

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

May 31, 1940

District Summary April department store sales in the Sixth District declined more than seasonally, in contrast to the movement a month earlier, while wholesale trade declined less than it usually does. Total awards of construction contracts increased further in April by 23 per cent, residential awards were up 34 per cent, and building permits were 19 per cent larger. Coal output increased slightly in April, contrary to seasonal tendency, but there were small declines in textile operations and pig iron production. Since the middle of April steel mill activity has risen somewhat.

In comparison with April 1939, the adjusted index of department store sales was up 4 per cent, and for the months of March and April together total sales were 8 per cent greater than in those months last year. Wholesale trade was 11 per cent above April last year, and most of the available series of figures indicate a considerably higher level of industrial activity.

Business failures, in point of liabilities, increased 22 per cent in this District and 39 per cent in the country as a whole, over March, and in both the District and the country were 13 per cent less than in April last year.

Trade In April the actual dollar volume of Sixth District department store sales declined and was only about 3 per cent above that month last year. Allowing, however, for the earlier date of Easter and the fact that April had one more business day this year than in 1939, the adjusted index of daily average sales declined 14 per cent from March and was 4 per cent above April a year ago. In the first two weeks of May sales have been 11 per cent greater than in that period last year, and it seems reasonable to assume that, aside from purely Easter buying, at least a fair proportion of ordinary spring business was delayed by the unusually cool weather. For the country, the Board's adjusted index rose 1 per cent in April and was 2 per cent above April 1939.

► Sales reported to the United States Department of Commerce by 152 wholesale firms in this District were off 3 per cent in April, a decline less than usually occurs, and were up 11 per cent from April last year.

► In the January-April period department store sales have been 9 per cent greater than in that part of 1939, and wholesale trade has been up 11 per cent.

► April inventories at department stores increased 2 per cent and wholesale stocks were slightly off from March. Compared with April last year, however, stocks at both department stores and wholesale firms were up 10 per cent.

Banking In April and early May weekly reporting member banks in the Sixth District reduced their holdings of investment securities somewhat, the volume of loans changed little in the aggregate, and deposits continued in large volume.

► Since early January the principal changes in the components of total loans and discounts have been a decline of nearly 23 millions of dollars in commercial, industrial and agricultural loans, an increase of nearly 7 millions in "All Other" loans, and increases of 4.6 millions in holdings of direct obligations of the United States Government and 5.3 millions in "Other Securities," offset in part by a decrease of 3.7 millions in securities carrying the guarantee of the United States. Real estate loans have recently shown a small increase and at the middle of May were the largest since December, while security loans are somewhat smaller than they were in the first four months of the year. On May 15 total loans by these banks were slightly less than a year earlier, largely because of a decrease in commercial loans, but investment holdings were 21.9 millions larger, increases of 17.4 millions in "Other Securities" and of 6.1 millions in United States guaranteed securities being in only small part offset by a decrease of 1.6 millions in direct obligations of the United States.

► Demand deposits-adjusted recorded another all-time peak on May 8, time deposits on May 15 were the largest in seven years, and reserve deposits reached the largest total on record.

► At the Federal Reserve Bank of Atlanta discounts continued in small volume, and industrial advances declined

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

	May 15,	Change From:	
	1940	April 17, 1940	May 17, 1939
Loans and Investments—Total.....	\$626,201	— 7,677	+ 20,613
Loans—Total.....	306,821	— 96	+ 1,305
Commercial, industrial and agricultural loans.....	157,810	— 1,742	— 24,525
Open market paper.....	3,828	— 75	+ 1,211
Loans to brokers and dealers in securities.....	5,171	— 215	— 823
Other loans for purchasing and carrying securities.....	10,654	— 20	— 1,510
Real estate loans.....	31,807	+ 530	+ 1,831
Loans to banks.....	660	+ 29	— 333
Other loans.....	96,891	+ 1,397	+ 22,844
Investments—Total.....	319,380	— 7,581	+ 21,918
U. S. direct obligations.....	148,285	— 3,254	+ 1,567
Obligations guaranteed by U. S.....	66,537	— 3,053	+ 6,087
Other securities.....	104,558	— 1,274	+ 17,398
Reserve with F. R. Bank.....	144,877	+ 5,194	+ 33,713
Cash in vault.....	12,742	— 287	+ 1,187
Balances with domestic banks.....	240,710	+ 3,036	+ 65,654
Demand deposits-adjusted.....	413,198	+ 211	+ 46,423
Time deposits.....	191,020	+ 589	+ 2,021
U. S. Government deposits.....	47,511	+ 3,223	+ 8,406
Deposits of domestic banks.....	315,946	— 2,488	+ 80,512
Borrowings.....			

