

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVII

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Number 5

War Financing—Regulation V

The President on March 26 issued Executive Order No. 9112, appointing the twelve Federal Reserve Banks agents for the War and Navy Departments and the Maritime Commission in an attempt to insure that businesses with bona fide war contracts will not be hampered by lack of credit. Several methods of providing the necessary credit to firms engaged in war production have been set forth. The program is an attempt to give practical application to one of the essential principles of a war economy: the principle that financial considerations must never be allowed to stand in the way of the attainment of maximum armament output.

► On April 6 the Board of Governors of the Federal Reserve System issued Regulation V, pursuant to Executive Order No. 9112. Regulation V defines the scope of responsibility of the Federal Reserve Banks in the war loan program. When a business man engaged as a prime contractor or a sub-contractor in the war production program is unable to procure necessary lines of credit from regular banking channels, his bank will communicate with the Federal Reserve Bank or branch bank serving the area in which his business is located. In accordance with the provisions of Regulation V the Federal Reserve Bank will then examine the circumstances of the particular business applicant and arrange for the type of financing under Executive Order No. 9112 that is best suited to the particular case.

In some instances the Federal Reserve Bank may be able to arrange a direct loan for the applicant from a commercial bank or other financing institution. There will be instances in which the situation will be handled by a loan in which several commercial banks or other financing institutions participate with or without direct participation by a Federal Reserve Bank. Where the financing institutions concerned are unwilling to make the loan without participation by the War Department, the Navy Department, or the Maritime Commission, the Federal Reserve Bank may be able to solve the problem by obtaining a guarantee of the loan from one of the government agencies named, or the whole loan could be made directly by one of these agencies with the Federal Reserve Bank acting as fiscal agent.

The War Department, Navy Department, or Maritime Commission, as the case may be, is authorized by Executive Order No. 9112 to guarantee up to 100 per cent of such loans, although in most cases it is likely that only a partial guarantee will be necessary. In this connection the Comptroller of the Currency has ruled that national banks participating in the war loans program may extend credit where the loan is guaranteed by the Army, the Navy, or the Maritime Commission without

regard to limitations imposed by the legal lending limit defined in Section 5200 of the Revised Statutes, as amended, provided that the amount of the loan that is not covered by the guarantee does come within such legal loan limit.

► It is the intention to have a liaison officer in each Federal Reserve Bank representing the War Department. It will be the duty of this officer to advise the loan officer of the Federal Reserve Bank as to the production aspects of proposed loans under Regulation V. That is to say, the liaison officer will (1) determine the ability of the proposed borrower to perform the contract acceptably; (2) determine if the business or operation is necessary, appropriate, or convenient for the prosecution of the war; and (3) determine if the concern is in need of funds in order to facilitate or expedite war production or to obtain or convert needed facilities.

Upon receipt of an application for a war production loan the Federal Reserve Bank of Atlanta is now securing certain information from the contracting officer who let the contract held by the applicant for the war production loan. The Bank also makes the usual credit investigation. This information, together with the Reserve Bank's recommendations, is then submitted to the Administrator of the War Loans Committee of the Board of Governors who will refer the application to the proper armed service for appropriate action.

► It is the policy of the armed services and the Maritime Commission to encourage commercial banks and other private financing institutions to do as large a part of the financing of war production as possible. Operations under Regulation V are viewed simply as supplementary procedures to be followed when credit cannot be obtained promptly through ordinary commercial banking channels. When a financing institution, whether a member of the Federal Reserve System or not, finds itself unable to grant a loan under the guaranty provisions requested by a business engaged in war production, that institution should make application to the Federal Reserve Bank or branch serving the locality in which the business is located. Application forms may be obtained upon request from this Bank.

These application forms ask for the following information:

1. Name and location of financing institution.
2. Name and location of applicant for loan.
3. Amount of loan applied for.
4. Percentage of loan to be guaranteed.
5. (a) Rate of interest to be charged Borrower.
(b) Maturity of proposed loan.
(c) Other terms and conditions of loan.



6. Description of collateral, if any.
7. War products to be supplied by applicant for loan.
8. Purposes for which funds will be used.
9. (a) If applicant for loan is a prime Government contractor, the following information *with respect to each prime contract* is asked:
 - (1) Unit of Government with which the prime contract is held.
 - (2) Name, title, and address of Government contracting officer.
 - (3) Contract number.
 - (4) Amount of contract and approximate per cent completed.
 - (5) Date of first and last delivery.
- (b) If applicant for loan is a subcontractor, the data below are requested with respect to each subcontract:
 - (1) Name and address of concern with which applicant for loan has a subcontract or order for supplying war products.
 - (2) Name and address of prime Government contractor for whom products are being produced.
 - (3) Unit of Government for which products are being provided.
 - (4) Amount of applicant's subcontract or purchase order and approximate per cent completed.
 - (5) Date of first and last delivery.
10. General statement by financing institution with respect to the applicant's ability to perform the above contract; the general character, reputation, and capability of the applicant; normal type and volume of production; and any other information which the financing institution would ordinarily take into account in considering a loan to the applicant.
11. Copy of audited balance sheet and operating statement for the last fiscal period of Borrower and copy of latest available balance sheet and of latest available interim operating statement should accompany application. (If audited reports for the last fiscal period are not available, the balance sheet and statement of earnings and expenses for that period properly certified may be furnished.)

