Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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Sixth District Business Trends

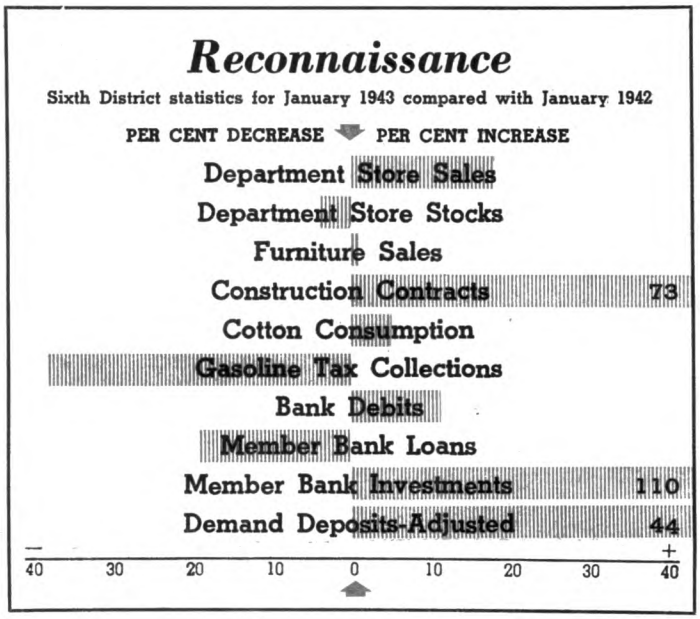
UNDER the sustaining impetus of wartime demands, business and industrial activity in the Sixth District continued at high levels during February. Commercial banks reported new gains in deposits and investments. On February 17, deposits of weekly reporting member banks were approximately a third greater than they were a year before. Reflecting the increased purchases of Government securities by banks, total investments were more than twice as large as they were a year earlier, and investments in United States securities were three times as large. Total loans and loans for business purposes, however, declined to some extent.

During February, the expansion of department store sales continued. Sales of reporting stores in the Sixth District for the four weeks ending February 20 were 35 per cent above the 1942 level. A less-than-seasonal decline in January sales raised the seasonally adjusted index to 194 in January from 166 in December. The seasonally adjusted index of department store stocks in the District, however, continued the decline that started in September 1942, so that in January the index was 141, as compared with 157 in December.

Increased sales and lower stocks were also reported for the wholesale trade. Total January sales, according to the Department of Commerce, were 5 per cent greater than they were in January 1942. The greatest increases occurred in dry goods sales, which were up 56 per cent, and in clothing sales (not including shoes), which were up 53 per cent. There were increases in other lines, notably in automotive supplies, electrical goods, hardware, lumber and building materials, machinery and equipment, and paper products. Wholesalers' inventories, based upon reports from 135 firms, were 23 per cent smaller in January 1943 than a year earlier.

Farm income maintained record levels. Farmers in the six states of the District received approximately 41 per cent more in 1942 for their crops, livestock, and livestock farm products than they did in 1941. According to the United States Department of Agriculture, cash farm income in these six states totaled 1.3 million dollars in 1942—a total larger than for any previous year. The gain of 41 per cent for the District compares with a gain of 38 per cent for the United States.

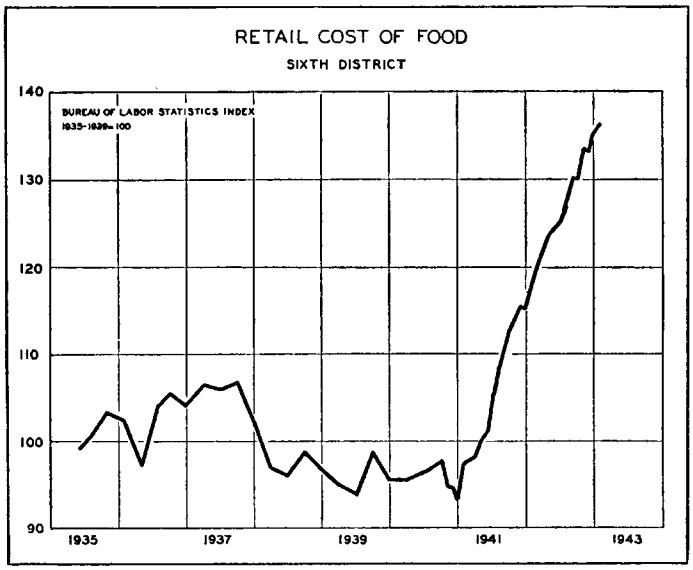
As the war advances, continued over-all expansion can hardly be maintained in all fields. In the case of textile mills and coal mines, both labor and equipment shortages are already operating to restrict further expansion. Textile mills, operating at near-capacity with the available labor and equipment, showed only slight production gains during January. The daily rate of cotton consumption was but 4 per cent greater in January than in December, and only 5 per cent greater than for January a year ago. Coal production in Alabama and Tennessee actually declined 1 per cent in January this year as compared with January last year.

