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Consumer Credit and Postwar Buying

Events of recent years have accustomed people to measuring economic changes in terms of billions of dollars. At a time when such economic guideposts as the national income, the national debt, and Government expenditures are marked to the nearest billion, concern over consumers' credit transactions, each of which is reckoned more often than not in hundreds of dollars or less, may seem unimportant and even irrelevant. Insignificant as such transactions may seem individually, in the aggregate they also amount to billions of dollars. Therefore when a majority of consumers alter their use of credit, they exert an important influence on the nation's economy. Consumers in the Sixth District made just such a change during the war years.

The Sixth District was simply following the national pattern. At the end of 1941 American consumers owed an estimated 9.9 billion dollars. Of that amount almost six billion dollars lay in instalment credit, with purchases of goods accounting for the greater part of it. The largest single factor in this instalment credit was the financing of automobile purchases. By February 1944 consumers had reduced their total debt by more than five billion dollars to its lowest point, 4.9 billion dollars. Instalment credit had declined 69 percent, and the total amount owed for the purchase of goods at that time had fallen to only 19 percent of what it was in 1941. Between the dates of the low point, in 1944, and the end of the war, in August 1945, consumers began to borrow more, although only enough more to increase the total outstanding to 5.6 billion dollars by the end of the war.

Before the war, buying on credit was more popular with consumers in the District than it was with those in the United States generally. The average Sixth District customer of department stores bought on credit 58 percent of his purchases in 1941. During the same time the average United States customer made 52 percent of his department store purchases on credit. Sixth District consumers used instalment contracts more than national consumers did. They paid, however, for 94 percent of their purchases at the District's reporting furniture stores in 1941 on an instalment basis, whereas the figure for the country as a whole was only 78 percent. There were similar differences in other lines of trade.

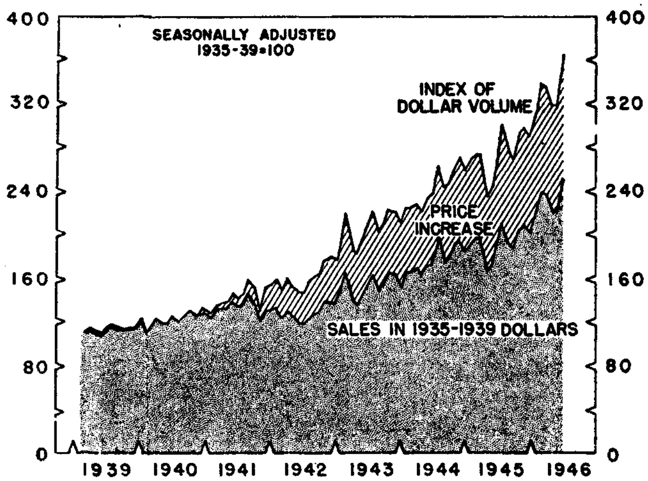
The District's department store sales rose in value from an estimated 213 million dollars for 1941 to an estimated total of 404 million dollars for 1945. In the two periods the proportions of cash sales and credit sales in Sixth District department stores were more than reversed, cash sales changing from 42 percent in 1941 to 62 percent in 1945. Other changes are shown in table 1. This increase in cash buying effected a greater conformity of Southern buying practices to the national pattern. In some lines of retail business — household-appliances, jewelry, and men's clothing stores — a larger proportion of total sales on a cash basis during 1945 was made in the District's reporting stores than was made in the nation generally. At all other types of reporting stores except women's specialty the proportion of cash to total sales more nearly equaled the national average in that year than it did in 1941.

An increase in cash purchases was not the only wartime change in Sixth District buying habits. Charge accounts and instalment accounts were paid more promptly. A customer who charged his goods on open account at one of the District's department stores in 1941 took 65 days, on an average, to pay his bill. When he signed an instalment contract, he completed payment, as a general rule, in nine and a half months. By 1945 he was paying his charge accounts within 48 days and allowing a period of only five months to elapse between the time he bought goods on the instalment plan and the date he made his final payment. At Sixth District furniture stores in 1941 he was paying his instalment accounts about 15 months after making his purchases. On the average in 1945 he was making his final payments in six or seven months.

With customers making a greater proportion of their purchases for cash and paying their bills more promptly, retailers expanded their sales and, at the same time, reduced that part of their assets represented by charge and instalment accounts receivable. On an average in 1941 reporting Sixth District department stores had on their books charge accounts outstanding in an amount approximately three times the average monthly amount of charge-account sales. In other words, department stores having charge-account sales averaging one million dollars a month in 1941 had an average of three million dollars each month in outstanding charge accounts. Because of quicker collections, charge accounts in 1945 averaged only about twice the monthly average of charge-account sales. For this group of department stores charge-account sales actually increased 25 percent from 1941 through 1945. A store, therefore, having average charge-account sales of one million dollars in 1941 might have increased its charge-account sales to $1,250,000, in 1945, but because of the better collection experience the charge accounts outstanding would have amounted to only $2,500,000 instead of $3,750,000.

