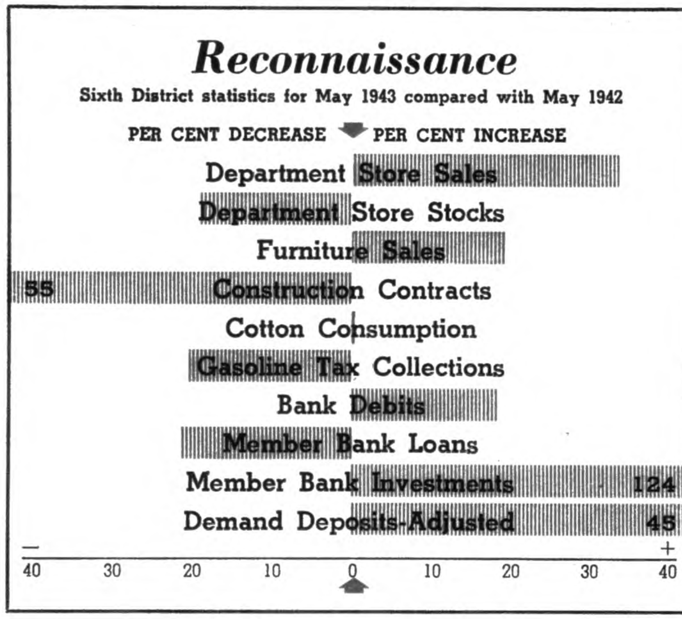
Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVIII Atlanta, Georgia, June 30, 1943 Number 6

The District Economy in June

THREE years of war and intensive preparation for war were completed in June. Passing this milestone the Sixth Federal Reserve District economy experienced the highest employment, income, and production levels in its history. Many new tools of war are being manufactured in this area and the vast new plants reared to house this production stand as a challenge to business enterprise which must solve the problems involved in converting the new facilities to peacetime production in the postwar era. To maintain a prosperous South after victory it will not be necessary to beat swords into plowshares; rather, the challenge is to make plowshares flow continuously from the production lines created originally for the manufacture of swords.



Aircraft and Airways: Wartime demands have greatly stimulated aircraft activities in the District. The stimulation has been most effective in the field of air transportation. The District occupies a strategic location with respect to the airways of the world. The Florida peninsula leads directly to Brazilian airports that offer a point of departure across the narrowest part of the Atlantic to the African Coast. From new African airports the airways then radiate to all parts of the world not occupied by the enemy. The entire South American continent is also tied in with airways running through the District ports of Miami and New Orleans.

Development of Miami as an international airways center has been most notable, and the development continues. In June the Civil Aeronautics Board authorized KLM, the Royal Dutch Airlines, to establish twice-weekly schedules for passengers, airmail, and air express between Miami and the West Indies.

On June 13 the Civil Aeronautics Administration authorized trans-Gulf service by Pan American Airways from New Orleans to Central America. The tentative schedule for regular operations calls for three round-trip flights weekly between New Orleans and Panama with stops at Merida, Mexico; Guatemala City, Guatemala; and Managua, Nicaragua.

Because of favorable climatic features the District has become one of the principal areas for the establishment of pilot training facilities. Even before the formal entrance of the United States into the war, British and Canadian pilots were training at southern airfields. The establishment of new airport facilities is not yet ended. In June the Civil Aeronautics Board allocated an additional $580,000 for new taxi runways at the LaGrange, Georgia, airport. This airport alone, in one of the smaller cities of the District, will cost 1.1 million dollars.

A development promised for July is the establishment of heavy bombardment bases at Alexandria, Louisiana, and Gulfport, Mississippi. These bases will be the first of their kind to be established on the Gulf Coast.

Aircraft manufacture and assembly are emerging as important District industries. At Nashville, Tennessee, Vultee Aircraft interests have been manufacturing airplanes and airplane parts for some time. According to announcement of the Army Air Forces on June 10, the Marietta Aircraft Assembly Plant, operated by the Bell Aircraft Corporation just outside Atlanta, will reach mass production of the newest and most powerful long-range bombers some time next year. The plant is already producing some parts and subassemblies in addition to continuing with the tooling of its assembly line. According to public announcement, the plant is expected to employ 30,000 persons when full production is reached. In New Orleans the Higgins interests are progressing with a large contract for cargo planes. Elsewhere in the District smaller plants are producing airplane parts, precision instruments, bomber accessories, and gliders.

Airplane manufacturing possibilities of the District are enhanced by access to important airplane materials. Forests of the District supply vital plywood and propeller wood. Magnesium, a metal lighter than aluminum and one that will play a large role in airplane manufacturing, will be available in the District. Production of magnesium by the Mathieson Alkali Works in Lake Charles, Louisiana, has now begun. The plant, which is owned by the Defense Plant Corporation, is the only one of its kind in operation and has a future annual capacity in excess of 50 million pounds of magnesium.

