

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVII

Atlanta, Georgia, December 31, 1942

Number 12

Sixth District Business Trends

Most indexes of business activity in the Sixth District ranged upward during the period under review. There were substantial gains in department store sales, but a substantial decline in furniture store sales. Cotton consumption and coal and electric power production continued at high levels. Bank deposits and money in circulation reached amounts never before attained. Responsible for these gains in large part was the amount of wartime spending, for few sectors of business activity now remain unaffected by the effort to equip and maintain our armed forces.

Rise in State Revenues: Increased District business activity has been reflected in state revenue gains, but from sources other than gasoline taxes. Restrictions on the sale of gasoline have reduced gasoline tax collections. November gasoline tax collections were well under those of last year for each state of the District. Florida and Georgia, the earlier rationed states, reported especially large declines. Georgia collections, for example, were \$1,641,659 for November of this year as compared with \$2,309,853 for November 1941, a decrease of 29 per cent. Florida gasoline tax collections for November were \$1,598,242 as compared with \$2,267,394 for November 1941, a decrease of 30 per cent. Indexes of gasoline tax collections for Georgia and Florida, as well as for the other states of the District, are shown on page 88 of this issue of the *Review*.

Losses in taxes on gasoline were largely offset by gains in other business-sensitive taxes. Greatly increased collections from taxes on incomes, sales, admissions, and beverages were generally reported in the District. With no change in income tax rates or in exemptions, Georgia by mid-November reported that its income tax collections for the calendar year had reached an all-time high. Louisiana's income tax collections for November were more than \$800,000 greater than for November a year ago. Mississippi's retail sales tax reached an all-time high for November, producing \$1,366,376 as compared with \$888,770 for November of last year, an increase of 54 per cent. Louisiana's new sales tax produced some \$650,000 for November. Tennessee's tobacco and beer tax revenues for November were almost 25 per cent greater than for November of last year.

Gains in Retail Trade: Department store trade in the Sixth District continues to register substantial gains over last year. Indexes of department store sales and stocks are shown on page 88 of this *Review*. Sales of 22 reporting stores for the week ending December 19 were 6 per cent above the corresponding week of last year; and for the four weeks ending December 19, were 11 per cent above the corresponding period of last year.

The volume of Christmas shopping last year was unusually large, but for the majority of reporting stores the 1942 Christmas season apparently broke all previous records, even though curtailment of store deliveries, delays in obtaining

Reconnaissance

PER CENT DECREASE ▼ PER CENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Construction Contracts

Cotton Consumption

(71)

Gasoline Tax Collections

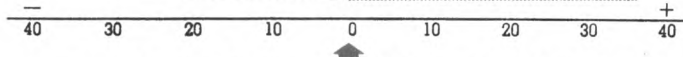
Bank Debits

Member Bank Loans

Member Bank Investments

Demand Deposits-Adjusted

(98)



Sixth District statistics for November 1942 compared with November 1941

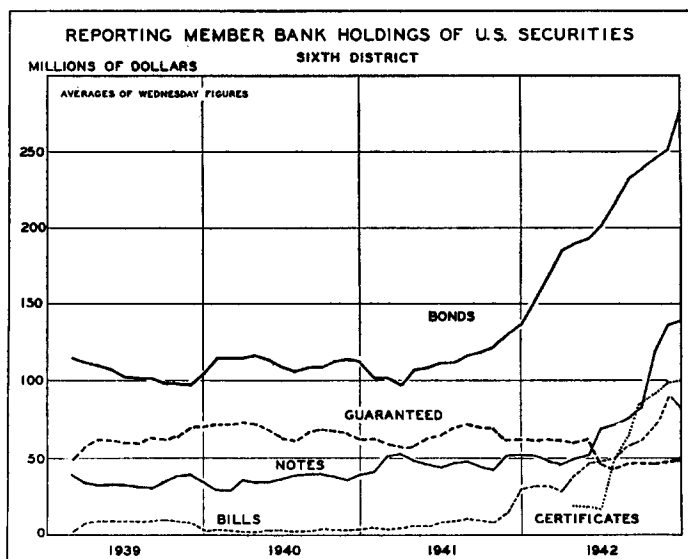
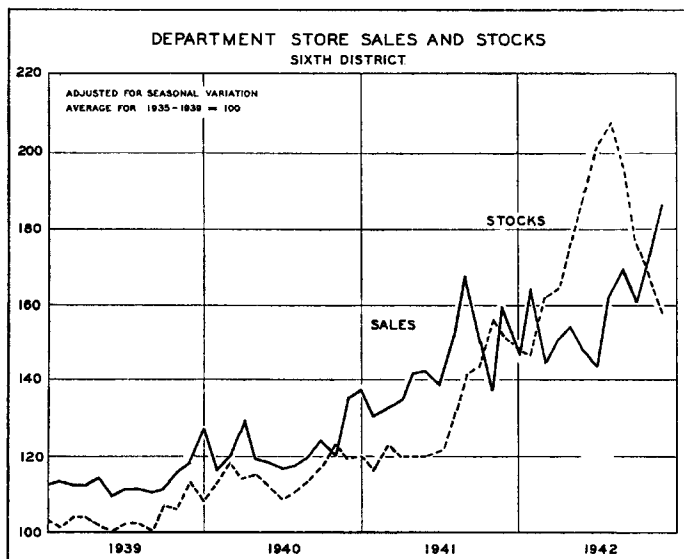
merchandise, and difficulties in obtaining trained personnel disrupted usual sales procedures. Early in the Christmas rush the supplies of such items as tricycles, bicycles, wagons, and skates were largely exhausted, but buyers turned eagerly to other items.

Retail sales of 113 reporting furniture stores in the District for the month of November showed a decrease of 11 per cent over October and a decrease of 6 per cent over November a year ago. Gains or losses, of course, were not uniform throughout the District. Four Columbus stores reported an aggregate gain of 13 per cent for November over October, and 3 Savannah stores and 5 New Orleans stores reported aggregate gains for the same period of 9 and 6 per cent, respectively. Decreases were reported for November as compared with October for stores in most of the other leading cities of the District: Chattanooga reporting a decrease of 3 per cent; Birmingham, 5 per cent; Nashville, 8 per cent; Atlanta, 10 per cent; and Tampa, 15 per cent.

