



## FEDERAL RESERVE BANK OF ATLANTA

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*Member Bank Operations During 1945*

**W**ITH a year of record profits behind them, a strong liquid position, and a consequent ability to meet the need for commercial and agricultural loans, member banks of the Sixth District have entered their first postwar year in a condition much stronger than they were in at the end of World War I. The annual study of banking operations completed by this bank indicates that wartime trends continue to dominate Sixth District banking operations throughout 1945 despite the ending of hostilities during the year. Any changes that occurred following V-J Day were insufficient to offset these trends.

The deposits of member banks continued their climb, the proportion of resources consisting of Government securities increased, and profits exceeded the record high of 1944. At the end of 1945 both the deposits and the Government-security holdings of the 324 member banks studied were more than a quarter larger than they were at the end of 1944. Deposits reached a total of 6.2 billion dollars, and holdings of Government securities totaled 3.3 billion dollars. On an average, Government securities held by member banks during 1945 amounted to more than one half of total deposits.

That the ending of the war may bring a change during the coming year in the pattern of banking operations is indicated by the 42.0 percent increase at the end of 1945 over member-bank loans outstanding at the end of the preceding year. The increase from 1943 to 1944 was 5.4 percent. Since the 1945 increase took place, to a large extent, during the latter part of the year, over-all 1945 operations do not reflect the full extent of the change.

► The details on which these conclusions are based are set forth in the tables on pages 22, 23, and 24, and are the result of this bank's ninth annual computation of operating ratios of member banks. The ratios presented in the tables are arithmetic averages of the ratios computed from the financial reports of the 324 individual member banks for which data are available for the entire year. The ratios of these individual banks, of course, vary considerably from the average. The asset and liability figures of each member bank taken from the condition reports for December 30, 1944; June 30, 1945; and December 31, 1945, were averaged. By the use of the average-asset and the average-liability figures and data from the earnings and dividend statements for 1945, ratios reflecting operations for the entire year were computed. When the data was summarized banks were grouped by size, according to the average total deposits during the year, in order to increase the validity of comparisons.

► Member-bank operations during 1945 yielded the highest profit on invested capital attained since 1937. The average

ratio of net profits after taxes to total capital accounts was 12.4, compared with the previous recorded high of 11.2 in 1944. The figure in 1945 was more than twice as large as that in 1942, when net earnings on invested capital were at their lowest on record. Taxes, which in 1945 exceeded those in 1944 by more than a third as measured by the ratio to total earnings, kept the net-profit figure from increasing more than it did.

Loans continued to diminish in importance both as a proportion of total assets and as a source of income. For all member banks in 1945 the ratio of loans to total assets averaged 13.8, compared with 15.4 in 1944, continuing the trend of the war years. Earnings on loans contributed on an average 33.9 percent of the total earnings in 1945, compared with 36.4 percent in 1944 and 62.7 percent in 1941, the highest recorded point.

Interest and dividends on securities, on the other hand, contributed a larger proportion of total earnings in 1945. Combined Government and other securities constituted on an average 53.0 percent of total assets, compared with 49.5 percent in 1944, and contributed 47.2 percent of total earnings in 1945, against 43.3 percent in 1944. Government securities alone yielded 39.0 percent of total earnings. Earnings and dividends on securities provide a much lower rate of interest than do earnings on loans. The average of the ratio for 1945, for example, shows a return of 1.4 percent on Government securities in contrast with a return of 5.0 percent on loans. So great was the expansion of total resources and of the proportion of those resources invested that earnings from Government securities increased sufficiently to offset any shift to lower-income yielding assets. For the 324 member banks the average ratio of combined securities and loans to total assets was 66.8 in 1945, compared with 64.9 in 1944. On the other hand, the ratio of cash assets to total assets decreased from 34.0 to 32.4.

► Although total expenses constituted a larger proportion of total earnings in 1945 than they did in 1944, the ratio of 65.1 was considerably lower than any for the years prior to 1944. This increase was chiefly a result of the increase from 8.2 to 8.9 in the ratio of interest on time and savings deposits to total earnings. The ratio of salaries and wages in 1945 was 30.2; in 1944 it was 30.5. The ratio of all other expenses remained the same at 26.0.

Interestingly enough, although there appears to be no consistent relationship between the size of the banks and the ratio of total expenses to earnings, the ratio of salaries and wages to total earnings is, as a general rule, smaller for the larger banks. The ratio of salaries and wages to total earnings was