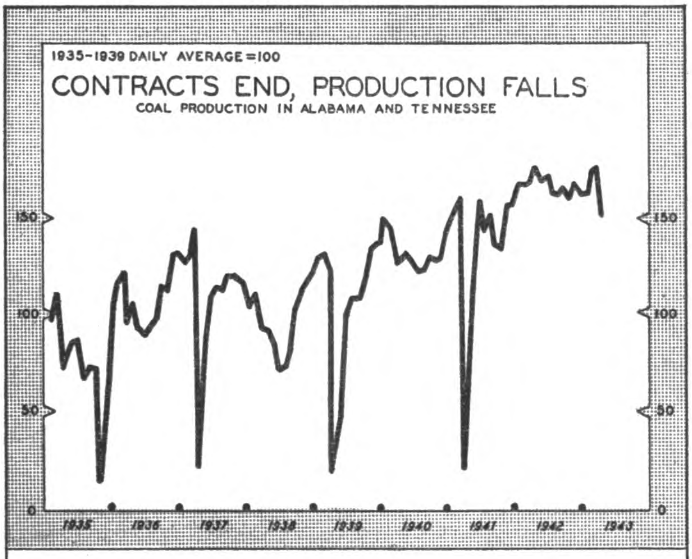
War Industry: In Louisiana, the new synthetic rubber development at Baton Rouge has come into production on a large scale. The plants in that area are now producing synthetic rubber at a rate of 75,000 long tons a year. The magnitude of this rate of production can be gauged from the fact that this is one-eighth of normal peacetime consumption of rubber in the United States. The Standard Oil Company of Louisiana is operating a plant that covers a thousand acres in Baton Rouge and some of the smaller rubber manufacturing companies, operating as the Copolymer Corporation, have another large synthetic rubber development there. At the present time it is estimated that the Buna-S rubber being produced in Baton Rouge costs 30 cents a pound, but it is believed that the cost will fall about one-third next year when there will be no starting-up costs.

Furthermore, in addition to the synthetic rubber development in Baton Rouge, the Standard Oil Refinery in that city is in mass production of 100-octane aviation gasoline and, indeed, its output of this vital war commodity exceeds the output of ordinary gasoline from the plant in prewar years.

The bulk of this development by Standard Oil of Louisiana has been privately financed, only about 15 million dollars out of a 100-million-dollar investment having been underwritten by the Government. This investment is divided about equally between aviation gasoline and synthetic rubber.

Labor Supply: The United States Employment Service offices in the Southeast filled 446,000 jobs in the first four months of 1943, it was announced in June. Particularly notable was the placement of 65,000 persons in the area's shipyards, an increase of 80 per cent over shipbuilding placements in the last four months of 1942.

In connection with the coming expansion of the Marietta Aircraft Assembly operations outside of Atlanta, 24 Northwest Georgia counties have been placed in Class III, a classification applied to areas where a labor shortage is anticipated within six months. On June 19 the National Housing Agency announced a 1,900-unit housing program for Atlanta. Of these 1,900 units, 600 new units are to be built by private enterprise, 300 units are to be converted with private funds, and 1,000 units are to be converted with public funds.



In recent years the practice of coal miners and operators of operating under two-year contracts has apparently established a two-year cycle in coal production. When work contracts expired, mining stoppages occurred in September 1935 and in April 1937, 1939, and 1941. The end of April of this year marked the termination of another two-year work contract. Since then coal production has fluctuated sharply as repeated failure to negotiate new contracts has been reflected in frequent shutdowns.

The labor shortage in Gulf shipbuilding yards continues acute. According to the War Manpower Commission, Gulf Coast yards could use from 25,000 to 30,000 more employees at this time. In Tampa, where the 48-hour week is in effect, the labor situation is still one of great shortage and the War Manpower Commission has appealed to all residents of the Tampa area, regardless of their previous industrial experience, to work in the shipyards.

Postwar Plans: Continuing progress is being made in this District in planning activities for the postwar period. For example, the Huckins Yacht Corporation of Jacksonville, which is now engaged in building torpedo boats, is planning the postwar development of a yacht, seaplane, and helicopter center on the St. Johns River. In June, to cite another example, the Atlanta City Planning Commission approved plans for eight viaducts and underpasses and four other street improvements for construction after the war. These twelve projects will cost an estimated 2.8 million dollars and form part of the larger 30-million-dollar program proposed by the Public Works Committee of the City Council.

The TVA is now conducting experiments to determine how war plants in the Valley can best be converted to postwar use and is also carrying out surveys of the developmental possibilities of Valley natural resources as industrial raw materials in the postwar period.

In its studies of possible postwar uses for war plants in the TVA area, the technical staff of the TVA has concluded that a plant now making phosphorus for incendiary bombs, flares, and smoke screens will continue to produce phosphorus after the war for fertilizer. Another plant now making synthetic ammonia and ammonium nitrate will be available for the production of fertilizer and various synthetic products, while the calcium carbide plant, manufacturing a raw material for synthetic rubber, will be needed for some period after the war in filling civilian rubber requirements.

One of the most pressing problems of the postwar planners will be the relocation of populations concentrated in shipbuilding centers or the finding of alternative employment for the surplus populations in those areas. In the Sixth District, Mobile is a typical case in point. Since the 1940 census, the population has grown from 114,906 to 201,500 and, in consequence, Mobile has jumped from 113th to 56th in size among American cities.

Timber and Timber Products: Production problems in the District's lumber industry continued acute during June. Selective Service and higher paid war industry jobs have drained the timber areas of many skilled workers, and the gasoline and food rationing programs have handicapped sawmill operations. Furthermore, some lumber mills are finding the profit margin very narrow under existing ceiling prices. The meat rationing program has made no special provision for the very large quantities of meat usually consumed by forest workers and the restrictions on the purchases of canned foods have handicapped feeding of employees in areas remote from sources of fresh vegetables.

Some ameliorative action is being taken. On June 7 the gasoline supply for logging and sawmill operations was classified as essential by the Office of Defense Transportation. The preferential list will still receive substantially smaller gasoline allotments than would be used were rationing not in effect, but the inclusion of lumber and lumber products on the preferential list does insure that additional gasoline will be forthcoming if needed to keep trucks in operation. A measure of relief for the labor shortage was granted by Selective Service in June when agricultural workers employed part time in logging and sawmill operations were assured by the War Manpower Commission that they would not lose their preferred draft status as agricultural workers because they worked part time in the lumber industry.

