

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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Number 1

Sixth District Business Trends

JANUARY, the fourteenth month of active warfare, saw industrial activity at high levels in the District and plans laid for record agricultural output in the coming season. On January 20, the circulation of Federal Reserve notes issued by the Atlanta Bank amounted to 538.6 million dollars, as compared with 276.1 million dollars a year earlier. Note circulation in the Sixth Federal Reserve District has declined slightly from the January 4 peak of 550.5 million dollars resulting from the Christmas shopping season, but the decline is apparently a seasonal phenomenon.

In January, the further development of the Sixth District's war production effort—both industrial and agricultural—was reflected in banking operations. Business loans declined from mid-December to mid-January, while bank investments in United States government obligations rose. On December 16, weekly reporting member banks in 8 cities of the Sixth District held total loans of 350 million dollars and total investments of 768 million dollars. On January 20, these items were 334 and 847 million dollars, respectively.

The high levels of income payments, both farm and industrial, in this area have resulted in continued advances in retail trade. In the week ended January 16, sales of 26 department stores in the Sixth District were 13 per cent above sales a year earlier. In Nashville, sales in the second week of January were 38 per cent above the corresponding period of 1942; department store sales were up 19 per cent in Atlanta; and 6 per cent in Miami. The Christmas shopping season was the largest in dollar volume in history, and from mid-December to mid-January department store sales in the Sixth District averaged 11 per cent above the similar period a year ago.

The dominant factor in retail trade in this area over the past year has been, of course, the war effort. The largest percentage increase in department store sales in the District was recorded in Macon, for instance, a city that has been affected as much by wartime activity as any within the District. In predominately commercial and financial centers, such as Atlanta, on the other hand, the growth in retail trade has been much less rapid. In Atlanta, 1942 total department store sales were but 7 per cent above those of 1941. The only city recording a decline from 1941 to 1942 was Miami, where department store sales in 1942 were 3 per cent below the level of 1941. Special circumstances explain this, however. In early 1942 the tourist season slumped badly and this was reflected, of course, in drastic declines in department store sales in Miami. Later in the year, as military and naval establishments expanded in the Miami area, department store sales rose again and a large part of the early decline was regained in the last months of 1942. For the District as a whole, department store sales were 12 per cent above 1941 for the whole year 1942.

Reconnaissance

Sixth District statistics for December 1942 compared with December 1941

PER CENT DECREASE ▼ PER CENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Construction Contracts 100

Cotton Consumption

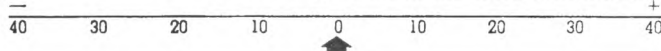
Gasoline Tax Collections

Bank Debits

Member Bank Loans

Member Bank Investments 98

Demand Deposits Adjusted

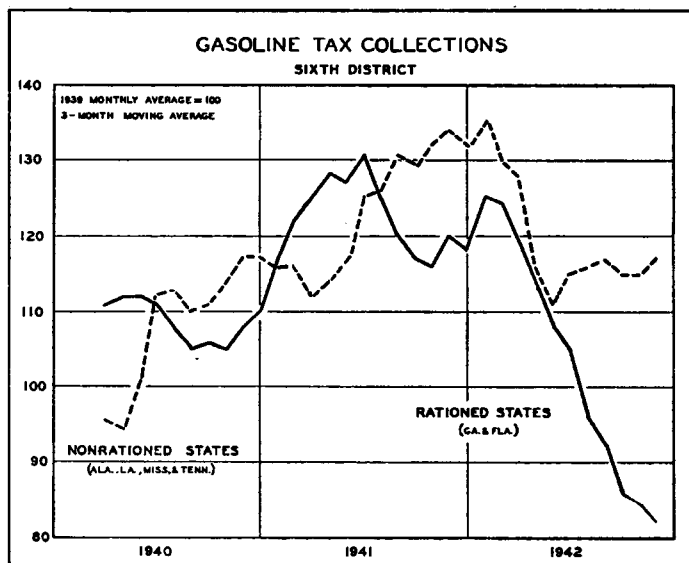
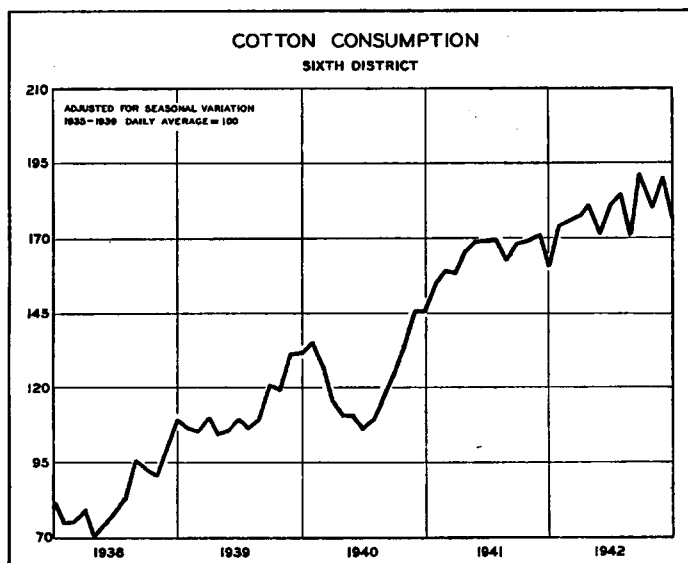


Expansion of Textile Activity: On the basis of the amount of cotton consumed, Sixth District textile and spinning establishments have shared about equally with mills in other sections of the country in the tremendous increase in wartime textile activity which has taken place during the past three years. The total amount of cotton consumed in the states of Alabama, Georgia, and Tennessee, where the greater part of the District's textile industry is located, amounted to 3.9 million bales in 1942. The index of cotton consumption for 1942 was 179, compared with the 1941 index of 165, and the 1940 index of 123.

