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Financing Exports in the Sixth District

HISTORICALLY, the states of the Southeast have always been vitally concerned with the export trade. The prosperity of the region has depended to a large extent upon the access that its staple agricultural crops, its lumber, its naval stores, and, in later years, its mineral and metallurgical products have found in foreign markets.

Interest in the export trade, however, has not been confined to primary producers. It has also characterized large numbers of individuals and businesses in manufacturing, transportation, and the service trades that are more or less dependent upon exports. Among these latter businesses are the banks.

Banks have both direct and indirect interests in the export trade. Insofar as this trade is carried on by means of credit, it is obviously a field in which interested banks may find employment for their funds. Whether or not the banks of the region actively participate in the financing of exports, however, they are necessarily affected by the state of this trade because of its general importance in the Southern economy.

The export of particular commodities, of course, need not be financed by banks of the region in which they originate or that possesses the ports through which they move. They may be financed through any bank, domestic or foreign, that has the necessary funds, facilities, experience, and marketing information required by the peculiarities of the export trade. The extent to which any Southern bank participates in this business in the coming years, when foreign trade is expected to undergo a great expansion, will depend largely upon its own policies—whether or not it chooses to employ its funds in this field of finance and sets up a competent foreign department to handle the business.

Once a bank has made the initial decision to engage in the business of financing exports, the policy of its foreign department will tend to be governed by one or the other of two points of view. On the one hand, the dominant attitude may be a strictly banking point of view in which profitableness and safety are primary concerns, irrespective of the effects that the bank's policy may have on the export trade in general, or it may be an export point of view in which the bank's role as a stimulator of foreign trade is given more weight. The first of these viewpoints would tend to be cautious and conservative, favoring large exporters of unimpeachable credit standing and financial responsibility and their foreign customers of whose creditworthiness the bank would also have fully assured itself. The second point of view, on the other hand, would tend to be more venturesome, encouraging smaller American businesses to participate in foreign trade with customers whose creditworthiness might be less well known.

If America's wartime productive potential is to be fully utilized in peace, the maximum expansion of markets, foreign as well as domestic, will have to be achieved not only by the nation's larger businesses but also by smaller concerns. In the past, not many of the latter firms have seriously entered the export field. Whether they will be willing, and able, to do so in the years immediately ahead may well turn upon the financial services offered them by the banks.

In the Sixth District, export financing is concentrated almost wholly in the hands of eight banks in the ports of New Orleans, Mobile, and Savannah. Of these, five have regularly organized foreign departments. In the others, one of the officers handles whatever foreign business the bank has. Foreign departments, where they do exist, are not all equally well staffed, nor are they all equally well provided with up-to-date and accurate information bearing upon foreign economic conditions and the credit standing of foreign buyers. The best of these departments, however, are probably as competent and as well informed as any in the country.

The year 1938 was the last reasonably normal year before foreign trade had been completely dislocated by the war, although some banks claim to have experienced a decline in their foreign business even by that time. In that year Sixth District banks handled export business in an amount exceeding 34 million dollars. Not all of this amount, however, represented actual financing of exports by the banks, for 9.1 million dollars, approximately 29 per cent, consisted of items handled by the banks for collection only. In such cases the exporters themselves provided the financing and bore the risks.

Of the amount of export business financed by Sixth District banks in 1938, approximately 80 per cent was financed by the purchase, or discount, of drafts drawn by exporters on foreign buyers or banks and by advances made against such drafts. The remaining 20 per cent, approximately three million dollars, consisted of letters of credit opened by the American banks for the account of foreign buyers or banks. American exporters, of course, were the ultimate beneficiaries of these letters of credit, against which their foreign customers authorized them to draw for payment of commodities sold abroad.

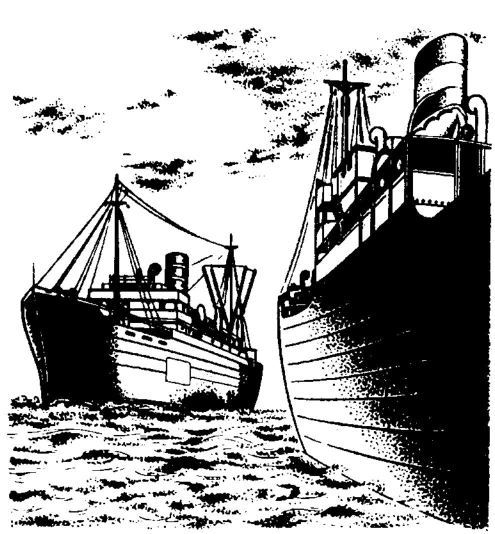
During the years since 1938 the proportionate relationship between export business financed by means of drafts and that financed by means of letters of credit has been radically altered. The extraordinary political and economic risks and uncertainties incident to the war compelled American exporters, in self-protection, to insist upon receiving payment by means of letters of credit. The withdrawal, temporary or otherwise, of some of the most important foreign competitors from the export market had the effect of reinforcing this demand of American exporters. The coming of peace and the probable early reappearance of competition in the foreign market will undoubtedly see a decline in the volume of transactions handled by letters of credit and an increase in the purchase, or discount, of drafts.

Almost without exception drafts have been negotiated by Sixth District banks with full recourse to the exporters. Moreover, these drafts have ordinarily had a tenor of less than six months. Indeed, the vast majority have been drawn for periods of 90 days or less and banks have tended to look askance on those running for as much as 120 days. It has been felt by the banks that four months allow more than ample time for commodities to reach their destinations, be accepted, and move into consumption or marketing channels. Banks report virtually no requests to handle drafts for periods in excess of six months.

A consideration of the past activity of Sixth District banks in the field of export finance shows them to have followed policies that were generally conservative in character and that tended to afford the maximum of safety for bank funds employed in this way. These policies resulted in financial services to exporters that were adequate, in all probability, to the needs of the trade at the time and were certainly justified from the standpoint of safety to the bank. Whether or not the same policies will prove equally adequate in the period following the transition from war to peace is a matter about which banks should now be thinking.

Any prediction of what the dimensions of the nation's export trade will be when it has again settled down to a normal basis is extremely hazardous because of the many unforeseeable and uncontrollable factors, both political and economic, upon which it will be contingent. Even more difficult, of course, is an accurate prediction of the dollar volume of exports that may move through Southern ports—that part of the export trade in which Southern banks would logically be most interested.

During the year 1939, exports from the United States amounted to 3.2 billion dollars, of which 872 million dollars represented exports through the ports of 15 Southern customs districts. For the year 1944, exports from the United States, including military and lend-lease shipments, exceeded 14 billion dollars. It is quite unlikely, of course, that peace-time exports will reach this figure in the visible future. The level to which United States exports will finally tend to be adjusted will probably lie somewhere between the figure for 1939 and that for 1944. Just where an estimator will place that level depends upon the optimism of his underlying assumptions regarding tariff reductions, the rate of foreign investment, and many other factors. Within the Department of Commerce, estimates of postwar exports run from seven billion dollars to as high as 12 billion. If the conservative seven-billion-dollar figure is accepted and if it is assumed that the ports in the 15 Southern customs districts maintain the same relative position they had in 1939, then exports through Southern ports would be expected to reach a level of approximately 1.7 billion dollars, or, roughly, twice the dollar volume of 1939.



Though there may be some exaggeration even in this conservative estimate, the probable volume of exports through Southern ports at the time normal conditions are re-established will undoubtedly still be enough larger than it was in 1939 to constitute it a substantial economic opportunity both for exporters and banks. Heretofore the export trade has been predominantly in the hands of large exporters. With this trade reaching dimensions that seem most probable in the years immediately ahead, however, smaller concerns may develop a greater interest in it.

Participation in the export trade by small concerns, however, tends to be limited by certain handicaps to which they are subject. For one thing, small concerns commonly lack adequate information about foreign markets. Although the Department of Commerce and certain private agencies are in a position to provide exporters with a great deal of information of this sort, these services are frequently unknown to small businesses, which are unaccustomed to using them. Moreover, the basic data available from governmental and other agencies ordinarily require considerable refinement, interpretation, and co-ordination before being applied to the problems of an individual concern. Larger businesses are usually better able to do this than are small concerns.

