

MONTHLY REVIEW

BUSINESS CONDITIONS IN THE SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

July 31, 1940

District Summary *In the first half of 1940 Sixth District business and industry compared favorably with that part of last year. Department store sales were greater by 7 per cent, wholesale trade was up 5 per cent, and business failures were fewer by a considerable margin. Construction contracts were up 14 per cent and building permits at reporting cities were 40 per cent greater, pig iron production was 26 per cent larger, and textile operations averaged 9 per cent higher.*

For the month of June most comparisons with May are unfavorable. Sales by department stores and wholesale firms declined slightly more than usual and failures increased, construction contracts and building permits were not equal to the large May totals, and textile operations and pig iron production were somewhat lower.

In comparison with June last year, however, department store sales were 5 per cent larger and wholesale trade was up 3 per cent and most lines of industrial activity were at higher levels.

Trade Sixth District department store sales declined 1 per cent more than might have been expected in June, after recovering in May half of the April decline. The June index was, however, 5 per cent above that for June 1939, and in the first half of 1940 department store sales averaged 7 per cent greater than in that part of last year. The Board's seasonally adjusted index for the United States advanced 7 per cent in June and was 8 per cent above that for June last year, following a less favorable showing in May. In the first half of July District sales averaged 8 per cent larger than a year ago, and if this gain should hold for the entire month it would mean a rise of about 9 per cent over June in the seasonally adjusted index.

▶ Wholesale trade reflected in sales figures reported to the United States Department of Commerce by 147 firms in this District, was off 8 per cent in June, a loss somewhat larger than usual. June sales were 3 per cent larger than

a year ago, and the January-June total was up 5 per cent from that part of last year.

▶ Department store inventories declined about 4 per cent more than usual in June but were 5 per cent larger than a year earlier, and wholesale stocks were down slightly from May but 10 per cent larger than a year ago.

Banking At weekly reporting member banks in leading cities of the Sixth District demand deposits-adjusted reached a new record level on June 26 but have more recently been slightly lower, and other deposits have declined somewhat. Total loans and investments continued the previous decline through July 3 but in the following two weeks there was a slight reversal as both loans and investments have increased somewhat. The July 3 total of loans and investments at these banks was the smallest reported for any Wednesday since November 1. Total loans have not fluctuated materially in the past four months, but there was a decline of about 30 millions of dollars in the volume of loans for commercial, industrial and agricultural purposes between early January and July 3, and on July 17 they were 26 millions less than on the corresponding Wednesday a year ago. Between January 3 and July 3, however, "All Other" loans increased about 16 millions and they have more recently been about 27 millions greater than they were a year ago. Investments held by these banks continued the earlier increase through March 20, when they were the largest on record, but have since declined to a point below that at the beginning of the year. The decline in recent months has been due to a reduction in holdings of United States securities, both direct and guaranteed, as "Other" securities have shown a steady though small increase through June.

▶ Demand deposits-adjusted, after reaching a new peak on June 26, have more recently been slightly less, although on July 17 they were 55 millions greater than a year earlier. Time deposits have been somewhat less in July, and inter-bank deposits have declined about 27 millions from the April 17 peak, although on July 17 they were up about 51 millions from a year ago.

▶ In recent weeks total deposits and member bank reserve deposits at this bank have been less than the record totals

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

	July 17,	Change From:	
	1940	June 12, 1940	July 19, 1939
Loans and Investments—Total	\$618,767	- 9,764	+ 19,830
Loans—Total	307,923	+ 357	- 1,345
Commercial, industrial and agricultural loans	151,696	+ 365	-25,993
Open market paper	3,359	- 614	+ 369
Loans to brokers and dealers in securities	4,464	- 354	- 3,159
Other loans for purchasing and carrying securities	10,779	+ 66	- 1,233
Real estate loans	32,238	+ 7	+ 1,489
Loans to banks	1,006	+ 248	- 251
Other loans	104,381	+ 639	+27,433
Investments—Total	310,844	-10,121	+21,175
U. S. direct obligations	143,023	- 6,783	+ 1,832
Obligations guaranteed by U. S.	63,023	- 1,962	+ 4,838
Other securities	104,798	- 1,376	+ 14,505
Reserve with F. R. Bank	141,616	- 8,538	+30,776
Cash in vault	13,170	- 841	+ 930
Balances with domestic banks	233,238	+ 2,978	+58,642
Demand deposits-adjusted	432,280	+ 1,532	+ 55,121
Time deposits	191,067	- 537	+ 6,853
U. S. Government deposits	36,857	- 8,016	- 3,025
Deposits of domestic banks	291,061	-14,839	+50,924
Borrowings			