In spite of growing difficulties in merchandise replacement, the inventories of reporting stores of the District were 6 per cent greater at the end of November than for the same date a year ago. There was practically no change, however, in inventories at the end of November as compared with the end of October this year.

Reflecting in part the Board of Governors' Regulation W and in part the greater abundance of money, the ratio of furniture store collections to receivables continues to be high. November collections, for example, were 20 per cent of receivables outstanding at the end of October. During the month of May 1942, in contrast, the collection ratio was 16 per cent.

Continued on next page



Shifts in Civilian Population: Wartime activities have sharply affected the movement of the civilian population within the District. Some light on this movement is given by preliminary population estimates released by the Bureau of the Census, comparing May 1, 1942, with April 1, 1940. The largest gains in civilian population in the District were reported for the metropolitan counties centering in the cities of Mobile, Montgomery, and Jacksonville, with gains of 33, 30, and 23 per cent, respectively. Columbus showed a gain of 11 per cent, while the areas centering in Atlanta, Augusta, Birmingham, Chattanooga, Jackson, Knoxville, Macon, Nashville, New Orleans, and Savannah recorded gains of between 5 and 10 per cent. The Atlanta, Birmingham, and New Orleans areas were credited with having populations of more than 500,000 each.

Coin and Currency Demands: The sustained acceleration of business activity has resulted in greatly increased demands for coins and currency. In order to relieve somewhat the stringency in the coin situation, a special pre-Christmas drive was conducted among the school children to encourage them to turn in coins, especially pennies and 5-cent pieces. Letters were sent to the school authorities in the District asking that the school children exchange their coins for war stamps and bonds so that the coins might be turned into business channels. Commercial banks were also asked to accept minor coins in exchange for silver or currency. In order to head off the growing use of paper 1-cent and 5-cent pieces by merchant associations, the Treasury issued a warning that the use of such paper scrip was illegal.

The note circulation of the Federal Reserve Bank of Atlanta continued to mount to higher levels. As of December 23, 1942, notes of this Bank in actual circulation amounted to \$542.0 million, as compared with \$279.7 million on the same date a year earlier, an increase of 94 per cent. This Bank, by December 18, had also placed in circulation \$1 million of Federal Reserve Bank notes. The last such issue by the Atlanta Federal Reserve Agent was on September 30, 1933. The 12 Federal Reserve Banks have been authorized to issue some \$660 million of these notes in order to relieve the present shortage of currency. The use of these notes, which have been in storage since 1933, will save some \$300,000 in the

cost of printing new currency. These bank notes are issued in denominations of \$5, \$10, \$20, \$50, and \$100 and are almost identical with the present Federal Reserve notes.

War Financing Operations: Treasury financing continues to be the dominant factor in Sixth District banking relationships. During the month of November the Federal Reserve Bank of Atlanta made a special effort to encourage the banks in the Sixth District to qualify with the Treasury for the carrying of War Loan accounts. As of the third week in December, about 90 additional banks had been qualified as special depositories, bringing the total number of such depositories in the District to approximately 400. Additions to the qualified list and increases in designations for banks already on the list brought the total War Loan deposit limits of the District banks to about \$260 million, of which \$122 million was outstanding. It is definitely in the interest of the commercial banks to become designated as special depositories, because they are thus able to retain the proceeds from the sales of securities, subscribed for their own account and for account of their customers, until such time as the Treasury draws upon the deposits.

The December Victory Fund drive to sell some \$9 billion in Government securities closed on December 23 with respect to three issues: the 2½ per cent Treasury bonds due December 15, 1968; the 1¾ per cent Treasury bonds due June 15, 1948; and the 7/8 per cent certificates of indebtedness due December 1, 1943. Tax notes and Series F and G Savings bonds continue on sale. Results of the Victory Loan Campaign in the Sixth Federal Reserve District through December 23 are shown in a table on page 89.

Ration Banking Preparations: In cooperation with the Office of Price Administration, the Board of Governors of the Federal Reserve System early in December made arrangements to provide for the clearance of ration checks. Procedures for bank handling of ration coupons have already been tested on a small scale. The system will be placed in operation early in 1943.

Under present plans the individual consumer will not maintain a ration coupon account. On the contrary, only retailers, distributors, and other large purchasers of rationed commodities will maintain such accounts with their commercial banks.

It is expected that by thus curtailing the number of ration coupon banking accounts, the banks for the most part will be able to handle the volume of ration coupon "checks" with existing facilities. With the announcement that some 200 commodities will be rationed, beginning in February 1943, the ration banking problem promises to be of major scope. The facilities of the commercial banks are well adapted to dealing with such problems as guarding against counterfeit coupons, safeguarding coupons against theft and misuse, and checking transfers and facilitating clearance.

Open Market Activities: The Federal Open Market Committee continued its purchases during the month. On November 18 the System Open Market account held guaranteed and direct obligations of the United States Government aggregating \$4,695 million. On December 16 the holdings had been increased to \$5,537 million, a gain of 18 per cent. The share of the Federal Reserve Bank of Atlanta in the System Investment account amounted to \$212 million on November 18 and \$263 million on December 16.

The greatest increases were reflected in the holdings of bonds and certificates of indebtedness, which gained \$471 million and \$234 million, respectively. Holdings of bills were increased \$135 million while notes gained \$3 million.

Open market activities were reflected in increased reserves of all member banks of the System, which totaled \$13,517 million on December 16 as compared with \$12,662 million on November 18, an increase of \$895 million, or 7 per cent. The reserves of the Sixth District members likewise increased from \$432 million on November 18 to \$483 million on December 16, an increase of \$51 million, or 11 per cent.

Excess reserves of all member banks rose from \$2,490 million on November 18 to \$2,640 million on December 16, notwithstanding a decline of \$160 million in the last week of the period. It is to be expected that Sixth District members will likewise report an increase in excess reserves, which on November 30 stood at approximately \$89 million.

Crop Plans and Estimates: Under the 1943 crop production goals, cotton farmers in the District will be asked to plant less cotton and to increase production of special war crops. The Department of Agriculture has announced a goal of 22.5 million acres to be planted to cotton in 1943, which is 6 per cent below the 1942 reported acreage and 10 per cent below the 1942 goal. The acreage goal for peanuts, an important war crop, is 32 per cent above the 1942 reported acreage.