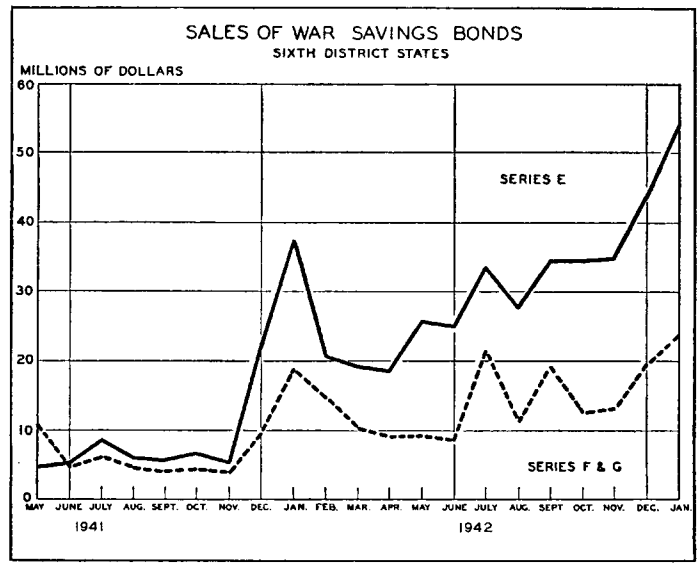


Food Prospects in 1943: In 1943, 25 per cent of total domestic food production will be required for American military forces and for export to our allies, chiefly to Britain and to Russia. Assuming favorable weather conditions, in 1943 the total volume of food available for domestic consumption by civilians, according to the Department of Agriculture, will be roughly the same as in 1935-39. This estimated production does not mean, however, that there will be no shortages; in fact, the contrary is true. The 1943 domestic civilian food supply will be about 10 per cent below that of 1941; in addition, incomes will be higher in 1943 and the demand for foods will rise correspondingly.

It must be remembered that the production goals will not be met if seriously adverse weather conditions occur. In such an event, the food situation might become extremely tight. All the foregoing factors indicate the necessity for price controls and rationing.

Meat seems likely to be brought under formal ration control in 1943. In 1942, 21.8 billion pounds of meat were produced, and the 1943 goal calls for an increase of 4 billion pounds above this figure. If the 1943 goal can be achieved, there will be sufficient meat to fill lend-lease and military requirements, but civilian supplies will be materially lower than the prospective market demand at ceiling prices. Hence it was necessary on December 17, 1942, to order the restriction of civilian meat consumption in the first quarter of 1943 to 70 per cent of the consumption of the corresponding quarter of 1941 with respect to beef, veal, and pork, and to 75 per cent with respect to lamb and mutton.





Hog production in 1943 is slated for a 15 per cent increase over 1942 in both spring and fall pig crops with a 10-pound increase in the average weight of hogs marketed. This schedule will provide a total 1943 pig crop of 121 million head, compared with 105.5 million in 1942. Hog prices are to be supported through September 1944 at a minimum level of $13.25—average Chicago basis, Preferred and Choice grade butchered hogs, weighing 240 to 270 pounds—in order to encourage the indicated increase in production.

Cattle and calves totaling 10.9 billion pounds dressed weight is the goal for 1943—an increase of 7 per cent over 1942, the previous high year. This goal means that 30 million cattle and calves will be slaughtered in 1943 as compared with 28 million in 1942. The sheep and lamb slaughter will be slightly under the 1942 level.

Not only is it to be expected that meat will be rationed early in 1943, but rationing of more than 200 kinds of processed fruits, vegetables, juices, and soups has already been announced. War Ration Book II issued the last week of February contains 96 blue stamps for these canned products and 96 red stamps to be used for meat when rationed. These stamps are worth one, two, five, and eight points. Beginning March 1 it will be necessary to budget food expenditures in terms of ration points as well as in terms of money. This point ration system is modeled on the method used currently in Britain with considerable success.

As incomes have expanded over the last few years, purchases of food have grown rapidly. Thus in October 1942, food purchases were some 25 per cent above those of October 1941, and as much as 65 per cent above those of 1939. Up to date, this expansion in total food purchases has reflected a larger physical consumption of food by domestic civilian consumers as well as increased prices, but in 1943, total physical supplies of food available to domestic civilian consumers will be smaller than in 1942. On January 12, 1943, retail food prices were 33 per cent above the average of the prewar years 1935-39.

One encouraging factor in the food supply situation is the very large wheat carry-over. The old crop carry-over plus the new crop adds up to a grand total of 1,615 million bushels as against a normal domestic annual utilization of 750 million bushels. In addition, Canada has 615 million bushels of wheat in storage. As a matter of fact, domestic wheat stocks are currently the largest on record.

In 1942 the domestic production of fats and oils was considerably increased to offset losses of foreign supplies from the Pacific area and to take care of increased needs growing out of the war production effort. Total production of fats and oils in 1942 amounted to 11.7 billion pounds, up sharply from 9.6 billion pounds in 1941. The 1943 acreage and production goals call for increases in land planted to flaxseed and peanuts, and a soy bean acreage just slightly under the 1942 record acreage. If normal yields are realized, about 4.3 billion pounds of vegetable oils will be domestically produced in 1943, slightly above the 1942 levels. Lard, tallow, and grease production is expected to be larger in 1943 than previously, but it may be smaller than the Department of Agriculture now estimates because of a reduction in the output of butter.

Total supplies of fats and oils on January 1, 1943, were estimated at 14.5 billion pounds by the Department of Agriculture. In 1943, military and export requirements will take about 2.6 billion pounds and a recent allocation order would result in some 9.2 billion pounds' going to domestic civilian use. If these consumption estimates are realized, however, there will be only 2.7 billion pounds for stock-piling at the end of 1943, whereas the Food Requirements Committee has set a goal for stock-piling of 3.5 billion pounds. This would seem to indicate that the rationing of food fats and oils may be necessary in 1943. At ceiling prices, consumers will take a much larger quantity of fats than will be available under the present allocation order if rationing is not applied.

In 1943 more corn is needed to feed the increasing herds of livestock. The 1943 goal for corn has been set at 95 million acres, 4 per cent above the 1942 planted acreage. Nevertheless, unless the yield for feed grain is exceptionally high in 1943, the 1943-44 supplies of feed per animal will be lower than they have been in the current season, according to estimates of the Department of Agriculture. At the present time, the supply of feed grains per animal unit is about 6 per cent over the average of the previous five years.

