

District Summary of Business Conditions

Sixth District trade and industrial activity made further gains in August. Under the impetus of national defense preparations construction contracts awarded in August were the largest on record and were, indeed, larger than for any other Reserve District; pig iron output in Alabama was at a new high level and steel mill activity rose further.

► Retail distribution of merchandise, always larger in August than in July, increased about 4 per cent more than might have been expected. The August index is nearly 10 per cent above that for August last year, and the increase for the January-August period over that part of 1939 was about 8 per cent. Wholesale trade advanced 14 per cent in August, about the usually expected seasonal rise, and was 4 per cent greater than a year ago.

► Construction contracts awarded in August were nearly two and one-half times the July total, and almost five times the total for August 1939. Building permits, however, declined.

Alabama output of pig iron rose 4 per cent in August and was 34 per cent greater than a year ago, and steel mill activity in the third week of September advanced to 105 per cent of regular capacity, according to the *Iron Age*.

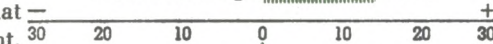
► Combined estimates by the United States Department of Agriculture of the cotton crop in the six states of this District increased 9 per cent between August 1 and September 1, and are now only 2 per cent below last year's production. These six states have apparently produced larger crops of wheat, corn, oats, rye, peanuts, pears and potatoes than in 1939, but decreases are indicated for sweet potatoes, tobacco, peaches, apples, grapes, rice and sugar. Both the rice and sugar crops in Louisiana were damaged by the August hurricane.

Reconnaissance

PER CENT DECREASE ▼ PER CENT INCREASE

- Retail Sales
- Wholesale Sales
- Building Permits
- Contracts Awarded
- Cotton Consumption
- Pig Iron Production
- Coal Production
- Employment
- Payrolls
- Bank Debts
- Bank Loans and Investments
- Demand Deposits—adjusted

Sixth District Statistics for August 1940 compared with August 1939



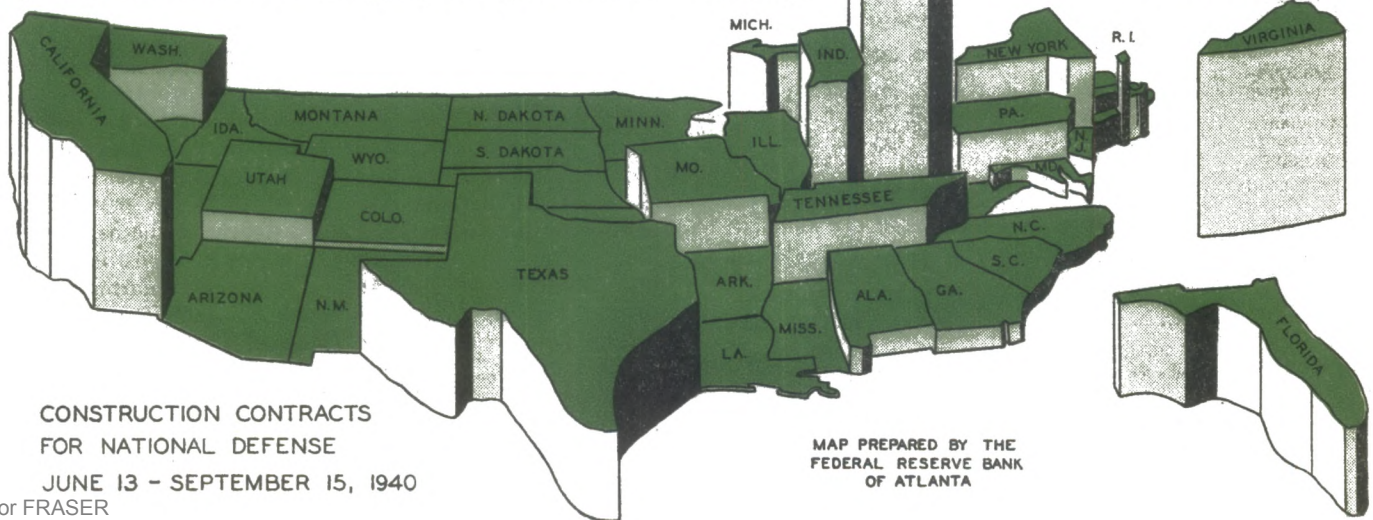
Construction Contracts and the Nation's Defense

National defense is the topic of the hour, injecting itself not only into political discussions, but, by sheer magnitude, into every appraisal of the economic situation. In this issue of the *Monthly Review* the influence of the defense program is flagged beyond the possibility of oversight by a 394 per cent rise in contracts awarded in this District in August over August 1939.

