

### District Summary of Business Conditions

Again in August department store sales in the Sixth District recorded a new high level for that month and, allowing for seasonal influences, were by a considerable margin larger than for any previous month. Wholesale trade increased further, and business failures declined. According to figures of the F. W. Dodge Corporation there was a rather spectacular rise in the volume of construction contracts awarded in August, and the District total for the month was about three and one-third times the July total and 15 per cent larger than the record total for August last year. Coal production and pig iron output increased in August, and steel mill activity continued at a high rate, but there was a small decline in the consumption of cotton by mills in the District following near-capacity operations in other recent months.

▶ For the fifth time this year, department store sales in August broke all previous records for the current month. August sales increased much more than seasonally over July, and were 35 per cent greater than in August last year. The index of daily average sales was a great deal higher than it had ever before been in August, and the adjusted index, which makes allowance for seasonal influences, rose 10 per cent further in August to another record level for the more than twenty-two years included in the index. There were increases over August last year at all cities from which three or more firms report. Leading with increases of more than 40 per cent, were Macon, Tampa, Chattanooga, and Jacksonville. Those reporting gains between 30 and 40 per cent were Knoxville, Jackson, Birmingham, Nashville, New Orleans, Baton Rouge, Atlanta, and Montgomery. In the January-August period Sixth District sales have been 19 per cent greater than in that part of last year.

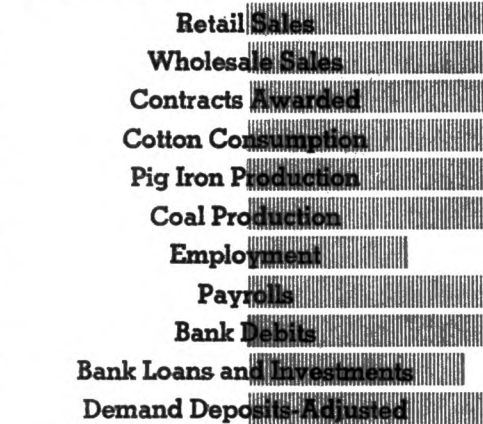
Reports from a small number of the larger stores show that in August sales of major household appliances, including refrigerators, stoves, ironers, washing machines, et cetera, were almost double those of August 1940, and that sales of ladies' coats and suits, and men's clothing, increased 62 per cent and 58 per cent, respectively. For the United States as a whole the Board's seasonally adjusted index of department store sales increased 16 per cent from July to August and was 36 per cent above that for August last year. Total sales by 150 wholesale firms in the District increased 10 per cent further in August and were 40 per cent greater than they were a year ago.

Inventories at department stores in the District increased 15 per cent in August and were up 29 per cent from a year ago. Stocks held by wholesale firms were only 2 per cent larger than for July but were 24 per cent larger than for

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### Reconnaissance

PER CENT DECREASE ▼ PER CENT INCREASE



Sixth District statistics for August 1941 compared with August 1939. The data roughly reflect the impact of the first two years of war on the economy of the District.

### The Priority System

For some time now a field office of the Priorities Division of the Office of Production Management (OPM) has been located in the Federal Reserve Bank of Atlanta. This office, headed by Mr. John B. Reeves, provides business men and other interested individuals with information about the priority program. It also aids applicants for preference rating certificates in filing the necessary forms, and it is expected that this office will later take a large part of the responsibility for securing compliance to the rulings of the Priorities Division. At the present time the Atlanta office serves both the Fifth and Sixth Federal Reserve Districts, but additional offices will be opened in the near future. Because of the great importance of the priority system in the current business

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picture and the numerous requests for information received daily in the Priorities Field Office, it has seemed useful to include in this issue of the *Monthly Review* a non-technical description of the priority system.

▶ As the program of armament production has expanded, it has required large amounts of raw materials, and a curtailment of non-defense production has become necessary to meet all the raw material requirements of defense industries. Shortages in fabricating capacity have also developed—particularly in the durable goods industries. In this situation the priority system has been developed to direct the production of American mines and factories in such a way that the more urgent defense needs get first call on our productive resources, followed in order by indirect defense requirements, and, finally, civilian demand.

