MONTHLY REVIEW

SIXTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF ATLANTA

Volume XXXIII | Atlanta, Georgia, January 31, 1948 | Number 1

Where Do We Go From Here?

FEW YEARS in the history of this country have been more baffling to the average observer than the one just past. It has been equally as baffling to the professional economists and economic analysts. Throughout the year signs of a continued boom and signals of an impending recession have continued side by side, with first one and then the other seeming to be the more important. In such unsettled economic weather, professional students of the business situation as well as amateurs have hesitated to make firm prognostications of even the most immediate future. Most of those who have incautiously made them have probably regretted their error.

For business, the year 1947 opened in an atmosphere of joyful abandon. One after another the multitude of curbs placed on it during the war had been relaxed or abolished, and for the first time since prewar days it was relatively free of irksome restraints. Proponents of this course of action had argued that if business were only allowed to operate freely, there would be a new and prolonged period of prosperity. True, prices might rise a little, but that would be only a temporary phenomenon. The higher prices would soon call forth a flood of goods that would reduce prices to a reasonable level. The self-adjusting forces of the economy would come into play, and a new high-level equilibrium would be the natural result.

Hanging like a cloud over the buoyant hopes of businessmen, however, were economists' warnings of a recession, mild or severe in accordance with the mood of the economist, to come sometime during the year. The boom, it was said, was largely an inventory and capital-construction boom. But inventories were reaching a point that made their further enlargement unsafe, and building costs were approaching heights that could easily make further plant expansion unprofitable. When these points were reached a downturn could be expected. How far the downturn would go was a matter of debate, but the direction was almost an article of faith.

The end of the year, however, proved all the prophets, both optimists and pessimists, wrong. Instead of the great upsurge of production the optimists promised, industrial production as it is measured by the Federal Reserve index dropped from 187 for the first half of the year to 186 for the second. The decline was small, it is true, but it was a decline. It was somewhat more marked in the case of durable goods, the index of which fell from 221 in the first half to 219 in the second, than it was in the case of nondurables, which declined only from 173 to 172.

To further refute the promises, prices, instead of rising moderately and then dropping off to a reasonable level, rose to such a height that the index of wholesale prices, which for 1946 had been 121 percent of the 1926 average, was 155 percent for the year as a whole. The cost-of-living index, which for the year 1946 was 110 percent of the 1926 average, rose to 126 percent for 1947. High prices and goods shortages still prevailed.

Nor, of course, did the predicted recession occur. Civilian employment, which had amounted to 55.3 million in 1946, rose to 58.0 million for 1947. Retail trade climbed from 100 billion dollars in 1946 to 118 billion in 1947. The gross national product, which is the total amount spent for all goods and services, rose from 204 billion dollars in 1946 to 231 billion in 1947. New construction was valued at 9.9 billion dollars in 1946 and last year at 12.7 billion. These figures add up to a boom, and not to a "bust."

Neither group of prophets, however, was so wholly in error as these annual figures would make it appear. During the first quarter of the year industrial production as it is measured by the Federal Reserve index did rise sharply from 182 in December to 190 in March. During the same period prices rose and then showed a tendency to level off in the second quarter of the year. To a certain extent, therefore, the optimists were correct. In line with the pessimists' predictions, on the other hand, production did fall off sharply in the middle of the year; inventory accumulation slowed down; private nonresidential construction began to fall off a little later; and civilian employment started on a decline which, however, was probably only of a seasonal character. The expected recession actually seemed about to occur.

That it never really got under way, however, was owing to a combination of circumstances, some partly inherent in the situation and some partly fortuitous. Underlying the whole situation was the great mass of purchasing power in the hands of individuals and businesses—purchasing power in the form of cash, bank deposits, and other liquid assets. Every dollar of it represented a potential demand for goods and services and had the effect of pushing prices upward. High prices, in turn, tended for a time to perform their economic function of calling forth greater production. The midyear slump in industrial production was followed by a sharp upturn in the index in the latter part of the year until, by the end of 1947, a peacetime high was reached.

When economic resources are fully employed, however, high prices can at the most do little toward increasing further the output of goods necessary to a satisfaction of the monetary demand for them. There are, of course, physical limits to a country's ability to increase its supply of goods going to market. New capital capable of increasing output at some future time can be created only at a sacrifice in current consumption. The steel needed to build new plants and machines now, for example, cannot be used in the manufacture of automobiles and similar products. It is highly probable that output has about reached the limit of the country's present plant capacity. Under such circumstances, the inevitable effect of a large money supply is to raise the prices of economic resources and cause their redistribution without bringing about any over-all increase in production.

The money supply, however, has not itself remained stationary. The money stream has been fed and enlarged from a number of sources. During the year a substantial increase in the use of consumer instalment credit occurred; bank loans grew; and personal incomes rose, partly because of an increase in employment and partly because of high average hourly earnings. The gold stock of the country grew steadily throughout the year, thus increasing member-bank reserves. In September the armed forces leave bonds became convertible into cash.

A swelling money stream together with a plant already working at capacity was bound to produce an even more highly inflationary situation. All this was inherent in the general situation. In addition, however, fortuitous factors of great importance were superimposed on the inherent factors. Heavy exports of raw materials, agricultural products, and semiprocessed goods required for the rehabilitation of Europe tended to keep the domestic goods market tight. An unexpected short corn crop and a winter wheat crop that was threatened by drought during the fall caused sharp rises in the prices of feed, meat, poultry, and related commodities. Substantial wage increases to the coal miners had a tendency to raise costs for every coal-consuming industry, and freight-rate increases had a similar effect on the cost structures of thousands of business concerns. These higher costs were inevitably reflected in higher prices to consumers.

