

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVIII

Atlanta, Georgia, August 31, 1943

Number 8

Business in the Sixth District

BANKING statistics during August continued to reflect the large increase in purchasing power that has taken place over the past year. On August 25 the circulation of Federal Reserve notes issued by this Bank reached 772.4 million dollars, virtually double a year ago. Similarly, demand deposits have increased rapidly over the past year. For the 20 weekly reporting member banks in the Sixth District, demand deposits were 1,009 million dollars on August 25, a figure representing a rise of 42 per cent from the level of 710 million dollars a year earlier.

Despite the continued rise in purchasing power, however, some segments of the District's economy are definitely declining from the wartime peaks. The most striking evidence of this development is the decline in construction contracts awarded in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. In July 1942 the index, based on the 1935-39 average as 100, stood at 788, but in July 1943 the index had declined to 87. While all six of the District states showed sharp declines in construction contracts awarded between July 1942 and July 1943, the most striking fall was in Tennessee, where the index declined from 1653 to 30 in the course of the year.

The rate of cotton consumption by textile mills in Alabama, Georgia, and Tennessee again in July declined as compared with the previous year. In July 1942 the index of cotton consumption for the District stood at 185 (1935-39 = 100); in July 1943 it stood at 163.

Higher Cotton Estimates: On an acreage that on July 1 of this year was reported to be 3.9 per cent smaller than on July 1, 1942, cotton growers in the Sixth District states may produce 1.4 per cent more cotton in 1943 than during the previous year. According to the August 1 cotton report of the United States Bureau of Agricultural Economics, production in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee in 1943 is expected to total 5,057,000 bales, compared with the 4,989,000-bale 1942 crop and the 4,663,000-bale 1932-41 average. The total American crop is set at 12,558,000 bales, a crop 2 per cent less than the 12,824,000-bale crop of 1942 but a shade more than the 1932-41 average.

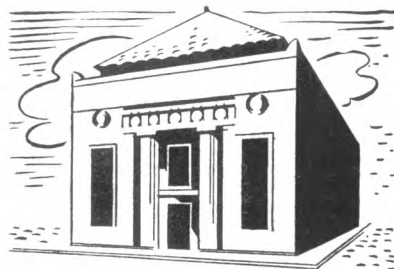
Fewer acres were reported to be in cultivation in all of the Sixth District states with the exception of Mississippi, where acreage increased 1.7 per cent to 2,480,000 acres. Alabama acreage on July 1 was reported to be 1,570,000 acres, amounting to a decline of 8.8 per cent from 1942; Florida, 47,000 acres, a decline of 20.4 per cent; Georgia, 1,580,000 acres, a decline of 8.9 per cent; Louisiana, 1,010,000 acres, a decline of 1.8 per cent; and Tennessee,

720,000 acres, a decline of 0.7 per cent. The slight increase in total production for the Six States as a whole is the result of increased production in Florida and Mississippi that is sufficient to offset expected declines in production in the other states. However, the greatest increase in yield per acre is predicted for Louisiana: 19.7 per cent. In Florida, because of the smaller acreage, the 6.3 per cent increase in yield per acre will mean only 1,000 additional bales. In Tennessee, estimated production is 8 per cent less than in 1942. In Georgia and Alabama, declines of less than 1 per cent are anticipated, while Mississippi's production is expected to increase something less than 1 per cent. The final results, of course, will depend upon various influences affecting the crop during the remainder of the season.

Cotton growers still face the problem of harvesting. In Georgia, the State Commissioner of Agriculture forecasts a need for 100,000 workers to gather maturing crops. Not only will there be the problem of providing the necessary labor for picking, but also the problem of handling the crop in such a way as to provide the highest grade possible. The War Food Administration has asked the aid of growers, farm organizations, and cotton credit associations in the program to improve the grade of the 1943 cotton crop through better handling and ginning practices. The WFA has pointed out that, while total stocks of cotton are large, the supply of some of the qualities needed for war goods is becoming critical. While it is impossible to do anything about the staple length or variety at this time, it is possible to improve the grade by careful handling.

At the price that prevailed on August 20, cotton farmers in the Sixth District will probably receive considerably more for their crop this year than last. The 10-market average price for middling 15/16 was 20.20 cents on that date compared with 18.52 cents a year ago. A loan rate of 19.26 cents a pound gross weight, or 20.06 cents a pound net weight, for this grade of cotton has been established by the Commodity Credit Corporation. The War Food Administration has stated that the loan rate is equivalent to 90 per cent of the parity price of cotton. Actual amounts of loans will vary according to location of the cotton. Rates are generally high in areas close to mill centers and low in more distant areas.

The recent announcement that official restrictions on cotton production in 1944 have been removed calls attention to the fact that cotton is not only important as a raw material for textile products but that it is also important as a source of food and feed. Two-thirds of the cotton by weight is seed and only one-third is lint. The seed is the source of one of the most important