As long ago as August 1940, purchasing officers of the Army and Navy were authorized to assign preference ratings to the contracts they let. In order to prevent the assigning of preference ratings to non-military items purchased by the Army and Navy, a Priorities Critical List was drawn up and the purchasing officers were given authority to assign preference ratings only for items on this list. The preference rating to be attached to a contract for any particular item on the List is automatically determined by the officer from his copy of the Priorities Directive. The Directive indicates the proper preference ratings for each of the items on the Priorities Critical List, and these ratings are determined in accordance with the strategy decisions of the Joint Board of the Army and Navy. For instance, it was in accordance with a decision of the Joint Board that the aircraft program was assigned top rating.

This system has been in operation for over a year, and the Critical List now contains some 300 items of military importance that the Army and Navy believe are not available

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

	Sept. 17 1941	Aug. 13 1941	Sept. 18 1940	Per Cent Change Sept. 17, 1941, from	
				Aug. 13 1941	Sept. 18 1940
Bills discounted.....	\$ .06	\$ .06	\$ .1		
Industrial advances.....	.2	.2	.3		
U. S. securities.....	92.1	92.1	89.3	0	+ 3
Total bills and securities.....	92.3	92.3	89.7	- 0	+ 3
F. R. note circulation.....	235.8	228.5	173.1	+ 3	+ 36
Member bank reserve deposits.....	304.5	288.1	226.7	+ 6	+ 34
U. S. Gov't deposits.....	15.8	38.1	30.7	+ 59	- 49
Foreign bank deposits.....	38.7	41.9	23.2	- 8	+ 67
Other deposits.....	7.9	6.8	4.9	+ 16	+ 61
Total deposits.....	366.9	374.9	285.5	- 2	+ 29
Total reserves.....	516.9	514.9	375.8	+ 0	+ 38
Industrial advance commitments.....	1.0	.9	.5		

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

	Sept. 17 1941	Aug. 13 1941	Sept. 18 1940	Per Cent Change Sept. 17, 1941, from	
				Aug. 13 1941	Sept. 18 1940
Loans and Investments—Total.....	\$739.6	\$734.3	\$643.1	+ 1	+ 15
Loans—Total.....	382.9	379.6	316.3	+ 1	+ 21
Commercial, industrial, and agricultural loans.....	191.7	189.7	155.0	+ 1	+ 24
Open market paper.....	5.7	5.6	2.0	+ 2	+ 185
Loans to brokers and dealers in securities.....	6.1	6.9	4.5	- 12	+ 36
Other loans for purchasing and carrying securities.....	11.3	11.2	10.5	+ 1	+ 8
Real estate loans.....	40.7	38.0	32.9	+ 7	+ 24
Loans to banks.....	1.6	1.8	1.0	- 11	+ 60
Other loans.....	125.8	126.5	110.3	- 1	+ 14
Investments—Total.....	356.7	354.7	326.8	+ 1	+ 9
U. S. direct obligations.....	171.1	171.0	151.4	+ 0	+ 13
Obligations guaranteed by U. S.....	69.8	70.0	67.4	- 0	+ 4
Other securities.....	115.7	113.7	108.1	+ 2	+ 7
Reserve with F. R. Bank.....	197.4	186.9	146.0	+ 6	+ 35
Cash in vault.....	16.1	16.9	13.7	- 5	+ 18
Balances with domestic banks.....	277.7	257.8	208.0	+ 8	+ 34
Demand deposits—adjusted.....	542.9	536.9	433.8	+ 1	+ 25
Time deposits.....	192.7	193.2	190.6	- 0	+ 1
U. S. Gov't deposits.....	51.6	47.7	42.0	+ 8	+ 23
Deposits of domestic banks.....	380.3	353.3	288.6	+ 8	+ 32
Borrowings.....					