The upward pressures on prices more than offset whatever downward pressure came from the Treasury's retirement of a portion of the public debt out of its budgetary surplus. In short, the money stream was increasing faster than the stream of goods.

So threatening did the outlook appear that Congress, when it was called into special session last fall, had as the first item on its agenda a request from the President for extraordinary powers to control the inflationary spiral. They included the power to control the allocation of scarce materials, the power to control exports, the power to control consumer and bank credit, the power to control wages, the power to control rents, and the power to reinstitute rationing and to impose price ceilings where they seemed most necessary. Curiously enough, therefore, the year, which had opened with a general feeling of relief on the part of business—that controls were gone for good, ended with the shadow of future controls falling across the floor of Congress. Not only in the minds of many responsible public officials but in the minds of some businessmen a doubt was growing about the wisdom of permitting the country's economy to pursue an uncontrolled boom-and-bust course.

Since the supply of goods could not be speeded up to keep pace with the increase in the money supply, the most likely way of checking inflation seemed to be by shrinking the money supply. The Federal Reserve System, through the Chairman of the Board of Governors, had suggested that inflation might be partially checked if the System were given somewhat more effective instruments to control bank reserves than it now possesses, thus putting a brake on the expansion of bank loans.

The special session of Congress finally adjourned without having done anything about the President's request or the Federal Reserve Board's proposal. Thus the year ended with a question mark.

Though the ending of a year always invites a look backward over the course of events during the preceding 12 months, the beginning of a year tempts a look forward to the 12 lying just ahead. At the beginning of 1948, however, even a guess at what is most likely to happen is hazardous.

Congress has convened in regular session too recently for it to give any definite signs of what it may eventually do to control the current inflationary boom. From all present indications, however, it will not go far in the direction of giving either the Administration or the monetary authorities any sweeping new powers. Instead, there seems to be a disposition in Congress to rely rather heavily on voluntary action to apply the needed brake.

Human nature being what it is, however, people do not always respond in precisely the way that is desired. As long as it possesses the necessary lending power, a bank, for example, cannot reasonably be expected to forego making sound loans to good customers just because it has been warned that all loans made under present conditions tend to be inflationary. A merchant who is compelled to compete with his fellows on a sharply rising price level will hardly be deterred, by the knowledge that he is adding to the inflation, from competing in terms of more lenient consumer credit rather than in terms of price reductions. Nor can a laborer who finds the cost of feeding and clothing his family mounting faster than his earnings be expected to be overly modest about asking for an increase in his wages.

The economic system is not a mechanical device that is stoked with dollars at one end and pours forth goods at the other, but an organization of men and women. Human reactions must always be considered, therefore, in an appraisal of any economic policy and the chances for its success. To rely upon voluntary action for the control of inflation is to place reliance in human reactions and motives that from the start are biased against the assumption of any individual and private loss for the sake of a general and public good.

If Congress fails to give adequate powers of control to the administrative agencies of the Government and to the monetary authorities, *or* if it does give them and they are weakly or ineffectively used, *or* if voluntary action fails to curb the inflation, then the nation would be thrown back on its only remaining choice—permitting the inflation to run its course to the end, whatever that may be, modified, of course, by whatever controls are at present available.

Nations that have experienced run-away inflation know that at some point in the upward surge of prices and costs there lurks the danger that a velocity spiral may be touched off. An increase in the rapidity with which dollars in the form of cash or bank deposits are spent tends to affect the price level as would a like increase in the number of dollars. In any given time period one dollar spent 10 times represents precisely the purchasing power of 10 dollars that are spent but once.

When a point is reached in an inflationary period at which the turnover of money begins to increase, holders of that commodity begin to divest themselves of it ever more rapidly in order to avoid further loss from its declining value. The danger in a velocity spiral lies in the fact that it cannot be controlled directly by any external agency, governmental or other. Its driving power arises in the depths of human psychology. It is propelled by people's fears for the future value of their money. At the end of that road lies ruin.

Fortunately the current inflation, serious though it is, has not yet reached this danger point. Nothing, however, is to be gained by ignoring the danger. Any considerable intensification of the current phase of inflation can have serious repercussions even if the most calamitous stage is never reached. Further sharp increases in prices are sure to multiply social tensions and will probably precipitate a new round of labor-management disturbances, from which 1947 was relatively free. They would also dilute whatever aid we may ultimately give to facilitate European recovery. Any diminution of this aid by untoward events at home could only have the effect of impairing this nation's prestige abroad.

The new year is therefore likely to be crucial, not only for the immediate future but perhaps for a long time to come. At present prosperity is precariously poised on the slope of a price boom. Whether the transition to a more solidly based prosperity can be made without mishap is a story that may possibly be told by 1948.

EARLE L. RAUBER

Bank Announcements

THE WALKER County Bank, Jasper, Alabama, in territory served by the Birmingham branch began remitting at par on January 1, 1948. This bank is officered by D. M. Richards, president; H. W. Ward, vice president; James D. Dickson, cashier; and W. B. Currey, assistant cashier. Its capital is $50,000, its surplus and undivided profits are $36,000, and its deposits $2,311,000.

On January 2, 1948, the West Georgia Bank and Trust Company, Carrollton, Georgia, converted from State-bank status to that of a National bank. The bank's officers are B. F. Boykin, chairman of the board; M. C. Roop, president; T. J. Lawler, vice president; C. P. Cobb, cashier; and W. E. Copeland, assistant cashier. Its capital is $100,000, its surplus and undivided profits are $50,000, and its deposits $1,275,000.

