# MONTHLY REVIEW

# BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

October 31, 1939

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

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

	Oct. 18,	Change	
	1939	Sept.13,1939	Oct.19,1938
Loans and Investments-Total	\$606,344	+24.373	+22,035
Loans—Total		+15,569	+ 5,327
Commercial, industrial and	002,000	1-10,000	, 0,027
agricultural loans	164 200	+11,190	→ 391
O	3,421		+ 391 + 911
Open market paper	3,421	+ 451	+ 311
Loans to brokers and dealers	4.000	500	1.015
in securities	4,269	763	1,617
Other loans for purchasing			
and carrying securities		379	3,664
Real estate loans	31,537	+ 392	+ 3,082
Loans to banks	1,040	9	<b>—</b> 1,025
Other loans		+ 4,687	+ 7.249
Investments—Total		+ 8,804	+16,708
U.S. direct obligations		+ 782	-15.700
Obligations guaranteed by U. S		+2.633	+21.516
Other securities		+ 5,389	+10,892
Reserve with F. R. Bank		-10,813	+20.985
		— 10,813 — 385	+ 1,386
Cash in vault	13,091		
Balances with domestic banks		+2,421	+64,197
Demand deposits-adjusted		+ 1,595	+45,177
Time deposits	188,195	- 27	+ 2,565
U. S. Government deposits		+ 382	+ 5,764
Deposits of domestic banks	., 275,612	+12,855	+53,441
Borrowings			
L C ED AOED			

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 FEDERAL RESERVE BANK OF ATLANTA (In Thousands of Dollars)

	Oct.				From:	
		939	Sept.13,1	1939	Oct.19	3,1938
Bills discounted	. \$	145	_	20		515
Bills bought		19 645		107	+	467
United States securities, direct and					·	
guaranteed	109,		7		+	4,724
Total bills and securities	110,		<u> </u>			4,677
F. R. note circulation			+ ,5			12,375
U. S. Government general deposits		510	13 21	3,857		31,851 13,243
Foreign bank deposits		616	i			7,711
Other deposits	. 6.	185	+			318
Total deposits	. 242			3.372		26.637
Total reserves	295,	743	23	3,653		34,308
Commitments to make industrial						
advances		79		60	_	96

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DEBITS TO INDIVIDUAL ACCOUNTS (In Thousands of Dollars)							
ALABAMA— Birmingham\$ Dothan Mobile Montgomery	Sept. 1939	\$	Aug. 1939 79,803 2,578 35,678 22,015	\$	Sept.		+14.8 13.3 0.5
FLORIDA— Jacksonville Miami. Pensacola Tampa	69,898 38,759 8,953 26,619		67,648 38,953 8,342 24,075		60,974 31,368 7,599 22,911	+ 3.3 - 0.5 + 7.3 + 10.6	$^{+14.6}_{+23.6}_{+17.8}_{+16.2}$
GEORGIA— Albany Atlanta Augusta Brunswick Columbus Elberton Macon Newnan Savannah Valdosta	4,694 195,326 20,257 2,256 15,294 1,154 18,115 2,190 30,401 4,508		3,954 194,954 17,248 2,235 14,262 928 13,551 1,791 27,112 9,237		4,954 82,783 15,751 2,237 12,915 1,051 14,116 1,643 28,859 4,670	+18.7 + 0.2 +17.4 + 0.9 + 7.2 +24.4 +33.7 +22.3 -51.2	- 5.2 + 6.9 + 28.6 + 18.4 + 9.8 + 28.3 + 35.3 - 3.5
LOUISIANA—							
New Orleans	242,407		200,400	2	27,056	+21.0	+ 6.8
MISSISSIPPI—  Hattiesburg Jackson Meridian Vicksburg	5,661 28,749 12,696 7,995		4,400 25,125 10,570 6,322		4,904 34,690 10,657 7,298	+28.7 +14.4 +20.1 +26.5	+15.4 17.1 +19.1 + 9.6
TENNESSEE—							
Chattanooga Knoxville Nashville SIXTH DISTRICT	43,770 30,708 89,214		54,041 30,764 83,397		40,821 27,712 80,709	19.0 0.2 + 7.0	+ 7.2 + 10.8 + 10.5
26 Cities	1,048,765		979,383	9	66,120	+ 7.1	+ 8.6
UNITED STATES—	-,010,700		3, 0,000	·	,	,	, 5.0
141 Cities\$	33,664,165	\$3	0,613,184	\$29,5	25,276	+10.0	+14.0

DEDITE TO INDIVIDUAL ACCOUNTS

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 Digitized for FRASER

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.

