

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVII

ATLANTA, GEORGIA, OCTOBER 31, 1942

Number 10

Sixth District Business Conditions

October saw Sixth District farmers harvest the best crops in many years and, because they were able to market these crops at the highest prices in recent years, farm income in this area reached an all-time high. Monetary circulation continued to expand, reflecting the extremely high levels of business activity stemming from the war production effort and sharp rises in farm wage rates.

Agriculture: Although the October estimate is somewhat lower than that of September, the 1942 cotton crop forecast for the six states, either wholly or partly in the District, of 5.1 million bales is 36 per cent above production in 1941 and approximately 5 per cent above the 1931-40 average. The total United States cotton crop was forecast at 13.8 million bales on October 1, compared with the forecast of 14 million bales on September 1. Declines in the indicated yield were predicted for all states of the District with the exception of Mississippi where an increase of 30,000 bales was predicted and Tennessee where the October estimate was the same as that of September.

With increased production and the continued high price, cotton farmers face the prospect for much larger returns from cotton marketing this year. The ten market average price for Middling 15/16 on October 16, was 18.95 cents as compared with 18.78 cents a week earlier and 16.16 cents a year ago. The September farm price was the highest for any September since 1927.

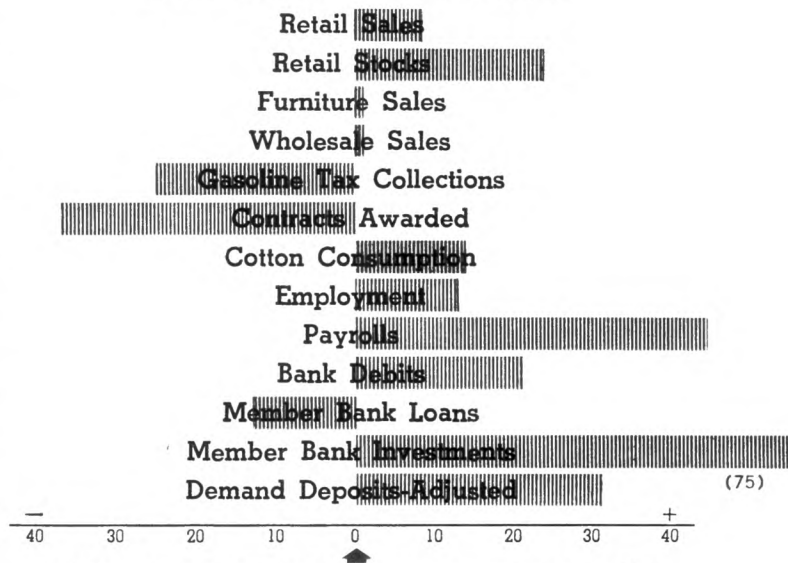
The domestic carry-over of American cotton on August 1 was 10.5 million bales, 1.5 million less than a year earlier. The large 1942 production will bring the total domestic supply to about 24 million bales compared with 22.6 million last year. Despite the decrease in foreign consumption of cotton from 2.3 million to 1.3 million bales, world consumption of cotton increased from 11.8 million bales to 12.2 million bales for the 1941-42 season as the result of increases in United States consumption. Because of the labor situation in the cotton textile industry and the near-capacity operation of many mills, further increases in consumption will probably be quite limited and total consumption in 1942-43, as predicted by the Department of Agriculture, may be limited to about 11.6 million bales compared with 11.2 million in 1941-42.

The Government loan program may be expected to keep the price of cotton at its present level. Under the Price Stabilization Act, approved by the President on October 2, the loan rate on cotton has been increased 1 cent per pound above the rate previously announced, bringing the rate from 85 to 90 per cent of parity prices. Additional payments will be made to producers who have already obtained loans on the 1942 crop.

The only cotton of which there definitely is an over-supply

Reconnaissance

PER CENT DECREASE ▼ PER CENT INCREASE



Sixth District statistics for September 1942 compared with September 1941.

under existing conditions, according to the Department of Agriculture, is short-staple cotton, a high proportion of which is lower grade. During the present season, farmers were urged to increase the production of cotton having a staple length of one and one-eighth inches or longer. It is too early at present to know how successful that program has been, although the Department of Agriculture announced on October 8 that the 1942 crop in most of the southeastern states is of a lower grade and shorter staple length than last year. In view of these factors, farmers are urged to turn to longer staple varieties next year which will involve buying new planting seed as early as possible. Premiums and discounts under the 1943 loan program may bear a much closer relationship to market differentials than at present.

The United States production of peanuts for picking and threshing from this year's crop is now expected to be 2.9 million pounds. Of this crop, 1.4 million pounds are accounted for by production in the Six States—almost as much as the entire 1941 United States production of 1.5 million pounds. Yield per acre prospects increased during September in Mississippi and Louisiana, while they declined in Georgia and remained unchanged in the other states of the District. On September 23 prevailing sales and quotations on farmers' stock No. 1 Spanish peanuts ranged from \$133 to \$135 per ton, with runner peanuts at \$115 to \$120 per ton. The loan rate on quota peanuts has been increased from

SALES OF UNITED STATES WAR SAVINGS BONDS IN THE SIXTH FEDERAL RESERVE DISTRICT

Sales Reported in Period September 24-October 23, 1942
At Issue Price

	Series E	Series F and G
TOTAL.....	\$31,527,881.25	\$14,338,964.50
Alabama.....	6,211,125.00	2,490,160.00
Florida.....	5,954,456.25	2,780,816.50
Georgia.....	6,482,643.75	2,408,513.50
Louisiana.....	5,678,475.00	3,622,710.50
Mississippi.....	2,332,443.75	1,090,236.50
Tennessee.....	4,868,737.50	1,946,527.50

SIXTH DISTRICT BUSINESS INDEXES

Department Store Sales**

(1935-39 Average = 100)

	Adjusted***			Unadjusted		
	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
DISTRICT.....	161	169	149	171	144	158
Atlanta.....	149	148	140	166	143	157
Baton Rouge.....	179	170	164	207	148	190
Birmingham.....	155	164	161	160	150	166
Chattanooga.....	165	187	142	185	154	158
Jackson.....	206	198	186	233	159	210
Jacksonville.....	210	218	166	215	182	170
Knoxville.....	151	167	147	164	150	159
Macon.....	210	229	166	226	161	179
Miami.....	135	134	141	111	91	116
Montgomery.....	197	219	173	213	171	187
Nashville.....	133	138	121	139	117	127
New Orleans.....	160	157	145	163	145	148
Tampa.....	195	197	157	185	154	149