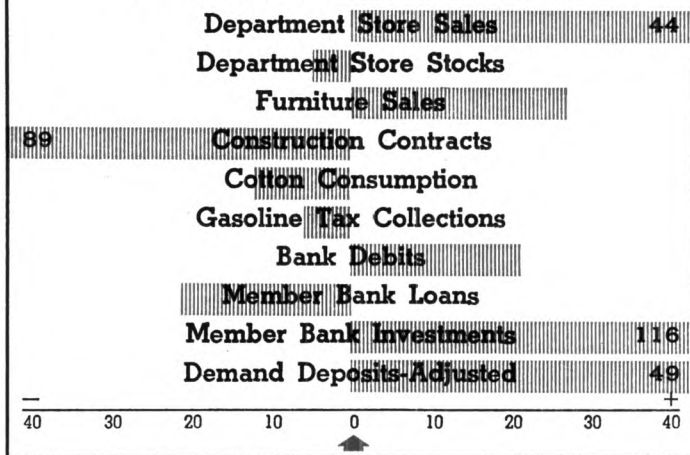


Birmingham Branch
Federal Reserve Bank of Atlanta

Reconnaissance

Sixth District Statistics for July 1943 compared with July 1942

PER CENT DECREASE ▼ PER CENT INCREASE



vegetable oils as well as of high protein feed. For the past few years, farmers have planted less cotton than the national allotment. If increased production results from the elimination of controls, one of the chief advantages will be an increased supply of cottonseed and cottonseed products.

Retail Sales Mount Higher: Heavy consumer buying has been characteristic of department store sales in the Sixth District during 1943. Sales in the first seven months were 31 per cent above those of the first seven months of 1942. This trend continued in August and in the week ending August 21, sales were 30 per cent greater than in the third week of August 1942.

Not only have sales expanded to the highest levels on record during 1943, but they have also increased more rapidly in the Sixth District than throughout the United States as a whole. The United States total increased at a rate exactly one-half the District increase.

The pattern of the war economy is reflected in the rates of increase within the District in the war centers. Sales in department stores located in Baton Rouge, Jacksonville, Macon, and Tampa during the first seven months of 1943 were 40 per cent or more above those during the corresponding period of 1942. On the other hand, while department stores in no cities experienced declines in sales, those less affected by the war economy experienced smaller rates of increase. Greater amounts of cash in the hands of consumers accounted for most of the increase, although anticipatory buying also contributed to the expansion.

Total sales of retail furniture stores in the Sixth District during most of 1943 have been above or equal to the level of 1942. In the first seven months of the year sales were 9 per cent above the similar period of 1942.

Inventories Continue Downward Trend: Retail inventories, as reported by Sixth District department stores, did not reach their peak until June 1942, when the seasonally adjusted index was 66 per cent above that of June 1941. The seasonally adjusted index of stocks rose from 146 (1935-39=100) in January 1942 to 201 in June 1942. Up to June 1942 sales did not rise correspondingly. Sales during the lat-

ter half of 1942 began a sharp rise while inventories began an almost equally rapid decline. At the end of July 1943 the seasonally adjusted index of department store stocks was 8 per cent below that of July 1942.

Consumers, of course, will not begin to feel the full effect of the decline in inventories except for certain articles until it is no longer possible to replace inventories at the rate at which goods are being sold. This situation has not yet been reached. An analysis of sales, stocks, and outstanding orders of a representative group of Sixth District department stores indicates, however, that increasing difficulties are being encountered.

The value of the inventories held by this group of stores at the end of July 1942 was 4.2 times the value of July sales. At the end of July 1943, stocks were only 2.9 times the sales of the month. On the other hand, outstanding orders have increased, not only in total value but in comparison with sales. Outstanding orders were 300 per cent greater at the end of July this year than at the end of the corresponding month of 1942. Orders were 4.5 times sales made during the month this year compared with a ratio of 1.6 for July 1942.

It is impossible to determine from the statistics alone what part of the increase in outstanding orders is accounted for by the failure to secure merchandise because of shortages or delays in transportation and what part is accounted for by the placing of orders in anticipation of such shortages. In relation to sales, however, merchandise being received by this group of stores during the first seven months of this year was enough to maintain inventories. From January through July 1943 the estimated value of merchandise received was 108 per cent of the value of merchandise sold. During the corresponding period in 1942, merchandise received was 115 per cent of the merchandise sold. The current high level of sales rather than the failure to receive merchandise largely accounts for the changed relationship. Actually, during the first seven months of this year, 27 per cent more merchandise was received by these stores than during the same period in 1942.

Living Costs Rise Halted: The cost of living in large cities of the Sixth Federal Reserve District was at about the same level on July 15 as on June 15. In contrast with a decline of 2.0 per cent in the cost of food throughout the United States as a whole, however, retail food prices in the Sixth District declined only 0.2 per cent. There was an increase of 0.8 per cent in the cost of clothing, while other items in the index remained practically unchanged. The price of all items commonly used by lower-salaried city workers in the Sixth District declined 0.2 per cent compared with a decline of 0.8 per cent for the United States as a whole.

In the Sixth District the cost-of-living index has remained at 128 (1935-39=100) since April. This fact indicates that there has been a halt in the almost continuous advance that has taken place since the beginning of the war in Europe. Nevertheless, in July the index was 8.3 per cent above that of July 1942. The principal factor accounting for the increase since last summer has been the food price rise of 15.5 per cent over the year. Since January 1941, the base date of the Little Steel formula, the cost of living in the cities of the Sixth Federal Reserve District has risen 26.3 per cent. The corresponding increase for the United States as a whole has been 22.8 per cent.

The importance of stabilizing living costs for a large group of wage earners, aside from the anti-inflationary aspect, is often ignored because of emphasis upon the expanded wage

payments in certain manufacturing industries. It is widely overlooked that the majority of wage earners are not employed in manufacturing and many of the workers in non-manufacturing industries have not shared in the increased average weekly wage payments. In June of this year, 58 per cent of all the nonagricultural workers in the United States were engaged in occupations other than manufacturing. In the Sixth Federal Reserve District, because of a less extensive manufacturing activity, only a little over one-third of the total nonagricultural wage earners are engaged in manufacturing. Weekly earnings in many of these nonmanufacturing industries have not increased as much as the cost of living.