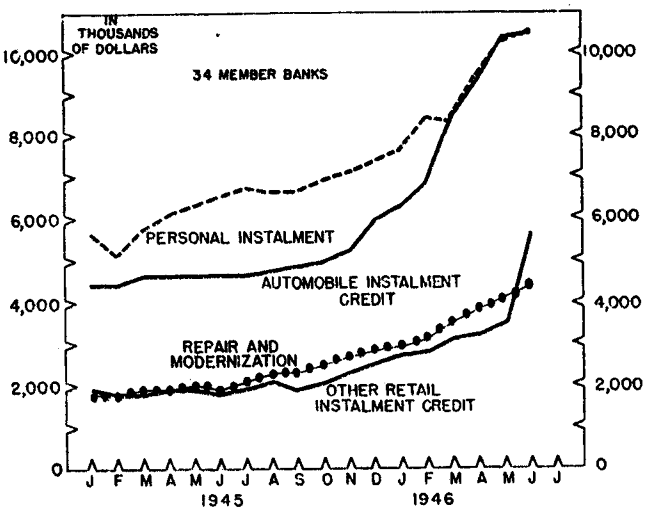
Expanding incomes made possible this combined reduction in consumer credit and phenomenal increase in cash purchases. For the Sixth District as a whole income payments to individuals increased each year of the period, from an estimated 5.3 billion dollars in 1941 to 9.9 billion dollars in

PRICE INCREASES
ACCOUNT FOR PART OF THE INCREASES IN SIXTH DISTRICT DEPARTMENT STORE SALES



Since the department store sales index measures in dollar terms changes in the daily average sales, its level is influenced by changing prices. In this chart the index for each month has been expressed in terms of 1935-39 purchasing power by using the Department of Commerce index of retail prices for all commodities. The index was 145.6 percent of the 1935-39 level in May of this year.

INCREASED SALE OF CONSUMERS DURABLE GOODS
HAS BEEN REFLECTED IN CONSUMER LOANS AT SIXTH DISTRICT BANKS



Because consumer durable goods are to a large extent purchased on credit, increased sales of these items generally mean increases in consumer loans. Most of the expansion in such loans at Sixth District member banks has taken place since V-J Day.

1944. Though 1945 estimates are not yet available, indications are that there was a considerable increase then also.

TABLE 1
SALES OF SIXTH DISTRICT REPORTING STORES AS PERCENT OF TOTAL SALES

Type of Store	Cash		Charge Account		Instalment	
	1941	1945	1941	1945	1941	1945
Department	42	62	48	35	10	3
Men's Clothing	35	71	62	28	3	1
Women's Specialty	33	50	..	49	..	1
Furniture	6	19	0	2	94	79
Household Appliance	8	44	8	14	84	42
Jewelry	28	61	26	23	46	16
Hardware	20	51	..	42	..	7
Automobile Dealers	35	46	11	44	54	10
Auto Tire and Accessory	17	44	59	52	24	4

Source: Retail Credit Surveys

The inauguration of consumer-credit control through Regulation W by the Board of Governors of the Federal Reserve System also did much to reduce the amount of consumer credit outstanding. The purpose of this regulation, adopted in the latter part of 1941, was to reduce inflationary pressures by limiting the demand for goods in the face of wartime shortages. At first the regulation required in most cases the down payment of one third the purchase price of an article bought on the instalment plan and full payment within a period of 12 months. A provision that charge accounts should be paid within a period of 60 days at most was added later. This regulation is being continued, though certain relaxations were made in October 1945 with regard to home-repair and home-improvement credits and consumer loans not made for the purchase of durable goods. A still further reason for the decline in consumer borrowing during the war period may have been the appeals to patriotism that called for limiting expenditures and devoting increases in income to the purchase of war bonds.

Consumers ordinarily borrow most during periods of expanding income and least during periods of declining income. The optimism engendered during a period of rising income encourages them to take on additional commitments. During a period of declining income, on the other hand, the average consumer is pessimistic about the future and decides to keep his debts as low as possible until better times. The unemployed obviously are not in a position to assume further financial obligations, and dealers and lenders are hesitant certainly in granting them credit. But the employed are also limited in their actions, by the uncertainties of the future. During such periods they try to pay off old loans rather than incur new ones.

In accounting for the rise of consumer credit during periods of expanding income, a change in the kind of consumer goods purchased during such periods is of greater importance than an alteration in attitude. The buying of automobiles, refrigerators, stoves, furniture, and other consumer durable goods of relatively high unit values and long lives is customarily bunched in years of high income. Because of their high unit value, these goods are customarily bought on the instalment plan.

The reason that this type of consumer credit declined during war years is obvious. Most consumer durable goods were unavailable. Even though many persons wanted to buy new automobiles and household appliances, they had to do without them and thus failed to use the credit that buying these goods would have involved. Much of the increase in income that was spent for goods, therefore, went into the purchase of nondurable goods instead.

Since some of the forces that normally lead to increased consumer borrowing are now free to operate, the coming months will indicate whether or not most of these wartime changes have become relatively permanent. Incomes have continued high since V-J Day. The Department of Commerce's index of income payments for May 1946 was only 2 percent below that for the record month of February 1945.

There are some indications that consumers are now spending a greater part of their incomes than they spent during the war. In the Sixth District during June of this year United States Savings Bonds, one of the most common forms of wartime savings, had sales amounting to 18.7 million dollars maturity value. This sum, however, represents a decline of 74 percent from sales in July 1945 of 73.3 million dollars. Savings-bond redemptions, on the other hand, have increased, amounting to a maturity value of 42.2 million dollars in June of this year against 34.5 million dollars in July 1945.

Although savings are declining, sales of consumer durable goods are increasing. According to the Department of Commerce, the sales of durable-goods stores in May 1946 amounted to 1.6 billion dollars, compared with 900 million dollars in May 1945. Sales in the automotive group of stores were more than double those of May 1945, although they were still 35 percent below the prewar peak. Because of the pressure generated by high incomes and accumulated wartime needs, for a time at least these sales will continue to expand as fast as production can supply the goods.

Can these additional purchases be financed out of wartime savings? Evidence shows that persons in the Sixth District, as well as in the United States as a whole, accumulated unprecedented savings in the form of bank deposits, war bonds, and other liquid assets during the war. Their use of these assets to purchase durable consumer goods, however, may be limited.