Other parts of the agricultural program, including benefit payments and deferment of some agricultural labor, have the purpose of securing full production of war crops. Under the 1943 program, farmers must plant at least 90 per cent of their allotted acreage and 90 per cent of their special war crop goals in order to be eligible for maximum payments. War crops, in addition to peanuts, include soy beans, flaxseed, hemp, grain sorghum, dry edible beans, and vegetables for processing. Benefit rates for 1943 are 1.1 cent per pound for cotton, 2 cents per 100 pounds for rice, and \$1.10 per ton for peanuts, compared with the 1942 rates of 1.2 cents, 2.4 cents, and \$1.25, respectively.

Deferment of agricultural labor by local selective service boards is to be governed by a directive drawn up by the United States Department of Agriculture and approved by the War Manpower Commission. According to the order, production of 16 "war units" of essential farm products is required for deferment. For example, no war unit credits are

Continued on next page

SIXTH DISTRICT BUSINESS STATISTICS

FARM INCOME (In Thousands of Dollars)					
	Oct. 1942	Sept. 1942	Oct. 1941	Year to Date	
				1942	1941
SIX STATES.....	226,350	175,090	191,543	959,929	711,660
Alabama.....	34,527	27,806	38,007	124,229	105,758
Florida.....	14,933	5,604	6,470	154,844	102,591
Georgia.....	38,639	34,761	36,120	173,976	131,666
Louisiana.....	28,938	25,326	19,313	126,299	86,892
Mississippi.....	74,518	55,789	58,038	204,248	149,409
Tennessee.....	34,795	25,804	33,595	176,333	135,344

RETAIL FURNITURE STORE OPERATIONS

	Number of Stores	Per Cent Change November 1942 from	
		October 1942	November 1941
Total Sales.....	113	- 11	- 6
Cash Sales.....	99	- 0	+ 76
Instalment and Other Credit Sales.....	99	- 13	- 11
Accounts Receivable, end of month.....	109	- 4	- 35
Collections during month.....	109	- 7	+ 7
Inventories, end of month.....	80	- 0	+ 6

WHOLESALE SALES AND INVENTORIES—NOVEMBER 1942

	SALES			INVENTORIES		
	No. of Firms	Percent Change from		No. of Firms	Percent Change from	
		Oct. 1942	Nov. 1941		Oct. 1942	Nov. 1941
Automotive Supplies.....	4	+ 14	+ 3	.....	.....	.....
Clothing.....	3	- 18	+ 34	.....	.....	.....
Shoes.....	3	- 16	+ 55	.....	.....	.....
Drugs and Sundries.....	7	- 8	+ 24	.....	.....	.....
Dry Goods.....	12	- 16	+ 38	6	- 18	- 31
Electrical Goods.....	4	+ 4	- 28	.....	.....	.....
Fresh Fruits and Vegetables.....	6	- 12	+ 38	.....	.....	.....
Furniture.....	3	- 5	+ 28	.....	.....	.....
Meats and Meat Products.....	3	+ 6	+ 22	.....	.....	.....
Groceries.....	39	- 17	+ 21	16	- 2	- 21
Beer.....	4	+ 5	+ 65	4	- 11	+ 20
Hardware.....	17	- 11	- 7	5	- 2	- 30
Lumber and Building Materials.....	3	+ 28	+ 7	.....	.....	.....
Machinery and Equipment.....	5	- 23	- 31	3	- 7	- 24
Paper Products.....	3	+ 9	+ 27	.....	.....	.....
Tobacco Products.....	5	- 9	+ 27	.....	.....	.....
Miscellaneous.....	10	- 7	+ 37	21	- 3	- 9
Total.....	131	- 12	+ 16	55	- 5	- 21

Source: U. S. Department of Commerce.

INSTALMENT CASH LOANS

Lender	Number Reporting	Per Cent Change Oct. 1942 to Nov. 1942	
		Volume	Outstandings
Federal Credit Unions.....	47	- 11	- 7
State Credit Unions.....	35	+ 8	- 4
Industrial Banking Companies.....	39	- 7	- 3
Personal Finance Companies.....	65	- 1	- 6
Commercial Banks.....	37	- 18	- 10

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

	Dec. 16, 1942	Nov. 18, 1942	Dec. 17, 1941	Per Cent Change Dec. 16, 1942 from	
				Nov. 18, 1942	Dec. 17, 1941
Bills discounted.....	175	175	70	.....	.....
Industrial advances.....	481	524	472	- 8	+ 2
U. S. Securities.....	262,524	211,564	95,159	+ 24	+ 176
Total bills and securities.....	263,180	212,262	95,700	+ 24	+ 175
F. R. note circulation.....	544,878	497,735	272,172	+ 9	+ 100
Member bank reserve deposits.....	482,979	432,218	316,603	+ 12	+ 53
U. S. Gov't deposits.....	560	13,186	32,543	- 96	- 98
Foreign bank deposits.....	25,238	24,660	29,347	+ 2	- 14
Other deposits.....	3,717	2,628	8,379	+ 41	- 56
Total deposits.....	512,493	472,692	386,871	+ 8	+ 32
Total reserves.....	765,206	745,816	564,562	+ 3	+ 36
Industrial advance commitments.....	135	135	1,777	.....	.....

given for the production of upland cotton under one inch, while the war unit credit given for the production of upland cotton of one inch or over is less than that for the production of American Egyptian cotton.