During the period of expansion, as is shown by the chart on the following page, the District's share of total United States consumption remained approximately the same. During the cotton year 1941-42, Sixth District establishments consumed 34 per cent of all the cotton used by United States establishments. Approximately the same proportion has been consumed since 1938, indicating that the increased general expansion of activity has taken place rather evenly throughout the country.

Textile production in the United States increased from 1939 to the middle of 1941 at about the same rate as total industrial production. Cotton consumption increased more rapidly than other types of textile activity, largely because of increased demands for heavier fabrics. During 1942, general textile activity showed little change; but cotton consumption in the District, in response to demands for heavier fabrics, continued to rise.

In April 1942 the textile industry was directed by the War Production Board to convert specified percentages of looms,



producing a long list of fabrics commonly used in clothing and the home, to the production of bag osnaburg and bag seeding. The conversion program was designed to furnish material to replace much of the former supply of burlap, which is now being imported on a restricted basis. The industry has provided additional quantities of duck and other military items. A survey released by the War Production Board during 1942 indicated that on February 28, 34 per cent of the total production of the weaving mills and 40 per cent of the total production of the yarn mills was being set aside for military purposes. During 1940 approximately 20 per cent of the total textile production was used for military needs, and probably 50 per cent or more was devoted to that purpose in 1942.

In contrast to the expansion of many war industries, there have been comparatively few additions to plants producing textile products in the District. Not much more than one million dollars has been spent on major expansions of textile plants in the Sixth District, and of that total less than 10 per cent was for construction. Conversions made in existing facilities and more intensive utilization of equipment have made possible the increase in production.

The increase in the number of hours worked per spindle from 322 in November 1939 to 516 in November 1942 testifies to increased utilization of existing equipment. On the basis of a six-day week, the spinning spindles of the three textile states of the District worked an average of 20 hours a day. During the same period the number of spindles in active operation increased from 5,227,000 to 5,307,000.

There is every indication that capacity operation will continue in 1943. Limitations on the amount of goods that can be produced will be imposed by the shortage of facilities and manpower and not by lack of materials, except for certain special types of cotton. At the end of December it was estimated that about 90 per cent of cotton goods production was covered by priority orders. Between 50 and 60 per cent of cotton goods production was going directly to the armed forces. In addition to military consumption, which is placed at seven times the civilian rate, there is the added demand of lend-lease requirements which are currently estimated at 1.5 million yards of cotton goods for 1943. In addition to these factors, the Board of Economic Warfare is reported to be

using textile products to an increasing extent in dealing with neutral nations. Mills at present have orders booked from three to six months ahead. Greater orders would be possible if it were not the policy of many mills to restrict too-distant commitments. Any decrease in military demands because of reliance upon accumulated stock piles will be more than offset by purchases for civilian use made possible because of increased incomes.

The textile industry will be faced with a declining supply of labor as it attempts to meet the expanded requirements. Women have taken over the jobs of men to some extent, but the more skilled operators are hard to replace. It is becoming increasingly difficult to hold workers. According to the Bureau of Labor Statistics, the total separation rate in the cotton manufacturing industries in September 1942 was 8.79 on a monthly basis, compared with 5.33 in September 1941.

There are at least two favorable factors that will help in the conversion of the textile industry to a peacetime basis at the close of the war. Since the present expansion has taken place without the creation of a large amount of new facilities, the problem of conversion to a production of peacetime products will not be too difficult. What facility expansion has taken place has been privately financed. This fact may have an influence in a quicker conversion to peacetime purposes. The utilization of the expanded facilities will depend, of course, upon the existence of a demand for the products. If the war is of long duration and the amount of civilian textiles available continues to decrease, there should be a considerable stored-up demand for the products of the cotton industry. There may also be a large demand immediately after the close of the war for textile products for export purposes.

The indexes of cotton consumption prepared by this Bank have been revised recently and placed on a 1935-39 base. Back figures from 1919 to the present for the District and for the individual states will be furnished upon request.

Extension of Gasoline Rationing: The extension of gasoline rationing to all of the states of the nation on December 1, 1942, has centered attention once again upon the effect on state revenues of restriction of gasoline sales, and it has caused renewed attention to the attempts to solve the oil transportation problem.

A study of the rationed and the nonrationed states of the Sixth District between May 15, 1942 (the beginning of gas rationing for the seaboard states), and December 1, 1942, will be indicative of the trends that may be expected now that rationing has been extended to all states of the District. In the Sixth District, only Florida and Georgia experienced gas rationing during this period.

Judging from the trend of collections in Florida and Georgia compared with those in nonrationed states of the District, only part of the decline in revenues from gasoline taxes can be ascribed to the rationing program. Indexes of monthly collections in the rationed and nonrationed states prior to the recent extension of the rationing program are shown by the chart on the opposite page.