► It is hoped that Executive Order No. 9112 and Regulation V will successfully remove any financing difficulties now holding back war production. Any inquiries arising in the Sixth Federal Reserve District relative to this program may be addressed to the Federal Reserve Bank of Atlanta or to one of its branches in New Orleans, Birmingham, Jacksonville, and Nashville.

Sixth District Business Conditions

Industrial activity continues apace in the Sixth Federal Reserve District. The war effort continues, of course, the dominating factor in the various lines of industry in the District and in the production of essential food and feed crops. Trade statistics continue to show gains over last year, but the April increases are smaller than those shown for other recent months and indicate some slackening in the distribution of merchandise to consumers.

Textiles: Activity at Sixth District textile mills was further accelerated in April to another all-time peak. Cotton mills in Alabama, Georgia, and Tennessee consumed an average of 12,931 bales of cotton for each of the 26 business days in the month, a gain of 3 per cent over the March rate and 11 per cent over April of last year. In the current season, August through April, consumption in these states has been 18 per cent greater than in that part of the previous season. Recent orders issued by the War Production Board will put the cotton weaving industry about 88 per cent into essential war and civilian production.

Possibilities for additional utilization of cotton are now on the horizon. Cotton bagging is a potential substitute for jute bagging. India is the traditional source of jute, and shipping stringencies and the course of military operations have prevented the importation of the usual quantities of jute into this country. As a result, jute bagging is now inadequate to handle the demand. The substitution of cotton bagging is probably the solution. Even the cotton crop itself has hitherto been bagged in jute. It has been estimated that

120,000 bales of cotton would be required to bag a 12 million bale crop.

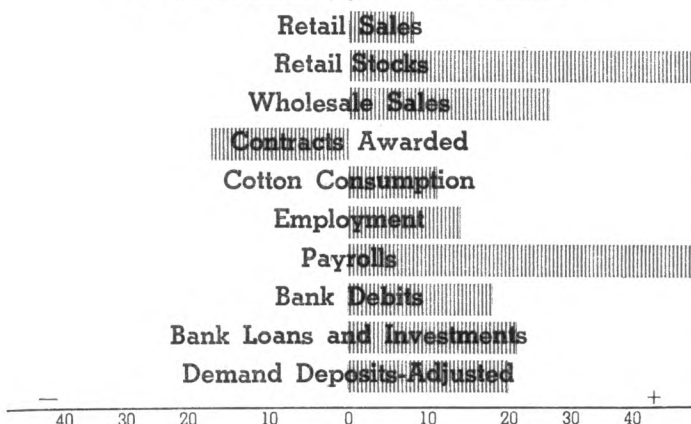
The Bibb Manufacturing Company of Macon, Georgia, has announced successful tests of a new cotton fiber cord for tires that makes possible the use of smaller amounts of rubber in the manufacture of tires and also produces a longer lasting tire. The new cord has proved itself superior, also, according to the announcement, with respect to its heat-resistant and water-resistant qualities. However, in view of the present limited supplies of rubber this can hardly be of much influence in cotton usage for some time.

Iron: A substantial increase in Alabama production of pig iron is reported to have resulted late in April from the initial operation of a large new blast furnace, the largest of its kind in the South and the first new unit of its type for this area since 1929. All of the 20 Alabama furnaces are now in operation. Output of coal in Alabama and Tennessee increased somewhat further in April, at a time when a decline is usual, and the adjusted index advanced 15 per cent. April production was about eight times that of April last year, when most mines were closed pending the outcome of labor negotiations.

Petroleum: Oil production in Louisiana, according to the American Petroleum Institute, averaged 314,350 barrels daily in the week ended May 3. The Division of Minerals of the Louisiana Conservation Department reported the issuance of permits in the week ended May 2 to drill 32 new oil wells and permits to drill 15 wells in the week ended May 9. In

Reconnaissance

PER CENT DECREASE ◀ PER CENT INCREASE



Sixth District statistics for April 1942 compared with April 1941.

these two weeks 20 new wells were completed with a capacity of about 9,000 barrels daily.

In Mississippi an average of 91,250 barrels of oil was produced daily in the week ending May 3, a slight decline from the previous week but about two and one-quarter times the average of 28,450 barrels for that week last year.

Transport: Widespread changes in the transportation system of the Southeast are impending and are in many cases already under way as a result of the tire and gasoline shortages. One important change is the development of the Tennessee River system as a waterway. This development involves the building of numerous river terminals to enable ships to load and unload handily. The TVA has just been authorized by Congress to proceed with construction of river terminals at Knoxville, Chattanooga, Decatur, and Guntersville. A greater use of the Fort Myers-Stuart cross-Florida canal and the intra-coastal waterway up the Atlantic Coast is also likely.

Agriculture: Farmers in the District are making excellent progress in growing food, feed, and oil crops as their part of the war program, but they are greatly concerned over the difficulties of getting their crops transported to market.