In the week ending June 5, representatives of the Central Procurement Agency buying for the Army, Navy, Maritime Commission, Treasury Department, and Lend-lease visited the various centers of the southern pine producing area and placed orders for nearly 200 million feet of southern pine by voluntary allocation among the various producing firms. In this way it was possible to bring scheduled production back into line with war requirements. Nevertheless, production of southern pine continues to lag behind that of a year ago. In the week ending June 19, actual production was 30 per cent below the average weekly production in the three-year period ending October 31, 1942. Shipments in the week ending June 19 were 12 per cent above production for the week, while orders for the week were 18 per cent above production and 5 per cent above shipments.

There is a definite shortage of hardwoods, and furniture plants not working on Government orders find it virtually impossible to buy any inventory at the present time. The inventories of cypress lumber are continuing to decline and some large mills that ordinarily carried from 30 to 40 million feet on the yard are now down to less than 5 million. Government work requires such a large portion of available cypress lumber that other consumers find it very difficult to make purchases.

Currently, the lumber industry is in the process of conversion. In the early part of the war production program, southern pine was used in large quantities in the construction of camps and other training facilities; now the chief uses are in ship construction and the building of crates and boxes for the shipment of finished war materials to the fighting fronts.

In mid-June gum spirits turpentine reached 66¼ cents, the top price for the present naval stores year. The Government stock pile price is being maintained at 68 cents and tank car demand is remaining stable. The visible stocks of turpentine are much larger than last year. At the close of the 1942-43 season on March 31, there were 288,213 fifty-gallon barrels of turpentine on hand as compared with 156,369 barrels carried over on March 31, 1942.

In the 1942-43 year, Georgia produced 223,393 barrels of turpentine (each barrel representing a unit including 3⅓ barrels of rosin), or 69 per cent of the total year's production. Florida produced 69,018 barrels, or 21 per cent; Alabama produced 20,014 barrels, or 6 per cent; Mississippi produced 4,520 barrels, or 1 per cent; while Louisiana produced only 1,016 barrels. On May 31, 1943, the Commodity Credit Corporation held under loan 90,658 barrels of turpentine and 349,674 drums of rosin.

Industrial Agriculture: An interesting development in industrial agriculture was revealed in June when the Southern Regional Research Laboratory of the United States Department of Agriculture in New Orleans announced the successful extraction of rubber from goldenrod. There are now 650 acres of goldenrod under cultivation near Waynesboro, Georgia, and it is expected that about ten tons of rubber will be produced from goldenrod this year.

Additional developments relative to industrial use of District agricultural products have been announced by the Southern Regional Research Laboratory. Experiments have been completed in which substitutes for cocoa butter and olive oil have been successfully produced from cottonseed and peanuts, respectively.

Crop Conditions: In the middle of June temperatures were favorable for crops in Louisiana, although the lack of rain was being felt in many areas of the state. The condition of cotton in Louisiana is reported as fairly good, and in some localities the condition is excellent. The lack of rain was particularly felt in the rice districts; rice was, however, making good growth where watered. Corn, sugar cane, truck crops, sweet potatoes, and hay crops are in generally good condition. Pasture is generally good in Louisiana and much hay has already been made, so that the feed supply outlook is favorable.

In Mississippi, lack of rain is also being felt in some areas, although the cotton crop is mostly in good condition and is beginning to bloom. There have been scattered showers and corn, truck vegetables, sweet potatoes, pastures, and minor crops are generally in good condition. The harvesting of oats and potatoes is well under way, and hay and clover are being cut.

The Tennessee cotton crop is in very good condition, chopping is advancing rapidly, and first cultivation has been finished in most parts of the state. The outlook for the corn crop in Tennessee is above average, its condition being good to very good, and the crop is making excellent progress. In Tennessee too, however, rain is now needed over large areas and the soil is drying rapidly. Potatoes and truck crops are in good to excellent condition, the tobacco crop is getting off to a fine start, and wheat is being cut. The lack of rain is affecting hay and pastures unfavorably.

In Alabama, rainfall has been adequate in recent weeks and temperatures have been favorable. The cotton crop is in good condition and hay, legumes, pastures, corn, sweet potatoes, and peanuts are all in fair to good condition. Conditions have been favorable for haying and for the harvesting of grain.

Georgia has had adequate rainfall only in the northeast and on the coast; most crops need rain and the soil is drying rapidly. So far, however, the cotton is in good to very good condition; it is well cultivated, chopping has been mostly completed, and the weather has been favorable for checking the weevil. Corn is doing well and some harvesting is under way in the southern part of the state. Potatoes and truck vegetables are mostly in good condition and are being harvested, although they have recently undergone some deterioration as the result of excessive heat. The Georgia tobacco crop is in fair to good condition. What remains of the peach and berry crops is in good condition and harvesting is progressing. In North Georgia, apples are in fair condition.