Department Store Stocks

(1935-39 Average = 100)

	Adjusted***			Unadjusted		
	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
DISTRICT.....	177	195	143	187	188	151
Atlanta.....	210	229	181	224	224	193
Birmingham.....	179	177	122	182	178	124
Montgomery.....	144	155	135	161	154	150
Nashville.....	206	217	171	223	217	185
New Orleans.....	167	211	150	175	198	158

Payrolls

(1932 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
SIX STATES.....	364	361	252	176	174	156
Alabama.....	598	612	384	218	216	173
Florida.....	168	158	106	113	111	99
Georgia.....	372	349	284	188	184	174
Louisiana.....	349	347	201	189	186	145
Mississippi.....	319	333	211	146	144	134
Tennessee.....	314	324	250	153	157	155

Employment

(1932 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
SIX STATES.....	364	361	252	176	174	156
Alabama.....	598	612	384	218	216	173
Florida.....	168	158	106	113	111	99
Georgia.....	372	349	284	188	184	174
Louisiana.....	349	347	201	189	186	145
Mississippi.....	319	333	211	146	144	134
Tennessee.....	314	324	250	153	157	155

Cotton Consumption**

(1923-25 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
TOTAL.....	285	255	250	165	162	135
Alabama.....	327	300	303	168	168	125
Georgia.....	271	240	231			
Tennessee.....	247	210	218	158	146	152

Coal Production**

(1935-39 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
TOTAL.....	285	255	250	165	162	135
Alabama.....	327	300	303	168	168	125
Georgia.....	271	240	231			
Tennessee.....	247	210	218	158	146	152

Wholesale Sales

(1923-25 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
DISTRICT.....	94	91	99			
Drugs.....	155	149	145			
Dry Goods.....	109	116	103			
Groceries.....	84	79	73			
Hardware.....	125	116	171			

Construction Contracts

(1923-25 Average = 100)

	Sept. 1942	Aug. 1942	Sept. 1941	Sept. 1942	Aug. 1942	Sept. 1941
DISTRICT.....	213	164	330			
Residential.....	65	71	94			
Others.....	311	226	488			
Alabama.....	34	104	260			
Florida.....	133	125	59			
Georgia.....	398	401	271			
Louisiana.....	73	397	141			
Mississippi.....	1353	1840	1057			
Tennessee.....	147	86	1319			

** Indexes of department store sales, electric power and coal production, and of cotton consumption are on a daily average basis.

*** Adjusted for seasonal variation.

Back figures for department store sales and stocks in the new series will be furnished upon request.

85 to 90 per cent of parity prices. All peanuts produced over and above the AAA acreage allotments must move into oil channels.

Although September estimates were revised downward in October for some of the other important crops of the District, prospects continue for better-than-average crops in general. If first prospects materialize, the tonnage of Louisiana and Florida cane used for sugar will be the largest on record—6.7 million tons—and 35 per cent above the amount used for that purpose in 1941. Production of cane for both sugar and seed is estimated at 6.2 million tons in Louisiana compared with 4.5 million tons in 1941, and at 1.2 million in Florida compared with 974 thousand tons last year.

In Florida the early and mid-season orange crop is placed at 17.2 million boxes. The 1941 crop totaled 15 million boxes. The tangerine crop estimate of 3.5 million boxes is 67 per cent larger than last year's production. Prospective production of grapefruit is 29 per cent above last year's. According to a policy adopted by the Growers' Administrative and Shippers' Advisory committees, operating under the Federal Citrus Marketing Act, the shipping of third-grade Florida citrus fruit in interstate commerce is to be prohibited this season provided the policy receives Federal approval.

What may prove to be an important development in the citrus industry is the formation of a chemical company at Winter Haven for the manufacture of alcohol and molasses from the pressed citrus juice and the waste water of the citrus peel. The plant is to have a daily capacity of 6000 gallons of molasses and 3000 gallons of 190 proof ethyl alcohol. Not only will the plant provide a means of utilizing citrus by-products, but at the same time it will furnish alcohol for the production of smokeless powder.

While the increased crop yields have been predicted for some time, whether or not they will be finally realized depends on how well farmers are able to meet harvesting problems. Increasing difficulties are reported from different areas in securing adequate labor supplies. According to the Bureau of Agricultural Economics, the index of the supply of farm labor throughout the United States is at 70 per cent of the 1935-39 average, while demand stands at 117. Conditions in the Southeast are somewhat better than those throughout the United States. However, as a result of the labor situation, farm labor wage rates averaged \$1.70 on October 1 this year in the Six States, an increase of 30 per cent from October of last year. Throughout the United States as a whole, farm labor wage rates increased 33 per cent over the same period.

Various methods have been utilized to meet the labor problem. In Georgia special school holidays have been declared in some counties in order to overcome the shortage of cotton pickers. Mechanical harvesters will be used more ex-

FARM LABOR WAGE RATES PER DAY WITHOUT BOARD

	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District	U.S.
1941								
January.....	.90	1.35	.90	1.05	1.00	1.05	1.04	1.59
April.....	1.00	1.35	.95	1.10	1.05	1.10	1.09	1.70
July.....	1.00	1.40	1.00	1.15	1.05	1.20	1.13	1.98
October.....	1.25	1.55	1.15	1.30	1.25	1.35	1.31	2.08
1942								
January.....	1.20	1.65	1.10	1.25	1.25	1.35	1.30	2.12
April.....	1.30	1.75	1.20	1.30	1.25	1.40	1.37	2.10
July.....	1.35	1.75	1.25	1.35	1.30	1.45	1.41	2.45
October.....	1.65	2.05	1.45	1.70	1.60	1.75	1.70	2.76

Source: U. S. Department of Agriculture.

tensively than usual in Louisiana for harvesting cane. Employers of farm labor in the Lake district in Florida have recently organized themselves into a vegetable growers association to distribute the available labor efficiently and to arrange for the importation of any necessary itinerant labor. The fear of a labor shortage is also being reflected in the reluctance of some growers to plant acreages in winter vegetables on as large a scale as formerly.

