

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVI

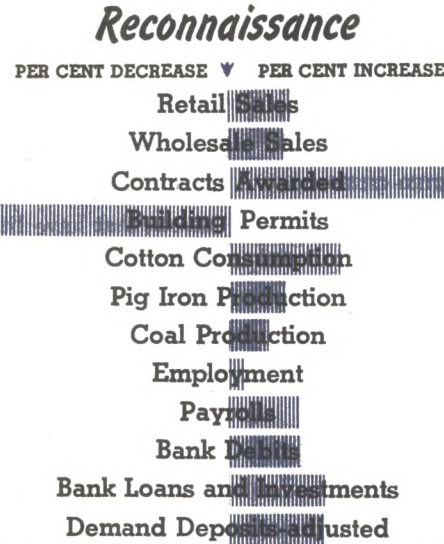
Atlanta, Georgia, January 31, 1941

Number 1

District Summary of Business Conditions

Sixth District trade and industrial activity continued at a high level in December. Department store sales recorded the usual large increase over November because of holiday business, and wholesale distribution declined slightly less than it usually does. New high levels were reached in the rate of production of coal and pig iron, textile activity was maintained at the November peak, and the value of construction contracts awarded in December had been exceeded only twice in the thirteen years for which District figures are available.

After increasing in November by 13 per cent, when there is usually a small decline, department store sales recorded a further gain in December just equal to the usual seasonal movement, so that after allowance for the seasonal factor the adjusted index for December remained at 129 per cent of the 1935-1939 average. This is the highest level reached by the adjusted index in December of any year in the series which begins with 1919. For the year 1940 department store sales in this District were 9 per cent greater than in 1939 and the annual index for the year, at 121 per cent of the 1935-1939 average, was higher than for any other year in the series with the single exception of 1920. For the country as a whole, the Board's adjusted index for December rose 1 per cent over November and was 6 per cent above that for December 1939. Wholesale trade in the District declined 7 per cent in December, a drop slightly less than usually occurs at that time, and was 7 per cent larger than in December 1939. For the



Sixth District Statistics for December 1940 compared with December 1939

Transits and Debits as Business Indicators

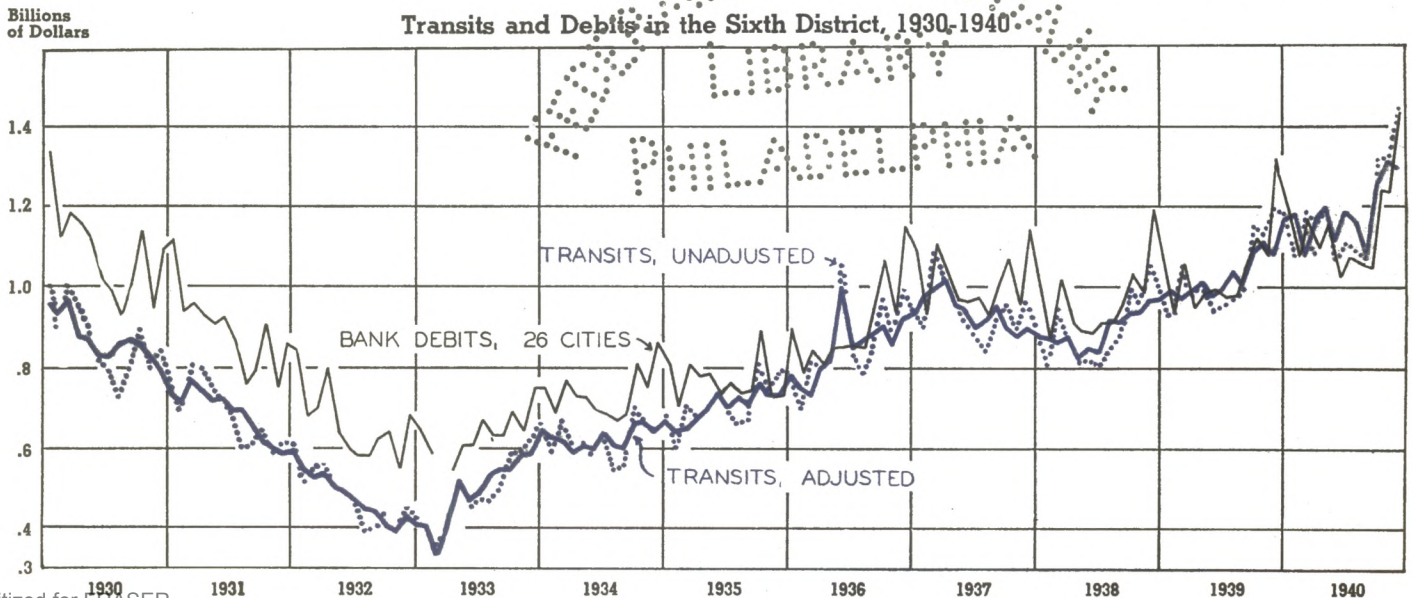
Since their establishment over 25 years ago, the Federal Reserve Banks have for such nonmember banks as choose to avail themselves of the System's par clearance facilities, an efficient clearing house for the settlement of inter-city checks between banks throughout the country. During 1939 checks to a total value of \$256 billions passed through the transit departments of the 12 Banks, and a volume of \$12 billions was handled by the Federal Reserve Bank of Atlanta.