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SIXTH DISTRICT BUSINESS STATISTICS SALES STOCKS COLLEC-			SIXTH DISTRICT BUSINESS INDEXES (1923-1925—100 except as noted)		
	Jan.S		TION RATIO	RETAIL SALES*—Unadjusted         Sept. 1939         Aug. 1939           DISTRICT (27 Firms)         133.4         114.1           Aug. 1939         114.1         114.1	119.7
Compa RETAIL TRADE Aug.1939	Sept. 1939 Comported with:	red Compared vith with	Sept. 1939	Atlanta     265.4     229.8       Birmingham     114.2     100.7       Nashville     116.3     94.6	239.9 105.4 94.8
Atlanta ± 9.2	+ 9.4 +1	11.6 + 14.7 10.9 + 6.5	25.9 29.2	New Orleans. 107.7 98.5	94.5
Birmingham + 7.2 Montgomery + 39.6 Nashville + 13.8	+ 6.1 + 4.2 +	9.5 —17.9 8.2 — 2.5	25 0	RETAIL SALES*—Adjusted         141.9         146.3	107.0
New Orleans + 1.2 Others	+14.0 + + 9.9 + + 9.7 +	5.7 + 8.6 8.5 + 0.8 8.9 + 6.1	29.1 30.2 28.0	Atlanta	127.3 237.5 108.7
WHOLESALE TRADE	T 3.7 T	0.5 + 0.1	20.0	Nashville         126.4         114.0           New Orleans         117.1         126.3	103.0 102.7
Groceries	+20.8 + +11.4 +	0.1 +22.7 7.9 + 8.6 17.9 +21.6	79.9 36.0	RETAIL STOCKS*—Unadjusted	
Hardware	+36.2 $+2$	17.9 +21.6 27.2 +36.7 9.8 + 7.1	44.2 56.4 60.0	DISTRICT (24 Firms) 80.4 70.3 Atlanta 145.3 131.4	74.0 124.0
Shoes. + 8.5 TOTAL + 15.9	15.0	8.0 8.5 +15.2	20.2 54.8	Birmingham         79.2         69.5           Nashville         56.7         49.5           New Orleans         68.3         57.1	73.3 58.2 62.8
(0)	O OMITTED)	<del>, , , , , , , , , , , , , , , , , , , </del>			02.8
COMMERCIAL FAILURES— S	oo OMITTED)	Sept. JanS 1938 1939	ept., Incl.	RETAIL STOCKS—Adjusted DISTRICT (24 Firms)	69.8
DISTRICTNumber\$	1939 1939 33 57 328 \$ 746 \$	1938 1939 54 495 748 \$ 5,995	1938 524 \$ 5,773	Atlanta       132.1       138.3         Birmingham       76.9       73.2         Nashville       53.0       50.0	112.7 71.2 54.4
CONTRACTS AWARDED—		* -,	, ,,,,,	New Orleans	59.8
DISTRICT \$ 27 Residential 15	5,255 9,790	27,548 \$218,270 6,095 95,979 21,453 122,291	\$165,289 58,409	WHOLESALE SALES—Total         86.2         74.4           Groceries         65.8         55.1	79.0
Alabama	5,262 2,661 7,646 8,694	21,453 122,291 4,488 33,060 6,843 68,064	106,880 21,145 51,565	Dry Goods	52.8 93.0 85.1
Georgia	5,256 2,714 5,476 2,899	4,570 46,353 8,913 47,271	32,192 37,603 20,939	Drugs	107.9
Mississippi	1,290 3,311 3,047 3,60 <b>7</b>	6,937 25,889 3,382 37,750	34,639	CONTRACTS AWARDED—DISTRICT         79.7         56.3           Residential         108.7         69.8	78.5 43.4
BUILDING PERMITS— 20 CITIES\$ 10	0,450 \$ 9,674 \$	4,984 \$ 69,860	\$ 43,721	All Others	101.8 98.1
Birmingham 3	2,563 436 3,215 300	342 6,475 165 5,997	2,794 1,984 7,423	Florida 52.7 59.9 Georgia 93.9 40.7 Louisiana 103.0 46.1 Mississippi 66.9 171.7	47.2 68.6
Jacksonville Nashville New Orleans	676 633 151 418 488 579	721 5,785 313 3,254 346 4,985	2,459 3,631	Louisiana 103.0 46.1 Mississippi 66.9 171.7 Tennessee 55.0 65.1	141.7 359.8 61.0
15 Other Cities 3	3,357 <b>7</b> ,308	3,097 43,364	25,430	<b>BUILDING PERMITS</b> —20 Cities	44.2
PIG IRON PRODUCTION—Tons Alabama	220 201	196 1,869	1,254	Atlanta       165.7       28.2         Birmingham       216.9       20.2	44.3 22.1 11.2
COAL PRODUCTION—Tons Alabama	1,105 1,036r	870 8,038	7,467	Jacksonville       82.2       76.9         Nashville       23.8       65.9	87.6 49.4
Tennessee	506 471r	440 3,560	3,085	New Orleans       37.9       45.0         15 Other Cities       61.3       133.4	26.9 56.5