The Farmers and Merchants Bank, Forest, Mississippi, a nonmember bank in the territory served by the New Orleans branch began remitting at par on January 7, 1948. This bank has a capital of $60,000, surplus and undivided profits of $95,000, and deposits of $2,780,000. W. A. Davenport is president, R. L. Goodwin executive vice president, J. R. Mitchell and H. E. Bishop vice presidents, R. L. Thompson, Jr., cashier, and H. M. Mitchell, R. C. Simmons, and J. H. Wicker assistant cashiers.

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change Dec. 1947 from	
		Nov. 1947	Dec. 1946
Total sales	33	+153	+ 0
Cash sales	32	+187	+ 6
Credit sales	[illegible]	+132	+ 5
Accounts receivable, end of month	32	+ 49	+ 18
Collections during month	32	+ 37	+ 10

CONDITION OF 28 MEMBER BANKS IN SELECTED CITIES
(In Thousands of Dollars)

Item	Jan. 28 1948	Dec. 31 1947	Jan. 29 1947	Percent Change Jan. 28, 1948, from	
				Dec. 31 1947	Jan. 29 1947
Loans and investments—Total	2,355,054	2,365,138	2,335,367	— 0	+ 1
Loans—total	841,053	847,437	718,499	— 1	+ 17
Commercial, industrial, and agricultural loans	523,617	523,599	423,118	+ 0	+ 24
Loans to brokers and dealers in securities	8,382	8,198	8,721	+ 2	— 4
Other loans for purchasing and carrying securities	61,191	67,798	89,135	— 10	— 31
Real estate loans	69,479	68,106	53,120	+ 2	+ 31
Loans to banks	4,565	4,289	4,311	+ 6	+ 8
Other loans	173,819	175,447	140,094	— 1	+ 24
Investments—total	1,514,001	1,517,701	1,616,868	— 0	— 6
U. S. direct obligations	365,620	336,880	415,540	+ 9	— 12
Obligations guaranteed by U. S.	959,683	993,982	1,015,210	— 3	— 5
Other securities	188,698	186,839	186,118	+ 1	+ 1
Reserve with F. R. Bank	460,683	477,642	432,288	— 4	+ 7
Cash in vault	42,705	45,482	39,933	— 6	+ 7
Balances with domestic banks	174,450	198,546	181,152	— 12	— 4
Demand deposits adjusted	1,793,796	1,774,298	1,699,945	+ 1	+ 6
Time deposits	531,148	547,059	541,577	— 3	— 2
U. S. Gov't deposits	19,950	20,871	57,135	— 4	— 65
Deposits of domestic banks	501,172	577,706	522,168	— 13	— 4
Borrowings	17,300	......	5,000	.....	+246

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	Dec. 1947	Nov. 1947	Dec. 1946	Percent Change Dec. 1947 from	
					Nov. 1947	Dec. 1946
ALABAMA						
Anniston	3	23,193	18,620	20,983	+ 25	+ 11
Birmingham	6	354,520	296,164	300,345	+ 20	+ 18
Dothan	2	13,454	11,797	11,508	+ 14	+ 17
Gadsden	3	19,200	18,577	16,635	+ 3	+ 15
Mobile	4	156,882	124,728	121,880	+ 26	+ 29
Montgomery	3	79,153	77,138	65,989	+ 3	+ 20
FLORIDA						
Jacksonville	3	283,439	248,392	262,591	+ 14	+ 8
Miami	7	272,190	209,829	224,022	+ 30	+ 22
Greater Miami*	12	375,695	290,645	307,714	+ 29	+ 22
Orlando	3	52,429	44,277	52,284	+ 18	+ 0
Pensacola	3	36,507	30,864	31,888	+ 18	+ 14
St. Petersburg	3	54,696	47,202	51,029	+ 16	+ 7
Tampa	3	124,097	101,890	111,740	+ 22	+ 11
GEORGIA						
Albany	2	21,338	18,296	17,211	+ 17	+ 24
Atlanta	4	902,276	732,958	773,935	+ 23	+ 17
Augusta	3	59,817	52,807	54,347	+ 13	+ 10
Brunswick	2	9,371	8,304	9,705	+ 13	— 3
Columbus	4	63,559	53,565	58,406	+ 19	+ 9
Elberton	2	4,575	4,150	4,151	+ 10	+ 10
Gainesville*	3	15,001	13,824	12,843	+ 9	+ 17
Griffin*	2	12,842	10,742	11,289	+ 20	+ 14
Macon	3	62,689	55,087	63,305	+ 14	— 1
Newnan	2	12,075	7,717	9,430	+ 56	+ 28
Rome*	3	23,648	21,932	21,531	+ 8	+ 10
Savannah	4	106,781	85,329	93,892	+ 25	+ 14
Valdosta	2	11,988	9,695	11,384	+ 24	+ 5
LOUISIANA						
Baton Rouge	3	84,860	81,158	71,991	+ 5	+ 18
Lake Charles	3	32,008	28,546	27,067	+ 12	+ 18
New Orleans	7	697,243	598,204	609,068	+ 17	+ 14
MISSISSIPPI						
Hattiesburg	2	15,749	14,798	15,702	+ 6	+ 0
Jackson	4	116,249	108,870	98,336	+ 7	+ 18
Meridian	3	28,105	25,340	27,007	+ 11	+ 4
Vicksburg	2	28,721	29,070	29,426	— 1	— 2
TENNESSEE						
Chattanooga	4	157,445	128,277	137,691	+ 23	+ 14
Knoxville	4	132,761	100,881	119,803	+ 32	+ 11
Nashville	6	312,502	264,901	275,259	+ 18	+ 14
SIXTH DISTRICT 32 Cities	109	4,329,872	3,637,431	3,778,010	+ 19	+ 15
UNITED STATES 333 Cities	...	118,383,000	92,921,000	103,900,000	+ 27	+ 14

* Not included in Sixth District total

Consumer Buying in 1947

THAT man's wants are insatiable is a long-accepted axiom that American consumer behavior during 1947 seemed to verify. Throughout the United States, in other words, most consumers seemed intent on showing that if they had the purchasing power to satisfy their unlimited wants they would spend it all on goods and services.

