

THE MONEY AND CREDIT SITUATION IN THE SIXTH FEDERAL RESERVE DISTRICT

In September total reserves of Sixth District member banks reached the highest level they have ever attained, totaling, on a daily average basis, \$302 million. Preliminary figures indicate that as of September 24, the most recent call report date, total assets and total deposits of member banks in this area were at record peaks that far exceeded the heights of the middle 1920's, and total loans and investments of these banks were slightly above the 1926 peak. A summary of the rapid and striking changes in the banking picture in this area since 1933 is presented in the group of charts on this and the following pages, and, in order that the reader may better visualize the present situation, the charts have been carried back of 1933.

► Chart No. I brings together for purposes of comparison the changes in the total assets, total deposits, and the total loans and investments of member banks in this District since the close of World War I. The chart illustrates the growth of these three balance sheet items in the period from 1918 to the middle 1920's, the precipitous decline of all three from the middle 1920's to 1933, and the remarkable increases in total assets and total deposits and the more moderate

rise in total loans and investments since that date.

It is to be expected, of course, that total assets, total deposits, and total loans and investments will follow the same trend. The similarity between the movements of the total assets curve and the total deposits curve has remained close from 1918 to date. The movement of loans and investments corresponded very closely with that of total deposits from 1918 to 1933, with the exception of a short period in 1925. However, since 1933 there has been a greater and greater divergence between the two, chiefly indicating the presence of an increasing amount of excess reserves.

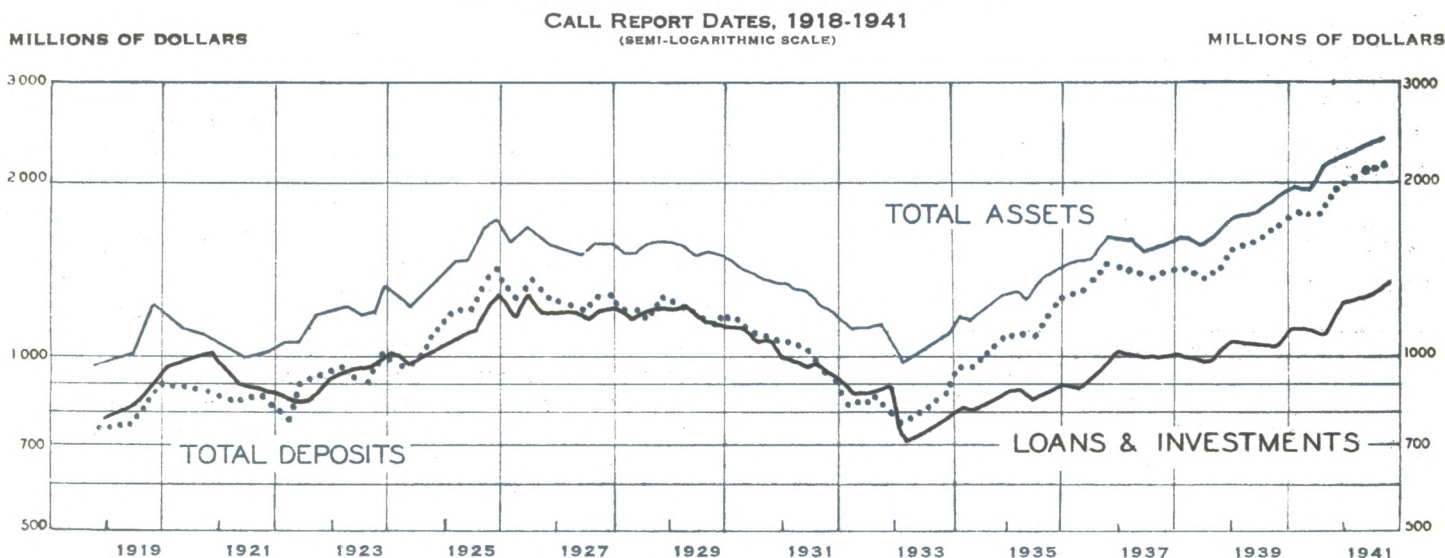
► The growth of excess reserves in this District since 1933 is reflected in Chart III. The existence of excess reserves over a long period of years is a characteristic of the post-1933 period only. The chart reflects this, for in the period from 1926 to 1932 excess reserves (the area between the two curves) were virtually non-existent; indeed, during most of the 1920's such excess reserves as there were, as well as a portion of the required reserves, were brought into existence by commercial banks' rediscounting of paper at the Federal Reserve Banks.