In the process of performing this service the records of each Bank have accumulated as an interesting by-product. These figures, the monthly totals of the dollar volume of transit operations for

this Bank, are shown in the accompanying chart. The usefulness of these data lies in their capacity to measure, roughly, the over-all volume of business activity in the Sixth District. In this regard they are similar to the more familiar bank debit figures, and for comparative purposes the bank debits of 26 District cities, unadjusted for seasonal variation, are shown on the same chart.

Some nine-tenths of all business transactions are effected by the transfer of bank deposits, and, consequently, some nine-tenths of all business transactions are accounted in the computation of bank debits, and a slightly lesser proportion in the computation of inter-city clearings through the Federal Reserve Banks. Therefore, because of the magnitude of the sample provided, because of the automatically provided

Transits and Debits in the Sixth District, 1930-1940



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

	Jan. 15 1941	Dec. 18 1940	Jan. 17 1940	Per Cent Change Jan. 15, 1941 from	
				Dec. 18 1940	Jan. 17 1940
Bills discounted.....	\$.02	\$.04	\$.2	- 50	- 90
Industrial advances.....	.3	.3	.7	- 57	- 9
U. S. securities.....	91.1	83.8	100.4	+ 9	- 10
Total bills and securities.....	91.5	84.2	101.4	+ 9	- 10
F. R. note circulation.....	193.3	194.9	159.2	+ 1	+ 21
Member bank reserve deposits.....	249.6	226.1	213.0	+ 10	+ 17
U. S. Gov't general deposits.....	12.6	15.0	22.5	- 16	- 44
Foreign bank deposits.....	27.5	27.1	14.0	+ 1	+ 96
Other deposits.....	4.8	5.2	6.4	- 8	- 25
Total deposits.....	294.5	273.4	256.0	+ 8	+ 15
Total reserves.....	401.6	390.7	318.8	+ 3	+ 26
Industrial advance commitments.....	.1	.01	.1