It has been estimated that weekly earnings in all manufacturing industries increased 59.5 per cent between January 1941, the base date of the Little Steel formula, and April 1943. During that same period the cost of living throughout the United States increased 23.1 per cent. Manufacturing employees as a whole thus experienced an increase in real earnings of 29.6 per cent. Even in manufacturing, however, there were industries in which weekly wage rises failed to keep pace with the group as a whole.

Furthermore, there are many activities in which, because of the rising cost of living, employees have experienced a decline in real wages. Their average weekly earnings have not risen so much as the cost of living and they are, therefore,

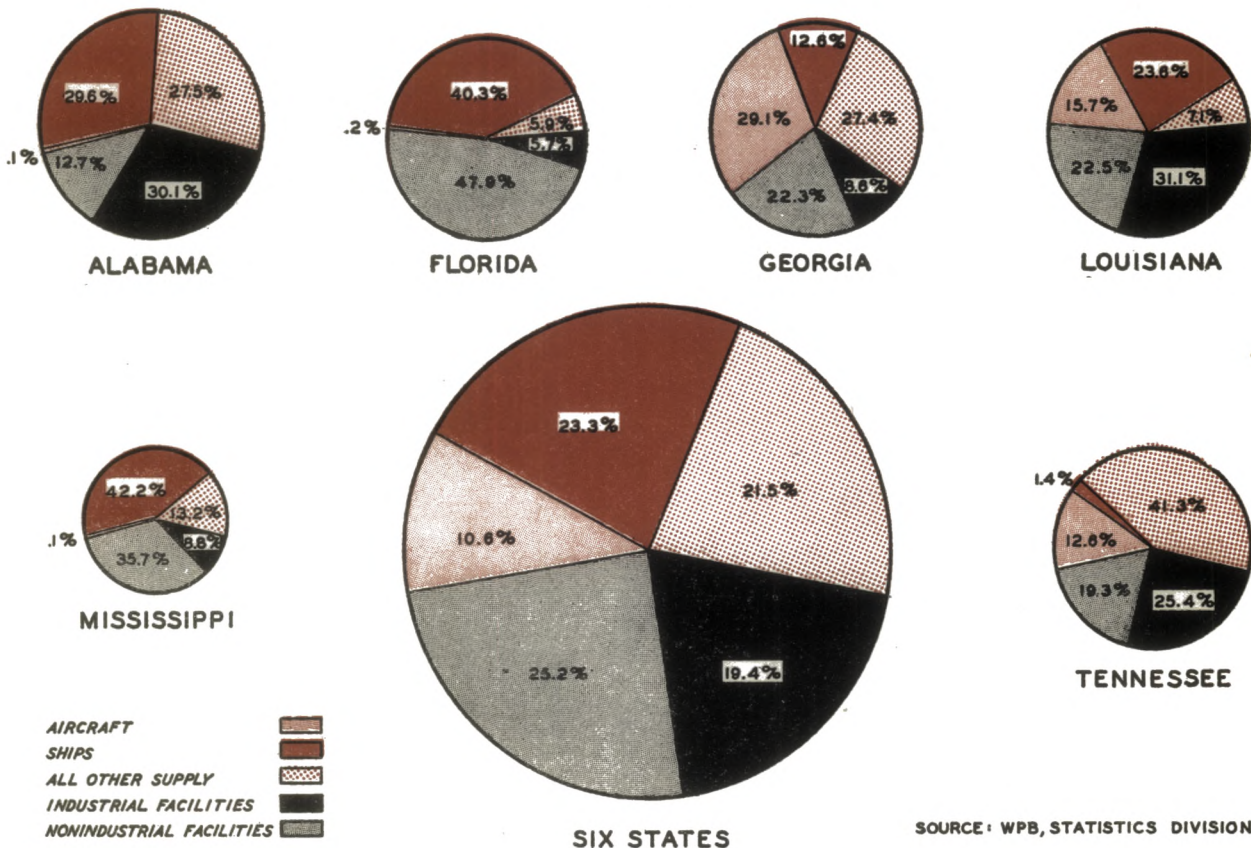
unable to buy as many goods and services as before. These groups have, in effect, suffered wage cuts.

The average weekly earnings of workers on class I steam railways, for example, rose 22.0 per cent between January 1941 and April 1943. In retail trade average weekly earnings rose but 12.5 per cent during the period. In terms of the increased cost of living, the latter group of workers thus experienced a decrease of 8.6 per cent in real wages. Other groups of employees whose weekly wages rose less than the cost of living include those employed by the telephone and telegraph industry, with an earnings increase of 10.4 per cent; employees of the Federal Government, with an increase of 19.9 per cent; and those in the printing and publishing industry, with an increase of 17.0 per cent.

In addition, other groups of employees have had increases in weekly earnings that are but slightly more than the increased cost of living. These include hotel employees, with an increase of 24.3 per cent; employees of power laundries, with an increase of 27.8 per cent; and employees in wholesale trade, with an increase of 25.6 per cent.