The phenomenon of excess reserves was discussed at length in the December 1940 and the February 1941 issues of this *Review*. For that reason no extensive theoretical analysis of the problem is made here. Suffice it to say that the most important source of the great increase in reserve funds since 1933 in the banking system of the country as a whole has been the tremendous inflow of gold, coupled with an increased domestic production of gold and the 1934 reduction of the gold content of the dollar. In the country as a whole, as in the Sixth District, expansion of the loans and investments of member banks has not kept pace with the growth of reserves, so that, despite the fact that reserve requirements after November 1 will be twice as high as in 1933, the volume of excess reserves in the country as a whole will still total about \$4 billion, and in this District will amount to some \$75 million.

► For the past year the expansion of loans and investments has proceeded less rapidly in the Sixth District than in the nation. This is illustrated by Chart No. II. This chart gives the reserves of member banks in the District as a percentage of reserves of all mem-

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CHART I
TOTAL DEPOSITS, TOTAL ASSETS, AND LOANS AND INVESTMENTS
OF SIXTH DISTRICT MEMBER BANKS



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

	Oct. 15 1941	Sept. 17 1941	Oct. 16 1940	Per Cent Change Oct. 15, 1941, from	
				Sept. 17 1941	Oct. 16 1940
Bills discounted.....	.04	.06	.1	..	..
Industrial advances.....	.3	.2	.3	..	..
U. S. securities.....	93.2	92.1	90.6	+ 1	+ 3
Total bills and securities.....	93.6	92.3	91.0	+ 1	+ 3
F. R. note circulation.....	246.9	235.8	177.9	+ 5	+ 39
Member bank reserve deposits.....	308.8	304.5	228.2	+ 1	+ 35
U. S. Gov't deposits.....	20.3	15.8	24.6	+ 28	+ 17
Foreign bank deposits.....	41.3	38.7	26.2	+ 7	+ 58
Other deposits.....	8.2	7.9	6.2	+ 4	+ 32
Total deposits.....	378.6	366.9	285.2	+ 3	+ 33
Total reserves.....	534.2	516.9	375.7	+ 3	+ 42
Industrial advance commitments.....	1.0	1.0	.5	..	..

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

	Oct. 15 1941	Sept. 17 1941	Oct. 16 1940	Per Cent Change Oct. 15, 1941, from	
				Sept. 17 1941	Oct. 16 1940
Loans and Investments—Total.....	766.0	739.6	659.5	+ 4	+ 16
Loans—Total.....	414.7	382.9	333.0	+ 8	+ 25
Commercial, industrial, and agricultural loans.....	213.6	191.7	169.1	+ 11	+ 25
Open market paper.....	5.1	5.7	2.2	+ 11	+ 132
Loans to brokers and dealers in securities.....	8.0	6.1	5.6	+ 31	+ 43
Other loans for purchasing and carrying securities.....	13.9	11.3	10.4	+ 23	+ 34
Real estate loans.....	39.1	43.7	32.9	+ 6	+ 16
Loans to banks.....	1.7	1.6	1.1	+ 6	+ 55
Other loans.....	134.2	125.8	111.7	+ 7	+ 20
Investments—Total.....	351.4	356.7	326.5	+ 1	+ 8
U. S. direct obligations.....	165.9	171.1	149.3	+ 3	+ 11
Obligations guaranteed by U. S.....	71.6	69.8	66.3	+ 3	+ 8
Other securities.....	113.9	115.7	110.8	+ 2	+ 3
Reserve with F. R. Bank.....	197.3	197.4	144.3	+ 0	+ 37
Cash in vault.....	16.4	16.1	13.1	+ 2	+ 25
Balances with domestic banks.....	257.2	277.7	215.6	+ 7	+ 19
Demand deposits—adjusted.....	557.8	542.9	428.3	+ 3	+ 30
Time deposits.....	195.4	192.7	190.1	+ 1	+ 3
U. S. Gov't deposits.....	15.1	51.6	42.0	+ 71	+ 64
Deposits of domestic banks.....	403.9	380.3	314.1	+ 6	+ 29
Borrowings.....	..	..	..	..	..