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

	Jan. 15 1941	Dec. 18 1940	Jan. 17 1940	Per Cent Change Jan. 15, 1941 from	
				Dec. 18 1940	Jan. 17 1940
Loans and Investments—Total.....	\$691.0	\$713.2	\$635.6	- 3	+ 9
Loans—Total.....	367.4	373.8	316.2	- 2	+ 16
Commercial, industrial and agricultural loans.....	196.4	196.6	174.8	- 0	+ 12
Open market paper.....	4.0	3.6	3.9	+ 11	+ 3
Loans to brokers and dealers in securities.....	7.6	9.3	5.3	- 18	+ 43
Other loans for purchasing and carrying securities.....	11.1	11.2	11.1	- 1	...
Real estate loans.....	33.4	33.7	31.2	- 1	+ 7
Loans to banks.....	1.4	1.9	.6	- 26	+ 133
Other loans.....	113.6	117.6	89.2	- 3	+ 27
Investments—Total.....	323.6	339.4	319.4	- 5	+ 1
U. S. direct obligations.....	146.1	157.2	147.4	- 7	- 1
U. S. guaranteed obligations.....	61.4	63.4	72.1	- 3	- 15
Other securities.....	116.0	118.7	100.0	- 2	+ 16
Reserve with F. R. Bank.....	153.1	143.1	128.7	+ 7	+ 19
Cash in vault.....	14.8	16.5	13.3	- 10	+ 11
Balances with domestic banks.....	218.6	196.8	206.6	+ 11	+ 6
Demand deposits—adjusted.....	458.6	449.6	403.8	+ 2	+ 14
Time deposits.....	188.5	189.2	186.4	- 0	+ 1
U. S. Government deposits.....	29.1	40.3	44.5	- 28	- 35
Deposits of domestic banks.....	342.5	330.0	292.1	+ 4	+ 17
Borrowings.....

DEBITS TO INDIVIDUAL ACCOUNTS
(In Thousands of Dollars)

	Dec. 1940	Nov. 1940	Dec. 1939	Per Cent Change Dec. 1940 from	
				Nov. 1940	Dec. 1939
ALABAMA					
Birmingham.....	\$ 130,538	\$ 107,657	\$ 111,884	+ 21	+ 17
Dothan.....	3,808	3,430	3,214	+ 11	+ 18
Mobile.....	54,458	46,112	46,955	+ 18	+ 16
Montgomery.....	27,667	29,363	25,717	- 6	+ 8
FLORIDA					
Jacksonville.....	122,420	93,469	96,375	+ 31	+ 27
Miami.....	74,784	57,877	65,756	+ 29	+ 14
Pensacola.....	12,797	11,059	10,357	+ 16	+ 24
Tampa.....	41,468	38,809	35,473	+ 7	+ 17
GEORGIA					
Albany.....	6,945	6,454	5,913	+ 8	+ 17
Atlanta.....	291,420	251,918	260,866	+ 16	+ 12
Augusta.....	24,787	22,430	24,251	+ 11	+ 2
Brunswick.....	3,615	2,983	2,977	+ 21	+ 21
Columbus.....	26,248	21,928	14,852	+ 30	+ 43
Elberton.....	1,562	1,563	1,456	+ 6	+ 7
Macon.....	22,006	19,411	19,475	+ 12	+ 14
Newnan.....	2,856	2,866	2,498	+ 16	+ 14
Savannah.....	39,953	32,434	33,987	+ 23	+ 18
Valdosta.....	4,780	4,473	4,567	+ 7	+ 5
LOUISIANA					
New Orleans.....	259,702	239,601	278,816	+ 8	+ 7
MISSISSIPPI					
Hattiesburg.....	14,330	15,805	5,801	- 9	+ 147
Jackson.....	30,028	30,873	38,209	- 2	- 21
Meridian.....	15,701	13,804	13,824	+ 14	+ 13
Vicksburg.....	9,148	9,216	10,123	- 1	- 10
TENNESSEE					
Chattanooga.....	62,243	47,293	51,589	+ 32	+ 21
Knoxville.....	41,907	33,551	40,531	+ 25	+ 3
Nashville.....	109,410	92,350	106,349	+ 18	+ 3
SIXTH DISTRICT					
26 Cities.....	1,434,581	1,236,227	1,316,626	+ 16	+ 9
UNITED STATES					
274 Cities.....	46,673,000	39,088,000	43,447,000	+ 19	+ 7

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

	Sales for December compared with:		Nov. 1940	Dec. 1939
	Nov. 1940	Dec. 1939		
Chattanooga.....	+ 57	+ 5	+ 73	+ 7
Jackson.....	+ 45	+ 17	+ 56	+ 6
Jacksonville.....	+ 83	+ 23	+ 46	+ 13
Knoxville.....	...	+ 11

weighting of all transactions in terms of dollar volumes, because of the numerous geographic breakdowns at hand, and because of the easy and current availability of the data, bank debits and bank clearings have frequently been advocated and used as indicators of business activity.