**DEBITS TO INDIVIDUAL ACCOUNTS**  
(In Thousands of Dollars)

	August 1941	July 1941	August 1940	Per Cent Change August 1941 from	
				July 1941	Aug. 1940
<b>ALABAMA</b>					
Birmingham.....	\$ 128,569	\$ 129,927	\$ 95,770	- 1	+ 34
Dothan.....	4,725	4,073	2,715	+ 16	+ 74
Mobile.....	65,550	62,913	40,865	+ 4	+ 60
Montgomery.....	28,667	27,532	23,734	+ 4	+ 21
<b>FLORIDA</b>					
Jacksonville.....	104,831	105,245	76,943	- 0	+ 36
Miami.....	51,541	59,658	44,758	- 14	+ 15
Pensacola.....	13,495	13,060	9,917	+ 3	+ 36
Tampa.....	38,893	39,083	28,734	- 0	+ 35
<b>GEORGIA</b>					
Albany.....	7,404	7,114	4,471	+ 4	+ 66
Atlanta.....	281,089	281,404	220,151	- 0	+ 28
Augusta.....	25,227	26,274	17,597	- 4	+ 43
Brunswick.....	3,393	3,525	3,158	- 4	+ 7
Columbus.....	24,891	24,907	16,808	- 0	+ 48
Elberton.....	1,370	1,357	1,133	+ 1	+ 21
Macon.....	25,785	23,890	15,962	+ 8	+ 62
Newnan.....	2,907	2,868	1,884	+ 1	+ 54
Savannah.....	39,055	38,489	28,161	+ 1	+ 39
Valdosta.....	10,296	4,685	8,483	+ 120	+ 21
<b>LOUISIANA</b>					
New Orleans.....	288,159	315,155	201,199	- 9	+ 43
<b>MISSISSIPPI</b>					
Hattiesburg.....	10,164	10,094	4,750	+ 1	+ 114
Jackson.....	34,931	34,970	30,666	- 0	+ 14
Meridian.....	19,397	18,135	11,580	+ 7	+ 68
Vicksburg.....	7,187	7,812	5,958	- 8	+ 21
<b>TENNESSEE</b>					
Chattanooga.....	58,441	57,966	43,868	+ 8	+ 33
Knoxville.....	38,158	38,949	30,553	- 2	+ 25
Nashville.....	110,913	116,644	87,083	- 5	+ 27
<b>SIXTH DISTRICT</b>					
26 Cities.....	1,425,038	1,455,729	1,056,901	- 2	+ 35
<b>UNITED STATES</b>					
274 Cities.....	42,847,000	44,808,000	32,844,000	- 4	+ 30

**RETAIL TRADE — AUGUST 1941**  
(Cities for which no indexes are compiled)

Sales for August compared with:					
	July 1941	Aug. 1940		July 1941	Aug. 1940
Baton Rouge.....	+ 26	+ 33	Knoxville.....	+ 44	+ 38
Chattanooga.....	+ 30	+ 42	Macon.....	+ 26	+ 48
Jackson.....	+ 39	+ 38	Montgomery.....	+ 22	+ 30
Jacksonville.....	+ 17	+ 41	Tampa.....	+ 24	+ 45

*The Priority System*

(Continued from page 47)

in sufficient quantities to satisfy both military and civilian demand. These ratings are assigned on PD-3 certificates, and over 20 thousand such certificates are issued every week. The holders of prime contracts to which these preference ratings have been assigned often experience difficulty in securing the materials necessary for the fulfillment of their contracts. In such cases the proper Army or Navy officers may assign the same preference rating to the orders placed by the prime contractor with his suppliers and by them with his sub-suppliers.

► Some time ago it became apparent that certain producers who were not working on direct Army and Navy orders but whose production was, nevertheless, essential to the defense program should be granted preference ratings. These ratings are secured by applying to the Priorities Division of OPM on Form PD-1. If the preference rating is granted, the Priorities Division notifies the manufacturer's supplier of the proper rating for his order.

So as to simplify the paper work involved, a blanket rating is used wherever feasible, thus avoiding any necessity for filing a PD-1 for every item required by the industry to complete an essential contract where a number of materials must be utilized in manufacturing the defense item. A similar development is the project rating to expedite essential construction. An aluminum company, for example, can secure a project rating for the construction of a new aluminum plant, and this rating is extendable to all items needed to construct the plant, thus avoiding the necessity of filing the PD-1 on each of the separate items. Application for such a rating may be made by a letter to the Project Section of the OPM Priorities Division.