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

	May 15,	Change From:	
	1940	Apr. 17, 1940	May 17, 1939
Bills discounted.....	\$ 107	— 77	+ 30
Bills bought.....			+ 19
Industrial advances.....	288	— 515	— 509
United States securities, direct and guaranteed.....	104,446	+ 251	— 11,976
Total bills and securities.....	104,841	— 341	— 12,476
F. R. note circulation.....	160,385	+ 801	+ 10,574
Member bank reserve deposits.....	240,207	+ 5,144	+ 55,045
U. S. Government general deposits.....	26,847	— 5,314	— 22,428
Foreign bank deposits.....	13,890	+ 500	+ 4,346
Other deposits.....	5,630	— 1,217	— 1,916
Total deposits.....	286,574	— 888	+ 35,047
Total reserves.....	347,788	+ 1,118	+ 58,613
Commitments to make industrial advances.....	516	+ 449	+ 366

DEBITS TO INDIVIDUAL ACCOUNTS
 (In Thousands of Dollars)

			Percent Change	
	Apr. 1940	Mar. 1940	Apr. 1939	Mar. 1940
ALABAMA—				
Birmingham..... \$	97,336	\$ 98,601	\$ 81,584	— 1.3 +19.3
Dothan.....	2,935	2,966	2,966	— 1.0 — 1.0
Mobile.....	40,864	40,978	32,535	— 0.3 +20.4
Montgomery.....	22,438	22,664	20,470	— 1.0 + 9.6
FLORIDA—				
Jacksonville.....	85,237	89,519	73,391	— 4.8 +16.1
Miami.....	62,873	71,151	51,248	—11.6 +22.7
Pensacola.....	9,267	9,533	8,621	— 2.8 + 7.5
Tampa.....	32,717	35,366	28,175	— 7.5 +16.1
GEORGIA—				
Albany.....	5,423	5,567	4,252	— 2.6 +27.5
Atlanta.....	215,241	234,500	185,605	— 7.8 +16.5
Augusta.....	19,625	19,575	17,244	+ 0.3 +13.8
Brunswick.....	3,227	3,047	2,708	+ 5.9 +19.2
Columbus.....	16,621	16,579	12,850	+ 0.3 +29.3
Elberton.....	1,218	1,143	1,149	+ 6.6 + 6.0
Macon.....	15,554	16,601	13,617	— 6.3 +14.2
Newnan.....	1,939	1,968	1,734	— 1.5 +11.8
Savannah.....	28,937	29,906	26,118	— 3.2 +10.8
Valdosta.....	3,895	4,378	3,440	—11.0 +13.2
LOUISIANA—				
New Orleans.....	217,299	245,215	191,544	—11.4 +13.4
MISSISSIPPI—				
Hattiesburg.....	5,187	5,386	4,724	— 3.7 + 9.8
Jackson.....	29,121	31,432	24,714	— 7.4 +17.8
Meridian.....	12,397	12,377	10,749	+ 0.2 +15.3
Vicksburg.....	8,051	7,948	6,721	+ 1.3 +19.8
TENNESSEE—				
Chattanooga.....	44,011	44,449	41,595	— 1.0 + 5.8
Knoxville.....	32,252	32,276	27,443	— 0.1 +17.5
Nashville.....	85,288	86,948	73,290	— 1.9 +16.4
SIXTH DISTRICT—				
26 Cities.....	1,099,953	1,170,073	948,487	— 6.0 +16.0
UNITED STATES—				
274 Cities.....	\$37,780,000	\$37,769,000	\$32,822,000	+ 0.0 +15.1

while commitments increased. Member bank reserve deposits were at the middle of May at a new high level and 55 millions greater than a year ago. Total deposits and total reserves of this bank continued large and were, respectively, 35 millions and 58.6 millions greater than on the corresponding Wednesday last year.

► Estimated excess reserves of all member banks in the District, based on latest available figures, amounted on May 15 to about 83.3 millions of dollars, about 3.4 millions larger than the average for April, and a new record total.

► Check transactions at 26 reporting cities in the District declined 6 per cent in April. In the past twenty years there has always been a drop in April excepting in 1932. The April total was 16 per cent above that for April 1939 and the total for 274 centers throughout the country, which rose only by a small fraction of one per cent over March, was up 15 per cent over April last year. Transit clearings by the Federal Reserve Bank of Atlanta and its branches declined 2 per cent in number of items handled and 3 per cent in dollar amount in April, but were larger by 13 per cent in number and 18 per cent in amount than in April 1939.

