

# MONTHLY REVIEW

## BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

December 31, 1938

**District Summary** *There was an apparent further improvement in business activity in the Sixth District in November. Although the gains over previous months do not include all lines of activity, they appear to outweigh the unfavorable comparisons.*

*Better than seasonal movements were recorded in both retail and wholesale trade, in textile operations and production of pig iron in Alabama. Employment and payrolls in October, the latest period for which figures are available, extended the increase begun in midsummer. On the other hand, there was a decline in the value of construction contracts awarded in November, and the rate of electric power production, after reaching a new high level in September, declined one-half of one per cent in October.*

*In comparing the Sixth District with national averages, November retail trade in the District was 4.2 per cent higher than in November, 1937, while in the United States it was smaller by 3.3 per cent. Construction contracts in this District were 70 per cent larger as compared with an increase of 53 per cent for the country. Pig iron output in Alabama was up 24.9 per cent as against an increase for the country of 13.2 per cent, and the gain in cotton consumption was about the same in this District as in the United States as a whole. If these series are indicative, business in the Sixth District has made a favorable showing compared to business in the United States generally.*

**Trade** If allowance is made for seasonal movement, both retail and wholesale trade improved in November. In actual volume, retail trade about held its own, and wholesale trade declined, but by only a third of the usual seasonal amount.

► The maintenance of retail trade in November followed a less-than-seasonal increase in October. This was an improvement on the usual seasonal direction for the month, however, because retail trade in the Sixth District, contrary to the movement in the country as a whole, generally de-

clines in November. Preliminary reports for the first two weeks in December indicate an increase of 3.1 per cent over the same portion of December last year.

► While wholesale trade decreased from October to November, there was a slight increase of wholesale sales when compared with November last year. This increase in dollar volume was accomplished in spite of prices that averaged 7 per cent lower than last year.

► Retail inventories increased 3.6 per cent in November, and wholesale inventories also increased slightly over the month. However, the comparison from November to November shows a decrease in retail stocks of 7.5 per cent and in wholesale stocks of 8.5 per cent. These decreases are almost wholly attributable to price declines.

**Banking** Total loans and investments at 22 weekly reporting member banks in the Sixth District have increased further in recent weeks and on December 14 were at the highest level in about eight years. Total loans by these banks have increased about 38 millions of dollars since early July and at the middle of December were the largest since the spring of 1933. Investments, which declined from 338 millions in September, 1936 to around 257 millions in January, 1938 have increased since mid-year to 291 millions on December 14. The increase in loans has been almost entirely in those for commercial, industrial, and agricultural purposes, and in "All Other" loans. Loans to banks have recently been the smallest since the spring of 1937. The larger part of the recent increase in investments has been in direct obligations of the United States.

Demand deposits-adjusted have recently increased further and at 354.2 millions of dollars on December 14 were at a new high level. Time deposits have declined somewhat since September and have recently been a little below the level of a year ago. Treasury balances with these banks have been maintained at approximately 34 millions of dollars since the middle of September, and deposits of correspondent banks which had risen about 47 millions between the last of June and the middle of November, have declined slightly since that time.

The weekly statements of the Federal Reserve Bank of Atlanta indicate that the already small volume of discounts for member banks has declined further in recent weeks, but industrial advances have increased to the largest amount since early in May, 1936. Treasury deposits with the Federal Reserve Bank were reduced about 12.3 millions between No-

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

	Dec. 14 1938	Change Nov. 16, 1938	From : Dec. 15, 1937
Loans and Investments—Total	\$607,142	+ 12,142	+ 41,878
Loans—Total	316,263	+ 9,254	+ 20,695
Commercial, industrial and agricultural loans	173,906	+ 2,110	+ 13,606
Open market paper	2,813	— 60	— 1,076
Loans to brokers and dealers in securities	6,793	+ 755	+ 592
Other loans for purchasing or carrying securities	15,428	+ 368	+ 151
Real estate loans	29,009	+ 632	+ 1,877
Loans to banks	914	— 48	— 1,491
Other loans	87,400	+ 5,497	+ 7,036
Investments—Total	290,879	+ 2,643	+ 21,183
U. S. direct obligations	161,326	+ 3,456	+ 1,692
Obligations guaranteed by U. S.	43,245	+ 438	+ 9,491
Other securities	86,308	— 1,251	+ 10,000
Reserve with F. R. Bank	105,604	— 303	+ 961
Cash in vault	12,767	+ 1,302	+ 2,076
Balances with domestic banks	136,815	— 4,493	+ 41,222
Demand deposits—adjusted	354,208	+ 11,527	+ 25,710
Time deposits	182,804	— 1,456	— 776
U. S. Government deposits	34,538	+ 289	+ 17,674
Deposits of domestic banks	231,524	— 3,139	+ 45,822
Borrowings : From F. R. Bank		— 42	— 1,822
From Others	137	+ 137	— 174