As such, each series has merit, and it will be noticed in the chart that each follows quite well what we know to have been the general pattern of business in the past decade, but their failure stems from the same root as their advantages. That is to say, each is too all inclusive, counting alike business transactions that result in the creation of income, and transactions, such as security purchases, and the transference of existing assets, that have little significant connection with the creation of current income, and, because of being expressed in dollar values, each fails to distinguish movements in physical production from movements in price levels.

► In comparing debits and transits it will be noticed that:

(1) The most striking difference between the two series is that during the period of the chart the transit data have grown remarkably relative to the debits data. This relative growth cannot be accounted for in any important growth of banks utilizing the par clearance system during the decade. Rather, the disappearing difference between the two is chiefly to be explained by the growth of federal government expenditures during the period, and the much greater representation of these expenditures in the transit series. Debits to government accounts at commercial banks are included in the debit series, and such growth as has occurred in the expenditures of governmental accounts at commercial banks is reflected in the series, but the government draws far more heavily and more frequently against its deposits at the Reserve Banks; therefore, the expanding expenditures of the federal government are more adequately measured in the transit series.

That it is largely the growth of federal expenditures that accounts for the diminishing spread of the two series can be shown by correlating the difference between District debits and transits with government expenditures.

Aside from government expenditures, the principal difference between the debits and transit series is that the former consists in a sample of relatively large towns, while the latter includes all flows through this Bank and its branches to the account of large and small towns alike.

(2) A more particular illustration of the greater representation of government expenditures in the transit series occurs in 1936. In the middle of that year the transit series displays a remarkable fillip, while the debits series remains completely undisturbed. The explanation is ready at hand. The soldiers' bonus, distributed by checks upon the government's Reserve Bank account caused the transit data to rise immediately, while the debits data were affected later, and over a greater number of months, as the bonus receivers drew checks upon their commercial bank accounts.

► While those who criticize both debit and clearings series as indicators of business activity are unquestionably correct in pointing out that they contain and are importantly influenced by transactions having no real significance in the business picture, each of the series does have interest and utility, and because of the greater representation in the transit series of the expanding importance of government in the economy, it is possible that the decade picture provided by the transit series is more nearly in accordance with the true situation.

Announcement

We are pleased to announce that the Peoples and Union Bank, Lewisburg, Tennessee, was admitted to membership in the Federal Reserve System on January 2, 1941. This bank has capital stock of \$75,000, surplus \$75,000, and undivided profits more than \$14,000. President T. L. Cathey is actively in charge of its operations, and is assisted by Henry McKay, Cashier and Trust Officer, Paul Woodward, Assistant Cashier, and Frank Houston, Assistant Trust Officer. Mr. S. E. Crutcher is Chairman of the Board and Dr. R. B. Berry and Mr. Claude Montgomery are Vice Presidents. The Board of Directors includes, in addition to Chairman Crutcher, President Cathey, and Vice Presidents Berry and Montgomery, Messrs. R. L. Brown, T. L. Coleman, J. P. Fitzpatrick, Edgar Lambert, W. H. McLean, and C. A. Pickens, all of Lewisburg.

Continued from page 1

year, wholesale sales were up 4 per cent.