Money, Credit, and Price Controls

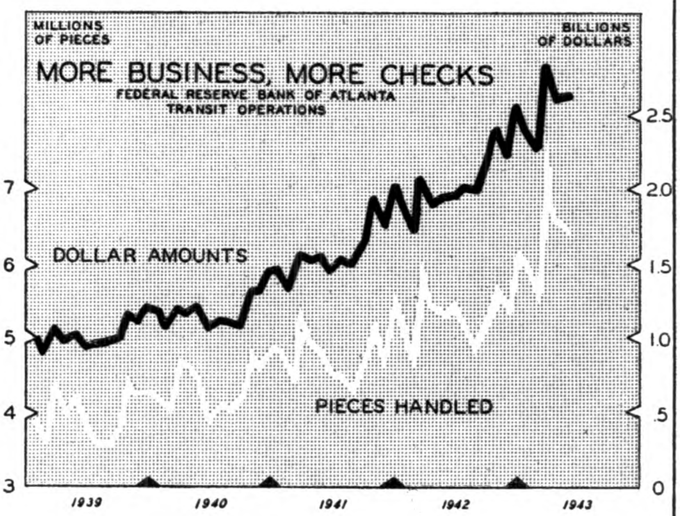
MAY marked the end of one year of general price control. Expanded purchasing power and limitation of supplies have made the year one of increasing pressure against price controls. In July the United States will complete its nineteenth month of participation in World War II and will thus match the period of its participation in World War I. During the coming period, therefore, problems will not only be greater, but the way will be uncharted insofar as World War I experience can be used as a guide.

Expansion of Bank Deposits and Currency: Expanded bank deposits and currency in circulation have reflected the vastly expanded income in the Sixth District since the beginning of the armament program in June 1940. On June 30, 1940, total bank deposits of all banks in the Sixth Federal Reserve District amounted to 1.8 billion dollars. By the end of 1942, the total had risen to 3.3 billion dollars. More than half the increase took place in the latter part of 1942. Meanwhile, Federal Reserve notes of this Bank in circulation more than tripled, the amount rising from 165 million dollars at the end of June 1940 to 547 million dollars at the end of 1942.

The trend of the latter part of 1942 continued during the first six months of 1943. During this period adjusted demand deposits, excluding Government and interbank deposits, of reporting member banks in the Sixth Federal Reserve District rose approximately 17 per cent. For the same period this Bank's notes in circulation rose 50 million dollars to a total of 697 million dollars on June 26.

Rising Income: Expansion of employment, higher wage rates, overtime pay, and rising agricultural prices have brought about a steady and rapid rise in income payments. During the first four months of 1943, according to the Department of Commerce, income payments for the country as a whole amounted to 43.4 billion dollars, an amount 27 per cent more than the 34.3 billion dollars paid out in the same period last year. Of the increase, almost 90 per cent was accounted for by increased payments in the form of manufacturing wages and salaries, Federal pay rolls, and net income of farm operators. It is estimated that total income payments during 1943 may amount to over 130 billion dollars compared with 114 billion dollars in 1942 and 76 billion in 1940. Although personal taxes during 1943 may be two or three times those paid in 1942, the amount available for expenditure and saving during 1943 may be from 10 to 15 per cent higher than in 1942.

War Expenditures and Borrowing: The Treasury spent over 7 billion dollars for war activities during May. Total expenditures that month, amounting to 7.4 billion dollars, were only 1.5 billion dollars less than expenditures for the entire fiscal year 1940. During the 11 months ending May 31 of the present fiscal year, the Treasury spent a total of 69.9 billion dollars. To finance these expenditures, the Treasury collected through taxation and other sources a total of 18.8 billion dollars. The resulting deficit was financed by borrowing. As a result, the gross public debt on May 31 moved up to 135.9 billion dollars. This figure remained substantially unchanged during the first three weeks of June, and was 135.6 billion dollars on June 21.



Wartime business activity and Government spendings have raised intercity check clearings and collections through the Federal Reserve Bank of Atlanta to record levels in recent months. The number and volume of such check clearings are highly sensitive business indexes.

The Government has borrowed in large amounts from individuals and corporations. In the Sixth District alone during the Second War Loan Drive nonbanking investors purchased 448 million dollars' worth of Government securities. A little less than half of this total was purchased by corporations and associations. For the nation as a whole 12.6 billion dollars' worth of Government securities, or 68 per cent of the total, was purchased by nonbanking investors. Dealers and brokers and United States Government agencies and trust funds purchased an additional 5 per cent of the total, or 935 million dollars' worth.

These totals are impressive but further analysis indicates a need for more widespread nonbanking purchases of Government security issues. During the drive total sales to commercial banks amounted to over 5 billion dollars, or 27 per cent of the total raised throughout the United States. Furthermore, sales of savings bonds amounted to only 12 per cent of the total raised from nonbanking sources. The Treasury estimates that for the first four months of the year a net amount equivalent to about 60 per cent of the new liquid savings of individuals was invested in Government securities. These investments have, however, been insufficient to absorb the total increase in the public debt. Consequently, expansion of bank deposits and money in circulation is likely to continue.

Member Bank Reserves: At the beginning of the armament program member banks were abundantly supplied with reserves. In June 1940 excess reserves for all member banks amounted to almost 7 billion dollars. Total reserves continued to rise until the end of the year, largely because of an increase in the gold stock. During 1941 the gold stock became stabilized at approximately its present level of 22.4 billion dollars. A rapid advance in money in circulation without offsetting increases in other items caused a reduction in member bank reserve balances beginning with the first part of 1941 and continuing until the third quarter of 1942. Expansion of deposits subject to reserve requirements combined with these factors to decrease excess reserves for all member banks, especially central reserve city banks, to the point where it became necessary during the latter part of 1942 for the Federal Reserve System to supply reserves through the purchase of Government securities on the open market.

As a result of the various changes, excess reserves of member banks on June 2, 1943, had fallen to approximately 1.6 billion dollars. They fell further during June and on June 23 were 1.3 billion dollars. Over the whole three year period of June 5, 1940, through June 2, 1943, reserves had been provided member banks by an increase in gold stock of 3.1 billion dollars, an increase in Treasury currency of 1.1 billion dollars, a decrease in Treasury deposits of 302 million dollars, and an increase in Reserve Bank credit of 4 billion dollars. Tending to bring about decreases in member bank reserves were an increase of money in circulation of 9.5 billion dollars, an increase of Treasury cash of 67 million dollars, and an increase in nonmember deposits of 306 million dollars. Reserve balances declined 1.3 billion dollars.