Besides the fact that earnings of many agricultural workers have failed to keep abreast of the cost of living, in many cases the average weekly earnings compare unfavorably with those in manufacturing. The average weekly earnings in manufacturing in April, according to an estimate of the Bureau

WAR CONTRACT DISTRIBUTION IN SIXTH DISTRICT STATES
CUMULATIVE THROUGH APRIL 1943



Sixth District Indexes

DEPARTMENT STORE SALES*						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	July 1943	June 1943	July 1942	July 1943	June 1943	July 1942
DISTRICT.....	233	205	162	166	178	116
Atlanta.....	221	176	141	152	153	100
Baton Rouge...	241	224	165	187	193	128
Birmingham...	187	183	143	146	163	111
Chattanooga...	241	190	176	170	185	124
Jackson.....	273	229	190	191	213	133
Jacksonville...	283	285	191	226	252	153
Knoxville.....	232	194	163	166	175	117
Macon.....	287	259	189	204	233	134
Miami.....	213	194	153	119	132	85
Montgomery...	272	228	198	194	197	141
Nashville.....	198	151	124	140	136	87
New Orleans...	192	183	156	146	165	119
Tampa.....	298	269	180	217	235	132

DEPARTMENT STORE STOCKS						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	July 1943	June 1943	July 1942	July 1943	June 1943	July 1942
DISTRICT.....	197	172	207	176	162	186
Atlanta.....	225	211	239	218	193	231
Birmingham...	162	146	196	147	137	177
Montgomery...	259	224	196	207	205	157
Nashville.....	276	254	240	239	237	207
New Orleans...	136	128	200	125	120	183

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	(1935-39 Average = 100)			(1935-39 Average = 100)		
	July 1943	June 1943	July 1942	July 1943	June 1943	July 1942
TOTAL.....	163	167	185	162	97	163
Alabama.....	171	173	193	171	101	171
Georgia.....	161	164	182	...	...	...
Tennessee....	146	158	174	139	89	146

CONSTRUCTION CONTRACTS				GASOLINE TAX COLLECTIONS			
(1935-39 Average = 100)***				(1939 Monthly Average = 100)			
	July 1943	June 1943	July 1942		July 1943	June 1943	July 1942
DISTRICT.....	87	199r	788	DISTRICT.....	95	95	101
Residential...	132	172	335	Alabama.....	105	103	123
Others.....	66	212r	1007	Florida.....	82	85	84
Alabama.....	89	138	532	Georgia.....	90	89	95
Florida.....	103	215	600	Louisiana...	103	103	104
Georgia.....	151	66	259	Mississippi..	94	92	101
Louisiana...	33	143	682	Tennessee...	102	102	108
Mississippi..	94	38	582				
Tennessee...	30	388	1653				

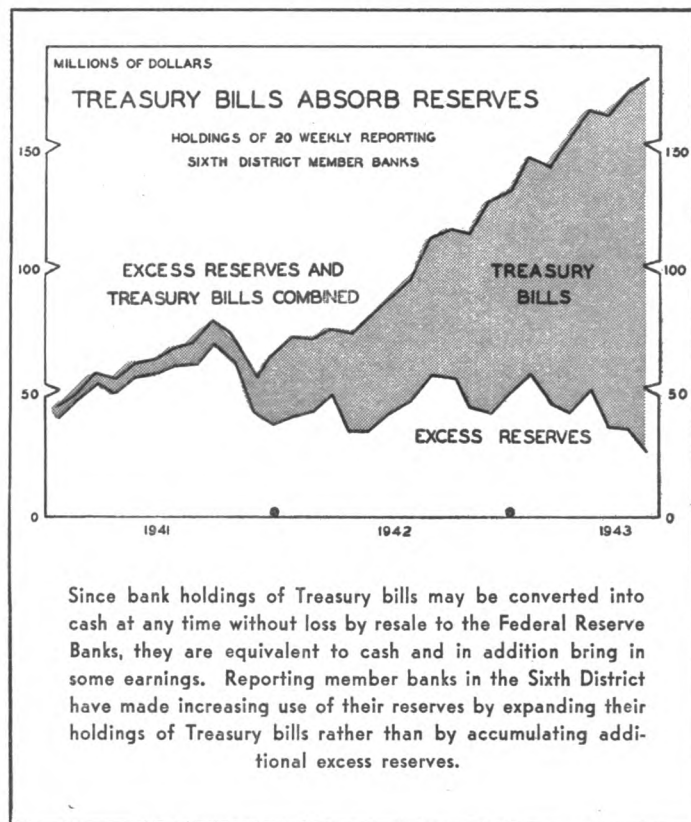
COST OF LIVING				ELECTRIC POWER PRODUCTION*			
(1935-39 Average = 100)				(1935-39 Average = 100)			
	July 1943	June 1943	July 1942		July 1943	May 1943	June 1942
ALL ITEMS...	128	128	118	SIX STATES..	239	235	201
Food.....	147	147	127	Hydro-			
Clothing...	130	129	127	generated..	200	253	154
Rent.....	114	114	115	Fuel-			
Fuel, elec-				generated..	290	210	263
tricity, and ice...	107	107	101				
Home furnishings...	123	123	122				
Miscellaneous...	118	118	112				
				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
					July 1943	June 1943	July 1942
*Daily average basis.				Unadjusted..	18.1	18.4r	23.2
**Adjusted for seasonal variation.				Adjusted.....	19.2	18.9r	24.6
***New base. Back figures on request.				Index (1935-39 = 100)...	74.2	73.2r	95.2
r=Revised.							

of Agricultural Economics, were \$42.48. In contrast, the weekly earnings in retail trade were estimated to average \$24.23; in laundries, \$19.46; and in the telephone and telegraph industry, \$34.99. To this group should also be added dependents of soldiers and sailors, old age pensioners, and all other recipients of fixed incomes.