Milk production goals for 1943 have been set at 122 billion

pounds, up 2 per cent from 1942. Price policies have been designed to encourage output of dairy products. Specific manufactured dairy products will be supported at OPA price ceilings and a subsidy will be paid on American cheese through June 1944, according to announcements. The new price policies will mean that farmers will receive higher prices for butterfat in 1943 than in 1942, the average increase being 15 to 20 per cent, while for whole milk sold at wholesale the increase will be 5 to 10 per cent.

Despite the increased production of dairy products, however, the supply is already insufficient to take care of demand, and it is expected that demand will grow in 1943 as incomes rise. The current supply-demand situation has been summed up by the Department of Agriculture as follows: "On November 3 manufacturers were required to set aside 90 per cent of the spray-dried skim milk produced for delivery to specified Government agencies. On November 20 the War Production Board froze half of the supply of butter in storage at the 35 principal markets. On November 25, retail sales of whipping or other cream containing more than 19 per cent butterfat were prohibited. On December 4 the quantity of milk solids used in the manufacture of ice cream or other frozen desserts during December and January was limited to 60 per cent of that used in October 1942. The total saving as a result of these orders on an annual basis might amount to 4 or 5 billion pounds, milk equivalent. Since total demands for milk in 1943, including civilian, military, and lend-lease, are at least 20 billion pounds larger than the prospective supply, a further curtailment of civilian consumption will be necessary."

It is to be expected that, as meat is rationed and the incomes of consumers rise, consumption of poultry will tend to increase. In 1943 it is estimated that average per capita consumption of chickens and turkeys by the civilian population will be 157.5 per cent of the 1935-39 average. A preliminary unofficial estimate by the Office for Agricultural War Relations of the Department of Agriculture is that the supply of chickens and turkeys will be at 164.9 per cent of the 1935-39 average, but that civilians will receive only 89.6 per cent of the total supply.

The number of layers on farms will be 6 to 8 per cent larger in 1943 than in 1942, and 1943 egg production goals—about 8 per cent above 1942 output—will apparently be reached if the rate of layings remains at 1942 levels. However, increased quantities of eggs will be required for military and lend-lease uses, and the quantities of eggs available for civilian consumption will be about the same as in 1942. This situation, coupled with increasing consumer incomes and restricted supplies of certain other types of foods, means that civilians will probably be ready to take at ceiling prices more than the available supply of eggs.

In short, it appears that in 1943 only cereals and citrus fruits will be available in abundant supply relative to prospective civilian consumer demand after military and lend-lease needs have been met.

Treasury Borrowing Continues: The approach of the April Treasury financing drive emphasizes the inflationary pressures involved in the continued increase of war expenditures. Expenditures during the fiscal year ending June 30, 1943, according to the President's budget message, are expected to reach 80 billion dollars, and for the fiscal year ending June 30, 1944, it is expected that total expenditures will reach 104 billion dollars. Although total receipts may amount to 23 billion dollars for the present fiscal year and 33 billion dollars during the next — as compared with 13 billion dollars in 1941-42,—the deficit also will increase. Under existing legislation the public debt is expected to amount to 135 billion dollars by the end of the present fiscal year and to 211 billion dollars by the end of the next fiscal year.

The methods used in financing the debt form part of the program of mitigating inflationary tendencies. Financing the debt without a large increase in demand deposits and resulting increases in potential purchasing power will require a much wider distribution of Government securities among nonbanking investors than has been made up to the present time.

A large proportion of the increase in the public debt during the past year has been absorbed by commercial banks and the Federal Reserve Banks. On December 31, 1942, approximately 43 per cent of the total interest-bearing direct and guaranteed Government securities outstanding, amounting to 112 billion dollars, were owned by them. Government security holdings of reporting member banks in the United States in February 1943 were 49 per cent above those for the same period of 1942. In the Sixth District, holdings of Government securities by reporting member banks increased 86 per cent.

As a result of the purchase of Government securities by commercial banks, commercial bank deposits, exclusive of United States Government deposits, have expanded nearly 10 billion dollars during the year 1942. At the end of 1942 deposits of all banks in the country amounted to over 80 billion dollars. Additions to money in circulation of approximately 4 billion dollars have added further to the purchasing power of the nation.

The expansion of bank deposits in the District has taken place at a somewhat greater rate than throughout the country as a whole. Net demand deposits of Sixth District member banks during January were 782 million dollars more than in the same period in 1941, an increase of 61 per cent. The increase in time deposits in the District has been comparatively small — 21 million dollars — and all but 3 per cent of this increase took place in country banks. Federal Reserve notes in circulation in the District during 1942 increased approximately 268 million dollars. It is estimated that the increase of bank deposits for both member and nonmember banks in the District, together with the increase of money in circulation during the year 1942, has placed at least one and one-quarter billion dollars of additional purchasing power in the hands of individuals and business enterprises in the Sixth District.

The absorption of this increased purchasing power and the avoidance of inflationary consequences is the chief problem of war finance. The Treasury stresses its desire to secure as much of its funds as possible from individuals and business enterprises so that additional expansions of bank credit will be kept at a minimum. During the April drive the Treasury is seeking to expand materially its borrowing from nonbanking investors.