Personal demand deposits, other than those of farmers, in all banks of the Sixth District amounted to 1,900 million dollars in January 1946, compared with 901 million dollars in July 1943. Time deposits of individuals, partnerships, and corporations in Sixth District member banks rose from 413 million dollars to 935 million dollars from December 1941 to December 1945. There is no estimate of the total amount of war bonds now owned by individuals in the District. According to the Treasury Department, however, Series E, F, and G bonds of a total maturity value of 3,640 million dollars were sold in the Sixth District states from the time they were first issued until May 1946. In Alabama the total amounted to 616 million dollars, in Florida 678 million, in Georgia 672 million, in Louisiana 635 million, in Mississippi 372 million, and in Tennessee 667 million. Many of these bonds, of course, have been redeemed.

Redeeming the war bonds, now held, immediately to buy consumer durable goods would be unfortunate for the individual holders and would certainly cripple attempts to reduce current inflationary pressures. Savings bonds are rightly considered as comparatively long-term investments. Many persons regard their holdings as a provision for meeting major financial needs in the future and will not use them toward paying current expenses. They also realize it is only as savings bonds reach maturity that the full rate of interest will be earned.

Ownership of savings bonds and bank deposits, furthermore, may not be so widely distributed as some people have thought. Though incomes increased considerably in the six states of the District during the war period, the region is still a low-income section. The per capita income for 1944 in each of the states was markedly below the national average. Per capita income payments to the civilian population in Alabama were 55 percent of the national per capita income, in Florida 82 percent, in Georgia 60 percent, in Louisiana 66 percent, in Mississippi 42 percent, and in Tennessee 65 percent. Because incomes were relatively low before the war, expansion during the war probably did not result in any substantial increase in savings for many consumers in the Sixth District.

Among groups in the lower brackets the increase in income tended to go for the purchase of nondurable items, such as food and clothing that these groups had never before been able to buy. It is a generally accepted principle of consumption that only when a family reaches an income level higher than that yet attained by the average family in the District is there any considerable amount of savings. In 1935-36 it was not until the family's income reached $2,500 that 10 percent of the income was saved, according to one survey. Even without exhaustive study it could easily be concluded that the increases in liquid assets in the Sixth District are owned chiefly by the groups with relatively higher incomes rather than by those with low incomes, who ordinarily purchase goods on the instalment plan.

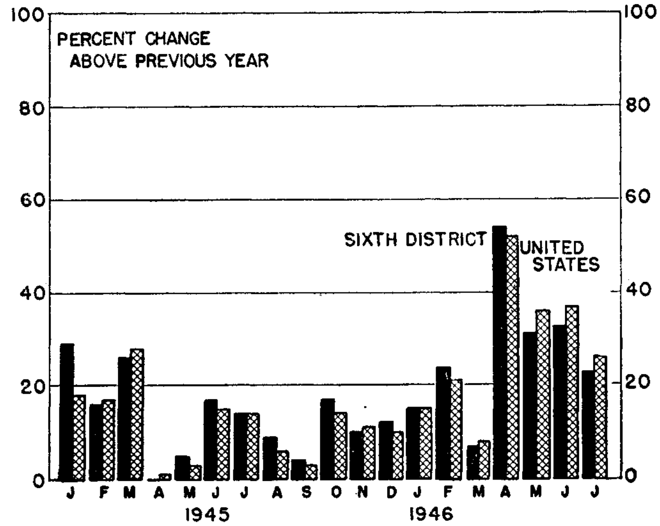
The survey prepared for the Board of Governors of the Federal Reserve System by the Bureau of Agricultural Economics confirms this conclusion on a national basis. This study estimated that, in 1945, 10 percent of the spending units in the United States owned 60 percent of the total liquid assets. In fact, it indicates that 24 percent of the spending units in the United States had no liquid assets at all. Average liquid assets owned by spending units, according to this survey, amounted to $1,748. Of this amount $640 was made up of savings bonds, $552 of savings accounts, and $345 of checking accounts. Because of the concentration of these liquid assets in the hands of a limited number of spending units, at least 50 percent had total liquid assets on the date of the survey ranging from less than $500 down to zero.

There are, to be sure, many persons who managed to save even though their incomes were comparatively low. Even among the group with incomes less than $1,000, 49 percent of the spending units in 1945 saved something, according to the survey of liquid assets. At the other end of the scale, however, 94 percent of those units with incomes above $5,000 reported some degree of savings. Because their larger incomes gave them the opportunity to save more when they did save and because more of them saved, persons in these spending units accounted for 40 percent of the savings of 1945 and 36 percent of all liquid assets at the beginning of 1946. Even though some persons in the lowest income group were able to save, this group spent more during 1945 than it received.

Consumers often wish to keep their cash and checking accounts as a provision against sudden emergencies and are reluctant to spend them for goods having a high unit value. Consequently, they frequently purchase such items as automobiles and household appliances on the instalment plan even though they have sufficient cash to pay for them. If consumers maintain the attitude they expressed during the survey, 84 percent of them will not spend their liquid assets for auto-

SIXTH DISTRICT DEPARTMENT STORE SALES

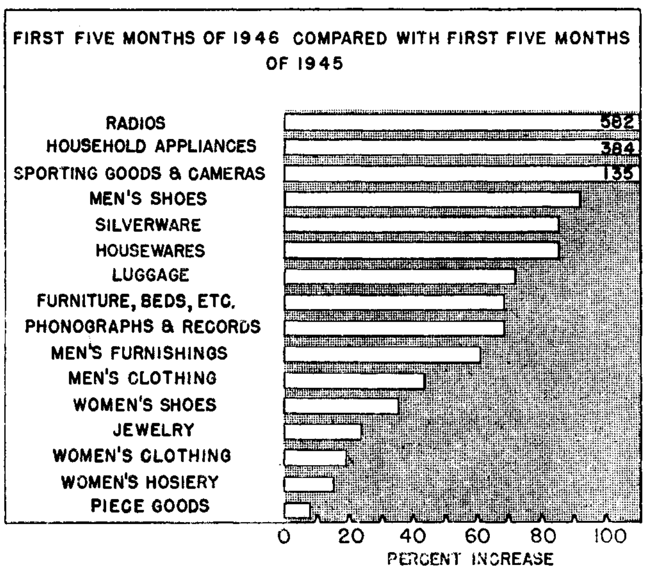
CONTINUE TO SHOW HIGH INCREASES



Department store sales throughout the nation have been high in recent months and in some cases have exceeded the Sixth District gains. The data for July are preliminary, being based upon reports made for the first two weeks by a limited number of stores.