The complexities of foreign exchange, of export packing and shipping practices, and of foreign customs regulations may also serve to deter small businesses from entering this field. Highly competent personnel is required in order to cope with such problems and to keep in touch with the agents of common carriers by water and with foreign freight brokers and forwarders. It is also necessary to keep in touch with the foreign freight agents of railways, because rates and tariffs are not always made public but must be secured by direct application. Small concerns may well feel that such a staff is a luxury they cannot afford.

Another disadvantage experienced by small businesses in the export field is a lack of suitable representation abroad. A small concern can seldom afford foreign agents who will diligently spend their energies in building a paying volume of orders and who will carefully investigate the credit standing and general business integrity of prospective foreign customers.

A small concern may also find itself at a cost disadvantage in foreign markets, compared with larger competitors even of the same country. Manufacturing and production costs are not necessarily higher for small businesses than for large ones, although this often happens to be the case. Nevertheless, shipping as it does in smaller quantities and perhaps to numerous consignees abroad, the small business may find that the cost of its product at destination is markedly higher than would be the case for a large-scale competing concern. In some foreign markets, particularly in certain Latin-American countries, price is frequently the decisive factor in a transaction, outweighing quality, terms of sale, and all other surrounding conditions. The Latin-American aphorism "We're not mad with our own money" well expresses the importance of price in determining the beneficiary of orders. Unless a small business can compete on a price basis when seeking such foreign orders, it may find itself at a fatal disadvantage in the export trade.

To some extent the cost of goods at destination could be reduced for individual exporters if they would combine in export associations under the terms of the 1918 Webb-Pomerene Act. Unfortunately, because of Government suits brought against a number of such associations and Government investigation of others, considerable uncertainty has developed concerning what can or cannot be done under the terms of the act. The device of export associations, consequently, has been relatively ineffective in increasing exports by drawing small businesses into the field. A judicial clarification of the meaning of the act or a Congressional amendment might make of this device a more useful instrument in the future than it has been in the past.

Finally, it has been said that small business is handicapped in the export trade by its inability to get credit on favorable terms from the banks. The disadvantages under which small businesses labor, however, and the high degree of risk involved in their foreign transactions are sufficient reasons for banks to exercise exceptional care in extending them credit.

In a statement made on April 17, 1945, by Secretary of Commerce Henry A. Wallace before the Subcommittee on Foreign Trade for Small Business, the suggestion was made that some sort of export-credit guaranty or insurance might be useful in getting more favorable credit accommodations for small businesses that want to enter the export trade. Export-credit guarantees, of course, are not something new or untried. Eighteen countries have made use of them at one time or another since World War I. Of the systems still functioning, that of Great Britain is probably the most important. The most recent addition is the Canadian system established by act of the Canadian House of Commons on August 2, 1944.

Export-credit guaranty systems are usually set up for the protection of exporters against losses stemming from certain specific hazards. One of these risks arises from the possibility that a foreign debtor may find himself unable to liquidate a debt because governmental blockage or restriction of exchange prevents him from converting the currency of his own country into that of the exporting country. The hazards that a debtor may turn out to be insolvent or that he may default on his obligations are what may be considered the normal business risks.

All exporters, regardless of size, are subject of course to these risks but not to the same degree. The large business is able to reduce these risks to a minimum because of its greater knowledge of foreign markets and foreign economic and political conditions, its careful choice of customers, and the information and services available through the well-organized foreign departments of the banks that negotiate its drafts. An export-credit guaranty system, therefore, although theoretically not discriminating among exporters would in practice tend to be of greater value to the small business than to the large business.

In an export-credit insurance plan a choice of various risk-bearing agencies is possible. All risks may be covered by insurance with the Government or some governmental agency, as is the case in Great Britain. On the other hand, they could be carried by private companies or by private companies that are reinsured by the Government. If any such insurance plan were to be inaugurated in the United States, the national predilection in favor of private enterprise would undoubtedly favor the last of the three carriers mentioned, at least for normal credit risks. The risk of blockage or restriction of exchange, however, since it arises from the unpredictable actions of governments and can be met only by governmental action, would probably be considered uninsurable by a private company and would have to be carried by the Government itself or some governmental agency.

Whether or not a system of export-credit guarantees would have the desired effect of attracting more small businesses into the export field would depend partly, although to a minor extent, on the way in which bank policy would be affected by the existence of this kind of insurance. Bank policy, in turn, would depend to some extent upon the details of the plan, if and when it is set up.

Although banks cannot be expected to know at the present time just how they may react under an export-credit insurance plan since all future factors are so uncertain, current discussion in the press and in banking circles has given rise to some tentative attitudes that may be indicative of future bank policy. Most District banks would probably be interested in financing more exports for concerns that have the same credit standing as those firms they now finance if exporters were protected by export-credit insurance. A few, indeed, might even be willing to negotiate drafts for some exporters that are now considered marginal. Moreover, if exporters were covered by insurance against the insolvency or default of their customers, some banks, in all probability, would be willing to increase the amount of financing they would provide on a given export transaction.

A bank's ultimate safeguard in extending export credit lies in the recourse that it has to the exporter when the foreign debtor, after accepting the exported commodities, proves unable to pay or unwilling to do so. Export credit insurance would seem quite unlikely to induce many banks to forego this safety factor.

One of the arguments sometimes advanced in favor of the guaranty of export credit is that such protection is necessary if American exporters are to meet successfully the competition of exporters of other countries. Foreign exporters, it is said, are able to give their customers better terms than American exporters because export-credit insurance makes banks more willing to negotiate long-term drafts. Although there is some indication that Sixth District banks may react in this way, the tendency is probably not very strong. All banks, presumably, would be willing to handle more drafts with a tenor of six months or less, if the exporters were protected by credit insurance, and some banks probably would be willing to dis-

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS		
Item	Number of Stores Reporting	Per Cent Change July 1945 to August 1945
Total sales	30	+ 14
Cash sales	27	+ 16
Credit sales	27	+ 12
Accounts receivable, end of month	30	— 1
Collections during month	30	— 2

DEPARTMENT STORE SALES*	Adjusted**			Unadjusted		
	Aug. 1945	July 1945	Aug. 1944	Aug. 1945	July 1945	Aug. 1944
DISTRICT	274	300	243	244	225	216
Atlanta	310	345	266	299	245	257
Baton Rouge	318	320	216	277	249	227
Birmingham	253	277	239	231	216	218
Chattanooga	298	326	276	249	230	231
Jackson	328	320	280	263	224	224
Jacksonville	352	376	329	302	300	282
Knoxville	324	373	303	292	266	273
Macon	287	294	278	217	209	210
Miami	267	326	220	180	184	149
Montgomery	306	312	267	245	223	213
Nashville	329	341	282	279	241	239
New Orleans	230	248	211	212	188	194
Tampa	331	378	339	260	276	266

DEPARTMENT STORE STOCKS	Adjusted**			Unadjusted		
	Aug. 1945	July 1945	Aug. 1944	Aug. 1945	July 1945	Aug. 1944
DISTRICT	187	197	188	202	203	203
Atlanta	296	295	288	288	286	280
Birmingham	165	185	154	166	168	155
Montgomery	233	298	234	231	238	232
Nashville	336	377	321	336	326	320
New Orleans	115	132	167	107	121	157

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Aug. 1945	July 1945	Aug. 1944	Aug. 1945	July 1945	Aug. 1944
TOTAL	137	137	152	152	163	163
Alabama	140	137	160	163	177	171
Georgia	137	138	151	...	...	...
Tennessee	125	121	134	127	133	139

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	July 1945	June 1945	July 1944	Aug. 1945	July 1945	Aug. 1944
SIX STATES	133	137	158	115	110	98
Alabama	162	166r	188	119	115	102
Florida	118	127r	169	97	97	87
Georgia	129	131r	147	112	108	99
Louisiana	135	142	170	110	104	102
Mississippi	119	125r	143	126	114	95
Tennessee	121	125	136	140	132	108

COST OF LIVING	July 1945	June 1945	July 1944
ALL ITEMS	134	133	130
Food	150	146	144
Clothing	142	142	137
Rent	114	114	114
Fuel, electicity, and ice	110	110	109
Home furnishings	143	143	138
Miscellaneous	130	129	126

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*	Aug. 1945	July 1945	Aug. 1944
Unadjusted	209	208r	199
Adjusted**	209	208r	199

ELECTRIC POWER PRODUCTION*	July 1945	June 1945	July 1944
SIX STATES	270	272	260
Hydro-generated	228	241	209
Fuel-generated	323	313	327

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS	Aug. 1945	July 1945	Aug. 1944
Unadjusted	13.3	14.7	15.0
Adjusted**	15.2	15.6	17.1
Index*	58.6	60.3	66.0

*Daily average basis
**Adjusted for seasonal variation
***1939 monthly average = 100; other indexes, 1935-39 = 100
r Revised

count drafts running as long as a year. Few, if any, however, could be expected to discount drafts of more than a year's tenor because of the added protection.