Agriculture Planting and growth of crops in most parts of the Sixth District were retarded in April and early May by the unfavorably cool weather. Earlier freezes had already caused considerable damage to fruits and truck crops. According to reports of the United States Department of Agriculture the Georgia peach crop is expected to be about three-fourths that of last year, that in Alabama about 35 per cent of last year's crop and in Mississippi there is an indicated decrease of 55 per cent. Watermelon production in Florida, however, is expected to be about 8 per cent greater than in 1939. The Department's estimates of Florida citrus fruits from the 1939 bloom

were raised by a million boxes each for oranges and grapefruit between April 1 and May 1. Market prices advanced considerably following the winter freeze.

► In the week ended May 11, because of developments abroad, there were sharp declines in prices of farm products and foods, and after averaging about 10.62 cents per pound in March and April the ten-market average of spot cotton prices dropped to 10.09 cents on May 10 and to 9.58 cents a week later.

► Farm income in the six states of this District in the first two months of 1940 was down 3 per cent compared with that period a year earlier. Income from crops was 16 per cent less and that from livestock was 4 per cent lower, but Government benefit payments, totalling 20.6 millions, were up 53 per cent.

Industry Increased activity in building and construction was indicated in a further rise in contracts awarded and building permits issued in April, and coal output was slightly higher, but textile operations declined. Pig iron production recorded a further small decrease in April, but in recent weeks steel mill activity has risen.

► Total value of construction contracts awarded in the District during April, nearly 30 millions of dollars, was up about 23 per cent from March. Slightly more than half of this total was for residential contracts which increased 34 per cent over March. Total contracts were 34 per cent greater than in April last year and residential awards were up 37 per cent. In the January-April period total awards amounted to 106 millions, larger than a year ago by 18 per cent, and residential awards were about 44 millions, up 32 per cent. These cumulative totals are about double those for the corresponding part of 1938. In the 37 Eastern States April contracts increased 10 per cent over March but were 9 per cent less than a year ago, and the January-April total was 12 per cent less than for that part of last year. The value of April building permits at twenty cities in the District increased 19 per cent over March and was 17 per cent greater than a year ago, and the four-month total is the largest for that period since 1929.

► Cotton consumption by mills in Alabama, Georgia and Tennessee declined 5 per cent in April, was 20 per cent below the record total for November, and was only slightly higher than in August, just prior to the outbreak of war abroad. In the nine months of the current season consumption averaged 19 per cent greater than in that part of the season before. Operations at cotton seed oil mills declined further in April, as they always do.

► Steel mill activity has risen, both in the Birmingham area and in the United States, since the middle of April. In the Birmingham area operations averaged 79.1 per cent of capacity in April and have recently been at 81.5 per cent. In the country activity has risen from an average of about 61.5 per cent in April to 66.5 per cent. Production of pig iron in Alabama declined 2 per cent from March and was 9 per cent below the fifteen-year high recorded in January. In comparison with 1939, April output was larger by 21 per cent and the four months total was up 18 per cent. On May 1 seventeen blast furnaces were active, against 16 a month earlier.

► Coal production in Alabama and Tennessee increased slightly in April and was substantially greater than a year ago when operations were interrupted by an industrial dispute.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

INDUSTRIAL activity was steady during April after three months of sharp decline, and in the first half of May increases appeared in some lines, particularly steel. Prices of basic commodities showed mixed changes toward the middle of May, accompanying the extension of active warfare in Europe, while stock prices declined sharply.

Production

The Board's seasonally adjusted index of industrial production for the month of April was 102, compared with 104 for March and 109 for February. Steel ingot production was steady during April at slightly over 60 per cent of capacity as compared with an average rate of 64 per cent in March; in the first half of May output rose sharply and currently is scheduled at about 70 per cent of capacity. Automobile production in April continued at about the March rate, although ordinarily there is an increase at this season, and in early May declined somewhat. Retail sales of new cars approximated production in April and dealers' stocks of both new and used cars remained at earlier high levels. Output of plate glass, used largely by the automobile industry, declined considerably in April, and lumber production showed somewhat less than the usual seasonal increase. In the machinery, aircraft, and shipbuilding industries activity continued at the high rate of other recent months.

In the textile industry activity at cotton and woolen mills declined somewhat further in April, following considerable reductions in March. At silk mills activity remained at a low level, while rayon production was maintained at a high rate. Output at meat-packing establishments continued in large volume. There was some further curtailment in shoe production in April; in most other industries producing nondurable goods changes in output were largely seasonal in character.

Coal production, which usually declines sharply in April, showed only a small decrease this year. Output of crude petroleum, which had reached record high levels in March, was largely maintained in April and the first half of May, although stocks of crude oil were increasing and gasoline stocks were unusually large.

Value of construction contract awards increased further in April, reflecting principally a rise in contracts for private building, according to figures of the F. W. Dodge Corporation. Awards for private residential building were in somewhat larger volume than a year ago. Private nonresidential building was about one third greater than at this season last year and was near the previous peak level reached in mid-1937. Awards for public construction, however, were considerably below the level of last spring.

