

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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Postwar Adjustments in Shipbuilding Centers

IN the September issue of this *Review*, attention was called to the fact that a large portion of new industrial facilities in the Sixth Federal Reserve District consists of shipyards. As was pointed out in that article, the postwar prospects for these shipbuilding facilities are extremely poor. It seems virtually certain that there will be a severe reduction in the demand for new ships from District yards after the war. In the 10 shipbuilding centers of the Sixth Federal Reserve District, therefore, serious problems of postwar readjustment impend.

Of these 10 centers, one is in Louisiana, at New Orleans; two are in Mississippi, at Biloxi-Gulfport and Pascagoula; one is in Alabama, at Mobile; four are in Florida, at Panama City, Tampa, Miami, and Jacksonville; and two are in Georgia, at Brunswick and Savannah. While some of these centers, particularly New Orleans and Miami, have experienced wartime industrial growth in lines other than shipbuilding, shipyard employment is so large in all of them that completion of the shipbuilding program will disemploy large numbers of workers.

Total civilian population of Mobile has increased by 65 per cent since the census of 1940, and substantial increases ranging from 36 per cent in Jacksonville down to 5 per cent in New Orleans have been experienced in the other shipbuilding centers. It must be remembered, furthermore, that these areas have contributed substantial numbers to the armed forces, most of whom will, it is presumed, return to those areas seeking employment after they have been demobilized.

Large proportions of the shipyard personnel in the various shipbuilding centers of the District have migrated to those centers during the war years. When the shipyards close down, these workers and their families have a choice of three general alternatives. They can seek other jobs in the erstwhile shipbuilding centers, they can go on relief, or they can seek employment elsewhere. So far as the possibility of finding alternative employment in the shipbuilding centers is concerned, there will probably be more opportunity in diversified areas such as New Orleans, Jacksonville, and Miami than in such places as Panama City and Pascagoula where the shipyards are almost the only industrial facilities.

In Panama City, for example, the Wainwright Yard of the J. A. Jones Construction Company employs more people than the total population of Panama City in April 1940. In New Orleans, on the other hand, the shipyard employment, while large, does not approach the total population of New Orleans in April 1940. It is obvious, therefore, that the scope of the

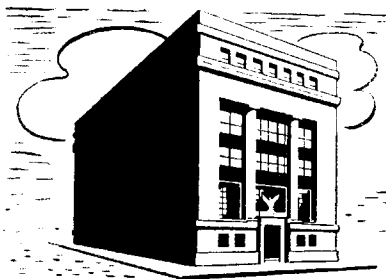
reconversion problem in Panama City will far exceed that in New Orleans.

Success against the submarine and the remarkable shipbuilding achievement in the United States in the past eighteen months have combined to create a more favorable shipping position. If this situation should continue, it is likely that reconversion in the shipbuilding centers will begin sometime before the end of the war. Insofar as migration from the shipbuilding centers of the District is concerned, this is a favorable factor. Presumably, the shipbuilding program will begin to taper off while there is still a demand for labor in some war establishments elsewhere in the country, and in newly reconverted civilian industry.

The Maritime Commission recognizes that the prospects of alternative employment in most of the Gulf shipbuilding centers are rather small for the simple reason that few alternative industrial facilities exist at those places. The re-employment problem in the shipbuilding centers is not confined solely to shipyard personnel. The service industries have expanded as well. Obviously, any large migration from shipbuilding centers comparable to the in-migration in the early part of the war will at once curtail the business of service establishments in those areas. Some disemployment in the service establishments will probably result.

In the Biloxi-Gulfport area, there are 10 industries of war importance, and total employment of these industries doubled between September 1942 and September 1943. Construction and repairing of boats and ships are employing about 400 per cent more persons now than a year ago in the area. One of the two shipbuilding and repairing establishments completed its contracts this fall and released its workers. Some of them were absorbed by the other shipyard. It is expected that local housing projects, local Government activities, and local construction will absorb the remainder of the released workers. In the Biloxi-Gulfport area skilled workers such as machinists, electricians, and pipe fitters have

been largely supplied by in-migration. A large number of women have followed their husbands to army installations in the area and the available supply of women workers is somewhat in excess of demand. The frequent transfers of their husbands out of the area, however, have added to the turnover rate, as the women generally quit their jobs in order to accompany their husbands to their new stations. Completion of construction jobs in the area has resulted in a precipitate decline in



New Orleans Branch
Federal Reserve Bank of Atlanta

construction employment over the past year. Most of the skilled workmen engaged on construction are expected to leave the area with the contractors, but the common laborers released will have little trouble finding jobs in the area. When current construction projects are completed, readjustment of the labor force may be somewhat more difficult, as no further industrial expansion is now anticipated in the Biloxi-Gulfport area.