They saved less of their current incomes, they dipped into their past savings, and they went into debt. They even paid higher and higher prices, though reluctantly, rather than forego the pleasure of satisfying their wants as much as they possibly could. That many persons lost in the race between advancing prices and advancing incomes was not their fault as consumers. They tried hard. But like Dickens' Oliver Twist, who after he had eaten his supper still wanted more, their hunger for goods was not satisfied.

If, unlike Oliver Twist and the other boys in the workhouse, they did not suffer the continual pangs of physical hunger, their psychological hunger for goods was no less real. They wanted the things, especially durable goods, that they were unable to buy during the war and that the advertisements promising future availability had continually whetted their appetites for.

Price and Sales Trends

During 1946 they had not been able to get enough of these things. Consumers in the Sixth District, as an alternative, spent their incomes in unprecedented amounts for nondurable goods. Their spending raised department-store sales 26 percent above those for 1945, although the percentage rate of increase in District sales did not lead the nation, as it had in the war years.

To some people 1947 looked like a favorable year in which to satisfy their accumulated wants. There was no rationing, and they had been told that with the removal of price control the wanted goods would come forth in swollen streams. In early 1947, according to the survey of consumer opinion made for the Federal Reserve Board, 46 percent of the consumers expected prices to come down and 22 percent expected them to remain the same. Inconsistent as it may seem, only 12 percent expected their own incomes to decrease.

The sales of Sixth District department stores during that part of the year reflect the expectation of price reductions. Of the seasonally adjusted index for the first quarter the average was 341 percent of the 1935-39 average, 11 points lower than the index for the final quarter of 1946. Although, according to the consumer price indexes for the District based on Bureau of Labor Statistics data, clothing prices had risen 5 percent during the first quarter and food and housefurnishings prices about 3 percent each, a general feeling still prevailed that the price rises were only temporary.

Price behavior during the second quarter seemed to confirm this belief. Food prices, according to the index, actually declined about 2 percent, while prices of home furnishings remained approximately the same and clothing prices increased less than one percent. The average for the seasonally adjusted sales index during that quarter showed a slight increase to 361, but during the third quarter the index was lower each month than that for the corresponding month of 1946, averaging only 351 for the three months.

The idea that it might be wise to delay their buying was prevalent not only among consumers but among many types of retailers as well. Instead of adding to their inventories as they had during the last part of 1946, the department stores cut their stocks so drastically that the seasonally adjusted index fell from 363 percent of the 1935-39 average at the end of 1946 to 270 at the end of July.

Prices rose so much during the third quarter of the year, however, that those consumers who had expected declines were convinced they had been wrong. Food prices jumped more than 6 percent, clothing prices 2 percent, and prices of housefurnishings about 3 percent. Shoppers realized that lower prices were not imminent after a few such experiences as finding similar sweaters, marked $14.95 and $19.95, with the difference in price occasioned only by receipt of the more expensive ones after prices were raised at the manufacturing level. By November food prices had advanced 8 percent since the end of 1946, clothing prices 10 percent, and the prices of home furnishings more than 7 percent.

Consumer incomes in the District were bolstered by an increase during the last quarter over employment in the summer months and by the 127 million dollars 600,000 veterans in the District received from cashing their terminal-leave bonds. As a consequence, the seasonally adjusted index of department-store sales reached the highest point on record in December, 394, and averaged 375 for the quarter. For the year sales were up 4 percent.

The change also became apparent in department-store policies toward inventories. Inventories were expanded so much that their values established new high levels. By the end of November the seasonally adjusted index had reached 337, which was 67 points higher than the low established at the end of July. At the end of the year the index was 345 percent.

Effect of Price Increases

So far as a deflation of the department-store-sales index with an index derived from the consumer-price indexes for clothing and home furnishings shows, the actual physical volume of sales at the stores was lower every month during 1947 than it was during the corresponding month of 1946. Even December sales were down from those of last year about one percent.

The experience of department stores cannot, of course, be taken as entirely typical of all retail selling. Their sales do not constitute as much as 10 percent of total retail sales. The sales of food stores, for example, far exceed them. In a period such as 1947, when purchasing shifted to durable goods and prices rose rapidly, the department-store data present an incomplete picture. Last year, when consumers could, they bought household appliances and home furnishings at department stores in much greater volume than they did during 1946. Departments selling these goods show much greater increases in sales than price increases alone would explain. All during the year sales at furniture stores continued each month to show gains over those made in the corresponding month of 1946. For the year as a whole they surpassed the 1946 sales 10 percent. The household-appliance stores in the District also made impressive gains, totaling 25 percent. Jewelry-store sales, however, were down 2 percent.

There are no such comprehensive statistics covering as wide an area for other types of retailing. Department of Commerce reports for total retail trade in Birmingham and Atlanta for the first 11 months of 1946 and of 1947, however, indicate that in those cities the percentage increase in total retail sales was between 5 and 6 percent greater than the increased rates reported for department-store sales alone. The total sales figures were increased by such large gains as those made by automobile dealers in the two cities, which were 68 and 54 percent, respectively. Other retailers contributing to the total increase were lumber and other-building-material dealers, who reported an increase of 25 percent in Birmingham and one of 22 percent in Atlanta. There were also increases in the sales of food and dry-goods stores. At the apparel stores, on the other hand, decreases were fairly general.