INCREASES WERE MOST PRONOUNCED IN SALES

OF WAR-SCARCE ITEMS



Reconversion since V-J Day has made available limited supplies of some goods that were not obtainable during the war. Sales of these goods this year even in limited amounts, therefore, register very high percentage increases. Gains in the sales of other types of goods probably reflect the return of servicemen to civilian life.

mobiles and 63 percent will not buy other consumer durable goods with these assets.

All these factors point to the usage of instalment credit for financing increased purchases of consumer durable goods during the postwar period. A substantial rise in prices would widen the use of such credit. In addition, even though consumer buying may level off, charge-account credit will expand when many retailers return to the prewar practice of employing such credit as a competitive device.

The Importance of Continued Control

Whatever the final pattern of postwar consumer borrowing may be, the combination of high incomes, relaxed restraints on spending, and larger quantities of formerly scarce goods has expanded consumer credit since V-J Day, although such credit has not yet reached its prewar level. Total consumer credit in the United States was estimated to be 7.5 billion dollars in May 1946, an increase of 1.9 billion dollars after August 1945.

Sixth District retailers reporting to this bank state that the value of their instalment and charge accounts outstanding has increased since the end of the war. Increased sales explain part of the increase, but a slightly smaller proportion of total sales at department stores is being made for cash, and bills are being paid less promptly. The collection ratio, that is, the percent of accounts outstanding at the beginning of the month that were collected during the month, at department stores was 50 in May 1946 compared with 52 in August 1945.

TABLE 2
CONSUMER CREDIT OUTSTANDING
SIXTH DISTRICT REPORTING FIRMS

	No. of Firms Reporting	Percent Change June 1946 From	
		June 1945	Aug. 1945
DEPARTMENT STORES:			
Charge Accounts	44	+ 42	+ 44
Instalment Accounts	26	+ 28	+ 26
JEWELRY STORES:			
Charge Accounts	8	+ 35	+ 48
Instalment Accounts	14	+ 18	+ 22
FURNITURES STORES:	96	+ 27	+ 28
HOUSEHOLD APPLIANCE STORES	10	+ 28	+ 39
COMMERCIAL BANKS	34	+110	+ 99
STATE CREDIT UNIONS	22	+ 28	+ 25
INDUSTRIAL BANKING COS.	10	+102	+ 68
INDUSTRIAL LOAN COMPANIES	18	+ 28	+ 25
SMALL LOAN COMPANIES	48	+ 57	+ 53

The effect of increased sales of automobiles is clearly shown in the trend of consumer credit at the member banks reporting their consumer-credit operations. As shown in the chart on page 70, these Sixth District banks reported in June an increase in their total consumer loans of 99 percent after August 1945. Credit granted for the purchase of automobiles explains 67 percent of the total increase.

Expanding retail sales of durable goods rather than more liberal terms and slower collections appear to be the principal reason for the recent growth in consumer credit. Easier terms would not increase the production and supply of consumer durable goods at this time, for that depends upon the rapidity of reconversion. They would only increase the undesirable pressures on price by adding to the already excessive amount of purchasing power.

It appears that if the current inflationary trend is to be retarded, the continued use of an instrument as important as consumer-credit control is essential. Once the initial pressure of postwar demand has begun to moderate and the inflationary tide to recede, then there will be a situation in which an expansion of consumer credit free from current restrictions may prove highly desirable in sustaining consumer demand.

CHARLES T. TAYLOR

Bank Announcements

During July three banks in the Sixth Federal Reserve District began remitting at par for checks drawn upon them. All three are in Florida, that part of the District served by the Jacksonville branch of this bank.

The first of them to begin remitting at par, on July 1, was the Springs State Bank at Sulphur Springs, a suburb of Tampa. The June 1946 supplement to the Federal Reserve Par List shows Sulphur Springs as a par point.

The officers of this newly organized nonmember bank are W. D. Lowry, president; J. L. Young, Jr., vice president; and Hamilton Hunt, cashier. Its capital structure consists of $60,000 in paid-in capital stock, $100,000 in paid-in surplus, and $5,000 in paid-in undivided profits. The bank will do a general banking business. It will serve the northern section of the city of Tampa and the rural communities in the Sulphur Springs area.

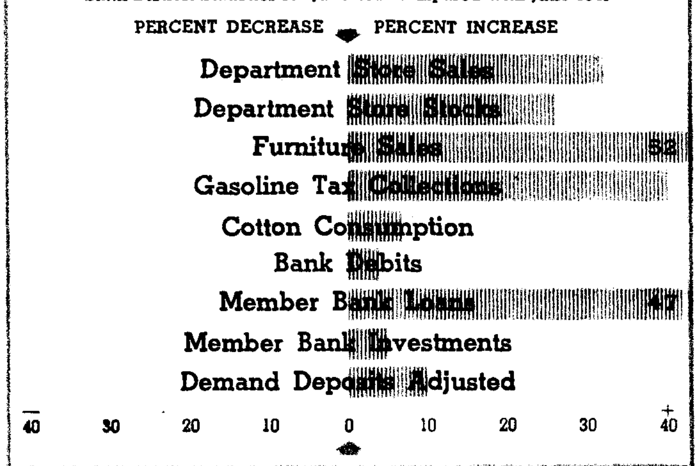
The Venice-Nokomis Bank at Venice began remitting at par on July 2. This bank is officered by Robert S. Baynard, president, James T. Blalock, vice president, J. J. Williams, Jr., vice president, A. L. Blalock, cashier, and Bina M. Moore, assistant cashier. It has capital of $25,000, surplus and undivided profits of $17,000, and deposits of $1,076,000.