SIXTH DISTRICT BUSINESS INDEXES							
Department Store Sales*							
(1935-39 Average = 100)							
	Adjusted**			Unadjusted			
	Nov. 1942	Oct. 1942	Nov. 1941	Nov. 1942	Oct. 1942	Nov. 1941	
DISTRICT.....	186	173	160	206	183	177	
Atlanta.....	177	160r	156	185	163r	163	
Baton Rouge.....	199	175	160	211	207	170	
Birmingham.....	171	159	146	193	179	165	
Chattanooga.....	194	182	167	206	193	178	
Jackson.....	224	221	195	256	245	223	
Jacksonville.....	243	219	187	259	248	199	
Knoxville.....	172	160	158	177	166	163	
Macon.....	268	214	191	287	240	204	
Miami.....	143	151	139	160	121	157	
Montgomery.....	221	198	185	246	210	205	
Nashville.....	166	141	142	170	148	146	
New Orleans.....	170	154	145	191	159	163	
Tampa.....	220	220	190	253	214	219	
Department Store Stocks							
(1935-39 Average = 100)							
	Adjusted**			Unadjusted			
	Nov. 1942	Oct. 1942	Nov. 1941	Nov. 1942	Oct. 1942	Nov. 1941	
DISTRICT.....	158	166	151	182	186	174	
Atlanta.....	196	197	173	226	231	200	
Birmingham.....	146	157	143	173	177	168	
Montgomery.....	167	143	141	194	162	164	
Nashville.....	192	193	170	223	221	197	
New Orleans.....	154	165	146	174	186	165	
Cotton Consumption*							
(1935-39 Average = 100)							
	Nov. 1942	Oct. 1942	Nov. 1941	Coal Production*			
	Nov. 1942	Oct. 1942	Nov. 1941	Nov. 1942	Oct. 1942	Nov. 1941	
TOTAL.....	190	180	172	167	160	156	
Alabama.....	197	187	173	171	163	152	
Georgia.....	189	178	171				
Tennessee.....	165	159	172	152	152	158	
Construction Contracts							
(1923-25 Average = 100)							
	Nov. 1942	Oct. 1942	Nov. 1941	Gasoline Tax Collections			
	Nov. 1942	Oct. 1942	Nov. 1941	(1939 Monthly Average = 100)			
DISTRICT.....	278	420	162	DISTRICT.....	105p	99	134
Residential.....	185	188	77	Alabama.....	126	125	142
Others.....	340	574	219	Florida.....	79	73	112
Alabama.....	797	528	341	Georgia.....	93	84	131
Florida.....	60	235	81	Louisiana.....	111	108	143
Georgia.....	311	288	96	Mississippi.....	***	109	137
Louisiana.....	234	507	201	Tennessee.....	131	118	150
Mississippi.....	1,195	493	479				
Tennessee.....	137	809	127				
Cost of Living							
(1935-39 Average = 100)							
	Nov. 1942	Oct. 1942	Nov. 1941	Electric Power Production*			
	Nov. 1942	Oct. 1942	Nov. 1941	(1935-39 Average = 100)			
ALL ITEMS.....	121	121	113	SIX STATES.....	***	216	160
Food.....	133	134	116	Hydro-generated.....	***	206	84
Clothing.....	127	127	119	Fuel-generated.....	***	246	260
Rent.....	113	113	124				
Fuel, electricity, and ice.....	105	105	103				
Home furnishings.....	121	121	115				
Miscellaneous.....	113	113	108				

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

** Adjusted for seasonal variation

*** Figures not yet available

p=preliminary

r=revised

Back figures for department store sales and stocks, cotton consumption, and cost of living indexes in the new series will be furnished upon request.

The Secretary of Agriculture has also advised farmers that the Department will not assist them with the production and marketing of the less essential winter vegetable crops. The Department will not undertake to furnish labor, nor will it pay for the transportation of employees into the production region, and it may establish priorities on transportation. The use of nitrogen fertilizer for less essential crops will be reduced to 50 per cent of the 1942 use.

On December 14 cotton growers in the Southern and Southwestern states approved Federal market control over the production and marketing of cotton for the next crop year. The growers were asked whether they favored marketing quotas on the 1943 cotton crop. Approval by at least two thirds of those voting was required. Cotton loans would not have been available if marketing quotas had not been approved.

The naval stores conservation program, it has been announced, will be continued in 1943. It will be administered by the Forest Service as part of the AAA program. On the basis of participation by naval stores farmers, who account for about 90 per cent of the total production, benefit payments are expected to total approximately \$1.3 million for 1943.

Labor Supply and Industrial Activity: The demands of the war economy upon industry are reflected in growing scarcities of labor in a larger number of areas in the District. Although labor shortages in the industrial areas of the District are not as acute as in other sections of the United States, shortages are appearing and others are imminent. In September, according to the Bureau of Employment Security of the Social Security Board, general labor shortages existed in only 4 of the District industrial areas surveyed. In contrast, according to the survey report released on December 7, labor shortages now exist in 9 industrial areas in the District: Florence, Huntsville, Mobile, Talladega, Panama City, Brunswick, Macon, Savannah, and Pascagoula. Labor shortages are anticipated in Jacksonville, Tampa, New Orleans, and Bristol. In the other 16 areas surveyed, a surplus of manpower is reported to be available.

To an increasing extent, labor demands of the war economy must be met by the employment of women. In November total United States employment was 400,000 above October,

Announcement

The Federal Reserve Bank of Atlanta on December 18, 1942, welcomed the Bank of Auburn, Auburn, Alabama, to membership in the Federal Reserve System.

The Bank of Auburn was organized and opened for business on January 3, 1907, with a capital of \$10,000. This capital has been increased from the earnings of the institution so that the bank now has capital and surplus amounting to \$90,000. Its deposits amount to about \$950,000, and its total assets to \$1,065,000.

In active charge of the bank is Emil F. Wright, its cashier. Other officers are S. L. Toomer, president, and W. H. Sartin, assistant cashier. In addition to President Toomer and Cashier Wright, the Board of Directors includes C. L. Hare, C. A. Jones, C. Felton Little, Emmett Sizemore, and Dr. C. S. Yarbrough.

bringing total employment to 52.8 million persons. Women employed in nonagricultural establishments increased by 1.2 million. The number of men so employed decreased by 100,000.

The trend toward increased employment of women is indicated by the recently announced plans for an aircraft modification plant in Birmingham. A modification plant makes the necessary changes in new aircraft to adapt them to the specific conditions in the parts of the world to which they are assigned. The Birmingham plant, when completed, is expected to employ between 12,000 and 15,000 persons, of whom 60 per cent are expected to be women. It is predicted that the plant will begin modifying planes within the next 45 days, although permanent facilities will take 8 or 9 months to be completed.

The increase in war activity in the District also is reflected in the data on Federal civilian employment recently released. From December 1939 to July of this year, total Federal employment in the entire United States, according to the Bureau of Labor Statistics, increased by an estimated 158 per cent. Employment in the Six States was estimated at approximately 224,000 in July, an increase from December 1939 of 186 per cent.

