

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

February 28, 1939

District Summary *In January textile operations and coal production in the Sixth District increased and the December rate of pig iron production was maintained. Building and construction activity dropped sharply from the high December level, and both retail and wholesale trade declined more than they usually do. However, after allowance for declines from December to January, both retail and wholesale trade were at higher levels than in January of last year, and substantially higher levels were evident in construction contracts, building permits, the rate of cotton consumption, and in the production of pig iron and coal than in January 1938.*

The December to January changes in retail trade, in construction contracts, and in the rate of cotton consumption in this District were somewhat less favorable than those for the United States as a whole. Comparing January this year, however, with January 1938, the increase of 3.8 per cent in retail trade, after seasonal adjustment, compares with a decrease of 2.2 per cent for the United States, and figures for construction contracts, textile operations, and the production of coal and pig iron were relatively a good deal better for the District than for the nation.

Trade January trade at both retail and wholesale in the Sixth District declined from December, as it usually does, and the declines were somewhat larger than usually occur. Compared with January 1938, however, both retail and wholesale trade increased.

After allowing for seasonal influences, retail sales declined 3.4 per cent in January. Sales by wholesale firms reporting to the United States Department of Commerce declined 7.3 per cent. The January declines in both instances follow better-than-seasonal movements in November and December. In spite of lower price levels, however, retail business in January was 3.8 per cent above that of January 1938, and wholesale trade was 6.6 per cent larger. In early February retail sales were running about 3.6 per cent ahead of the corresponding period last year.

▶ January inventories at reporting retail firms were slightly larger than a month or a year earlier; and wholesale inventories, although 10.3 per cent larger than for December were 5.2 per cent smaller in dollar value than a year ago, a decrease almost exactly the same as the decline in the "All Commodities" price index of the United States Bureau of Labor Statistics.

▶ Business failures increased substantially in January in both number and liabilities, and liabilities were greater than last January although the number of failures was smaller.

Banking Following an increase of about 75 millions of dollars during the latter half of 1938, total loans and investments at weekly reporting member banks in leading cities of the District declined by February 8 to the extent of a little more than a third of the preceding six months' gain. Between December 28 and February 8 total loans declined about 13.5 millions, the largest decrease being in "All Other Loans," with smaller decreases in security loans, those on real estate, and loans for commercial, industrial, and agricultural purposes. In investments, declines in United States direct obligations and Other Securities were partly offset by a further increase in holdings of United States guaranteed securities. In the week ending February 15, however, loans increased slightly and there was a rise in investments, largely in those guaranteed by the United States.

▶ Demand deposits-adjusted declined somewhat from the previous high level of December 14, but on February 15 rose to a new peak. There have been minor fluctuations in time deposits, and in Government deposits, but deposits of correspondent banks increased about 13.5 millions in the three weeks ending at the middle of February. Balances maintained by these banks with other banks in the United States were increased by more than thirty millions since December.

▶ At the Federal Reserve Bank of Atlanta reserve deposits of member banks, which were on January 11 at the highest level on record, declined slightly in the two following weeks, but have since risen to a point only a little below the January peak. Balances maintained with the bank by the United States Treasurer have also increased. Member banks' borrowings, after declining in December and January, have increased in the first half of February.

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

	February 15, 1939	Change From :	
		Jan. 11, 1939	Feb. 16, 1938
Loans and Investments—Total	\$598,002	— 2,991	+ 48,261
Loans—Total	306,523	— 3,759	+ 17,074
Commercial, industrial and agricultural loans	171,996	— 1,766	+ 11,892
Open market paper	3,535	+ 543	— 290
Loans to brokers and dealers in securities	6,639	— 567	+ 1,010
Other loans for purchasing or carrying securities	12,785	— 3,114	— 2,117
Real estate loans	27,474	— 496	— 117
Loans to banks	804	— 56	— 1,396
Other loans	83,290	+ 1,697	+ 8,092
Investments—Total	291,479	+ 768	+ 31,187
U. S. direct obligations	155,477	— 6,763	+ 1,125
Obligations guaranteed by U. S.	51,042	+ 8,378	+ 18,687
Other securities	84,960	— 847	+ 11,375
Reserve with F. R. Bank	112,124	— 1,869	+ 5,629
Cash in vault	11,174	— 1,712	+ 898
Balances with domestic banks	157,990	+ 23,404	+ 43,664
Demand deposits—adjusted	359,245	+ 10,640	+ 39,785
Time deposits	181,823	+ 360	— 812
U. S. Government deposits	41,806	+ 95	+ 24,975
Deposits of domestic banks	243,498	+ 10,784	+ 38,616
Borrowings	52	+ 52	— 174