The large crops have also created a storage problem. In Mississippi, for example, the estimated production of soy beans for oil is placed at about 3 million bushels in addition to the peanuts grown for oil. This is the first year these two commodities have been grown in the state for oil purposes and cotton seed crushing mills are already taxed with handling of cotton seed. Farmers have been asked by the Department of Agriculture to store soy beans on their farms wherever possible until such time as the crushing mills will be able to handle them.

Wholesale Trade: Distribution of merchandise through Sixth District wholesale firms increased 3 per cent in September but was only 1 per cent larger in dollar volume than in September 1941. This is the same percentage increase that was shown by August sales over those in August last year. Taken in conjunction with the Bureau of Labor Statistics' wholesale price index, which has recently been about 9 per cent higher than it was a year ago, this means that these firms are selling a smaller volume of goods than they were at this time last year. In September there were declines from August in sales of dry goods, fresh fruits and vegetables, meats and meat products, and machinery and equipment.

DEBITS TO INDIVIDUAL ACCOUNTS

(In Thousands of Dollars)

	Sept. 1942	Aug. 1942	Sept. 1941	Per Cent Change Sept. 1942 from Sept. 1941	Per Cent Change Sept. 1942 from Sept. 1941
ALABAMA					
Anniston*	14,658	13,724	141,995	+ 7	...
Birmingham	158,227	149,676	141,995	+ 6	+ 11
Dothan	7,252	5,806	5,473	+ 25	+ 32
Gadsden*	8,043	7,354	...	+ 9	...
Mobile	98,665	110,329	68,691	+ 11	+ 44
Montgomery	35,800	35,913	31,849	— 0	+ 12
FLORIDA					
Jacksonville	123,188	126,897	98,395	— 3	+ 25
Miami	64,277	60,148	55,802	+ 7	+ 15
Orlando*	13,013	12,398	...	+ 5	...
Pensacola	18,795	16,325	13,940	+ 15	+ 35
St. Petersburg*	11,418	9,888	...	+ 15	...
Tampa	53,010	50,367	37,103	+ 5	+ 43
GEORGIA					
Albany	7,967	7,123	7,785	+ 12	+ 2
Atlanta	325,127	310,120	274,301	+ 5	+ 19
Augusta	30,235	28,148	26,203	+ 7	+ 15
Brunswick	7,991	7,752	3,609	+ 3	+ 121
Columbus	33,303	28,641	25,260	+ 16	+ 32
Elberton	1,767	1,288	1,380	+ 37	+ 28
Macon	34,973	34,133	26,902	+ 2	+ 30
Newnan	3,511	3,274	3,277	+ 7	+ 7
Savannah	63,222	56,106	38,743	+ 13	+ 63
Valdosta	6,158	11,928	6,604	— 48	— 7
LOUISIANA					
Baton Rouge*	27,152	36,200	...	— 25	...
Lake Charles*	12,230	10,081	...	+ 21	...
New Orleans	334,111	305,756	298,697	+ 9	+ 12
MISSISSIPPI					
Hattiesburg	12,846	11,668	11,854	+ 10	+ 8
Jackson	61,351	39,521	36,359	+ 55	+ 69
Meridian	16,465	18,493	17,722	— 11	— 7
Vicksburg	11,368	12,461	9,712	— 9	+ 17
TENNESSEE					
Chattanooga	78,411	72,254	61,528	+ 9	+ 27
Knoxville	44,293	40,480	39,755	+ 9	+ 11
Nashville	137,608	137,683	118,424	— 0	+ 16
SIXTH DISTRICT					
26 Cities	1,769,921	1,682,290	1,461,363	+ 5	+ 21
UNITED STATES					
274 Cities	52,704,000	49,180,000	43,866,000	+ 7	+ 20

Decreases from September last year in sales of electrical goods, hardware, and machinery and equipment, all of which are made of critical materials, were sufficiently large nearly to offset increases reported in other lines.

Inventories in the hands of wholesalers declined 9 per cent in September. During all of 1941 and the first six months of 1942 wholesale stocks were consistently larger in dollar value than they had been in corresponding months a year earlier, at least a part of these increases being due to the steady rise in prices. But in July, August, and September wholesale inventories were 3 per cent, 14 per cent, and 15 per cent, respectively, smaller than in those months a year ago, in spite of higher prices. In September the only wholesalers reporting their stocks larger than in September 1941 were in the fresh fruits and vegetables, beer, and miscellaneous groups.

WHOLESALE SALES AND INVENTORIES — SEPTEMBER 1942

	Sales			Inventories		
	No. of Firms	Per Cent Aug. 1942	Change From Sept. 1941	No. of Firms	Per Cent Aug. 1942	Change From Sept. 1941
Automotive	...	...	...	...	...	...
Supplies	4	same	+ 12	...	...	...
Clothing	3	+ 5	+ 24	...	...	...
Shoes	3	+ 10	+ 8	...	...	...
Drugs and	...	...	...	...	...	...
Sundries	6	+ 4	+ 20	...	...	...
Dry Goods	12	— 6	+ 7	6	— 16	— 1
Electrical Goods	8	+ 8	— 30	6	— 14	— 42
Fresh Fruits and	...	...	...	...	...	...
Vegetables	6	— 4	+ 26	3	+ 86	+ 86
Meats and Meat	...	...	...	...	...	...
Products	3	— 6	+ 5	3	— 17	— 19
Groceries	46	+ 6	+ 21	19	— 2	— 11
Beer	4	+ 9	+ 17	3	+ 5	+ 24
Hardware	19	+ 8	— 6	10	— 11	— 20
Machinery and	...	...	...	...	...	...
Equipment	5	— 1	— 25	3	— 8	— 9
Paper Products	4	+ 1	same	...	...	...
Tobacco	...	...	...	...	...	...
Products	5	+ 3	+ 13	...	...	...
Miscellaneous	18	+ 5	— 2	16	— 2	+ 6
Total	146	+ 3	+ 1	69	— 9	— 15

Source: U. S. Department of Commerce

Textiles: In September the rate of textile activity in the Sixth District rose to a new high level. Cotton mills in Alabama, Georgia, and Tennessee used more cotton in the month of September than in any other month on record excepting July and, because September was shorter by one working day than July, the daily average rate of consumption reached a new high level. The daily rate in September was 12 per cent above that for August and up 14 per cent from September last year. New high levels of textile activity have been recorded in seven of the past twelve months.