If export-credit insurance would make little difference in the tenor of drafts that banks would be willing to handle, it would probably make still less difference in the rate of discount that would be charged. Although most banks undoubtedly would be willing to finance a larger volume of exports for creditworthy customers at rates that would be the same for those customers covered by insurance as for those not so covered, few might be willing to handle the drafts of insured exporters at lower rates.

Current opinion among Sixth District banks that have been actively engaged in the financing of exports seems to indicate that export-credit insurance would lead to only slight modifications in the practices common before the war. Insurance, it is believed, would make the banks willing to extend credit to a few concerns now considered submarginal from a banking point of view, and it would probably increase to some extent the amount of credit that banks would be willing to grant on an export transaction. On the other hand, it is the prevailing opinion that insurance would not lead to the abandonment of a bank's recourse privileges. Neither would it lengthen a great deal the maturities of drafts that banks would be willing to handle nor reduce the discount rate.

Banks obviously intend to conduct their export-financing business in the future as they have in the past on what are considered sound banking principles, and credit insurance would probably not cause them to deviate appreciably from this course. When the ultimate liability for a debt lies in a foreign country, with all the uncertainty that this implies, and a contingent liability rests upon the bank's American customer, the bank can protect itself only by the most careful choice of risks and the fullest possible knowledge of the credit standing and business integrity of both parties to an export transaction. In a determination of these factors, export-credit insurance would probably be held to play such a negligible role that it would have little or no effect on bank policy.

In conclusion, therefore, it would seem that if small businesses that are newcomers to the export field are to play any considerable role in postwar foreign trade, their entrance into the field will not be eased by any relaxation of bank policies that is induced by credit insurance. This conclusion implies no reluctance on the part of banks to finance the export trade. It simply means that new exporters, large or small, will have to measure up to the standards that banks have followed in the case of their older customers. They will have to guard sedulously their own credit standing and business reputations and will have to exercise the utmost caution in their choice of foreign customers. For banks to act otherwise and, by any loosening of credit because of an export-credit guaranty against the risks of insolvency and default, to encourage the hasty entrance of new and inexperienced firms into export markets might expose such firms to uninsured or only partly covered risks that could easily prove disastrous. The risk of loss arising from political action that blocks or restricts the transfer of foreign currencies, however, is another matter. Insurance against this risk would probably be more generally favored since banks and exporters can do little to avoid the risk and since there is no private agency willing and able to assume it.

EARLE L. RAUBER

The Victory Loan Drive and Its Setting

THE Victory Loan Drive, which for individuals will extend from October 29 through December 8, will be launched in the midst of the difficulties and confusion incident to the end of the war. Lacking for the most part will be the emotional stimulus that has sold so many bonds to individuals during previous drives. Absent also will be the sense of urgency and need that has characterized the earlier campaigns. Such, however, is the vastness of the purchasing power that has been generated through war-financing procedures that there can be little doubt but what the offerings in the aggregate will be oversubscribed substantially.

The Victory Loan Drive will have a goal of 11 billion dollars of subscriptions to a variety of Government securities. Major emphasis will again be placed on sales to individuals, who are expected to invest 4 billion dollars — half of it in Series E bonds. The remaining 7 billion dollars, it is hoped, will come from other nonbank investors. Sales to these investors will begin on December 3. The drive will close on December 8, but all Series C savings notes and Series E, F, and G bonds processed through the Federal Reserve Banks between October 29 and December 31 will be credited to the drive.

The marketable issues will be approximately the same as those sold during the Seventh War Loan Drive except that no intermediate term bond will be offered. They will include 2½ and 2¼ per cent Treasury bonds and ⅞ per cent certificates of indebtedness. A new Series E bond, issued in memory of the late Franklin Delano Roosevelt, will be available at the beginning of the drive. This bond will have a maturity value of $200 and an issue price of $150.

Commercial banks, defined as those banks accepting demand deposits, will be allowed to invest part of their time deposits in Series F and G bonds, in 2¼ and 2½ per cent Treasury bonds, and in ⅞ per cent certificates offered in the drive under certain limitations. No credit toward the drive quota, however, will be given for such purchases.

The Treasury Department has again requested banking institutions to co-operate in its program of selling as many securities as possible outside the banking system. Banks are asked to refrain from making speculative loans for the purchase of Government securities and to decline subscriptions from customers that appear to be made solely for the purpose of realizing upon the premium that may arise in subsequent trading. Moreover, banks are requested to refrain from making purchases of outstanding securities with the understanding that approximately the same amount of the new securities will be subscribed through such banks and, thus, enable them to expand their war-loan deposit balances.

The Victory Loan Drive has been preceded by seven war-loan campaigns. The aggregate sales of bonds, in billions of dollars, made during these drives were: First 12.9, Second 18.6, Third 18.9, Fourth 16.7, Fifth 20.6, Sixth 21.6, and Seventh 26.3. These drives have been necessary to provide funds to cover the yearly deficits arising in the Federal Budget. Expressed in billions of dollars, the deficit for each fiscal year since June 30, 1940, has been: 1941, 5.1; 1942, 19.6; 1943, 55.9; 1944, 50.0; 1945, 53.9. The deficit for the fiscal year to end June 30, 1946, is estimated at 30.4 billion dollars. On June 30, 1940, the public debt, excluding guaranteed obligations, stood at 43 billion dollars. On the corresponding date in succeeding years the public debt, in billions of dollars, has stood as follows: 1941, 49.0; 1942, 72.4; 1943, 136.7; 1944, 201.0; 1945, 258.7. By the end of August this year 4 billion dollars more had been added to the public debt, and revised Budget estimates indicate that the public debt will be 273 billion dollars by June 30 of next year.

Highly significant in its relation to business activity is the continuation of Federal deficit financing. So long as the Government continues to pipe additional purchasing power into the business life of the nation by means of public-borrowing operations, business must operate in an expansionary setting. The wartime increase in the Government debt has been accompanied by a continued expansion of total bank deposits. During the period from June 30, 1941, to June 30, 1942, deposits at all banks of the country expanded from 78.5 billion dollars to 129.4 billion dollars, and by June 30, of this year such deposits were in the neighborhood of 151 billion dollars. With the decline in the rate of growth of the Federal debt that will probably take place in ensuing months, the rate of growth in bank deposits will also decline.

Nor is a balancing of the Federal Budget, which would act to restrain expansionary trends, immediately in sight. Though the war is ended, the armed services will continue for some time to be voracious users of public funds. The costs of occupation forces, of homeward transportation and mustering out, and of hospitalization and rehabilitation will be substantial.

Foreign nations, moreover, are asking, or are about to ask, for reconstruction and rehabilitation loans. Russia is reported as asking for a six-billion-dollar loan. The demands of Great Britain, too, in current negotiations are expected to fall somewhere between three billion dollars and six billion dollars. The British demand for funds, furthermore, will not be met through the extension of an ordinary loan, for the British have already indicated that they are expecting assistance in a form that will be something like Lend-Lease. What happens in the case of the Russians and the British will probably set some sort of pattern for similar deals with other European countries.

Other potential drains upon the Treasury are to be found in the spending proposals now before Congress. Such proposals involve appropriations for a wide variety of purposes: the Inter-American highway, veterans' facilities and other hospitals, the Commodity Credit Corporation, aeronautical experiments, school-lunch programs, rural electrification, national food-allotment stamp plan, public education, public housing, elimination of river pollution, United Nations Relief and Rehabilitation Administration, and other projects. The aggregate total of all such demands may well run the Budget up to 50 billion dollars or more.