► Construction contracts awarded in the District rose 55 per cent from November to December and were nearly two and one-half times the total for December 1939. Both residential and non-residential awards increased in December by about the same amount percentagewise, and both were more than double the figures for December a year ago. For the year 1940 total awards in the district were 48 per cent larger than in 1939, residential awards were 41 per cent larger, and non-residential contracts were up 53 per cent. District figures of contracts awarded have been compiled since the beginning of 1927, and the 1940 total of about \$480 million is the largest annual total for any year in the series.

Textile activity in the District, reflected in the consumption of cotton by mills in Alabama, Georgia, and Tennessee, continued at the peak level reached in November and was 14 per cent above December 1939. Mills in these three states consumed 2.7 million bales of cotton in 1940, a gain of 9 per cent over 1939, and a new record for these states.

New high levels were also reached in the production of pig iron in Alabama, in December and in the year 1940. December output rose slightly over the November peak, and total output in 1940 was 20 per cent larger than in 1939, and the largest on record.

► Employment and payrolls in the six states of the District rose 3 per cent and 5 per cent, respectively, in December. Number of workers was 2 per cent larger than in December 1939 while payrolls were up 9 per cent. Since midsummer there has been in these states a gain of 15 per cent in the number of workers employed, and an increase of 23 per cent in payrolls. This is a rather definite indication that many workers, already numbered among the employed, are putting in more hours and consequently earning more money, than they were six months ago.

► Total loans and investments at weekly reporting member banks in the District have declined somewhat since the middle of December. The reduction has been largely in investments in Government securities and in "all other" loans. Loans for commercial, industrial, and agricultural purposes have declined only slightly.

SIXTH DISTRICT BUSINESS INDICATORS

	Indexes (1923-1925 average = 100, except as noted)					
	Adjusted			Unadjusted		
	Dec. 1940	Nov. 1940	Dec. 1939	Dec. 1940	Nov. 1940	Dec. 1939
RETAIL SALES* (1935-1939 Av. = 100)						
DISTRICT (47 Firms).....	129	129	119	223	141	206
Atlanta.....				230	151	207
Birmingham.....				223	147	202
Nashville.....				213	128	195
New Orleans.....				206	136	202
RETAIL STOCKS						
DISTRICT (22 Firms).....	80	85	73	72	94	65
Atlanta.....	158	166	135	138	188	117
Birmingham.....	74	79	67	68	89	61
Nashville.....	56	63	49	50	70	44
New Orleans.....	65	68	64	58	74	57
WHOLESALE SALES						
TOTAL.....				69	74	68
Groceries.....				50	52	53
Dry Goods.....				50	69	44
Hardware.....				123	125	103
Drugs.....				119	115	131
CONTRACTS AWARDED						
DISTRICT.....				156	101	65
Residential.....				150	99	71
Others.....				159	102	61
Alabama.....				76	116	44
Florida.....				101	85	57
Georgia.....				199	169	102
Louisiana.....				262	54	56
Mississippi.....				941	154	140
Tennessee.....				69	95	67
BUILDING PERMITS						
20 CITIES.....				47	49	71
Atlanta.....				47	21	17
Birmingham.....				21	33	15
Jacksonville.....				60	111	74
Nashville.....				31	23	18
New Orleans.....				51	42	23
PIG IRON PRODUCTION*						
Alabama.....				137	134	128r
COAL PRODUCTION (1935-1939 Av. = 100)						
TWO STATES.....	132	120	125	143	129	136
Alabama.....				148	135	141
Tennessee.....				130	117	123
COTTON CONSUMPTION*						
THREE STATES.....				217	217	191
Alabama.....				266	266	230
Georgia.....				200	200	179
Tennessee.....				184	185	151
EMPLOYMENT (1932 Av. = 100)						
SIX STATES.....				144	140	142
Alabama.....				157	152	146
Florida.....				117	104	121
Georgia.....				159	157	156
Louisiana.....				131	131	134
Mississippi.....				117	113	119
Tennessee.....				138	136	138
PAYROLLS (1932 Av. = 100)						
SIX STATES.....				212	202	194
Alabama.....				297	278	245
Florida.....				119	104	106
Georgia.....				235	227	215
Louisiana.....				163	164	161
Mississippi.....				153	145	153
Tennessee.....				191	184	183
ELECTRIC POWER PRODUCTION*						
SIX STATES.....				Nov. 1940	Oct. 1940	Nov. 1939
Alabama.....				445	434r	395
Florida.....				500	507	395
Georgia.....				568	551	554
Louisiana.....				240	208r	216
Mississippi.....				665	651	662
Tennessee.....				102	118r	86
				475	459	334