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

	February 15, 1939	Change From :	
		Jan. 11, 1939	Feb. 16, 1938
Bills discounted	\$ 337	+ 197	— 724
Bills bought	19	—	—
Industrial advances	822	— 2	+ 698
United States securities	118,403	—	+ 10,942
Total bills and securities	119,582	+ 195	+ 10,917
Total cash reserves	282,638	+ 9,319	+ 37,859
F. R. Note circulation	148,712	— 690	— 5,323
Member bank reserve deposits	185,732	— 16	+ 4,708
U. S. Treasurer general account	45,996	+ 2,944	+ 41,363
Total deposits	248,014	+ 9,132	+ 54,153
Commitments to make industrial advances	153	— 3	— 177

DEBITS TO INDIVIDUAL ACCOUNTS
(In Thousands of Dollars)

	Jan. 1939	Dec. 1938	Percent Change		
			Jan. 1939 From 1938	Dec. 1938	Jan. 1938
ALABAMA—					
Birmingham.....	\$ 96,339	\$ 99,999	\$ 88,600	- 3.7	+ 8.7
Dothan.....	3,150	3,598	3,172	-12.5	- 0.7
Mobile.....	40,255	44,730	37,889	-10.0	+ 6.2
Montgomery.....	22,560	25,868	20,589	-12.8	+ 9.6
FLORIDA—					
Jacksonville.....	78,389	92,166	77,782	-15.0	+ 0.8
Miami.....	56,061	52,595	51,520	+ 6.6	+ 8.8
Pensacola.....	8,989	9,416	8,200	-14.1	- 1.4
Tampa.....	30,892	32,259	30,632	- 4.2	+ 0.8
GEORGIA—					
Albany.....	5,759	6,269	5,187	- 8.1	+ 2.2
Atlanta.....	195,122	233,031	187,828	-16.3	+ 3.9
Augusta.....	17,084	19,075	15,084	-10.4	+13.3
Brunswick.....	2,548	2,890	2,641	-11.8	- 3.5
Columbus.....	13,975	16,779	12,246	-16.7	+14.1
Elberton.....	1,028	1,268	1,018	-18.9	- 1.0
Macon.....	14,030	17,237	12,534	-18.6	+11.9
Newnan.....	1,693	2,154	1,587	-21.4	+ 6.7
Savannah.....	26,989	33,164	28,348	-18.6	- 4.8
Valdosta.....	3,536	4,004	3,408	-11.7	+ 3.8
LOUISIANA—					
New Orleans.....	233,299	248,988	219,969	- 6.3	+ 6.1
MISSISSIPPI—					
Hattiesburg.....	4,547	4,399	4,347	+ 3.4	+ 4.6
Jackson.....	26,740	29,043	25,461	- 7.9	+ 5.0
Meridian.....	10,568	10,975	9,121	- 3.7	+15.9
Vicksburg.....	6,664	8,024	7,400	-17.0	-10.0
TENNESSEE—					
Chattanooga.....	46,704	52,635	42,513	-11.3	+ 9.9
Knoxville.....	36,891	37,116	32,702	- 0.6	+12.8
Nashville.....	85,018	103,712	71,159	-18.0	+19.5
SIXTH DISTRICT—					
26 Cities.....	1,067,930	1,191,394	992,615	-10.4	+ 7.6
UNITED STATES—					
141 Cities.....	\$32,339,577	\$39,929,600	\$32,083,606	-19.0	+ 0.8

VALUE OF LIVESTOCK ON FARMS JANUARY 1

	1939		1938		Percent Change
	1939	1938	1938	1937	
Alabama.....	\$ 84,652,000	\$ 80,790,000			+ 4.8
Florida.....	29,525,000	28,393,000			+ 4.0
Georgia.....	90,891,000	88,661,000			+ 2.5
Louisiana.....	63,193,000	61,935,000			+ 2.0
Mississippi.....	90,160,000	87,512,000			+ 3.0
Tennessee.....	166,399,000	100,536,000			+ 5.8
Six States.....	464,820,000	447,827,000			+ 3.8
United States.....	\$5,142,499,000	\$5,085,281,000			+ 1.1

► The annual inventory estimates indicate more livestock on farms in this District on January 1 this year than last, the increases ranging from 0.3 per cent for mules to 11.4 per cent for hogs and pigs. The total value of horses and mules on farms declined 1.3 per cent and 1.4 per cent, respectively, but there were increases in the value of cattle of 11.2 per cent, sheep 1.1 per cent, hogs 8.9 per cent, and chickens 6.7 per cent. The total value of all farm animals in each of these six states was larger than a year ago, as indicated in the table.