In order to expedite the production of items that are normally maintained in stock by the manufacturer to be sold off the shelf, so to speak, there has been developed the Defense Supplies Rating Plan. For example, if the manufacturer of a certain material can show that 60 per cent of his sales are made to suppliers of defense equipment, he can secure a preference rating that will apply on that proportion of his production. The manufacturer makes application for a rating under this plan on Form PD-25.

The latest development has been the formulation of special procedures for granting ratings to assist firms in various essential industries to procure necessary operating supplies and items necessary for the repair or maintenance of equipment. The maintenance, repair, and supplies order for public utilities is an example. The order "permits utilities covered by the plan and their suppliers to use an A-10 rating to facilitate deliveries of maintenance and repair materials and operating supplies which are vitally needed for defense and essential public services."

► The preference ratings go down the line from the finished product through semi-finished components to the raw materials, regulating which orders are to be given the right of way in the production line in an effort to insure that delivery dates will be met. In this connection it should be noted that the manufacturer in filling orders has to consider the delivery date attached to the order as well as the preference rating. An order rated A-1-a need be given preference over an order rated A-1-b only if such preference is necessary to meet the

delivery date on the A-1-a order.

In some 30 cases where the material involved is very widely used in defense industries and is scarce the Priorities Division has issued so-called "M" orders (in the single case of machine tools, the prefix "E" is used, standing for "equipment" rather than "material"). These orders enable OPM to take control of the distribution of the scarce supplies and then give specific direction to the producers as to where they are to deliver their output. These "M" orders vary among themselves in the way in which they direct the distribution of the particular commodity involved. The aluminum and nickel steel orders, for instance, contain very detailed procedures governing distribution. The silk order, on the other hand, forbids any distribution for straight civilian uses. Then there are other orders, such as the one governing Neoprene, which tell the manufacturer what quantities of his product he may deliver to each of his customers. The table on page 50 lists the commodities controlled.

A group of metals has been subject to an inventory control since May 1. The purpose of the inventory control, in general terms, is to prevent the accumulation of unnecessary inventories which would aggravate the shortage in supplies. The metals to which the inventory control applies are listed in the table on page 50.

► Thus the priority system operates in two directions, from the finished product down to raw materials and from a specific raw commodity up to the finished products. Preference ratings secured by the manufacturer of machine tools, for example, may be extended down to his supplier of steel, et cetera. Working from the other end, the control of all steel sales by the Priorities Division of OPM is so operated that steel is directed into the machine tool industry rather than into (say) the bicycle industry. The first control is a priority control, the second an allocation control.

► During the past month important changes have been made in the priority system. On August 28 the President by executive order created the Supply Priorities and Allocations Board to:

"A. Determine the total requirements of materials and commodities needed respectively for defense, civilian and all other purposes; establish policies for the fulfillment of such requirements, and, where necessary, make recommendations to the President relative thereto.

"B. Determine policies and make regulations governing allocations and priorities with respect to the procurement, production, transmission, or transportation of materials, articles, power, fuel and other commodities among military, economic, defense aid, civilian and other major demands of the total defense program."

This new board determines over-all policies in respect to the utilization of scarce supplies. The policies so determined are administered by the Priorities Division of OPM. Mr. Donald Nelson now serves both as executive director of SPAB and as director of the Priorities Division of OPM.