War savings staffs have been charged with the responsibility of promoting the sales of War Savings Bonds among wage earners and others with small or moderate incomes. These securities, which may be redeemed at fixed values, have been designed to protect the purchasers from the possibility

SIXTH DISTRICT BUSINESS STATISTICS

UNITED STATES TREASURY BILLS

Tenders and Allotments in the Sixth Federal Reserve District

Dated	Tenders	Allotments
February 3, 1943	$18,985,000	$12,627,000
February 10, 1943	10,040,000	9,764,000
February 17, 1943	16,880,000	14,280,000
February 24, 1943	15,120,000	12,796,000

INSTALMENT CASH LOANS

Lender	Number Reporting	Per Cent Change Dec. 1942 to Jan. 1943	
		Volume	Outstandings
Federal Credit Unions	49	— 45	— 9
State Credit Unions	34	— 26	— 8
Industrial Banking Companies	43	— 17	— 3
Personal Finance Companies	55	— 41	— 4
Commercial Banks	37	+ 12	— 8

RETAIL FURNITURE STORE OPERATIONS

	Number of Stores	Per Cent Change January 1943 from	
		December 1942	January 1942
Total Sales	103	— 43	+ 0
Cash Sales	91	— 51	+ 47
Instalment and Other Credit Sales	91	— 42	— 8
Accounts Receivable, end of month	103	— 8	— 38
Collections during month	103	— 10	— 7
Inventories, end of month	76	— 1	+ 7

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

	Jan. 1943	Dec. 1942	Jan. 1942	Per Cent Change Jan. 1943 from	
				Dec. 1942	Jan. 1942
ALABAMA					
Anniston*	14,023	15,117	.....	— 7	...
Birmingham	166,392	182,816	171,327	— 9	— 3
Dothan	7,203	7,830	5,277	— 8	+ 36
Gadsden*	9,389	10,667	.....	— 12	...
Mobile	105,573	116,421	82,871	— 9	+ 27
Montgomery	36,272	41,221	34,008	— 12	+ 7
FLORIDA					
Jacksonville	141,219	155,401	120,239	— 9	+ 17
Miami	78,341	87,354	84,027	— 10	— 7
Orlando*	29,412	22,593	.....	+ 30	...
Pensacola	18,190	19,534	15,367	— 7	+ 18
St. Petersburg*	17,421	17,516	.....	— 1	...
Tampa	65,306	71,024	50,412	— 8	+ 30
GEORGIA					
Albany	9,336	12,089	9,838	— 23	— 5
Atlanta	328,018	429,070	319,112	— 24	+ 3
Augusta	30,464	35,857	38,587	— 15	— 21
Brunswick	9,950	10,595	3,995	— 6	+149
Columbus	32,245	39,569	26,878	— 19	+ 20
Elberton	1,523	1,789	1,540	— 15	— 1
Macon	33,017	42,179	30,091	— 22	+ 10
Newnan	4,476	4,596	3,641	— 3	+ 23
Savannah	66,085	73,321	42,055	— 10	+ 57
Valdosta	5,242	6,087	6,957	— 14	— 25
LOUISIANA					
Baton Rouge*	41,056	41,830	.....	— 2	...
Lake Charles*	17,136	17,448	.....	— 2	...
New Orleans	355,549	382,366	322,151	— 7	+ 10
MISSISSIPPI					
Hattiesburg	11,909	13,359	12,216	— 11	— 3
Jackson	62,464	67,166	46,235	— 7	+ 35
Meridian	14,718	13,970	19,662	+ 5	— 25
Vicksburg	21,477	19,090	11,646	+ 13	+ 84
TENNESSEE					
Chattanooga	90,438	96,305	74,290	— 6	+ 22
Knoxville	54,894	56,551	49,019	— 3	+ 12
Nashville	138,954	150,915	125,280	— 8	+ 11
SIXTH DISTRICT 26 Cities	1,889,255	2,136,475	1,706,721	— 12	+ 11
UNITED STATES 274 Cities	54,730,000	64,990,000	48,605,000	— 16	+ 13

*Not included in totals

of loss of principal. Sales of Series E bonds in the Sixth District in January amounted to 45 million dollars. Sales of Series F and G bonds, totaling 18 billion dollars, raised the total of War Savings Bonds sold in January to 63 million dollars. The trend of sales of War Savings Bonds since May 1941 is shown in the chart on this page.

The Federal Reserve Banks in cooperation with the Treasury have organized a Victory Fund Committee in each Federal Reserve District for the purpose of reaching investors with larger amounts of funds than can be placed in Savings Bonds. The activity of the Victory Fund Committee of the Sixth Federal Reserve District resulted in subscriptions totaling 345 million dollars during the December Victory Fund drive. Of this total, approximately 42 per cent was subscribed by nonbanking investors. The addition of the 51 million dollars in War Savings Bonds sold in the District during December raised the total share of the funds raised in the District from nonbanking sources to 49 per cent.

Despite the considerable sums that have been raised from nonbanking sources, a larger proportion of purchases by nonbanking investors will be necessary if the Treasury is to reach its goal of keeping borrowing from banks at a minimum. It becomes increasingly necessary to reach individuals with lower incomes and all types of institutions that have funds available for investment. In the Sixth District much of the increase in demand deposits has been spread out among depositors with small individual accounts and among the country banks and it is from these sources that increased purchases are to be encouraged.

The Federal Reserve System has assumed responsibility for providing the banks with the reserves that may be needed. To the extent that bank subscriptions are made in all Districts where reserves are available, to that extent it will be unnecessary for the Federal Reserve Banks to make additional reserves available. In the Sixth District, member bank reserves at the end of January were 509 million dollars. Despite the increase in deposits and resulting additions to required reserves, excess reserves at the end of January were 120 million dollars, 42 million dollars above the same period in 1942. Of the total increase in excess reserves, 50 per cent is held by country banks. Actual reserves of country banks in the District were 44 per cent above required reserves, compared with 23 per cent for reserve city banks.