In contrast to the general decline of reserves taking place throughout the country, Sixth District banks experienced an inflow of funds. Reserve balances of Sixth District banks in June 1940 amounted to approximately 478 million dollars and had risen 4 per cent by the middle of June 1943, while reserves of all member banks throughout the United States declined about 10 per cent. From June 1940 through May of this year estimated excess reserves of Sixth District banks decreased 27 per cent, compared with a 77 per cent decrease for the country as a whole.

Production and Prices: According to the Federal Reserve index, total industrial production in May 1943 was 68 per cent above that of June 1940. From June 1940 to April 1943 manufacture of durable goods increased 129 per cent; nondurable goods, 30 per cent; and the production of minerals, 11 per cent.

Had this increase in total production been principally an increase in goods available to the consumer, inflationary problems would have been minimized. However, the greatest increases took place in the production of durable goods to be used primarily for military purposes. Furthermore, the increase in total nondurable goods production was insufficient to offset the increased demands of the armed forces for this type of goods. The supply of other commodities was reduced relatively if not absolutely. So far, many apparent shortages are the result of increased purchasing power rather than of decreased supplies.

Pressure of increased purchasing power has been reflected in a rise in prices. Measured by the Bureau of Labor Statistics' index of wholesale prices, the average increase in the prices of all commodities from April 1942 to April 1943 was 5 per cent. Price rises, however, were not uniform. The prices of farm products, which to a large extent were exempted from control, rose 19 per cent, while the prices of manufactured products during the period rose 2 per cent. Much the same discrepancy prevailed during the period from June 1940 through April 1943. Wholesale prices of all com-

Sixth District Indexes

Department Store Sales*
(1935-39 Average = 100)

	Adjusted**			Unadjusted		
	May 1943	April 1943	May 1942	May 1943	April 1943	May 1942
DISTRICT	196	188	147	193	196r	144
Atlanta	162	157	115	165	170	116
Baton Rouge	191	204	152	205	224	163
Birmingham	172	173	139	169	173	136
Chattanooga	190	186	151	196	198	156
Jackson	216	202r	168	224	222r	174
Jacksonville	249	264	172	262	268	182
Knoxville	173	166	142	181	172	147
Macon	247	223	178	258	253	186
Miami	176	161r	125	145	164r	103
Montgomery	213	197	172	219	219	177
Nashville	153	157	116	164	163	124
New Orleans	177	153	139	174	166	136
Tampa	277	220	183	262	250	173

Department Store Stocks
(1935-39 Average = 100)

	Adjusted**			Unadjusted		
	May 1943	April 1943	May 1942	May 1943	April 1943	May 1942
DISTRICT	152	144r	188	153	149r	189
Atlanta	174	154	232	177	164	235
Birmingham	130	128	156	133	133	160
Montgomery	182	160	170	185	173	172
Nashville	218	185r	208	221	206r	211
New Orleans	111	110	209	115	117	215

	Cotton Consumption* (1935-39 Average = 100)			Coal Production* (1935-39 Average = 100)		
	May 1943	April 1943	May 1942	May 1943	April 1943	May 1942
TOTAL	172	178	172	156	150	169
Alabama	174	183	176	166	152	174
Georgia	173	178	171	...	...	...
Tennessee	150	163	159	133	146	158

Construction Contracts
(1923-25 Average = 100)

	May 1943	April 1943	May 1942
DISTRICT	110	118	242
Residential	52	88	98
Others	149	138	338
Alabama	84	84	283
Florida	163	118	145
Georgia	62	125	87
Louisiana	93	268	138
Mississippi	147	119	134
Tennessee	71	142	352

Gasoline Tax Collections
(1939 Monthly Average = 100)

	May 1943	April 1943	May 1942
DISTRICT	88	95	110
Alabama	103	101	125
Florida	61	86	105
Georgia	87	85	100
Louisiana	91	98	103
Mississippi	78	92	105
Tennessee	91	110	125

Cost of Living
(1935-39 Average = 100)

	May 1943	April 1943	May 1942
ALL ITEMS	128	128	119
Food	149	149	124
Clothing	129	129	127
Rent	114	114	129
Fuel, electricity, and ice	107	106	103
Home furnishings	123	123	119
Miscellaneous	117	116	112

Annual Rate of Turnover of Demand Deposits

	May 1943	April 1943	May 1942
Unadjusted	18.5	20.2	23.0
Adjusted	19.9	20.5	24.7
Index (1935-39 = 100)	77.0	77.5	95.5

Electric Power Production*
(1935-39 Average = 100)

	May 1943	April 1943	May 1942
SIX STATES	...	236	187
Hydro-generated	...	277	128
Fuel-generated	...	182	265

Manufacturing Employment**
(1939 Monthly Average = 100)

	May 1943	April 1943	May 1942
DISTRICT	154	155	138
Alabama	192	195	179
Florida	169	166	120
Georgia	140	141	125
Louisiana	146	148	128
Mississippi	142	141	135
Tennessee	139	139	130

* Daily average basis. ** Adjusted for seasonal variation. r= Revised.