Collections in both the rationed and nonrationed states declined during the first part of 1942. Restrictions upon the sale of tires, decline in motor vehicle registrations, and other factors account for a part of the decline in all states. These influences had already begun to affect the sale of gasoline in the two rationed states, even before the initial rationing program was started in May. The decline in collections is in part accounted for by the fact that there was a reduction in tourist travel in Florida.

Although collections in the nonrationed states for the first six months of 1942 were well below those of the previous year, the decline appears to have been halted by the middle of the year. The normal seasonal tendency toward increased collections during the latter half of the year offers a partial explanation of this rise. Collections for the four nonrationed states, despite a decline since 1941, was above the 1939 monthly average. We may consider 1939 a normal prewar year. Collections in the rationed states after the middle of 1942, however, fell below the 1939 level.

A report of the Bureau of Public Roads of the Federal Works Administration indicates that rural traffic in 16 rationed states dropped 41 per cent in November 1942 from the volume of November 1941, as opposed to a drop of only 21 per cent in 25 nonrationed states. Twenty-eight per cent fewer passenger cars, but nearly 2 per cent more trucks and buses, paid tolls during November 1942 at 21 toll facilities in the rationed zone from Maine to Florida. Collections in the rationed states of the District during November 1942 were 32 per cent below those of the previous year, while collections in the nonrationed states had declined only 12 per cent. The ban on pleasure driving in the coastal states will probably result in still further reductions. It is not to be expected that the restrictions will be lifted in 1943.

In the oil-producing areas of the District crude oil production in Mississippi and coastal Louisiana for the week ending December 26, 1942, averaged 282,000 barrels compared with 351,000 during the same week of 1941. This decrease is not large enough to influence materially the amount used. It is probably a result of decreased use rather than the cause of it.

Transportation of petroleum remains the principal factor in the limitation of gasoline and oil. Some oil has begun to move through the trans-Florida canal from Fort Myers to Stuart. The first shipment of petroleum through the canal, amounting to 20,000 barrels, was made on December 23, 1942. In addition, the Southeastern Oil Company has been authorized to ship 40,000 barrels of light fuel oil each month through the canal. Shipments made by barge from Texas to Louisiana via the intracoastal waterway, for storage at the

SIXTH DISTRICT BUSINESS STATISTICS

UNITED STATES TREASURY BILLS

Tenders and Allotments in the Sixth Federal Reserve District

Dated	Tenders	Allotments
December 30, 1942.....	\$17,740,000	\$17,390,000
January 6, 1943.....	10,144,000	4,235,000
January 13, 1943.....	15,535,000	14,968,000
January 20, 1943.....	17,995,000	14,960,000
January 27, 1943.....	23,840,000	23,522,000

RETAIL FURNITURE STORE OPERATIONS

	Number of Stores	Per Cent Change December 1942 from	
		November 1942	December 1941
Total Sales.....	104	+ 41	— 6
Cash Sales.....	91	+ 59	+ 47
Instalment and Other Credit Sales.....	91	+ 4	— 13
Accounts Receivable, end of month.....	102	+ 2	— 37
Collections during month.....	102	+ 5	+ 4
Inventories, end of month.....	79	— 9	+ 11

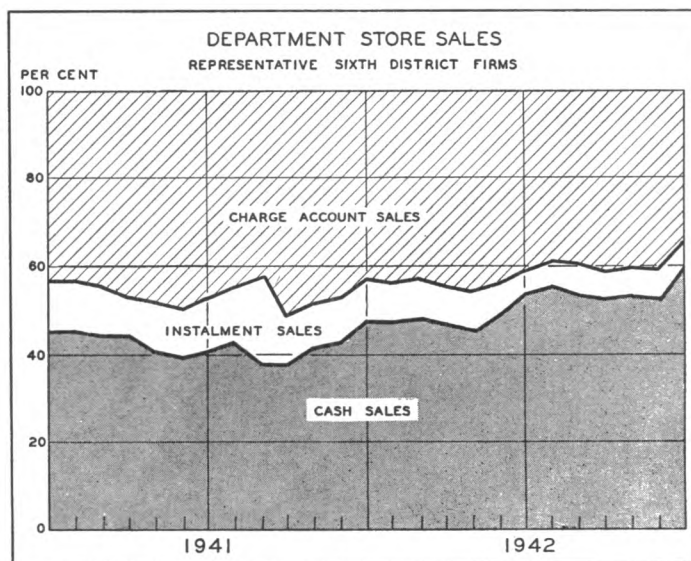
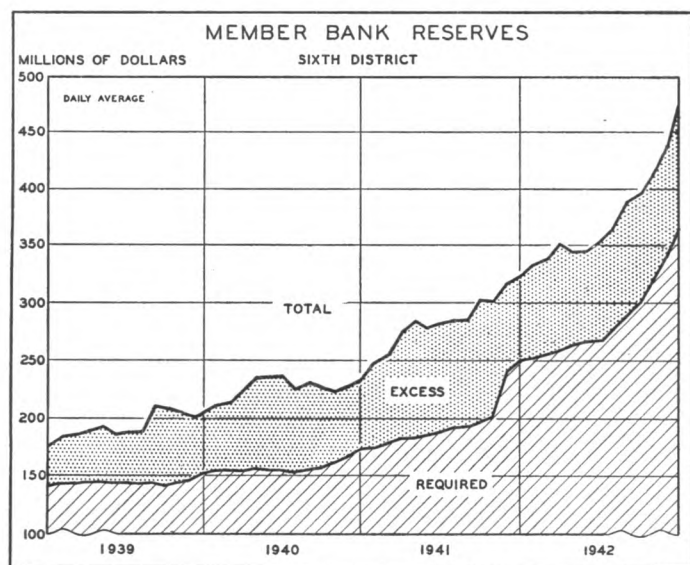
INSTALMENT CASH LOANS

