

# MONTHLY REVIEW

## BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

October 31, 1939

**District Summary** *Industrial activity in the Sixth District showed substantial gains in September and wholesale distribution increased more than usual for the month, but department store sales recorded a smaller-than-seasonal advance. Construction contracts awarded in September increased 41.6 per cent, and residential awards rose 55.8 per cent. Textile operations advanced further after increasing 15.9 per cent in August. Pig iron production increased 13.1 per cent, steel mill activity rose to 90.0 per cent of estimated capacity, and coal output also increased.*

*The September increases over August in construction activity, textile operations, and pig iron output in this district were larger than for the country as a whole, but the changes in department store sales, coal production and in bank debits to individual accounts were less favorable. In comparison with September last year, the district changes in department store sales, residential awards, cotton consumption and coal output lead those for the country but total construction contracts, pig iron output and bank debits compare less favorably.*

**Trade** In September department store sales in the Sixth District increased less than seasonally, but wholesale trade rose by about twice the usual amount. Inventories, both retail and wholesale, increased. Business failures declined from August and were lower than a year ago.

▶ Department store sales, on a daily average basis, increased 16.9 per cent in September, which had only 25 business days, over the longer month of August, but the index, after seasonal adjustment, declined 3.0 per cent. The September index was, however, 11.4 per cent higher than in September last year and was the highest for September in the twenty years included in the series. September sales reported to the United States Department of Commerce by 155 wholesale firms in the District increased 15.9 per cent over August, following an August gain of 17.9 per cent over July, and were 15.3 per cent greater than a year earlier. Cumulated

totals for the January-September period show increases of 8.9 per cent in department store sales and of 8.5 per cent in wholesale distribution over that part of 1938.

▶ September inventories at department stores increased 15.5 per cent over August, and wholesale stocks rose by 14.8 per cent, and they were 6.1 per cent and 15.2 per cent, respectively, larger than a year ago.

**Banking** In recent weeks both loans and investments at weekly reporting member banks in leading cities of the Sixth District have increased. Interbank deposits have risen substantially since July.

▶ Total loans at these 22 banks have increased about 20.7 millions of dollars between mid-August, when they were the smallest in eleven months, and October 18, more than half of the gain being in the last two weeks of that period. Since August 16 loans for commercial, industrial and agricultural purposes have risen nearly 12 millions, and "All Other" loans have increased about 10 millions, while security loans and loans to banks have declined. Holdings of investment securities on October 18 were the largest reported for any Wednesday since March 24, 1937. Investments in direct obligations of the United States declined in the first half of the year, but holdings of securities carrying the guarantee of the United States Government have increased this year by more than half, and holdings of Other Securities have also increased in recent months. Compared with the corresponding Wednesday last year total loans on October 18 were larger by about 5.3 millions, and investments were 16.7 millions greater.

▶ Demand deposits-adjusted reached another record high level on September 27, and on October 18 were 45.2 millions greater than they were a year earlier. Interbank deposits have increased since July and have recently been well above the average for the first half of the year, and on October 18 were 53.4 millions greater than on the corresponding Wednesday a year ago.

▶ At the Federal Reserve Bank of Atlanta discounts for member banks, and industrial advances to business firms, have declined in recent weeks. Holdings of United States securities are also somewhat lower, partly because of a reduction in the bank's participation in the System's investment account at the beginning of the fourth quarter. Federal

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

	Oct. 18, 1939	Change From: Sept. 13, 1939	Oct. 19, 1938
Loans and Investments—Total	\$606,344	+24,373	+22,035
Loans—Total	302,689	+15,569	+5,327
Commercial, industrial and agricultural loans	164,369	+11,190	+391
Open market paper	3,421	+451	+911
Loans to brokers and dealers in securities	4,269	—763	—1,617
Other loans for purchasing and carrying securities	10,866	—379	—3,664
Real estate loans	31,537	+392	+3,082
Loans to banks	1,040	—9	—1,025
Other loans	87,247	+4,687	+7,249
Investments—Total	303,655	+8,804	+16,708
U. S. direct obligations	143,161	+782	—15,700
Obligations guaranteed by U. S.	63,382	+2,633	+21,516
Other securities	97,112	+5,389	+10,892
Reserve with F. R. Bank	122,330	—10,813	+20,985
Cash in vault	13,091	—385	+1,386
Balances with domestic banks	206,502	+2,421	+64,197
Demand deposits—adjusted	385,942	+1,595	+45,177
Time deposits	188,195	—27	+2,565
U. S. Government deposits	40,261	+382	+5,764
Deposits of domestic banks	275,612	+12,855	+53,441
Borrowings			