Sixth District Statistics

UNITED STATES TREASURY BILLS		
Dated	Tenders	Allotments
June 2, 1943	$13,340,000	$12,132,000
June 9, 1943	29,729,000	25,435,000
June 16, 1943	22,295,000	21,909,000
June 23, 1943	9,965,000	9,761,000

INSTALMENT CASH LOANS			
Lender	Number Reporting	Per Cent Change April 1943 to May 1943	
		Volume	Outstandings
Federal Credit Unions	50	+ 8	— 5
State Credit Unions	33	— 1	— 4
Industrial Banking Companies	43	— 9	— 2
Personal Finance Companies	56	+ 1	— 2
Commercial Banks	36	— 4	— 6

RESERVES AND RELATED ITEMS OF SELECTED SIXTH DISTRICT MEMBER BANKS

(In Thousands of Dollars)

For Reserve City Banks figures are averages of seven-day period ending May 28; for Country banks they are averages of sixteen-day period ending May 31.

Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	6	.....	442	49	184	202
B	23	81	3,929	1,287	1,487	176
C	50	118	16,537	4,897	6,338	167
D	77	6,640	42,306	14,090	18,124	164
E	68	11,837	71,399	25,836	35,690	147
F	31	18,484	59,492	30,445	37,549	143
G	41	634,726	308,615	279,855	367,994	116
Total	296	671,886	502,721	356,459	467,366	122

*Group A: 1942 average deposits up to $250,000; Group B: $250,000 to $500,000; Group C: $500,000 to $1,000,000; Group D: $1,000,000 to $2,000,000; Group E: $2,000,000 to $5,000,000; Group F: $5,000,000 to $10,000,000; Group G: over $10,000,000.

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES

(In Thousands of Dollars)

Item	June 16, 1943	May 19, 1943	June 17, 1942	Per Cent Change June 16, 1943, from	
				May 19, 1943	June 17, 1942
Loans and Investments—Total	1,398,686	1,407,815	871,648	— 1	+ 60
Loans—Total	285,011	301,898	372,838	— 6	— 24
Commercial, industrial and agricultural loans	171,973	180,749	217,385	— 5	— 21
Loans to brokers and dealers in securities	4,683	5,920	4,193	— 21	+ 12
Other loans for purchasing and carrying securities	8,952	11,789	8,307	— 24	+ 8
Real estate loans	25,487	25,343	30,298	+ 1	— 16
Loans to banks	330	458	1,378	— 28	— 76
Other loans	73,586	77,639	111,277	— 5	— 34
Investments—Total	1,113,675	1,105,917	498,810	+ 1	+123
U. S. direct obligations	948,714	943,024	346,487	+ 1	+174
Obligations guaranteed by U. S.	52,405	50,631	41,606	+ 4	+ 26
Other securities	112,556	112,262	110,717	+ 0	+ 2
Reserve with F. R. Bank	285,714	258,270	211,916	+ 11	+ 35
Cash in vault	23,576	24,052	18,910	— 2	+ 25
Balances with domestic banks	187,646	209,043r	249,674	— 10	— 25
Demand deposits-adjusted	946,672	885,997	635,858	+ 7	+ 49
Time Deposits	222,146	218,174	191,537	+ 2	+ 16
U. S. Gov't deposits	165,967	230,474	17,137	— 28	+868
Deposits of domestic banks	482,992	482,719	432,618	+ 0	+ 12
Borrowings	......	......	......	...	...

r = revised

modities during this time rose 34 per cent, while the prices of farm products rose 87 per cent.

Striking evidence of the impact of increased purchasing power upon prices in the Sixth District is furnished by the upward trend in the cost of living. Since June 1940 the cost of living in six large cities of the District has increased 28 per cent. During the 12-month period ending May 1943, the cost of food rose 20 per cent; clothing, 1 per cent; fuel, 3 per cent; and house furnishings, 3 per cent. The cost of rent declined 12 per cent. From June 1940 to May 1943 the cost of food rose 57 per cent. Furthermore, the rate of increase is still substantial. It took $1.08 for wage earners in these six cities to purchase the same amount of goods and services in May 1943 that they were able to buy for $1 in May 1942.

Price Control: The unavailability of many durable consumer items, repayment of debts brought about by consumer credit control, and the rationing program have all contributed to holding down the rate of spending. In addition, increased taxes and savings through the purchase of Government bonds have reduced the amount which consumers otherwise would have had available to spend. Despite these factors, however, the problem of price control has been a difficult one.

Up to the passage of the Emergency Price Control Act in January 1942, prices of vital raw materials were held down by appeals to public opinion and by threats to invoke the President's emergency powers. After the passage of the price control act ceiling prices were imposed upon selected commodities. By the middle of April 1942 about half the commodities sold at wholesale were under this type of control.

The prices of the uncontrolled commodities were, however, advancing rapidly. To check these advances the general maximum price regulation was promulgated on April 28, 1942. Failure to include provisions for the control of wages and the exemption of farm commodities from price control until the prices should rise to 115 per cent of parity made this plan of control far from complete.

The amendment of the Emergency Price Control Act on October 2, 1942, permitted the establishment of price ceilings for farm products. Ceilings were not to be fixed below the higher of parity or the highest price prevailing between January 1 and September 15, 1942. Wholesale prices of farm products rose over 4 per cent between April, when general price control was instituted, and October 1942, and they continued to rise after the enactment of the amendment. Wholesale prices of all farm products in April 1943 were 4 per cent higher than in October 1942.

Wage Control: Neither was the control of wages included in the original maximum price regulation of April 1942. Scarcities of some types of labor and increases in the cost of living created demands for upward wage adjustments. From April to October 1942, average hourly earnings in manufacturing, according to the United States Department of Labor, rose almost 7 per cent. By the executive order of October 3, a ceiling was placed on all wages. Basic wage rates were not to be raised from the level existing on September 15, 1942, though adjustments were permitted to correct maladjustments, inequalities, and gross inequities, to eliminate substandards of living, and to aid in the effective prosecution of the war. The National War Labor Board was given jurisdiction over the wage adjustments of all workers in all industries.