In Pascagoula, shipbuilding is by far the most important industry, and expansion has been rapid and continuous during the past two years. Since 1940 the population of Jackson County, in which Pascagoula is located, has almost doubled while the population of Pascagoula proper is at least five times as large now as in 1940. In the Pascagoula area for the year ending September 1943, employment increased by 11 per cent, with virtually all the increase occurring in the shipbuilding industry. The Ingalls Shipbuilding Company, the largest of the three shipyards in the area, was in operation prior to the war program and present plans call for continuation of shipbuilding after the war, although it is probable that employment in the yard will be substantially below wartime peaks. The Pascagoula labor shortage is expected to be somewhat eased when the Moss Point yard ceases operation. That yard's contract expiring this fall was not renewed. The workers are expected to be readily absorbed by other shipyards.

In Mobile, shipbuilding and repairs account for about two-thirds of total employment of war importance. Mobile has shown the greatest percentage increase in population between 1940 and 1943 of any metropolitan area in the United States and, in consequence, the problems of readjustment after the shipbuilding program tapers off promise to be acute. A large proportion of the war employment in Mobile is the result of the operation of Brookley Field, the activities of which will presumably be curtailed after the war. It would appear, therefore, that the cessation of shipbuilding activities in Mobile will result in a very large labor surplus.

The two shipyards in Mobile, the Alabama Dry Dock and Shipbuilding Company and the Gulf Shipbuilding Corporation, have nearly reached peak employment. The community problems of housing and laundry services have been pretty well solved, but commuting facilities and medical care, school facilities, and day nurseries for children of working mothers are still short. Turnover at the shipyards continues very high and the inflow and outflow of personnel in the Mobile area are continuous. The problem of securing stable staffs is still largely unsolved, and with the current rates of turnover at the shipbuilding plants, substantial reductions in working force could be obtained fairly painlessly when required by simply neglecting to hire replacements for persons quitting.

At Panama City, the working force at the shipyard is still being increased. Of course, under present labor shortage conditions expansion of the working force is proving rather difficult. Migration into and out of the area continues to be excessive and is in large part the result of a housing shortage.

The civilian population of Metropolitan Tampa increased by 13 per cent between the spring of 1940 and the spring of 1943. In the year ending September 1, 1943, five shipbuild-

ing establishments in the Tampa area increased employment by 126 per cent, and these establishments are expected to increase employment by a further 42 per cent before the peak is reached about January 1, 1944. The nonseasonal business establishments in Tampa of war importance anticipate an over-all increase of 33 per cent in number of persons employed between September 1, 1943, and the wartime peaks. Civilian employment in Government establishments in the Tampa area increased 52 per cent in the year ending September 1, 1943, and an additional 12 per cent increase is anticipated before the peak is attained about the first of the year. Of total persons employed in establishments of war importance in the Tampa area, about 17 per cent are women. By March 1944, it is anticipated that these companies will increase employment of women by another 34 per cent. The bulk of the rise in female employment has taken place in manufacturing industries.

The local labor supply is now adequate to meet the requirements of the next few months. The maintenance of adequate staffs is complicated by the fact that former agricultural workers employed in industry in the area are now returning to the farms.

In the Jacksonville area, employment in war industries doubled between the fall of 1942 and the fall of 1943, with the most substantial increase taking place in shipbuilding. Labor turnover is very high and both skilled and unskilled workers are in demand. There is a considerable amount of both in-migration and out-migration of labor. One of the shipyards in the Jacksonville area has already begun to lay off workers but, in the next few months, total shipyard employment in the area is expected to increase somewhat. With completion of construction projects in the area, workers are released for shipyard employment, and additional layoffs of construction workers in the next few months are expected.

Between September 1942 and September 1943, war employment in Brunswick, Georgia, increased fourfold. An addition of only 8 per cent is expected by March 1, 1944. This increase will take place largely in the local shipyards. The housing shortage, which has been acute in Brunswick for some time, is expected to be alleviated shortly. A large number of additional units are scheduled for early completion, and the completion of construction projects in recent months has resulted in the exodus of considerable numbers of construction workers from the area, thus releasing additional housing for shipyard and other essential workers. About 85 per cent of total anticipated labor demand up to March 1, 1944, is the result of anticipated migration from the Brunswick area, including military service withdrawals. Shipyard employment is nearing its prospective peak, and the construction programs will require no additional labor after the first of the year.

Shipyard wage scales are above those of other essential employers in the Brunswick area, including the Hercules Powder Company and the Brunswick Pulp and Paper Company; as a result, these latter employers have had great difficulty in maintaining their staffs. It is estimated that the shipbuilding industry is using at least one-third of the total working force of the area. Curtailment of shipyard employment when the shipbuilding program is completed will thus leave Brunswick with a re-employment problem of large proportions.

In Savannah, about two-thirds of total war manufacturing employment consists of shipyard activity. Total employment in shipyards in the Savannah area in September 1943 exceeded by about 50 per cent the total employment in all war manufacturing in the area in September 1942. Readjustment in Savannah will, therefore, be a difficult problem when the shipyards' activities are curtailed. The total civilian population of the Savannah metropolitan area increased by 20 per cent between April 1, 1940, and March 1, 1943, according to estimates by the Census Bureau in the latter year on the basis of registration figures for War Ration Book Number 2. It was estimated that on March 1, 1943, total civilian population of the area had risen to 139,406. Housing has been constructed in the area sufficient to take care of the present swollen population, so that it may be assumed that a large surplus of housing will result when migration from the area occurs on a large scale.