The issuance of Priorities Regulations Nos. 1 and 2 during the past month has also importantly affected the functioning of the priority system. Priorities Regulation No. 1, dated August 28, requires manufacturers and producers to accept defense orders even if the acceptance of such orders "will prevent or delay delivery on non-defense orders or defense

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SIXTH DISTRICT BUSINESS INDICATORS  
Indexes

(1923-1925 Average = 100, except as noted)

	Adjusted			Unadjusted		
	Aug. 1941	July 1941	Aug. 1940	Aug. 1941	July 1941	Aug. 1940
<b>RETAIL SALES*</b> (1935-1939 Av. = 100)						
DISTRICT (47 Firms).....	163	148	123	144	102	107
Atlanta.....				164	104	122
Birmingham.....				153	114	113
Nashville.....				132	89	98
New Orleans.....				146	106	110
<b>RETAIL STOCKS</b>						
DISTRICT (21 Firms).....	101	96	75	98	88	73
Atlanta.....	216	201	138	205	183	136
Birmingham.....	99	85	74	94	80	70
Nashville.....	74	65	52	73	60	52
New Orleans.....	78	77	61	76	74	59
<b>WHOLESALE SALES</b>						
TOTAL.....				96	87	68
Groceries.....				70	69	52
Dry Goods.....				105	66	65
Hardware.....				171	176	115
Drugs.....				128	122	106
<b>CONTRACTS AWARDED</b>						
DISTRICT.....				318	95	278
Residential.....				141	103	176
Others.....				437	91	346
Alabama.....				580	99	166
Florida.....				197	68	226
Georgia.....				533	129	151
Louisiana.....				338	140	69
Mississippi.....				147	149	440
Tennessee.....				229	346	771
<b>BUILDING PERMITS</b>						
20 CITIES.....				75	141	79
Atlanta.....				32	50	28
Birmingham.....				50	42	26
Jacksonville.....				102	294	78
Nashville.....				17	100	140
New Orleans.....				46	517	31
<b>PIG IRON PRODUCTION*</b>						
Alabama.....				126	123	126
<b>COAL PRODUCTION</b> (1935-1939 Av. = 100)						
TWO STATES.....	172	169	140	152	144	123
Alabama.....				155	147	125
Tennessee.....				146	139	116
<b>COTTON CONSUMPTION*</b>						
THREE STATES.....				243	253	172
Alabama.....				294	305	212
Georgia.....				223	231	153
Tennessee.....				228	249	187
<b>EMPLOYMENT</b> (1932 Av. = 100)						
SIX STATES.....				154	151	128
Alabama.....				169	168	138
Florida.....				96	98	88
Georgia.....				176	170	142
Louisiana.....				143	136	120
Mississippi.....				128	124	96
Tennessee.....				154	151	131
<b>PAYROLLS</b> (1932 Av. = 100)						
SIX STATES.....				249	241	179
Alabama.....				376	360	239
Florida.....				103	103	87
Georgia.....				284	273	196
Louisiana.....				198	191	151
Mississippi.....				197	190	127
Tennessee.....				248	242	173
<b>ELECTRIC POWER PRODUCTION*</b> (1935-1939 Av. = 100)						
TOTAL.....				170	164	142
By Water Power.....				166	99	156
By Fuel.....				175	248	124

Statistics  
(000 Omitted)

	Aug. 1941	July 1941	Aug. 1940	Year to Date	
				1941	1940
<b>COMMERCIAL FAILURES</b>					
Number (Actual, not thousands).....					
Liabilities.....	\$ 42	\$ 39	\$ 53	\$ 334	\$ 467
	\$ 317	\$ 551	\$ 424	\$ 3,579	\$ 4,522
<b>FARM INCOME**</b>					
	July 1941	June 1941	July 1940	Year to Date 1941	Year to Date 1940
SIX STATES.....	\$38,693	\$55,733	\$31,978	\$407,101	\$349,002
Alabama.....	5,559	7,167	3,677	51,929	45,431
Florida.....	3,430	8,275	2,389	91,086	73,088
Georgia.....	8,673	8,775	9,497	61,097	56,028
Louisiana.....	4,452	11,456	3,573	60,245	52,671
Mississippi.....	5,283	7,883	3,605	61,849	53,901
Tennessee.....	11,296	12,177	9,237	80,895	67,883

\*Indexes of retail sales, electric power and pig iron production, and of cotton consumption are on a daily average basis.

\*\*Includes Government benefit payments.