Lender	Number Reporting	Per Cent Change Nov. 1942 to Dec. 1942	
		Volume	Outstandings
Federal Credit Unions.....	49	+ 53	— 3
State Credit Unions.....	33	+ 16	— 4
Industrial Banking Companies.....	34	+ 18	— 6
Personal Finance Companies.....	63	+ 52	0
Commercial Banks.....	38	+ 7	— 6

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

	Dec. 1942	Nov. 1942	Dec. 1941	Per Cent Change Dec. 1942 from	
				Nov. 1942	Dec. 1941
ALABAMA					
Anniston*.....	15,117	13,423	.....	+ 13	...
Birmingham.....	182,816	149,310	178,030	+ 22	+ 3
Dothan.....	7,830	6,777	6,009	+ 16	+ 30
Gadsden*.....	10,667	10,547	.....	+ 1	...
Mobile.....	116,421	102,964	88,804	+ 13	+ 31
Montgomery.....	41,221	38,180	37,819	+ 8	+ 9
FLORIDA					
Jacksonville.....	155,401	128,353	131,189	+ 21	+ 18
Miami.....	87,354	65,121	79,460	+ 34	+ 10
Orlando*.....	22,593	15,305	.....	+ 48	...
Pensacola.....	19,534	18,295	16,533	+ 7	+ 18
St. Petersburg*.....	17,516	13,570	.....	+ 29	...
Tampa.....	71,024	55,958	48,360	+ 27	+ 47
GEORGIA					
Albany.....	12,089	9,360	10,304	+ 29	+ 17
Atlanta.....	429,070	322,632	386,001	+ 33	+ 11
Augusta.....	35,857	31,431	44,451	+ 14	— 19
Brunswick.....	10,595	8,882	4,375	+ 19	+ 142
Columbus.....	39,569	32,539	32,161	+ 22	+ 23
Elberton.....	1,789	1,953	1,679	— 8	+ 7
Macon.....	42,179	35,383	30,742	+ 19	+ 37
Newnan.....	4,596	4,140	4,074	+ 11	+ 13
Savannah.....	73,321	62,696	51,547	+ 17	+ 42
Valdosta.....	6,087	5,732	8,156	+ 6	— 25
LOUISIANA					
Baton Rouge*.....	41,830	37,177	.....	+ 13	...
Lake Charles*.....	17,448	14,888r	.....	+ 17	...
New Orleans.....	382,366	341,960	355,256	+ 12	+ 8
MISSISSIPPI					
Hattiesburg.....	13,359	10,844	11,400	+ 23	+ 17
Jackson.....	67,166	66,449	40,447	+ 1	+ 66
Meridian.....	13,970	14,815	19,142	— 6	— 27
Vicksburg.....	19,090	16,458	14,403	+ 16	+ 33
TENNESSEE					
Chattanooga.....	96,305	74,967	77,508	+ 28	+ 24
Knoxville.....	56,551	43,368	53,824	+ 30	+ 5
Nashville.....	150,915	144,372	138,306	+ 5	+ 9
SIXTH DISTRICT					
26 Cities.....	2,136,475	1,792,939r	1,869,980	+ 19	+ 14
UNITED STATES					
274 Cities.....	64,990,000	50,673,000	56,582,000	+ 28	+ 15

* Not included in totals
r = Revised



terminus of the Florida pipeline, was begun on December 23. It is expected that approximately 65 tanker barges will be placed in operation to supply the pipeline, and 80 per cent of the cargo will consist of gasoline. Actual operation of the line was expected to begin about January 20. Some fuel oil is also being moved by barges from Jacksonville northward via the intracoastal waterway. The oil reaches Jacksonville by rail from Panama City, which is a terminus for shipments of oil from Gulf ports. These facilities will help relieve the gasoline and oil shortage, but they cannot replace prewar shipping facilities.

During December the War Production Board and the Office of Defense Transportation announced the proposed construction of barges, towboats, tugs, and terminal facilities designed to increase oil movements from Texas to the eastern seaboard by 150,000 barrels daily. It is proposed that a part of the equipment be used to transport 50,000 barrels of residual fuels a day from Texas to Panama City, Florida, at which point they will be moved by tank cars, half to Norfolk, Virginia, and half to Jacksonville, Florida. The new facilities will probably not be completed in less than twelve months.

Changing Trend in Department Store Credit: The high level of Sixth District department store sales during recent months has been accounted for primarily by increases in cash sales. Although charge account sales are approximately at the same level as in 1941, accounts have been paid more promptly, resulting in a decline in outstanding accounts. This trend will probably continue.