Industry In January textile operations and pig iron production were maintained at the December level. Construction contracts and building permits declined, however, from the large totals reported for December.

► Employment declined 2.4 per cent in January, but was 2.5 per cent higher than a year ago, and payrolls declined 3.4 per cent from December and were 8.6 per cent higher than in January 1938.

► After increasing in December to a level that had been exceeded only twice in more than nine years, construction contracts awarded in January declined sharply. Residential contracts were only 13.4 per cent less than for December, but other awards declined by nearly one-half. The January total was, however, 77.0 per cent greater than for that month a year ago. It will be recalled that contract awards dropped by more than two-thirds from July 1937 to February 1938. State totals decreased in January, but were substantially larger than a year earlier, excepting in each instance the State of Tennessee. Value of building permits also declined in January, but were well above the January 1938 total.

► After declining in December by about half the usual amount, the rate of textile operations rose about 4.0 per cent in January and was about 41.0 per cent higher than it was a year earlier. In the first half of the current season, cotton consumption in this District average 10.2 per cent larger than in that part of the previous season.

► Activity in the iron and steel industry in Alabama continued in January at a high level. Steel operations increased to 72.0 per cent of capacity in the week ending February 11, from a level of 68.0 per cent which had prevailed in the three preceding weeks. This rate of 72.0 per cent for Alabama compares with 55.0 per cent for the country. Press reports indicate a fairly satisfactory flow of new orders. In Alabama the January rate of pig iron production was maintained at the December level, compared with a decrease of 1.6 per cent for the United States.

► Coal production in Alabama and Tennessee increased slightly in January, and was 27.2 per cent larger than a year ago. In the United States, output increased 1.7 per cent over December and was 14.8 per cent larger than in January last year.

► Electric power production rose further in December to a new high level, and was 19.8 per cent greater than a year earlier.

► Estimates based on latest available figures of deposits indicate that reserve deposits of all member banks in the District on February 15, amounting to 185.7 millions of dollars, were about 44.2 millions of dollars or 31.2 per cent in excess of legal requirements. Estimated excess reserves averaged about 37 millions in November, 33 millions in December, and 39.6 millions in January.

Agriculture Total cash farm income in the six states of this District declined 8.2 per cent in 1938, but was larger than for other years since 1929, according to the annual estimate by the United States Department of Agriculture. Cash income from crops declined 16.3 per cent, and that from livestock and livestock products 8.8 per cent, but these declines were offset in part by the fact Government payments were slightly more than twice the 1937 total. The 8.2 per cent decline for the six states of this District compares with a decrease of 11.0 per cent for the United States as a whole.

► The monthly estimates, somewhat less inclusive than the annual estimate because based on a smaller number of farm products, show a sharp drop from November to December in income from crops, and Government payments, offset in small part by an increase in receipts from livestock. The large decrease in December was largely due to the earlier movement of cotton.

► January sales of fertilizer tax tags in this District, although 43.3 per cent larger than in December, were 8.0 per cent less than a year earlier, but in the six months ending with January were 11.0 per cent larger than in that part of the previous season.

SIXTH DISTRICT BUSINESS STATISTICS

SALES		STOCKS		COLLECTION RATIO
Compared With		Compared With		
	Jan. 1939	Jan. 1939	Jan. 1939	Jan. 1939
	Dec. 1938	Jan. 1938	Jan. 1938	1939
RETAIL TRADE				
Atlanta	-56.3	+ 8.8	+ 4.1	26.2
Birmingham	-59.3	+ 0.5	- 0.9	34.6
Chattanooga	-56.6	+10.2	- 2.0	33.4
Montgomery	-61.7	+ 2.3	-20.7	..
Nashville	-57.5	+12.9	+ 3.1	30.1
New Orleans	-56.7	+ 1.7	+ 3.6	..
Others	-52.7	+ 0.9	- 1.6	31.2
DISTRICT (47 Firms)	-55.9	+ 3.8	+ 0.5	30.8
WHOLESALE TRADE				
Groceries	- 5.4	- 3.9	-21.7	80.3
Dry Goods	- 5.2	+13.9	+ 3.6	42.7
Hardware	+ 3.0	+13.9	- 2.8	47.8
Electrical Goods	-35.7	+ 3.1	-15.1	70.3
Drugs	- 0.2	+17.7	-10.3	71.6
Furniture	-22.2	+ 9.6
Shoes	+12.0	+46.3	..	33.9
TOTAL	- 7.3	+ 6.6	- 5.2	57.8