District shipyards continue to play an important part in ship construction. The second Liberty ship to be built in Savannah was launched on December 7. Other launchings during the month included 2 ships launched at Mobile and 5 at New Orleans. The anniversary of Pearl Harbor was marked by the launching in Tampa of 6 mine sweepers and a destroyer tender. The Tampa yard, having already completed 11 naval vessels, has been awarded a contract for 68 more.

SALES OF UNITED STATES WAR SAVINGS BONDS IN THE SIXTH FEDERAL RESERVE DISTRICT			
Sales Reported in Period November 24-December 23, 1942 At Issue Price			
	Series E	Series F and G	Total
TOTAL.....	\$35,133,188	\$15,482,554	\$50,615,742
Alabama.....	6,844,931	2,687,095	9,532,026
Florida.....	6,540,994	2,322,255	8,863,249
Georgia.....	8,255,156	4,222,149	12,477,305
Louisiana*.....	6,110,419	3,650,108	9,760,527
Mississippi*.....	2,518,650	1,278,624	3,797,274
Tennessee*.....	4,863,038	1,322,323	6,185,361

*These figures apply only to that part of the state lying within the Sixth Federal Reserve District.

SALES OF UNITED STATES GOVERNMENT OBLIGATIONS IN THE SIXTH FEDERAL RESERVE DISTRICT DURING THE VICTORY LOAN CAMPAIGN NOVEMBER 30-DECEMBER 23, 1942					
(In Thousands of Dollars)					
Purchasers	7½% Certificates	1¾% Bonds	2½% Bonds	Tax Notes	Savings Bonds Series F and G
Commercial Banks.....	\$108,336	\$ 91,944			
Others.....	33,931	31,743	\$23,374	\$23,081	\$8,917
TOTALS.....	\$142,267	\$123,687	\$23,374	\$23,081	\$8,917
GRAND TOTAL.....					\$321,326

United States Treasury Bills, Tenders and Allotments in the Sixth Federal Reserve District December 2 - December 23, 1942		
Treasury Bills		
Dated	Tenders	Allotments
December 2, 1942.....	\$19,863,000	\$6,860,000
December 9, 1942.....	12,039,000	4,512,000
December 16, 1942.....	10,383,000	5,737,000
December 23, 1942.....	10,692,000	5,959,000

SIXTH DISTRICT BANKING STATISTICS					
CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
	Dec. 16, 1942	Nov. 18, 1942	Dec. 17, 1941	Per Cent Change Dec. 16, 1942 from Nov. 18, Dec. 17, 1942 1941	
Loans and Investments—					
Total.....	1,118,416	1,088,314	821,911	+ 3	+ 36
Loans—Total.....	350,458	350,466	427,093	— 0	— 18
Commercial, industrial, and agricultural loans....	213,177	208,801	223,411	+ 2	— 5
Open market paper.....	6,909	6,806	6,986	+ 2	— 1
Loans to brokers and dealers in securities.....	3,629	3,252	6,786	+ 12	— 47
Other loans for purchasing and carrying securities....	7,208	7,291	12,651	— 1	— 43
Real estate loans.....	27,059	27,458	37,073	— 1	— 27
Loans to banks.....	1,857	1,368	1,990	+ 36	— 7
Other loans.....	90,619	95,490	138,196	— 5	— 34
Investments—Total.....	767,958	737,848	394,818	+ 4	+ 95
U. S. direct obligations.....	606,178	579,895	220,768	+ 5	+ 175
Obligations guaranteed by U. S.....	46,820	46,354	64,495	+ 1	— 27
Other securities.....	114,960	111,599	109,555	+ 3	+ 5
Reserve with F R Bank.....	292,848	256,603	196,047	+ 14	+ 49
Cash in vault.....	22,620	21,730	18,304	+ 4	+ 24
Balances with domestic banks.....	205,392	187,862	243,328	+ 9	— 16
Demand deposits—adjusted.....	782,779	762,110	558,187	+ 3	+ 40
Time deposits.....	200,452	203,117	194,166	— 1	+ 3
U. S. Gov't deposits.....	89,876	45,294	57,490	+ 98	+ 56
Deposits of domestic banks.....	482,372	465,892	404,252	+ 4	+ 19
Borrowings.....	.....	.....	50	.....	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)					
	Nov. 1942	Oct. 1942	Nov. 1941	Per Cent Change Nov. 1942 from Oct. 1942 Nov. 1941	
ALABAMA					
Anniston*.....	13,423	17,566	.....	— 24	...
Birmingham.....	149,310	173,647	150,457	— 14	— 1
Dothan.....	6,777	7,772	5,409	— 13	+ 25
Gadsden*.....	10,547	10,531	.....	.....	.....
Mobile.....	102,964	102,888	68,064	.....	+ 51
Montgomery.....	38,180	43,020	34,592	— 11	+ 10
FLORIDA					
Jacksonville.....	128,353	130,803	104,680	— 2	+ 23
Miami.....	65,121	68,940	58,936	— 6	+ 10
Orlando*.....	15,305	14,383	.....	+ 6	.....
Pensacola.....	18,295	17,729	12,949	+ 3	+ 41
St. Petersburg*.....	13,570	13,329	.....	+ 2	.....
Tampa.....	55,958	56,674	37,985	— 1	+ 47
GEORGIA					
Albany.....	9,360	9,275	8,599	+ 1	+ 9
Atlanta.....	322,632	368,531	311,715	— 12	+ 4
Augusta.....	31,431	33,740	33,139	— 7	— 5
Brunswick.....	8,882	9,157	3,535	— 3	+ 151
Columbus.....	32,539	36,793	26,594	— 12	+ 22
Elberton.....	1,953	2,454	1,501	— 20	+ 30
Macon.....	35,383	38,264	27,878	— 8	+ 62
Newnan.....	4,140	4,612	3,244	— 10	+ 28
Savannah.....	62,696	65,821	38,746	— 5	+ 62
Valdosta.....	5,732	6,195	7,070	— 7	— 19
LOUISIANA					
Baton Rouge*.....	37,177	41,057	.....	— 9	.....
Lake Charles*.....	[11,500]	14,414	.....	— 20	.....
New Orleans.....	341,960	368,335	268,137	— 7	+ 28
MISSISSIPPI					
Hattiesburg.....	10,844	13,864	9,931	— 22	+ 9
Jackson.....	66,449	71,760	37,531	— 7	+ 77
Meridian.....	14,815	16,447	17,501	— 10	— 15
Vicksburg.....	16,458	19,132	10,795	— 14	+ 54
TENNESSEE					
Chattanooga.....	74,967	85,750	59,774	— 13	+ 25
Knoxville.....	43,368	47,318	39,308	— 8	+ 10
Nashville.....	144,372	159,664	118,481	— 10	+ 22
SIXTH DISTRICT					
26 Cities.....	1,894,461	1,958,585	1,496,551	— 3	+ 27
UNITED STATES					
274 Cities.....	50,673,000	55,057,000	45,076,000	— 8	+ 12