	00 OMITTED) Sept. Aug.	Sept. Aug	.1-Sept.30	PIG IRON PRODUCTION—ALABAMA* 96.1 85.0	85.6
COTTON CONSUMPTION— Bales	1939 1939	1938 1939	1938	<b>COTTON CONSUMPTION—3 STATES</b> 180.7 163.7	147.2
Mabama Georgia Tannessee	71 68 128 126 15 15	56 140 105 254 14 30	110 212 29	Alabama     214.3     189.5       Georgia     169.1     154.5       Tennessee     154.9     146.6	166.7 139.0
Tennessee TOTAL THREE STATES	214 209	175 424	35ĭ	•	144.0
Tons*	210 63	237 273	329	EMPLOYMENT (Av. for 1932=100)         Alabama       134.5       130.2         Florida       95.7       95.2	126.8
FERTILIZER TAG SALES—Tons TOTAL SIX STATES	61 24	56 84	<b>7</b> 9	Georgia	93.5 135.5 134.4
*Georgia, Alabama, Louisiana a		00 04	73	Mississippi         112.0         106.4           Tennessee         132.2         129.5           SIX STATES         131.9         128.4	110.0 124.7 126.0
	•	Omitted)			120.0
FARM INCOME*—Six States. \$ 45	Aug. July 1939 1939 5,367 \$ 32,594 \$ 3	Aug. JanA 1938 1939 51,170 \$363,402		PAYROLLS (Av. for 1932=100)         Alabama	187.7
Alabama4 Florida	1.778 3.422	5.667 44.072	47 769	Georgia	75.5 171.0 154.2
Georgia	3,267 10,953 2 5,932 3,983 5,248 <b>2,3</b> 62	5,102 80,705 23,529 65,567 5,845 46,794 4,140 55,662	77,645 72,247 47,289 55,372	Mississippi       137.6       134.8         Tennessee       169.4       165.9	154.2 134.7 161.3
Tennessee	5,248 2,362 5,384 7,229	6,887 70,602	74,854	SIX STATES	161.5
ELECTRIC POWER PRODUCTION—kw hours				ELECTRIC POWER PRODUCTION*         Aug. 1939         July 1933           Alabama	9 Aug. 1938 339.5
Alabama	4,570 345,579 25 9,468 87,155 2,917 123,913 14	71,218 <b>2,</b> 480,530 74,758 728,914 19,329 1,100,099 55,723 1,189,266 5,998 40,857	1,987,942 655,359	Florida	367.7 248.6
Georgia	2,917 123,913 14 3,991 165,876 15 5,714 5,620	55,723 1,100,099 55,723 1,189,266 5,998 40,857	9/1,625 1,052,046 46,991	Louisiana       .634.6       622.9         Mississippi       .103.8       86.6         Tennessee       .196.7       252.4	604.3 92.3 <b>24</b> 8.2
Mississippi 6 Tennessee 123 TOTAL SIX STATES 896 By Water Power 526	3,456 158,344 16 5,116 886,487 82	5,998 40,857 58,395 1,235,291 25,421 6,774,957 11,655 4,096,560	1,006,399 5,720,362	SIX STATES	<b>322.2</b> <b>380.</b> 0
By Water Power 526 By Fuels 369	6,541 462,129 5 9,575 424,358 3	11,655 4,096,560 13,766 2,678,397	3,293,399 2,426,963	By Fuels	258.2 on, and of
*Includes Government payments.  I for FRASER	r = revised.			*Indexes of retail sales, electric power and pig iron producti cotton consumption are on a daily average basis.	,

<sup>\*</sup>Includes Government payments. r = revised. Digitized for FRASER

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## NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

VOLUME 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.

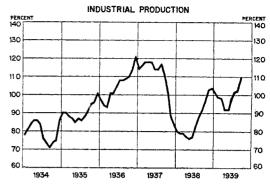
#### Bank Credit

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.

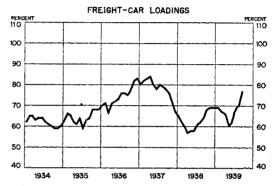
Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

## Money Rates and Bond Yields

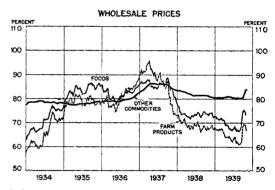
Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long-term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury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



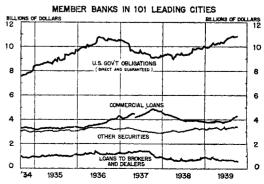
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to September, 1939.



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.