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

	Oct. 18, 1939	Change From: Sept. 13, 1939	Oct. 19, 1938
Bills discounted	\$145	—20	—515
Bills bought	19		
Industrial advances	645	—107	+467
United States securities, direct and guaranteed	109,245	—7,322	+4,724
Total bills and securities	110,055	—7,447	+4,677
F. R. note circulation	159,480	+5,137	+12,375
Member bank reserve deposits	196,822	—13,857	+31,851
U. S. Government general deposits	24,510	—21,045	—13,243
Foreign bank deposits	14,616	—1,131	+7,711
Other deposits	6,185	+661	+318
Total deposits	242,133	—35,372	+26,637
Total reserves	295,743	—23,653	+34,308
Commitments to make industrial advances	79	—60	—96

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

	Sept. 1939		Aug. 1939		Per Cent Change	
	Sept. 1939	Aug. 1939	Sept. 1938	Sept. 1939	From: Aug. 1939	Sept. 1938
<b>ALABAMA—</b>						
Birmingham..... \$	86,803	\$ 79,803	\$ 75,612	+ 8.8	+14.8	
Dothan.....	3,212	2,578	3,704	+24.6	-13.3	
Mobile.....	38,598	35,678	38,786	+ 8.2	- 0.5	
Montgomery.....	22,784	22,015	22,340	+ 3.5	+ 2.0	
<b>FLORIDA—</b>						
Jacksonville.....	69,898	67,648	60,974	+ 3.3	+14.6	
Miami.....	38,759	38,953	31,368	- 0.5	+23.6	
Pensacola.....	8,953	8,342	7,599	+ 7.3	+17.8	
Tampa.....	26,619	24,075	22,911	+10.6	+16.2	
<b>GEORGIA—</b>						
Albany.....	4,694	3,954	4,954	+18.7	- 5.2	
Atlanta.....	195,326	194,954	182,783	+ 0.2	+ 6.9	
Augusta.....	20,257	17,248	15,751	+17.4	+28.6	
Brunswick.....	2,256	2,235	2,237	+ 0.9	+ 0.8	
Columbus.....	15,294	14,262	12,915	+ 7.2	+18.4	
Elberton.....	1,154	928	1,051	+24.4	+ 9.8	
Macon.....	18,115	13,551	14,116	+33.7	+28.3	
Newnan.....	2,190	1,791	1,643	+22.3	+33.3	
Savannah.....	30,401	27,112	28,859	+12.1	+ 5.3	
Valdosta.....	4,508	9,237	4,670	-51.2	- 3.5	
<b>LOUISIANA—</b>						
New Orleans.....	242,407	200,400	227,056	+21.0	+ 6.8	
<b>MISSISSIPPI—</b>						
Hattiesburg.....	5,661	4,400	4,904	+28.7	+15.4	
Jackson.....	28,749	25,125	34,690	+14.4	-17.1	
Meridian.....	12,696	10,570	10,657	+20.1	+19.1	
Vicksburg.....	7,995	6,322	7,298	+26.5	+ 9.6	
<b>TENNESSEE—</b>						
Chattanooga.....	43,770	54,041	40,821	-19.0	+ 7.2	
Knoxville.....	30,708	30,764	27,712	- 0.2	+10.8	
Nashville.....	89,214	83,397	80,709	+ 7.0	+10.5	
<b>SIXTH DISTRICT</b>						
26 Cities.....	1,048,765	979,383	966,120	+ 7.1	+ 8.6	
<b>UNITED STATES—</b>						
141 Cities.....	\$33,664,165	\$30,613,184	\$29,525,276	+10.0	+14.0	

Reserve note circulation of this bank's issue has increased since midyear and on October 18 was the largest since early in January 1938. Member banks in the District have reduced their reserve deposits since early August by about 18 millions of dollars. Deposits of the United States Treasurer have also been reduced to the lowest level, on October 18, in a year and a half.

► Excess reserves of all member banks in the District, estimated on the basis of latest available data, amounted on October 18 to about 64.2 millions of dollars, or 48.4 per cent of legal requirements. In September estimated excess reserves averaged about 68 millions, which was also 48.4 per cent of legal requirements.

► Check transactions in September at 26 reporting cities in the District were 7.1 per cent larger than in August and 8.6 per cent greater than a year ago. At 141 centers throughout the country the increase over August was 10.0 per cent and the gain over September last year was 14.0 per cent.