At the same time these additional demands are made upon the Treasury some reduction in Federal revenue from taxation may be experienced. Modifications may quite confidently be expected in excess-profits taxes, personal-income taxes, and in wartime excise taxes. All in all, therefore, an early balancing of the Federal Budget need not be anticipated. The Victory Loan Drive is thus probably only the first of several major borrowing operations that will be necessary to finance the peace.

Additions to Par List

DURING the period from August 22 to September 26, the Federal Reserve Bank of Atlanta announced the addition of ten more nonmember banks to the Federal Reserve Par List for the Sixth District. Three of these banks are in Alabama, three in Tennessee, one in Florida, one in Georgia, and two in Louisiana.

Bank of Atmore

The Bank of Atmore, Atmore, Alabama, will be added to the Federal Reserve Par List on October 1, 1945. Effective on that date the bank will remit to the Birmingham Branch of the Federal Reserve Bank of Atlanta at par for checks drawn upon it by its depositors and submitted by the branch.

Officers of the bank are E. F. Goldsmith, president; H. H. Dees, vice president; R. Leon Jones, vice president; W. E. Coker, cashier; and Abbie Lou Fischer, asssitant cashier.

Directors of the bank are George Bowab, Frank P. Currie, H. H. Dees, W. E. Dunaway, E. F. Goldsmith, R. Leon Jones, W. R. Maxwell, L. B. McCoy, Guy E. Sharpless, T. H. Stallworth, and J. B. Swift.

The bank has a capital of $50,000, surplus and profits of $28,000, and deposits in excess of $1,500,000. It was organized in 1904.

Atmore,a town of 3,200, serves as a shipping center for an extensive truck-farming area. It is located about 50 miles northeast of Mobile in Escambia County.

Rison Banking Company

The Rison Banking Company, Huntsville, Alabama, located in the territory served by the Birmingham Branch, began remitting at par September 1, 1945, for checks drawn on it when received from the Federal Reserve Bank. This bank dates from the year 1866. On September 19, 1945, it had capital of $100,000, surplus and undivided profits of $96,000, and deposits of $2,732,000. H. M. Rhett is president, A. W. White is vice president, Ashford Todd is cashier, and I. W. Walker and F. L. Newman are assistant cashiers.

The directors are J. F. Chambers, George S. Elliott, M. H. Lanier, H. M. Rhett, Ashford Todd, A. W. White, and G. W. Yarbrough.

Huntsville, the seat of Madison County, has a population of 13,050. In addition to its large cotton mills, Huntsville's principal industrial plants, there are broom, mop, and mattress factories. The leading agricultural products of the surrounding districts are hay, cotton, corn, and tobacco. At the present time, the city's trade area embraces some 26,000 persons and in its manufacturing area are several of the South's largest textile plants.

The Sand Mountain Bank

The Sand Mountain Bank, Boaz, Alabama, began remitting at par September 15, 1945, for checks drawn on it that are received through the Federal Reserve Bank. This bank was founded in 1934 and at the close of business on June 30 of this year had capital of $25,000, surplus and undivided profits of $32,000, and deposits of $1,308,000.

Officers of the bank are E. W. Buffington, president; H. O. Murphree, vice president; C. V. Porter, vice president; Shellie Reagan, cashier; and Frank Hales, assistant cashier. Its directors are H. O. Murphree, E. W. Buffington, Shellie Reagan, C. V. Porter, S. E. Jackson, Curtis E. Snead Jr., James E. Snead, and W. H. Jackson.

Boaz is in Marshall County, in the northeastern part of Alabama. It is about 70 miles northeast of Birmingham and has a population of 1,927.

The First State Bank

The First State Bank, Jacksboro, Tennessee, opened for business at Jacksboro on September 4 and on that date started accepting and paying at par for all items drawn on it. This bank was formerly the First State Bank, Caryville, Tennessee, and was first organized in 1934.

The bank on the first of this year had capital of $25,000, surplus and profits of $17,000, and deposits of $883,000. At that time, its officers were R. L. Gallaher, president; J. W. Goans, vice president; C. J. Lindsay, vice president; Dewey Lumpkins, cashier; and Margaret Nelson, assistant cashier.

Jacksboro, the seat of Campbell County, had a 1940 population of 1,200. It is located in the northeastern part of the state about 27 miles from the Kentucky-Tennessee line.

The Bank of Hendersonville

The Bank of Hendersonville, Hendersonville, Tennessee, went on the Par List on September 17, 1945. This bank was established in 1906 and on September 15 of this year had capital stock of $25,000, surplus and undivided profits of $10,000, and deposits of $357,000. The officers of the bank are Dr. J. H. Stephens, president; Sarah Berry, vice president; Harold B. Roney, cashier; and E. N. Roney and James E. Wright, assistant cashiers. The directors are Sarah Berry, H. J. Willis, Dr. J. H. Stephens, B. F. Hurt, H. L. Willis, S. S. Bloodworth, E. F. Hurt, W. A. Shivel, and W. C. Breedlove, attorney.

Hendersonville is in Sumner County about 20 miles north of Nashville. It has a population of 750.

The Sullivan County Bank

The Sullivan County Bank, Kingsport, Tennessee, a newly organized nonmember bank located in the territory served by the Nashville Branch, began remitting at par on September 4, 1945, for checks drawn on it that are received from the Federal Reserve Bank. This bank has capital of $100,000, surplus of $25,000, and its opening day deposits were $528,000.

Carroll Reece is president of the bank, Earl M. Reasor is executive vice president, W. B. Halbach is cashier, and Willard York is assistant cashier. Directors of the bank are J. L. Latimer Jr., chairman, and Thad A. Cox, Dr. Fred M. Duckwall, Charles T. Herndon Jr., James Hoffman, Earl M. Reasor, Carroll Reece, and Carl Young.

Kingsport, with a 1940 population of 14,404, is located in Sullivan County. It is an industrial city on the shores of the Holston River in the heart of the Southern Appalachians. Among the many diversified manufacturing units located in Kingsport are a plant manufacturing cellulose acetate, the world's largest book-manufacturing plant, a book-cloth establishment, a cotton spinning and weaving mill, and a belting plant.

Florida Bank at Fort Pierce

The Florida Bank at Fort Pierce, Fort Pierce, Florida, scheduled for opening on September 27, will remit at par for checks drawn on it that are received through the Federal Reserve Bank. Capital stock of the bank is $100,000, surplus is $25,000, and undivided profits are $12,500.

Officers of the bank are C. F. Shewmake, president; Herman C. Eberts and J. Lamar Paxson, vice presidents; and W. W. Mangham, cashier. The directors are C. F. Shewmake, H. C. Eberts, W. W. Mangham, Dean S. Campbell, and J. Lamar Paxson.

Fort Pierce is on the east coast of Florida 58 miles north of West Palm Beach. It is the seat of St. Lucie County and in 1940 had a population of 8,040. It is the local center of fall and winter vegetable growing and is rapidly becoming an important factor in the citrus industry. In addition to the usual commercial establishments, the city contains several large packing houses, including fruit processing plants and facilities of two large co-operative growers associations. Fort Pierce's excellent harbor is regarded as an important factor in the future growth of the city.

Rome Bank and Trust Company

The Rome Bank and Trust Company, Rome, Georgia, a newly organized nonmember bank, will remit at par effective October 1, 1945, for checks drawn on it that are received from the Federal Reserve Bank. The capital of the new bank is $125,000, and its surplus is $25,000.

Officers of the bank are J. B. Dodd, president; J. B. Dodd Jr., vice president and cashier; Vann Enloe, vice president, inactive; and Mrs. Nell F. Hanson, assistant cashier. The directors are T. H. Selman, chairman, and J. B. Dodd, Jerre Dodd, Fred C. Higgins, Harold Clotfelter, Victor Yeargan, C. B. McMullan, D. N. Blanton, Scott Rogers, W. H. Austin, and Vann Enloe.

Rome is an important manufacturing and agricultural center of northeast Georgia. In 1940, it had a population of 26,282.