The utilization, where they exist, of existing excess reserves and other idle funds by banks in making purchases will assist materially in the fulfillment of the borrowing program. Utilization of these funds will make additions to Federal Reserve Bank credit unnecessary. The Federal Reserve Banks by assuring the stability of the Government security market and by providing adequate facilities for rediscount and sale of Government securities have made it possible for banks with idle funds to employ their funds to advantage in the purchase of Government securities.

New Patterns in Retail Trade: Retail trade in the District continues to move towards higher levels. During the first half of February, department store sales in the District recorded almost spectacular gains. For the week ending February 13, 1943, the sales of 24 reporting stores in the District were 52 per cent above the corresponding week a year earlier. The sales of five Atlanta stores were 79 per cent greater than for the same period last year. For the four weeks ending February 13, 1943, sales for the same group of 24 stores were

27 per cent above the corresponding four-week period of 1942. No comparable increases in sales have occurred since the month of August 1941, at which time a buying wave was set in motion by anticipation of the imposition of the Board of Governors' restrictions upon instalment credit terms.

These very considerable increases in department store sales serve to emphasize the new set of problems that face retailers as the result of the stresses inherent in a wartime economy. Retailers must now cope with scare buying. A hoarding wave was set off by the rationing of footwear, but it had been more or less underway for some time in anticipation of the wider extension of rationing controls. Especially notable increases were recorded in the sales of women's apparel. Indeed, it is among women shoppers that scare buying is most noticeable.

Immediately prior to the imposition of rationing controls on shoes, the demand for women's shoes increased considerably. Following the application of shoe rationing, there was an immediate movement into the higher priced shoes. More recently scare buying has been noticeable in women's coats and, to a lesser degree, in ready-to-wear dresses and hosiery. It is also apparent in luggage and leather goods of all kinds, particularly handbags, belts, and purses. Another class of items in which there is apparently much forward buying is dry goods of all kinds. Sales of towels, bed linens, table linens, piece goods, and underwear items are of particularly large proportions.

The one notable exception to the buying wave exists in furniture and housefurnishings. Sales of District-reporting furniture stores for the month of January of this year were about the same as for the corresponding month a year ago, and 45 per cent less than for December, the preceding month.

Retailers are having to deal with an unprecedented volume of purchasing power also. The matter of price in many lines is apparently becoming of diminishing importance.

Perhaps the most difficult problem facing the retailers is that of obtaining merchandise to sell. Practically all lines of merchandise are in short supply. Manufacturers, particularly in soft goods lines, have largely instituted their own rationing controls. If an individual merchant places an order for considerably more than he has been accustomed to buy in the past, his order is scaled down by the supplier. The manufacturers are also refusing orders from new accounts for goods that are becoming scarce.

In many items of hard goods no new supplies are being manufactured for civilian uses. Refrigerators, radios, innerspring mattresses, and metal furniture of all kinds are practically unobtainable, except from existing stocks. Gliders, metal shades, metal chairs, lamps of all kinds, and metal outdoor or porch furniture are also largely unobtainable. The same situation exists in housefurnishing items made of steel, brass, or bronze.

The scarcity of replacement items and transportation delays have brought about considerable increases in retailers' outstanding orders. In general, outstanding orders of representative stores are well over 50 per cent greater than a year ago. Merchants are finding it necessary to make fewer but larger orders. The initial order, in other words, now includes reorders. Outstanding orders thus reflect merchandise needs farther into the future than was formerly the case. In soft goods, for example, where deliveries were formerly customarily made in from three to six weeks, they are now made in from a month to three months after the orders have been placed.

SIXTH DISTRICT BUSINESS INDEXES

DEPARTMENT STORE SALES*
(1935-39 Average = 100)

	Adjusted**			Unadjusted		
	Jan. 1943	Dec. 1942	Jan. 1942	Jan. 1943	Dec. 1942	Jan. 1942
DISTRICT	194	166	164	150	286	127
Atlanta	174	151	146	128	250	107
Baton Rouge	260	178	185	173	293	123
Birmingham	186	156	179	132	260	127
Chattanooga	200	172	185	151	289	140
Jackson	237	187	228	158	313	151
Jacksonville	273	228	198	194	390	140
Knoxville	198	140	178	144	243	132
Macon	266	233	192	184	428	132
Miami	134	135	126	151	250	141
Montgomery	240	186	185	169	348	131
Nashville	163	125	138	115	220	97
New Orleans	190	141	65	142	240	115
Tampa	226	192	183	187	337	151

DEPARTMENT STORE STOCKS
(1935-39 Average = 100)

	Adjusted**			Unadjusted		
	Jan. 1943	Dec. 1942	Jan. 1942	Jan. 1943	Dec. 1942	Jan. 1942
DISTRICT	141	157	146	132	140	137
Atlanta	154	208	164	135	169	144
Birmingham	140	153	143	121	133	124
Montgomery	168	140	117	149	118	104
Nashville	225	213	166	183	181	140
New Orleans	141	146	157	122	128	136

	COTTON CONSUMPTION* (1935-39 Average = 100)			COAL PRODUCTION* (1935-39 Average = 100)		
	Jan. 1943	Dec. 1942	Jan. 1942	Jan. 1943	Dec. 1942	Jan. 1942
TOTAL	183	176	174	163	163	165
Alabama	188	182	184	171	171	168
Georgia	183	175	172	...	...	...
Tennessee	159	159	157	146	146	158

CONSTRUCTION CONTRACTS (1923-25 Average = 100)

	Jan. 1943	Dec. 1942	Jan. 1942
DISTRICT	170	335r	99
Residential	122	209r	97
Others	203	418r	100
Alabama	373	653	104
Florida	100	252	126
Georgia	173	349	83
Louisiana	149	147	62
Mississippi	793	1353	109
Tennessee	144	184	54