► So large a rise is difficult to comprehend. Suffice it to say that, had the bar representing contracts awarded in the Reconnaissance chart on this page been permitted to run its full length, it would have exactly covered the full width of two pages of the *Review*. The dollar volume of these contracts, \$97.5 million, represents an all time high in the history of the series. In February 1926 the volume of contracts awarded reached \$64 million, a record never before surpassed. This 1926 peak, however, established a level only 66 per cent as high as that of last month.

While contracts throughout the United States are finding new levels, the total volume of contracts in this District was far greater than that in any of the other 10 Federal Reserve Districts for which figures are reported. Nearest to Atlanta's total was New York's \$55 million, a sum only 56

On the map the surfaces of the states are raised to represent the dollar volume of construction contracts for national defense in each state. Projects are allocated to the states in which construction and pre-fabrication will apparently take place. The data, tabulated on page 3, cover all defense contracts for construction of the Army, the Navy (exclusive of shipbuilding), the Works Progress Administration, the Federal Housing Authority, and the Reconstruction Finance Corporation, for the period June 13 through September 15, 1940. No elevations of less than \$500 thousand are shown.



CONSTRUCTION CONTRACTS FOR NATIONAL DEFENSE
JUNE 13 - SEPTEMBER 15, 1940

MAP PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA

2 Monthly Review of the Federal Reserve Bank of Atlanta for September 1940

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

	Sept. 18		Change from :	
	1940	Aug. 14, 1940	Sept. 20, 1939	
Bills discounted	\$ 115	-- 108	--	92
Bills bought			--	19
Industrial advances	267	+ 58	--	484
United States securities, direct and guaranteed	89,289	-- 418	--	27,371
Total bills and securities	89,671	-- 468	--	27,966
F. R. note circulation	173,080	+ 1,421	--	17,860
Member bank reserve deposits	226,657	-- 4,049	--	25,230
U. S. Government general deposits	30,704	-- 2,137	--	13,576
Foreign bank deposits	23,227	+ 6,199	--	5,861
Other deposits	4,926	-- 150	--	1,533
Total deposits	285,514	-- 12,526	--	15,962
Total reserves	375,767	-- 9,209	--	62,038
Commitments to make industrial advances	510		+ 431	

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

	Sept. 18		Change from :	
	1940	Aug. 14, 1940	Sept. 20, 1939	
Loans and Investments—Total	\$643,117	+ 8,757	+ 58,202	
Loans—Total	316,275	+ 4,202	+ 27,928	
Commercial, industrial and agricultural loans	154,971	+ 3,043	+ 1,404	
Open market paper	2,004	-- 835	-- 1,143	
Loans to brokers and dealers in securities	4,536	+ 22	-- 464	
Other loans for purchasing and carrying securities	10,514	+ 54	-- 675	
Real estate loans	32,873	+ 276	+ 1,711	
Loans to banks	1,037	-- 996	+ 58	
Other loans	110,340	+ 2,746	+ 27,037	
Investments—Total	326,842	+ 4,555	+ 30,274	
U. S. direct obligations	151,387	+ 2,572	+ 8,766	
Obligations guaranteed by U. S.	67,390	+ 313	+ 5,115	
Other securities	108,065	+ 1,670	+ 16,393	
Reserve with F. R. Bank	145,981	-- 2,156	+ 19,117	
Cash in vault	13,730	-- 704	+ 1,115	
Balances with domestic banks	207,982	+ 5,792	+ 496	
Demand deposits—adjusted	433,781	-- 4,821	+ 51,537	
Time deposits	190,612	-- 609	+ 2,430	
U. S. Government deposits	42,008	-- 81	+ 2,216	
Deposits of domestic banks	288,553	+ 16,346	+ 24,451	
Borrowings				