In the Miami area and the New Orleans area, curtailment of shipbuilding activity will not be so depressive a factor on the local economy. This prediction follows from the fact that in these two areas shipbuilding, while important, is not so dominant a part of the total employment picture as it is in the other areas discussed. In Miami, for example, total shipbuilding employment in September was only about 1 per cent of total population. In New Orleans, population has been estimated at 574,164 for the metropolitan area on March 1 of this year. While shipbuilding accounted for about half of the employment of war importance in the New Orleans area in September 1943, the figure was still less than 10 per cent of total area population. Thus, it is to be expected that cessation of shipbuilding activity in New Orleans will not seriously undermine the local economy.

Effective December 1, Brunswick, Jacksonville, Mobile, Panama City, Pascagoula, and Biloxi-Gulfport are classified by the War Manpower Commission as areas of acute labor shortage. New Orleans is classified as an area in which a labor shortage is expected within six months. Miami, Savannah, and Tampa are areas in which a slight labor surplus will remain after six months.

Two of the shipbuilding centers in the Sixth Federal Reserve District that are diversified areas, New Orleans and Miami, are among those in which there is not at present an acute labor shortage. This fact tends to support the conclusion previously reached that readjustment in Miami and New Orleans at the conclusion of the shipbuilding program will be less drastic than in the other shipbuilding centers. In Jacksonville, also, alternative employment will probably be available for workers released from the shipyards. The general picture for those other seven areas—Biloxi-Gulfport, Pascagoula, Mobile, Panama City, Tampa, Brunswick and Savannah—is one of intense activity until completion of the shipbuilding program, followed by very great declines in employment and a great deal of out-migration.

In Nashville, Tennessee, Decatur, Alabama, and Pensacola and Orlando, Florida, there is some shipbuilding activity. At Nashville and Decatur the individual shipyards are not large; also Nashville and Decatur are diversified industrial areas. Accordingly, the cessation of shipbuilding will not affect them too importantly. War employment in Pensacola is mostly at navy establishments and the private shipyard is small. The Orlando operation is also small.

Sixth District Statistics

UNITED STATES TREASURY BILLS		
Dated	Tenders	Allotments
November 4, 1943.....	\$ 7,345,000	\$ 7,067,000
November 12, 1943.....	11,185,000	8,190,000
November 18, 1943.....	13,250,000	12,944,000
November 26, 1943.....	31,462,000	14,525,000

INSTALMENT CASH LOANS			
Lender	Number Reporting	Per Cent Change September 1943 to October 1943	
		Volume	Outstandings
Federal Credit Unions.....	46	— 9	— 2
State Credit Unions.....	28	— 16	— 4
Industrial Banking Companies.....	46	— 9	+ 1
Personal Finance Companies.....	55	— 0	+ 1
Commercial Banks.....	36	— 9	— 4

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA					
(In Thousands of Dollars)					
Item	Nov. 17 1943	Oct. 20 1943	Nov. 18 1942	Per Cent Change Nov. 17, 1943, from	
				Oct. 20 1943	Nov. 18 1942
Bills discounted.....	3,500	—	175	—	—
Industrial advances.....	227	215	524	+ 6	— 57
U. S. securities.....	398,561	373,403	211,564	+ 7	+ 88
Total bills and securities.....	402,288	373,618	212,262	+ 8	+ 90
F. R. note circulation.....	888,384	849,004	497,735	+ 5	+ 78
Member bank reserve deposits.....	497,465	474,349	432,218	+ 5	+ 15
U. S. Gov't deposits.....	19,092	28,870	13,186	— 34	+ 45
Foreign bank deposits.....	44,829	40,139	24,660	+ 12	+ 82
Other deposits.....	2,880	2,563	2,628	+ 12	+ 10
Total deposits.....	564,266	545,921	472,692	+ 3	+ 19
Total reserves.....	1,033,448	1,000,804	745,816	+ 3	+ 39