Bank of Abbeville and Trust Company

Scheduled to go on the Par List on October 1 is the Bank of Abbeville and Trust Company, Abbeville, Louisiana. Officers of this bank are F. W. Kerksieck, chairman and president; Dr. H. A. Eldredge, vice president; E. L. Terrier, cashier; and M. E. Harrington, assistant cashier. The bank's directors are O. H. Deshotels, H. A. Eldredge, M. E. Harrington, E. W. Henry, Felix J. Samson, E. L. Terrier, Joseph A. Villien, Dixon Vincent, and F. W. Kerksieck.

The bank's capital at the first of the year was $100,000, surplus and undivided profits were $73,000, and deposits were $3,778,000. The bank was founded in 1894.

Abbeville in 1940 had a population of 6,672. It is the seat of government of Vermilion Parish, which lies to the west of New Orleans and borders on the Gulf of Mexico. The town is the center of a fertile rice-growing region.

Also going on the Par List with its parent bank is the branch of the Bank of Abbeville and Trust Company at Maurice, Louisiana. At the first of the year J. A. Villien was manager and P. E. Trahan was assistant manager.

Maurice in 1940 had a population of 420. It is also in Vermilion Parish and is situated 10 miles north of Abbeville, halfway between Abbeville and Lafayette.

Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES
(In Thousands of Dollars)

Item	Sept. 19 1945	Aug. 22 1945	Sept. 20 1944	Per Cent Change Sept. 19, 1945, from	
				Aug. 22 1945	Sept. 20 1944
Loans and investments—Total	1,981,920	1,992,272	1,717,228	— 1	+ 15
Loans—total	331,852	335,982	289,275	— 1	+ 15
Commercial, industrial, and agricultural loans	176,606	174,389	159,247	+ 1	+ 11
Loans to brokers and dealers in securities	9,705	9,406	5,281	+ 3	+ 84
Other loans for purchasing and carrying securities	54,882	59,143	33,312	— 7	+ 65
Real estate loans	24,191	23,653	25,663	+ 2	— 6
Loans to banks	1,763	1,776	1,027	— 1	+ 72
Other loans	64,705	67,615	64,745	— 4	— 0
Investments—total	1,650,068	1,656,290	1,427,953	— 0	+ 16
U. S. direct obligations	1,505,488	1,510,816	1,289,562	— 0	+ 17
Obligations guaranteed by U. S.	1,638	3,710	20,543	— 56	— 92
Other securities	142,942	141,764	117,848	+ 1	+ 21
Reserve with F. R. Bank	363,772	361,905	313,826	+ 1	+ 16
Cash in vault	30,140	29,932	26,574	+ 1	+ 13
Balances with domestic banks	139,937	165,741	147,552	— 16	— 5
Demand deposits adjusted	1,280,419	1,264,108	1,110,253	+ 1	+ 15
Time deposits	403,290	392,429	302,120	+ 3	+ 33
U. S. Gov't deposits	199,630	253,683	248,606	— 21	— 20
Deposits of domestic banks	516,896	534,964	446,003	— 3	+ 16
Borrowings	4,000	......	......	.....	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	Aug. 1945	July 1945	Aug. 1944	Per Cent Change Aug. 1945 from	
					July 1945	Aug. 1944
ALABAMA						
Anniston	3	17,377	17,756	17,295	— 2	+ 0
Birmingham	3	171,783	182,133	167,608	— 6	+ 2
Dothan	2	7,108	7,080	6,892	+ 0	+ 3
Gadsden	3	10,398	10,102	9,594	+ 3	+ 8
Mobile	4	104.413	98,721	112,364	+ 6	— 7
Montgomery	3	38,276	35,471	35,550	+ 8	+ 8
FLORIDA						
Jacksonville	3	168,849	162,422	170,933	+ 4	— 1
Miami	6	123,889	133,165	114,661	— 7	+ 8
Greater Miami*	10	164,066	174,523	149,266	— 6	+ 10
Orlando	2	26,089	28,294	22,785	— 8	+ 14
Pensacola	3	28,948	25,477	23,795	+ 14	+ 22
St. Petersburg	3	24,575	26,049	19,769	— 6	+ 24
Tampa	3	69,705	69,268	69,573	+ 1	+ 0
GEORGIA						
Albany	2	8,781	8,293	8,162	+ 6	+ 8
Atlanta	4	472,354	476,725	476,038	— 1	— 1
Augusta	3	32,357	33,451	33,934	— 3	— 5
Brunswick	2	11,171	11,460	13,200	— 3	— 15
Columbus	4	36,981	32,699	30,481	+ 13	+ 21
Elberton	2	1,798	1,870	1,731	— 4	+ 4
Macon	3	44,401	40,979	43,108	+ 8	+ 3
Newnan	2	5,669	5,924	4,128	— 4	+ 37
Savannah	4	77,430	66,034	89,754	+ 17	— 14
Valdosta	2	20,970	10,257	15,940	+104	+ 32
LOUISIANA						
Baton Rouge	3	40,005	43,686	37,947	— 8	+ 5
Lake Charles	3	16,291	17,031	15,490	— 4	+ 5
New Orleans	7	402,592	417,912	406,862	— 4	— 1
MISSISSIPPI						
Hattiesburg	2	11,051	10,938	12,619	+ 1	— 12
Jackson	4	63,098	65,844	59,734	— 4	+ 6
Meridian	3	17,525	16,520	15,488	+ 6	+ 13
Vicksburg	2	12,879	17,748	16,182	— 27	— 20
TENNESSEE						
Chattanooga	4	80,922	87,542	78,537	— 8	+ 3
Knoxville	4	122,777	110,396	100,543	+ 11	+ 22
Nashville	6	188,730	198,925	171,178	— 5	+ 10
SIXTH DISTRICT 32 Cities	104	2,459,192	2,470,172	2,401,875	— 0	+ 2
UNITED STATES 334 Cities		73,231,000	79,163,000	69,124,000	— 7	+ 6

* Not included in Sixth District total

The District Business Situation

In September, sales at department stores in the Sixth District have increased, as they did in August, but by an amount less than might have been expected on the basis of past experience. The seasonally adjusted index declined in both months after reaching an all-time high in July. Wholesale distribution increased only slightly in August and was 3 per cent below the August 1944 level. The volume of life insurance written in August was down 6 per cent from that sold in July, but it was 5 per cent greater than the amount written in August of last year. Coal output declined somewhat in August, but steel-mill activity continues at a high rate. Lumber and textile mills, on the other hand, are still handicapped by a shortage of labor. Current estimates are for 15 per cent less cotton than was produced in 1944.

Progress in Reconversion

District industry for the most part is making progress in its preparations to resume its peacetime functions. Utilization of the strictly war-purpose plants, expansion of existing plants, and construction of new plants are still largely in the planning stage. Manufacturing plants whose conversion problems are essentially a matter of shifting production from that for war uses to that for peacetime uses have been in a position to make much more rapid progress in converting. In these plants, notably textile establishments, the problem has been essentially one of getting additional workers. Obtaining such workers, however, is a matter that takes time for some workers are reluctant to go on a peacetime basis immediately, whether they served in war plants or in the armed services.

The problem of utilizing the strictly war-purpose plants is one that has no easy solution. It is complicated at the moment because the large plants have not yet been made available to private operators and plans for their utilization must necessarily be tentative in nature. One of the most stubborn problems will be that of finding uses for the great aircraft plants that were developed during the war. Heading the list in difficulty is the utilization of the Bell Bomber plant at Marietta, Georgia. This plant was one of the largest single manufacturing employers that the South has ever known, reaching a peak employment of more than 28,000 workers in February of this year. Currently, the plant is rapidly reducing the number of its workers, and the number has already fallen to about 5,000. The main plant, which has almost four million square feet of floor space, is air conditioned, solidly constructed, and equipped with an extensive array of modern machinery. No enterprise that could use the entire establishment on a permanent basis has yet expressed interest in doing so, but numerous firms have indicated an interest in renting portions of the available space.

Another of the District's huge aircraft plants, that of the Bechtel-McCone Corporation at Birmingham, offers a similar reconversion difficulty. This plant served as an aircraft modification center and processed during the war period some 1,200 B-29s. At peak activity the plant employed 15,000 workers. A local committee is now exploring the possibility of acquiring the facilities of the corporation for sublease to a variety of small industries.