## AVERAGE OPERATING RATIOS OF MEMBER BANKS

GROUPED ACCORDING TO AVERAGE DEPOSITS

GROUPS WITH AVERAGE DEPOSITS OF NUMBER OF BANKS IN EACH GROUP	Up to \$1,000,000		\$1,000,000 to \$2,000,000		\$2,000,000 to \$3,500,000	
	Average of Group %	Range within which fell middle 50% of the banks %	Average of Group %	Range within which fell middle 50% of the banks %	Average of Group %	Range within which fell middle 50% of the banks %
<b>RATIOS TO TOTAL CAPITAL ACCOUNTS OF:</b>						
Net current earnings.....	11.8	9.0— 14.5	12.0	8.0— 16.1	13.6	9.3— 16.9
Profits before income taxes.....	11.7	8.7— 14.0	13.1	9.2— 17.7	14.6	9.8— 18.1
Net profits after taxes.....	9.3	7.0— 10.3	10.8	7.4— 14.2	11.9	8.1— 14.4
Cash dividends declared.....	2.9	1.5— 3.8	3.1	2.3— 3.8	3.5	2.7— 4.2
<b>RATIOS TO TOTAL ASSETS OF:</b>						
Total earnings.....	2.2	1.9— 2.5	1.9	1.6— 2.2	2.0	1.7— 2.2
Net current earnings.....	.8	.6— 1.0	.7	.5— .9	.7	.5— .9
Net profits after taxes.....	.7	.5— .7	.6	.5— .8	.6	.4— .8
<b>RATIOS TO TOTAL EARNINGS OF:</b>						
Interest and dividends on Government securities.....	31.6	22.8— 43.2	30.4	20.3— 40.5	35.1	24.9— 43.3
Interest and dividends on other securities.....	6.6	.6— 5.3	6.7	.8— 10.0	9.1	2.1— 10.3
Earnings on loans.....	46.9	32.9— 59.1	43.8	32.2— 55.0	37.8	25.3— 49.3
Service charges on deposit accounts.....	7.4	4.1— 8.8	6.9	3.0— 9.6	7.2	3.2— 10.9
Trust department earnings.....	...	...	...	...	...	...
All other earnings.....	7.5	2.7— 12.2	12.2	6.6— 15.9	10.8	5.9— 14.1
Total earnings.....	100.0	X X X	100.0	X X X	100.0	X X X
Salaries and wages.....	31.9	30.9— 33.3	32.1	26.6— 36.1	31.1	26.2— 34.3
Interest on time and savings deposits.....	5.7	...— 8.6	7.6	3.3— 9.1	9.1	4.4— 12.7
All other expenses.....	23.3	18.9— 27.4	25.8	20.5— 30.4	25.0	21.4— 27.3
Total expenses.....	60.9	56.3— 63.7	65.5	58.1— 71.5	65.2	58.1— 71.2
Net current earnings.....	39.1	36.3— 43.7	34.5	28.5— 41.9	34.8	28.8— 41.9
Net losses or recoveries.....	+ .6	— 4.1— +3.9	+ 4.4	— 2.3— +7.7	+ 3.8	— 3.5— +7.7
Taxes on net income.....	8.7	4.8— 10.1	6.7	3.8— 9.2	6.8	3.9— 9.9
Net profits after taxes.....	31.0	26.6— 36.0	32.2	24.7— 39.2	31.8	23.0— 39.6
<b>RATIOS TO SECURITIES OF:</b>						
Interest and dividends on Government securities.....	1.7	1.4— 2.0	1.4	1.2— 1.7	1.5	1.2— 1.8
Interest and dividends on other securities.....	3.8	1.5— 6.3	3.7	2.9— 4.3	3.5	2.5— 3.9
Net losses or recoveries.....	...	...	+ .2	...— + .1	+ .2	...— + .2
<b>RATIOS TO TOTAL LOANS OF:</b>						
Earnings on loans.....	7.9	6.6— 9.3	6.0	4.2— 7.3	5.7	4.6— 6.8
Net losses or recoveries.....	...	— .3— + .6	+ .1	...— + .2	+ .1	— .1— + .2
<b>RATIOS TO TOTAL ASSETS OF:</b>						
Government securities.....	41.2	32.7— 45.4	40.0	32.8— 45.2	45.4	39.3— 53.6
Other securities.....	4.4	.6— 3.6	3.8	1.1— 4.6	5.5	1.9— 7.2
Loans.....	13.6	8.3— 17.6	16.5	8.7— 20.8	14.6	8.9— 17.6
Cash assets.....	40.2	33.8— 46.3	39.0	30.8— 44.1	33.8	28.6— 37.1
Real estate assets.....	.5	.2— .8	.6	.3— .8	.6	.2— .8
All other assets.....	.1	...	.1	...	.1	...— .1
Total assets.....	100.0	X X X	100.0	X X X	100.0	X X X
<b>CAPITAL AND DEPOSIT RATIOS:</b> (In Percentage)						
Cap. accts. to total assets.....	7.8	6.3— 8.3	6.2	4.5— 6.9	5.6	4.0— 6.2
Cap. accts. to total assets less gov'ts and cash assets.....	49.4	33.8— 59.6	33.4	24.8— 41.3	35.4	21.4— 38.4
Cap. accts. to total deposits.....	8.6	6.6— 9.0	6.6	4.7— 7.4	6.0	4.2— 6.7
Time to total deposits.....	12.3	8.8— 20.4	16.8	7.7— 26.0	19.5	11.1— 25.9
Interest to time deposits.....	.8	1.0— 1.3	.8	.8— 1.0	.9	.8— 1.1
<b>RATIO TO TOTAL DEPOSITS:</b> Government securities.....	44.5	34.7— 51.4	42.6	34.9— 48.8	48.2	41.8— 56.7