## The Priority System

(Continued from page 49)

orders with lower preference ratings." A defense order is defined by this regulation as being any order for material or equipment that is to be delivered to or ordered for the account of the United States Army, Navy or Coast Guard, or the Maritime Commission, the Panama Canal, the Coast and Geodetic Survey, the Civil Aeronautics Authority, the National Advisory Commission for Aeronautics, or the Office

of Scientific Research and Development. A defense order within the meaning of this regulation also includes any contract or order for governments of countries entitled to aid under the Lend-Lease Act as well as any other contract or order to which is assigned a preference rating of A-10 or higher.

Priorities Regulation No. 2, issued September 10, makes the observance of all preference ratings mandatory. Hitherto preference ratings were mandatory only when they were assigned for Army and Navy contracts, all other preference ratings being on a voluntary basis.

B. B.

## COMMODITIES SUBJECT TO "M" OR "E" ORDER

AS OF SEPTEMBER 25, 1941

Alcohol (methyl and ethyl)	Manila fiber	Silk
Aluminum and aluminum alloys: pig or fabricated	Monel metal	Steel, semi-finished, finished, and fabricated, including alloys
Borax	Neoprene	Synthetic resin moulding powders
Boric acid	Nickel alloy steel	Synthetic rubber
Calcium silicon	Nickel: pig or fabricated	Toluene
Chlorine	Pig iron	Tricresyl phosphates
Chromium	Polyvinyl chloride (and co-polymers containing at least 90% vinyl chloride) plasticized or unplasticized	Tungsten, ferro-tungsten, and tungsten ore
Copper: pig or fabricated	Potassium perchlorate	Vanadium
Cork	Potassium permanganate	Zinc
Machine Tools	Rubber	Zinc chromate

## METALS UNDER INVENTORY CONTROL

AS OF SEPTEMBER 25, 1941

Antimony	Iridium	Molybdenum
Cadmium	Lead	Nonferrous alloys, all types, except alloys in the composition of which the percentage of copper metal by weight equals or exceeds the percentage of all other metals
Cobalt	Manganese or Spiegeleisen	
Ferrous alloys, all types	Mercury	Tin

Secondary materials, or scrap, containing any of the metals herein listed or any metals already subject to an order of the Director of Priorities prepared for sale in order to recover the metal content thereof.

# National Summary of Business

Prepared by the Board of Governors of the Federal Reserve System

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

## Production

In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies increased as production of new models was begun but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

## Distribution

Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

## Commodity Prices

Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

## Agriculture

The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about \$10,700,000,000, compared with \$9,120,000,000 in 1940.

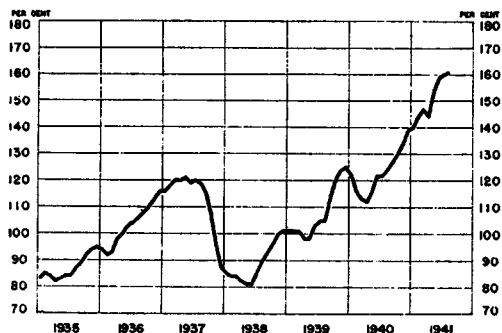
## Bank Credit

Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments bank deposits continued to increase.

## United States Government Security Market

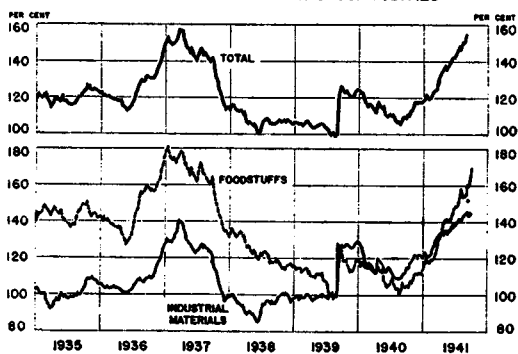
Prices of Treasury bonds increased in the latter part of August but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2 3/4 per cent 1960-65 bonds were yielding 2.06 per cent compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.