(000 Omitted)			
COMMERCIAL FAILURES—	Jan. 1939	Dec. 1938	Jan. 1938
DISTRICT			
Number (Actual)	75	49	87
Liabilities	\$ 1,112	\$ 589	\$ 1,057

CONTRACTS AWARDED—			
DISTRICT	\$ 20,156	\$ 34,430	\$ 11,379
Residential	6,144	7,092	3,324
All Others	14,012	27,338	7,855
Alabama	3,415	5,459	1,688
Florida	5,156	11,119	3,311
Georgia	4,495	7,000	1,925
Louisiana	3,763	7,043	2,164
Mississippi	3,533	6,609	985
Tennessee	3,809	3,196	5,061

BUILDING PERMITS—			
20 CITIES	4,272	6,756	2,931
Atlanta	441	179	234
Birmingham	141	499	404
Jacksonville	330	1,472	313
Nashville	115	267	82
New Orleans	365	272	277
15 Other Cities	2,881	4,067	1,621

PIG IRON PRODUCTION—Tons			
Alabama	251	251	153

COAL PRODUCTION—Tons			
Alabama	1,200	1,155	950
Tennessee	461	469	356

(000 Omitted)					
COTTON CONSUMPTION—	Jan. 1939	Dec. 1938	Jan. 1938	Aug.-Jan., 1938-39	Incl. 1937-38
Bales					
Alabama	61	63	42	355	317
Georgia	117	117	83	669	602
Tennessee	15	13	12	85	81
TOTAL THREE STATES	193	193	137	1,109	1,000

COTTON SEED CRUSHED—					
Tons*	122	153	224	1,022	1,515

FERTILIZER TAG SALES—Tons					
TOTAL SIX STATES	184	129	200	593	534

*Georgia, Alabama, Louisiana, and Mississippi.

(000 Omitted)					
FARM INCOME*—Six States	Dec. 1938	Nov. 1938	Dec. 1937	Jan.-Dec., 1938	Incl. 1937
Alabama	\$ 63,120	\$ 96,098	\$ 77,338	\$746,871	\$808,132
Florida	7,701	17,044	11,029	115,798	132,857
Georgia	7,985	8,280	9,363	101,734	123,598
Louisiana	7,774	12,797	9,889	131,212	140,476
Mississippi	12,432	24,170	12,582	117,299	117,150
Tennessee	12,865	21,579	18,429	153,628	163,656
TOTAL SIX STATES	14,363	12,228	16,046	127,200	130,395

ELECTRIC POWER PRODUCTION—kw hours					
Alabama	281,033	262,442	226,078	3,050,244	2,768,069
Florida	98,768	91,746	86,863	1,014,657	919,887
Georgia	132,066	131,960	156,467	1,490,189	1,742,160
Louisiana	147,576	143,044	131,699	1,639,875	1,668,391
Mississippi	5,785	6,332	5,896	72,924	76,520
Tennessee	202,024	189,684	117,195	1,754,658	1,396,212
TOTAL SIX STATES	867,252	825,208	724,198	9,022,547	8,571,239
By Water Power	405,500	402,805	386,120	4,901,890	4,666,882
By Fuels	461,752	422,403	338,078	4,120,657	3,904,357

SIXTH DISTRICT BUSINESS INDEXES (1923-1925=100 except as noted)

RETAIL SALES*—Unadjusted	Jan. 1939	Dec. 1938	Jan. 1938
DISTRICT (27 Firms)	91.0	202.8	86.3
Atlanta	164.2	366.9	151.4
Birmingham	74.8	191.4	76.2
Chattanooga	69.7	154.4	63.2
Nashville	82.5	159.7	65.2
New Orleans	77.2	171.5	75.9

RETAIL SALES*—Adjusted	Jan. 1939	Dec. 1938	Jan. 1938
DISTRICT (27 Firms)	115.2	119.3	109.2
Atlanta	218.9	222.4	201.9
Birmingham	103.9	112.6	105.8
Chattanooga	88.2	99.0	80.0
Nashville	110.0	95.6	86.9
New Orleans	91.9	99.7	90.4