Retail Trade: Department store sales in the District during September were 9 per cent above those in September of 1941. The index of daily average sales adjusted for seasonal variations, however, declined eight points in September after having reached a peak in August. Although department store stocks on September 30 were 20 per cent above those a year ago, the adjusted index of department store stocks has registered a decline each month since July. Shortages of many items are developing and the stocks index may be expected to decline further in months to come.

In the four weeks ending October 24, department store sales in the Sixth District were up 17 per cent over the four weeks ending October 25, 1941, as compared with a rise of 14 per cent in the country as a whole. In four Districts the increase was greater than in the Atlanta District; in seven the increase was smaller percentagewise.

In dollar volume, retail furniture store sales were approximately the same in September this year as in 1941, in con-

trast with previous months of this year when sales were far below last year's levels. September sales in 1941 were unusually low because of the introduction of the Federal Reserve Consumer Credit Regulation and the necessity for adjustment in merchandising and financing methods. Total sales of reporting stores in September were 1 per cent less than in August 1942 and sales of this month were in turn 44 per cent lower than those in August 1941.

OPERATING DATA OF RETAIL FURNITURE STORES IN THE SIXTH FEDERAL RESERVE DISTRICT

	Number of Stores	September 1942 August 1942	September 1942 compared with September 1941
Total Sales.....	103	— 1	+ 1
Cash Sales.....	90	— 1	+ 54
Instalment and Other Sales...	90	— 3	— 3
Accounts Receivable.....	100	— 5	— 31
Collections.....	100	— 3	+ 5
Inventories.....	79	0	+ 18

Mining: Output of coal in Alabama and Tennessee, on a daily average basis, increased only slightly in September, when there is usually a rather substantial rise. The rate for September was about 2 per cent larger than that for August and 22 per cent above the rate for September 1941. However, when allowance is made for the usual seasonal trend, the adjusted index of September output was down 9 per cent from August, being the lowest since March.

Construction: Construction contracts were awarded during September in the Sixth District in a total amount of approximately \$75 million, a gain of 8 per cent over August, but considerably less than the large total reported for September last year which was, at that time, the largest total ever reported for a single month. It should be recalled that contract awards in this District during August, September, and October of 1941 accounted for about half of the year's total and were greater than had ever been reported for a three-month period until the summer of this year. In the first three quarters of 1942 the total value of contracts awarded in this District has been \$705 million, larger by 48 per cent than for that part of last year.

On October 21 the War Production Board announced that it intends to reduce the 1943 construction schedule by about one-third. The present schedule stands at \$16 billion.

Treasury Issues: On October 19, 1942, the Secretary of the Treasury offered for subscription an issue of 2 per cent Treasury Bonds due in 1950-52. Subscriptions in the Sixth District amounted to \$88,697,500, and were allotted in full. An issue of 1.5 per cent Treasury Notes, Series B-1946, was offered on September 25, and Sixth District subscriptions of \$67,752,500 were also allotted in full. These offerings were in addition to the 0.65 per cent Treasury Certificates of Indebtedness and 1.25 per cent Treasury Notes offered on September 21 and 25, respectively, referred to in the September *Monthly Review*. Treasury bills continue to be offered weekly.

UNITED STATES TREASURY BILLS, TENDERS AND ALLOTMENTS IN THE SIXTH FEDERAL RESERVE DISTRICT OF ISSUES DATED September 15 to October 15, 1942

Dated	Tenders	Allotments
September 16, 1942.....	\$11,960,000	\$ 8,945,000
September 23, 1942.....	11,095,000	9,065,000
September 30, 1942.....	8,085,000	5,385,000
October 7, 1942.....	8,675,000	7,379,000
October 14, 1942.....	13,525,000	12,879,000
Total.....	\$53,340,000	\$43,653,000

Industry: With the volume of industrial production for war purposes limited only by available facilities, manpower, and raw materials, production in most industries in the District continues at a high level. A total of \$3.6 billion of major war and supply facility contracts has been awarded in the Sixth District from June 1940 through July 1942. The greater part of the total consists of facilities contracts although \$1.6 billion of the total is accounted for by supply contracts. The largest part of the supply contracts, or 54 per cent, was for ships, with the construction of aircraft accounting for 7 per cent, and all other types of contracts for 39 per cent of the total. Approximately 55 per cent of the facility contracts were for nonindustrial facilities, covering such things as the construction of army camps and other military installations. In compiling the data, the War Production Board excluded contracts having a value of less than \$50 thousand and all awards for food purchases.

The completion of each new industrial facility brings with it the problem of utilizing the manpower of the area most effectively. In Panama City, Jacksonville, Birmingham, and Atlanta the War Manpower Commission is studying the problems created by the increased manpower loads in those areas.

The war program is creating tremendous changes in the South and no doubt many of these changes will be continued in the postwar years. A recent report of the Southeast Regional Planning Commission concludes that as a result of the war, the region will have developed important tools and skills which may be utilized in the postwar years. War expenditures, according to the report, will have provided additional income in the area which may be used as a source of investment funds. Shortages of skilled labor will be decreased because of training in war industries. The conversion problem may not be great since many of the new plants may be able to step rather easily into peacetime industries. The report warned, however, that steps must be made to combat immediate postwar unemployment.

**MAJOR WAR SUPPLY AND FACILITY CONTRACTS
SIXTH DISTRICT**

June 1940 Through July 1942
(in Thousands of Dollars)

Industrial Area	Total	Supply Contracts	Facilities Projects
TOTAL.....	\$3,601,690	\$1,639,373	\$1,962,317
Atlanta.....	130,344	35,718	94,626
Birmingham.....	57,580	52,116	5,464
Chattanooga.....	144,720	74,923	69,797
Childersburg.....	275,347	91,210	184,137
Knoxville.....	18,687	15,221	3,466
Mobile-Pascagoula.....	442,955	383,396	59,559
Muscle Shoals-Sheffield.....	43,032	2,638	40,394
Nashville.....	77,799	68,855	8,944
New Orleans.....	259,047	188,734	70,313
Remainder of District.....	2,152,179	726,562	1,425,617

Source: War Production Board.