## THE SIXTH FEDERAL RESERVE DISTRICT IN 1945

## SIZE OF DEPOSITS

\$3,500,000 to \$7,000,000		\$7,000,000 to \$15,000,000		\$15,000,000 to \$75,000,000		Over \$75,000,000		All District Member Banks
75		60		42		20		324
Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group
%	%	%	%	%	%	%	%	%
13.6	10.7— 16.3	12.2	9.7— 15.4	14.3	11.4— 16.8	14.1	11.2— 14.9	13.2
15.4	11.7— 18.3	16.9	11.6— 18.5	19.8	11.7— 25.6	18.8	13.4— 23.1	15.8
12.1	8.6— 15.4	13.5	9.3— 15.6	14.7	9.2— 19.2	13.8	9.0— 16.9	12.4
3.8	2.6— 4.5	3.2	2.3— 3.9	2.4	1.7— 3.3	3.5	2.5— 3.7	3.3
1.7	1.5— 2.0	1.7	1.5— 1.9	1.7	1.5— 1.8	1.6	1.4— 1.7	1.8
.6	.5— .8	.6	.4— .7	.6	.5— .7	.6	.5— .6	.6
.6	.4— .7	.6	.4— .7	.6	.4— .7	.6	.4— .7	.6
40.6	30.0— 53.6	43.1	36.9— 49.0	44.2	42.0— 50.7	47.1	40.8— 59.2	39.0
7.4	1.7— 11.1	9.1	2.7— 11.3	9.2	4.4— 13.0	8.6	4.2— 9.8	8.2
34.2	21.3— 48.5	27.9	19.3— 35.5	25.2	18.5— 30.6	24.2	19.5— 28.9	33.9
6.9	3.5— 8.7	8.2	5.6— 10.0	7.1	5.2— 8.6	3.9	2.6— 4.5	7.1
.6	.....	1.0	...— 1.4	2.5	...— 4.5	3.1	1.7— 3.9	.8
10.3	6.7— 13.7	10.7	7.6— 13.9	11.8	7.4— 15.5	13.1	9.9— 15.6	11.0
100.0	X X X	100.0	X X X	100.0	X X X	100.0	X X X	100.0
29.9	25.7— 34.1	30.3	27.5— 33.3	29.1	26.3— 31.2	24.8	21.4— 27.8	30.2
9.7	5.8— 12.3	10.7	6.6— 13.0	7.9	5.1— 9.7	7.6	6.0— 9.1	8.9
25.3	21.4— 27.0	26.8	21.6— 31.6	26.9	22.8— 29.6	30.3	27.4— 34.6	26.0
64.9	58.7— 70.5	67.8	62.5— 74.9	63.9	59.1— 68.2	62.7	59.8— 68.7	65.1
35.1	29.5— 41.3	32.2	25.1— 37.5	36.1	31.8— 40.9	37.3	31.3— 40.2	34.9
+ 5.5	— 1.2— +10.6	+12.1	+ .6— +16.4	+14.5	— .8— +23.2	+13.4	+ 1.8— +20.1	+ 7.6
8.8	4.9— 11.4	9.1	5.4— 11.4	12.8	5.7— 20.2	13.1	9.5— 13.5	8.9
31.8	21.7— 40.6	35.2	25.4— 40.4	37.8	24.3— 43.1	37.6	24.4— 50.4	33.6
1.4	1.2— 1.6	1.4	1.2— 1.5	1.4	1.3— 1.6	1.4	1.2— 1.6	1.4
3.1	2.3— 3.8	3.0	1.9— 3.6	2.8	1.8— 3.5	3.1	2.2— 3.2	3.2
+ .2	...— + .2	+ .2	...— + .3	+ .5	...— +1.0	+ .4	...— + .5	+ .2
4.9	3.8— 6.0	4.5	3.6— 5.2	3.7	2.9— 4.4	2.7	2.2— 3.0	5.0
+ .1	— .1— + .1	+ .2	— .1— + .2	...	...— + .1	+ .1	...— + .2	+ .1
47.8	38.4— 58.1	53.0	46.9— 60.0	52.2	48.5— 56.5	52.7	48.4— 56.1	47.8
4.8	1.1— 6.7	6.0	1.9— 5.9	6.3	3.2— 9.0	5.1	2.9— 5.6	5.2
13.6	7.0— 16.8	12.0	6.9— 15.8	12.4	9.0— 13.9	14.8	10.3— 19.0	13.8
33.2	26.1— 36.7	28.1	25.3— 30.9	28.1	23.8— 31.0	26.1	23.7— 28.0	32.4
.5	.3— .7	.6	...— .4	.8	.3— 1.1	.9	.6— 1.1	.6
.1	...— .1	.3	...— .3	.2	...— .3	.4	.3— .5	.2
100.0	X X X	100.0	X X X	100.0	X X X	100.0	X X X	100.0
4.8	3.7— 5.6	4.7	3.8— 5.2	4.5	3.6— 5.2	4.3	4.0— 4.5	5.2
31.3	20.3— 38.3	31.9	20.1— 35.9	25.5	19.0— 31.3	23.9	16.4— 30.1	32.3
5.0	3.9— 5.9	5.0	4.0— 5.5	4.8	3.8— 5.5	4.6	4.1— 4.7	5.6
19.9	13.9— 24.4	22.4	15.6— 28.4	17.2	12.6— 20.2	13.6	10.8— 15.6	18.7
.8	.8— 1.0	.8	.8— .9	.8	.8— .9	.9	.8— .9	.9
50.2	40.2— 60.2	55.7	48.9— 62.7	54.8	50.9— 59.4	55.3	50.6— 59.5	50.4

24.8 for banks having deposits of more than 75 million dollars in contrast to 31.9 for banks having deposits of less than one million dollars.

► The traditional conservative dividend policy was maintained during 1945, with a large part of the additional profits being retained as increases in capital. The average ratio of cash dividends to total capital accounts was 3.3 in 1945, compared with 3.4 in 1944. Cash dividends paid have consistently remained near this ratio for several years. The increased profits, therefore, have resulted in an increase in the total amount of the banks' invested capital.

Deposits have expanded to such a great extent, however, that despite increased capitalization, the ratio of capital to deposits has continued to decline. Since 1939, when the average ratio was 17.1, the ratio of total capital accounts to total deposits has declined each year. It averaged 6.6 in 1944 and 5.6 in 1945. Because of the strong liquid condition of the banks, this low ratio is not alarming. On an average the banks' cash assets and Government securities combined amounted to more than 80 percent of total assets. The stable value of Government securities and their ready convertibility to cash assure high liquidity. The present relatively high rate of return on capital provides an opportunity, however, to secure

additional capital on favorable terms through the issue of capital stock.

► Fundamentally, the increase in bank profits during the past few years is explained by the sale of Governmental securities to finance the war. This sale has resulted, of course, in expansion of both the banks' deposits and their holdings of Government securities. The ending of the war, therefore, has raised important questions concerning its possible effect upon future banking operations. A decrease in the rate of growth of deposits and a change in the Government financing program will have important effects on future bank operations.

A contraction of total bank deposits can occur only by reason of a decrease in the holding of Government securities

# **SIXTH DISTRICT MEMBER BANK CHANGES IN DEPOSITS, EARNINGS ASSETS, AND PROFITS FOR THE YEAR 1945\*\*** (In Thousands of Dollars)

Group*	Number in Group	Year Ending		Change	
		Dec. 1945	Dec. 1944	Amount	Percent
A	17	14,316.9	10,856.6	+ 3,460.3	+31.9
B	44	76,683.3	59,436.6	+ 17,246.7	+29.0
C	66	203,849.3	154,212.9	+ 49,636.4	+32.2
D	75	423,971.6	327,326.2	+ 96,645.4	+29.5
E	60	660,565.2	518,620.8	+ 141,944.4	+27.4
F	42	1,482,454.7	1,189,042.1	+ 293,412.6	+24.7
G	20	3,293,827.5	2,671,025.5	+ 622,802.0	+23.3
Total	324	6,155,668.5	4,930,520.7	+1,225,147.8	+24.8