RETAIL STOCKS—Unadjusted	Jan. 1939	Dec. 1938	Jan. 1938
DISTRICT (24 Firms)	62.4	61.1	60.7
Atlanta	107.3	101.5	100.7
Birmingham	59.0	60.0	57.1
Chattanooga	53.2	48.6	54.3
Nashville	47.8	44.6	46.4
New Orleans	52.4	53.1	50.6

RETAIL STOCKS—Adjusted	Jan. 1939	Dec. 1938	Jan. 1938
DISTRICT (24 Firms)	68.6	68.7	66.7
Atlanta	116.6	116.7	109.5
Birmingham	65.6	65.9	63.4
Chattanooga	59.8	55.2	61.0
Nashville	54.9	49.6	53.3
New Orleans	57.6	59.7	55.6

WHOLESALE SALES—Total			
Groceries	66.5	71.7	63.7
Dry Goods	47.7	50.4	49.8
Hardware	52.6	55.5	45.2
Furniture	89.2	86.6	72.3
Drugs	54.1	69.5	53.4
TOTAL	114.4	114.6	116.9

CONTRACTS AWARDED—DISTRICT			
DISTRICT	57.4	97.8	32.4
Residential	43.8	50.5	25.1
All Others	66.5	129.8	37.3
Alabama	74.7	119.4	36.9
Florida	35.5	76.7	29.8
Georgia	67.4	105.0	28.9
Louisiana	59.8	112.0	34.4
Mississippi	183.2	342.8	51.1
Tennessee	68.7	57.6	91.3

BUILDING PERMITS—20 Cities			
Atlanta	38.0	60.0	26.1
Birmingham	28.5	11.6	15.1
Jacksonville	9.5	33.6	27.1
Nashville	40.1	178.9	38.3
New Orleans	18.2	42.1	12.9
15 Other Cities	28.3	21.1	21.5
TOTAL	52.6	74.2	29.6

PIG IRON PRODUCTION—ALABAMA*			
1938	106.2	106.2	64.8

COTTON CONSUMPTION—3 STATES*			
Alabama	163.0	156.4	115.7
Georgia	184.3	181.8	127.3
Tennessee	155.3	148.6	109.8
TOTAL	149.7	129.8	122.0

EMPLOYMENT (Av. for 1932 = 100)			
Alabama	130.7	134.3	132.1
Florida	121.0	121.0	117.8
Georgia	141.3	143.5	135.9
Louisiana	124.3	130.8	122.2
Mississippi	109.6	112.3	106.7
Tennessee	124.5	128.5	119.4
SIX STATES	130.5	133.7	127.3

PAYROLLS (Av. for 1932 = 100)			
Alabama	202.2	208.0	183.2
Florida	96.2	96.2	90.7
Georgia	182.9	190.9	159.6
Louisiana	142.1	152.0	147.9
Mississippi	138.2	136.1	137.6
Tennessee	157.1	161.8	141.3
SIX STATES	168.0	173.9	154.7

ELECTRIC POWER PRODUCTION*			
Alabama	Dec. 1938	Nov. 1938	Dec. 1937
Alabama	351.8	339.5	283.0
Florida	485.7	466.2	427.1
Georgia	219.8	227.0	260.4
Louisiana	554.2	555.1	494.5
Mississippi	89.5	101.0	90.9
Tennessee	322.0	312.4	186.8
SIX STATES	338.6	332.9	282.7
By Water Power	301.2	309.2	286.8
By Fuels	380.0	359.2	278.2

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

NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by Board of Governors of the Federal Reserve System

INDUSTRIAL production increased less than seasonally in January and the first three weeks of February, following a rapid advance in the latter half of 1938. Wholesale commodity prices continued to show little change.

Production

In January volume of industrial production, as measured by the Board's seasonally adjusted index, was at 101 per cent of the 1923-1925 average as compared with 104 in December. At steel mills, where activity usually increases considerably at this season, output in January and the first three weeks of February was at about the same rate as in December. Automobile production declined seasonally in the first two months of the year as retail sales showed about the usual decrease and dealers' stocks reached adequate levels. Output of cement declined in January, and there was also some reduction in output of lumber and plate glass. In the non-durable goods industries, where production had been at a high level in December, activity increased less than seasonally. Increases at cotton, silk, and tobacco factories were smaller than usual and at woolen mills there was a decline. Shoe production and sugar refining continued in substantial volume, and activity at meat-packing establishments showed little change, following a decline in December. Mineral production increased somewhat in January, reflecting an increase in output of crude petroleum.