Wartime shifts in agricultural output are affecting Southern agriculture in many ways. A notable example is the great increase in the production of eggs in the Southeast during the past year. The Farm Security Administration estimates that some 56,000 small farmers cooperating in its egg production program have increased the output of eggs on their farms from a negligible amount to above 6 million eggs weekly. This increased production of eggs, figured at 23 cents a dozen, means an additional \$15,000 of cash income daily for these farmers.

If current predictions materialize, the country's production of tung oil this year will be between 8 and 10 million pounds, as compared with approximately 5 million pounds produced last year. Tung oil is of growing importance as an essential in the production of high grade varnishes for naval requirements and for other purposes.

Another extensive drought in the Sixth Federal Reserve District threatens agricultural prospects, and, through the consequent reduction of hydro-electric power, raises the possibility of another power shortage this summer. In the vital

Tennessee valley, April was the driest month on record since 1879. In mid-May the Geological Survey reported that stream flow was far below normal from the upper Tennessee valley across to the Atlantic Coast. Fortunately, however, reservoirs, including one large and three smaller reservoirs recently built by the Tennessee Valley Authority, contain more water than at this time last year.

In Louisiana frequent heavy rains and cool weather in the early part of the month interfered with preparation of land and with planting, and in some parts of Florida excessive rains at the middle of April caused considerable damage to truck crops. With these important exceptions, however, the lack of rainfall was evident in most sections. Early planted cotton is reported to be in fairly good condition, but growth of that planted later has been retarded and some replanting has been necessary.

Louisiana strawberry growers have had the best season since 1931 and while the movement was not quite up to earlier expectations, the available labor has been pressed to harvest the crop and prices received were well above those of last year. Press reports at the middle of May indicated that some 2,900 cars had been moved this season from the Hammond section. The value of the crop has been estimated at about \$7 million, a gain over last year's crop of approximately \$2 million.

The rationing of sugar, and particularly the limitation of the use of sugar in canning and preserving, is reported to be the cause of a recent drop of about 50 per cent in the returns Western Tennessee farmers are receiving from their strawberry shipments.

In Georgia a substantial reduction in the acreage planted to cantaloupes and watermelons resulted from the greatly increased areas planted this year in peanuts and from a feeling among growers that there might be transportation difficulties at shipping time.

The May 1 estimate of oranges from the 1941 bloom in Florida was 29.2 million boxes, a decline of 200,000 boxes from the April estimate and 1.9 million boxes less than the previous season. There was a reduction of 1 million boxes in the estimate of grapefruit between April 1 and May 1, and the current estimate of 20.4 million boxes is smaller by 4.2 million boxes than last season's production.

Construction: Construction activity continues at a high pace, but the value of new contracts awarded in the District during April declined in comparison with March and was also less than the total for April last year. There were large increases over March in awards in Florida and Tennessee, but the District total was down 11 per cent owing almost entirely to a reduction of 32 per cent in residential contracts. In comparison with April last year Florida awards more than doubled, but the District total was 17 per cent less. Residential contracts in April were 35 per cent less than a year ago, and other awards were down 9 per cent. The decreases in residential contracts are due in part to the restrictions that have been imposed on nonessential building as a part of the war program and also in some part to the fact that a large volume of defense housing construction was undertaken last year, thus inflating the 1941 figures considerably. In the January-April period, however, residential contracts have been only slightly less than in that part of last year, nonresidential awards have been 6 per cent greater, and the total is up 3 per cent.

Continued on page 34

Banking Changes—Sixth District

The accompanying tables present data on significant changes relating to member and nonmember banks in the Sixth District. Since the data in this form are unavailable elsewhere, they are presented here for the use of students of banking and others who may be interested.

► Bank deposits, exclusive of interbank deposits in the Sixth District on December 31, 1941, reached their highest level on record. Bank deposits of member and nonmember banks on December 31, 1941, totalled \$2,365 million, an increase of \$390 million over the previous year. The highest point from 1923 up to 1941, as indicated in Table I, was at the end of 1925 when deposits of member and nonmember banks amounted to \$2,107 million. After 1925, bank deposits declined each year until the low point of \$953 million was reached in December 1933. From 1933 deposits have risen steadily to the 1941 peak.

During the early 1920's, member bank deposits were approximately 60 per cent of the total deposits in the District. The proportion of member bank deposits to total deposits increased after the middle of the decade 1920 to 1930 until 1933 when member bank deposits constituted 78.4 per cent of all bank deposits in the District. Since that time, the proportion has varied between 76 and 77 per cent.

► Total resources of banks in the Sixth District as shown in

Table II increased from \$2,696 million on December 31, 1940, to \$3,212 million on December 31, 1941. Member bank resources in 1941 were 79.8 per cent of all bank resources in the Sixth District, a slight decrease over the previous year.

The proportion of total bank resources held by member banks in Alabama was 85 per cent of all banking resources in that state at the end of 1941, a larger proportion than that owned by member banks in any other state in the District. Resources of Mississippi member banks at the end of 1941 constituted 54.3 per cent of total resources, the smallest proportion accounted for by member banks in any state in the District. The relative proportions of resources of member banks to all banks in the six states of the District are shown in Table II.

► There was an increase of one in the total of member banks in the District at the end of 1941 over the end of 1940. There were 54 state banks in the System which, added to the National banks, made a total of 317 member banks. There were 1103 banks upon which checks were drawn in the District at the end of 1941 compared with 1093 at the end of 1940.