**Agriculture** Farm income in the six states of the District increased substantially from July to August. The large increase in Georgia was partly due to the movement of tobacco, and Louisiana, Mississippi and Alabama also had large gains as cotton began to move. August receipts from crops and livestock in the six states combined, although up 47.0 per cent from July, were 16.0 per cent less than in August 1938. Government benefit payments increased only slightly in August but were half again as large as they were a year earlier, and the decline in total receipts, compared with August last year, was 11.3 per cent.

► Unfavorable weather conditions resulted in a reduction of 239,000 bales, or 4.9 per cent, in the October estimates of cotton in the six states of this District, compared with those a month earlier. The crop in Louisiana was further advanced

than in other states, but in Florida there was too much rain, and in some other parts of the District the long periods of dry weather were unfavorable for late fruiting and weevil damage was apparently heavier than had been anticipated.

► October estimates indicate some reduction from earlier expectations in the production of corn, peanuts, tobacco, sweet potatoes, hay, sugar cane, apples, pears and grapes, but estimates for pecans and potatoes increased.

► The first estimate of citrus fruit production in Florida from the 1939 bloom indicates a total of 35.9 million boxes of oranges, 2 million larger than last year, and a total of 17.1 million boxes of grapefruit, a decrease of 6.5 million boxes from the 1938-1939 season.

**Industry** In September building and construction activity and pig iron production reversed the August declines, textile operations increased further, and there were seasonal gains in coal output and cotton seed oil mill operations.

► The total value of construction contracts awarded in the District increased 41.6 per cent in September after declining about one-third between May and August. The September total had been exceeded only twice in more than two years. Contracts for residential construction, which accounted for more than half the month's total, were only slightly less than in May and with the exception of that month, were the largest since April 1926. The September residential total includes several large housing projects. Value of building permits issued at twenty reporting cities increased 8.0 per cent in September and was more than double the total for September last year. The September total was slightly less than that for July, but was larger than for any other month since December 1928. In the first three quarters of the year building permits have been 59.8 per cent larger than in that part of 1938, residential contracts increased 64.3 per cent, and other awards were up 14.4 per cent.

► Textile mill activity, reflected in the rate of cotton consumption, increased 10.4 per cent further in September, following a 15.9 per cent gain in August, and was at the highest level in more than two years. Cotton seed oil mill operations recorded a substantial gain, with the movement of the new cotton crop, but were slightly below September last year.

► Steel mill activity in the Birmingham area has risen further in recent weeks and at the middle of October was at 90.0 per cent of capacity. This represents a gain of 15.0 points in two months, and compares with the low for the year, at 43.5 per cent, at the beginning of May. A year ago the rate was 49.0 per cent. The rate of pig iron output in September rose 13.1 per cent in Alabama, and 12.6 per cent in the United States, over August, and Alabama production was 12.3 per cent greater than a year ago while for the country as a whole the increase over September 1938 was 71.9 per cent. All of the eighteen Alabama blast furnaces were in active operation the last week of September and the first half of October.

► Coal production in Alabama and Tennessee increased further in September to the highest level since February, and was 23.0 per cent greater than a year ago.

► Electric power production in the six states of this district increased 1.1 per cent in August and was 8.6 per cent greater than a year ago. The August rate was less than 1.0 per cent below the record high reported for June.



## NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

**V**OLUME of industrial production, which had turned up sharply last summer, advanced still more rapidly in the six weeks after the outbreak of war. Employment also increased but at a less rapid rate. Consumption of goods by industry and by individuals has not expanded so rapidly as production and orders. Buying of basic commodities, after a burst of activity in early September, has slackened considerably, but orders for many semi-finished goods and for finished products, particularly machinery and railroad equipment, have continued in large volume. Most orders have come from domestic sources. Prices of basic commodities advanced sharply in the early part of September, but in recent weeks prices of foodstuffs have declined while prices of industrial materials in most instances have been maintained. Prices of finished goods have shown a much smaller advance.

### Production

In September the Board's seasonally adjusted index of industrial production advanced to 110.0 per cent of the 1923-1925 average as compared with 103.0 in August and 92.0 last spring. Increases in output of iron and steel, flour, sugar, meat products, and petroleum were particularly marked in September. In the steel industry ingot production rose from an average rate of 61.0 per cent of capacity in August to 71.0 in September. In the first three weeks of October the rate advanced further to 90.0 per cent and actual volume of output was at the highest level on record. Flour production rose to near record levels and at meat-packing establishments activity was at the highest rate reached in several years. The sharp increase in output of crude petroleum followed a considerable reduction in the previous month and currently production is at about the high rate prevailing before wells were closed in the latter half of August.