Gasoline Tax Collections: During September collections of gasoline taxes in the six states of the District, continued their downward trend. Collections in September of this year for the District as a whole were 25 per cent below those in September 1941. In Florida and Georgia, the two rationed states, the decline was particularly severe—38 and 40 per cent respectively. In Florida collections during September were 27 per cent below the monthly average of the pre-war year, 1939, while in Georgia the collections were 19 per cent below that average. Collections for the Six States were 2

per cent above the 1939 average, compared with 6 per cent above that average in August.

GASOLINE TAX COLLECTIONS

(1939 Monthly Average = 100)

	September 1942	August 1942	September 1941
DISTRICT.....	102	106	136
Alabama.....	124	127	143
Florida.....	73	86	116
Georgia.....	81	97	136
Louisiana.....	105	105	136
Mississippi.....	111	108	144
Tennessee.....	137	125	158

Money and Credit: Operation of the Consumer Credit Regulation, coupled with growing inventory shortages in some lines of merchandise and earlier anticipatory buying, resulted in a further decline in consumer credit outstandings from August to September.

Monetary circulation continues to increase in this District as throughout the country. On October 21, Federal Reserve notes in actual circulation issued by this Bank totaled \$462.7

CONSUMER INSTALMENT CREDIT OPERATIONS OF 38 MEMBER BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT

Percentage Change Aug. 1942 to Sept. 1942

	Volume	Outstandings
1. Retail instalment paper purchased		
(a) Automotive.....	+ 24.4	— 13.6
(b) Other.....	+ 9.5	— 9.2
2. Direct retail instalment loans		
(a) Automotive.....	+ 2.1	— 16.4
(b) Other.....	+ 159.1	+ 61.6
3. Repair and modernization loans		
(a) FHA, Title I, Class I.....	— .1	— 5.4
(b) Other.....	— 82.3	— 3.8
4. Personal instalment cash loans.....	+ 7.0	— 5.4
5. Total.....	+ 3.2	— 8.8

OPERATIONS OF CONSUMER CREDIT AGENCIES IN THE SIXTH FEDERAL RESERVE DISTRICT

Percentage Change Aug. 1942 to Sept. 1942

	Volume	Outstandings
Federal Credit Unions.....	+ 3.1	— 4.5
State Credit Unions.....	— 1.7	— 1.9
Industrial Banking Companies.....	+ 5.3	— 2.1
Personal Finance Companies.....	...	— 3.0

million. This amount represents an increase from September 23 of 10.2 per cent. The means of payment in the form of bank deposits subject to check also increased further during October, largely as a result of purchases of Federal obligations by member banks.

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA

(In Thousands of Dollars)

	Oct. 21 1942	Sept. 16 1942	Oct. 22 1941	Per Cent Change	
				Oct. 21 1942	Oct. 22 1941
Bills discounted.....	175	1,088	42	— 84	+ 317
Industrial advances.....	814	802	271	+ 1	+ 200
U. S. securities.....	191,560	154,468	93,250	+ 24	+ 105
Total bills and securities.....	192,549	156,357	93,562	+ 23	+ 106
F. R. note circulation.....	462,668	417,575	246,796	+ 11	+ 187
Member bank reserve deposits.....	411,484	413,718	286,252	— 1	+ 44
U. S. Gov't deposits.....	24,338	228	33,729	+ 967	— 28
Foreign bank deposits.....	25,443	26,724	39,460	— 5	— 36
Other deposits.....	2,514	2,646	7,790	— 5	— 68
Total deposits.....	463,779	443,316	367,231	+ 5	+ 26
Total reserves.....	728,000	701,080	527,355	+ 4	+ 38
Industrial advance commitments.....	135	142	1,041	— 5	— 87

CONDITION OF 20 MEMBERS BANKS IN SELECTED CITIES

(In Thousands of Dollars)

	Oct. 21 1942	Sept. 16 1942	Oct. 22 1941	Per Cent Change	
				Oct. 21 1942	Oct. 22 1941
Loans and Investments—Total.....	1,053,220	992,417	769,486	+ 6	+ 37
Loans—Total.....	340,875	338,342	408,246	+ 1	— 17
Commercial, industrial, and agricultural loans.....	198,868	195,389	211,391	+ 2	— 6
Open market paper.....	5,314	5,205	5,035	+ 2	+ 6
Loans to brokers and dealers in securities.....	3,872	4,101	5,764	— 6	— 33
Other loans for purchasing and carrying securities.....	7,392	7,353	11,823	+ 1	— 37
Real estate loans.....	27,997	28,098	37,998	— 0	— 26
Loans to banks.....	425	1,144	1,774	— 63	— 76
Other loans.....	97,007	97,052	134,461	— 0	— 28
Investments—Total.....	712,345	654,075	361,240	+ 9	+ 97
U. S. direct obligations.....	553,356	496,498	177,115	+ 12	+ 215
Obligations guaranteed by U. S.....	44,760	46,716	70,453	— 4	— 36
Other securities.....	109,229	110,861	113,672	— 1	— 4
Reserve with F. R. Bank.....	250,436	259,961	184,976	— 4	+ 35
Cash in vault.....	21,236	22,656	17,736	— 6	+ 20
Balances with domestic banks.....	189,467	196,237	260,563	— 3	— 27
Demand deposits—adjusted.....	725,213	720,632	536,398	+ 1	+ 35
Time deposits.....	200,313	199,376	195,839	+ 0	+ 2
U. S. Gov't deposits.....	92,340	38,472	37,429	+ 140	+ 147
Deposits of domestic banks.....	419,418	434,153	397,609	— 3	+ 5
Borrowings.....	...	2,000	...	...	...

War Finance and Member Bank Reserves

As a result of war expenditures on an enormous scale and participation of banks in financing the war effort, the reserve position of the banking system has changed considerably in the past two years. Between October 16, 1940, and October 14, 1942, the excess reserves¹ of all member banks in the United States declined from \$6,870 million to \$2,710 million.

While excess reserves have been declining in total during the war years, the situation as between various Federal Reserve Districts has not been uniform by any means. Indeed, in five Districts—Richmond, Atlanta, Kansas City, Dallas, and San Francisco—excess reserves were a great deal larger in August 1942 than in August 1940. Furthermore, the experience of member banks in the money centers has differed greatly from that of Country banks. The decline in excess reserves has been concentrated in the Central Reserve City banks of New York and Chicago. This declining trend has been much less strong in the Reserve City banks and even weaker in the Country banks. Table I illustrates these points.