	Statistics (000 Omitted)			
	Dec. 1940	Nov. 1940	Dec. 1939	Year to Date 1940 1939
COMMERCIAL FAILURES				
Number (Actual—not 1000's)	33	38	36	634 678
Liabilities..... \$	\$ 363	\$ 744	\$ 437	\$ 6,975 \$ 7,843
FARM INCOME**				
SIX STATES.....	109,193	136,273	92,216	721,887 736,837
Alabama.....	18,890	24,460	13,421	105,918 103,113
Florida.....	12,397	6,022	7,911	99,465 112,813
Georgia.....	18,806	34,201	14,496	156,242 138,227
Louisiana.....	17,831	17,086	19,281	104,369 118,070
Mississippi.....	23,148	34,440	23,395	132,956 147,752
Tennessee.....	18,121	20,064	13,712	122,937 116,862

*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

INDUSTRIAL activity continued at a high rate in December and the first half of January and distribution of commodities to consumers was maintained in large volume. There was some increase in wholesale commodity prices.

Production

Volume of industrial production showed little change from November to December, although usually there is a decline at this season, and consequently the Board's adjusted index rose further by four points to 136 per cent of the 1935-39 average. Steel ingot production was sustained at about 96 per cent of capacity. New orders for steel continued large, according to trade reports, and were equal to or slightly greater than production; consequently the volume of unfilled orders remained at about the peak level reached in November. In the first half of January steel output increased to around 98 per cent of capacity. Activity in the machinery, aircraft, and shipbuilding industries continued to increase sharply and working forces were expanded further. In these lines and in some others, such as wool textiles, unfilled orders are exceptionally large, owing in the main to the defense program.

Automobile production declined somewhat more than seasonally in December following an unusually large volume of output in November and October. Retail sales of new cars during the last quarter of 1940 were about one-fourth greater than in the corresponding period last year and used car sales also were large. In the nonferrous metals industries activity increased further in December and output of lumber and cement showed less than the usual seasonal decline.

Textile production, which in November had exceeded the previous record levels reached a year ago, continued at this high rate in December, not showing the usual seasonal decrease. At cotton and rayon mills, activity increased somewhat further and at wool textile mills output was sustained at peak rates. In the shoe industry, where output had been in reduced volume during the first ten months of the year, there was less than the usual seasonal decline in November and December and, on a seasonally adjusted basis, production was close to earlier peak levels.

At mines bituminous coal production declined less than seasonally and anthracite production increased. Output of crude petroleum showed a reduction in December owing mainly to the fact that wells in Texas were closed for ten days as compared with nine days in November. Output of metals continued in large volume.

Value of construction contract awards, as reported by the F. W. Dodge Corporation, increased contraseasonally in December, reflecting further sharp increases in awards for defense construction and private nonresidential building. Contracts for private residential building declined by somewhat less than the usual seasonal amount.

Distribution

Distribution of commodities to consumers increased more than seasonally in December. Department and variety store sales showed the customary sharp expansion during the Christmas season and sales at mail-order houses rose more than is usual at this time of year.

Freight-car loadings showed a seasonal decline from November to December. Shipments of forest products and miscellaneous freight decreased less than seasonally, while ore loadings, which had been unusually large in November, declined sharply.