DEBITS TO INDIVIDUAL ACCOUNTS
 (In Thousands of Dollars)

	Sept. 1941	Aug. 1941	Sept. 1940	Per Cent Change Sept. 1941 from	
				Aug. 1941	Sept. 1940
ALABAMA					
Birmingham.....	141,995	128,569	94,922	+ 10	+ 50
Dothan.....	5,473	4,725	3,419	+ 16	+ 60
Mobile.....	68,691	65,550	43,002	+ 5	+ 60
Montgomery.....	31,849	28,667	24,067	+ 11	+ 32
FLORIDA					
Jacksonville.....	98,395	104,831	75,911	+ 6	+ 30
Miami.....	55,802	51,541	43,692	+ 8	+ 28
Pensacola.....	13,940	13,495	9,933	+ 3	+ 40
Tampa.....	37,103	38,893	28,524	+ 5	+ 30
GEORGIA					
Albany.....	7,785	7,404	5,383	+ 5	+ 45
Atlanta.....	274,301	281,089	212,471	+ 2	+ 29
Augusta.....	26,203	25,227	18,615	+ 4	+ 41
Brunswick.....	3,609	3,393	2,814	+ 6	+ 28
Columbus.....	25,260	24,891	18,364	+ 1	+ 38
Elberton.....	1,380	1,370	1,252	+ 1	+ 10
Macon.....	26,902	25,785	16,928	+ 4	+ 59
Newnan.....	3,277	2,907	1,967	+ 13	+ 67
Savannah.....	38,743	39,055	29,062	+ 1	+ 33
Valdosta.....	6,604	10,296	4,798	+ 36	+ 38
LOUISIANA					
New Orleans.....	298,697	288,159	205,390	+ 4	+ 45
MISSISSIPPI					
Hattiesburg.....	11,854	10,164	5,123	+ 17	+ 131
Jackson.....	36,359	34,931	28,843	+ 4	+ 25
Meridian.....	17,722	19,397	12,177	+ 9	+ 46
Vicksburg.....	9,712	7,187	6,636	+ 35	+ 48
TENNESSEE					
Chattanooga.....	61,528	58,441	43,036	+ 5	+ 43
Knoxville.....	39,755	38,158	30,096	+ 4	+ 32
Nashville.....	118,424	110,913	85,634	+ 7	+ 38
SIXTH DISTRICT					
26 Cities.....	1,461,363	1,425,036	1,052,059	+ 3	+ 39
UNITED STATES					
274 Cities.....	43,870,000	42,847,000	33,812,000	+ 2	+ 30

RETAIL TRADE — SEPTEMBER 1941

(Cities for which no indexes are compiled)

Sales for September compared with:

	Aug. 1941	Sept. 1940	Aug. 1941	Sept. 1940	
Baton Rouge.....	+ 21	+ 22	Knoxville.....	+ 5	+ 21
Chattanooga.....	+ 2	+ 20	Macon.....	+ 30	+ 36
Jackson.....	+ 18	+ 25	Montgomery.....	+ 11	+ 18
Jacksonville.....	+ 4	+ 24	Tampa.....	+ 11	+ 6

District Summary of

In September all previous records of construction contracts awarded in the Sixth District were broken, building permits issued at reporting cities recorded a substantial gain, and there were further increases in textile operations and in pig iron production. Department store sales, however, declined in September, after allowance is made for the usual seasonal change, although the September index is the highest on record for that month, and wholesale trade increased less than it usually does in September as compared with August.

▶ Sixth District department store sales increased in September but the gain was only half that which might have been expected on the basis of experience of past years. The rate of sales in September was 10 per cent greater than it was in August and 20 per cent greater than in September last year. The failure of September sales to increase as much as they usually had over August may be attributable, at least in part, to the fact that the regulation of consumer credit by the Board of Governors of the Federal Reserve System became effective on September 1, and to the further fact that the adjusted index, which makes allowance for seasonal tendency, rose in July by 10 per cent and in August by another 10 per cent. Notwithstanding the decline in the adjusted index from August to September, the September indexes, both unadjusted and adjusted, are the highest ever recorded for that month in the twenty-two years included in this Bank's series, and the September adjusted index, although lower than those for August and July, is higher than for any other month in the series. The largest increase over September 1940, 36 per cent, was reported from Macon, and gains of between 20 and 30 per cent were reported from New Orleans, Birmingham, Jackson, Jacksonville, Atlanta, Baton Rouge, Knoxville, and Chattanooga.