## **Government Securities**

A	17	6,660.9	4,609.8	+ 2,051.1	+44.5
B	44	34,227.4	23,646.7	+ 10,580.7	+44.7
C	66	100,489.5	71,947.1	+ 28,542.4	+39.7
D	75	215,008.5	164,129.2	+ 50,879.3	+31.0
E	60	370,576.5	282,915.1	+ 87,661.4	+31.0
F	42	799,971.3	638,838.6	+ 161,132.7	+25.2
G	20	1,768,175.9	1,462,919.1	+ 305,256.8	+20.9
Total	324	3,295,110.6	2,649,005.6	+ 646,105.0	+24.4

## **Loans**

A	17	1,868.7	1,473.1	+ 395.6	+26.9
B	44	11,914.9	10,591.1	+ 1,323.8	+12.5
C	66	29,337.3	23,901.8	+ 5,435.5	+22.7
D	75	59,799.4	45,952.6	+ 13,846.8	+30.1
E	60	85,063.6	66,951.7	+ 18,111.9	+27.1
F	42	203,625.3	151,124.1	+ 52,501.2	+34.7
G	20	611,421.0	406,336.2	+ 205,084.8	+50.5
Total	324	1,003,030.2	706,330.6	+ 296,699.6	+42.0

## **Profits**

A	17	89.4	93.0	- 3.6	- 3.9
B	44	453.2	377.0	+ 76.2	+20.2
C	66	1,179.1	966.6	+ 212.5	+22.0
D	75	2,163.5	1,881.2	+ 282.3	+15.0
E	60	3,580.6	2,906.8	+ 673.8	+23.2
F	42	9,047.5	6,944.2	+ 2,103.3	+30.3
G	20	18,177.7	13,620.4	+ 4,557.3	+33.5
Total	324	34,691.0	26,789.2	+ 7,901.8	+29.5

## **\*Average Deposits**

Group A—	Up to \$ 1,000,000
Group B—	\$ 1,000,000— 2,000,000
Group C—	2,000,000— 3,500,000
Group D—	3,500,000— 7,000,000
Group E—	7,000,000— 15,000,000
Group F—	15,000,000— 75,000,000
Group G—	Over 75,000,000

\*\*The banks in each group are identical for both years, the classification of each bank being determined by its average deposits for 1945.

## **SUMMARY TABLE**

### **Operating Ratios of All Member Banks in the Sixth Federal Reserve District 1937 - 1945**

	1937	1938	1939	1940	1941	1942	1943	1944	1945
Number of banks.....	320	318	313	314	315	315	312	309	324
<b>RATIOS:</b>									
<b>TO TOTAL EARNINGS, OF</b>									
Interest and dividends on securities.....	27.5	24.7	23.6	21.6	20.5	25.0	35.9	43.3	8.2***
Interest and dividends on Govt. securities.....	*	*	*	*	*	*	*	*	39.0
Earnings on loans.....	55.4	59.1	60.3	62.3	62.7	55.0	42.8	36.4	33.9
Service charges.....	**	4.8	4.9	5.1	5.4	6.6	8.1	7.8	7.1
Trust department earnings.....	*	*	*	*	1.0	1.0	.9	1.0	.8
All other earnings.....	17.1	11.4	11.2	11.0	11.4	13.4	13.2	11.5	11.0
Total earnings.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Salaries and wages.....	28.6	29.1	29.6	30.1	30.4	32.5	32.2	30.5	30.2
Interest on time and savings deposits.....	15.3	15.2	14.7	14.4	13.6	12.8	8.9	8.2	8.9
All other expenses.....	25.8	25.7	25.9	27.1	28.1	28.7	27.9	26.0	26.0
Total expenses.....	69.7	70.0	70.2	71.6	72.1	74.0	69.0	64.7	65.1
Net current earnings.....	30.3	30.0	29.8	28.4	27.9	26.0	31.0	35.3	34.9
Net recoveries.....	-3.6	-4.6	-2.9	-3.7	-3.2	-2.1	+ .8	+3.4	+7.6
Taxes on net income.....	*	*	*	*	*	3.6	3.7	6.5	8.9
Net profits.....	26.7	25.4	26.9	24.7	24.7	20.3	28.1	32.2	33.6
<b>TO TOTAL CAPITAL ACCOUNTS, OF</b>									
Net current earnings.....	9.4	9.0	9.0	8.7	8.9	8.0	9.9	12.6	13.2
Profits before income taxes.....	*	*	*	*	*	*	10.0	13.6	15.8
Net profits.....	8.0	7.6	8.0	7.4	8.0	6.0	8.8	11.2	12.4
Cash dividends declared.....	*	3.3	3.4	3.4	3.5	3.1	3.3	3.4	3.3
<b>TO TOTAL ASSETS, OF</b>									
Total earnings.....	4.1	4.1	3.9	3.8	3.6	2.8	2.2	2.0	1.8
Net current earnings.....	1.2	1.3	1.2	1.1	1.0	.7	.7	.7	.6
Net profits.....	1.1	1.0	.9	.9	.9	.6	.6	.6	.6
Securities.....	*	*	25.0	23.0	22.0	27.4	42.6	49.5	5.2***
Government securities.....	*	*	*	*	*	*	*	*	47.8
Loans.....	*	*	37.2	36.5	35.5	27.2	17.4	15.4	13.8
Real estate assets.....	*	*	3.6	3.2	2.7	2.1	1.3	.9	.6
Cash assets.....	*	*	33.9	37.0	39.5	43.1	38.4	34.0	32.4
All other assets.....	*	*	.3	.3	.3	.2	.3	.2	.2
Total assets.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>TO TOTAL DEPOSITS, OF</b>									
Total capital accounts.....	*	*	17.1	16.1	14.7	11.5	8.4	6.6	5.6
Time deposits.....	*	*	35.2	34.6	32.6	26.0	19.8	18.5	18.7
<b>TO TIME DEPOSITS, OF</b>									
Interest on time and savings deposits.....	*	*	1.8	1.7	1.6	1.5	1.0	.9	.9
<b>TO SECURITIES, OF</b>									
Interest and dividends on securities.....	3.7	3.6	3.5	3.3	3.2	2.4	1.7	1.7	3.2***
Interest and dividends on Govt. securities.....	*	*	*	*	*	*	*	*	1.4
Net losses (or rec. & pr.) on securities.....	.5	.6	.9	.7	.8	.0	.1	.1	.2
Net return on sec.....	4.2	4.2	4.4	4.0	4.0	2.4	1.8	1.8	1.6
<b>TO LOANS, OF</b>									
Earnings on loans.....	6.5	6.5	6.5	6.6	6.5	6.0	5.7	5.2	5.0
Net losses (or rec.) on loans.....	.4	.4	.4	.4	.2	.1	.0	.1	.1
Net return on loans.....	6.1	6.1	6.1	6.2	6.3	5.9	5.7	5.3	5.1