The total number of banks in the District reached the highest point in 1920 when there were 2101 banks upon

Table
MEMBER BANKS IN THE SIXTH
CHANGES IN

	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Membership, First of Year.....		381	383	383	392	426	426	460	512	536	525
Additions to Membership:											
Organization of National Banks.....		4	3	5	7	8	9	8	12	8	11
Conversion of Nonmember Banks to National Banks.....		5	3	2		4	6	5			4
Admission of State Banks.....		1	2	16	32	16	24	49	22	6	5
Resumption Following Suspension.....		1		1				1			1
Total Additions.....		11	24†	24	39	28	39	63	34	14	21
Losses of Membership:											
Mergers Between National Banks.....		2	7	3		7	3	4	2	6	10
Suspension or Insolvency.....		4	3	1				1	3	3	16
Withdrawal of State Banks.....						3		1	1	8	4
Voluntary Liquidation.....		1	4		5	1	1	2	2		2
Conversion of Member to Nonmember Banks§.....		2	10	11		17	1	3	2	8	4
Total Losses.....		9	24	15	5	28	5	11	10	25	36
Net Change.....		+ 2	0	+ 9	+34	0	+34	+52	+24	-11	-15
Membership, End of Year.....	381	383	383	392	426	426	460	512	536	525	510
National Banks.....	380	381	379	372	372	362	376	385	393	385	382
State Banks.....	1	2	4	20	54	64	84	127	143	140	128
Total Banks in District††.....					1980	2000	2101	2058	2045	2032	1998
Per Cent Member Banks of All Banks.....					21.5	21.3	28.9	24.9	26.2	25.8	25.5

NOTES TO TABLE III

* Includes one unclassified addition.

† Includes 16 banks transferred from other districts.

‡ Includes transfers and unclassified addition.

§ Includes conversion of national banks to nonmember banks and absorptions by nonmembers.

TABLE I
DEPOSITS OF SIXTH DISTRICT BANKS
(exclusive of interbank deposits)

On December 31 1923 — 1941				
Total	Member	Nonmember	Per Cent	Member Deposits
(In Millions of Dollars)	(In Millions of Dollars)		of Total Deposits	
1923.....	1,411	880	531	62.4
1924.....	1,553	953	600	61.4
1925.....	2,107	1,220	887	57.9
1926.....	1,741	1,092	649	62.7
1927.....	1,736	1,104	632	63.6
1928.....	1,673	1,093	580	65.3
1929.....	1,548	1,020	527	65.9
1930.....	1,347	944	403	70.1
1931.....	1,153	817	337	70.9
1932.....	1,047	758	289	72.4
1933.....	953	747	207	78.4
1934.....	1,182	909	271	76.9
1935.....	1,317	1,015	303	77.1
1936.....	1,530	1,164	366	76.1
1937.....	1,516	1,153	363	76.1
1938.....	1,629	1,242	386	76.2
1939.....	1,772	1,368	404	77.2
1940.....	1,974	1,521	453	77.1
1941.....	2,365	1,809	556	76.5

Source: Computed from Annual Reports, Federal Reserve Board, and Federal Reserve Bulletins.

which checks were drawn. The number declined during the 1920's and through the 1930's until 1933 when there were 1055 banks in the District. Since that time the number has increased slowly to the present level. The reasons for changes in membership are summarized in Table III.

III

FEDERAL RESERVE DISTRICT

MEMBERSHIP

1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	Total
510	495	475	464	453	428	390	349*	323	309	332	328	330	324	320	315	316	
6	10	3	6	12	2	2	1	.....	17	1	2	2	.....	.....	.....	2	141
.....	.....	3	1	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	38
1	3	.....	1	.....	3	2	2	23	3	1	2	3	1	2	3	1	224
1	.....	.....	1	2	1	2	1	.....	4	.....	.....	.....	.....	.....	.....	.....	16
8	13	6	9	14	11	6	4	23	24	2	4	5	1	2	3	3	435‡
2	9	8	6	10	20	12	1	.....	1	4	.....	3	.....	.....	1	.....	121
15	12	6	7	23	22	30	27	37	.....	.....	.....	.....	.....	.....	.....	.....	210
4	8	3	5	3	4	2	1	.....	.....	.....	1	3	4	2	.....	2	59
.....	2	.....	2	3	.....	.....	.....	.....	1	1	1	1	.....	1	.....	.....	29
2	2	.....	.....	.....	3	4	1	.....	1	.....	.....	4	1	4	1	.....	91
23	33	17	20	39	49	48	30	37	1	6	2	11	5	7	2	2	500
-15	-20	-11	-11	-25	-38	-42	-26	-14	+23	-4	+2	-6	-4	-5	+1	+1	-65
495	475	464	453	428	390	348	323	309**	332	328	330	324	320	315	316	317	
379	378	380	377	366	341	304	285	255	277	273	274	269	268	264	262	263	
116	97	84	76	62	49	44	38	54	55	55	56	55	52	51	54	54	
1963	1865	1792	1726	1608	1438	1290	1162	1055**	1094	1084	1096	1101	1098	1099	1093	1103	
25.2	25.5	25.9	26.2	26.6	27.1	27.0	27.8	29.3	30.3	30.3	30.1	29.4	29.1	28.7	28.9	28.7	

‡‡ Number of par and non-par banks in the District at end of year. From 1934 through 1941, total banks includes substantial number of private banks not theretofore included.