GASOLINE TAX COLLECTIONS (1939 Monthly Average = 100)

	Jan. 1943	Dec. 1942	Jan. 1942
DISTRICT	86	114	138
Alabama	77	146	141
Florida	86	80	133
Georgia	86	84	135
Louisiana	63	141	120
Mississippi	90	106	134
Tennessee	113	145	167

COST OF LIVING (1935-39 Average = 100)

	Jan. 1943	Dec. 1942	Jan. 1942
ALL ITEMS	123	122	115
Food	137	135	118
Clothing	127	127	119
Rent	113	113	126
Fuel, electricity, and ice	106	105	104
Home furnishings	121	121	115
Miscellaneous	114	114	109

ELECTRIC POWER PRODUCTION* (1935-39 Average = 100)

	Jan. 1943	Dec. 1942	Jan. 1942
SIX STATES	***	225	186
Hydro-generated	***	249	141
Fuel-generated	***	193	246

* 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.

District Minerals Yield New Income

BITUMINOUS coal has been for many years one of the most important minerals in the Sixth Federal Reserve District. In Alabama, the chief coal producing counties are Jefferson, Walker, Saint Clair, Bibb, Shelby, Marion, Blount, Tuscaloosa, and Fayette. In 1942, there were 19,386,000 tons of bituminous coal mined in the state. Tennessee also produces important amounts of bituminous coal, 7,464,000 tons having been mined there in 1942. The reserves of bituminous coal in the District are considerable and it is to be expected that the economic importance of this mineral will continue to bulk large in the future. While fuel oil, natural gas, and water power are playing ever-larger roles in Sixth District energy production, the hydrogenation of coal is assuming ever-greater importance as a result of wartime chemical discoveries.

The District is favored by the geographical juxtaposition of iron ores with the bituminous coal deposits. Both hematite and limonite are present in Alabama. Iron ores totaling 7,870,000 gross tons were mined in Alabama in 1941. The Alabama iron deposits are by far the most important in the District, but the Georgia production of iron ore, under the impact of war demands, has risen to significant figures. Georgia iron ores are currently being mined at the rate of a million tons annually, whereas in prewar days production in Georgia was negligible because the demand-supply relationship was such as to make extensive operations unprofitable.

The scrap-iron shortage of recent months has brought renewed interest in sponge iron. The ores of Polk, Bartow, and Floyd Counties in Georgia are suitable for sponge-iron production. Fortunately, electric furnaces can utilize sponge iron almost as well as pig iron, and the wartime expansion of electric furnace steels has heightened the demand for these ores.

In past years, District iron-ore mines have had to compete with the high-grade Lake Superior ore mines. Now, however, the expanded consumption of Minnesota ore in war production has brought measurably nearer the exhaustion of these high-grade deposits. This means that in future years the relative importance of the southern deposits will be enhanced and production in this area will probably stay at higher levels after the war than previously.

The District economy is still predominantly agricultural, however, and the fertility of the soil is the prime determinant of the prosperity of the area. Adequate supplies of phosphorus fertilizer are essential for the maintenance of soil fertility. The Tennessee Valley Authority estimates that there is a potential fertilizer demand in the United States of 13,440,000 tons a year of phosphate rock, averaging 65 per cent bone phosphate of lime (BPL). This market estimate is based on the recommended use of about 10 pounds of phosphorus to the acre each year on the nation's farms, and represents three times the prewar annual production. Currently, of course, the production of phosphate rock is at a high level because the munitions program requires great amounts of phosphorus, but expansion of proper fertilizing practices after the war will absorb the expanded output.

The southeastern states are well equipped to share in this market as they hold the most accessible reserves of phosphate rock. In fact, the southern reserves are the only domestic deposits east of Montana. An estimate made in 1938 put Florida's phosphate rock reserves at 552 million tons of 70 per cent BPL or better, while Tennessee deposits were reckoned at 101 million tons of similar grade. Recently, improved methods of mining and processing have been developed which make possible the commercial utilization of phosphate rock containing as little as 45 per cent bone phosphate of lime, so that the estimates of available southern supplies must now be raised.

Limestone and other components of cement are abundantly distributed over the District. In Alabama, virtually inexhaustible supples of raw material for both portland and puzzolan cement are found. In Georgia, hard limestone and shale abound close together almost everywhere in the northwestern part of the state. While soft limestone is present in many areas of the South Georgia Coastal Plain, only in a few counties of that area are suitable mixing clays found. In Florida, limestone is present in important quantities, and portland cement is manufactured. In Tennessee, cement is one of the more important mineral products. It is believed that three areas of Mississippi may prove to be cement centers in the future, although the industry has not yet attained commercial importance.

Industrial clays are of particular value in the southeastern mineral economy. For many years, Georgia has produced between 60 and 85 per cent of the kaolin, or white clay, used in the United States. While kaolin is the largest income producer among Georgia minerals, the potentialities of its development have not yet been fully realized in the state. Georgia kaolin leaves the state as a raw material. Recent economic research has indicated that local labor can be trained to process the kaolin, and that there is perhaps a 10-million-dollar market for finished clay products within economical shipping distances of Georgia. Florida, too, has extensive deposits of kaolin. The largest deposits of Florida pottery clays are found in the western part of the state, in Santa Rosa and Escambia Counties.

Florida led the United States in commercial production of fuller's earth until 1924, in which year the Georgia output surpassed it. The mining of fuller's earth remains an important industry in both states. In Georgia, fuller's earth appears in two areas, both in the Coastal Plain. One area is comprised of Twiggs, Wilkinson, and Washington Counties; the other of Decatur, Grady, and Thomas Counties. Fuller's earth is an active bleaching agent and is used in bleaching petroleum.