\*Not computed

\*\*Included in "all other earnings"

\*\*\*Excluding Government securities in 1945 only

\*\*\*\*Net current earnings beginning with 1943 not comparable with those for prior years

by banks or by reason of a reduction in the volume of bank loans. The Treasury is expected to redeem in cash during the first half of this year a considerable volume of Government securities. To the extent that these are held by banks total deposits will tend to decline. The effect may be offset, however, by further bank purchases of securities in the market. There is a possibility of the expansion of bank deposits resulting from an increase in the amount of commercial, agricultural, and personal loans. The degree to which loans will expand, however, will depend upon the course taken by general business and employment in the coming months.

Even though deposits of the banking system as a whole might not decrease, individual banks will be faced by problems caused by shifts of deposits from bank to bank. Some banks will lose deposits while others will gain. This may be particularly the case in the Sixth Federal Reserve District, where deposit expansion during the war was greater than the national average. No postwar loss of deposits for the District as a whole is yet apparent, but the possibility of one is being closely watched. To some extent, whether or not deposits will be lost by the District and a greater strain placed on individual banks depends upon the District's progress in keeping up with the postwar economic developments of the rest of the nation.

The banks in the District are, however, in a much stronger position to face any possible shift of deposits than they were at the end of World War I. The end of 1918 found Sixth District member banks with cash assets only 22.0 percent of total assets, compared with the average ratio of 32.4 for 1945. With a stable bond market, individual banks should have little difficulty in converting their holdings of Government securities into cash if they find it necessary to do so because of a shift of deposits away from individual banks. Combined cash assets and Government securities averaged more than 80.0 percent of total assets of member banks in 1945. At the end of 1918 this figure was only about 38.0 percent. A further indication of the greater liquid position of the banks in 1945 is that 51.0 percent of the member banks' total assets at the end of 1918 were in loans, many of them commodity loans that the banks had difficulty liquidating later when the need arose.

▶ Although deposits may not be expected to decline greatly in the immediate future, neither can they be expected to increase at the wartime rate. The higher level of income reached as a result of the expansion in the bank holdings of Government securities is more than sufficient to compensate for increased expenses. Certain operating expenses, including salaries and wages, will undoubtedly increase in the future. As a compensating factor there is, of course, the reduction of taxes through the elimination of the excess profits tax.

The war years have been termed, by some people, a period of "riskless banking" because of the opportunities for full investment in Government securities. It has been suggested that the banks may now find new outlets for funds through increased consumers' loans, mortgages, and loans to smaller business enterprises. The ability to make loans of this type and at the same time maintain a sound banking position will require foresight and skill on the part of banking officials.

CHARLES T. TAYLOR

## Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	March 20 1946	Feb. 20 1946	March 21 1945	Percent Change March 20, 1946, from	
				Feb. 20 1946	March 21 1945
Loans and investments--					
Total	2,289,830	2,330,206	1,826,669	-2	+ 25
Loans--total	503,032	498,451	326,982	+ 1	+ 54
Commercial, industrial, and agricultural loans	242,697	241,895	188,663	+ 0	+ 29
Loans to brokers and dealers in securities	10,179	10,438	6,556	- 2	+ 55
Other loans for pur- chasing and carrying securities	128,372	128,547	40,343	- 0	+218
Real estate loans	21,612	24,834	24,004	-13	-10
Loans to banks	1,339	1,139	1,163	+18	+ 15
Other loans	98,833	91,598	66,253	+ 8	+ 49
Investments--total	1,786,798	1,831,755	1,499,687	+ 2	+18
U. S. direct obligations	1,634,579	1,680,178	1,363,862	- 3	+20
Obligations guaranteed by U. S.	1,461	1,451	6,192	+ 1	- 76
Other securities	150,758	150,126	129,633	+ 0	+ 16
Reserve with F. R. Bank	370,794	380,200	366,698	- 2	+ 1
Cash in vault	29,395	29,016	29,636	+ 1	- 1
Balances with domestic banks	148,587	156,415	149,705	- 5	- 1
Demand deposits adjusted	1,306,959	1,300,117	1,193,369	+ 1	+10
Time deposits	431,044	427,820	348,359	+ 1	+ 24
U. S. Gov't deposits	413,863	469,794	195,044	-12	+112
Deposits of domestic banks	564,907	583,683	501,354	- 3	+13
Borrowings	3,500	3,000	.....	+17	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Feb. 1946	Jan. 1946	Feb. 1945	Percent Change Feb. 1946 from	
					Jan. 1946	Feb. 1945
ALABAMA						
Anniston .....	3	14,867	18,705	16,704	— 21	— 11
Birmingham .....	6	188,753	234,066	191,817	— 19	— 2
Dothan .....	2	10,143	10,627	7,320	— 5	+ 39
Gadsden .....	3	10,457	11,747	10,730	— 11	— 3
Mobile .....	4	86,643	98,162	108,285	— 12	— 20
Montgomery .....	3	48,409	51,463	35,892	— 6	+ 35
FLORIDA						
Jacksonville .....	3	186,756	210,817	170,664	— 11	+ 9
Miami .....	7	205,242	214,807	129,662	— 4	+ 58
Greater Miami* .....	11	297,485	306,039	176,340	— 3	+ 69
Orlando .....	2	41,125	50,814	29,453	— 19	+ 40
Pensacola .....	3	28,468	29,797	24,693	— 4	+ 14
St. Petersburg .....	3	40,976	45,749	28,185	— 10	+ 45
Tampa .....	3	85,755	95,419	79,659	— 10	+ 8
GEORGIA						
Albany .....	2	11,356	14,286	8,729	— 21	+ 30
Atlanta .....	4	517,532	581,977	448,263	— 11	+ 15
Augusta .....	3	39,171	42,559	29,461	— 8	+ 33
Brunswick .....	2	6,657	7,685	13,931	— 13	— 52
Columbus .....	4	38,656	41,347	37,495	— 7	+ 3
Elberton .....	2	2,615	2,797	1,802	— 7	+ 45
Gainesville* .....	3	8,308	8,699	.....	— 4	.....
Griffin* .....	2	7,229	7,565	.....	— 4	.....
Macon .....	3	38,153	51,448	36,764	— 26	+ 4
Newnan .....	2	7,183	6,670	3,666	+ 8	+ 96
Rome* .....	3	14,807	15,849	.....	+ 8	.....
Savannah .....	4	65,998	87,918	74,221	— 25	— 11
Valdosta .....	2	7,410	8,802	5,918	— 16	+ 25
LOUISIANA						
Baton Rouge .....	3	49,850	55,638	46,649	— 10	+ 7
Lake Charles .....	3	19,976	22,888	15,274	— 13	+ 31
New Orleans .....	7	431,504	492,278	397,138	— 12	+ 9
MISSISSIPPI						
Hattiesburg .....	2	13,500	14,703	11,991	— 8	+ 13
Jackson .....	4	75,881	95,288	56,792	— 20	+ 34
Meridian .....	3	19,578	21,874	15,598	— 10	+ 26
Vicksburg .....	2	21,973	26,363	16,966	— 17	+ 30
TENNESSEE						
Chattanooga .....	4	84,581	116,174	78,168	— 27	+ 18
Knoxville .....	4	98,225	122,502	121,854	— 20	— 19
Nashville .....	6	185,698	222,731	162,128	— 17	+ 15
SIXTH DISTRICT						
32 Cities .....	108	2,683,091	3,108,081	2,416,072	— 14	+ 11
UNITED STATES						
334 Cities .....		73,970,000	89,131,000	70,249,000	— 17	+ 5
*Not included in Sixth District total		**Not available				