Venice was founded and developed as a farming center by the Brotherhood of Locomotive Engineers during the Florida land boom. The services of John M. Nolen, a prominent city planner, were secured in laying out the 2,000-acre townsite in wide boulevards, spacious parks, and residential and industrial zones. Though it became almost a ghost town after the collapse of the land boom, in recent years the village has increased in population to more than 500.

The last of the three banks added to the Par List in July is the Allapattah State Bank at Miami, which began remitting at par on July 15. This is another newly organized nonmember bank, chartered on March 18, 1946. Its officers are O. G. Lindsey, president; E. N. Belcher, vice president; George W. Langford, vice president; and L. E. Fenn, executive vice president and cashier. The bank's capital stock amounts to $100,000, its paid-in surplus to $25,000, and its paid-in undivided profits to $12,500.

Reconnaissance

Sixth District Statistics for June 1946 compared with June 1945



Sixth District Statistics

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

Item	July 17 1946	June 19 1946	July 18 1945	Percent Change July 17, 1946, from June 19 1946	Percent Change July 17, 1946, from July 18 1945
Loans and investments— Total	2,088,930	2,144,785	1,997,722	— 3	+ 5
Loans—total	503,714	504,761	358,379	— 0	+ 41
Commercial, industrial, and agricultural loans	253,172	244,564	181,058	+ 4	+ 40
Loans to brokers and dealers in securities	11,528	13,668	12,452	— 16	— 7
Other loans for purchasing and carrying securities	114,168	116,711	66,715	— 2	+ 17
Real estate loans	33,185	30,752	24,198	+ 8	+ 37
Loans to banks	3,446	3,571	2,369	— 4	+ 45
Other loans	88,215	95,495	71,587	— 8	+ 23
Investments—total	1,585,216	1,640,024	1,639,343	— 3	— 3
U. S. direct obligations	1,423,142	1,477,724	1,500,850	— 4	— 5
Obligations guaranteed by U. S.	1,661	1,652	577	+ 1	+188
Other securities	160,413	160,648	137,916	— 0	+ 16
Reserve with F. R. Bank	378,121	362,737	345,405	+ 4	+ 9
Cash in vault	29,662	30,413	28,704	— 2	+ 3
Balances with domestic banks	150,107	139,194	157,309	+ 8	— 5
Demand deposits adjusted	1,375,517	1,377,620	1,227,417	— 0	+ 12
Time deposits	450,599	445,915	380,551	+ 1	+ 18
U. S. Gov't deposits	215,203	250,453	304,970	— 14	— 29
Deposits of domestic banks	478,514	478,245	512,900	+ 0	— 7
Borrowings	3,500	3,000	....	+ 17	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	June 1946	May 1946	June 1945	Percent Change June 1946 from May 1946	Percent Change June 1946 from June 1945
ALABAMA						
Anniston	3	19,434	17,967	20,332	+ 8	— 4
Birmingham	6	224,942	232,949	233,328	— 3	— 4
Dothan	2	7,802	8,255	8,560	— 5	— 9
Gadsden	3	13,022	13,334	11,288	— 2	+ 15
Mobile	4	98,222	99,520	126,713	— 1	— 22
Montgomery	3	51,498	54,142	39,606	— 5	+ 30
FLORIDA						
Jacksonville	3	204,092	208,626	194,132	— 2	+ 5
Miami	7	173,105	187,208	153,431	— 8	+ 13
Greater Miami*	11	247,730	274,177	210,399	— 10	+ 18
Orlando	2	46,685	48,610	33,723	— 4	+ 38
Pensacola	3	27,317	29,895	28,205	— 9	— 3
St. Petersburg	3	42,722	44,501	32,371	— 4	+ 32
Tampa	3	93,397	97,551	82,255	— 4	+ 14
GEORGIA						
Albany	2	10,991	11,290	9,871	— 3	+ 11
Atlanta	4	592,540	595,321	546,769	— 0	+ 8
Augusta	3	43,151	43,165	39,370	— 0	+ 10
Brunswick	2	7,865	8,291	13,162	— 5	— 40
Columbus	4	44,620	43,500	40,150	+ 3	+ 11
Elberton	2	2,861	2,946	1,972	— 3	+ 45
Gainesville*	3	12,615	11,151	**	+ 13	* *
Griffin*	2	7,793	8,149	**	— 4	* *
Macon	3	46,175	46,411	43,303	— 1	+ 7
Newnan	2	6,839	6,283	6,230	+ 9	+ 10
Rome*	3	16,698	16,498	**	+ 1	* *
Savannah	4	82,853	74,063	82,298	+ 12	+ 1
Valdosta	2	10,138	9,618	7,774	+ 5	+ 30
LOUISIANA						
Baton Rouge	3	54,406	60,959	46,237	— 11	+ 18
Lake Charles	3	20,667	20,716	19,087	— 0	+ 8
New Orleans	7	523,703	507,946	489,545	+ 3	+ 7
MISSISSIPPI						
Hattiesburg	2	13,493	14,488	12,617	— 7	+ 7
Jackson	4	80,093	77,035	64,963	+ 4	+ 23
Meridian	3	23,137	22,884	18,432	+ 1	+ 26
Vicksburg	2	28,769	20,678	17,341	+ 0	+ 20
TENNESSEE						
Chattanooga	4	110,960	106,253	104,867	+ 4	+ 6
Knoxville	4	91,821	93,925	134,774	— 2	— 32
Nashville	6	228,366	224,518	250,386	+ 2	— 9
SIXTH DISTRICT 32 Cities	108	3,017,656	3,032,848	2,913,092	— 1	+ 4
UNITED STATES 334 Cities	......	86,663,000	85,898,000	98,024,000	+ 1	— 12

*Not included in Sixth District total
**Not available

The District Business Situation

How quickly prices would rise, how high they would go, and how long the rise would continue have been principal topics of interest to both Sixth District businessmen and their customers. In those fields where prices were controlled by the OPA there has been a feeling of suspense pending the action of Congress on the revival of Federal price regulation.