¹"Excess reserves" represent the difference between total deposits of member banks with their respective Federal Reserve Bank and the amount of deposits that they are required to hold as a reserve against demand and time deposits.

The fall in excess reserves in the country as a whole is the result of two sets of conditions. Table II shows the changes that have taken place in the factors supplying reserve funds and those using reserve funds over the past two years. In the first place, the factors supplying reserve funds operated between the autumn of 1940 and the autumn of 1942 in such fashion as to make additional reserve funds available at a much slower rate than had been the case in the years between 1933 and 1940. Secondly, factors using reserve funds operated over the past two years so as to use these funds for purposes other than the building up of member bank reserve deposits. Indeed, total member bank reserve deposits declined from \$14,016 million on October 16, 1940, to \$12,303 million on October 14, 1942.

The inflow of gold was an active factor in supplying reserve funds. In the years from 1933 through 1940, the monetary gold stock of the United States grew rapidly. The gold stock increased from \$4,036 million at the end of 1933 to \$21,995 million at the end of 1940. Thereafter, however, the rise was much less rapid and on October 14, 1942, the total

TABLE I
EXCESS RESERVES OF MEMBER BANKS
(Averages of Daily Figures in Millions of Dollars)

Federal Reserve Districts	Total	Boston	N. York	Phila.	Cleve.	Rich.	Atlanta	Chicago	St. Louis	Minn.	K. City	Dallas	S. Fran.
Cen. Res. City Banks													
August 1940.....	3,843		3,344					499					
August 1942.....	346		286					60					
Per Cent Change.....	- 90		- 91					- 88					
Reserve City Banks													
August 1940.....	1,748	334	21	240	378	82	44	159	106	38	74	49	222
August 1942.....	1,091	61	10	111	196	96	51	133	43	13	80	64	233
Per Cent Change.....	- 38	- 82	- 52	- 54	- 48	+ 17	+ 16	- 16	- 59	- 66	- 8	+ 31	+ 5
Country Banks													
August 1940.....	816	105	212	89	73	41	30	134	29	29	26	31	17
August 1942.....	812	91	155	69	96	54	47	113	34	30	39	44	39
Per Cent Change.....	- 0	- 13	- 27	- 22	+ 32	+ 32	+ 57	- 16	+ 17	+ 3	+ 50	+ 42	+ 129
All Member Banks													
August 1940.....	6,407	439	3,577	329	451	123	74	792	135	67	100	80	239
August 1942.....	2,248	152	451	180	292	150	98	306	77	43	119	108	272
Per Cent Change.....	- 65	- 65	- 87	- 45	- 35	+ 22	+ 32	- 61	- 43	- 36	+ 19	+ 35	+ 14

gold stock amounted to \$22,758 million. This growth reflected large and continued gold imports part of which resulted from the desire of Europeans to transfer capital to the United States for safekeeping in anticipation of unsettled political conditions. Minor factors contributing to the increase in gold stock during the years after 1933 were an expansion of domestic gold production and the reduction in the gold content of the dollar in January 1934.

The chief factor reducing member bank reserve deposits over the past two years was the very rapid and continued increase of money in circulation from \$8,229 million on October 16, 1940, to \$13,932 million on October 14, 1942. During the same period, demand deposits of member banks were

rising and thus the dollar amount of reserves required was increasing. Time deposits also rose slightly. A breakdown of demand deposits of member banks by Federal Reserve Districts (Table III) indicates, however, that deposits rose more rapidly in those Districts—Richmond, Atlanta, Kansas City, Dallas and San Francisco—in which excess reserves increased than they have risen in the country as a whole.

The explanation is, apparently, that reserve funds have been transferred out of some Districts into others. These transfers in large part are the result of Federal financial operations. Over the past two years Federal expenditures on war account have been rising rapidly and they have now attained an annual rate of approximately \$75 billion. Expenditures on such a scale have necessitated accelerated Federal borrowing and the bulk of the borrowed funds has been raised in the money markets of New York City and Chicago. Much of the military mobilization, however, has taken place outside of the New York and Chicago areas so that it has been necessary for the Treasury to transfer funds to other centers. The drain of

Announcement

The Federal Reserve Bank of Atlanta on October 27, 1942, welcomed the Fidelity National Bank of Baton Rouge, Baton Rouge, Louisiana, to membership in the Federal Reserve System.

The Fidelity Bank and Trust Company of Baton Rouge was organized and opened for business on June 7, 1937, under the laws of the State of Louisiana. It is one of three commercial banking institutions in Baton Rouge, the capital of the State of Louisiana, which has a population of about 35,000. On October 27, 1942, the bank was granted a national charter and was authorized by the Comptroller of the Currency to commence business as a national bank. It thus became a member of the Federal Reserve System. Its capital and surplus amount to \$600,000, and it has deposits of about \$7,600,000.

In active charge of the operation of the bank is W. L. Ward, Sr., who was President of the Louisiana Bankers' Association in 1930. Mr. Ward is assisted by Executive Vice President Wm. B. Gladney, Vice President W. L. Ward, Jr., Assistant Vice President George Herlitz, Cashier Millard G. Redden, and Assistant Cashiers Russell V. Gaudin and Louis W. Borne.

The Board of Directors, in addition to W. L. Ward, Sr., W. L. Ward, Jr., and Wm. B. Gladney, includes Robert T. Barber, H. Payne Breazeale, R. Frank Cangelosi, Louis A. Carville, Lancaster W. Collens, Charles H. Hebert, Byran R. Kantrow, George E. McNutt, Harry B. Nelson, Percy E. Roberts, and George M. Wallace.