In making adjustments, the War Labor Board has attempted to abide by the so-called Little Steel formula. Under this formula no wage increases were to be allowed that would raise the level of wage rates above the increase in the cost-of-living index between January 1941 and May 1942. The index had risen 15 per cent over that period, so in effect, further increases in wage rates were to be limited to 15 per cent above those prevailing in January 1941.

Despite the limitation on increases in basic wage rates, average hourly earnings in all manufacturing establishments rose 5 per cent from October 1942 through March 1943, largely because of increased overtime payments. Among other factors increasing overtime payments was the establishment in February of a national policy of a 48-hour minimum work week wherever practical.

Recent Developments: Meanwhile, the general price ceiling was being subjected to more and more modification. During recent months it has become necessary for one reason or another to establish specific ceilings on many items, among them many retail commodities. Failure, however, to control price advances sufficiently has led to an attack by labor representatives upon the wage ceilings and an endeavor to discard the Little Steel formula. Disputes over the coal miners' contract during April, May, and June have been but symptoms of a general problem.

A prospective breakdown of the whole system of price control led to the issuance of the President's hold-the-line order in May of this year. Under this order the cost of living was so far as possible to be put back to the level of September 15, 1942. Among the methods proposed to bring about this objective was the use of subsidy payments.

Opposition to the payment of such subsidies has come from many quarters: from Congress, from processors and distributors in various branches of the food industry, from farm organizations, and from some quarters within the Administration itself. One argument against the program is that the paying out of Government funds in the form of subsidies swells the stream of purchasing power flowing into the pockets of the public and thus in itself puts further pressure on prices and necessitates still larger subsidies. Another argument against subsidies is that they might be used for political purposes or for private gain. Supporters of the program, however, point out that no matter how costly subsidies might be in the end, they are less costly than would be the failure to use them at all, because price reductions brought about in this manner would reduce pressure for higher incomes and thus help to prevent further inflationary developments.

Whatever the temporary solution of the present problems may be, new problems will continue to develop as long as there is an excess of purchasing power over the goods and services available to consumers at current prices. Such goods and services have been estimated at 10 to 15 per cent less in 1943 than in 1942. Wholesale inventories as reported by the Department of Commerce were 4.0 billion dollars at the end of February 1943 as compared with the peak of 4.9 billion dollars in March 1942. In the Sixth District wholesale inventories were reported to be 27 per cent less at the end of May 1943 than at the end of May 1942.

Retail inventories did not reach their peak for the nation until May 1942 when they stood at 7.6 billion dollars. By February 1943 they had declined to 6.2 billion dollars.

In the Sixth District, the seasonally adjusted index indicated that department store stocks were 31 per cent lower at the end of May 1943 than at their peak in July 1942.

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores	Per Cent Change May 1943 from	
		April 1943	May 1942
Total Sales	109	+ 9	+ 19
Cash Sales	95	+ 7	+ 36
Instalment and Other Credit Sales	95	+ 10	+ 14
Accounts Receivable, end of month	107	— 2	— 40
Collections during month	107	+ 6	— 11
Inventories, end of month	78	— 7	— 1

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

May 24-June 23, 1943, at Issue Price (In Thousands of Dollars)

Area	Series E	Series F and G	Total
DISTRICT	35,956	8,252	44,208
Alabama	7,438	1,063	8,500
Florida	7,494	2,155	9,649
Georgia	8,125	1,975	10,100
Louisiana*	6,673	1,360	8,033
Mississippi*	2,498	616	3,114
Tennessee*	3,728	1,083	4,811

*These figures apply only to that part of the state lying within the Sixth Federal Reserve District. Tennessee figures do not include Post Office sales.

DEBITS TO INDIVIDUAL BANK ACCOUNTS

(In Thousands of Dollars)

Area	May 1943	April 1943	May 1942	Per Cent Change May 1943 from	
				Apr. 1943	May 1942
ALABAMA					
Anniston	12,071	14,340	12,593	— 16	— 4
Birmingham	164,341	184,775	157,408	— 11	+ 4
Dothan	5,696	5,904	7,063	— 4	— 19
Gadsden	9,475	10,061	7,778	— 6	+ 22
Mobile	114,272	118,363	114,690	— 3	— 0
Montgomery	33,759	36,704	34,144	— 8	— 1
FLORIDA					
Jacksonville	162,901	164,797	124,641	— 1	+ 31
Miami	90,646	98,840	59,470	— 8	+ 52
Orlando	23,702	26,585	16,167	— 11	+ 47
Pensacola	19,814	20,450	15,580	— 3	+ 27
St. Petersburg	18,461	22,048	12,779	— 16	+ 44
Tampa	75,198	81,319	51,872	— 8	+ 45
GEORGIA					
Albany	7,608	7,932	8,674	— 4	— 12
Atlanta	351,378	357,232	335,071	— 2	+ 5
Augusta	30,264	33,810	33,011	— 10	— 8
Brunswick	13,936	12,518	4,895	+ 11	+185
Columbus	33,048	36,296	31,389	— 9	+ 5
Elberton	1,495	1,581	1,582	— 5	— 5
Macon	37,445	38,926	32,202	— 4	+ 16
Newnan	4,343	5,089	3,478	— 15	+ 25
Savannah	73,122	78,702	45,839	— 7	+ 60
Valdosta	5,449	5,023	5,340	+ 8	+ 2
LOUISIANA					
Baton Rouge	41,392	42,001	32,359	— 1	+ 28
Lake Charles	20,703	19,795	9,216	+ 5	+125
New Orleans	348,987	371,479	291,843	— 6	+ 20
MISSISSIPPI					
Hattiesburg	11,558	13,350	10,046	— 13	+ 15
Jackson	41,451	44,245	35,773	— 6	+ 16
Meridian	15,974	16,594	16,432	— 4	— 3
Vicksburg	18,752	20,963	11,886	— 11	+ 58
TENNESSEE					
Chattanooga	77,197	85,187	74,361	— 9	+ 4
Knoxville	55,520	54,726	41,887	+ 1	+ 33
Nashville	164,501	166,501	132,296	— 1	+ 24
SIXTH DISTRICT					
32 Cities	2,084,459	2,196,136	1,771,765	— 5	+ 18
UNITED STATES					
274 Cities	60,708,000	70,137,000	48,342,000	— 13	+ 26