As yet reports of sales at Sixth District department stores have given no indications that a buyers' strike was begun. Neither do they show any signs of a buying wave in anticipation of rising prices. Preliminary figures indicate that department store sales in July have been well above the level of the previous year. The gain of 25 percent during the first two weeks of July over sales in the corresponding period of 1945 at weekly reporting department stores is lower than the increase in sales made during the four weeks ended June 28. The seasonally adjusted index of daily average sales in June at 365 percent of the 1935-39 daily average, compared with 319 in May, was, however, the highest on record.

Trade

Though over-all conclusions regarding retail-price changes resulting from the removal of OPA will have to wait for the release of official price indexes, certain changes are already apparent. The weekly index of the Bureau of Labor Statistics showing wholesale prices of commodities on the primary markets, however, has risen considerably. In the first week after the OPA closed, June 29 to July 6, it rose 4 percent. By July 13 the increase amounted to 7 percent and by July 20 the increase was 10 percent.

Immediate price changes probably provide no proof to support predictions of how high prices will go as controls are lifted or of whether they will level off in the near future. Nor do they necessarily indicate that prices had started on an inflationary spiral before the OPA revival bill was signed by the president. Wholesale prices on the primary markets are more immediately sensitive to change or expected changes than other prices are. The influence of these changes upon prices of goods sold at retail becomes apparent only after rises in wholesale prices have filtered through the market. Day-to-day price increases, however, do not have to be spectacular to add up to a considerable rise in a limited period of time. After the end of World War 1 the cost-of-living index of the National Industrial Conference Board rose on an average of only 1.5 percent a month; yet in the period between November 1918 and the date of the decline in June 1920 the total rise was about 29 percent. Though wholesale prices rose 23 percent from November 1918 through May 1920, the average monthly rise was only a little greater than one percent.

Some retail commodities are quicker than others to respond to wholesale-price changes. They include the dairy products and meats that were formerly subject to Government subsidies. Prices of dairy products have gone up in many parts of the District. In the Chattanooga area, for example, milk producers announced an increase of 75 cents a 100 pounds, about 17 percent increase for each pound of butter fat. This rise was reflected in an increase of between two and three cents a quart for delivered milk. Prices for milk are reported to be from two to five cents higher than before in other areas of the District, and butter, according to various reports, is selling for amounts ranging from 76 cents to $1 a pound. Advances of more than 100 percent in meat prices have also been reported.

Some of the price increases are merely those that are passed on by the distributor because of his increased costs. Others are those that are imposed before an increase in costs, in anticipation that prices will rise. The latter increases are the more explosive elements in a rising price spiral and are the ones that contribute to an eventual drastic price decline. The announced policy of many retail merchants throughout the Sixth District to maintain their prices at old levels so far as possible and to confine increases to their actual cost increases possibly did much, where it was carried out, to prevent the worst type of price increases. The merchants' ability to carry out this policy would have depended to a great extent, however, upon the size of their inventories.

The index of department store stocks in the Sixth District indicates that, despite record sales, the inventories have been growing each month since the first of the year. In January the seasonally adjusted index stood at 184, in May at 239, and in June at 256. Because of higher sales, however, the sales-stock ratio for department stores was lower at the end of each of the first four months of 1946 than it was on the corresponding dates in 1945. At the end of January the stores had stocks on hand amounting to only 1.8 times their sales for the month. From February to April the ratio was 1.7 each month. At the end of May stocks had increased to a level of 2.5 times the sales for that month. This was higher than the ratio of 2.1 in May 1945. Since the ratio for June was 2.3, there may be a reversal of the previous months' trend. If deliveries of all outstanding orders were received, inventories would again approach the 1935-39 sales-stock monthly average of 2.7. Outstanding orders are reported to be approximately three times the monthly average sales.

On the wholesale level increases between three and four dollars a ton in the price of pig iron were announced at Birmingham early in the month. The operators stated that these increases, however, had been authorized by the OPA. One textile firm in the Birmingham area announced that it would continue to operate under OPA ceilings until Congress disposed of the question, but some of the other mills increased their prices. Cotton textiles afford a striking illustration of the way in which commodity-price increases are reflected, first, in increases of manufacturers' prices and, eventually, in increases of retail prices. According to the president of one of the South's largest textile firms, the increase in the cotton price must be absorbed by an increase in the price of cotton textiles. Cotton-cloth prices at the time of the OPA's termination, he stated, were based on a cotton price of 26.4 cents a pound. The price had risen to 33.34 on July 25.

One of the greatest opportunities for speculative price increases lies in the present housing shortage. Various real estate boards in the District cities, however, stated that they would attempt to hold rent increases to a minimum. In at least three states of the District, state control of rents was instituted or requested. The governor of Alabama set up rent controls under the Emergency War Powers Act of 1943, and the Louisiana legislature passed a bill establishing them in that state. A Miami group requested the passage of an ordinance by the city commission that would freeze rents for 90 days.

Finance

Meanwhile the deposits and currency in circulation in the Sixth District remained at their previous high levels. On July 17 demand deposits at reporting member banks adjusted were 12 percent higher than they were a year ago, although there was no net change from the figure on June 19 of this year. Almost no change occurred between the middle of June and the middle of July in the net outstanding circulation of this bank's Federal Reserve notes, which was 1,426 million dollars at the latter time.