While the bentonitic clays have displaced fuller's earth in many uses, some new uses for fuller's earth have been found. Outstanding among the new uses is water purification. The growing problem of contamination of streams of water by industrial waste may provide additional markets for the fuller's earth of Georgia and Florida. Treatment with fuller's earth "produces a heavy floc that reduces odors, and slows and destroys bacterial action." Fuller's earth has a special wartime use in the manufacture of concrete aggregate for construction of concrete ships. This new material is both strong and light. It also promises prefabricated, lightweight concrete units for the postwar construction industry.

It is known that some bentonite clays are present in Chattooga, Dade, and Walker Counties in northwest Georgia,

as well as in the Coastal Plain, although the commercial value of the deposits is still doubtful. Some bentonite is produced in Alabama's Clark County, near the Tombigbee River, and there are valuable deposits in Mississippi.

In Louisiana and Mississippi, petroleum and its associated mineral resources—natural gas and natural gasoline—are present in considerable quantity. It is thought by some geologists that the coastal regions of Alabama and Georgia, as well as much of Florida, may well contain important petroleum fields. To date, however, commercial production has been obtained only in the two states first named. In 1941, Louisiana produced 15,908,000 barrels of crude petroleum, and 183,139,000 gallons of natural gasoline. In 1940, the state produced 343,191,000 cubic feet of natural gas.

In Mississippi, production of crude petroleum was small as late as 1939. In that year only 107,000 barrels of crude petroleum were produced. Production increased to 4,400,000 barrels in 1940 and to 15,314,000 barrels in 1941. Natural gas produced in Mississippi in 1940 totaled 6,363,000 cubic feet. Tennessee produces small amounts of both natural gas and crude petroleum. In 1941, that state produced 9 million cubic feet of natural gas and 12,000 barrels of crude petroleum.

In Louisiana, carbon black is manufactured from natural gas in commercial quantities. In 1941, six plants produced 78,050,000 pounds.

The Louisiana sulphur production is of great industrial value, 533,620 tons being mined in the state in 1941. Texas is the only other important source of sulphur in the United States. These domestic sources have proved of much value in war production because our foreign sources of supply are not now completely available. Sulphur is, of course, an essential component of sulphuric acid which is, in its turn, a basic raw material for munitions manufacture.

Sand and gravel are widely deposited over the District, and the proximity of the deposits to highway sites expedites road construction. Under the pressure of wartime transportation needs, the abundance of sand and gravel has been helpful in the construction of military roads.

Building stone, including granite and marble, is present in abundance in the region. There is also a wide distribution of clay deposits adaptable to brickmaking. The construction business thus has ample local sources of raw materials.

The special demands of war industries, in conjunction with the interruption of foreign sources of supply, have accelerated the development of mineral resources in the South. For instance, southern mica deposits have been developed rapidly in the last few years to supply the demands of war industry. Commercial deposits of mica are widely dispersed through the crystalline rocks of Georgia, stretching from the Fall Line northward to Polk, Bartow, Gordon, and Murray Counties. Mica is also found in Alabama in Randolph, Clay, and Coosa Counties.

Expanded needs for aircraft during the war have stimulated the development of light metals, chiefly aluminum and magnesium. Magnesium is being secured from many sources never before exploited, including sea water. It appears, however, that one of the best sources of magnesium in the future will be the olivine deposits of northeastern Georgia and western North Carolina. It is estimated by the Tennessee Valley Authority that these deposits contain 230 million tons of high-grade olivine-bearing rock, of 20 to 25 per cent magnesium content. These olivine deposits are accessible to transportation systems and most of them can be worked economically, field surveys have revealed. For several years the Tennessee Valley Authority and the Georgia School of Technology have cooperated in developing a commercially practical process for extracting magnesium chloride—the source of magnesium—from the olivine deposits. At the present time, the process is undergoing final extensive tests in the Tennessee Valley Authority laboratories.

Large quantities of bauxite, from which alumina—the ore of aluminum—is extracted, was secured from Dutch Guiana prior to the war. The shipping situation now hampers importation from South America. Coincident with this development, of course, came the great expansion of the aluminum industry in the United States, as aircraft production grew from a minor industry to the largest in the country. Bauxite is mined in quantity in Georgia and Alabama, but production figures cannot be published because of wartime restrictions.

Besides the deposits of bauxite, quantities of alumina-bearing clays are present in the region, and the Tennessee Valley Authority has developed a process for extracting the ore of aluminum from them. The process has been proved feasible on a pilot-plant scale.

The Six States contain other mineral resources that may provide the basis for valuable industries in the future. Asbestos is found in commercial quantity in Georgia and Alabama, and its peculiar characteristics—it is noncombustible and does not conduct electricity—make it useful in modern construction. Barite, used in the manufacture of paint and various industrial chemicals, is also available in Alabama, Georgia, and Tennessee.

Some deposits of chromite, the mineral from which chromium is extracted, are known to be present in Georgia. Chromium is widely used in hardening steels and, therefore, is of immense usefulness to the metallurgical industries both in war and peace. Considerable deposits of graphite used in the manufacture of crucibles and lubricants, as well as in the familiar lead pencil, have been located in Alabama and Georgia. Copper, another essential material in munitions manufacture, is found in Polk County, Tennessee, in such quantity that the county is the largest producer east of the Mississippi. Corundum, which next to the diamond is the hardest mineral known, is found in Georgia and Alabama, and is used in war industries as an abrasive. Reserves of dolomite and similar materials are available in quantity in Georgia, and may well lead to the development of glass, glasswool, and rockwool industries in the state.