The National Business Situation

INDUSTRIAL activity and retail trade were maintained in large volume during May and the early part of June. Retail prices, particularly foods, increased further in May.

Production: Total volume of industrial production, as measured by the Board's seasonally adjusted index, remained in May at the level reached in April. Activity in munitions industries continued to rise, while production of some industrial materials and foods declined slightly. Aircraft factories established a new record in producing 7,000 planes in May.

In most nondurable goods industries there were small increases or little change in activity. Meat production, however, reached a record high level for May reflecting a sharp advance in hog slaughtering. Seasonally adjusted output of other manufactured foods continued to decline. Newsprint consumption showed little change, and publishers' stocks declined further to a 50-day supply on May 31. Consumption for the first five months of 1943 was only 5 per cent below the same period in 1941, whereas a reduction of 10 per cent had been planned.

The temporary stoppage of work in the coal mines at the beginning of May brought production of bituminous coal and anthracite down somewhat for the month. Iron ore shipments on the Great Lakes continued to lag in May behind the corresponding month of 1942.

The value of contracts awarded for construction continued to decline in May, according to reports of the F. W. Dodge Corporation. Total awards were about 65 per cent smaller than in May a year ago.

Distribution: During May the value of sales at department stores decreased more than seasonally, and the Board's adjusted index declined 5 per cent. Sales, however, were about 15 per cent above a year ago, and during the first five months of this year showed an increase of 13 per cent over last year. In general, the greatest percentage increases in sales have occurred in the Western and Southern sections of the country where increases in income payments have been sharper than elsewhere.

Freight-car loadings advanced seasonally in May but declined sharply in the first week in June, as coal shipments dropped 75 per cent from their previous level, and then recovered in the second week of June as coal production was resumed.

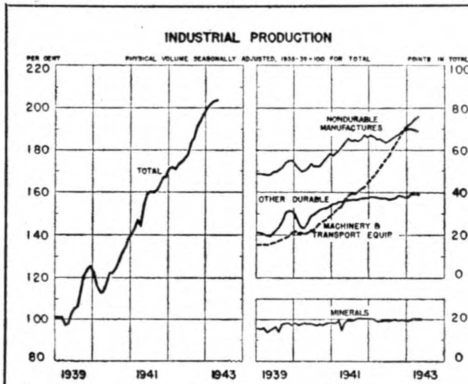
Commodity Prices: Prices of farm products, particularly fruits and vegetables, advanced during May and the early part of June, while wholesale prices of most other commodities showed little change.

Retail food prices showed further advances from the middle of April to the middle of May. On June 10 maximum prices for butter were reduced by 10 per cent and on the 21st of the month retail prices of meats were similarly reduced, with Federal subsidy payments being made to processors.

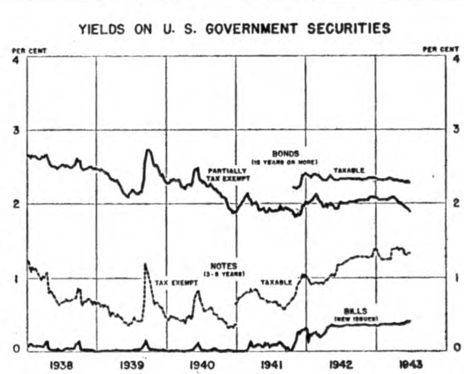
Bank Credit: Excess reserves at all member banks declined from 2 billion dollars in early May to 1.5 billion in the latter part of the month and remained at that general level through the first half of June. As the Treasury expended funds out of war loan accounts which require no reserves, the volume of deposits subject to reserve requirements increased and the level of required reserves rose by 600 million dollars in the four weeks ending June 16, while continued growth of money in circulation resulted in a drain on bank reserves of 400 million dollars. These reserve needs were met in part by Treasury expenditures from balances at the Reserve Banks and in part by Federal Reserve purchases of Treasury bills. Reserve Banks continued to reduce their holdings of Treasury bonds and notes in response to a market demand for these issues.

During the four weeks ending June 16, Treasury bill holdings at member banks in 101 leading cities fluctuated widely, reflecting primarily sales and repurchases on option account by New York City banks in adjusting their reserve positions. Holdings of bonds and notes declined somewhat while certificate holdings increased. Loans to brokers and dealers in securities declined sharply during the period, as repayments were made on funds advanced for purchasing or carrying Government securities during the April War Loan Drive. Commercial loans continued to decline.

(This page was written by the staff of the Board of Governors of the Federal Reserve System)



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for April 1943.



Averages of daily yields on notes and bonds and average discount on bills offered. Bills are tax-exempt prior to March 1941, taxable thereafter. Weekly figures, latest shown are for week ending June 19, 1943.

Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending June 12, 1943.