[Estimated]

*Not included in totals

Southern Timber Resources

The war is speeding up the pace of development of timber technology, and the new industrial uses of timber have great implications for the economic future of the Sixth Federal Reserve District. In the postwar world, undoubtedly, many new uses for timber products will materialize as a result of technological advances growing out of wartime searches for new materials. Trees will, of course, continue to furnish the traditional construction materials. In addition, there will probably be an enormous expansion in the use of trees as a source of fiber and industrial chemicals, since trees are a very prolific and hence renewable source of cellulose and lignin. A vast new field of timber products is developing in chemical laboratories. Likely to grow to important proportions is the utilization of trees in the manufacture of plastic flow materials.

Outstanding among announced wartime innovations in wood technology is compregnated wood, originally developed in Germany and greatly improved by the Forest Products Laboratory at Madison, Wisconsin. Wood is first treated with resin and then compressed into a material that is particularly durable, unscratchable, and of great strength. It is of value in war production technology because it makes possible, among other things, the molding of airplane propellers. Its peacetime uses will be legion.

The more traditional uses of timber, particularly in the construction industry, have been much improved in recent years. Plywood and other special types of wooden construction materials have been developed with the aid of special glues. Furthermore, the science of engineering in wood has been reviving. For one thing, the development of laminated wood has made possible construction of large beam-like wooden trusses adapted to the support of roofs across considerable distance without intermediate support of any kind. One great economic advantage of laminated wood is that it does not necessarily have to utilize prime-stand timber.

Sixth District timber is doing many special jobs in the war effort. Tidewater red cypress, for example, being decay resistant, is being used in decking on naval vessels and in other maritime construction. Because it is, more than any other wood, impervious to chemical solutions, it is being used as a container in smokeless powder plants. Hundreds of the Navy's coastal mine sweepers are built of southern oak. Oars are made of southern white ash. Appalachian hard maple is widely used for work benches in airplane factories and ammunition plants. Appalachian hickory pallets expedite the handling of sheet metal and armor plate. Southern dogwood supplies the textile loom shuttles and spindles needed in producing uniforms, tents, and other textile requirements of the armed services.

► In recent years there has been a very rapid expansion of cellulose extraction from wood pulp, particularly in the Sixth Federal Reserve District. The value of pulp and paper mill output in the lower South for 1941 amounted to \$130 million. These plants employed some 60,000 men on a year-round basis and produced more than one fourth of all the pulp ground in the United States during that year. The expansion of the wood pulp industry is indicated by the fact that, whereas in earlier years all cellulose used in the manufacture

of artificial fibers such as rayon came from cotton, wood pulp now provides roughly 75 per cent of the cellulose used in the manufacture of rayon in the United States.

In 1941, according to Forest Service estimates, 558,000 standard cords of pulp wood were produced in Alabama, 783,000 in Florida, 770,000 in Georgia, 779,000 in Louisiana, 735,000 in Mississippi, and 195,000 in Tennessee. This pulp wood sold at the mills for an average price of \$6 per cord, or a total of \$22.9 million.

For the past few years the enormous construction programs made necessary by the war effort have boosted lumber output to capacity. Table 1 pictures the situation in the Six States in 1941.

From the earliest days of white settlement in this region, forests have been valued as the source of turpentine, rosin, and the other naval stores. Naval stores production and receipts from the sale of naval stores products have declined seriously in recent years. Net cash returns to producers at stills for the total naval stores crop, according to Gamble's *International Naval Stores Yearbook*, amounted to only \$16,540,000 in the first war crop year—that ending March 31, 1940. This is only about one fourth of the net cash returns realized in the crop year ending March 31, 1921. As the war has continued and many of the traditional export markets for southern naval stores have remained lost to producers, the output of these products has continued to decline. In the past year the production of naval stores has been hampered also by a shortage of labor and by weather difficulties.

Gum naval stores production in the year ending March 31, 1942, was substantially below that of the previous 12-month period. It is estimated that 285,000 casks of spirits turpentine and 990,000 barrels of rosin were produced (primarily in Georgia and Florida) in that year. In the current crop year ending March 31, 1943, indications are that production in spirits turpentine will total 300,000 casks and that 1 million barrels of rosin will be produced. The trade expects that output in the year ending March 31, 1944, will be the smallest in any similar period since 1865.

► Forests cover more than half of the land area in the six states that lie wholly or partly within the Sixth Federal Reserve District. Tables 2 and 3 classify the forest resources of the District by states, with respect to both acreage and volume.

Of the grand total of 203 billion board feet of sawtimber in the Six States, 55 per cent is in industrial ownership, 42 per cent is owned in connection with farms, and only 3 per cent is in public ownership, including national forests, national parks and monuments, state, county, and municipal forests. In addition to the above sawtimber volume, the Six States had a volume in cordwood size, standing timber, of approximately 375 million cords in 1938. Of this, approximately 110 million cords was in pine suitable for pulping, another 125 million cords was in poplar, cottonwood, gums, and other species suitable for pulping, and 140 million cords of non-pulping hardwoods was available for fuelwood or to grow into future sawtimber trees.

While the total forested area of the Sixth Federal Reserve

District is large, only 14 per cent of the commercial forest land in the Six States bears old growth saw timber. Some 19 per cent of the total commercial forest land in the area was classified by the Southern Forest Survey as poor to non-restocking. Table 4 shows the condition of commercial forest land in the Six States in some detail.

In Alabama, 53 per cent of the total forest area is in pine, and 19 per cent is in mixed pines and hardwoods. While pines predominate in Alabama forests, a very substantial amount of hardwood is also available. According to the recent Southern Forest Survey, 17 per cent of Alabama forest land is covered by upland hardwoods, and 11 per cent by a mixture of bottomland hardwood and cypress.

