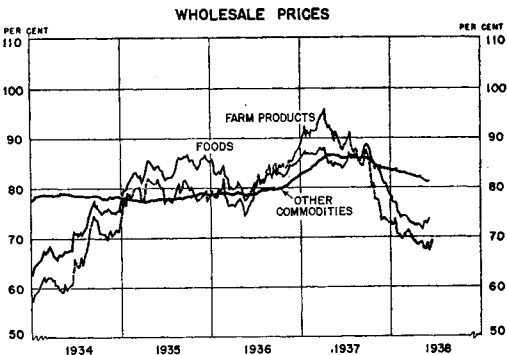
Yields on Treasury bonds declined further in the four weeks ending June 18, and those on Treasury notes reached new low levels. Rates on open-market commercial paper declined somewhat about the middle of June.



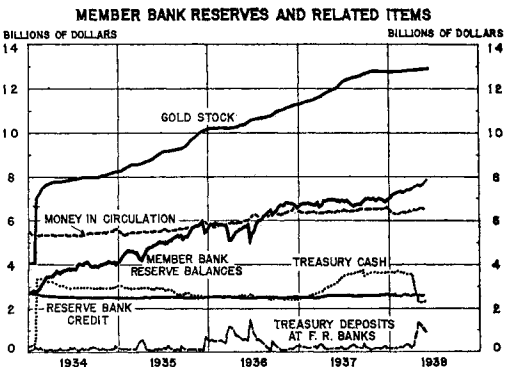
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to May, 1938.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to May, 1938.



Indexes compiled by U. S. Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending June 18, 1938.



Wednesday figures, January 3, 1934, to June 15, 1938.