Another aircraft plant that will be available for peacetime use is the lake-front establishment of Consolidated Vultee Aircraft Corporation at New Orleans. This plant has completed the last of 31 PBY Catalina bombers for the Navy. At one time the plant employed 6,200 workers, but now the number of employees is around 400 and these are being retained primarily for dismantling purposes. The company's plant at Miami is also virtually closed down. Peacetime use of this plant is hampered by its location. Built near an airport, the plant is without railroad facilities, and if such facilities were established, a hazard would be created for aircraft using the field.

Successful use of the District's ordnance plants is not at all promising. The giant Coosa River Ordnance plant at Talladega and the even larger ordnance plant at Childersburg, both in Alabama, have not yet been declared surplus property. The Childersburg plant, which produced explosives during the war, seems especially suitable for some sort of chemical manufacturing. One suggestion that seems to have merit is that the plant might be used for manufacturing newsprint from Southern slash pine by the Herty process. A group of newspaper publishers is reported to have made an inspection of the plant with this purpose in mind. The plant is also suitable for the production of rayon and other cellulose substances. Citizens of both Talladega and Childersburg have formulated plans for the organization of local groups whose purpose will be to work out some use of these huge wartime establishments that will otherwise stand idle. The Talladega organization, for example, is known as the Talladega War Plants Conversion Corporation.

The shipbuilding plants in large measure will be peacetime casualties, and most of them are gradually finishing up their work. In mid-September the Southeastern Shipbuilding Corporation at Savannah launched its one hundred and sixth ship, its last under contract, and it is probable that shipbuilding will cease entirely at Savannah by the end of the year. At Mobile, also, the Alabama Drydock and Shipbuilding Company has only one ship remaining to be launched under contract with the United States Maritime Commission, but the company still has considerable ship-repair work to complete. The company on September 21 launched its one hundred and twenty-first ship. Of those previously launched 101 have been 22,400-ton tankers. The huge Delta shipyard at New Orleans is also virtually closed, and prospects are against its revival as a shipbuilding base. A program had been proposed that would permit the use of the installation on a multiple-tenant basis, but under present requirements of the Maritime Commission, requiring that its shipyards must continue to serve maritime purpose, such tenanacy is not possible. The St. Johns River Shipbuilding Corporation and the J. A. Jones Construction Company's plants at Panama City, Florida, and Brunswick, Georgia, face the same bleak prospects for conversion. The outlook for the Panama City yard, however, has been brightened somewhat by reports that the facilities may be converted for use by a large glass manufacturer.

The outlook for new plants and plant expansions continues to be favorable, and to a large extent these developments will offset the depressing effect brought about by curtailed operations at the special-purpose war plants. Some of the announced expansions are of major proportions. The Hercules Powder Company has announced an addition to its naval stores plant at Brunswick, Georgia, that will cost $1,250,000. This addition is expected to be in operation by April of next year. The Muscogee Manufacturing Company of Columbus, Georgia, has let a contract for the erection of a plant that will cost $250,000. The American Can Company at Tampa, Florida, has initiated an expansion program that will cost $1,250,000. Plans for the establishment in Macon, Georgia, of a $6,000,000 pulp mill by the Armstrong Cork Company have almost been completed. The O. B. Andrews Company of Chattanooga, Tennessee, is beginning a $500,000 expansion program that involves the establishment of a new container plant in Knoxville and additions in equipment and buildings for its plants in Chattanooga and Atlanta. The Southern Railway System, which serves a large part of the Sixth District, has announced the placing of 10 million dollars in contracts for the new Diesel electric engines. Johns-Manville Company has announced a 40-million-dollar expansion program that will include the enlargement of the company's facilities in Atlanta and the erection of a new manufacturing plant somewhere in Georgia. Sherwin-Williams Company has announced plans to construct a two-million-dollar paint-manufacturing plant in Atlanta. Pointing towards future industrial development in the region is the announcement that the Southern Regional Research Institute, Birmingham, Alabama, is inaugurating a campaign to raise $2,500,000 to finance an expansion of the institute's facilities. It is expected that this campaign will be completed in 90 days. The origin, purposes, and functions of this institute were reported in the September 1944 issue of the *Review*.

Here and there in the District considerable progress has been made by some of the smaller industrial plants in converting to peacetime production. The Walters Manufacturing Company of Morristown, Tennessee, for example, is now concentrating on the making of a new kind of stoker. During the war this company became almost exclusively engaged in producing bomb parts and other war material. The Southeastern Garment Company at Greeneville, Tennessee, which manufactured armored vests for combat fliers during the war, is now preparing to make women's dresses. Miller Trailers, Incorporated, at Bradenton, Florida, a company that put all of its facilities on special work for the armed forces during the war, is now turning to the production of refrigerated, general-freight, platform, and other special trailers. The Chatsworth Manufacturing Company, Chatsworth, Georgia, is shifting from the manufacture of parts for the atomic-bomb plant at Oak Ridge, Tennessee, to producing a new type of lawn and garden sprinkler, an improved barrel pump, and radiator and gasoline-tank caps.

The conversion problem of the District's textile mills has

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number of Lenders Reporting	Per Cent Change July 1945 to August 1945	
		Volume	Outstandings
Federal credit unions	39	+ 20	+ 2
State credit unions	24	— 44	— 1
Industrial banking companies	9	— 17	— 7
Industrial loan companies	19	+ 6	+ 2
Personal finance companies	51	— 4	+ 1
Commercial banks	34	+ 10	+ 2

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Per Cent Change August 1945 from	
		July 1945	August 1944
Total sales	86	+ 5	+ 7
Cash sales	76	+ 3	+ 24
Instalment and other credit sales	76	+ 8	+ 5
Accounts receivable, end of month	83	+ 2	+ 7
Collections during month	83	+ 1	+ 13
Inventories, end of month	74	+ 7	+ 25

WHOLESALE SALES AND INVENTORIES* — AUGUST 1945

Item	SALES			INVENTORIES		
	No. of Firms Reporting	Per Cent Change Aug. 1945 from July 1945	Aug. 1944	No. of Firms Reporting	Per Cent Change Aug. 1945 from July 1945	Aug. 1944
Automotive supplies	12	+ 9	+ 12	7	+ 2	+ 32
Clothing and furnishings	3	+ 3	— 4	..	.....	.....
Drugs and sundries	6	+ 3	— 4	3	— 1	+ 5
Dry goods	12	+ 5	— 20	6	+ 6	— 19
Electrical goods	7	+ 4	+ 21	5	+ 1	+ 43
Fresh fruits and vegetables	3	+ 12	+ 1	..	.....	.....
Farm supplies	3	+ 2	+ 9	..	.....	.....
Confectionery	5	+ 10	— 24	..	.....	.....
Groceries—full line wholesalers	36	— 15	— 2	15	+ 6	— 33
Groceries—specialty line wholesalers*	10	+ 8	— 4	6	— 9	+ 4
Beer	3	— 5	— 14	3	+ 3	+ 23
Hardware—general	13	+ 5	+ 2	5	— 6	— 10
Hardware—industrial	6	+ 2	+ 11	..	.....	.....
Machinery—equipment and supplies	3	+ 4	— 21	..	.....	.....
Tobacco and its products	9	+ 22	+ 6	3	— 12	+ 1
Miscellaneous	17	+ 20	— 17	16	— 2	— 19
TOTAL	148	+ 2	— 3	69	— 0	— 9