In Georgia, two thirds of the total forest area is in pines and an additional 13 per cent is in pine and hardwood mixed. Some 1 per cent of the total forest area of the state is in cypress, and the remaining forest area (20 per cent) is predominately in hardwoods.

In Florida, 25 per cent of the forest area totaling 21,693,000 acres, has been classified as "clear-cut" and "fire killed." Only 15 per cent of the old growth trees remain in Florida, while the largest part of the forest area—60 per cent—bears second growth timber. Old growth timber covers only 13 per cent and 12 per cent of the total forest areas of Alabama and Georgia, respectively.

In Louisiana 53 per cent of the forest area is covered by hardwood. A mixture of pine and hardwood covers 14 per cent of the forest area, with the remainder, or 33 per cent, in pine.

Central and southwest Mississippi contain 6,026,400 acres of forest. Of this area, 13 per cent is in old growth timber and 86 per cent is in second growth timber, with only 1 per cent classified as "clear cut." Southeastern Mississippi, which originally was the heart of the longleaf pine belt, has 72 per cent of its forest area of 4,790,000 acres in pine, 9 per cent in pine-hardwoods, and 19 per cent in upland and bottomland hardwoods.

► Prior to the war, manufacturing industries dependent upon forests for raw materials had reached substantial proportions in the Sixth Federal Reserve District. Table 5 summarizes for each of the Six States the wage earners, wages paid, and value of products manufactured in 1937 in those industries dependent upon forest products for raw materials. When the prospective uses of timber in industry are taken into account and added to the existing uses in the Six States, it is readily apparent that the wealth, present and future, of southern forests can prove a major factor in this region's economic development. The salient fact is that forests constitute the greatest renewable resources because, of all forms of plant life, trees are the most efficient converters of solar energy known to science.

In the preparation of this article much helpful information was received from Mr. C. F. Evans, Assistant Regional Forester, U. S. Forest Service, Atlanta, Georgia; Captain I. F. Eldredge, Regional Survey Director, Southern Forest Experiment Station, New Orleans, Louisiana; Mr. Carl Strauss, Atlanta Regional Office, U. S. Forest Service; Mr. E. G. Wiesehuegel, Chief, Forest Resources Division, Forestry Relations Department, Tennessee Valley Authority, Norris, Tennessee; and Mr. Bruce Wedge, Planning Technician, Atlanta Field Office, National Resources Planning Board.

TABLE 1
NUMBER OF MILLS REPORTING, LUMBER PRODUCED, VALUE PER M B M AT MILLS AND ESTIMATED VALUE IN THE SIXTH FEDERAL RESERVE DISTRICT, 1941

State	No. Mills Reporting	Lumber Produced (Million Bd. Ft.)	Value at Mills per M B M	Estimated Total Value at Mills (Thousand Dollars)
Alabama.....	1,643	1,802	\$23.10	\$41,634
Florida.....	311	652	38.73	25,260
Georgia.....	1,389	1,526	22.34	34,086
Louisiana.....	408	1,143	33.54	38,333
Mississippi.....	1,070	1,419	25.68	36,443
Tennessee.....	1,796	715	26.78	19,137
Six States.....	6,617	7,257	\$26.86	\$194,893

Source: Division of State and Private Forestry, Region 8, U.S. Forest Service.

TABLE 2
FOREST AREA OF THE SIXTH FEDERAL RESERVE DISTRICT

State	Total Forest Area		Commercial	
	Total Land Area (Acres)	Acres	Per Cent Total Land	Per Cent Total Forest
Alabama.....	32,818,560	18,877,700	57.5	99.8
Florida.....	35,111,040	23,478,100	66.9	93.1
Georgia.....	37,695,360	21,432,500	56.9	98.1
Louisiana.....	29,061,760	16,211,200	55.8	99.8
Mississippi.....	29,671,680	15,873,100	53.5	99.9
Tennessee.....	26,679,680	12,821,000	48.1	97.9
Six States.....	191,038,080	108,693,600	56.8	97.8

Source: National Resources Planning Board, THE SOUTHERN FORESTS, p. 36.

TABLE 3
ESTIMATED SAWTIMBER VOLUMES IN MILLIONS OF BOARD FEET, LUMBER TALLY, 1938, IN THE SIXTH FEDERAL RESERVE DISTRICT

State	Pine*	Hardwood	Cypress	Total
Alabama.....	25,304	12,902	285	38,491
Florida.....	13,987	5,562	3,873	23,422
Georgia.....	32,270	12,400	1,129	45,799
Louisiana.....	15,474	25,606	1,343	42,423
Mississippi.....	16,124	19,023	785	35,932
Tennessee.....	3,100	13,550	330	16,950
Six States.....	106,259	89,043	7,715	203,017

*Includes small amount of other softwoods.

Source: Division of State and Private Forestry, Region 8, U.S. Forest Service.

TABLE 4
CONDITION OF COMMERCIAL FOREST LAND IN THE SIXTH FEDERAL RESERVE DISTRICT, 1936 AND LATER
(In Thousands of Acres)

State	Old Growth Saw Timber Area %	Second Growth Saw Timber Area %	Cord-wood Area %	Fair Restocking Area %	Poor to Non-Restocking Area %	Total Area %
Alabama.....	2,498 13	7,676 41	3,827 20	2,923 16	1,913 10	18,837 100
Florida.....	3,318 15	3,802 18	2,713 12	2,471 11	9,548 44	21,852 100
Georgia.....	2,755 13	8,812 42	3,557 17	2,549 12	3,362 16	21,035 100
Louisiana.....	3,342 21	6,712 41	2,047 12	1,370 9	2,714 17	16,185 100
Mississippi.....	1,884 12	6,441 40	3,115 20	1,985 13	2,434 15	15,859 100
Tennessee.....	471 4	2,668 21	6,277 50	2,511 20	628 5	12,555 100
Six States.....	14,268 14	36,111 34	21,536 20	13,809 13	20,599 19	106,323 100

Source: National Resources Planning Board, THE SOUTHERN FORESTS, p. 37.