If it had not been for the easing of consumer-credit controls in December 1946 and their complete removal on November 1, total sales for some merchants who had increases would have been below their 1946 totals. Likewise, some of the merchants who had declining sales would have had even greater declines without the consumer-credit expansion possible last year.

Prospects

If consumer incomes remain high during 1948, they will be spent, there is little doubt, and thus keep retail trade at a high level. Competition for the consumers' dollars among the different types of merchants, however, is likely to be more intense than it was last year. The behavior of prices in the different lines of business and the consumer reaction to any further price increases will determine to a large extent how much of the consumers' dollar each type of merchant will receive.

Changes in department-store sales will, consequently, be carefully followed during the coming months not only by those interested merely in the course of retail trade but also by those looking for an indication of the consumer's reaction to changes in nondurable-goods prices. To the District's economy these changes will be especially significant because of its heavy reliance on nondurable-goods manufacturing. Since consumers, through their buying preferences, largely determine the type of manufacturing activity carried on, their decisions will have an important effect on the District's manufacturing activity in 1948 and on its income. C. T. T.

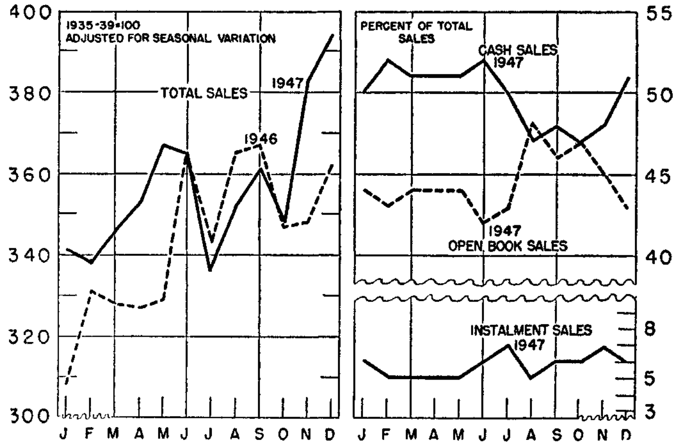
Revision of Book on Federal Reserve System

A revision of the booklet entitled The Federal Reserve System—Its Purposes and Functions, *which was first published by the Board of Governors in* 1939, *is now available for distribution. This booklet is intended to provide students, bankers, businessmen, and others with a brief and relatively simple statement of the purposes and functions of the Federal Reserve System.*

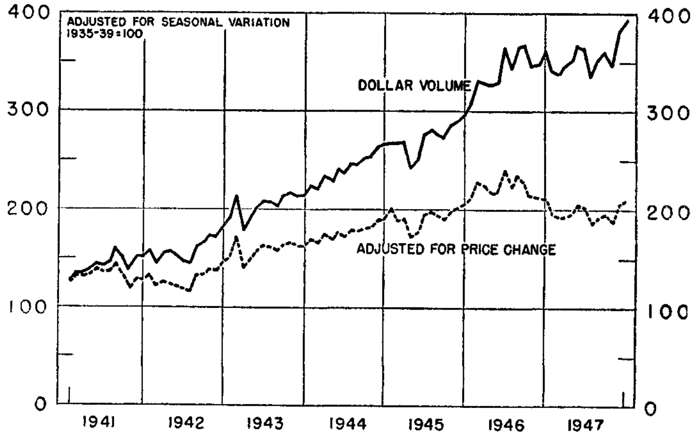
The price for cloth-bound copies is 75 *cents each for one to nine copies and* 50 *cents each for group orders of ten or more sent in a single shipment. Paper-bound copies are available without charge. Requests should be addressed to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington* 25, *D. C.*

SIXTH DISTRICT DEPARTMENT STORE SALES

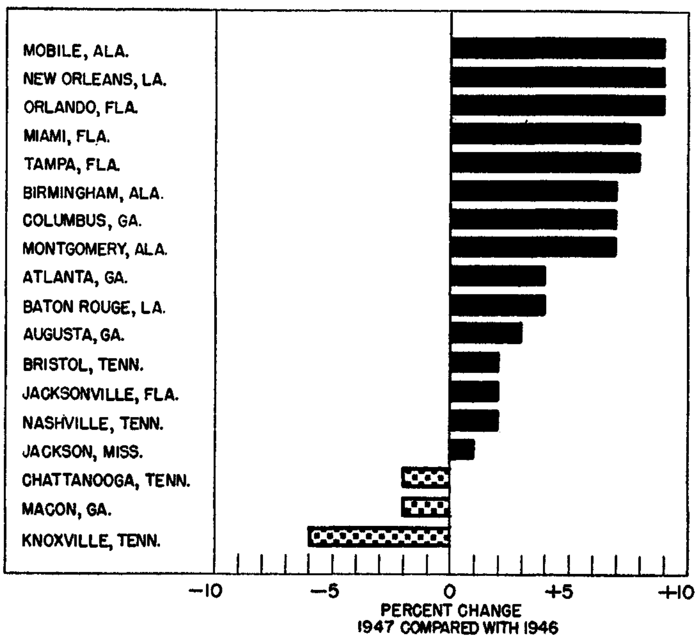
1. The dollar volume of monthly department-store sales in most of 1947 exceeded that of sales in 1946— 2. —With credit sales becoming more important.