Total sales in the nine months period, January through September, were 20 per cent greater this year than last year, and for this cumulative period the largest increases over last year were reported from Jacksonville, Macon, Birmingham, Tampa, Chattanooga, Jackson, and Nashville. Reports of sales classified by departments from a smaller number of stores indicate that the larger increases in September over that month a year ago were in women's wear. The gains in sales of household appliances were much smaller in September than they were in August, the last month prior to the effective date of the Consumer Credit Regulation. Inventories at department stores increased 14 per cent from August to September and were 34 per cent greater than a year ago, and wholesale stocks declined 4 per cent in September and were 15 per cent larger than a year ago.

▶ Wholesale trade in the District increased 3 per cent in September over August, a gain somewhat smaller than usually occurs, but was 46 per cent greater than in September last year. Life insurance sales in this District increased 8 per cent from August to September and were 21 per cent above that month a year ago, while in the country as a whole September sales were about the same as in August and up 16 per cent from September last year.

In September business failures in this District declined 29 per cent in number, but liabilities nearly doubled over the August figures. As compared with September 1940 the number of failures was down 30 per cent but liabilities were up

Business Conditions

30 per cent. In the first nine months of this year the number of failures was 29 per cent smaller than in that part of 1940 and liabilities were 16 per cent less.

▶ The value of construction contracts awarded in the Sixth District, after breaking all previous records in August, reached an even higher level in September. The September total was 13 per cent larger than the revised total for August, and nearly four times the amount reported for September last year. Residential awards in September were about a third less than they were in August but 17 per cent greater than a year ago, while "all other" contracts increased 24 per cent further in September and were more than five times the September 1940 total. In the first three quarters of 1941 construction contracts in this District have amounted to a total of \$478 million, larger by \$141 million, or 42 per cent, than in that part of last year, and although residential awards in that cumulative period declined 6 per cent, other classes of awards increased 73 per cent. In the 37 Eastern States for which F. W. Dodge Corporation figures are available total contracts declined 18 per cent in September but were 79 per cent greater than in September last year, and the nine months total is up 62 per cent.

Cotton textile mills in Alabama, Georgia, and Tennessee consumed an average of 11,873 bales of cotton each business day in September, an increase of about 3 per cent over the rate for August and 35 per cent greater than in September last year. The September increase places the index at a point only one per cent under those for May, June, and July and, with these exceptions, higher than for any other month on record. In the nation as a whole, according to the Board's index, cotton consumption declined 2 per cent in September but was up 31 per cent from September last year.

▶ Steel mill activity in the Birmingham-Gadsden area was reported at 96.5 per cent of capacity in the first three weeks of September, declined to 87 per cent in the week ended September 27, and rose by the third week in October to 99.0 per cent. The District rate has been slightly below that for the country as a whole in recent months, but for the week ended October 18 it was one point higher. The rate of pig iron production in Alabama advanced 7 per cent further in September, when it was the highest since March, and 4 per cent higher than in September 1940. At the beginning of September a furnace that had been out of operation for twelve years and only recently rebuilt was put into operation, raising the number of active furnaces in Alabama to 19 for the first time in many years.

A decline of 19 per cent in the rate of coal production in Alabama during September, due to the temporary suspension of activity at some of the mines, was partly offset by an increase of 4 per cent in Tennessee, but the District index was down 11 per cent at a time when production normally increases. September output was, nevertheless, 4 per cent greater than it was in September last year. For the country as a whole September production increased 4 per cent over August and was 13 per cent higher than a year ago.

Electric power production increased 3 per cent in August, following a rise of 4 per cent in July, and in September continued at the August level. September output was 24 per cent greater than in that month last year. Production of

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SIXTH DISTRICT BUSINESS INDICATORS