** Total banks in District includes non-licensed nonmember banks while membership includes only licensed members.

Source: Compiled from Annual Reports of the Federal Reserve Board, Annual Reports of the Federal Reserve Bank of Atlanta, and the Bank Examination Department, Federal Reserve Bank of Atlanta.

Announcement

The Federal Reserve Bank of Atlanta on May 11, 1942, welcomed the American Bank and Trust Company, of Miami, Florida, to membership in the Federal Reserve System.

The American Bank and Trust Company was organized in 1936 and opened for business on October 28 of that year. It is one of the three commercial banking institutions located in the downtown district of Miami.

President Rufus H. Daniel, in active charge of the operation of the bank, is assisted by First Vice President Samuel T. Sapiro, Assistant Vice President John W. Roberts, Cashier and Secretary Winton M. Wright, and Assistant Cashiers Albert E. Berkeley, E. A. Gerard, A. D. McClellan, A. Hayes Smith, and C. R. Son.

The Board of Directors, in addition to Messrs. Daniel, Sapiro and Roberts, includes T. J. Blackwell, G. M. Corrigan, Phil J. Laurence, Wm. P. Mooty, Carl Sholtz, and Henry D. Williams.

TABLE II

BANK RESOURCES — SIXTH DISTRICT

(Figures as of December 31. Resources in millions of dollars)

	Resources		Ratio Member Resources			
	All Banks*	Member Banks	to All Resources			
	1941	1940	1941	1940		
Alabama.....	543	428	463	365	85.3	85.2
Florida.....	612	537	489	431	80.0	80.3
Georgia.....	762	634	609	506	79.9	79.7
Louisiana.....	562	497	460	411	81.9	82.7
Mississippi.....	186	148	101	86	54.3	57.7
Tennessee.....	547	450	442	362	80.7	80.3
District.....	3212	2696	2563	2161	79.8	80.1

*Includes resources of national banks and of those state banks examined by state banking departments.

Continued from page 31

Retail Trade: Sales at Sixth District department stores declined slightly in April, but a decline was to be expected because of the earlier date of Easter this year. Last year, with Easter on April 13, most of the Easter buying fell in April, but this year, with only four business days in April before Easter, the bulk of the business came in March and some reaction was to be expected. Dollar sales reported by 80 department stores scattered throughout the District averaged 2 per cent less than in March. On the basis of reports from more than half of these stores included in the Sixth District trade indexes, daily average sales declined 3 per cent from March and were 8 per cent greater than in April last year. This decline from March, slightly smaller than might have been anticipated, resulted in a nominal rise in the index after adjustment for seasonal tendency and the earlier date of Easter.

The adjusted index for April was 9 per cent above that for April last year, an increase smaller than has been shown by reports for a number of months past, and in the light of the constant rise in prices over the past year, seems to indicate that fewer units of merchandise are moving across store counters and into the hands of consumers. The outlook for retail trade in coming months is clouded somewhat by the prospects of further restrictions aimed at reducing purchasing power.

The coming into effect of the General Maximum Price Regulation on May 18 will have widespread effects in the Sixth District. Not only will retail prices be affected but the prices of some primary products as well. For instance, application of the General Maximum Price Regulation to canned fruit will naturally affect the price of the fruit itself.

In April department store inventories continued the earlier increase and were more than half again as large in dollar value as they were a year ago. Here also must be taken into consideration the rise in prices, but less than half of this large increase in stocks may be attributed to that cause.

Wholesale Trade: Wholesale trade in the District increased only slightly in April. Dollar volume of sales was up 2 per cent from March and was 25 per cent larger than in April last year. About three-fourths of this gain over a year ago is accounted for by the rise in prices. As measured by the wholesale price index of the United States Bureau of Labor Statistics, wholesale prices in April this year averaged about 19 per cent higher than in April 1941.

Increases in sales of dry goods, furniture, groceries, tobacco products, and paper products were partly offset in the total by losses in sales of shoes, automobile supplies, drugs, electrical goods, and hardware. Wholesalers' inventories declined 4 per cent in April and were 18 per cent larger in dollar value than a year ago.

Money and Credit: Demand deposits (adjusted) at weekly reporting member banks in the Sixth District reached a new high level on May 13. On that date holdings of investment securities were also the largest on record. Total loans reported by these banks have declined about \$40.6 million since the December 10 peak, and loans for commercial, industrial, and agricultural purposes, which reached a peak on January 28, have declined about \$13 million since that time. Security loans are now about two-thirds what they were six months ago, real estate loans are about \$7.2 mil-

lion less, and "All Other" loans are down about \$22.7 million. These banks have increased their holdings of United States securities from \$191.7 million six months ago to \$301.1 million on May 13.

Net demand and time deposits of all member banks in the District increased further in April and reserve requirements averaged about \$3.4 million higher than in March. Actual reserves maintained by the banks declined, however, on a daily average basis, by \$5.6 million, and estimated excess reserves for the month averaged about \$9 million lower. Excess reserves continue to be larger percentagewise for country banks than for reserve city banks.