TABLE II
THE SUPPLY AND USE OF RESERVE FUNDS
(In Millions of Dollars)

	Oct. 16 1940	Oct. 14 1942	Per Cent Change
SUPPLY			
Gold Stock.....	21,373	22,758	+ 6.5
Treasury Currency.....	3,053	3,360	+ 10.1
Reserve Bank Credit.....	2,481	4,042	+ 62.9
United States Government securities.....	(2,384)	(3,809)	+ 59.8
All Other.....	(98)	(233)	+ 137.8
Total Supply.....	26,907	30,160	+ 12.1
USE			
Member Bank Reserve Balances.....	14,016	12,303	- 12.2
Money in Circulation.....	8,229	13,932	+ 69.3
Treasury Cash.....	2,268	2,228	- 1.8
Treasury Deposits with Federal Reserve Banks.....	463	123	- 73.4
Nonmember Deposits and Other Federal Reserve Accounts.....	1,931	1,574	- 18.5
Total Use.....	26,907	30,160	+ 12.1

TABLE III
DEMAND DEPOSITS OF MEMBER BANKS
(In Thousands of Dollars)

Federal Reserve Districts	June 29 1940	June 30 1942	Per Cent Change
TOTAL	39,659,398	51,168,041	+ 29.0
Boston.....	2,240,392	2,796,695	+ 24.8
New York.....	16,878,622	19,714,451	+ 16.8
Philadelphia.....	2,142,064	2,640,136	+ 23.3
Cleveland.....	2,529,726	3,609,829	+ 42.7
Richmond.....	1,436,693	2,108,875	+ 46.8
Atlanta.....	1,362,642	1,973,206	+ 44.8
Chicago.....	5,459,916	7,523,694	+ 37.8
St. Louis.....	1,279,566	1,859,573	+ 45.3
Minneapolis.....	762,569	1,010,232	+ 32.5
Kansas City.....	1,510,356	2,106,729	+ 39.5
Dallas.....	1,335,486	1,866,307	+ 39.7
San Francisco.....	2,721,366	3,958,314	+ 45.4

TABLE IV
UNITED STATES GOVERNMENT OBLIGATIONS, DIRECT AND GUARANTEED, HELD BY WEEKLY REPORTING MEMBER BANKS
(In Millions of Dollars)

Federal Reserve Districts	Total	Boston	N. York	Phila.	Cleve.	Rich.	Atlanta	Chicago	St. Louis	Minn.	K. City	Dallas	S. Fran.
Bills													
October 16, 1940.....	689	20	335	0	8	3	2	249	10	0	24	36	2
October 14, 1942.....	2,627	150	942	115	146	77	68	610	78	72	116	79	174
Certificates													
October 16, 1940.....	0	0	0	0	0	0	0	0	0	0	0	0	0
October 14, 1942.....	3,044	161	1,186	78	175	89	91	740	140	64	87	79	154
Notes													
October 16, 1940.....	1,811	38	987	29	145	113	36	257	32	20	56	33	65
October 14, 1942.....	3,235	108	1,770	75	230	95	105	354	70	39	113	74	202
Bonds													
October 16, 1940.....	6,783	343	2,875	335	637	205	111	1,092	158	121	95	92	719
October 14, 1942.....	11,132	560	4,609	531	1,029	439	232	1,766	304	189	205	211	1,057
Guaranteed													
October 16, 1940.....	2,605	54	1,508	93	134	66	66	272	72	28	75	46	191
October 14, 1942.....	2,111	67	1,189	68	137	64	47	247	35	20	68	39	130
Total													
October 16, 1940.....	11,888	455	5,705	457	924	387	215	1,870	272	169	250	207	977
Per Cent.....	100.0	3.8	48.0	3.8	7.8	3.2	1.8	15.7	2.3	1.4	2.1	1.7	8.2
October 14, 1942.....	22,149	1,046	9,696	867	1,717	764	543	3,717	627	384	589	482	1,717
Per Cent.....	100.0	4.7	43.8	3.9	7.8	3.4	2.5	16.8	2.8	1.7	2.7	2.2	7.8

reserve funds has persisted because the interior banks—and this is particularly true of those in the “country” classification—have in turn not increased their holdings of Federal debt offerings to the same degree that funds have been transferred out of the New York and Chicago markets.

The extent to which the New York and Chicago Reserve Districts hold government securities is revealed in Tables IV and V. Table IV shows the amount of United States government securities, direct and guaranteed, held by weekly reporting member banks in the various Federal Reserve Districts. While it is realized that the weekly reporting sample does not adequately reflect the position in the Country banks, the material is included because it is the most recent available and because it makes possible a breakdown of security holdings on the basis of types of obligations. Table V covers all member banks for the period June 29, 1940, to June 30, 1942.

There are several ways of meeting the wartime financial needs of the Federal Treasury. The Victory Fund Committees, and other individuals and organizations, are facilitating the placement of large quantities of Federal obligations outside the banking system. To the extent that borrowing from non-banking sources is inadequate, securities must be sold to banks. Bank purchases of securities increase deposits and put an added drain on reserves.

Reserves can be replenished in several ways. Rediscounts are available to tide member banks over periods of temporary reserve shortages. The Federal Reserve Banks continue to provide reserve bank credit through large purchases of Federal obligations on the open market. Reserve requirements of member banks may be reduced, thus freeing additional funds for the purchase of additional Federal debt offerings. The

achievement of a wider dispersion of Federal obligations through the banking system will make it possible to utilize available reserves more completely. To encourage such a wider dispersion of Federal obligations owned by banks the Federal Reserve Banks have recently adopted the policy of buying at a rate of $\frac{3}{8}$ per cent all Treasury bills presented to them. The offering bank may retain the option to repurchase at the same rate if it so desires. Treasury bills thus become for all practical purposes as liquid as excess reserves.

The Board of Governors of the Federal Reserve System has recently reduced reserve requirements in the Central Reserve Cities of New York and Chicago. This action had the effect of making additional reserves available to the member banks in those cities. Reserve requirements in New York and Chicago have been reduced from 26 to 20 per cent of net demand deposits within the past three months. This action was taken in three steps. Requirements were reduced from 26 to 24 per cent on August 20, to 22 per cent on September 14, and to 20 per cent on October 3.

Reserve requirements against net demand deposits are now 20 per cent both in Central Reserve and Reserve Cities and 14 per cent for the Country banks. The requirement against time deposits remains at 6 per cent for all member banks.

The National Business Situation

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

Industrial activity expanded further in September and the first half of October. Prices of uncontrolled commodities continued to advance in September. Early in October an Office of Economic Stabilization was established with a view to more effective control of prices and wages affecting the cost of living.