\*Not included in Sixth District total

\*\*Not available

## Sixth District Statistics

INSTALMENT CASH LOANS			
Lender	Number of Lenders Reporting	Percent Change Jan. 1946 to Feb. 1946	
		Volume	Outstandings
Federal credit unions.....	40	- 2	+ 1
State credit unions.....	22	- 24	- 1
Industrial banking companies.....	11	- 1	+ 6
Industrial loan companies.....	19	+ 5	+ 3
Small loan companies.....	48	- 5	+ 3
Commercial banks.....	33	+ 8	- 0

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change February 1946 from	
		January 1946	February 1945
Total sales.....	100	+ 3	+ 53
Cash sales.....	91	- 4	+ 85
Instalment and other credit sales.....	91	+ 5	+ 47
Accounts receivable, end of month.....	99	+ 0	+ 11
Collections during month.....	99	- 7	+ 25
Inventories, end of month.....	79	+ 0	+ 9

WHOLESALE SALES AND INVENTORIES*—FEBRUARY 1946					
	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change Feb. 1946 from		Percent Change Feb. 1946 from	
		Jan. 1946	Feb. 1945	Jan. 1946	Feb. 1945
Automotive supplies.....	5	- 8	+ 36	4	- 6
Shoes and other footwear.....	3	+ 17	+ 34	..	..
Drugs and sundries.....	7	- 14	+ 8	..	..
Dry Goods.....	7	- 29	+ 6	..	..
Fresh fruits and vegetables.....	5	- 1	+ 15	..	..
Confectionery.....	6	+ 0	+ 55	..	..
Groceries—full-line wholesalers.....	31	- 19	+ 26	11	- 3
Groceries—specialty-line wholesalers.....	8	- 6	+ 27	5	+ 6
Beer.....	4	+ 55	- 4	3	- 39
Hardware—general.....	9	- 9	+ 36	4	- 7
Hardware—industrial.....	3	- 14	+ 3	..	..
Paper and its products.....	3	- 23	- 1	..	..
Tobacco and its products.....	7	- 15	+ 39	..	..
Miscellaneous.....	17	- 12	+ 19	17	+ 6
TOTAL.....	113	- 13	+ 23	44	- 3

\*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS					
Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change Feb. 1946 from		Percent Change Feb. 28, 1946, from	
		Jan. 1946	Feb. 1945	Jan. 31 1946	Feb. 28 1945
ALABAMA					
Birmingham.....	5	+ 13	+ 23	4	- 5
Mobile.....	5	+ 7	+ 13	..	..
Montgomery.....	3	+ 21	+ 29	3	+ 14
FLORIDA					
Jacksonville.....	4	+ 2	+ 13	3	+ 7
Miami.....	4	+ 6	+ 24	3	+ 3
Orlando.....	3	- 1	+ 25	..	..
Tampa.....	5	+ 4	+ 24	3	+ 3
GEORGIA					
Atlanta.....	6	+ 17	+ 28	5	+ 13
Augusta.....	4	+ 7	+ 32	3	- 13
Columbus.....	3	+ 3	+ 8	..	..
Macon.....	4	+ 24	+ 32	4	+ 10
LOUISIANA					
Baton Rouge.....	4	+ 30	+ 30	4	+ 10
New Orleans.....	4	+ 10	+ 23	3	+ 22
MISSISSIPPI					
Jackson.....	4	+ 15	+ 17	4	+ 21
TENNESSEE					
Bristol.....	3	+ 3	+ 24	3	+ 9
Chattanooga.....	4	+ 1	+ 2	3	+ 5
Knoxville.....	4	+ 4	+ 38	..	..
Nashville.....	6	+ 17	+ 32	5	+ 11
OTHER CITIES*.....	18	+ 6	+ 26	22	+ 1
DISTRICT.....	93	+ 10	+ 23	72	+ 8

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

## The District Business Situation

THE retail distribution of merchandise in the Sixth Federal Reserve District during March reached its highest recorded level for that month. This new level was attained in spite of the later date of Easter this year that presumably will mean the usual Easter business in April instead of in March as it was last year. The volume of wholesale trade in February declined somewhat from the January volume. It was, however, 23 percent greater than the total in February 1945. Sales of life insurance in the District during February were reportedly also greater, by 48 percent, than they were a year ago. In contrast to this activity, industry was experiencing production difficulties.