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES					
(In Thousands of Dollars)					
Item	Nov. 17 1943	Oct. 20 1943	Nov. 18 1942	Per Cent Change Nov. 17, 1943, from	
				Oct. 20 1943	Nov. 18 1942
Loans and Investments—Total.....	1,573,327	1,611,520	1,088,314	— 2	+ 45
Loans—Total.....	376,540	400,597	350,466	— 6	+ 7
Commercial, industrial and agricultural loans.....	202,958	193,481	208,801	+ 5	— 3
Loans to brokers and dealers in securities.....	11,586	16,566	3,252	— 30	+256
Other loans for purchasing and carrying securities.....	50,151	74,435	7,291	— 33	+588
Real estate loans.....	26,800	27,325	27,458	— 2	— 2
Loans to banks.....	1,147	149	1,368	+670	— 16
Other loans.....	83,898	88,641	95,490	— 5	— 12
Investments—Total.....	1,196,787	1,210,923	737,848	— 1	+ 62
U. S. direct obligations.....	1,036,160	1,051,082	579,895	— 1	+ 79
Obligations guaranteed by U. S.....	48,395	46,911	46,354	+ 3	+ 4
Other securities.....	112,232	112,930	111,599	— 1	+ 1
Reserve with F. R. Bank.....	281,000	261,430	256,603	+ 7	+ 10
Cash in vault.....	25,028	24,105	21,730	+ 4	+ 15
Balances with domestic banks.....	175,532	165,602	187,862	+ 6	— 7
Demand deposits—adjusted.....	964,730	918,455	762,110	+ 5	+ 27
Time Deposits.....	244,951	239,107	203,117	+ 2	+ 21
U. S. Gov't deposits.....	282,590	355,514	45,294	— 21	+524
Deposits of domestic banks.....	482,003	464,368	465,892	+4	+ 3
Borrowings.....	—	—	—	—	—

Sixth District Business Indexes

(1935-39 Average = 100)

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
DISTRICT.....	223	210r	173	237	224r	183
Atlanta.....	207	190	160	211	213	163
Baton Rouge.....	216	212	175	254	245	207
Birmingham.....	182	194	159	204	200	179
Chattanooga.....	223	207	182	236	232	193
Jackson.....	267	252	221	295	285	245
Jacksonville.....	281	274	219	318	280	248
Knoxville.....	239	222	160	248	240	166
Macon.....	271	270	215	303	291	240
Miami.....	201	173	151	162	142	122
Montgomery.....	268	255	198	284	275	210
Nashville.....	191	191	141	201	200	148
New Orleans.....	215	206	154	222	210	159
Tampa.....	296	265	220	289	251	214

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
DISTRICT.....	180	188	166	202	199	186
Atlanta.....	229	239	197	269	255	231
Birmingham.....	146	156	157	164	159	177
Montgomery.....	170	201	143	192	225	162
Nashville.....	263	280	193	301	304	221
New Orleans.....	129	137	165	145	144	186

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
TOTAL.....	164	168	180	108	167	160
Alabama.....	173	173	187	91	179	163
Georgia.....	163	167	178
Tennessee.....	137	148	159	133	139	152

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
DISTRICT.....	102	72	715	92	101	99
Residential.....	100	89	398
Others.....	102	63	869
Alabama.....	217	78	839	101	108	125
Florida.....	121	115	536	81	90	73
Georgia.....	97	68	513	92	99	84
Louisiana.....	53	58	759	94	101	108
Mississippi.....	47	30	389	91	101	109
Tennessee.....	53	144	1034	99	113	118

COST OF LIVING				ELECTRIC POWER PRODUCTION*			
	Oct. 1943	Sept. 1943	Oct. 1942		Sept. 1943	Aug. 1943	Sept. 1942
ALL ITEMS.....	128	129	121	SIX STATES.....	250	246	219
Food.....	145	146	134	Hydro-generated.....	208	217	223
Clothing.....	134	132	127	Fuel-generated.....	306	284	213
Rent.....	114	114	113	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, electricity, and ice.....	108	108	105		Oct. 1943	Sept. 1943	Oct. 1942
Home furnishings.....	123	123	121	Unadjusted.....	18.8	18.6	21.0
Miscellaneous.....	120	120	113	Adjusted**.....	18.6	19.2	20.8
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				Index.....	71.8	74.1	80.5
	Oct. 1943	Sept. 1943	Oct. 1942	*Daily average basis.			
Unadjusted.....	194	194r	175	**Adjusted for seasonal variation.			
Adjusted**.....	195	196r	175	***1939 monthly average=100.			
				r=Revised.			

Fourth War Loan Drive

ON November 22, the Secretary of the Treasury announced that the Fourth War Loan Drive will be conducted between January 18 and February 15, 1944, inclusive. The goal is somewhat smaller than the goal of the Third War Loan Drive. The Third War Loan Drive had a goal of 15 billion dollars to be raised from nonbanking sources and finally raised 18.9 billion dollars. The Fourth War Loan Drive has a goal of 14 billion dollars, all of which is to be raised from nonbanking sources.

In the Fourth War Loan Drive, as in the Third War Loan Drive, emphasis will be placed upon sales to individuals. It is hoped that 5.5 billion dollars will be raised directly from individuals in the new drive; the Third War Loan Drive placed 5.4 billion dollars' worth of securities with individuals. In order to focus attention on sales to individuals, in the first half of the drive such sales only will be reported by the Treasury.

The market basket of securities offered during the drive will include six issues: (1) series E savings bonds, (2) series F and G savings bonds, (3) series C savings notes, (4) 2½ per cent bonds of 1965-70, (5) 2¼ per cent bonds of 1956-59, (6) 7/8 per cent certificates of indebtedness.