Total reserves of the Federal Reserve Bank of Atlanta were larger on May 13 than they had ever been before. Federal Reserve note circulation of the Federal Reserve Bank of Atlanta was also at a new high level. Since January 1941 the circulation of these notes has increased nearly \$140 million, or approximately 72 per cent, but the larger part of this increase has developed since September of last year. In the last three months of 1941 the note circulation of the Atlanta Reserve Bank rose approximately \$42 million, and in four and a half months of 1942 it rose further by about \$55 million.

Interpretation of Regulation W

The Board of Governors of the Federal Reserve System has issued the following interpretation of Regulation W relating to consumer credit:

WR-1. Regulation W as revised effective May 6, 1942, places no restriction on renewals or revisions of a single-payment loan originally made prior to May 6, 1942.

Supplementary explanation: As explained in WR-1, a single-payment loan made before May 6 may be renewed more than once. Furthermore, the borrower may pay a portion of the loan at the time of any such renewal, or the loan may be put on an instalment basis without regard to the requirements of Section 6 (b) or any other provision of the Regulation. It is to be noted, however, that the absence from Regulation W of restrictive provisions with respect to such renewals or conversions is not intended to encourage them, but must be considered in the light of the joint statement made for the press on May 7 by the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System. This joint statement will be published in the Federal Reserve Bulletin for June.

A loan of over \$1,500 is not subject to the Regulation whether the loan is single-payment or instalment, whether made before or after May 6, or whether all or part is to be used to pay off a previous indebtedness with the same lender or another lender. On the other hand, if the obligor on a \$1,000 note borrows another \$800 from the same lender as a separate transaction evidenced by a separate note, the new \$800 loan is subject to the Regulation.

If, instead of renewing or revising a single-payment loan made prior to May 6, the obligor makes one loan (of \$1,500 or less) part of which is to be used to pay off the old single-payment loan and part of which represents new money, only the part of the new loan representing new money is subject to the requirements of the Regulation. However, in any such case it would ordinarily be better practice for the lending institution to keep the credits separate and not to combine them in a single obligation since otherwise it might be difficult for the lending institution and for the examiners to be sure that there was no violation of the Regulation.

A renewal or revision of a loan which was originally more than \$1,500 is not subject to the Regulation even though the balance at the time of the renewal or revision is less than \$1,500.

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA

(In Thousands of Dollars)

Per Cent Change

May 20, 1942, from

	May 20 1942	Apr. 15 1942	May 21 1941	Apr. 15 1942	May 21 1941
Bills discounted.....	95	95	10	...	...
Industrial advances.....	954	495	246	...	...
U. S. securities.....	105,478	98,897	94,885	+ 7	+ 11
Total bills and securities.....	106,432	99,487	95,141	+ 7	+ 12
F. R. note circulation.....	335,232	316,179	209,602	+ 6	+ 60
Member bank reserve deposits.....	339,783	347,682	276,848	- 2	+ 23
U. S. Gov't deposits.....	14,476	14,582	18,003	- 1	- 20
Foreign bank deposits.....	25,998	25,278	29,345	+ 3	- 11
Other deposits.....	2,867	3,896	5,824	- 26	- 51
Total deposits.....	383,124	391,438	330,020	- 2	+ 16
Total reserves.....	614,736	605,666	449,091	+ 1	+ 37
Industrial advance commitments.....	1,263	1,560	...	- 19	...

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES

(In Thousands of Dollars)

Per Cent Change

May 20, 1942, from

	May 20 1942	Apr. 15 1942	May 21 1941	Apr. 15 1942	May 21 1941
Loans and Investments—Total.....	874,104	864,902	704,116	+ 1	+ 24
Loans—Total.....	385,625	400,009	370,855	- 4	+ 4
Commercial, industrial, and agricultural loans.....	218,867	227,001	193,361	- 4	+ 13
Open market paper.....	6,501	7,636	4,283	- 15	+ 52
Loans to brokers and dealers in securities.....	4,485	5,076	6,322	- 12	- 29
Other loans for purchasing and carrying securities.....	8,252	8,296	10,944	- 1	- 25
Real estate loans.....	30,914	31,103	35,468	- 1	- 13
Loans to banks.....	1,388	1,276	1,450	+ 9	- 4
Other loans.....	115,218	119,621	119,027	- 4	- 3
Investments—Total.....	488,479	464,893	333,261	+ 5	+ 47
U. S. direct obligations.....	315,460	295,177	155,807	+ 7	+ 102
Obligations guaranteed by U. S.	61,863	59,761	61,454	+ 4	+ 1
Other securities.....	111,156	109,955	116,000	- 1	- 4
Reserve with F. R. Bank.....	205,516	207,045	178,290	- 1	+ 15
Cash in vault.....	18,961	17,882	15,439	+ 6	+ 23
Balances with domestic banks.....	239,584	255,706	274,090	- 6	- 13
Demand deposits—adjusted.....	604,418	576,278	509,793	+ 5	+ 19
Time deposits.....	190,615	189,711	193,275	+ 0	- 1
U. S. Gov't deposits.....	44,963	60,145	35,546	- 25	+ 26
Deposits of domestic banks.....	424,275	447,347	370,527	- 5	+ 15
Borrowings.....	...	...	...	...	...