DEBITS TO INDIVIDUAL ACCOUNTS (In Thousands of Dollars)

	Aug. 1940		July 1940		Aug. 1939		Percent Change Aug. 1940 from :	
	1940	1940	1940	1939	1939	July 1940	Aug. 1939	
ALABAMA—								
Birmingham	\$ 95,770	\$ 93,615	\$ 79,803			+ 2.3	+ 20.0	
Dothan	2,715	2,717	2,578			-- 0.1	+ 5.3	
Mobile	40,865	43,613	35,678			-- 6.3	+ 14.5	
Montgomery	23,734	21,946	22,015			+ 8.1	+ 7.8	
FLORIDA—								
Jacksonville	76,943	79,110	67,648			-- 2.7	+ 13.7	
Miami	44,758	46,893	38,953			-- 4.6	+ 14.9	
Pensacola	9,917	10,700	8,342			-- 7.3	+ 18.9	
Tampa	28,734	30,258	24,075			-- 5.0	+ 19.4	
GEORGIA—								
Albany	4,471	4,808	3,954			-- 7.0	+ 13.1	
Atlanta	220,151	228,993	194,954			-- 3.9	+ 12.9	
Augusta	17,597	18,224	17,248			-- 3.4	+ 2.0	
Brunswick	3,158	2,943	2,235			+ 7.3	+ 41.3	
Columbus	16,808	15,872	14,262			+ 5.9	+ 17.9	
Elberton	1,133	1,080	928			+ 4.9	+ 22.1	
Macon	15,962	15,010	13,551			+ 6.3	+ 17.8	
Newnan	1,884	1,952	1,791			+ 3.5	+ 5.2	
Savannah	28,161	28,076	27,112			+ 0.3	+ 3.9	
Valdosta	8,483	3,330	9,237			+ 154.7	-- 8.2	
LOUISIANA—								
New Orleans	201,199	213,853	200,400			-- 5.9	+ 0.4	
MISSISSIPPI—								
Hattiesburg	4,750	4,461	4,400			+ 6.5	+ 8.0	
Jackson	30,666	30,070	25,125			+ 2.0	+ 22.1	
Meridian	11,580	12,231	10,570			-- 5.3	+ 9.6	
Vicksburg	5,958	7,152	6,322			-- 16.7	-- 5.8	
TENNESSEE—								
Chattanooga	43,868	46,054	54,041			-- 4.7	-- 18.8	
Knoxville	30,553	32,096	30,764			-- 4.8	-- 0.7	
Nashville	87,083	83,850	83,397			+ 3.9	+ 4.4	
SIXTH DISTRICT—								
26 Cities	1,056,901	1,078,907	979,383			-- 2.0	+ 7.9	
UNITED STATES—								
274 Cities	\$32,845,000	\$35,947,000	\$33,314,000			-- 8.6	-- 1.4	

RETAIL TRADE — AUGUST 1940 (Cities for which no indexes are compiled)

	SALES		STOCKS	
	August 1940 compared with July 1940	August 1939	August 1940 compared with July 1940	August 1939
Macon	+ 6%	-- 3%	+ 2%	
Montgomery	+ 23%	+ 16%	+ 9%	+ 29%

per cent as great. The data do not cover the Twelfth District. It would seem reasonable to suppose that this construction activity is caused, at least in part, and probably in large part, by the impact of the national defense program. Indeed, during August, national defense construction contracts by the Quartermaster, the Navy (yards and docks only), the W. P. A., and the U. S. H. A., amounted to \$182 million, or 44 per cent of all construction contracts reported for that period. However, to measure the importance of defense construction in this District alone, or, for that matter, to measure the effect of defense upon any regional economic series, is more difficult.