The offerings in the Fourth War Loan Drive differ from those in the Third War Loan Drive in one respect: a 15-year 2¼ per cent bond is going to be offered in this drive, whereas a 10-year 2 per cent bond was offered in the Third War Loan Drive.

Commercial banks, defined for this purpose as banks accepting demand deposits, will not participate in the Fourth War Loan Drive. In view of the fact, however, that many commercial banks accept time deposits, the Treasury is going to permit such commercial banks to invest time deposits in the 2¼ per cent and 2½ per cent bonds under a formula that will be announced later.

In keeping with its announced objective of placing as large a part of the national debt as possible outside the banking system, so as to reduce inflationary pressures, the Treasury requests that banking institutions not make speculative loans for the purchase of Government securities. There is, of course, no objection to the making of bank loans for the facilitation of bona fide permanent investment in Government securities. The making of such loans should be governed by the joint statement on this subject issued by the National bank and state bank supervisory authorities on November 23, 1942.

That statement was directed toward the encouragement of investments by banks in Government securities of all types eligible for bank investment by the terms of their issue. It endorsed loans by banks on a short-term or amortization basis, fully repayable within periods not exceeding six months, for financing individual subscriptions to Government issues where the individual subscribers wish to rely upon anticipated income in augmenting their subscriptions. It further stated that banks would not be criticized for investing their idle funds in U. S. Government securities and borrowing temporarily from the Federal Reserve Banks or selling Treasury bills to the Federal Reserve Banks to restore their reserve positions.

The District Economy in November

EARLY Christmas shopping pushed department store sales upward in November. Production for war maintained industrial output at recent high levels. Favorable weather conditions for harvesting operations offset to some extent the shortage of harvest hands and enabled Sixth District farmers to bring in bumper crops. Purchasing power, as represented by currency in circulation and demand deposits in the hands of the Sixth District population, rose further during the month.

Retail Trade: For many months now predictions have been heard to the effect that supplies of consumer goods would soon be nearing exhaustion. While it is true that the stocks of such durable consumer goods as refrigerators, stoves, electric irons, and similar items are rapidly disappearing, no over-all shortages of consumer goods have yet developed.

In the Sixth Federal Reserve District in October 1943, total inventories of reporting department stores were 80 per cent above the average of the prewar years 1935-39. A year earlier, in October 1942, they had been 66 per cent above the average of the five prewar years. Both of these comparisons take account of seasonal factors. To be sure, price increases account in part for this remarkable showing but they by no means explain all of the increase in inventories since the prewar years. The fact is that, despite continuing heavy sales, department stores in the Sixth Federal Reserve District have far more goods on hand today than they had prior to the war.

The greatest increase in department store sales over the prewar average of the years 1935-39 was registered in Tampa. The Tampa index for October was 296 per cent of the 1935-39 average after adjustment for seasonal variation. Of the five District cities for which separate indexes for department store stocks are available, Nashville in October showed the largest increase over the prewar years 1935-39; the Nashville index after adjustment for seasonal variation stood at 263 per cent of the 1935-39 average. In November the high level of department store sales was maintained. In the week ending November 20, a group of 24 department stores in the Sixth District had sales 32 per cent above sales in the corresponding week of 1942.

Furniture stocks continue to decline although sales remain fairly high. In October, total sales of reporting retail furniture stores in the Sixth Federal Reserve District were 7 per cent below October 1942. Inventories, however, were 27 per cent below October 1942 levels.

Lumber Production: The onset of winter weather and the attendant difficulties in getting timber out of the woods is beginning to complicate lumber production in the District. For a good while now, lumber production has been below demand despite the completion of many large war construction projects, and the outlook for the winter months is one of continued shortage.

The labor shortage has contributed to the difficulties of lumber production. The lumbering firms have lost large numbers of men to the armed services and to higher-paying war industrial jobs. While wage schedules have recently been adjusted upward by the War Labor Board, this adjustment

Reconnaissance

Sixth District Statistics for October 1943 compared with October 1942

PER CENT DECREASE ▼ PER CENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Cotton Consumption

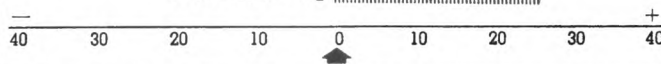
Gasoline Tax Collections

Bank Debits

Member Bank Loans

Member Bank Investments 72

Demand Deposits Adjusted



has not been sufficient in itself to secure needed labor supply in the industry. The War Manpower Commission, in co-operation with the Agricultural Extension Service, County Agents, County War Boards, and other agencies, is attempting to recruit labor for the lumber industry.

The Central Procuring Agency is still in the market attempting to buy large quantities of lumber for Government departments and the armed forces. The agency is currently holding a series of lumber auctions in the South and has as its goal the procurement of 150 million feet of pine lumber. In an attempt to procure its needs, the Central Procuring Agency in November revised its list of permissible grades under standard specifications in such fashion as to widen the range of grades acceptable to the agency. It is widely believed in the industry that if the current auctions do not bring forth the required amounts of lumber, the Government will institute some kind of allocation control over the available lumber supply.