Indexes

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

	Adjusted			Unadjusted		
	Sept. 1941	Aug. 1941	Sept. 1940	Sept. 1941	Aug. 1941	Sept. 1940
RETAIL SALES* (1935-1939 Av. = 100)						
DISTRICT (47 Firms)	146	163	122	158	144	132
Atlanta				177	164	150
Birmingham				176	153	140
Nashville				136	132	120
New Orleans				148	146	125
RETAIL STOCKS						
DISTRICT (21 Firms)	107	101	76	114	98	81
Atlanta	215	216	138	236	205	152
Birmingham	80	99	73	82	94	75
Nashville	96	74	58	103	73	63
New Orleans	91	78	62	96	76	65
WHOLESALE SALES						
TOTAL				99	96	70
Groceries				73	70	53
Dry Goods				103	105	74
Hardware				171	171	119
Drugs				145	128	108
CONTRACTS AWARDED						
DISTRICT				330	293r	89r
Residential				94	141	80r
Others				488	384r	95
Alabama				260	580	150
Florida				59	197	83
Georgia				271	533	75
Louisiana				141	338	69
Mississippi				1057	147	129
Tennessee				1319	229	98
BUILDING PERMITS						
20 CITIES				110	75	73
Atlanta				78	32	56
Birmingham				26	50	34
Jacksonville				85	102	86
Nashville				23	17	22
New Orleans				425	46	83
PIG IRON PRODUCTION*						
Alabama				135	126	130
COAL PRODUCTION (1935-1939 Av. = 100)						
TWO STATES	138	172	132	135	152	130
Alabama				125	155	131
Tennessee				152	146	126
COTTON CONSUMPTION*						
THREE STATES				250	243	186
Alabama				303	294	224
Georgia				231	223	169
Tennessee				218	228	187
EMPLOYMENT (1932 Av. = 100)						
SIX STATES				156	154	132
Alabama				173	169	142
Florida				99	96	91
Georgia				174	176	147
Louisiana				145	143	128
Mississippi				134	128	103
Tennessee				155	154	133
PAYROLLS (1932 Av. = 100)						
SIX STATES				252	249	188
Alabama				384	376	252
Florida				106	103	91
Georgia				284	284	209
Louisiana				201	198	162
Mississippi				211	197	134
Tennessee				251	248	178
ELECTRIC POWER PRODUCTION* (1935-1939 Av. = 100)						
TOTAL				175	175	141
By Water Power				127	140	139
By Fuel				237	222	144

Statistics
(000 Omitted)

	Sept. 1941	Aug. 1941	Sept. 1940	Year to Date 1941	Year to Date 1940
COMMERCIAL FAILURES					
Number (Actual, not thousands)	30	42	43	364	510
Liabilities	\$ 632	\$ 317	\$ 488	\$ 4,211	\$ 5,010

	Aug. 1941	July 1941	Aug. 1940	Year to Date 1941	Year to Date 1940
FARM INCOME**					
SIX STATES	\$58,110	\$38,693	\$51,724	\$465,211	\$400,726
Alabama	7,080	5,559	5,048	59,009	50,479
Florida	4,736	3,430	4,603	95,822	77,691
Georgia	21,246	8,673	21,856	82,343	77,884
Louisiana	5,737	4,452	7,253	65,982	59,924
Mississippi	7,900	5,283	5,788	69,749	59,689
Tennessee	11,411	11,296	7,176	92,306	75,059

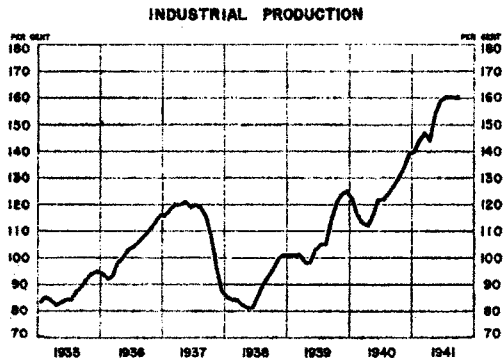
*Indexes of retail sales, electric power and pig iron production, and of cotton consumption are on a daily average basis.

**Includes Government benefit payments.

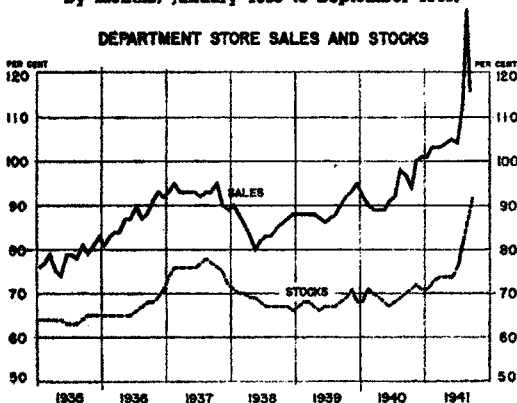
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National Summary of Business