Mineral resources are, of course, subject to depletion. It is difficult, if not impossible, to estimate what the prospective rates of depletion of the mineral reserves of the District will be in the future. Production of minerals is peculiarly dependent upon the market price currently received. Thus, if mineral prices are low, the rate of depletion of all but the most accessible reserves will be retarded. Contrariwise, high mineral prices, reflecting great demand on the part of industries for these raw materials, speeds up the rate of depletion.

Exhaustion of mineral reserves is also influenced by changes in industrial technique. Technological developments that reduce waste in industrial processes tend to postpone the day of exhaustion of our mineral resources. In any event, mineral reserves in the Sixth Federal Reserve District are so large that they will continue to provide an important portion of the income of the area for many years to come.

The National Business Situation

INDUSTRIAL ACTIVITY rose further in January and the first half of February. Retail sales continued in large volume in January and were at an exceptionally high level early in February.

Production: Volume of industrial production showed another marked gain in January reaching a level of 200 per cent of the 1935-1939 average, according to the Board's adjusted index, compared with 197 in December. The increase reflected largely a growth in activity in the munitions industries, including production of chemicals for war purposes.

Activity at shipyards and in aircraft and machinery plants continued to expand sharply. Deliveries of completed merchant ships in January were somewhat less than in December but were still at the high level of over 1 million deadweight tons. Total iron and steel production rose to the level of last November, but was still slightly below the October peak, and electric steel output, important for munitions manufacturing, reached a record level 5½ times as large as in the 1935-1939 period. Operations at steel mills were near capacity during the first three weeks of February.

Nondurable manufactures, as a group, continued to show little change. Production of meats under Federal inspection, except beef, declined sharply from the high level in December. Output of most other foods was maintained; production for military and lend-lease needs, particularly of highly processed foods, rose further and there was a corresponding decline in output of these products for civilians. Newsprint consumption declined in January as a result partly of a Federal order restricting newsprint use.

Mineral production declined slightly in January, reflecting a small reduction in output of crude petroleum. Output at coal and metal mines showed little change. Anthracite production in the first half of January was reduced by an industrial dispute, but for the month of January as a whole, output was only 3 per cent lower than in December.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, was much smaller in January than in other recent months, but was still slightly higher than a year ago. Reductions occurred in all types of public awards, which now account for most of the total. A decline has been indicated for some time as a result of actions of the War Production Board designed to limit construction activity to projects that are essential. On October 23, 1942, it had established a committee to review proposals for new construction; through February 12, work on projects estimated to cost 1.3 billion dollars was stopped either by the War Production Board or by the Government agencies initiating them.

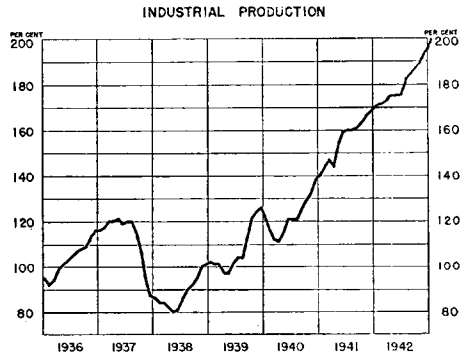
Distribution: Distribution of commodities to consumers was in large volume in January and the first half of February. Retail sales of merchandise declined less than seasonally in January and rose sharply in the first half of February when a buying wave developed, particularly in clothing. At department stores, sales increased considerably in the first week of February and then reached an exceptionally high level during the second week, stimulated partly by the announcement of shoe rationing.

Freight carloadings declined somewhat less than seasonally in January and the adjusted index increased 1 per cent. Miscellaneous loadings accounted for most of the rise. Substantial increases in loadings of most types of commodities occurred in the first two weeks of February.

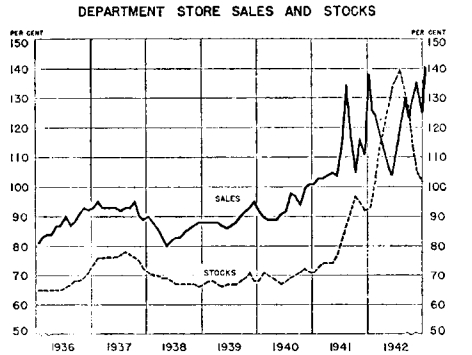
Bank Credit: Excess reserves of member banks declined from an average level of about 2.2 billion dollars in the last half of January to 1.6 billion early in February, but increased somewhat around the middle of the month. Increases in currency in circulation continued to be the major factor responsible for the decline, although substantial fluctuations occurred in Treasury balances and Reserve Bank credit. Most of the decline in excess funds was at banks in New York City and Chicago, where reserves have recently been close to legal minimum requirements. Over the five-week period ending February 17, the currency drain amounted to 520 million dollars, bringing total currency in circulation to 15.8 billion on February 17.

Holdings of Government obligations at reporting banks in leading cities outside New York and Chicago increased by 640 million dollars over the five-week period ending February 17.

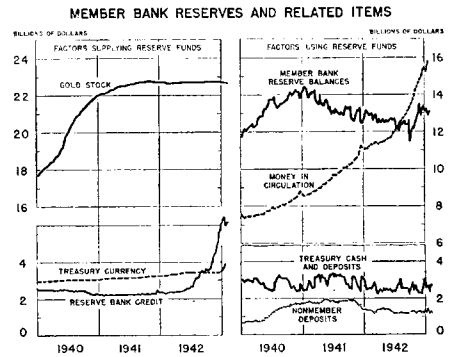
(Prepared by the Board of Governors of the Federal Reserve System)



Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January 1943.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figure shown for sales is January 1943; for stocks, December 1942.



Wednesday figures. Latest figures shown are for February 18, 1943.