Loans and investments, upon which the expansion of currency and deposits is based, remained at a relatively high level. Total loans and investments of reporting member banks were 5 percent higher on July 17 than they were one year previously but 3 percent lower than they were on June 19. Reflecting the recent redemptions of Government securities, a decline in reporting member banks' Government securities of 4 percent during the four weeks ended July 17 brought them to a level 5 percent below that on the corresponding date last year. Loans were up 41 percent.

One of the principal factors accounting for the higher level of loans at reporting member banks this year is the 114 million dollars in security loans outstanding on July 17. A good part of these loans were incurred by individuals for the purchase of long-term United States bonds during the Victory Loan Drive.

At the time of the drive the Treasury asked all banks to reject applications for loans being made for speculative purchases of Government securities. Although it was recognized that loans might be properly made to those purchasers of securities for investment who would want to anticipate income by borrowing temporarily from banks, it was understood that loans of this character would have maturities not exceeding six months.

The inflationary potential in an indefinite continuation of these loans was brought to the attention of member banks in the Sixth District at the end of June. Member banks were requested to make every effort to decrease this type of loan and to avoid making new loans for the purpose of purchasing and carrying Government securities. Borrowing from banks for such purposes, it was added, creates additions to the country's money supply to the same extent as direct purchase of securities by the banks. In view of the existence of large amounts of liquid assets and the limited supply of goods in relation to those assets, such increases in the money supply add dangerous pressures to the price level.

C. T. T.

Employment

According to reports, employment in the District as a whole has continued the moderate gains indicated in last month's *Review.* July data for all major labor-market areas are not currently available, but for those surveyed such data showed moderate percentage gains in the total number employed. The trends for individual industries followed no uniform pattern, in some cases varying widely, among the different areas, within the same industry. There was a continuation of unfilled job openings at opposite ends of the pay-scale, such as for skilled craftsmen in the building trades and textile-machine operators at one end and for common labor in the construction and the pulpwood industries at the other.

Sixth District Statistics

DEPARTMENT STORE SALES*

	Adjusted**			Unadjusted		
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945
DISTRICT	365	319	277	306	313	233
Atlanta	394	347	292	341	352	254
Baton Rouge	388	309	295	333	332	254
Birmingham	324	305	260	289	299	233
Chattanooga	364	316	258	348	326	246
Jackson	318	288	239	296	300	222
Jacksonville	440	348	335	389	359	297
Knoxville	372	305	317	335	319	285
Macon	336	287	244	303	300	219
Miami	393	345	301	268	283	205
Montgomery	332	293	268	287	302	232
Nashville	433	364	291	389	390	262
New Orleans	303	276	214	274	271	193
Tampa	437	429	322	381	414	281

DEPARTMENT STORE STOCKS

	Adjusted**			Unadjusted		
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945
DISTRICT	252	239	200	255	232	203
Atlanta	430	356	347	394	361	318
Birmingham	209	168	155	196	173	146
Montgomery	343	266	257	313	270	234
Nashville	414	368	343	386	373	320
New Orleans	198	151	127	185	156	119

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945
TOTAL	161	163	151	174	52	163
Alabama	168	173	160	185	62	177
Georgia	161	161	148	...	...	...
Tennessee	130	133	130	149	30	133

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	May 1946	Apr. 1946	May 1945	June 1946	May 1946	June 1945
SIX STATES	126	126r	140	155	152	111
Alabama	137	139r	169	166	161	116
Florida	114	116r	130	149	151	100
Georgia	128	128r	131	151	146	106
Louisiana	135	133r	146	147	142	107
Mississippi	141	141r	128	158	159	122
Tennessee	109	108r	127	163	158	123

CONSUMERS' PRICE INDEX

	May 1946	Apr. 1946	May 1945
ALL ITEMS	135	134	132
Food	147	146	145
Clothing	151	151	141
Rent	115	115	114
Fuel, elec., and ice	111	111	110
Home furnishings	152	149	142
Misc.	132	132	130
Purchasing power of dollar	.74	.75	.76

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	June 1946	May 1946	June 1945
Unadjusted	16.1	15.9	16.7
Adjusted**	16.6	16.2	17.2
Index**	64.1	62.8	66.7

ELECTRIC POWER PRODUCTION*

	May 1946	Apr. 1946	May 1945
SIX STATES	246	251	279
Hydro-generated	295	301	277
Fuel-generated	182	185	282

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	June 1946	May 1946	June 1945
Unadjusted	213	211	208
Adjusted**	215	214	209

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

INSTALMENT CASH LOANS

Lender	Number of Lenders Reporting	Percent Change May 1946 to June 1946	
		Volume	Outstandings
Federal credit unions	34	+ 18	+ 6
State credit unions	22	— 4	+ 9
Industrial-banking companies	10	— 2	+ 5
Industrial-loan companies	18	— 2	+ 0
Small-loan companies	48	— 1	+ 0
Commercial banks	34	— 1	+ 5

At the same time, unemployment was increasing over much of the District though declining slightly in some centers. This seeming paradox means that the labor supply is still increasing. Chief among the factors causing it are the continued reluctance of former servicemen to accept, before their veterans' benefits are exhausted, many of the jobs available at common-labor rates, the unwillingness or inability of displaced war workers to return to prewar locations and jobs, and the addition of school and college students to the labor force for the summer months. These factors, together with the legal limitations on the period in which consecutive payments can be made under the unemployment compensation laws, account for the decline in such payments from state funds at a time when the number of job applicants is increasing.

Seasonal influences, following the summer solstice, continued to predominate in farm work, with a lull occurring after the usual rise during spring planting. Evidence that the level of agricultural employment in Mississippi at the peak of planting was some ten percent below the prewar level may augur well for the success of efforts to achieve a better balance between agriculture and industry in this part of the South. The food-processing, fertilizer, and cottonseed-products industries also had seasonal declines in employment during June.