Prior to December 1941, reports from a representative group of department stores in the District show that a larger proportion of total sales was accounted for by charge account sales than by cash sales. Since December, the relative importance has been reversed, with cash sales increasing rapidly.

The increase in the proportion of cash sales to open-book sales cannot be explained entirely by the imposition of consumer credit regulations. The beginning of open-book credit control under Regulation W in May 1942 appears merely to have reinforced an already existing trend toward increased cash purchases. The trend is shown on the chart at the top of the page.

Total sales of the representative stores in November 1942

were 16 per cent above those of November 1941. Charge account sales, however, were approximately the same, while installment sales were 32 per cent less. The increase in cash sales not only accounted for all of the increase in total sales, but offset the decline in installment sales as well.

Charge accounts are being collected more promptly. Despite the fact that the total amount of charge sales in November 1942 was approximately equal to that of November of the previous year, the total of accounts outstanding was considerably smaller. Using December 31, 1939, as 100, the index of charge accounts outstanding at the end of November 1941 was 98, while in November 1942 the index had declined to 71. The collection ratio—collections during the month as a per cent of accounts at the beginning of the month—increased from 37 in November 1941 to 53 in November 1942.

Increased income payments are probably the chief factor that, in addition to consumer credit control, accounted for the trend toward higher cash sales. To a great extent, increased income payments have been received by those who formerly did not have charge account privileges. The increased purchases by this group are thus primarily cash transactions. The upward trend of cash sales will probably continue during the coming months as pay rolls continue to increase.

Another factor, which will be of more importance in influencing this trend in the future, is the shortage of many types of consumer goods. During 1943, according to an estimate of the Department of Commerce, the proportion of the supply of durable goods that will be available to civilian consumers will be approximately 14 per cent, as compared with 27 per cent in 1942 and 33 per cent in 1941. Aside from automobiles, refrigerators, radios, vacuum cleaners, and similar durable items that will be unavailable except from existing stocks, the most important decreases in available civilian durables will be in furniture. The 1943 furniture production index is estimated at 105 compared with the 1942 index of 140. The civilian portion of this production, however, is placed at 60 per cent for 1943 compared with 80 per cent for 1942.

The supply of nondurables is also decreasing. The total index of production of nondurables is placed at 135 for 1943, five points lower than for 1942 and the same as for 1941.

Since the ordinary purchaser in 1943 will be unable to secure many items that he has been accustomed to purchase for cash, it is likely that he will have more cash available to buy the items that remain on the market.

Shortages of consumer goods in many items will also lead to a tightening up of credit conditions beyond those required by Regulation W on the part of merchants. It has already been reported that many merchants who have low stocks of irreplaceable items give preference to cash purchasers over installment buyers or over those who buy on open account.

Anticipating the time when most existing instalment contracts for the purchase of durable consumer goods have been liquidated, and when new contracts to replace them will not be made because of the fact that goods are no longer available, a plan has been proposed by Rolf Nugent, special adviser to the Office of Price Administration, for instalment selling for postwar delivery. The purpose of the plan is to continue the deflationary effect of instalment payments after previous credit commitments have been liquidated.

The plan proposes that the customary machinery of instalment selling be relied upon so far as possible. At the outset the plan would be applied to automobiles, refrigerators, pianos, oil burners, and automatic stokers. Later the list might be expanded. A purchaser would acquire a certificate which would be accepted in payment of the postwar purchase price of a specified article. These certificates would be sold only on instalment terms so as to encourage payment out of current income.

Consumers, according to the proponents of the plan, would have two incentives for the purchase of the certificates. In the first place, they would have a prior claim to goods for which their certificates were purchased when these goods are available after the war; and in the second place, a discount would be provided from the established postwar price. It is claimed for the plan that, in addition to its advantage as a deflationary factor, it would stimulate postwar business activity. Objections to the plan seem to center around the impossibility of predicting a postwar price level and the possibility of an unfair advantage in the securing of goods during the postwar period to persons outside the armed forces who had been able to build up substantial payments.

Manpower Supply and Demand: The expansion of the armed forces and the accelerating pace of war production are bringing closer the prospect of an over-all manpower shortage throughout the nation during 1943. This prospect is in addition to the shortages of skilled labor in particular sections that developed during the latter part of 1942. By the end of 1943, according to Chairman McNutt of the War Manpower Commission, at least 65 million persons will be required for the manpower force, including those in the armed services, as compared with the present 57 million.

Conditions in the Sixth District, according to recent surveys, reflect this trend toward labor scarcity. Only last September labor shortages were reported to be present or anticipated in but 11 out of the 40 areas surveyed in the District. The increased demands upon the labor supply and the continued withdrawal of men for the armed forces have since materially changed conditions. The War Manpower Commission reported in January that a problem of labor supply existed in 16 out of the 32 areas covered by its survey in the Sixth District. An acute labor shortage was reported for

Mobile, Panama City, Brunswick, Macon and Pascagoula. The industrial areas of Huntsville, Talladega, Tampa, Savannah, and Bristol were classified as areas of balanced labor supply and demand. Anticipated balanced areas of labor supply and demand included Florence, Jacksonville, Atlanta, and New Orleans.