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA  
(In Thousands of Dollars)

	Dec. 14 1938	Change Nov. 16, 1938	From : Dec. 15, 1937
Bills Discounted	\$ 283	— 203	— 2,636
Bills Bought	19	—	— 80
Industrial Advances	823	+ 642	+ 696
United States Securities	104,521	—	— 7,717
Total Bills and Securities	105,647	+ 440	— 9,736
Total Cash Reserves	274,683	— 10,413	+ 27,965
F. R. Note Circulation	150,410	+ 1,920	— 12,823
Member Bank Reserve Deposits	173,735	+ 620	+ 1,299
U. S. Treasurer—General Account	38,518	— 12,286	+ 25,706
Total Deposits	223,649	— 12,040	+ 28,568
Commitments to make industrial advances	159	— 13	— 191

**DEBITS TO INDIVIDUAL ACCOUNTS**  
 (In Thousands of Dollars)

	Nov.	Oct.	Nov.	Per Cent Change	
	1938	1938	1937	Nov. 1938 from : Oct. 1938	Nov. 1937
<b>ALABAMA</b>					
Birmingham.....	\$ 82,098	\$ 82,861	\$ 83,586	- 0.9	- 1.8
Dothan.....	3,396	3,631	3,205	- 6.5	+ 6.0
Mobile.....	41,292	40,577	37,341	+ 1.8	+10.6
Montgomery.....	22,632	26,521	24,239	-14.4	- 6.4
<b>FLORIDA</b>					
Jacksonville.....	68,145	63,824	68,298	+ 6.8	- 0.2
Miami.....	39,286	36,835	32,865	+ 6.7	+19.5
Pensacola.....	8,476	8,060	8,221	+ 5.2	+ 3.1
Tampa.....	26,622	24,736	26,925	+ 7.6	- 1.1
<b>GEORGIA</b>					
Albany.....	5,073	5,400	5,641	- 6.1	-10.1
Atlanta.....	190,618	200,226	172,393	- 4.8	+10.6
Augusta.....	15,768	17,238	16,468	- 8.5	- 4.3
Brunswick.....	2,284	2,397	2,700	- 4.7	-15.4
Columbus.....	12,918	13,774	13,299	- 6.2	- 2.9
Elberton.....	1,060	1,424	1,297	-25.6	-18.3
Macon.....	14,627	15,569	15,191	- 6.1	- 3.7
Newnan.....	1,945	1,882	1,938	+ 3.3	+ 0.4
Savannah.....	26,271	28,554	30,698	- 8.0	-14.4
Valdosta.....	3,598	3,859	3,609	- 6.8	- 0.3
<b>LOUISIANA</b>					
New Orleans.....	219,150	238,889	209,741	- 8.3	+ 4.5
<b>MISSISSIPPI</b>					
Hattiesburg.....	4,009	4,975	4,496	-19.4	-10.8
Jackson.....	28,567	38,709	33,671	-26.2	-15.2
Meridian.....	10,430	11,961	9,757	-12.8	+ 6.9
Vicksburg.....	8,677	9,016	9,959	- 3.8	-12.9
<b>TENNESSEE</b>					
Chattanooga.....	40,883	41,679	41,444	- 1.9	- 1.4
Knoxville.....	27,222	28,815	26,077	- 5.5	+ 4.4
Nashville.....	82,871	81,176	75,192	+ 2.1	+10.2
<b>SIXTH DISTRICT—</b>					
26 Cities.....	987,978	1,032,588	958,251	- 4.3	+ 3.1
<b>UNITED STATES—</b>					
141 Cities.....	29,405,804	33,235,314	31,602,865	-11.5	- 7.0

November 16 and December 14, but continued to be larger than at the same time in 1937. Federal Reserve note circulation of this bank's issue has recently increased somewhat further in response to holiday demands for currency. Total reserves, which increased in November to 285 millions of dollars, the highest point in recent years, have since declined to about 275 millions on December 14.

Estimates based on latest available figures of deposits indicate that member bank reserve deposits on December 14, amounting to \$173,735,000, were approximately 34.5 millions of dollars, or 24.8 per cent, in excess of legal requirements. Estimated excess reserves of member banks averaged about 33.9 millions of dollars in October and about 37.3 millions in November.