Principally because of unrelieved shortages of materials and supplies, employment in construction showed only moderate gains. A scarcity of skilled workers, especially brickmasons, carpenters, and plasterers, further hindered full-scale expansion in every area for which reports are available. The bright prospects for the industry cannot be realized until these shortages are met and official restrictions are removed. A reluctance of job seekers to accept common-labor jobs at current rates of pay, however, must be overcome for a balanced growth. Lumber and other construction-materials industries increased their employment in all sections except in the Knoxville,Tennessee, area.

Employment in mining and related durable-goods industries, such as machinery and iron and steel, has recovered from the low point reached during the spring strikes. The Birmingham area benefited most from this recovery. Plants in the Atlanta and Mobile areas also participated in the upturn, but those in the Knoxville and Nashville areas lagged because of local labor and reconversion difficulties. On the other hand, employment in the Government and in the trade and service industries remained static or increased only slightly. The necessity for cutbacks in some Federal agencies, the uncertainty over OPA prospects, and seasonal influences account for the spotty tendencies.

In the textile and garment industries employment was increasing slowly after some early spring layoffs. The Knoxville area not only was lagging behind other areas in this recovery but had fallen below its own prewar levels, a situation ascribed by local mill owners to labor difficulties. A shortage of trained machine operators was reported both for Knoxville and for Jackson, Mississippi. In connection with the current unionization drive in these two industries in the South, both CIO and A. F. of L. unions have announced plans for increased wage demands to meet increased living costs, although recent figures released by the United States Bureau of Labor Statistics indicate that the hourly average wage rate for cotton-mill workers in the Southeast now approximates the rate for the nation as a whole.

C. H. D.

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change June 1946 from	
		May 1946	June 1945
Total Sales	97	— 4	+ 52
Cash Cales	89	— 5	+ 78
Instalment and other credit sales	89	— 5	+ 47
Accounts receivable, end of month	96	+ 3	+ 27
Collections during month	96	— 2	+ 34
Inventories, end of month	76	+ 8	+ 26

RETAIL JEWELRY STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change June 1946 from	
		May 1946	June 1945
Total sales	26	— 14	+ 18
Cash sales	24	— 11	+ 21
Credit sales	24	— 18	+ 18
Accounts receivable, end of month	26	— 2	+ 27
Collections during month	26	+ 3	+ 25

DEPARTMENT STORE SALES AND STOCKS

Place	SALES			INVENTORIES		
	No. of Stores Reporting	Percent Change June 1946 from		No. of Stores Reporting	Percent Change June 30, 1946, from	
		May 1946	June 1945		May 31, 1946	June 30, 1945
ALABAMA						
Birmingham	5	— 10	+ 21	4	+ 14	+ 35
Mobile	5	— 7	+ 23	..	.....	.....
Montgomery	3	— 12	+ 19	3	+ 16	+ 34
FLORIDA						
Jacksonville	4	+ 0	+ 26	3	+ 4	+ 22
Miami	4	— 13	+ 26	3	+ 8	+ 20
Orlando	3	— 11	+ 35	..	.....	.....
Tampa	5	— 15	+ 28	3	+ 5	+ 3
GEORGIA						
Atlanta	6	— 10	+ 29	5	+ 9	+ 24
Augusta	4	— 10	+ 32	3	+ 14	+ 15
Columbus	3	— 18	+ 8	..	.....	.....
Macon	4	— 6	+ 33	4	+ 4	+ 36
LOUISIANA						
Baton Rouge	4	— 7	+ 26	4	+ 17	+ 5
New Orleans	5	— 7	+ 36	4	+ 19	+ 56
MISSISSIPPI						
Jackson	4	— 9	+ 28	4	+ 6	+ 13
TENNESSEE						
Bristol	3	— 8	+ 33	3	— 0	— 6
Chattanooga	4	— 1	+ 36	3	+ 17	+ 60
Knoxville	4	— 3	+ 14	..	.....	.....
Nashville	6	— 8	+ 43	5	+ 3	+ 21
OTHER CITIES*	18	— 14	+ 19	22	+ 8	+ 22
DISTRICT	94	— 9	+ 28	73	+ 10	+ 26

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

WHOLESALE SALES AND INVENTORIES*—JUNE 1946

Items	SALES			INVENTORIES		
	No. of Firms Reporting	Percent Change June 1946 from		No. of Firms Reporting	Percent Change June 1946 from	
		May 1946	June 1945		May 1946	June 1945
Automotive supplies	10	— 10	+ 65	7	+ 1	+ 26
Shoes and other footwear	3	— 13	+ 20	..	.....	.....
Drugs and sundries	11	— 13	+ 9	5	+ 4	+ 16
Dry goods	10	— 17	+ 20	5	+ 10	+ 73
Electrical goods	4	— 8	+119	..	.....	.....
Fresh fruits and vegetables	7	+ 10	— 16	..	.....	.....
Confectionery	6	— 4	+ 51	..	.....	.....
Groceries—full-line wholesalers	33	— 13	+ 9	16	— 2	+ 34
Groceries—specialty-line wholesalers	9	— 18	+ 1	6	— 11	+ 13
Beer	3	— 25	— 36	3	— 10	+ 9
General hardware	9	+ 4	+ 64	5	+ 6	+ 15
Industrial supplies	3	— 14	+ 9	..	.....	.....
Lumber and building materials	3	+ 28	+ 38	..	.....	.....
Tobacco and its products	9	— 6	+ 18	4	— 12	+ 54
Miscellaneous	16	— 14	+ 24	18	— 4	+ 14
Total	142	— 10	+ 17	69	+ 1	+ 29

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