3. But, when deflated for price increases, the physical volume was below the 1946 level.



4. And even declines in dollar sales were reported for some cities.



Sixth District Employment and Industry in 1947

ACTIVITY in Sixth District industry continued at a high peacetime level for both management and workers. Six State manufacturing employment averaged approximately 1,037,000 for the first eleven months of the year; by fall it had reached almost full-employment status.

For the week ended October 25 only 124,800 claimants were receiving benefits in the Six States under the unemployment insurance and the veterans' compensation program. This was the postwar low in District unemployment. It can possibly be regarded as the minimum to which peacetime unemployment can go, since there will never be perfect coordination of job applicants and job vacancies, in either timing or placing. Within the District, pockets of unemployment appeared in certain areas and industries at different times during the year. Scattered lay-offs occurred in the seasonal food-processing industry, and some shipyard workers had failed to secure permanent employment. Also, in several strictly textile towns workers in other trades found themselves stranded. In the Columbus, Georgia, area, for instance, there was a constant oversupply of veterans trained in automobile mechanics and truck driving. Unskilled workers had increasing difficulty finding satisfactory employment at acceptable wages. There was, on the other hand, according to reports from local employment offices, a scarcity of skilled workers, particularly bricklayers, carpenters, and stenographers.

Although monthly manufacturing employment averaged 17 percent less than the 1944 wartime peak, it was more than 40 percent above the 1939 figure. For the first 11 months it averaged 6.7 percent more than it did during the corresponding period of 1946, with all the six states, led by Tennessee, participating in the increase. The District gain, though high, does not compare favorably with the national gain of 9.1 percent, but 1947 was a boom year for durable-goods producers, who compose a larger proportion of the nation's manufacturing employers than they do of the District's.

Between September 1946 and September 1947 District manufacturing employment approached a resumption of its peacetime seasonal pattern, though it attained considerably higher levels than it reached before the war. Producers of textiles, lumber, food, chemicals, and iron and steel again, in this second year of peace, held their respective places as the chief manufacturing employers in the District; they employed more than 62 percent of the District's manufacturing workers.

Cotton-textile employment and cotton consumption, the two measures of District textile activity, followed similar patterns. Both started the year at a high rate of activity, declined to a low in July, and rose again in the fall, though not enough to reach the 1946 high levels. The fluctuations in cotton consumption, however, were more pronounced than were the changes in employment. During the first 10 months the textile industry employed 1.5 percent more workers than it did in that period of 1946. Monthly cotton consumption averaged, on the other hand, 5 percent less for the entire year than it did in 1946.

The drop was caused, in part, by the precipitous 32.1-percent decline from the yearly high in January to the yearly low in July. There are several factors, however, which minimize the gravity of this decline. First, it came near the end, in August, of the greatest peacetime cotton year this country has ever had. Also, the mills returned to their peacetime summer-vacation periods. Moreover, many of the District mills converted during the year either wholly or partly to the production of lighter-weight cotton fabrics.

So far as the decline in cotton consumption in this period represents an actual decline in cotton-textile production, it was caused by the return of the industry to peacetime market conditions. Cotton textiles met double competition during the year, from other consumer fabrics and from paper and plastic industrial fabrics. Also the demand that accumulated during the war for certain industrial and consumer goods had been satiated by 1947. Supplies of cotton textiles gradually came into better balance with demand, and retail stocks more nearly approached their prewar relationship to sales. In the spring, rumors of an expected price decline caused a temporary, short-lived slackening of inventory accumulations.

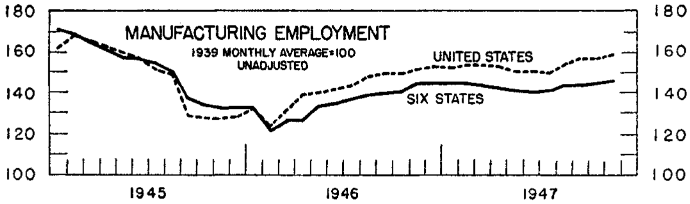
Cotton consumption fluctuated during 1947 more markedly in the District than it did for the nation, because of the concentration in the District of durable-heavy-weight-fabric producers. The naturally greater sensitivity that they, compared with producers of light-weight fabrics, have to readjustment and external business conditions was sharply pronounced in this year of the industry's reconversion to competitive markets.

Textile workers received a 9-percent wage increase in November, which raised their average earnings from 97 cents an hour to $1.11. Mill margins are more favorable now than they were during the war, even with the increases in wages and other costs. The relatively high margins together with the enviable profit record which the mills have made this year should encourage a high rate of production in the immediate future.

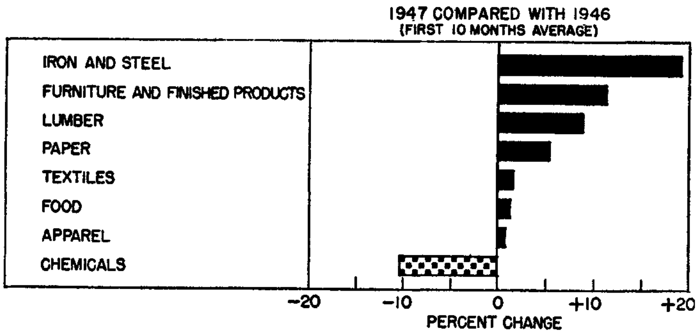
For the first 10 months of 1947 the lumber industry had a gain of 8.9 percent in its monthly average employment over that for the corresponding period last year. Seventeen out of every hundred District manufacturing workers were employed in this industry. Moreover, on the basis of present indications, the increased demand for lumber, evidenced by rising prices for the better grades, will probably stimulate production to an even higher level in the future.