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

	July 17,	Change From:	
	1940	June 12, 1940	July 19, 1939
Bills discounted	\$ 184	+ 65	+ 59
Bills bought		+ 3,397	- 19
Industrial advances	231	- 27	- 535
United States securities, direct and guaranteed	89,843	-14,707	-16,397
Total bills and securities	90,258	-14,670	-16,894
F. R. note circulation	167,496	+ 3,397	+ 16,240
Member bank reserve deposits	226,636	-13,901	+43,374
U. S. Government general deposits	13,479	+ 307	-36,587
Foreign bank deposits	25,480	+ 9,304	+ 15,714
Other deposits	5,106	- 247	- 2,021
Total deposits	270,702	- 4,536	+20,481
Total reserves	354,498	+ 13,830	+53,773
Commitments to make industrial advances	511	- 4	+ 371

DEBITS TO INDIVIDUAL ACCOUNTS
 (In Thousands of Dollars)

			Per Cent Change	
	June 1940	May 1940	June 1939	June 1939
ALABAMA—				
Birmingham.....	\$ 92,012	\$ 97,937	\$ 80,798	— 6.0 +13.9
Dothan.....	2,229	3,039	2,685	—26.7 —17.0
Mobile.....	41,333	44,300	34,220	— 6.7 +21.0
Montgomery.....	19,671	25,137	20,983	—21.7 — 6.3
FLORIDA—				
Jacksonville.....	73,108	86,535	74,298	—15.5 — 1.6
Miami.....	50,370	57,318	40,698	—12.1 +23.8
Pensacola.....	9,393	10,291	8,758	— 8.7 + 7.3
Tampa.....	29,272	33,513	26,762	—12.7 + 9.4
GEORGIA—				
Albany.....	4,878	5,471	4,251	—10.8 +14.7
Atlanta.....	210,404	238,820	202,056	—11.9 + 4.1
Augusta.....	17,514	19,557	17,942	—10.4 — 2.4
Brunswick.....	2,896	3,235	2,422	—10.5 +19.6
Columbus.....	15,521	19,401	13,879	—20.0 +11.8
Elberton.....	1,135	1,295	1,004	—12.4 +13.0
Macon.....	14,713	16,933	14,714	—20.0 — 0.0
Newnan.....	1,559	1,887	1,646	—17.4 — 5.3
Savannah.....	28,862	31,357	27,335	— 8.0 + 5.6
Valdosta.....	3,415	4,739	3,432	—27.9 — 0.5
LOUISIANA—				
New Orleans.....	202,399	241,825	219,872	—16.3 — 7.9
MISSISSIPPI—				
Hattiesburg.....	4,648	5,148	4,417	— 9.7 + 5.2
Jackson.....	25,486	30,321	22,547	—15.9 +13.0
Meridian.....	12,443	12,969	10,459	— 4.1 +19.0
Vicksburg.....	7,012	8,080	5,996	—13.2 +16.9
TENNESSEE—				
Chattanooga.....	43,134	44,074	44,991	— 2.1 — 4.1
Knoxville.....	30,000	28,598	28,192	+ 4.9 + 6.4
Nashville.....	81,671	86,287	80,421	— 5.3 + 1.6
SIXTH DISTRICT—				
26 Cities.....	1,025,078	1,158,067	994,778	—11.5 + 3.0
UNITED STATES—				
274 Cities.....	\$35,005,000	\$37,257,000	\$36,883,000	— 6.0 — 5.1

for June 5. Total reserves, however, reached a new high level on July 10, and Federal Reserve notes of this bank's issue in circulation increased in early July to the highest level since October 1937. At the beginning of the third quarter this bank's participation in the System's holdings of Government securities was reduced nearly 15 millions of dollars. Deposits of foreign banks have recently increased.

► Excess reserves of all member banks in the District in the first half of June averaged 86.3 millions of dollars, a new record total. Recent estimates indicate a decline by July 17 to about 75 millions.

► Check transactions in June at 26 reporting cities in the District declined 12 per cent, but were 3 per cent larger than a year earlier. At 274 reporting centers throughout the country the June total was down 6 per cent from May, and 5 per cent less than in June 1939. Transit clearings at the Federal Reserve Bank of Atlanta and its branches declined 11 per cent in number of items and in total amount from May, but were 13 per cent larger in number and 4 per cent larger in amount than a year ago.

Agriculture Cash farm income in the six states of this District increased 21 per cent in May, after declining 13 per cent in April. May income from crop and livestock marketings was up 44 per cent from April, but Government payments declined 37 per cent. The January-May total is smaller by 4 per cent than for that part of last year.

► Sixth District farmers have apparently planted a slightly larger acreage in cotton this year than last. In Louisiana there is an increase of 3 per cent, in Tennessee 2 per cent and in Georgia 0.3 per cent, in Alabama and Mississippi the acreage is the same as a year ago, and in Florida it is 1.4 per cent smaller.