TABLE 5
EMPLOYMENT, WAGES, AND VALUE OF PRODUCTS IN FOREST INDUSTRIES IN THE SIXTH FEDERAL RESERVE DISTRICT — 1937

State	Wage Earners		Wages Paid		Value of Products	
	Number	Per Cent of Total Manufacturing	Amount	Per Cent of Total Manufacturing	Amount	Per Cent of Total Manufacturing
Alabama.....	20,089	16.6	\$9,613,794	10.0	\$43,714,927	7.6
Florida.....	21,159	40.6	11,862,445	32.5	53,315,582	24.5
Georgia.....	19,414	12.1	9,330,080	8.4	63,371,540	8.9
Louisiana.....	29,494	38.7	21,068,859	34.9	115,931,517	19.9
Mississippi.....	25,346	55.0	15,185,988	57.5	80,456,517	42.1
Tennessee.....	30,245	22.3	25,841,209	22.7	129,027,573	18.2
Six States.....	145,747	30.9	\$92,922,375	27.7	\$485,817,656	20.0

Source: 1937 CENSUS OF MANUFACTURES, PART I.

The National Business Situation

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

Aggregate industrial production in November was maintained close to the October level, reflecting a continued growth of output in war industries and a seasonal decline in production of civilian goods. Distribution of commodities to consumers rose further in November and the first half of December, reducing somewhat the large volume of stocks on hand. Retail food prices continued to advance.

Production: Maintenance of industrial production in November when the seasonal tendency is downward was reflected in a rise of the Board's seasonally adjusted index from 189 to 191 per cent of the 1935-1939 average. This rise was largely accounted for by a further advance in output of durable manufactures. Nondurable manufactures declined seasonally, while output of minerals showed less than the usual seasonal decrease. In all groups of products the proportion of output for war purposes was considerably larger than a year ago.

The increase reported for durable manufactures from October to November was in finished munitions and industrial equipment for new plants which will be completed in large number over the next few months. Steel production, at 98 per cent of capacity in November and the first three weeks of December, was down slightly from the October peak, but the reduction appeared temporary as the scrap supply situation had been relieved and as further progress was being made on construction of additional iron and steel capacity. Supplies of iron ore on hand are regarded as sufficient for operations at capacity until movement of ore down the lakes is resumed in the spring. Shipments from Upper Lake ports this year totaled 92 million tons, and were 15 per cent above the record established in 1941.

At cotton textile mills activity was maintained at a high level in November and at shoe factories production declined less than is usual at this season. Output of manufactured foodstuffs showed a seasonal decline.

Commodity Prices: Grain prices advanced from the middle of November to the middle of December, while most other wholesale commodity prices showed little change.

Retail food prices increased further by 1 per cent in the five weeks ending November 17 to a level 16 per cent higher than in November 1941. Prices of such fresh foods as are

uncontrolled—fruits, vegetables, and fish—showed the largest advances from October to November, but price increases in controlled items contributed about two-fifths of the total rise.

Bank Credit: During the period of large-scale Treasury financing in December, total excess reserves of member banks were generally above \$2.5 billion. Substantial purchases of Government securities for the Federal Reserve System offset the effect of drains on reserves by the continued heavy currency outflow and further increases in required reserves resulting from a rapid growth in bank deposits.

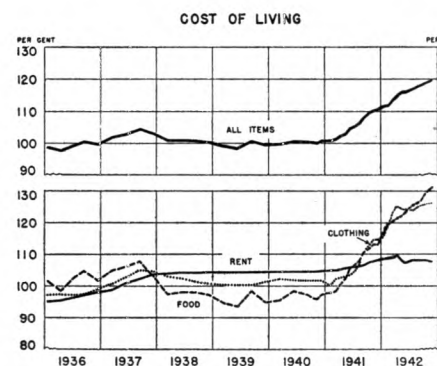
Reserve Bank holdings of Government securities showed an increase of \$850 million in the four weeks and reached a total of \$5.5 billion on December 16.

At reporting member banks in 101 leading cities holdings of United States Government securities increased by \$800 million in the four weeks ending December 9. Treasury bills accounted for practically the entire increase, with almost two-thirds of the amount going to New York City banks. In the week ending December 16, bond holdings rose sharply as banks received their allotments of the new $1\frac{3}{4}$ per cent bonds subscribed on November 30-December 2; allotments of this issue to all banks totaled \$2 billion, representing 85 per cent of subscriptions.

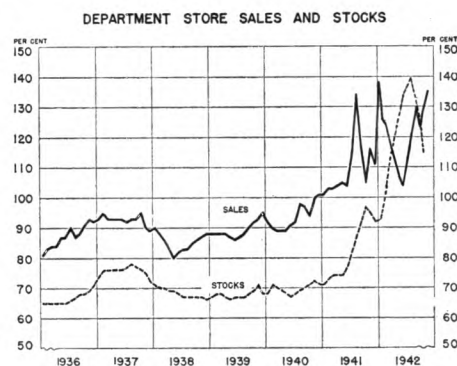
Total loans showed little change over the four weeks ending December 9. Commercial loans declined by \$200 million, with about half the decline at New York City banks, while loans to brokers and dealers increased over the period, reflecting largely advances made to security dealers in New York in connection with the Victory Fund drive.

Payments by bank depositors for new Government security issues resulted in a decline of adjusted demand deposits and a rise of U. S. Government deposits to \$5.8 billion in mid-December, the largest total on record.

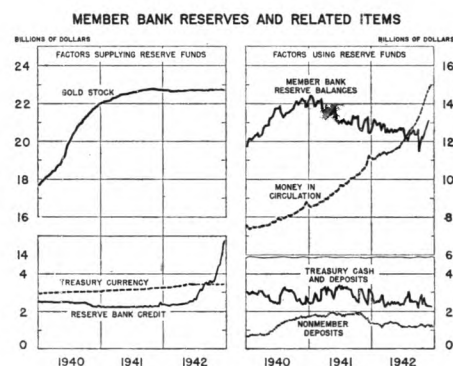
United States Government Security Prices: Prices of United States Government securities have been steady in the past three weeks following an adjustment in the latter part of November when the Treasury announced the drive to sell \$9 billion of securities in December. Long-term taxable bonds are selling on a 2.36 per cent yield basis on the average and long partially tax-exempt bonds on a 2.09 per cent basis.



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 November 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figure shown for stocks is October 1942; for sales, November 1942.



Wednesday figures. Latest figures shown are for December 9, 1942.