*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS

Place	SALES			INVENTORIES		
	No. of Stores Reporting	Per Cent Change Aug. 1945 from July 1945	Aug. 1944	No. of Stores Reporting	Per Cent Change Aug. 1945 from July 1945	Aug. 1944
ALABAMA						
Birmingham	5	+ 11	— 2	4	— 1	+ 7
Mobile	5	+ 7	— 12	.	.....	.....
Montgomery	3	+ 14	+ 11	3	— 3	— 0
FLORIDA						
Jacksonville	4	+ 5	+ 4	3	+ 2	+ 14
Miami	4	+ 2	+ 11	3	+ 1	+ 10
Orlando	3	+ 6	+ 10	.	.....	.....
Tampa	5	— 2	+ 5	3	— 3	+ 1
GEORGIA						
Atlanta	6	+ 27	+ 12	5	+ 1	+ 3
Augusta	4	+ 17	+ 23	3	— 4	+ 10
Columbus	3	+ 7	+ 4	.	.....	.....
Macon	4	+ 8	— 1	4	+ 0	— 6
LOUISIANA						
Baton Rouge	4	+ 16	+ 17	4	— 1	+ 6
New Orleans	4	+ 17	+ 5	3	— 11	— 32
MISSISSIPPI						
Jackson	4	+ 22	+ 13	4	— 3	+ 1
TENNESSEE						
Bristol	3	+ 18	+ 18	3	— 3	— 5
Chattanooga	4	+ 13	+ 4	3	— 11	— 7
Knoxville	4	+ 14	+ 3	.	.....	.....
Nashville	6	+ 21	+ 12	5	+ 3	+ 4
OTHER CITIES*	18	+ 2	+ 11	22	+ 3	+ 0
DISTRICT	93	+ 14	+ 7	72	— 1	— 1

*When less than 3 stores report in a given city, the sales or stocks are grouped together under "other cities."

been primarily one of obtaining additional workers. Few of the mills have had any layoffs, and to a very considerable extent they have absorbed, or are ready to absorb, workers from ordnance, munitions, and other war-purpose plants, as well as workers discharged from the armed forces.

Another hopeful conversion development was the Interstate Commerce Commission's action on September 19 of authorizing the War Shipping Administration to begin operating coastal and intercoastal services between Atlantic, Gulf of Mexico, and Pacific ports. This authorization will expire at the end of the year, for Government operation of these shipping facilities is regarded as being preparatory to returning the lines to private operators. The Alcoa Steamship Company, Incorporated, has already resumed commercial shipping from Mobile and New Orleans to the Dominican Republic and expects to resume other services in October.

As yet the conversion process in the District has not been greatly slowed by strikes and walkouts among industrial employees though some have occurred. A minor walkout occurred during September at the McWane Castiron Pipe Company at Birmingham. Another minor strike developed among the employees of the Summerville Iron Works in North Chattanooga, but this was settled at the end of August. Still a third strike developed among the 3,300 employees of the Savannah Machine and Foundry Company, Savannah, Georgia. Unrest and dissatisfaction among textile workers offers possible difficulty. The textile plant of the Athens Manufacturing Company, Athens, Georgia, was strike-bound during the latter part of the month. Potential strike situations in other textile mills in the District are indicated, including mills at Jacksonville, Alabama, and Atlanta, Greensboro, Carrollton, and Union Point, Georgia.

On the whole the resumption of peacetime manufacturing in the District has moved rather slowly. Apparently, however, job openings have kept reasonable pace with job layoffs. Restoration of peacetime production, however, is no easy task, and some time must elapse before real progress can be achieved.

AMENDMENT TO REGULATION W

The Board of Governors of the Federal Reserve System adopted, to be effective October 15, 1945, Amendment Number 18 to Regulation W, relating to the control of consumer credit under the authority of a Presidential Executive Order. This latest amendment removes all restrictions on the extension of credits for home repairs and improvements, and it lengthens from 12 months to 18 months the maturity limitation on loans that are not for the purpose of purchasing consumers' durable goods.

Until consumers' goods come on the market in sufficient supply to meet demands, the Board of Governors believes the use of consumer credit should, in so far as possible, be discouraged. Accordingly, the Board, since reviewing Regulation W now that the war is ended, has concluded that the Regulation should not be substantially amended at the present time except in the two particulars specified.

Copies of the amendment will be distributed to all registrants in the Sixth District before the effective date of the amendment.

Retail and Wholesale Trade

For some years past, Sixth District department store sales have, in each successive month, been larger than they ever were in corresponding months of earlier years, and it seems probable that this trend will continue for some time to come. The declines from May to June and June to July were less than usual this year, and the sales index, after allowance was made for seasonal influences, reached a level in July never before attained. In August, however, sales increased less than they usually do in that month, the adjusted index declining by about 9 per cent. Moreover, a preliminary index for September, based upon reports of less than the full number of reporting stores for the first two weeks of the month, indicates a September increase in dollar sales also smaller than might be expected and a further decline of about 4 per cent in the adjusted index.

In the first half of September, sales reported by more than thirty stores averaged 13 per cent greater than those reported in August and 7 per cent greater than those for September of last year. In sales, August was up 14 per cent from July and 7 per cent higher than August 1944. Furthermore, total sales were 14 per cent larger in the first eight months of 1945, January through August, than they were in that part of last year. Increases over the corresponding period a year ago ranged from 9 per cent at New Orleans and Birmingham to 23 per cent at Montgomery. The only decrease, 2 per cent, was reported for Mobile.

Merchandise distribution through Sixth District wholesalers in August increased over that in July by only 2 per cent, and sales were 3 per cent less than they were in August 1944. Almost all reporting lines had increases over their July volume, the exceptions being groceries and beer. Comparisons with August of last year vary all the way from a decrease of 24 per cent in confectionery to an increase of 21 per cent in electrical goods. Wholesale inventories at the end of August were about the same as those of a month earlier but were smaller by 9 per cent than they were at the corresponding time a year ago.

Life Insurance Sales

Sales of life insurance in the District's six states continued in August to compare favorably with those of the corresponding period a year ago. A decline of about 6 per cent below the July volume occurred in August, but the decrease is about in line with what frequently happens at that time of the year. Compared with sales in August last year, there was a decrease of 11 per cent in Mississippi, but increases in the other states ranged from 2 per cent in Louisiana and Tennessee and 3 per cent in Georgia to 10 per cent in Alabama and 12 per cent in Florida. For the January-August period, increases over that part of 1944 ranged from 10 per cent in Mississippi through 12 per cent in Alabama, 14 per cent in Tennessee, and 15 per cent in Georgia to 18 per cent in Florida and Louisiana.

Banking

The volume of Sixth District Federal Reserve notes in actual circulation continues to rise. In August the increase amounted to almost 38 million dollars, whereas the rise in July totaled 28 million dollars. During recent months the increase in net circulation of notes of the larger denominations — those of

50 dollars or more—has been a good deal smaller proportionately than it was last year. In August, notes of the larger denominations in actual circulation increased six million dollars and those of the 5-, 10-, and 20-dollar denominations increased 32 million dollars. Whereas a year ago notes of the larger denominations accounted for only 31 per cent of this bank's total net circulation, the percentage had increased by the end of March 1945 to 32.6 per cent. At the close of August these larger notes accounted for only 30 per cent of the total.

At weekly reporting member banks in selected cities of the District the volume of loans has changed little in recent weeks, although since mid-year the total has declined about 40 million dollars. A large part of the decrease has been in loans on securities. These 20 banks on September 12 had increased their holdings of United States securities to 1,520 million dollars, but this total declined more than 14 million dollars the following week.

Though their demand deposits adjusted also declined by 14 million dollars during the same week, these deposits were still 15 per cent greater than they had been a year earlier. Deposits of other banks also declined by the same amount during the seven days following the 12th, but they were 16 per cent larger than they had been on the corresponding report date last year.

Agriculture

In the six states located wholly or partly in the Sixth Federal Reserve District, cotton-crop prospects declined 5 per cent during August, according to the September 1 report made by the United States Department of Agriculture. The September estimate of 4,194,000 bales in these six states is 15 per cent less than the 1944 crop. Moreover, in only two years, 1940 and 1941, during the past 10 has the cotton crop in these six states been smaller than that in prospect for 1945.

In Alabama, prospects improved somewhat in the northern part of the state during August but deterioration lessened them in other sections. The September estimate of 900,000 bales was, therefore, the same as that made a month earlier. In Tennessee generally favorable weather resulted in a 5 per cent increase over the August estimate. In Georgia the frequent rains of July continued throughout most of August making impossible an effective poisoning program and resulting in particularly heavy weevil activity. The section of the state hardest hit is the southern part, but weevils are present also in force in the northern area. The reduction of 70,000 bales from the August 1 estimate is one of the largest reported for the state for any 30-day period in recent years. The Florida estimate also declined, 10 per cent, from August to September. In Louisiana and the southern part of Mississippi excessive rainfall caused weevils to spread rapidly. As a result, the estimate for Louisiana declined 15 per cent and that for Mississippi 5 per cent.