The food-processing and canning plants employed 12 out of every hundred manufacturing workers in the District. Harvesting times for different crops varied, thus causing some counter-balancing fluctuations in employment. Total District employment in this industry, however, declined in the spring, then rose considerably in the summer. By September it had reached more than 131,000. This industry's expansion is of great significance in a largely agrarian economy, since farm income can be greatly affected by the availability of food-processing and canning facilities. The more self-sufficient the District is in performing these essential

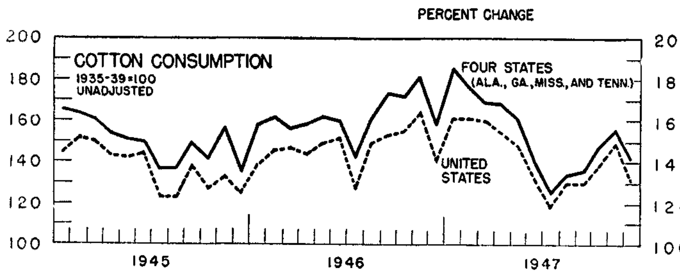
DISTRICT INDUSTRIAL TRENDS



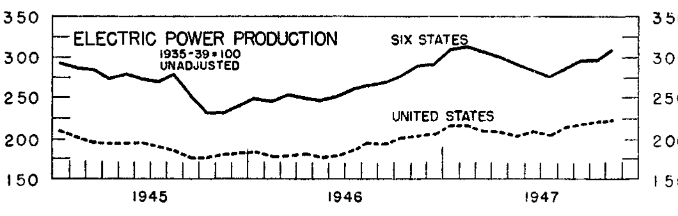
1. Total Sixth District manufacturing employment expanded in 1947, after a midyear slump, to bring the average for the year up about 7 percent over that for 1946.



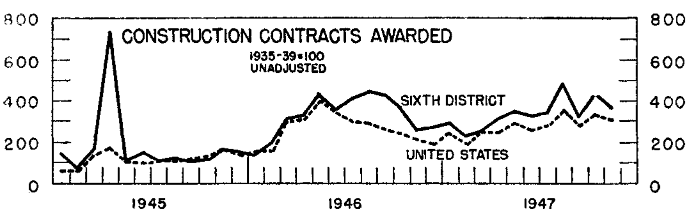
2. Employment in iron-and-steel industries, which was held down in 1946 by work stoppages, registered the greatest rate of expansion.



3. Cotton consumption by the Sixth District mills declined more rapidly during the first half of the year than consumption in the nation generally, but afterward followed the national trend.



4. Electric-power production during the last quarter of 1947 exceeded its total in any previous corresponding period.



5. Construction contracts awarded during 1947 were approximately the same in dollar value as those awarded in 1946.

functions, the more likely the farmer and the area are to prosper.

Largely because of continued reductions at the giant Oak Ridge war plant, chemical employment declined considerably. This decrease, the only one for the year as a whole in the District, was so marked that it almost forced the industry out of its fourth-place position as a District employer. The disutility of many war plants for peacetime purposes has made the industry's reconversion difficult and somewhat prolonged.

Its competitor for fourth place was the iron-and-steel industry. For the first 10 months this industry in Alabama, Georgia, and Tennessee had a monthly average of 71,300 workers. This represents a 19.3 percent increase over the same period of 1946—the highest in the District. There were, however, prolonged work suspensions in early 1946 which caused iron-and-steel production and employment at that time to drop lower than they had been since 1939. The steel mills of the South operated at more than 97 percent of capacity every week of the year except the first week of July. Even then, when the miners were on strike, however, the mills operated at 89 percent of capacity. For the first three quarters steel-ingot production in Alabama was 33 percent greater than it was in that period in 1946. Because of gas shortages in the spring and scrap shortages in the fall, however, the periods of low production in Alabama did not wholly coincide with those for the nation.

Alabama pig-iron production was running at an average of 92.6 percent of capacity during the first 10 months. The total for the period amounted to more than 2,884,000 gross tons.

Other yardsticks of District industrial activity also indicate high-level peacetime production. Bituminous coal mines in Alabama and Tennessee contributed to the 13-percent increase in national production for the first three quarters of the year over the corresponding period of 1946. Oil fields in Louisiana operated at capacity throughout the year.

Electric-power production resumed its normal seasonal pattern but attained a much higher level than it had before the war. In November the District index reached 308.6, its highest point on record for that month. District power production was relatively much higher than national production. The present District power-expansion program, moreover, will increase production within the next four years almost 30 percent.

District construction activity measured by contracts awarded was greater in 1947 than it was in 1946. It is probable, however, that the increase in building costs during the year accounted for this gain and that, actually, the volume of construction was slightly lower. Both in the District and for the nation, residential construction made up a larger portion of total construction than it did in 1946. According to the F. W. Dodge Corporation, contracts awarded in the District amounted to $747,803,000 in 1946, of which 44.3 percent was for residential construction, and $751,344,000 in 1947, of which 46 percent was for residential building.

Thus, District industry increased both its employment and production slightly over its 1946 totals. Still higher levels may be reached in the year ahead when the expansion programs now under way in several major industries come into full production.

LILLIAN CROFT

Banking Developments in 1947

MEMBER banks financed to an increasing extent the high level of business activity in the Sixth Federal Reserve District during most of 1947. Private credit assumed a much more important role than it had had for many years. As a borrower the Government did not, it is true, retire to the wings or even assume a minor role, but it did surrender to businessmen, farmers, and consumers its part as that borrower chiefly responsible for expanding bank assets and deposits.