Because these groups are largely inarticulate, as yet, they will be the ones who will pay the price of failure to halt effectively the rise in the cost of living. While some groups might benefit temporarily by a rising price level, a large part of the working population, particularly in the Sixth District, will bear the burden in the guise of decreased real wages. Because of the fact that price and wage increases do not operate evenly throughout the economy, an uncontrolled increase in prices is certain to be shared very unequally.

Wartime Population Changes: Wartime conditions resulted in a decrease of 187,347, or 1.2 per cent, in the civilian population of the Six States of the District between April 1, 1940, and March 1, 1943. The decrease in the District's civilian population, however, has not been as large percentage-wise as the 2.4 per cent decrease for the United States as a whole. Since many more than 187,000 persons have been inducted into the armed services from the area, there has evidently been a net migration into the District, supplementing the area's excess of births over deaths.

According to the United States Department of Commerce, on March 1, 1943, the civilian population of the Sixth District states numbered 15,092,508. Florida's civilian population gained 8.8 per cent in the 35-month period. Mississippi's civilian population declined 7.0 per cent; Georgia's, 2.8 per cent; Alabama's, 1.8 per cent; Tennessee's, 1.8 per cent; and Louisiana's, 0.4 per cent.



Alayams: A New Business Opportunity

FROM the experimental laboratories of Alabama Polytechnic Institute has recently emerged a series of edible sweet potato products that are novel and apparently possess considerable commercial potentialities. These new accomplishments of scientific research are the work of L. M. Ware, head professor of horticulture and forestry, and of Hubert Harris, assistant horticulturist, and W. A. Johnson, laboratory technician. Public announcement of the new products was made at a meeting held in Auburn, Alabama, on August 12, 1943.

The work of Professor Ware and his associates promises to elevate the sweet potato to the class of highly processed foods that have enjoyed such wide popularity in the United States. The American people are probably the largest per capita consumers in the world of breakfast foods, candies, and confections, and it is into this food group that the Alabama research workers would introduce the sweet potato under the name of "Alayam." The new products are not substitutes for existing products: in flavor, texture, food value, and palatability they have distinct qualities of their own.

The new Alayam products may be divided into six principal groups. One group is that of breakfast foods, produced in the form of flakes, shreds, or "nuts." These foods are all sweet, crisp, and tender and are to be eaten with cream like other breakfast foods. Sugar may be added if desired, but, since the products themselves are approximately 48 per cent sugar, very little, if any, is required.

A second group is a taffy-like confection produced, by extruding the basic mix through something like a cake icer, in the form of corrugated sticks, somewhat smaller in diameter than a lead pencil. These sticks are golden-brown in color, are crunchy when chewed, and possess a delicate caramel flavor. These confections should be salable in boxes over candy counters or in cellophane bags at drug stores and should find a place on the refreshment table at teas, luncheons, and cocktail parties.

A third group is made by combining the basic mix used in making the confections just mentioned with other ingredients. Combined with pecans, the product acquires a peculiarly rich and lingering flavor. Peanuts may be used instead of pecans. These nut combinations are well-balanced foods, for the sweet potato's deficiency in protein and fat is supplied by the nuts that are rich in these elements. When the sweet potato mix is combined with coconut, the product takes on the form of a crisp and chewy macaroon. It is also possible to use berry and fruit juices, as well as chocolate, in these combinations.

A fourth group is made up of candies. By combining the sweet potato mix with corn syrup, there is produced a candy that, when molded into the form of bars, becomes a rival of peanut bars. These candy bars may also be made with the addition of peanuts or other ingredients.

A fifth group resembles cookies. By adding a leavening agent to the basic mixture, a novel, cookie-like product is produced. This product is known as "fluffies" to its originators. These "fluffies" are light in color, crisp and tender in consistency, delicately flavored, and not overly sweet.

Finally, there is a group of miscellaneous products. There are "crackles" that can be used as a garnish for ice cream or that can be mixed with peanut butter to make a delicious

sandwich spread. Reduced to a flour, one of the new products has a malt-like flavor that makes it an acceptable substitute for malt in milk shakes. In one group taste test on this use, two-thirds of the tasters rated it "excellent" and the remaining third rated it "good." The powder can also be used as a filler in making ice cream and pies.

The process by which Alayam products are made is an outgrowth of experimental work on dehydration, and, while technical details are not yet available for publication, it may be said that the process is little more complicated or expensive than is dehydration. The products themselves, however, are not to be confused with dehydrated products, for they are qualitatively quite different. A dehydrated sweet potato is not edible until it has been rehydrated and cooked, a process that requires several hours. The Alayam products, however, are ready for immediate consumption and require no further cooking. While, as has been said, the Alayam process is little more complicated than standard dehydration, its over-all economy is greater, for, whereas standard dehydration requires from seven to eight hours of drying time, preparation of these new products requires but two and a half hours from the raw potato to the finished product.

A number of nationally known manufacturers and distributors have expressed great interest in the Alayam products but before they take any steps in the required commercial development, it will probably be necessary to construct a pilot plant in which the best mechanical layout can be worked out so that some determination of prospective costs can be made. How soon a pilot plant can be constructed, however, will depend upon the action which the War Production Board takes upon applications for priority ratings for the purchase of the necessary machinery.