DEBITS TO INDIVIDUAL ACCOUNTS

(In Thousands of Dollars)

Per Cent Change

Apr. 1942 from

Mar. 1942 Apr. 1941

	April 1942	March 1942	April 1941	Apr. 1942 from Mar. 1942 Apr. 1941
ALABAMA				
Birmingham.....	151,372	158,147	117,463	- 4 + 29
Dothan.....	7,487	6,757	3,954	+ 11 + 89
Mobile.....	101,689	89,972	53,206	+ 13 + 91
Montgomery.....	31,053	32,637	29,139	- 5 + 7
FLORIDA				
Jacksonville.....	114,543	118,746	108,474	- 4 + 6
Miami.....	66,439	79,478	72,474	- 16 - 8
Pensacola.....	14,130	16,125	11,812	- 12 + 20
Tampa.....	48,156	51,839	44,158	- 7 + 9
GEORGIA				
Albany.....	7,549	8,618	6,389	- 12 + 18
Atlanta.....	301,080	321,232	269,745	- 6 + 12
Augusta.....	35,908	41,227	25,777	- 13 + 39
Brunswick.....	4,246	3,631	3,366	+ 17 + 26
Columbus.....	28,661	28,519	24,537	+ 0 + 17
Elberton.....	1,621	1,618	1,491	+ 0 + 9
Macon.....	29,927	31,718	23,943	- 6 + 25
Newnan.....	3,403	3,806	2,513	- 11 + 35
Savannah.....	43,076	44,256	35,341	- 3 + 22
Valdosta.....	5,704	6,032	4,271	- 5 + 36
LOUISIANA				
New Orleans.....	301,886	308,187	262,930	- 2 + 15
MISSISSIPPI				
Hattiesburg.....	10,484	11,234	9,864	- 7 + 6
Jackson.....	40,463	50,363	33,479	- 20 + 21
Meridian.....	17,228	17,067	15,683	+ 1 + 10
Vicksburg.....	9,338	11,159	7,872	- 16 + 19
TENNESSEE				
Chattanooga.....	69,636	70,897	50,333	- 2 + 38
Knoxville.....	42,933	45,105	34,975	- 5 + 23
Nashville.....	115,645	121,581	107,078	- 5 + 8
SIXTH DISTRICT				
26 Cities.....	1,603,657	1,679,951	1,360,267	- 4 + 18
UNITED STATES				
274 Cities.....	46,620,000	49,175,000	42,237,000	- 5 + 10

RETAIL TRADE — APRIL 1942
(Cities for which no indexes are compiled)

	Mar. 1942	Apr. 1941	Mar. 1942	Apr. 1941
Baton Rouge.....	- 6	- 5	Macon.....	+ 10 + 20
Chattanooga.....	+ 2	+ 16	Miami.....	- 11 - 6
Jackson.....	+ 4	+ 4	Montgomery.....	+ 6 + 10
Jacksonville.....	+ 0	+ 7	Tampa.....	+ 0 + 10
Knoxville.....	- 7	+ 12		

SIXTH DISTRICT BUSINESS INDICATORS

Indexes

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

Adjusted*

Unadjusted

	Apr. 1942	Mar. 1942	Apr. 1941	Apr. 1942	Mar. 1942	Apr. 1941
RETAIL SALES** (1935-1939 Av. = 100)						
DISTRICT (46 Firms).....	153	152	141	148	152	137
Atlanta.....	147	149	155			
Birmingham.....	147	167	125			
Nashville.....	131	149	123			
New Orleans.....	150	136	129			
RETAIL STOCKS						
DISTRICT (21 Firms).....	128	121	83	135	125	87
Atlanta.....	251	230	159	264	235	167
Birmingham.....	104	100	76	110	102	80
Nashville.....	114	109	64	119	111	66
New Orleans.....	117	110	69	122	114	72
WHOLESALE SALES						
TOTAL.....				92	90	76
Groceries.....				80	75	65
Dry Goods.....				72	67	58
Hardware.....				156	156	150
Drugs.....				155	163	114
CONTRACTS AWARDED						
DISTRICT.....				104	117	126
Residential.....				64	94	99
Others.....				131	132	144
Alabama.....				107	249	116
Florida.....				140	43	60
Georgia.....				125	188	214
Louisiana.....				43	176	140
Mississippi.....				3	104	279
Tennessee.....				219	52	228
BUILDING PERMITS						
20 CITIES.....				76	28	61
Atlanta.....				18	16	37
Birmingham.....				26	21	44
Jacksonville.....				64	62	123
Nashville.....				4	25	33
New Orleans.....				41	30	52
PIG IRON PRODUCTION**						
Alabama****.....						
COAL PRODUCTION** (1935-1939 Av. = 100)						
TWO STATES.....	173	150	21	171	167	21
Alabama.....				177	174	19
Tennessee.....				158	152	25
COTTON CONSUMPTION**						
THREE STATES.....				273	264	246
Alabama.....				338	328	295
Georgia.....				248	240	227
Tennessee.....				241	235	230
EMPLOYMENT (1932 Av. = 100)						
SIX STATES.....				167	166	147
Alabama.....				199	195	156
Florida.....				120	126	120
Georgia.....				174	175	163
Louisiana.....				170	167	134
Mississippi.....				134	132	117
Tennessee.....				154	153	141
PAYROLLS (1932 Av. = 100)						
SIX STATES.....				320	314	223
Alabama.....				522	510	316
Florida.....				150	158	118
Georgia.....				307	302	257
Louisiana.....				307	288	167
Mississippi.....				242	231	160
Tennessee.....				306	299	222
ELECTRIC POWER PRODUCTION** (1935-1939 Av. = 100)						
TOTAL.....				197	192	174
By Water Power.....				187	205r	163
By Fuel.....				211	176r	188
Statistics (000 Omitted)						
	Apr. 1942	Mar. 1942	Apr. 1941	Year to Date 1942	Year to Date 1941	
COMMERCIAL FAILURES						
Number (Actual, not thousands).....	38	45	45	168	169	
Liabilities.....	\$ 458	\$ 469	\$ 958	\$ 2,089	\$ 2,031	
FARM INCOME***						
SIX STATES.....	\$ 67,859	\$ 69,486	\$ 48,439	\$ 223,979	\$ 150,946	
Alabama.....	6,764	6,279	4,670	20,390	14,342	
Florida.....	24,219	19,705	17,426	67,269	43,303	
Georgia.....	8,784	8,392	6,895	26,792	21,588	
Louisiana.....	7,663	11,506	6,341	31,460	20,559	
Mississippi.....	7,765	9,666	5,188	29,595	18,527	
Tennessee.....	12,664	13,938	8,119	48,473	32,627	