Current statistics of the National Lumber Manufacturers Association show that production is running substantially behind both shipments and new orders, so that, as a result, inventories are being depleted and the supply situation is becoming even tighter. According to data of the Southern Pine Association for the week ending November 13, however, production of pine is now just about equal to both orders and shipments. Orders, shipments, and production of southern pine are all running about 28 per cent below the average of the three years ending October 31, 1942. Cypress production continues to lag seriously behind the demand for this strategic war material, and no early relief is in sight.

The War Production Board has declared that retail and wholesale stocks of lumber are "critically low" and that further requirements must therefore be met out of current production rather than out of stocks. Figures released by the

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores	Per Cent Change October 1943 from	
		September 1943	October 1942
Total Sales	109	— 1	— 7
Cash Sales	96	+ 13	+ 18
Instalment and Other Credit Sales ..	96	— 6	— 12
Accounts Receivable, end of month ..	107	— 2	— 32
Collections during month	107	+ 6	— 22
Inventories, end of month	81	— 3	— 27

SALES OF UNITED STATES SAVINGS BONDS			
October 24-November 23, 1943, at Issue Price (In Thousands of Dollars)			
Area	Series E	Series F and G	Total
DISTRICT	31,352	4,974	36,326
Alabama	6,280	598	6,878
Florida	5,852	900	6,752
Georgia	7,517	1,040	8,557
Louisiana	5,809	1,278	7,087
Mississippi	2,329	484	2,813
Tennessee	3,565	674	4,239

*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	October 1943	September 1943	October 1942	Per Cent Change Oct. 1943 from	
				Sept. 1943	Oct. 1942
ALABAMA					
Anniston	15,082	15,928	17,566	— 5	— 4
Birmingham	179,423	194,831	173,647	— 8	+ 3
Dothan	10,003	9,866	7,772	+ 1	+ 29
Gadsden	10,669	10,763	10,531	— 1	+ 1
Mobile	113,135	118,047	102,888	— 4	+ 10
Montgomery	40,493	45,045	43,020	— 10	— 6
FLORIDA					
Jacksonville	151,279	168,560	130,803	— 10	+ 16
Miami	96,177	79,625	68,940	+ 21	+ 40
Orlando	23,175	22,522	14,383	+ 3	+ 61
Pensacola	21,646	23,857	17,729	— 9	+ 22
St. Petersburg	18,284	18,228	13,329	+ 0	+ 37
Tampa	73,072	80,081	56,674	— 9	+ 29
GEORGIA					
Albany	10,159	10,728	9,275	— 5	+ 10
Atlanta	468,591	494,057	418,024	— 5	+ 12
Augusta	38,184	37,317	33,740	+ 2	+ 13
Brunswick	16,697	14,992	9,157	+ 11	+ 82
Columbus	35,182	39,459	36,793	— 1	— 4
Elberton	2,245	1,937	2,454	+ 16	— 9
Macon	41,571	50,448	38,264	— 8	+ 9
Newnan	4,927	4,927	4,612	0	+ 7
Savannah	77,466	85,080	65,821	— 9	+ 18
Valdosta	7,159	7,888	6,195	— 9	+ 16
LOUISIANA					
Baton Rouge	38,761	41,160	41,057	— 6	— 6
Lake Charles	20,579	20,619	14,414	— 0	+ 43
New Orleans	406,731	436,314	368,335	— 7	+ 10
MISSISSIPPI					
Hattiesburg	12,606	14,546	13,864	— 3	— 9
Jackson	50,472	60,539	71,760	— 7	— 30
Meridian	16,523	19,360	16,447	— 5	+ 0
Vicksburg	26,813	26,385	19,132	+ 2	+ 40
TENNESSEE					
Chattanooga	84,470	92,989	85,750	— 9	— 1
Knoxville	80,055	81,112	47,318	— 1	+ 69
Nashville	168,093	185,457	159,664	— 9	+ 5
SIXTH DISTRICT					
32 Cities	2,358,722	2,512,806	2,119,358	— 6	+ 11
UNITED STATES					
334 Cities	66,270,000	75,759,000	58,334,000	— 13	+ 14

WPB show that retail stocks of lumber have fallen 62 per cent since January 1, 1942.

Naval Stores: In November, heavy drafts were made on the Commodity Credit Corporation's stock of gum rosin and turpentine. It appears that the Commodity Credit Corporation sold in excess of 20,000 drums of rosin in the first half of November, leaving in its possession, including 1943 stocks, about 310,000 drums and, in addition, some 43,000 barrels that are being reprocessed. All of the 1943 stock-pile rosins are now included in the list of stocks available for distribution by the Commodity Credit Corporation, but the 1943 stock pile can be drawn down only where the grades sold are not present in the stock piles of former years' production.