Complete war production during 1943 will require the services of about 8 million additional persons. According to the Manpower Commission, 4 million of the additional workers will be women who have not hitherto been in the labor force. In addition, 2.8 million persons will be drawn from nonwar work, and a great number of the formerly unemployed will also be added. The equivalent of 1.5 million persons will be gained through stepped-up efficiency and the extension of the actual work week.

The trend towards a longer work week began in 1939. The average hours worked per week in manufacturing industries throughout the United States increased 13 per cent from the third quarter of 1939 to the third quarter of 1942. The greatest rate of increase was reported for the machine tool industry where the average hours worked per week amounted to 52.1, or an increase of 23 per cent over 1939. It is in the industries most directly connected with the war production effort that the average work week has been most expanded.

Although in the Sixth District the percentage of persons in nonagricultural establishments engaged in manufacturing is smaller than for the United States as a whole, the rate of increase of the number of persons thus engaged in the Sixth District in the past year is greater than for the United States as a whole.

Since labor shortage appears to be less acute in the Sixth District than in other areas, a greater expansion of manufacturing here during 1943 than in many other districts, provided contracts can be secured, appears possible.

Announcement

The Federal Reserve Bank of Atlanta on January 2, 1943, welcomed the American National Bank of Jacksonville, Florida, formerly The Southside Bank of Jacksonville, to membership in the Federal Reserve System.

On January 2, 1942, The Southside Bank of Jacksonville opened for business in South Jacksonville, across the St. Johns River from Jacksonville proper. On January 2 this year, the bank was granted a national charter and was authorized by the Comptroller of the Currency to commence business as a national bank, under the title of American National Bank. It thus became a member of the Federal Reserve System. Its capital is \$100,000; it has a surplus amounting to \$20,000; and its deposits total more than \$472,000.

Frank W. Sherman is President, J. M. Edson is Vice President and Cashier, and Julian E. Fant is Vice President.

In addition to Messrs. Sherman and Fant, the Board of Directors includes Joseph W. Davin, H. G. Fannin, B. D. Vincannon, T. D. Halliday, F. W. Hooper, H. Terry Parker, E. W. Veal, and Brown Whatley.

Shipbuilding Becomes a Major District Industry

BECAUSE of the emergency created by ship sinkings and the wartime need for increased shipping facilities, the Sixth District has had an opportunity to participate on a large scale in the shipbuilding industry. Shipbuilding, in fact, has become the major wartime industry of the District. Out of a total of somewhat less than 2 billion dollars in supply contracts, awarded through September 30, 1942, in the District, over one billion dollars, or 56 per cent, was in ship contracts.

The shipbuilding facilities of the District are located at all of the major ports and even at some points inland. As among the five states of the District, bordering either on the Atlantic or the Gulf, the facilities are fairly evenly divided.

Georgia's facilities are concentrated at the ports of Savannah and Brunswick. At Savannah, the principal shipbuilders are the Savannah Machine and Foundry Company, the Southeastern Shipbuilding Corporation, and the MacEvoy Shipbuilding Corporation. At Brunswick is the Brunswick Marine Construction Company.

Florida's principal facilities are found at Jacksonville, Tampa, and Panama City. The Gibbs Gas Engine Company of Florida, the Merrill-Stevens Drydock and Repair Company, the Huckins Yacht Corporation, and the St. Johns River Shipbuilding Corporation are located at Jacksonville. The Tampa Shipbuilding Company, the Bushnell-Lyons Iron Works, and McCloskey and Company are at Tampa. Among the smaller Florida shipbuilding firms are the Daytona Beach Boat Works, the Fort Myers Shipbuilding Company, the Fort Pierce Boat Company, the Miami Shipbuilding Corporation, the Newport Boat Works, the Pensacola Shipyards and Engine Corporation, and the Pinecastle Boat and Construction Company.

Alabama, at or in the immediate vicinity of Mobile, has two major shipbuilders: the Alabama Drydock and Shipbuilding Company and the Gulf Shipbuilding Corporation.

Mississippi's principal facility is the Ingall's Shipbuilding Corporation's plant at Pascagoula. Two smaller companies are the Moss Point Shipbuilding Company and the Westergard Boat Works at Biloxi.

Louisiana's ship construction is concentrated in the New Orleans area. In New Orleans itself, the principal builders are the Higgins Industries, Delta Shipbuilding Company, Pendleton Shipyards, and Todd-Johnson Drydocks. In nearby Westwego is the Avondale Marine Ways, Inc.

The building of cargo vessels, mostly of the Liberty type, is one of the principal shipbuilding activities of the District. The Liberty ships are of standardized design with a length of about 440 feet and with a rating of about 10,500 dead-weight tons. The Alabama Drydock and Shipbuilding Company and the Gulf Shipbuilding Company have in all launched 44 ships, Liberty or tanker, and have 64 more under contract. On January 17, 1943, the Maritime Commission announced the award of a 66 million dollar contract to the Alabama Drydock and Shipbuilding Company for the construction of 24 additional tankers. All facilities of the yard, it was announced, will now be devoted to the building of tankers.

The Delta Shipbuilding Company at New Orleans, with eight ways, is the leading builder of Liberty ships in the District. The company has already launched 35 of the ships and

has 56 more under contract. The latest announced time for the construction of a single ship was 67 1/2 days.