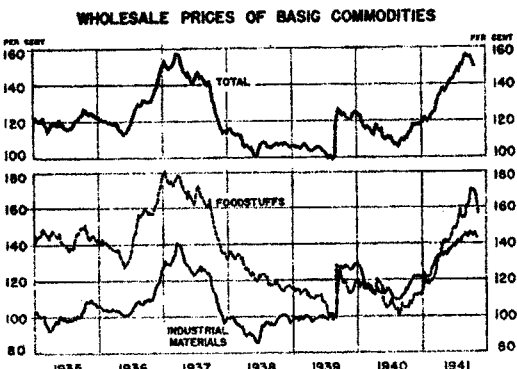
Prepared by the Board of Governors of the Federal Reserve System



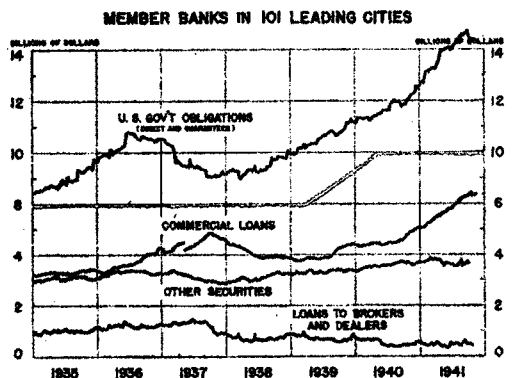
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1935 to September 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1935 to September 1941.



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



Wednesday figures, January 3, 1935, to October 8, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other Loans" as then reported.

Industrial activity continued at a high rate in September and the first half of October. Further advances in the output of defense products were accompanied by curtailment in some lines of civilian goods, particularly automobiles, rubber, and silk. Prices of industrial products increased further but agricultural prices declined after the middle of September, and on October 16 dropped sharply in response to international developments.

Production

Industrial output increased by about the usual seasonal amount in September and the Board's adjusted index remained at 160 per cent of the 1935-1939 average, the same as in July and August. Continued increases in activity were reported in the machinery, aircraft, and shipbuilding industries. At steel mills activity in September and the first half of October was maintained at about 97 per cent of capacity. Output and deliveries of nonferrous metals likewise remained at about capacity levels, while lumber production declined somewhat from the high August rate. Automobile production increased less than seasonally in September, following the changeover to new models, and, according to preliminary estimates, output in September was considerably below the maximum quota that had been authorized by the Government.

In the textile industry activity declined somewhat in September, reflecting mainly a further sharp reduction at silk mills. Activity at wool mills rose to a new high level, while at cotton mills there was little change from a rate slightly below the peak reached last May. Shoe production continued in large volume, and output of manufactured food products was maintained near the peak August level. Output of chemicals likewise continued at earlier high rates, but at rubber plants activity was considerably below the level of last summer owing to curtailment programs ordered by the Government.

Coal production, which during the summer months had been unusually large, increased less than seasonally in September, owing in part to temporary work stoppages at some bituminous and anthracite mines. Crude petroleum production advanced to record levels in September and the first half of October, and output of metals and shipments of iron ore down the Lakes continued at about capacity.

Value of construction contract awards declined in September, according to figures of the F. W. Dodge Corporation, reflecting chiefly decreases in awards for public projects which had been exceptionally large in August. Awards for private residential building also declined, while contracts for other private work increased somewhat further. Total awards in September, as in August, were 80 per cent larger than in the corresponding period last year. This higher level reflected mainly a greater amount of public construction, which was nearly three times as large as a year ago, compared with an increase of about 10 per cent for private construction.

On October 9, the Supply Priorities and Allocations Board announced that, effective immediately, no public or private construction projects which use critical materials could be started during the emergency unless these projects were either necessary for direct national defense or essential to the health and safety of the nation.

Distribution

Distribution of general merchandise showed less than the customary seasonal rise in September, following an unusually large volume of sales in August. During the past three months sales have been larger than in the corresponding period of any previous year. In the first half of October sales at department stores declined from the peak reached in late September when there were considerable consumer purchases, particularly of articles subject to higher taxes on October 1.

Loadings of revenue freight in September increased less than seasonally, particularly those of miscellaneous freight, which have been high in recent months, and loadings of coal, which were curtailed during part of the month by work stoppages at some mines. Shipments of forest products declined considerably from the high August level.

Commodity Prices

Prices of industrial products continued to advance in September and the first half of October and Federal price ceilings were announced for additional commodities, including leading types of lumber, coke, wastepaper, paperboard, acetic acid, alcohols, and carded cotton yarns. In some cases these ceilings were below previously existing market quotations. Price advances were permitted, however, for some other commodities under Federal control. Prices of cotton and of foodstuffs increased further in the first half of September, but subsequently declined, owing partly to seasonal influences. On Thursday,

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The Money and Credit Situation in the Sixth Federal Reserve District

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ber banks, and shows the loans and investments of member banks in this District as a percentage of the loans and investments of all member banks in the United States.