Defense contracts are reported in semi-monthly releases of the Office of Government Reports. In these releases, individual contracts are listed by states, but the state to which a contract is attributed is that in which the office of the contractor is located. That is, if a contractor in Atlanta, Georgia, agrees to build an army barracks in South Carolina, the contract is listed under, and summed with, Georgia contracts. In drawing the map on page 1, and compiling the table below, an attempt was made to reallocate all construction contracts listed in the defense release covering the period June 13 to September 15 to the states in which the work was to be done. Projects calling for the installation of elaborate equipment were arbitrarily assigned to the contractor's state if it appeared from the nature of the project that installation was a minor part of the undertaking, and were split between the contractor's state and the state receiving the work if it appeared that installation and equipment were both important.

The picture provided by this compilation is much as would be expected, since, when so allocated, construction contracts for defense distribute themselves roughly in accordance with two criteria: the industrialization of the respective states, and their militarily strategic locations. The largest aggregations are in the industrial northeast, and on the coasts. Every Federal Reserve District, excepting only Minneapolis and Kansas City, has at least one state that towers above its neighbors. The equality of Federal Reserve Districts in this matter is more noticeable than would be expected from purely industrial considerations. The situation of the Ninth and Tenth Districts, each being both continental and agricultural, probably accords with reasonable expectation. It should be pointed out that the disproportionate height of Ohio is accounted for very largely by a single R. F. C. loan for the construction of an airplane manufacturing plant.

The procedure used in allocating construction contracts illuminates other phases of the defense program. Much is being written at the present time about the South's position in the program, and its prospects for developing defense industries. Most of these industries are, of course, located in the northeast, but the extent to which this is true is exaggerated by the frequently quoted figures of the national defense releases. While the South is not in a position to furnish munitions, it is capable of supplying enormous quantities of textiles. Adding the textile contracts awarded in the South, as reported by the Office of Government Reports, would indicate, and has led many to believe, that the South is not receiving its share of the awards. The impression obtained from the undigested reports may be regarded with skepticism when it is remembered that the contracts are listed as of the state of the contractor's office, and the con-

tractor may be only the New York agent of a Georgia mill. To obtain a truer picture from the releases, each textile contract, whose contractor could be found in *Davison's Textile Blue Book*, was reallocated to the state or states in which the contractor's mills were located. The orders of contractors having mills in more than one state were allocated, where possible, on the basis of the types of cloth made in each mill, and, when this criterion did not locate with reasonable probability the state that would make the cloth, the contract was split between the two or more states in which the mills were located. Orders whose contractors were not listed in *Davison's Textile Blue Book*, or those whose contractors were independent dealers, were not included in the tabulation.

This procedure provided the distribution of textile contracts presented in the table below. While in the original allotment, as provided by the releases, 46 per cent of the contracts was attributed to New York, only 5 per cent was retained by that state when the contracts were allocated according to the locations of the mills; and the South, faring badly in the original distribution, claimed 40 per cent of the whole after reallocation. According to mill locations, Georgia alone received 22 per cent of all contracts.

E. H.

CONSTRUCTION AND TEXTILE CONTRACTS FOR NATIONAL DEFENSE
Distributed By States
June 13 Through September 15, 1940
(In Thousands of Dollars)