The Higgins interests, early last year, gave promise of becoming the largest cargo vessel builders in the District. A separate company, known as the Higgins Corporation, had secured a contract with the Maritime Commission to build 200 Liberty ships. To carry out the contract, the Higgins Corporation had begun the construction of a huge plant at Michoud, when an announced shortage of plate steel and a possible overextension of construction facilities caused the sudden cancellation of the contract in mid-1942.

The other Liberty ship builders of the District are in Georgia and Florida. The Southeastern Shipbuilding Corporation at Savannah, operating six ways, launched its third Liberty ship on December 7, 1942, and has 36 remaining on contract. The J. A. Jones Shipbuilding Company of Panama City, operating six ways, has launched one Liberty ship and has 32 more on contract. The Brunswick Marine Construction Company, with eight ways, and the St. Johns River Shipbuilding Corporation, with six ways, have not yet completed a ship, but each is under contract for 30 Liberty ships. The Brunswick plant, however, has completed four small tug boats and is working on others.

McCloskey and Company at Tampa has a contract to build 24 self-propelled concrete barges. The ships are to be 360 feet long and of 5,200 dead-weight tonnage. In June of last year, when construction of the facilities was begun, it was announced that the 30 million dollar contract called for the delivery of the vessels by June 30, 1943. None of the ships has as yet been completed.

Some of the District shipyards are working on Navy contracts for fighting vessels. The Savannah Machine and Foundry Company, on January 11 of this year, was reported as launching its fourth mine sweeper. The Gibbs Gas Engine Company at Jacksonville was reported on December 24, 1942, as launching four mine sweepers. The Tampa Shipbuilding Company has for some time been completely devoted to naval ship construction; on December 22, 1942, the company launched its twelfth and thirteenth fighting ships—the mine sweepers *Aspire* and *Assail*. The Gulf Shipbuilding Company of Mobile and the Westergard Boat Works of Biloxi are also working on mine sweepers.

The remainder of the shipbuilding facilities of the District are concentrated largely upon the production of small craft and ship parts. The Huckins Yacht Corporation at Jacksonville builds patrol boats. Bushnell-Lyons of Tampa builds sea-going tugs. Higgins Industries of New Orleans, operating nine plants, is doing extensive work for the Navy, including the construction of patrol torpedo boats. Inland companies such as the Dixie Culvert and Metal Company and the Virginia Bridge Company of Atlanta, and the Nashville Bridge Company of Bessemer, are shipping prefabricated sections of fighting vessels to the Charleston Navy Yard.

District shipyards have now become substantial employers of labor. As late as the census of 1940, the Six States employed only 7,481 people in the ship and boat building industry. The number reported in the industry was divided among the Six States as follows: Georgia, 90; Florida, 2,561; Alabama, 1,767; Mississippi, 1,007; Louisiana, 1,997; and

Tennessee, 59. Present District employment in the industry, in contrast, is somewhere between 125,000 and 150,000. The sixteen largest shipbuilding firms of the District alone now employ in the neighborhood of 121,440 workers.

Georgia's three principal companies employ approximately 17,060 workers. Savannah Machine and Foundry has 1,860; Southeastern, 9,000; and Brunswick Marine, 6,200.

Florida's five largest shipbuilders employ about 30,730 workers. Tampa Shipbuilding has 11,780; St. Johns River Shipbuilding, 7,600; J. A. Jones Shipbuilding, 7,300; McCloskey and Company, 3,000; and Merrill-Stevens Drydock and Repair of Jacksonville, 1,050.

The Mobile-Pascagoula area has about 45,000 shipyard workers. Of this number, Alabama Drydock has approximately 25,000, and Gulf Shipbuilding and Ingalls Shipbuilding have about 10,000 each.

The five principal yards of the New Orleans area employ approximately 28,650 workers. Delta has 16,000; Higgins, 7,150; Todd-Johnson, 3,300; Pendleton, 1,450; and Avondale, 750.

The development of shipbuilding in the District has not been without serious repercussions upon the civilian population. Tampa, Jacksonville, Savannah, Panama City, and Mobile have been turned into overcrowded cities almost overnight. Tourist cottages, trailer camps, beach houses, and every conceivable habitable structure have been utilized. In addition, extensive housing projects have been organized and pushed rapidly to completion. Still the housing shortage is of major proportions. New Orleans also has been overcrowded because of the influx of shipyard workers, but since it was much larger in the beginning than the other shipyard cities, the social impact has been less severe.

While the District yards are thus prospering during this critical period in American shipping facilities, their place in postwar construction can be determined only by events. The old established yards of Philadelphia, Boston, Norfolk, Camden, and the Great Lakes, as well as the new shipyards of the Pacific Coast, may be expected to press strongly for shares in peacetime construction.

District postwar shipbuilders will continue to have ready access to raw material supplies. Steel plates can be floated down the Mississippi from the Pittsburg area. Above all, there are the great steel plants of the Birmingham area to draw upon. Here, the Tennessee Coal, Iron, and Railroad Company and the Republic Steel Company plants have been expanded far beyond any previous capacity. If District shipyards languish in the postwar era, it will not be because of a lack of raw material.