On April 1, 1941, Commodity Credit Corporation stocks of rosin were in excess of one million drums. Gum rosin production in the year ending March 31, 1942, amounted to 831,000 drums; the following year, production reached 911,000 drums; while current estimates of production in the year ending March 31, 1944, forecast a substantial reduction to about 725,000 drums. The trade anticipates a further reduction in the 1944-45 year to under 600,000 drums. By the beginning of the next naval stores year on April 1, 1944, prospects are that Commodity Credit Corporation stocks of rosin will be very small and, as a result, demand for gum rosin next year may be in excess of supply. Not only is domestic demand for gum rosin large but it is estimated that exports under lend-lease will amount to about 175,000 drums in the calendar year 1943—nearly one-fourth of total 1943 production.

Gasoline Tax Collections: In October, gasoline tax collections in the Six States of the District were 8 per cent below the 1939 monthly average. In Alabama, collections in October were 1 per cent greater than the 1939 average, while in Florida, collections were 19 per cent below the prewar level. The other states of the District had collections in October less than 10 per cent below those of the 1939 monthly average. Total collections in the Six States in October amounted to 8.3 million dollars, compared with the September level of 9.1 million dollars and the level of October 1942 of 8.9 million dollars. Total gasoline tax collections in Alabama in 1943 were 1.2 million dollars; in Florida, 1.6 million dollars; in Georgia, 1.6 million dollars; in Louisiana, 1.4 million dollars; in Mississippi, 0.9 million dollars; and in Tennessee, 1.6 million dollars.

It thus appears that the gasoline rationing program has not resulted in a reduction in gasoline tax collections as large as was feared, with the possible exception of the situation in Florida where collections have fallen much more drastically than in any other state in the District.

Agriculture: The November 1 crop report of the United States Department of Agriculture estimated Alabama corn production at 46.6 million bushels, more than 3 million bushels above the 10-year average production. The peanut crop is estimated at 495.2 million pounds, as compared with the 10-year average of 185.3 million pounds. A sweet potato production totaling 8 million bushels is indicated for the state, a production 33 per cent above that of 1942.

In Florida, the November 1 crop report put corn at higher levels than a year ago and predicted an increase of 36 mil-

lion pounds in peanut production, as compared with 1942. The pecan crop, while about the same as a year ago, is only 58 per cent of normal. Movement of oranges to the first of November was well above 1942 but grapefruit shipments to that date were only 50 per cent as large as in 1942.

The November 1 crop report estimated Georgia cotton production at 845,000 bales. The state's corn crop promises to reach 43 million bushels and the hay crop is the largest in the history of the state. The sweet potato crop is very large. The pecan crop is estimated at 22 million pounds.

The pecan crop in Louisiana is the best since 1937. The November 1 crop report estimates the Louisiana citrus crop at only 75 per cent of the 1942 crop. The Louisiana cotton crop is forecast at 745,000 bales, substantially above the 10-year average production. Corn is expected to reach 22.8 million bushels; the state is expected to produce 24.0 million bushels of rice; and sugar cane production is estimated at 6.0 million tons, substantially above 1942 output.

The November 1 crop report forecasts a corn crop in Mississippi of 44.9 million bushels, less than last year's production but above the 10-year average. The report places peanut production at 26.6 million pounds, sweet potato production at 7.7 million bushels, and pecan production at 8.6 million pounds.

The Tennessee corn crop was estimated on November 1 at 64.5 million bushels, slightly above the 10-year average but 15 per cent below last year's yield. Type 22 tobacco was estimated at 27.0 million pounds. This production is only some two-thirds of the 10-year average, the reduction being due to the diversion of acreage to other crops. Type 23 tobacco is forecast at 2.9 million pounds, type 31 burley at 63.7 million pounds, and type 35 at 17.1 million pounds.

Money and Banking: Currency circulation in the Sixth Federal Reserve District continued to increase rapidly during the past month. On November 24, circulation of Federal Reserve notes issued by this Bank stood at 888.2 million dollars. This amount represented a small decline from the preceding week but was about 5 per cent above the level of a month earlier and represented a 77 per cent increase in a year. Demand deposits (adjusted) of weekly reporting member banks in the Sixth Federal Reserve District increased by 6 per cent from October 27 to November 24, 1943. On November 24, they totaled 978.3 million dollars and were 26 per cent greater than on the corresponding date of 1942. Total demand deposits of individuals, firms, and corporations in all 318 member banks in the Sixth Federal Reserve District reached 1,919.2 million dollars on October 18. They had amounted to 1,849.0 million dollars on June 30, 1943, and to 1,572.2 million dollars on December 31, 1942.