► Most parts of the District had excessive rainfall in the first half of July, and temperatures have averaged below

normal. On the basis of July 1 estimates by the United States Department of Agriculture it seems that more wheat, corn, oats, rye, barley, potatoes and pears are in prospect this year than were produced last year, but less tobacco, hay, sweet potatoes, peaches, grapes, rice and sugar cane. The corn crop is expected to be 32 per cent larger in these six states than it was in 1939, wheat increased 11 per cent and potatoes 3 per cent. The reduction in the peach crop of 35 per cent results from decreases of 80 per cent in Tennessee, 62 per cent in Mississippi, 61 per cent in Alabama and 5 per cent in Georgia, offset in small part by increases in Florida and Louisiana. In Florida, oranges from the 1939 bloom declined 18 per cent and grapefruit 33 per cent, from the season before as a result of the winter freezes.

► Wholesale prices of farm products declined nearly 8 per cent between May 4 and June 22, but recovered about 1.5 per cent in the two following weeks. The ten-market average of spot cotton prices declined from 10.68 cents per pound on June 14, the highest since March 8, to 10.42 cents on July 12.

Industry In the first half of 1940 the value of construction contracts awarded in the Sixth District was 14 per cent larger than in that part of 1939 and 80 per cent greater than two years ago, and building permits reported from twenty cities in the District were the largest for that part of any recent year. Contract awards in June, although down 11 per cent from May, were 4 per cent above the total for June last year. Accounting for 44 per cent of the total, residential contracts in the January-May period were 24 per cent greater than in that part of 1939 and double the corresponding total two years ago, and press reports indicate a further gain in June although the District figure is not yet available. Building permits declined 8 per cent in June compared with May, which had the largest monthly total since October 1926, but were 43 per cent greater than a year ago, and the January-June total was 40 per cent above that a year ago.

► Cotton textile mills in Alabama, Georgia and Tennessee consumed 5 per cent less cotton in June than in May, on a daily average basis, and about 22 per cent less than the record January total. For the current season, August through June, consumption has been 16 per cent greater than in that part of the 1938-39 season.

► Steel mill activity in the Birmingham area was at 96 per cent of capacity in the second and third weeks of July, according to The Iron Age, after dropping from 92 per cent in the latter half of June to 76.5 per cent in the holiday week ending July 6. The national rate declined from 88 per cent in the last week of June to 75 per cent in the holiday week and recovered to 87.5 per cent in the two following weeks. The daily rate of pig iron production in Alabama declined about 4 per cent in June but was 30 per cent above that month last year when there was a substantial rise over the month before. Output in the January-June period was up 26 per cent from that part of last year and the largest for the period in any recent year.

► Coal production in Alabama and Tennessee continued in June at about the May level and about one-third greater than a year earlier.

► Electric power production, on a daily average basis, rose 3 per cent in May to about the record January level. For the country as a whole the May increase was less than 1 per cent.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

VOLUME of industrial production increased rapidly during June and rose somewhat further in the first half of July. Distribution of commodities through retail and wholesale markets and by rail continued active.

Production

The Board's seasonally adjusted index of industrial production advanced from 106 in May to 114 in June. In that month, as in May, increases in activity were most marked in the iron and steel and textile industries where declines earlier in the year had been greatest.

Steel ingot production rose from 60 per cent of capacity at the beginning of May to 87 per cent in the latter part of June and was maintained at about that level in the first three weeks of July. Production of coke and pig iron showed similar sharp increases and iron ore shipments down the Lakes were at near-capacity levels. Demand for steel was general as most domestic steel-consuming industries were operating at high rates. Exports of steel, which had declined in April, rose to earlier high levels in May and June, amounting to about 10 per cent of steel-producing capacity.

Automobile production, which had begun to decline in May, continued to decrease in June and the first half of July reflecting in large part seasonal influences. Retail sales of automobiles were in large volume and dealers' stocks of new and used cars declined from the high levels prevailing earlier.

In the textile industry there was a further sharp advance in activity at woolen mills, and at cotton mills output was reduced less than seasonally. Rayon production was maintained at earlier high levels while at silk mills activity remained near the unusually low rate reached in May.

Coal production continued in large volume during June, but output of crude petroleum declined in the latter part of the month, owing to reduced production in Texas fields.

Value of construction contract awards showed little change from May to June, according to F. W. Dodge Corporation figures for 37 eastern States. Awards for private residential building decreased more than seasonally, following a sharp rise in May, and contracts for private non-residential building also declined. Contracts for public construction increased further in June, owing in part to expansion in the construction of Army and Navy air bases.