Wholesale Commodity Prices

Basic commodity prices generally increased from the middle of December to the middle of January, following little change during the preceding four weeks. Currently these prices are substantially above the level prevailing last summer. Increases in the past month were most marked for foodstuffs, especially hogs, pork, lard, and cottonseed oil, but there were advances also in a number of industrial materials, particularly pig iron, cotton, cotton goods, paint materials, and hides. Steel scrap prices, after increasing during most of the period, subsequently declined and lumber prices also decreased somewhat from the sharply advanced peak reached in November.

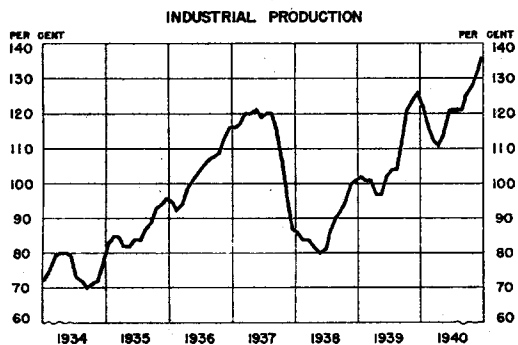
Bank Credit

Total loans and investments at reporting member banks in 101 leading cities continued to increase substantially during the six weeks ending January 8, reflecting principally increases in holdings of United States Government obligations at New York City banks. Commercial loans rose somewhat further while loans to New York security brokers and dealers, which had increased in December, subsequently declined somewhat.

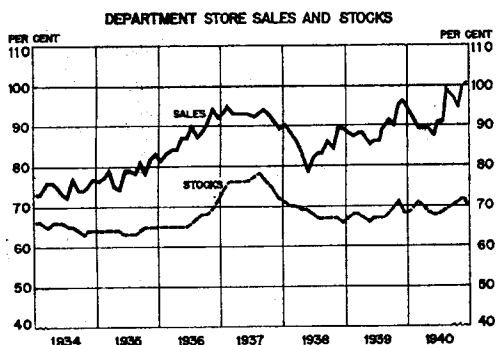
Excess reserves, after declining during the first half of December, have since increased to about \$6,900,000,000. The increase reflected reductions in Treasury deposits with the Reserve Banks, a continued inflow of gold, and since Christmas a seasonal return flow of currency from circulation.

United States Government Security Prices

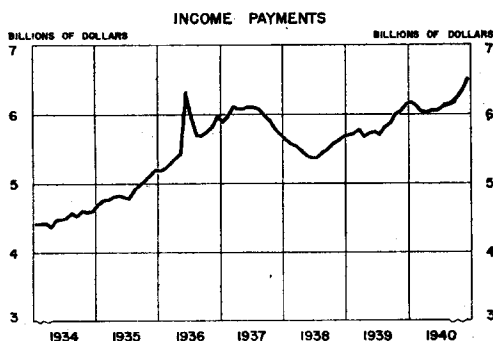
Prices of United States Government securities reacted somewhat after reaching record high levels early in December. Bonds of 1960-65 showed on January 8 a net decline of about $2\frac{3}{8}$ points from the all-time peak of December 10 but subsequently fluctuated somewhat above this level. The yield on this issue, which was 2.03 per cent at the peak in prices, was 2.16 per cent on January 14.



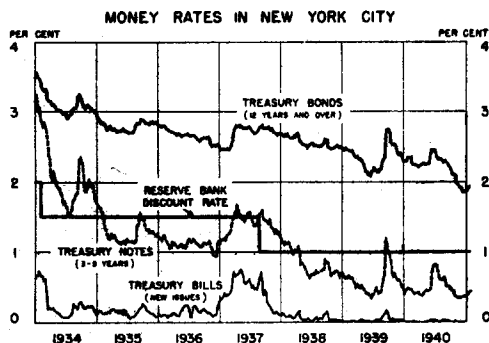
Index of physical volume of production, adjusted for seasonal variation. 1935-1939 average = 100. By months, January 1934 to December 1940.



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



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to December 1940.



For weeks ending January 6, 1934, to January 11, 1941.