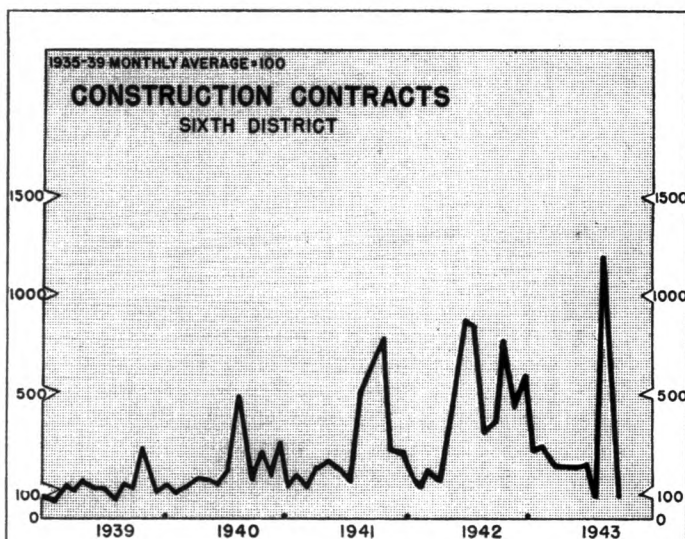
The October 18 call report revealed other significant changes in the balance sheets of Sixth District member banks. Loans rose from 524.9 million dollars on June 30, 1943, to 730.9 million dollars on October 18; investments in United States Government obligations jumped from 1,746.9 million dollars on June 30 to 2,022.9 million dollars on October 18. Total loans and investments of the Sixth District member banks rose 20 per cent in three and one-half months—from 2,529.2 million dollars on June 30 to 3,018.1 million dollars on October 18.

United States Government deposits accounted for a sub-

stantial portion of the rise in total deposits between June 30 and October 18. United States Government deposits were 290.8 million dollars on June 30 and 699.7 million dollars on October 18, an increase of 408.9 million dollars. Total deposits rose by 492.7 million dollars in the same three-and-one-half-month period and amounted to 4,055.4 million dollars on October 18.

Total loans and investments of the 20 weekly reporting member banks in the Sixth Federal Reserve District on November 25, 1942, amounted to 1,083.3 million dollars. A year later, on November 24, 1943, total loans and investments of this weekly reporting group of banks had reached 1,557.1 million dollars, an increase of 44 per cent. Investments constituted the major portion of the total on both dates. On November 25, 1942, total loans were 349.9 million dollars, and total investments were 733.4 million dollars. A year later total loans had increased to 375.6 million dollars and total investments had risen to 1,181.5 million dollars. Thus, the major growth in the assets of the weekly reporting member banks took place in investments during the past year.

In this increase in investments, a rapidly increasing portfolio of United States Government securities played the dominant role. On November 25, 1942, only 112.1 million dollars of the total investment portfolio held by the 20 weekly reporting member banks, amounting to 733.4 million dollars, was not in United States Government securities direct or guaranteed. On November 24, 1943, in an investment portfolio of 1,181.5 million dollars, only 112.9 million dollars consisted of securities other than United States Government obligations direct or guaranteed.



Construction in the Sixth Federal Reserve District, as measured by contracts awarded, was in large volume in late 1940, still higher in 1941, and by far the highest on record in 1942. Since the last months of 1942, contracts awarded have fallen off sharply and by September 1943, the index was back to prewar levels. A brief interruption of the downward trend was registered in August of this year, when contracts were let for the construction of a tremendous war plant in East Tennessee.

The National Business Situation

INDUSTRIAL activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

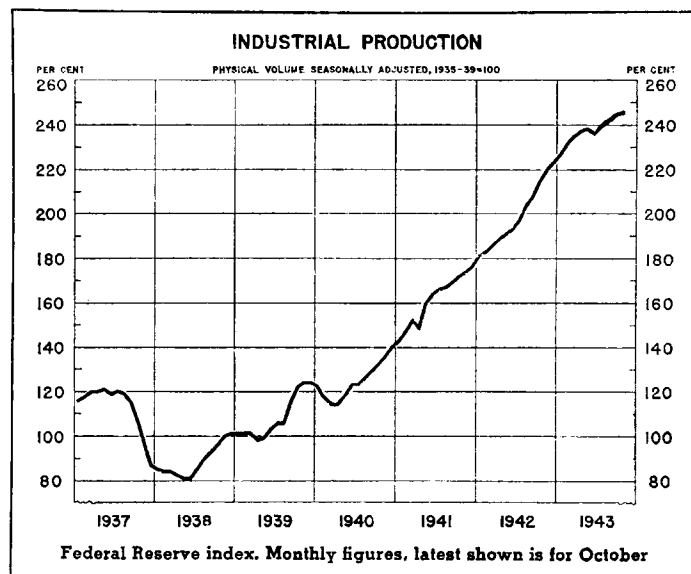
Industrial production: The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 dead-weight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40 per cent from last year but production of other stone, clay, and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meat packing, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

Distribution: Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third



quarter this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20 per cent higher than in October 1942, and livestock shipments were the highest in recent years.

Commodity prices: Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living, which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose .8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

Bank credit: The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November, reflecting some decline from the comparable October period. During the four weeks ending November 17, reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of 540 million dollars and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

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