INDUSTRIAL PRODUCTION



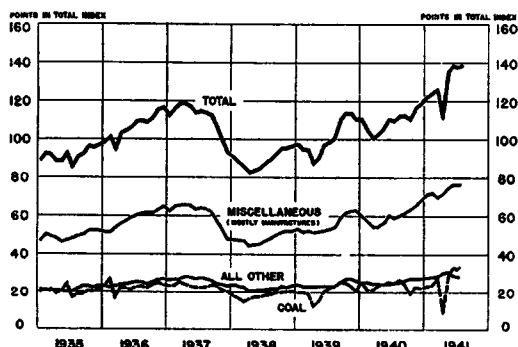
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1935 to August 1941.

WHOLESALE PRICES OF BASIC COMMODITIES



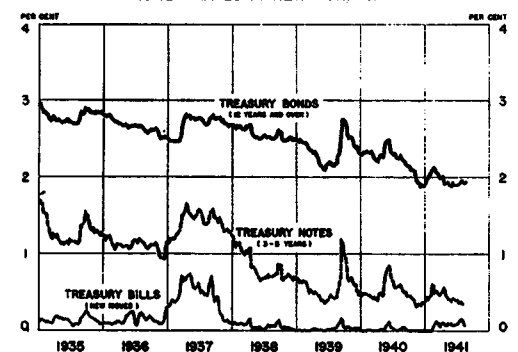
Bureau of Labor Statistics' index based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935, to September 13, 1941.

FREIGHT-CAR LOADINGS



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 August 1941.

MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds, and average discount on new issues of Treasury bills offered within the week. For weeks ending Jan. 5, 1935, to Sept. 13, 1941.

## District Summary of Business Conditions

(Continued from page 47)

August 1940.

► Business failures (liabilities) declined in August to the smallest amount since January, and totaled 25 per cent less than a year ago. For the eight months of 1941 failures have been 28 per cent fewer in number and 21 per cent less in liabilities than in that part of last year.

Construction contracts awarded in the Sixth District during August amounted to \$11.8 million, compared with \$33.5 million in July and with \$97.5 million in August last year, the largest total ever reported for this District. August residential contracts were almost double those of July, awards for non-residential construction were nearly five times as large, contracts for public works about four times as large, and the total for public utilities was nearly ten times that for July.

In August, the first month of the new cotton year, consumption by mills in Alabama, Georgia, and Tennessee declined 4 per cent from July. In the year that ended with July, textile operations in the District had attained new high levels in eight of the twelve months. The August index was slightly below the indexes for April, May, June, and July, but higher than it had ever been prior to April, and 41 per cent above that for August last year. These percentage comparisons for the District compare with a decline of 1 per cent from July and an increase of 40 per cent over August 1940 in the United States as a whole.

► Steel mill activity in the Birmingham-Gadsden area, reported by *The Iron Age* at 95 per cent of capacity during most of July and August, was at 96.5 per cent in the last week of August and the first half of September. In the United

States, the July average was 97.5 per cent and that for August 98.8, and in the first half of September it has averaged 97 per cent. Pig iron production in Alabama increased about 3 per cent in August and was about the same as in August last year. Two blast furnaces were blown in during August, and at the beginning of September another furnace, out of operation for the past twelve years but just recently rebuilt, was blown in, so that by the early part of September a total of nineteen furnaces were active in Alabama for the first time in many years.

Coal production in Alabama and Tennessee increased about 5 per cent in August, following a decline in July, and was 24 per cent greater than in August last year. The seasonally adjusted index rose about 2 per cent and, except for June, was the highest since early in 1927. In the United States as a whole August output also increased 5 per cent over July and was up 22 per cent from August 1940.

Electric power production in the Six States of this District increased 4 per cent in July (latest available figures) and was 20 per cent greater than in July last year. Reversing the situation in May and June that resulted from the cumulated effects of the continued deficiency in rainfall, hydro-generated power increased 68 per cent in July, while production of power by the use of fuels declined 29 per cent.

► Because of unfavorable weather and serious damage resulting from boll weevil activity, the prospects for the season's cotton crop in the Six States of the District declined 8 per cent between August 1 and September 1, according to the latest estimate by the United States Department of Agriculture. On September 12 the ten-market average of spot cotton prices was 17.74 cents per pound, compared with 9.42 cents a year earlier. This was the highest price in about twelve years.