Value of construction contracts awarded declined in January, according to F. W. Dodge Corporation figures, owing principally to a reduction in awards for publicly-financed projects, which had been in large volume in December. Contracts for privately financed residential building continued at the recent advanced level, while awards for private non-residential building remained in small volume.

Employment

Factory employment and payrolls showed the usual decline between the middle of December and the middle of January. In most individual industries, as well as in the total, changes in the number of employees were of approximately seasonal proportions. In trade, employment declined somewhat more than is usual after Christmas.

Distribution

Sales at department and variety stores and by mail order houses showed the usual sharp seasonal decline from December to January. In the first two weeks of February department store sales continued at the January level.

Volume of freight-car loadings in January and the first half of February was at about the same rate as in December.

Commodity Prices

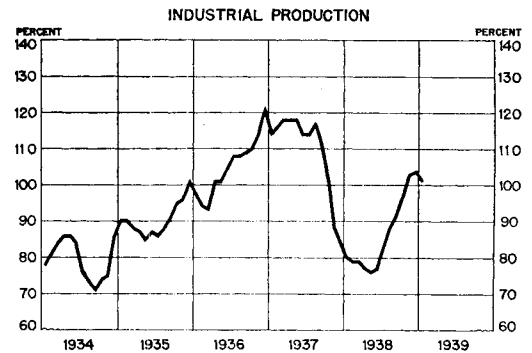
Wholesale commodity prices generally continued to show little change in January and the first three weeks of February. Grain prices declined somewhat, following a rise in December, while prices of hogs increased seasonally. Changes in prices of industrial materials were small.

Bank Credit

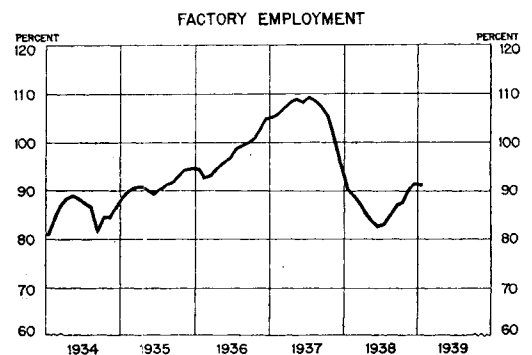
Excess reserves of member banks, which reached a record high level of \$3,600,000,000 on January 25, declined somewhat in February. This decline resulted chiefly from a temporary increase in Treasury balances with the reserve banks representing cash receipts from the sale of the new United States Housing Authority and Reconstruction Finance Corporation notes. Purchases of these notes were also responsible for an increase in total loans and investments of reporting member banks in 101 leading cities, following a decline during January.

Money Rates

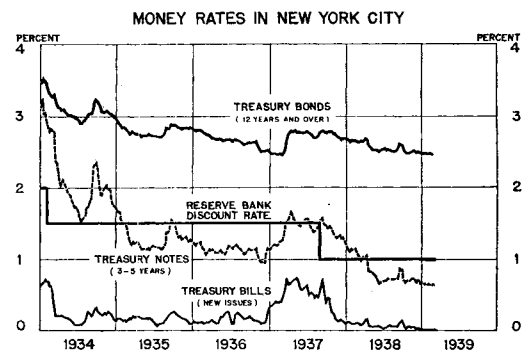
Average yields on United States Government securities declined further during the first three weeks of February to about the lowest levels ever reached. New issues of 91-day Treasury bills, after selling at par or at a slight premium in late December and early January, were again on a slight discount basis during February. Other open-market rates continued unchanged.



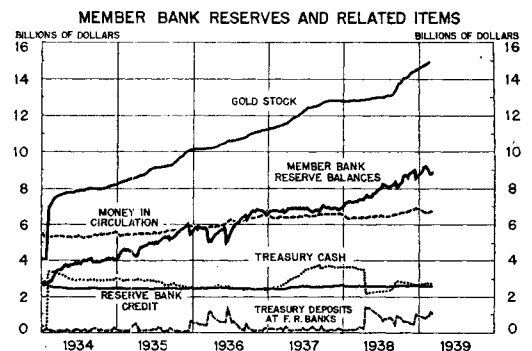
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1939.



For weeks ending January 6, 1934 to February 18, 1939.



Wednesday figures, January 3, 1934, to February 21, 1939.