Better weather conditions have further increased agricultural activity. In the various states of the District cotton goals for 1946, though short of the 1945 goals, surpass last season's plantings.

► In the first quarter of 1946 the value of Sixth District department store sales has apparently been about 18 percent greater than it was in the corresponding period a year ago. Preliminary reports for the first two weeks in March from almost forty stores show an increase of 15 percent over sales in that part of last March. This indicates a rise of 11 percent in the unadjusted sales index from February to March. In February this unadjusted index rose 18 percent over the index for January and 23 percent above that for February 1945. After allowance was made for seasonal influences, however, the adjusted index advanced 10 percent in February and 2 percent further in March. In February of this year gains over that month in 1945 were reported from all cities where three or more reporting stores are located. These increases ranged from 2 percent at Knoxville to 30 percent or more at Baton Rouge, Augusta, Macon, and Nashville. Inventories in February also increased over those of January and those of February a year ago.

► Following the settlement of the steel strike, mills in the Birmingham-Gadsden area resumed operations during the week that ended February 19. In the succeeding four weeks, according to the *Iron Age*, activity increased to 95 percent of capacity.

The lumber industry continues to have difficulties. Hope for some relief soon is given by scattered reports of a slight improvement in the labor supply. In addition, the recent advance of \$3.25 in the ceiling price of lumber may help an uncertain number of the mills to increase their output. Nevertheless, it is doubtful that this price increase will enable the industry to supply any appreciable part of the lumber that retailers are clamoring for.

Cotton-textile mills in the District during February consumed 273,468 bales of cotton, somewhat fewer than the number they used in January. Because of the shorter month, however, the daily average rate showed a rise, which, though slight, was 18 percent above the low rate reached in December.

► The improved weather conditions in February were favorable in most parts of the District for the planting of early crops and for other farmwork. In Florida less rainfall than is normal fell in the first three weeks of the month, but general rains in the last week greatly benefited the blooming citrus trees. A heavy local rain at that time damaged strawberries and vegetables in the Plant City area. The seeding of staple

crops in the northern and western parts of the state has been started under favorable conditions. By now most of the spring vegetables have been planted. An active marketing of citrus fruit and vegetables has continued. In fact almost 46 million boxes of citrus fruit had been marketed by the first of March. These constitute 53 percent of the estimated crop of 86.3 million boxes. Of this total, 50 million boxes will be in oranges, it is estimated, 4.3 million in tangerines, and 32 million in grapefruit. Because of storm damage early last season, each of these estimates is larger than the corresponding crop of the year before.

Winter strawberries in Florida, it is estimated, will be sufficient to fill 224,000 crates, compared with a production of 144,000 crates last year. Early spring strawberries in Louisiana, according to estimates, will show an even greater difference, 1,164,000 crates against 759,000 crates last year. In Alabama a slight decline is expected this year.

► The cotton goal of 20,200,000 acres announced by the United States Department of Agriculture for 1946 exceeds the estimated plantings last year by 11 percent. It is, however, slightly short of the 1945 goal. The achievement of an increased proportion of the higher grades in the medium staple lengths and of a reduced proportion of the lower grades, particularly in the shorter staple, is an important part of the 1946 goal. Farmers need to make a considerable shift from short-staple varieties to somewhat longer-staple varieties if 1946 requirements for length of staple are to be met. In order to achieve the grade distribution needed more care will have to be used in harvesting than was possible during the war years.

It will be necessary for the farmers in this District to increase their cotton plantings an average of 9 percent over their 1945 plantings if this year's goal is to be met. In Alabama the goal is only one percent above last year's plantings, whereas in Tennessee it is 8 percent higher, in Florida and Mississippi 9 percent, in Georgia 13 percent, and in Louisiana 15 percent. In none of these states was the actual planted acreage equal to the goal set for last year, partly because of unfavorable weather conditions early in the season and partly because of the continued and increasing shortage of farm labor.

The acreage of peanuts, one of the important war crops of the District, will be less in 1946 than it was in 1945. Peanut acreage for 1945 in Sixth District states amounted to 2,231,000 acres. In 1946 the corresponding figure is expected to be 2,158,000—a decline of 73,000 acres. For Georgia the acreage will be one percent larger in 1946 than it was in 1945. All other District states will plant smaller acreages.

► Farmers in the Six States received a total cash income in 1945 of 1,918 million dollars, which is greater than their income in any earlier year. This total represents an increase of 4 percent over farm income in 1944; it is 8 percent higher than the 1943 total and is in striking contrast to the total of 384 million dollars for the depression year of 1932. By states, the comparisons with 1944 farm incomes range from decreases of one percent in Tennessee and 2 percent in Mississippi through increases of one percent in Louisiana, 5 percent in Georgia, and 10 percent in Alabama to a gain of 12 percent in Florida. The return from crops in Louisiana and Mississippi was slightly less than it was a year ago, and income from livestock and livestock products in Mississippi and Tennessee was also lower.

## Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS		
Item	Number of Stores Reporting	Percent Change Jan. 1946 to Feb. 1946
Total sales.....	30	— 0
Cash sales.....	28	+ 5
Credit sales.....	28	+ 5
Accounts receivable, end of month.....	30	— 9
Collections during month.....	30	— 31

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Feb. 1946	Jan. 1946	Feb. 1945	Feb. 1946	Jan. 1946	Feb. 1945
DISTRICT	339	308r	274	291	246	236
Atlanta.....	386	365	302	339	268	265
Baton Rouge.....	416	346	325	323	230	252
Birmingham.....	329	315	265	274	223	221
Chattanooga.....	358	322	281	278	254	218
Jackson.....	344	313	294	268	215	229
Jacksonville.....	407	423r	368	336	305r	303
Knoxville.....	333	345	327	289	255	283
Macon.....	347	284	263	265	196	201
Miami.....	275	271	201	350	304	256
Montgomery.....	360	295	280	287	220	223
Nashville.....	401	378	291	343	270	248
New Orleans.....	304	274	246	250	210	203
Tampa.....	395	380	314	355	313	282

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Feb. 1946	Jan. 1946	Feb. 1945	Feb. 1946	Jan. 1946	Feb. 1945
DISTRICT	192	184	179	179	166	167
Atlanta.....	280	268	265	256	235	252
Birmingham.....	144	167	138	138	144	133
Montgomery.....	192	184	189	188	164	185
Nashville.....	304	329	281	298	268	276
New Orleans.....	126	119	112	127	103	113

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Feb. 1946	Jan. 1946	Feb. 1945	Feb. 1946	Jan. 1946	Feb. 1945
TOTAL	161	159	165	159	160	162
Alabama.....	172	165	174	160	162	163
Georgia.....	160	158	162			
Tennessee.....	124	135	144	158	154	158

	MANUFACTURING EMPLOYMENT**			GASOLINE TAX COLLECTIONS		
	Jan. 1946	Dec. 1945	Jan. 1945	Feb. 1946	Jan. 1946	Feb. 1945
SIX STATES.....	113	112r	154	136	132	107
Alabama.....	131	130r	186	139	133	111
Florida.....	88	87r	161	154	140	101
Georgia.....	105	104r	145	128	122	101
Louisiana.....	128	125	162	129	126	116
Mississippi.....	117	118r	143	121	116	114
Tennessee.....	107	107r	133	138	145	108

CONSUMER'S PRICE INDEX				ELECTRIC POWER PRODUCTION*			
	Jan. 1946	Dec. 1945	Jan. 1945		Jan. 1946	Dec. 1945	Jan. 1945
ALL ITEMS.....	134	134	132	SIX STATES..	249	241	293
Food.....	147	148	145	Hydro-generated	286	260	277
Clothing.....	144	145	141	Fuel-generated	201	216	314
Rent.....	114	114	114	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, electricity, and ice..	111	110	109		Feb. 1946	Jan. 1946	Feb. 1945
Home furnishings.....	145	145	142	Unadjusted..	15.7	17.2	15.9
Miscellaneous.....	131	131	127	Adjusted***	15.6	15.5	15.8
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				Index*.....	60.3	60.0	61.1
	Feb. 1946	Jan. 1946	Feb. 1945	*Daily average basis			
Unadjusted..	205	205	204	**Adjusted for seasonal variation			
Adjusted**	202	201	201	***1939 monthly average=100; other indexes, 1935-39=100			
				r=Revised			



## The National Business Situation

**P**RODUCTION and employment at factories declined in February but advanced in the first three weeks of March, reflecting mainly the influence of the steel strike. The value of retail trade reached new record levels. Wholesale prices of a number of commodities increased.

### Industrial Production

Output of durable goods declined considerably further in February, while production of nondurable goods and minerals continued to increase. Production of steel, automobiles, and machinery has advanced sharply since the settlement of the wage disputes in these industries, and the Board's index of industrial production, which declined from 160 in January to 154 percent of the 1935-39 average in February, will show a considerable rise in March.

Production of most nondurable goods continued to advance in February, partly reflecting increases in working forces. Output at textile mills rose further and was at a rate slightly above the level of a year ago. Activity in the meat-packing industry increased sharply in February following settlement of the wage dispute at major plants and was 20 percent higher than a year ago. Flour production likewise showed a substantial gain for the month. In March a Federal program was instituted to reduce domestic consumption of wheat in order to increase exports for relief purposes. Output of automobile tires in February rose to the highest rate on record.

### Employment

Employment continued to advance from the middle of January to the middle of February in most lines of activity except at manufacturing plants closed by industrial disputes. After February 15, with the settlement of the steel strike, there were large increases in employment in the durable-goods industries, and by the middle of March employment in private nonagricultural establishments is estimated to be about 2.5 million larger than last September, after allowing for seasonal changes. Unemployment increased from January to February by about 400,000 to a level of 2,700,000 persons.

### Distribution

Department store sales in February, after allowance for seasonal changes, were the largest on record by a considerable

margin, and in the first half of March sales continued to show marked increases over a year ago. Total retail trade in February was probably close to one fourth higher than in the same month last year.

Shipments of most classes of railroad freight increased from the middle of February to the middle of March, and almost the same number of cars were being loaded in the first two weeks of March as during the same period last year, when shipments of war products were at peak level.

### Commodity Prices

The general level of wholesale commodity prices advanced one percent from the middle of February to the middle of March, reflecting increases in most groups of agricultural and industrial products. Since last September wholesale prices have advanced 3.3 percent, according to the Bureau of Labor Statistics' index. Price-control regulations permit manufacturers and distributors to pass on to consumers only part of the recent advances granted in maximum wholesale prices.

### Bank Credit

Retirement of 2.8 billion dollars of United States Government obligations during March was reflected in a decline of about the same amount in Treasury balances during the four weeks ending March 20. Holdings of Government securities by both Federal Reserve Banks and member banks declined, accompanying reductions in Treasury deposits at these banks. Deposits, other than those of the Treasury, at member banks showed little change. Member-bank required and excess reserves also changed little during the period. Member banks increased their borrowings at the Reserve Banks to over 700 million dollars on March 13 but reduced them somewhat in the following week.

Commercial and industrial loans at member banks in leading cities continued to increase between the middle of February and the middle of March. Loans on Government securities to brokers and dealers fluctuated considerably in connection with the Treasury retirement and refunding operations, while those to others continued to show a slow decline.

### THE BOARD OF GOVERNORS