In any event, there exists in these new products the possibility of making an important contribution to the economy of the South, for this process takes a locally produced commodity and with comparatively little expenditure of labor, capital, or time, confers upon it a high unit value. In order that the sweet potato may move into the highly processed food market, it remains for the imagination of businessmen to unite effectively with the imagination of the research workers.

Announcement

On August 27, the Federal Reserve Bank of Atlanta welcomed to membership in the Federal Reserve System the Citizens Bank of Hattiesburg, located at Hattiesburg, Mississippi. The Citizens Bank was incorporated on May 31, 1902, and on June 30, 1943, had total resources of \$5,600,000.

W. O. Tatum is Chairman of the Board; G. M. McWilliams is President; A. B. Cook is Vice President and Trust Officer; J. W. Mangum is Cashier; and R. H. Hassell and Mrs. Jeannette L. Silvey are Assistant Cashiers. Besides Messrs. Tatum, McWilliams, and Cook, the Board of Directors includes D. P. Cameron, E. B. Conn, R. W. Heidleberg, Jos. Sarphie, Sr., and Frank M. Tatum.

Sixth District Statistics

UNITED STATES TREASURY BILLS		
Dated	Tenders	Allotments
July 28, 1943.....	\$ 9,925,000	\$ 9,600,000
August 4, 1943.....	8,220,000	7,830,000
August 12, 1943.....	35,445,000	32,435,000
August 19, 1943.....	30,135,000	27,851,000
August 26, 1943.....	7,690,000	7,310,000

INSTALMENT CASH LOANS			
Lender	Number Reporting	Per Cent Change June 1943 to July 1943	
		Volume	Outstandings
Federal Credit Unions.....	48	- 34	- 2
State Credit Unions.....	28	- 41	- 0
Industrial Banking Companies....	46	+ 2	+ 0
Personal Finance Companies.....	56	+ 3	+ 3
Commercial Banks.....	36	- 1	- 3

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 July 30; for country banks they are averages of sixteen-day period ending July 31.						
Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	7	..	572	20	221	163
B	22	78	3,934	1,031	1,462	160
C	53	123	16,253	4,526	6,740	153
D	79	3,050	40,608	13,295	18,758	146
E	70	7,940	66,400	22,657	36,473	135
F	33	28,211	60,091	31,155	40,619	134
G	43	861,825	358,270	387,931	373,846	109
Total	307	901,226	544,127	460,815	478,119	115

*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	Aug. 18, 1943	July 14, 1943	Aug. 19, 1942	Per Cent Change Aug. 18, 1943 from	
				July 14, 1943	Aug. 19, 1942
Loans and Investments—					
Total.....	1,470,514	1,477,858	943,793	- 1	+ 56
Loans—Total.....	277,325	286,466	340,054	- 3	- 18
Commercial, industrial and agricultural loans	163,269	171,792	188,887	- 5	- 14
Loans to brokers and dealers in securities...	9,199	5,788	3,875	+ 59	+137
Other loans for purchasing and carrying securities.....	9,174	9,779	7,865	- 6	+ 17
Real estate loans.....	26,385	27,045	29,264	- 2	- 10
Loans to banks.....	698	232	1,212	+201	- 42
Other loans.....	68,600	71,830	102,546	- 5	- 33
Investments—Total.....	1,193,189	1,191,392	603,739	+ 0	+ 98
U. S. direct obligations.....	1,028,312	1,025,236	448,655	+ 0	+129
Obligations guaranteed by U. S.....	51,336	53,393	46,184	- 4	+ 11
Other securities.....	113,541	112,763	108,900	+ 1	+ 4
Reserve with F. R. Bank...	296,106	291,238	242,367	+ 2	+ 22
Cash in vault.....	24,261	25,830	19,393	- 6	+ 25
Balances with domestic banks.....	157,440	190,752	202,869	- 17	- 22
Demand deposits—adjusted	1,085,322	970,956	691,252	+ 12	+ 57
Time deposits.....	234,940	228,329	195,783	+ 3	+ 20
U. S. Gov't deposits.....	184,948	244,590	66,473	- 24	+178
Deposits of domestic banks	455,543	465,322	379,173	- 2	+ 20
Borrowings.....	.....	.....	.....	.....	.....

Third War Loan Drive

ON September 9 the Third War Loan Drive will begin. This will be the largest single financing operation in the Treasury's history, the goal being to raise 15 billion dollars from nonbanking sources. While something more than this amount was raised in the Second War Loan Drive last April, only 13.5 billion dollars was raised from nonbanking sources. Furthermore, a good deal of that amount was subsequently purchased by the banking system.

The securities to be sold during the drive include: (1) series E war savings bonds, (2) series F and G savings bonds, (3) series C savings notes, (4) 2½ per cent bonds of 1964-69, (5) 2 per cent bonds of 1951-53, and (6) 7/8 per cent certificates of indebtedness.

In keeping with the Treasury's desire to raise the required funds from nonbanking sources, the official circulars governing the 2 per cent bonds and the certificates of indebtedness ask that certain trading restrictions be observed. Commercial banks are asked not to purchase the two issues even though they might legally own them. Subscribers to the two issues are requested not to trade in them until ten days after the close of the drive or, depending upon whichever is earlier, until after the books close on an offering of the same or similar securities for the exclusive subscription of commercial banks. This special offering for commercial bank subscriptions for their own accounts will be made shortly after the Third War Loan Drive ends. The 2½ per cent bonds may not be held by commercial banks during the next ten years.