Nor is the lack of power a probable drawback. Prior to the cancellation of the Higgins contract for the construction of 200 Liberty ships, arrangements had been made for a three-state power hook-up, which would have supplied the 30,000 kilowatt power needs of even so large an enterprise. Without any special hook-up, and in spite of power demands never before approached, there has been no lack of electric energy for the shipyards.

As compared with the shipbuilders engaged upon Navy contracts, the District's cargo shipbuilders have perhaps the more encouraging outlook. With ship sinkings still at an exceedingly uncomfortable rate, it may be expected that the demand for cargo vessels will continue for some time, even after the war ends.

SIXTH DISTRICT BUSINESS INDEXES

Department Store Sales*						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
DISTRICT.....	166	186	146	286	206	253
Atlanta.....	151	177	134	250	185	221
Baton Rouge.....	178	199	154	293	211	253
Birmingham.....	156	171	144	260	193	241
Chattanooga.....	162	194	157	289	206	265
Jackson.....	187	224	178	313	256	297
Jacksonville.....	228	243	181	390	259	310
Knoxville.....	140	172	140	243	177	244
Macon.....	233	268	167	428	287	307
Miami.....	135	143	135	250	160	245
Montgomery.....	186	221	161	348	246	302
Nashville.....	125	166	119	220	170	209
New Orleans.....	141	170	133	240	191	226
Tampa.....	192	220	159	337	253	278

Department Store Stocks						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
DISTRICT.....	157	158	147	140	182	132
Atlanta.....	208	196	174	169	226	141
Birmingham.....	153	146	142	133	173	125
Montgomery.....	140	167	130	118	194	110
Nashville.....	213	192	172	181	223	143
New Orleans.....	146	154	150	128	174	131

	Cotton Consumption*			Coal Production*		
	(1935-39 Average = 100)			(1935-39 Average = 100)		
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
TOTAL.....	176	190	161	163	167	156
Alabama.....	182	197	173	171	171	163
Georgia.....	175	189	156	...	...	...
Tennessee.....	159	165	147	146	152	146

	Construction Contracts			Gasoline Tax Collections		
	(1923-25 Average = 100)			(1939 Monthly Average = 100)		
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
DISTRICT.....	322	276r	161	114	107r	120
Residential.....	199	181r	51	146	126	134
Others.....	404	340	234	80	79	116
Alabama.....	653	797	190	84	93	125
Florida.....	252	60	73	141	111	109
Georgia.....	349	311	218	106	121	120
Louisiana.....	147	234	364	145	131	120
Mississippi.....	1353	1995r	158			
Tennessee.....	184	137	209			

	Cost of Living			Electric Power Production*		
	(1935-39 Average = 100)			(1935-39 Average = 100)		
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
ALL ITEMS.....	***	121	113	225	225	171
Food.....	***	133	115			
Clothing.....	***	127	120	249	217	112
Rent.....	***	113	117			
Fuel, electricity, and ice.....	***	105	103	193	235	248
Home furnishings.....	***	121	116			
Miscellaneous.....	***	113	109			
SIX STATES..						
Hydro-generated.....						
Fuel-generated.....						

* 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

r = Revised

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

The National Business Situation

INDUSTRIAL ACTIVITY continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

Production: Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay, and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages. In the first half of January production of bituminous coal and petroleum was maintained, but a number of anthracite mines were closed by an industrial dispute.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type build-

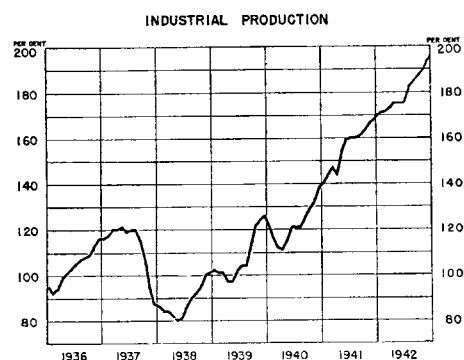
ings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

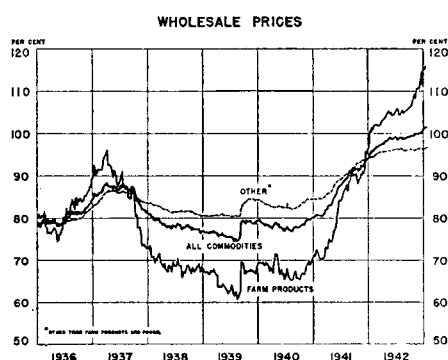
Bank Credit: Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

Reflecting largely purchases of the $\frac{7}{8}$ per cent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change.

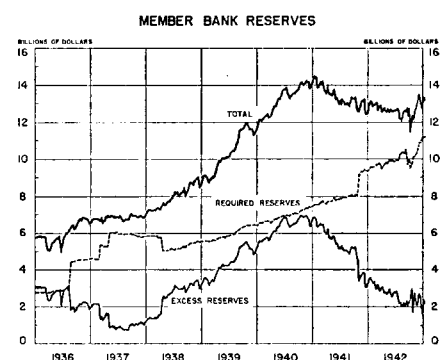
(Prepared by the Board of Governors of the Federal Reserve System)



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



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending January 16, 1943.



Wednesday figures. Latest figures shown are for January 13, 1943.