States	CONSTRUCTION CONTRACTS		TEXTILE CONTRACTS	
	Allocated by Site of Project	As Reported Amount Per Cent	Allocated by Location of Mill Amount Per Cent	
Alabama	\$ 7,966	\$ 498 .6	\$ 1,269 2.6	
Arizona	276			
Arkansas	583			
California	45,131	29		
Colorado	1,668			
Connecticut	9,331	1,858 2.4	1,594 3.2	
Delaware	26			
Florida	31,600			
Georgia	6,995	4,018 5.1	10,567 21.5	
Illinois	16,398	355 .4	2,138 4.4	
Indiana	45,226	291 .3	347 .7	
Iowa	4	53 .1	53 .1	
Kansas	2,021			
Kentucky	1,583	3	3	
Louisiana	654	125 .2	116 .2	
Maine	1,241	755 1.0	295 .6	
Maryland	5,364	1,315 1.7	541 1.1	
Massachusetts	13,729	9,896 12.5	6,366 13.0	
Michigan	22,749	323 .4	324 .7	
Minnesota	864	119 .1	103 .2	
Mississippi	256	7	8	
Missouri	18,463	136 .2	125 .3	
Montana	99			
Nebraska	84			
New Hampshire	2,823	923 1.2	850 1.7	
New Jersey	7,319	6,521 8.3	5,727 11.6	
New Mexico	148			
New York	29,123	36,167 45.9	2,306 4.7	
North Carolina	4,282	3,934 5.0	4,198 8.5	
Ohio	138,203	596 .8	574 1.2	
Oklahoma	395			
Oregon	426	426 .5	426 .9	
Pennsylvania	15,547	5,518 7.0	3,543 7.1	
Rhode Island	26,836	2,039 2.6	2,392 4.9	
South Carolina	5,934	137 .2	1,426 2.9	
South Dakota	50			
Tennessee	20,065	534 .7	493 1.0	
Texas	29,282	626 .8	424 .9	
Utah	9,297			
Vermont			475 1.0	
Virginia	59,143	574 .7	623 1.3	
Washington	16,971	9	9	
West Virginia	14	374 .4	1,163 2.4	
Wisconsin	166	624 .8	627 1.3	
District of Columbia	1,418	68 .1		
TOTAL	\$599,753	\$78,851 100.0	\$49,105 100.0	

NOTE: These data are reallocations of contracts reported in "National Defense Program Contracts and Expenditures," press releases of the Office of Government Reports. The difference in the aggregate of textile contracts as reported and as reallocated results from omitting in the reallocations those contracts that could not be reliably attributed to any particular state.

SIXTH DISTRICT BUSINESS INDICATORS

Indexes
(1923-1925 average = 100, except as noted)

	Adjusted			Unadjusted		
	Aug. 1940	July 1940	Aug. 1939	Aug. 1940	July 1940	Aug. 1939
RETAIL SALES* (1935-1939 Av. = 100)						
DISTRICT (46 Firms)	123	118	112	107	81	98
Atlanta				122	81	115
Birmingham				113	88	101
Nashville				98	73	91
New Orleans				110	86	104
RETAIL STOCKS						
DISTRICT (23 Firms)	75	72	73	73	67	70
Atlanta	144	139	138	136	126	131
Birmingham	74	65	73	70	62	70
Nashville	52	53	50	52	50	50
New Orleans	61	58	58	59	55	57
WHOLESALE SALES						
TOTAL				68	60	74
Groceries				52	50	55
Dry Goods				65	40	75
Hardware				115	100	105
Drugs				106	98	105
CONTRACTS AWARDED						
DISTRICT				278	115	56
Residential				176	132	70
All Others				346	104	47
Alabama				166	180	58
Florida				226	127	60
Georgia				151	96	41
Louisiana				69	101	46
Mississippi				440	117	172
Tennessee				771	79	65
BUILDING PERMITS						
20 CITIES				79	90	86
Atlanta				28	134	28
Birmingham				26	24	20
Jacksonville				78	98	77
Nashville				140	27	66
New Orleans				31	89	45
PIG IRON PRODUCTION*				126	122	95
Alabama						
COTTON CONSUMPTION*						
THREE STATES				172	162	164
Alabama				212	190	190
Georgia				153	150	155
Tennessee				187	158	147
EMPLOYMENT (1932 Av. = 100)						
SIX STATES				128	125	128
Alabama				138	135	130
Florida				88	83	95
Georgia				142	139	141
Louisiana				120	120	130
Mississippi				97	97	106
Tennessee				131	128	130
PAYROLLS (1932 Av. = 100)						
SIX STATES				179	174	166
Alabama				239	230	204
Florida				87	89	83
Georgia				197	195	179
Louisiana				151	151	148
Mississippi				127	128	135
Tennessee				173	165	166
				July 1940	June 1940	July 1939
ELECTRIC POWER PRODUCTION*						
SIX STATES				408	400	346
Alabama				568	509	433
Florida				445	509	423
Georgia				213	192	206
Louisiana				681	684	623
Mississippi				67	83	87
Tennessee				296	339	252
				Aug. 1940	July 1940	Aug. 1939
COMMERCIAL FAILURES						
Number (Actual, not 1000ths)	53	64	65	467	477	
Liabilities	\$ 424	\$ 466	\$ 752	\$ 4,522	\$ 5,673	
COAL PRODUCTION—Tons						
Alabama	1,246	1,185	1,053	10,289	7,118	
Tennessee	497	470	484	4,001	3,186	
				July 1940	June 1940	July 1939
FARM INCOME**						
SIX STATES	\$ 31,978	\$ 39,253	\$ 37,063	\$349,002	\$368,076	
Alabama	3,677	4,181	4,045	45,431	46,678	
Florida	2,389	4,875	4,892	73,088	90,288	
Georgia	9,497	8,940	12,928	56,028	58,943	
Louisiana	3,573	9,306	4,557	52,671	49,585	
Mississippi	3,605	4,434	2,679	53,901	55,669	
Tennessee	9,237	7,517	7,962	67,883	66,913	