The 3¼ per cent Treasury bonds of 1943-45 have been called for redemption on October 15, and their holders will be given the opportunity to exchange these bonds for other securities shortly after the close of the drive. Commercial banks may exchange for the new 2 per cent bonds, while other holders may exchange for either the 2 per cent bonds or the 2½ per cent bonds to be offered during the drive.

The Third War Loan Drive will be conducted by the State War Finance Committees established by the Secretary of the Treasury last May. These committees have a continuing responsibility as well for the sale of savings bonds of series E, F, and G, and of the series C tax savings notes. In the Six States of the District the Third War Loan Drive will be directed by the chairmen of the State War Finance Committees: in Alabama, by Ed Leigh McMillan; in Florida, by W. W. McEachern; in Georgia, by Charles A. Stair; in Louisiana, by Leon J. Tujague; in Mississippi, by Rex I. Brown; and in Tennessee, by Cecil Woods.

The quotas for the six states of the Sixth District total 679 million dollars. The quota for Alabama is 108 million dollars; for Florida, 117 million dollars; for Georgia, 137 million dollars; for Louisiana, 123 million dollars; for Mississippi, 53 million dollars; for Tennessee, 141 million dollars.

The Secretary of the Treasury has announced that prospective war expenditures and prospective tax receipts during the last half of 1943 indicate the need for 33 billion dollars of new borrowings. This 33 billion dollars will be raised through the Third War Loan Drive, the special offering of 2 per cent bonds and 7/8 per cent certificates of indebtedness to commercial banks for their own account shortly after the drive closes, receipts from the continuing sale of savings bonds and tax notes, the weekly offerings of Treasury bills, and 900 million dollars of new money raised along with the August 1 refunding of 1.6 billion dollars' worth of certificates.

Withheld Tax Program

ON July 1 the withholding method of collecting the Federal income tax went into effect. Commercial banks and the Federal Reserve Banks are co-operating with the Treasury Department in administering the new tax collection system. All incorporated banks are eligible to serve as depositories for withheld taxes and employers may deal with the banks of their choice.

Depository banks in the Sixth Federal Reserve District will remit to the appropriate office of the Federal Reserve Bank of Atlanta all deposits by employers representing withheld taxes. The depository bank will remit to the Federal Reserve Bank or branch whenever its total withheld tax deposits amount to \$5,000 (but it will not be required to remit more often than once a day). All balances in the withheld tax deposit account at the end of each calendar month will be remitted on the following day to the Federal Reserve Bank or branch.

Banks located in the state of Georgia will deal with the head office in Atlanta; banks located in the state of Alabama will deal with the Birmingham branch; those in the state of Florida, with the Jacksonville branch; those in the Sixth District portion of Tennessee, with the Nashville branch; and those in the Sixth District portions of Louisiana and Mississippi, with the New Orleans branch.

To reimburse the depository banks for the additional cost incurred in receiving payments of withheld taxes from employers and remitting such funds from time to time to the Federal Reserve Bank or branch, special 2 per cent depository bonds will be issued to these banks. The depository banks will have a choice between two methods of securing these bonds. The depository may purchase 2 per cent depository bonds with its own funds. Such bonds will be issued in the name of the Federal Reserve Bank as fiscal agent of the United States, in trust for the depository, and will be held by the Federal Reserve Bank in safekeeping. If the depository bank so chooses, the United States Treasury will agree to place with the depository a balance to the credit of the Treasurer of the United States with the understanding that this balance will be used by the depository for the purchase of an equal amount of the 2 per cent depository bonds. In such case the bonds will be issued in the name of the Federal Reserve Bank as fiscal agent of the United States, in trust for the depository, and will be held as collateral security for such deposit balance.

The amount of 2 per cent depository bonds to be allotted to the depository bank under either of these two methods will be fixed in accordance with the monthly average remittances by the depository bank to the Federal Reserve Bank or branch and the monthly average of depository receipts issued by the depository bank to employers as evidence of deposits by those employers of withheld taxes in the particular depository bank. The schedules are so arranged that if the bank elects to purchase the 2 per cent depository bonds with its own funds, it will be able to secure twice as many of them as under the other method.

By August 24, a total of 607 banks in the Sixth Federal Reserve District had qualified as depositories for withheld taxes. Through August 28, these banks had forwarded to the five offices of the Federal Reserve Bank of Atlanta withheld taxes totaling 18.4 million dollars.

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores	Per Cent Change July 1943 from	
		June 1943	July 1942
Total Sales	102	- 1	+ 27
Cash Sales	84	- 2	+ 31
Instalment and Other Credit Sales	84	- 2	+ 29
Accounts Receivable, end of month	97	- 5	- 36
Collections during month	97	+ 2	- 10
Inventories, end of month	74	+ 4	+ 2

SALES OF UNITED STATES SAVINGS BONDS IN THE SIXTH FEDERAL RESERVE DISTRICT			
July 24-August 23, 1943, at Issue Price (in Thousands of Dollars)			
Area	Series E	Series F and G	Total
DISTRICT	35,030	5,661	40,691
Alabama	6,916	576	7,492
Florida	8,023	1,118	9,141
Georgia	7,567	1,022	8,589
Louisiana*	6,405	1,603	8,008
Mississippi*	2,477	501	2,978
Tennessee*	3,642	841	4,483