*Adjusted for seasonal variation

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

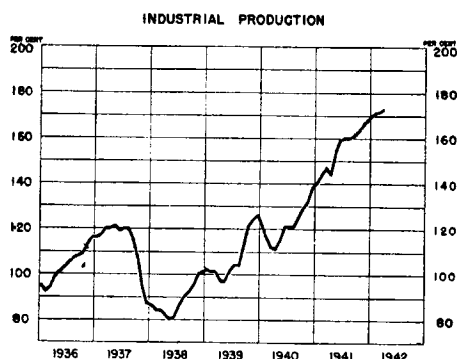
***Government benefit payments not included

****Not available

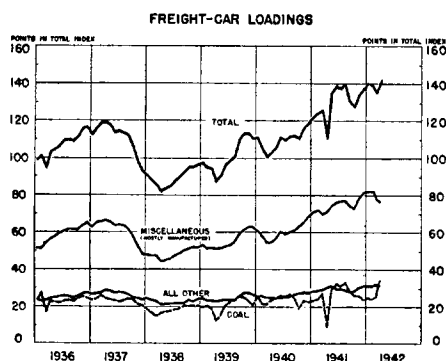
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National Summary of Business

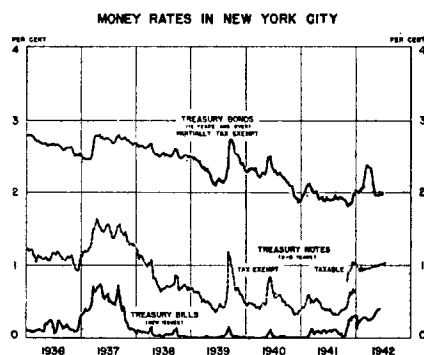
(Prepared by the Board of Governors of the Federal Reserve System)



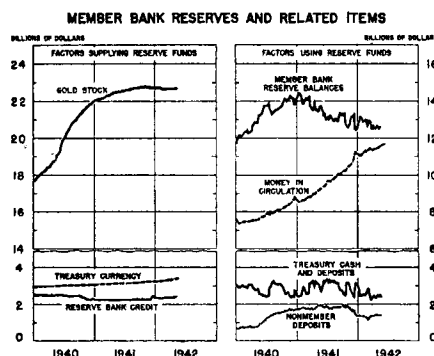
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for April 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for April 1942.



Weekly averages of daily yields on Treasury notes and bonds and average discount on new issues of Treasury bills offered within week. Latest figures shown are for week ending May 16, 1942.



Wednesday figures. Latest figures shown are for May 13, 1942.

Industrial activity increased in April and the first half of May reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

Production: Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, non-ferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the F. W. Dodge Corporation, was almost one-fifth below the high March total, reflecting a decline in publicly financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

In the first four months of 1942, total awards were about one-fourth greater than in the corresponding period last year; public awards more than doubled, while those for private projects were down by about two-fifths. Public awards in this period made up over 70 per cent of the total, compared with about 40 per cent last year.

Distribution: Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter averages, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got underway. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

Commodity prices: Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

Bank credit: During the five weeks ending May 20 Federal Reserve Bank holdings of Government securities increased by about \$200 million, while currency in circulation rose by \$260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of \$300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks in New York City and in the Kansas City district.

United States Government security prices: Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May. Rates on current Treasury bill issues rose from about 0.20 per cent in March to 0.36 per cent in May. The Federal Open Market Committee announced on April 30 that Federal Reserve Banks stood ready to purchase all Treasury bills offered at 0.375 per cent.