*Indexes of retail sales, electric power and pig iron production, and of cotton consumption are on a daily average basis.
**Includes government benefit payments.
r = revised.

National Summary of Business

Prepared by the Board of Governors of the Federal Reserve System

PRODUCTION and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

Industrial Production

The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

Distribution

Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase.

Freight car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

Commodity Prices

Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and, owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

Agriculture

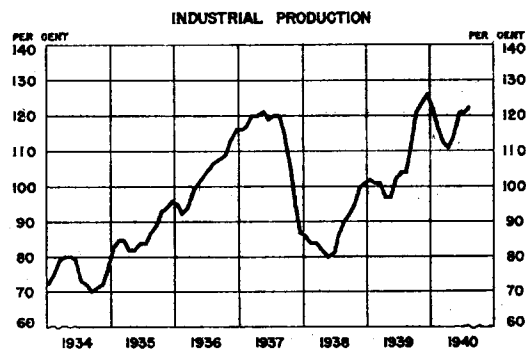
Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including Government payments, will be about \$8,900,000,000 for the calendar year 1940 as compared with \$8,540,000,000 last year.

Bank Credit

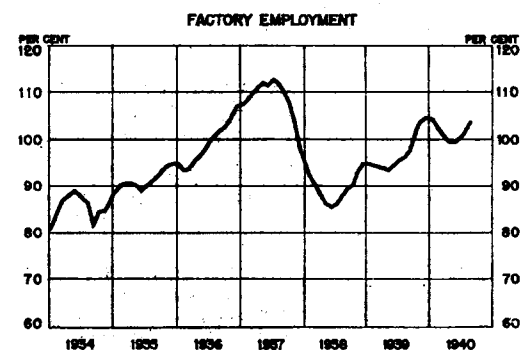
Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

United States Government Security Prices

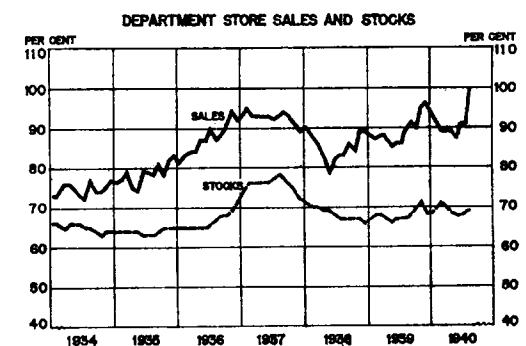
United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.



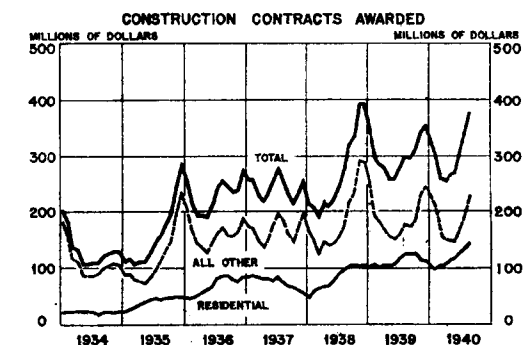
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January, 1934, to August, 1940.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to August, 1940.



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



Three-month moving average of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June, July, and estimates for August.