In other industries increases in activity, though quite general, were not so marked. Automobile production showed a sharp seasonal rise as volume production of new model cars was begun at most plants, and in related lines, such as plate glass, activity also increased. Textile production increased somewhat further from the high level reached earlier. Shoe production, however, which had been in large volume in the first eight months of the year, decreased in September. Mineral production advanced generally and iron ore shipment schedules were expanded to build up stocks at lower lake ports before the close of the shipping season.

Value of construction contracts, as reported by the F. W. Dodge Corporation, rose further in September, reflecting a contraseasonal increase in private residential building. Other private construction showed little change and there was some reduction in the volume of new public projects, both residential and nonresidential.

### Distribution

In September and the early part of October department store sales increased considerably. Freight-car loadings also advanced sharply, with the most marked increases reported in shipments of coal and of miscellaneous freight, which includes most manufactured products.

### Commodity Prices

Wholesale prices of foodstuffs declined after the middle of September, following sharp advances earlier in the month. Prices of industrial commodities, which rose considerably until the third week in September, subsequently were generally maintained, although prices of some materials, such as steel scrap, hides, and rubber, declined from earlier peak levels.

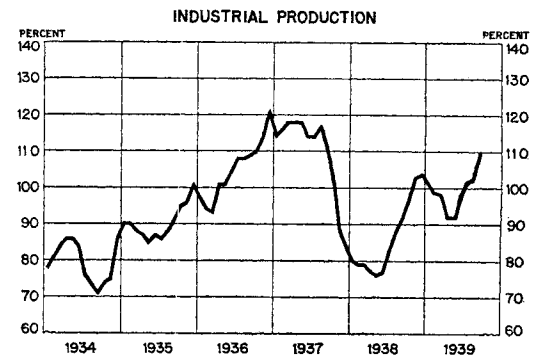
### Bank Credit

Following reductions during the early part of September, Government security holdings by member banks in 101 leading cities increased somewhat during the three weeks ending October 11, reflecting largely the purchase of Treasury bills. Commercial loans continued to increase, but at a less rapid rate than in late August and early September. The volume of demand deposits at city banks also increased further.

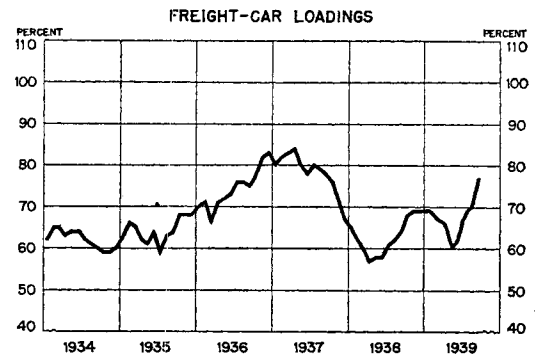
Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

### Money Rates and Bond Yields

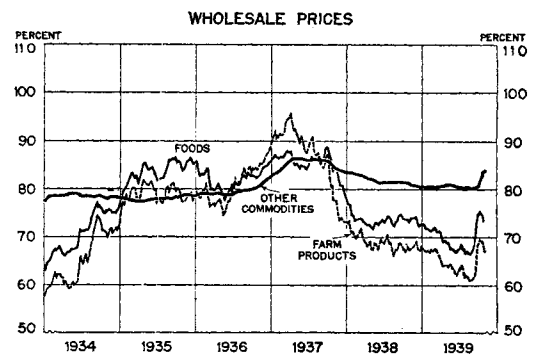
Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long-term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury notes declined to 0.78 per cent from 1.30 per cent early in September.



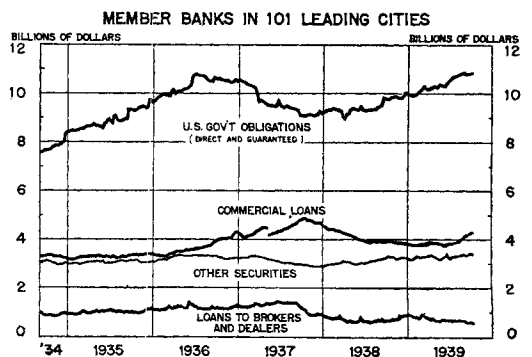
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to September, 1939.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to September, 1939.



Indexes compiled by U. S. Bureau of Labor Statistics, 1926 = 100. By weeks, 1934, to week ending October 14, 1939.



Wednesday figures for reporting member banks in 101 leading cities, Sept. 5, 1934, to October 11, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.