Distribution

Department store sales in June were maintained at the May level, although usually there is a considerable decline, and the Board's seasonally adjusted index advanced to 93 as compared with 87 in May and a level of about 89 earlier in the year. Sales at variety stores showed little change from May to June, continuing at the advanced level that has prevailed since the beginning of the year. In the early part of July department store sales declined seasonally from the June level.

Freight-car loadings increased further in June. Shipments of coal and miscellaneous merchandise continued to expand and loadings of coke, which usually decline at this season, showed a substantial rise.

Commodity Prices

Prices of a number of industrial materials, particularly steel scrap, copper, rubber, and silk, declined from the middle of June to the middle of July. Wheat prices also showed decreases in this period, while prices of livestock and products advanced owing partly to seasonal influences.

Agriculture

Production of major crops this season, according to the July 1 report of the Department of Agriculture, may be slightly lower than last season. Tobacco production will be sharply reduced from last year, when the crop was unusually large. Domestic supplies of wheat and other field crops as well as of vegetables and fruit are expected to show little change from last season. Indicated hog production this year will be about 10 per cent smaller than last year.

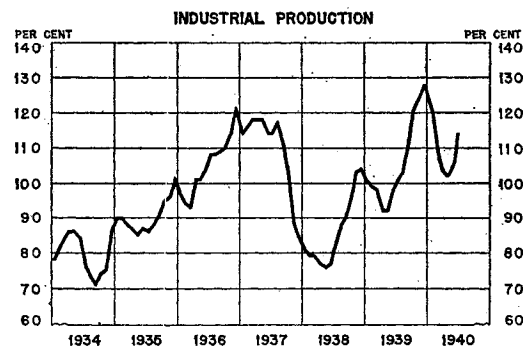
Bank Credit

Total loans and investments at reporting member banks in 101 leading cities increased during the five weeks ending July 10, chiefly as a result of increases in holdings of short-term United States Government obligations and in commercial loans. Holdings of United States Government bonds and loans to security brokers and dealers declined.

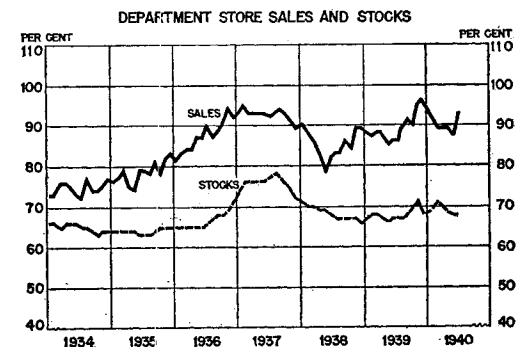
The monetary gold stock increased by \$885,000,000 in this five-week period, the largest gold acquisition for any corresponding period on record. This inflow of gold was reflected in a growth of \$310,000,000 in foreign bank balances with the Federal Reserve Banks and in increased deposits and reserves of member banks. On July 10, excess reserves of member banks amounted to \$6,833,000,000.

Government Security Market

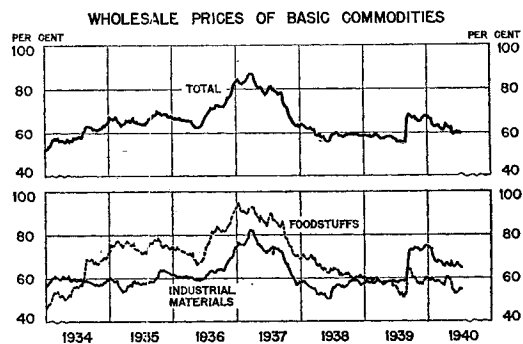
Prices of Government securities, which had advanced sharply in June, showed further increases after July 8 when the Treasury announced a new bond issue for cash subscription. Between June 10 and July 15 the price of the 1960-65 bonds rose about 3 points, and the yield on this issue declined from 2.52 per cent to 2.34 per cent as compared with 2.26 per cent at the year's peak in prices on April 2.



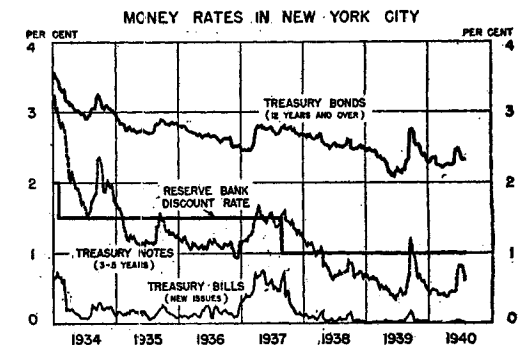
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to June, 1940.



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



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934, to July 11, 1940.



For weeks ending January 6, 1934, to July 13, 1940.