*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	July 1943	June 1943	July 1942	Per Cent Change July 1943 from	
				June 1943	July 1942
ALABAMA					
Anniston	13,245	13,818	15,090	- 4	- 12
Birmingham	159,648	170,630	152,242	+ 6	+ 5
Dothan	5,892	6,171	5,992	- 5	- 2
Gadsden	9,606	9,450	8,499	+ 2	+ 13
Mobile	116,932	113,657	103,798	+ 3	+ 13
Montgomery	33,654	33,144	33,963	+ 2	- 1
FLORIDA					
Jacksonville	159,141	165,504	124,665	- 4	+ 28
Miami	89,672	105,373	63,669	- 15	+ 41
Orlando	21,373	22,901	13,398	- 7	+ 60
Pensacola	25,008	21,427	18,976	+ 17	+ 32
St. Petersburg	19,834	17,619	12,010	+ 13	+ 65
Tampa	78,909	62,214	51,279	+ 27	+ 54
GEORGIA					
Albany	7,155	7,355	6,917	- 3	+ 3
Atlanta	422,109	392,692	364,657	+ 7	+ 16
Augusta	30,730	39,368	29,115	- 22	+ 6
Brunswick	13,988	12,841	6,370	+ 9	+ 120
Columbus	32,540	34,367	30,881	- 5	+ 5
Elberton	1,427	1,427	1,366	....	+ 4
Macon	37,690	36,353	33,635	+ 4	+ 12
Newnan	5,211	4,296	3,613	+ 21	+ 44
Savannah	72,113	91,171	53,483	- 21	+ 35
Valdosta	6,191	5,176	5,921	+ 20	+ 5
LOUISIANA					
Baton Rouge	41,462	36,614	36,879	+ 13	+ 12
Lake Charles	20,126	19,992	11,910	+ 1	+ 69
New Orleans	394,812	378,801	326,468	+ 4	+ 21
MISSISSIPPI					
Hattiesburg	11,927	12,489	13,557	- 4	- 12
Jackson	43,378	50,106	37,810	- 13	+ 15
Meridian	14,348	14,168	19,881	+ 1	- 28
Vicksburg	18,370	17,387	11,254	+ 6	+ 63
TENNESSEE					
Chattanooga	81,972	82,228	75,313	- 0	+ 9
Knoxville	69,290	58,146	43,090	+ 19	+ 61
Nashville	191,146	166,011	143,350	+ 15	+ 33
SIXTH DISTRICT					
32 Cities	2,248,889	2,202,896	1,859,071	+ 2	+ 21
UNITED STATES					
274 Cities	65,348,000	66,894,000	52,975,000	- 2	+ 23

The National Business Situation

INDUSTRIAL production advanced to a new high level in July following a slight decline in June, both of the changes reflecting chiefly fluctuations in coal production. Maximum food prices were reduced recently with a consequent slight decline in cost of living in July. Retail sales continued in large volume.

Industrial production: Industrial activity increased in July, reflecting a large rise in mineral production. Output at coal mines advanced sharply from the reduced level in June, production of crude petroleum increased, and iron ore shipments reached the highest monthly rate on record.

In manufacturing industries, output of most durable products and chemicals continued to increase in July, reflecting chiefly a further rise in production of munitions. At meat packing plants and cigarette factories production was also larger in July. Output of leather and textile products had shown small decreases in June and further declines occurred in July. Activity in most other nondurable goods industries showed little change from June to July.

The decline in the value of construction contracts awarded continued during July, according to reports of the F. W. Dodge Corporation. Most of the decline is accounted for by a drop in awards for publicly-financed industrial facilities and for public works and utilities.

Distribution: Value of retail sales declined less than seasonally in July and continued substantially larger than a year ago. During the first six months of this year sales had averaged about 12 per cent larger than in the corresponding period of 1942 and in July the increase was somewhat greater. The higher level of sales this year as compared with last year reflects for the most part price increases. In the first half of August sales at department stores increased by about the usual seasonal amount.

Freight carloadings rose sharply in July and were maintained at a high level during the first half of August. Total loadings were 10 per cent higher than the previous month owing to the largest volume of coal transported in many years and shipments of grain and livestock showed a considerable increase over June.

Commodity prices: The general level of wholesale commodity prices showed little change in July and the early part of August.

The cost of living declined somewhat from June 15 to July 15, according to Bureau of Labor Statistics data. Food prices declined by 2 per cent as a result of reductions in maximum prices for meats and seasonal declines in prices of fresh vegetables from earlier high levels.

Agriculture: General crop prospects improved somewhat during July according to Department of Agriculture reports. Forecasts for the corn and wheat crops were raised 6 per cent. Production expected for corn and other feed grains, however, is 10 per cent less than last year and for wheat is 15 per cent less than the large crop of 1942. Milk production in July was as large as the same period a year ago, while output of most other livestock products was greater.

Bank credit: The average level of excess reserves at all member banks, which had been about 1.5 billion dollars in mid-July, declined to 1.2 billion in the latter part of the month and continued at that level during the first two weeks of August. There was some further decrease of excess reserves at reserve city banks, but most of the decline occurred at country banks, where there had previously been little change. Two factors were principally responsible for the decline in excess reserves: an increase in deposits subject to reserve requirements, as funds expended by the Treasury from war loan accounts returned to the banks in other accounts; and a growth of over 500 million dollars in money in circulation. During the four weeks ending August 18 additional reserve funds were supplied to member banks by an increase of 580 million dollars in Reserve Bank holdings of Government securities, principally Treasury bills bought with option to repurchase.

During the four weeks ending August 11, member banks in 101 leading cities increased their holdings of Government securities other than Treasury bills by almost 800 million dollars.

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