**Agriculture** Farmers' receipts from the sale of principal farm products in the 6 states of this District were 2.8 per cent larger in October, the latest date available, than in October, 1937. This result was accomplished by government payments that were very much larger than last year. Receipts from crops, on the other hand, were 17.8 per cent smaller than the year earlier, and receipts from livestock and livestock products were 4.9 per cent smaller.

▶ According to the last monthly estimate, for this season, by the United States Department of Agriculture, cotton production in Mississippi, Louisiana, Tennessee and Alabama has turned out to be larger than was expected at the time of the August estimate, but in Georgia and Florida it is less. Total production in the six states of this District this year was 36.5 per cent smaller than the record crop of 1937. Estimates by states are compared in the table.

▶ November sales of fertilizer tax tags increased substantially over the month and were 39 per cent larger than a year ago.

**COTTON PRODUCTION—000 Bales**

	Estimate	1937	Percent Change
	Dec. 1, 1938	Production	
Alabama.....	1,080	1,631	-33.8
Florida.....	25	40	-37.5
Georgia.....	857	1,500	-42.9
Louisiana.....	676	1,104	-38.8
Mississippi.....	1,715	2,692	-36.3
Tennessee.....	487	661	-26.3
Six States.....	4,840	7,628	-36.5
United States.....	12,008	18,946	-36.6

▶ Employment on farms declined rather sharply in November, as cotton picking neared completion, and on December 1 was much lower than at that time last year.

**Industry** Judging on the general basis of employment and payrolls, industrial production in the District has been extended through October, the latest month for which information is now available.

▶ The increase in textile mill activity in November has been considerable. It will be recalled that the upward trend begun in May suffered a slight interruption in October; but the rate of cotton consumption was expanded in November by 14 per cent over October, and the November figure was 24.1 per cent over November, 1937. This last figure is the largest in about a year and a half.

In connection with textile activity in this District, it is interesting to notice that there has been in the last few years an exceedingly rapid growth in the Southern output of full-fashioned hosiery. Not only has actual production increased in each succeeding year since 1934, but the proportion of the country's total produced in the South has risen from 22.1 per cent in 1934 to 34.9 per cent for the first 10 months of 1938.

▶ There was a further rise of 4.8 per cent in November in the rate of pig iron production in Alabama. The November average was about two and three-fourths times the July rate, 25.3 per cent larger than that for November, 1937, and the largest for any month since March, 1930.

Of the 18 Alabama furnaces, 16 were active on December 1. Steel operations in Alabama rose 5 points to 65 per cent of capacity. Press reports indicate a fair run of new tonnage, wire products and sheets continue active, and orders have already been booked for a considerable tonnage of rails and accessories with additional orders pending.

▶ The decline in residential contracts from October to November was slightly more than the decline in other contracts, and, from November last year to November this year, there has been a lesser increase in residential contracts than in others. This situation in November represents a contrast to the previous trend in 1938. The slight gain in total contract awards in the first 11 months of 1938, as compared with the first 11 months of 1937, has been wholly represented by an expansion of residential contracts.

The November total of contracts awarded for 37 Eastern states showed a somewhat smaller decline than for this District between October and November, but they also show a much smaller increase than this District from last November to this November. In connection with building permits as distinguished from actual contract awards, the figures for 20 reporting cities, both for November and for the first 11 months of this year, show that permits have been increasing considerably less rapidly than contracts. This may mean that there is being built up a backlog of contracts that have not reached the permit stage and that may result in a further improvement of construction activity later on.



## NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

THE sharp rise in industrial production, which began early last summer, continued in November. Preliminary reports for the first three weeks of December indicate some slowing down in the advance. Employment also increased in November and payrolls showed little change, although a decline is usual at this season. Distribution of commodities to consumers increased considerably.

### Production

The Board's seasonally adjusted index of industrial production in November rose to 103 per cent of the 1923-1925 average from 96 per cent in October. Output of steel continued to increase, contrary to the seasonal trend, and there was a further sharp rise in automobile production. In the first three weeks of December activity at steel mills declined somewhat more than seasonally, while output of automobiles continued at the high level reached at the end of November. Lumber production in November decreased by more than the usual seasonal amount. In the nondurable goods industries, shoe production declined seasonally, while output of textiles showed a considerable expansion, with increased activity at cotton, wool, and silk mills. At mines, bituminous coal output increased further and production of anthracite showed less than the usual seasonal decline. Output of petroleum showed little change.

Value of construction contracts awarded in November showed a decline from the high level reached in October, according to F. W. Dodge figures for 37 Eastern States. Private and public projects both declined, following increases in October. The decline in contracts for private residential building was less than seasonal.