It is apparent from this chart that the reserves of member banks in the Sixth District have in recent months been increasing relatively to total reserves of all member banks in the country as a whole, as well as increasing in absolute amount. It is also clear that an important factor in this development since late 1940 has been the slower rate of expansion of bank loans and investments in this District as compared with the rate of expansion in the nation; for, with a smaller expansion of loans and investments in the Sixth District it has almost certainly been true that member banks in the District have for that reason gained reserves through the inter-District movement of funds.

The solid line in Chart No. II represents the movements of total loans and investments of the Sixth District member banks as a percentage of the total loans and investments of all member banks in the United States. Without interruption this line has been falling since the beginning of the year. The dotted line in the same chart shows the reserves of member banks in the District as a percentage of member bank reserves in the nation. This line has been steadily rising during 1941. In the first nine months of 1941 member bank reserves in the Atlanta District increased 20.2 per cent. Over the same period, member bank reserves in the country as a whole declined 5.6 per cent.

While the slower rate of expansion of loans and investments in the Sixth District, as compared with the nation, is not the whole explanation of the more rapid increase of reserve balances in this District compared with the country

as a whole, it is certainly a large part of that explanation. Of course, other factors, such as the inter-District balance of U. S. Treasury receipts and disbursements, influence the situation importantly.

Not only have bank deposits been rising in this area in recent years, but total check payments per month (debits to individual accounts) have also increased rapidly and at a greatly accelerated rate during the last year. Weekly reporting member banks in the Sixth District experienced a 27 per cent increase in the first nine months of 1941 over the first nine months of 1940. This was a more rapid rise percentage-wise than in the country as a whole, the comparable figure for all weekly reporting member banks in the United States being 20 per cent higher in the first nine months of 1941 than in the same period of 1940.

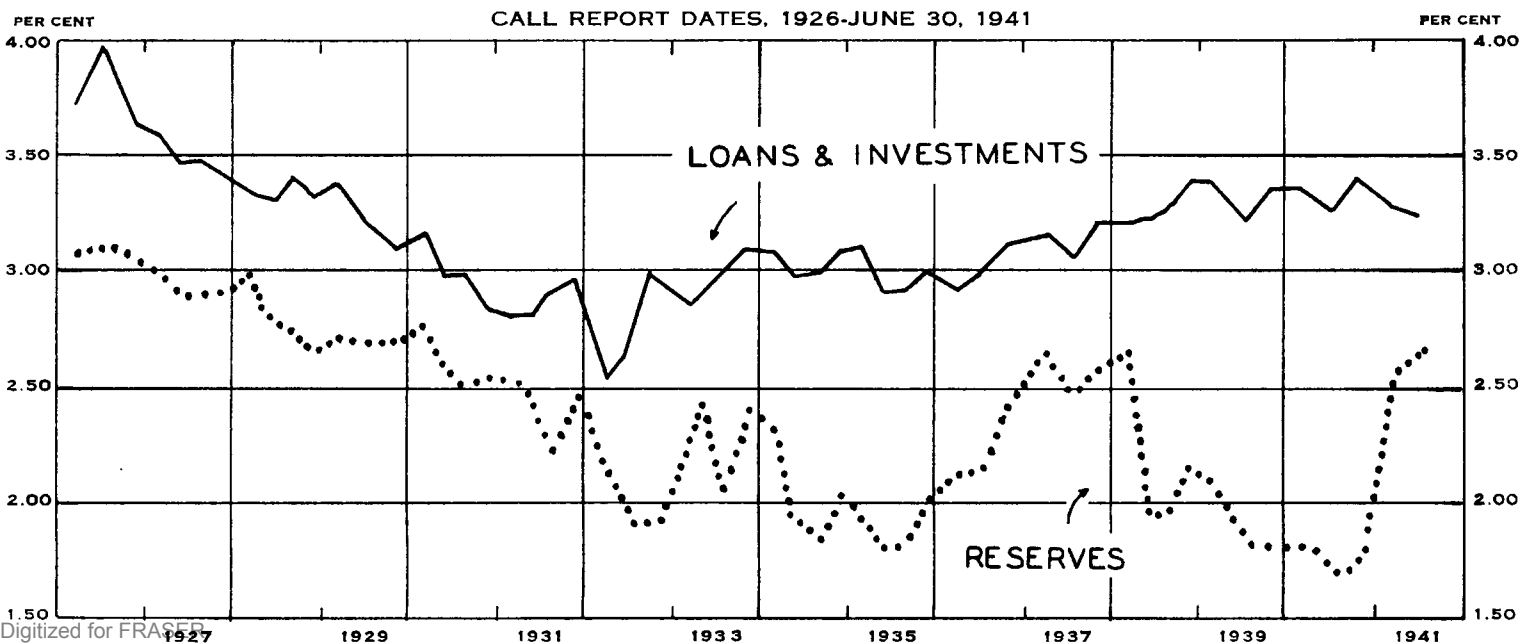
Money in circulation in the United States is now at an all-time high of about \$10.2 billion. Note circulation of the Federal Reserve Bank of Atlanta's issue reflects the nationwide increase in money in circulation, having risen from \$175.5 million in the week of October 2, 1940, to \$243.0 million in the week of October 1, 1941. This is an increase of 38 per cent.