Distribution

Distribution of commodities to consumers showed little change in April and the first half of May. The Board's seasonally adjusted index of department store sales was 90 per cent of the 1923-1925 average in April, about the level that has prevailed since the first of the year but below the peak of 96 reached last December.

Foreign Trade

Exports of United States merchandise, which have been at a high level since last December, declined somewhat in April. A large part of the decrease in April was accounted for by the complete cessation of shipments to northern European countries after outbreak of hostilities there, but declines were also reported in shipments to most other countries. Exports to Canada, the Union of South Africa, and France, however, increased.

During April, the monetary gold stock of the United States increased by \$337,000,000, the largest increase since August 1939. Acquisitions of gold in the first two weeks of May totaled \$169,000,000.

Commodity Prices

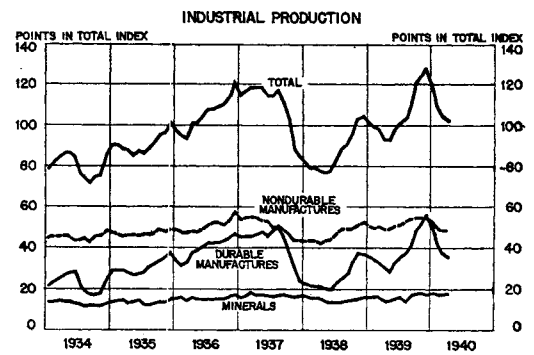
Prices of a number of basic commodities, which had been declining after a rise in April, advanced from May 10 to May 14. Increases in this period were particularly marked for imported materials, such as rubber, tin, and silk. Grain prices rose at first but subsequently showed sharp declines. Price changes for other commodities were mixed; steel scrap advanced, while cotton declined considerably. Prices of certain steel products, which had been reduced early in April, were restored to earlier levels on May 1, and producers announced that steel purchased at the lower prices must be taken by the buyers on or before June 30.

Government Security Market

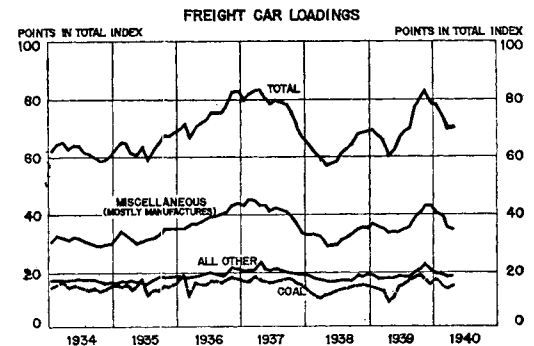
Prices of United States Government securities declined sharply from May 10 to May 14, accompanying the further spread of war in Europe. Prices of long-term Treasury bonds on May 14 were $3\frac{3}{4}$ points below the high point reached on April 2. The yield on the 1960-65 $2\frac{3}{4}$ per cent bonds rose from 2.26 per cent on April 2 to 2.48 per cent on May 14.

Bank Credits

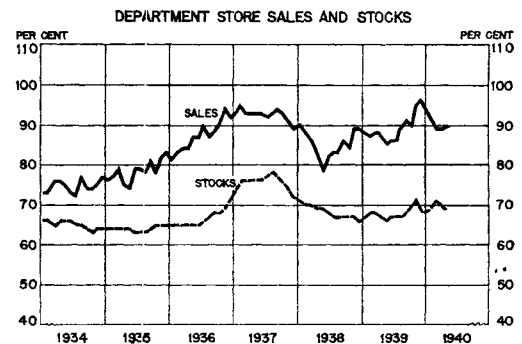
Total loans and investments at reporting member banks in 101 leading cities increased during the four weeks ending May 8. Most of this increase was at New York City banks and reflected purchases of United States Government obligations. Deposits and reserves of banks in leading cities continued at record high levels.



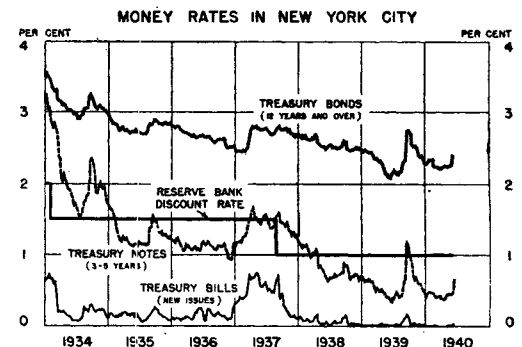
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in total index. By months, January, 1934, to April, 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in total index. By months, January, 1934, to April, 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to April, 1940.



For weeks ending January 6, 1934, to May 18, 1940.