### Employment

Employment increased somewhat further and payrolls showed little change between the middle of October and the middle of November, although declines are usual at this time of year. In manufacturing the number employed continued to rise, reflecting principally a further sharp increase at automobile factories and substantial increases in the machinery, steel, and textile industries. Employment declined seasonally at establishments producing clothing and shoes. In most other industries employment increased somewhat. In lines other than manufacturing, employment showed some increase, when allowance is made for usual seasonal changes.

### Distribution

Distribution of commodities to consumers showed a considerable increase in November. Department store sales and mail order sales, which had been retarded in October by unseasonably warm weather, rose sharply, and sales at variety stores also increased in November. Sales of automobiles to consumers expanded sharply following the introduction of new models and in November were larger than a year earlier.

Freight-car loadings, which had increased considerably in previous months, showed a slightly less than seasonal decline in November.

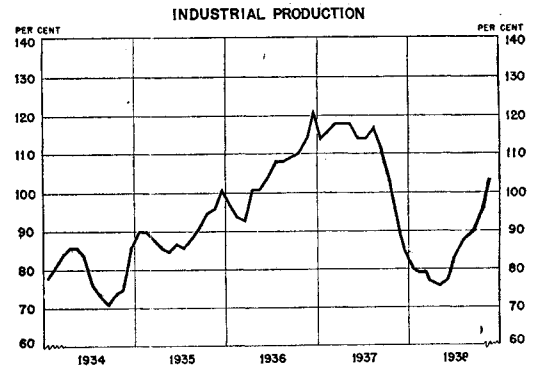
### Commodity Prices

Prices of some industrial materials, such as nonferrous metals, hides, and cotton goods, decreased somewhat from the middle of November to the third week of December. Sugar prices also declined, while grains advanced somewhat. Prices of most other agricultural and industrial commodities continued to show little change.

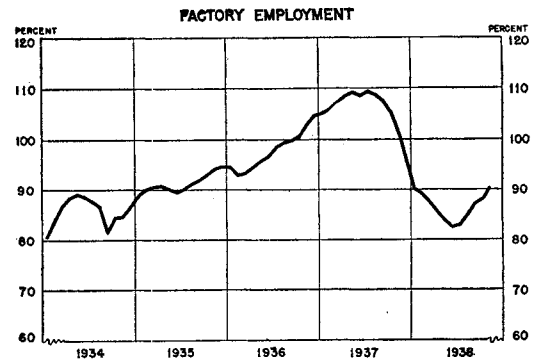
### Bank Credit

In connection with pre-holiday trade, there was a sharp increase in money in circulation and as the result of this increase in the demand for currency, together with Treasury operations around December 15, there was a temporary decline in member bank reserves.

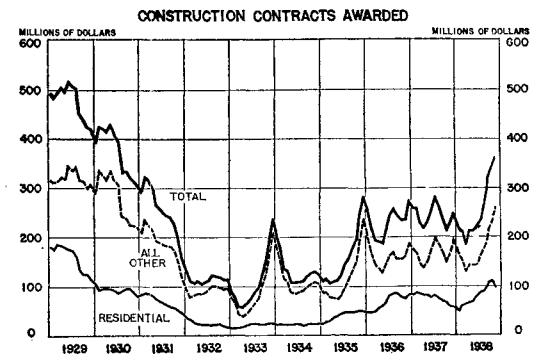
Following declines during November, total loans and investments of reporting member banks in 101 leading cities increased during the first three weeks of December, largely reflecting operations of the Treasury. Loans to security dealers by New York banks increased sharply, reflecting temporary borrowing for the purpose of carrying Government securities exchangeable for new issues on December 15. Adjusted demand deposits rose to a new high level in the first half of December.



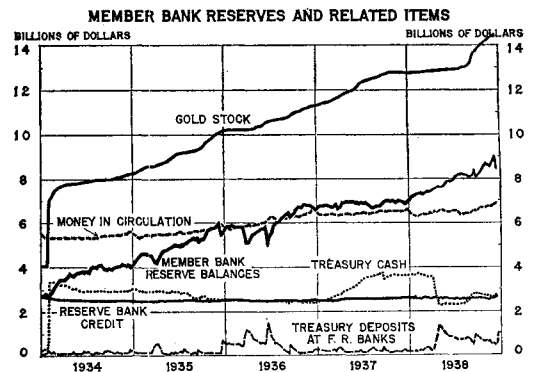
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to November, 1938.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1929, to November, 1938.



Three-month moving average of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for October, November, and estimates for December.



Wednesday figures, January 3, 1934, to December 21, 1938.