Certain aspects of the situation with respect to money and bank credit in the Sixth Federal Reserve District are clear. Since 1933 total deposits, total reserves, and total assets of member banks in the District have been rising steadily to new peaks. Loans and investments of these banks, however, while increasing since 1933, have done so at a much more moderate rate until the past year when the rate of expansion of loans and investments again approximated the rate of expansion of total deposits. Money payments in the District as measured by bank debits and by the circulating note issue of this Bank have also been increasing, and the whole process has been rapidly accelerated since the inception of the armament program in June 1940.

B. B.

CHART II

LOANS AND INVESTMENTS AND TOTAL RESERVES OF SIXTH DISTRICT MEMBER BANKS AS A PERCENTAGE OF LOANS AND INVESTMENTS AND OF TOTAL RESERVES OF ALL MEMBER BANKS



District Summary of Business Conditions

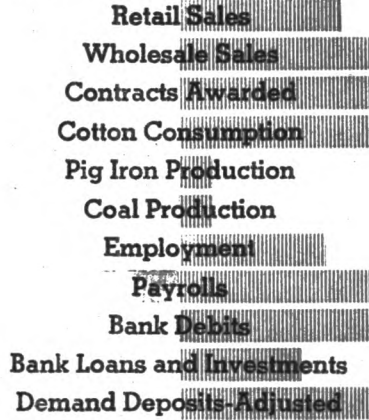
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hydro-generated power, after declining substantially in the first half of the year, increased in July following the June and early July rains. In August, however, there was a drop of 16 per cent and in September a further decline of 9 per cent, and the continued deficiency of rainfall in October has given rise to renewed fears of another serious power shortage.

▶The United States Department of Agriculture's October 1 estimates of cotton production in the six states of this District indicate a crop 168,000 bales larger than was expected a month earlier. Lack of rainfall and continued high temperatures retarded weevil activity and caused rapid development of the crop except in Louisiana, where cotton was damaged by excessive rains late in September. A further small decline in the estimate for Georgia was due to excessive and prolonged weevil activity. On the basis of the October estimates, these six states are expected to produce a crop amounting to 3,839,000 bales. If the final figure bears out this current estimate, it will mean that this year's crop is the smallest since that of 1923.

Reconnaissance

PER CENT DECREASE ▼ PER CENT INCREASE



Sixth District statistics for September 1941 compared with September 1940.

National Summary of Business Conditions

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October 16, prices of these commodities dropped sharply.

Bank Credit

Commercial loans at member banks continued to rise during September and the first half of October, reflecting in part defense demands. Increases were substantial both in New York and other leading cities. Holdings of United States government obligations decreased, mainly at banks in leading cities outside of New York. Excess reserves of member banks showed little change in this period.

United States Government Security Market

Following a slight decline in the first half of September, prices of long-term Treasury partially tax-exempt bonds increased during the latter half of September and in the first part of October. The yield on the 2¾ per cent bonds of 1960-65 reached a new record low of 2.01 per cent in October. Prices of taxable bonds moved within a relatively narrow range during the period with yields slightly above previous low levels.

CHART III

SIXTH DISTRICT MEMBER BANK RESERVES

CALL REPORT DATES, 1926-1941