In addition to forecasting declines in cotton, the September estimates when compared with the August estimates show reductions of 4 per cent in peanuts, 2 per cent in rice (in Louisiana), and 1 per cent in pecans, as well as a slight decline in tame hay. They indicate no change in wheat, oats, and sugar cane, however, and point toward increases of 1 per cent in sweet potatoes, 6 per cent in tobacco, and 10 per cent in corn. The increase in the corn estimate indicates that the crop will be 7 per cent larger than that of 1944; earlier estimates had indicated a smaller crop than last year's. Though the wheat crop is estimated to be 11 per cent smaller than that in 1944, an increase of 0.4 per cent is expected for sweet potatoes, 3 per cent for rice, 4 per cent for peanuts, 5 per cent for pecans, 7 per cent for corn, 8 per cent for tobacco, 10 per cent for oats, 13 per cent for sugar cane, 31 per cent for potatoes, and 33 per cent for tame hay.

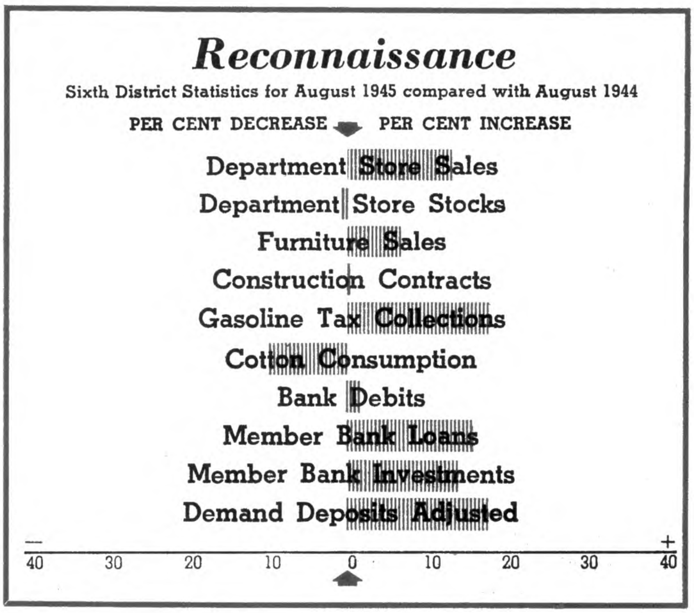
Industry

In spite of the cancellation of Government orders for large amounts of lumber that followed close on the Japanese surrender, lumber mills continue under the serious handicap of a shortage of both labor and equipment. The removal of restrictions on construction promised for October, therefore, may not mean all that it would normally imply, and especially since skilled lumber workers are reported to be reluctant to return from higher-paying jobs in war industries to work in the sawmills and the woods. In addition the Government cancellations seem to involve mostly lumber not yet produced, and there is no large stockpile of Government lumber that can be turned to civilian use. Mills are being besieged by the retailer, but because of their inability to increase production they hesitate to accept the large amount of business being offered.

Textile mills in Alabama, Georgia, and Tennessee used a total of 261,738 bales of cotton in August. This figure represents an increase of about 20,000 bales over the number consumed in July. August contained two working days more than July did, however, and the daily rate actually increased only slightly from the five-year low point reached in the earlier month. Activity in August this year was 10 per cent below the rate for that month last year.

Steel-mill activity in the Birmingham-Gadsden area was reported by the *Iron Age* as being 94 per cent of capacity in each week between July 10 and September 4. The publication reported further an increase of 1 per cent for the week ended September 11.

On a daily average basis, coal production in Alabama and Tennessee declined 7 per cent from July to August. It had a like decrease from the rate in August of last year.



The National Business Situation

PRODUCTION and employment at factories dropped sharply after the middle of August when most military contracts were cancelled. Activity in most other lines was maintained and the value of retail sales continued above last year's high levels.

Industrial Production

Industrial production declined 11 per cent in August, reflecting primarily the sharp curtailment of activity in aircraft, shipbuilding, and ordnance plants in the last half of the month, and the Board's seasonally adjusted index was 188 per cent of the 1935-39 average, as compared with 211 in July.

The largest part of the decline was in the machinery and transportation-equipment industries, where activity during the month averaged about 20 per cent below July. Output of steel and of nonferrous metal products likewise declined with the sudden elimination of almost all military demands. In September steel output increased with the receipt of orders in large volume from the automobile and other steel-consuming industries now rapidly converting to civilian production. Output of lumber and stone, clay and glass products declined slightly in August.

Production of nondurable goods in August was also below the July level, reflecting primarily military contract cancellations affecting output in the chemicals and rubber products industries. Cattle slaughter at Federally inspected plants rose sharply in August and the first two weeks of September. Output of shoes and newspaper-publishing activity also increased in August. Output of textiles, most manufactured food products, and other nondurable goods showed little change or declined slightly. Immediately after Japan's capitulation, rationing was ended for gasoline, fuel oil, and canned fruits and vegetables. Increased supplies of dairy and meat products and tobacco products were also made available for civilians.

Minerals production declined somewhat in August, reflecting chiefly a 4 per cent decrease in coal production. In the first part of September output of bituminous coal advanced. Crude-petroleum output was maintained in August at the record July level, but owing to the substantial decline in military demand for petroleum products, the production rate in the first half of September was about 8 per cent below August.

Awards for the construction of privately owned factories and commercial buildings continued to increase sharply in August. Contracts for private residential construction were awarded at about the same rate as in June and July, which was about twice the value of awards in the summer of 1944.

Distribution

Department store sales in August were smaller than in July on a seasonally adjusted basis but about 6 per cent larger than in August last year. In the first half of August sales were about 20 per cent larger than a year ago. In the last half of the month and the early part of September, following Japan's surrender, sales slackened and were little changed from last year's level. Sales in the two weeks ending September 22, however, rose sharply and were 11 per cent larger than in the corresponding period a year ago.

Railroad shipments of revenue freight in the last two weeks of August and the early part of September were in almost as large a volume as in the period prior to the week of Japanese surrender and only 7 per cent smaller than during the same period last year. In the middle of September, shipments of most classes of freight were as large or larger than a year ago; loadings, however, of miscellaneous manufactured products, which include munitions, were at a reduced level.

Commodity Prices

Prices of agricultural commodities declined from the early part of August to the early part of September but since that time have increased somewhat.

Maximum prices of petroleum products have been reduced somewhat since the early part of August, owing to lower transportation charges, while maximum prices of cotton goods, building materials, and various other industrial commodities have been increased.

Agriculture

Crop prospects continued to improve during August, and total production is expected to equal the record harvests of 1942 and 1944. Cotton production, however, is forecast at only 10 million bales, which is about 2 million smaller than last year's crop and the average for the past 10 years. Total carry-over of raw cotton in this country on August 1 was about 11 million bales, slightly more than in the two previous seasons.

Bank Credit

In the first month of peace, Federal Government expenditures though reduced were still well in excess of receipts, and war-loan balances at commercial banks were accordingly reduced. Adjusted demand and time deposits of weekly reporting banks increased by 1.8 billion dollars during the five weeks ended September 19, while war-loan balances at these same banks declined by 3.4 billion. Thus, as in other periods between Treasury financing drives, Treasury expenditures tended to increase deposits of business and individuals at small banks more than at large ones.

The currency outflow continued and totaled 425 million dollars during the five-week period, but it was somewhat below the outflow of last year for the comparable period. Time-deposit expansion continued as rapidly as in recent months.

Loans for purchasing and carrying Government securities at reporting banks were further liquidated during the five weeks by 470 million dollars, and, in addition, reporting banks reduced holdings of U. S. Government securities by 1.3 billion dollars to meet the increase in reserve requirements and net deposit declines. Smaller banks appear to have been purchasing Government securities during the period.

Reserve funds during the five-week period were supplied by an increase of 1.1 billion dollars in Reserve Bank holdings of Government securities and by a small increase in member banks' borrowings from the Reserve Banks. This increase met the currency outflow and increased average reserve balances by close to 550 million dollars; this was about as much as the increase in required reserves, and excess reserves remained near one billion dollars.

THE BOARD OF GOVERNORS