Production: Industrial production increased more than seasonally in September and the Board's adjusted index rose 2 points to 185 per cent of the 1935-1939 average. Armament production continued to advance. Steel production was maintained at a high level during September and then increased during October, reaching 101 per cent of rated capacity in the third week of the month. Cotton consumption continued

TABLE V
UNITED STATES GOVERNMENT OBLIGATIONS, DIRECT AND GUARANTEED, HELD BY MEMBER BANKS IN THE VARIOUS FEDERAL RESERVE DISTRICTS
(In Millions of Dollars)

Federal Reserve Districts	June 29, 1940		June 30, 1942	
	Amount	Per Cent	Amount	Per Cent
TOTAL	14,722	100.0	24,098	100.0
Boston.....	641	4.4	1,195	5.0
New York.....	6,363	43.2	10,073	41.8
Philadelphia.....	748	5.1	1,181	4.9
Cleveland.....	1,148	7.8	1,916	8.0
Richmond.....	507	3.4	905	3.6
Atlanta.....	327	2.2	671	2.9
Chicago.....	2,299	15.6	3,771	15.6
St. Louis.....	368	2.5	715	3.0
Minneapolis.....	285	1.9	455	1.9
Kansas City.....	356	2.4	594	2.5
Dallas.....	276	1.9	500	2.1
San Francisco.....	1,405	9.5	2,122	8.8

at a high rate and output of manufactured food products rose more than seasonally owing chiefly to increased activity in the meatpacking and canning industries. Coal production, which had been maintained in large volume during the summer months, did not show the usual sharp seasonal rise in September and the first half of October. Output of crude petroleum showed little change following considerable increase in August.

Value of construction contracts awarded in September was about the same as in August, according to reports of the F. W. Dodge Corporation. As in other recent months, awards were mainly for publicly-financed work which, in September, amounted to over 90 per cent of the total.

Contracts for manufacturing buildings reached the highest total yet reported, and increased awards for defense housing raised the total for residential building by about one-fourth despite a decline in privately-financed work. Awards for public works and utilities and for commercial buildings dropped substantially.

Distribution: Department store sales, which had been unusually large in August, showed somewhat less than the usual sharp seasonal rise during September. In the first half of October sales were sustained near the high level prevailing at the beginning of the month. Variety store sales increased seasonally from August to September, while sales in small towns and rural areas rose by more than the usual seasonal amount.

Railroad freight-car loadings increased further in September and the first half of October. The rise was small for this time of year, however, owing mainly to the fact that shipments of many commodities, particularly coal, had been maintained at unusually high levels during the summer months.

Commodity Prices: Prices of uncontrolled commodities advanced further in September. During the first half of October, after passage of an amendment to the Price Control Act of 1942, more widespread controls were announced. Maximum prices at the highest levels reached around the end of September were established for butter, cheese, eggs, and various other foods. These items constitute nearly one-third of the food

budget and now the proportion of the total under control is about 90 per cent. Another action directed residential rents throughout the country to be limited to the levels of March 1, 1942, wherever rent control procedures were not already in effect.

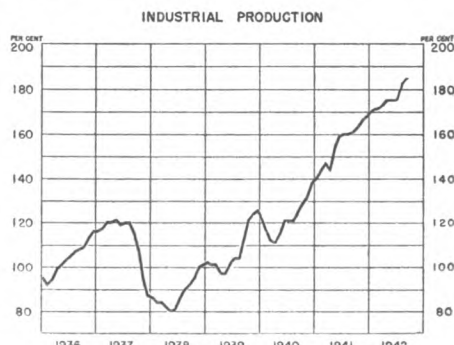
Agriculture: The October 1 official crop report confirmed earlier prospects that unusually heavy crop yields were in sight. The Department of Agriculture pointed out, however, that, as the harvest progresses under difficulties, particularly as to labor supply, farmers are showing less assurance that it can be completed in season. Record crops of grain, hay, oil-seeds, sugar, vegetables, and probably fruits are still likely.

Bank Credit: Following a temporary peak of 3 billion dollars in mid-September, excess reserves of member banks declined to 1.7 billion dollars in the latter half of September but increased considerably in the first three weeks of October. This increase resulted in part from the action of the Board of Governors of the Federal Reserve System in reducing reserve requirements on demand deposits at central reserve city banks from 22 to 20 per cent, which added about 400 million dollars to excess reserves. In addition member bank reserves were increased through purchases of Government securities by the Federal Reserve Banks. As a result of these developments excess reserves of all member banks on October 21 amounted to 2.4 billion dollars, of which about 500 million dollars were in New York City.

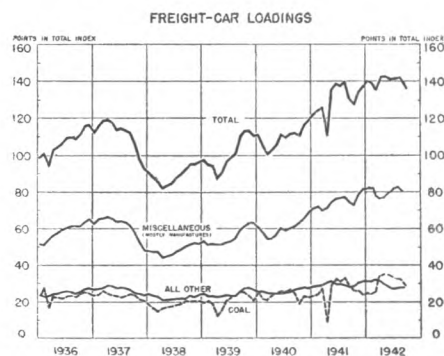
At reporting banks in leading cities heavy purchases of new Treasury certificates of indebtedness and Treasury notes were reflected in an increase of 1.6 billion dollars in Government security holdings during the four weeks ending October 14.

Further large increases occurred in the following week as banks received their allotments of the new 1½ per cent notes and 2 per cent bonds. Commercial loans, after declining in August and September, increased in the first two weeks of October, mainly in New York City, while other loans declined further.

United States Government Security Prices: Prices of United States Government securities continued steady last month. Long-term taxable bonds are yielding 2.33 per cent on the average and long-term partially tax-exempt bonds are yielding 2.05 per cent.



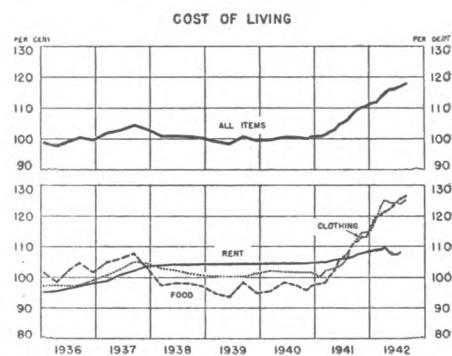
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for September 1942.



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 September 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for October 14, 1942.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for September 1942.