The Treasury was able to reduce the Government debt held by member banks partly because its receipts exceeded expenditures during the calendar year 1947 and partly because it carried out a policy of retiring for cash the short-term bank-held debt in favor of nonmarketable issues to individuals and Government trust funds. Total net receipts of the Government amounted to almost 44 billion dollars and total expenditures to 41.5 billion, leaving a budgetary surplus of 2.4 billion. Although the gross public debt was reduced only 2.2 billion dollars to 256.9 billion, Treasury operations reduced the Government's marketable securities 10.8 billion dollars, mainly in bank-held securities.

Deflationary Developments

At Sixth District banks more than half the total reduction in Government-security holdings had taken place by the end of June. During that period, according to the experience of the weekly reporting banks, their holdings of some types of securities increased slightly despite a net reduction in the total holdings. Although these banks had decreased their holdings of Treasury notes and bills, they held slightly more bonds and certificates at the end of June than they did at the end of 1946.

Because part of the Treasury's cash redemptions were made by drawing on its war-loan accounts, its deposits in these accounts at the member banks declined from almost 100 million dollars at the beginning of 1947 to little more than 20 million at the end of June. In order to meet the calls, the banks drew on their reserves with this bank and their balances with correspondent banks sufficiently to reduce total reserves and cash balances to 125 million dollars. During the period the increase in loans amounted to only one percent. As a result of these changes, and other asset changes, total assets on the combined balance sheets of the member banks for June 30 had dropped more than 200 million dollars below their total at the end of 1946. The rate of this decrease was 4.8 percent, against one of 1.9 percent for all member banks throughout the country. The difference came about chiefly through a greater increase in loans at banks in other districts.

Just as Government borrowings expanded the member-bank liabilities in the form of deposits during the war, so the retirement of Government debt at the member banks contracted deposits. This reduction during the first half of 1947 amounted to 235 million dollars. Reductions in Government deposits and deposits in correspondent banks, however, accounted for most of the decline. Personal and business demand deposits, measured by demand deposits adjusted, decreased only 27 million dollars, whereas business and personal time deposits increased 26 million dollars. District banks lost total deposits in the six-month period at the rate of approximately 4.2 percent. Member banks throughout the nation had a decline of 2.4 percent.

Expansionary Developments

Although, on the whole, expansionary factors were absent the first half of 1947 so far as District member-bank operations were concerned, the credit demands of business, agriculture, and industry during the latter half of the year reversed the trend. Beginning in July, the banks as a group reported increased loans each month until, by the end of the year, the amount of loans outstanding exceeded the amount outstanding at the beginning of the year almost 250 million dollars and the amount outstanding at the midyear about 222 million. Although their Government-security holdings continued to decline, almost as much as they had decreased the first half of the year, the banks shared in the increased reserves that were being acquired by other member banks throughout the country as a result of gold imports, and sales of securities to the Federal Reserve banks. The net result was that by the end of the year total assets of member banks slightly exceeded those at the end of 1946.

Since the greater part of the loans were made to facilitate production or distribution, there seemed little doubt to the individual banker assessing his loan applications that the loans were justified. Although instalment loans to consumers increased steadily and substantially during the year to the extent that by the year's end commercial banks in the District held almost one and a half times as much of this type of loan paper as they did at the end of 1946, these loans constituted but 9 percent of total loans at the midyear. Consequently the increase in them was not the primary cause of the total loan expansion. Nor did greater real-estate loans primarily account for the increase, since their total made up only 16 percent of the total loans, though at the weekly reporting banks they were more than half again as large at the end of 1947 as they were at the end of 1946. It was the increase in loans to commercial and industrial concerns that explained the greater part of the total gain.

Deposit Growth and Turnover

No matter how productive the loans to businesses might have been individually, collectively they did result in additional purchasing power, which, with no important increase in physical production, led to further pressures on the price level. By December 31, demand deposits adjusted had increased to an amount that was 3.6 percent greater than the amount at the end of June and 2.8 percent greater than the amount in the banks at the end of 1946. The corresponding national rates were each about 2 percent greater.

Measuring the growth of deposits alone does not measure the pressure of purchasing power on prices. Because depositors used their deposits more intensively in 1947 than they did in 1946, their total expenditures to meet obligations increased much more than the growth in deposit accounts indicates. At the banks in the District's leading cities each dollar of demand deposits adjusted was used on an average of 18.4 times in 1947. This was the highest rate of turnover that had occurred since 1943 and a significant advance from 16.9, the rate for 1946. Although the rate in the year just passed was still only 73 percent of the 1935-39 average, deposits have expanded so much since then that the total spent far exceeds the average amount spent in that period.

The Federal Reserve notes of this bank, which constitute the greater part of the District hand-to-hand currency, did not, however, add to the total liquid assets in the hands of businessmen and consumers. During each month in 1947 the amount of Federal Reserve notes outstanding was lower than it was in the corresponding month of 1946. In June the notes of this bank were, at 1,424 million dollars, 4 percent below the amount outstanding at the end of June 1946. The normal seasonal increase in notes outstanding took place toward the end of the year, but on the last day, the circulation of 1,449 million dollars was down 3 percent from the circulation on December 31, 1946. A comparison of the amount of notes outstanding at the end of the year with the 431 million dollars outstanding at the end of 1941 gives an idea, however, of the vastly increased amount of purchasing power now available for spending.

The member-banks' operations were much more closely tied to the fortunes of local communities than they have been for several years. National economic conditions have, of course, influenced the Treasury policy of debt redemption and in turn the reduction in Government-security holdings at the banks.

Contrary to their experience during the war when almost every bank reported increased deposits, the banks' experience in 1947 was far from uniform. Even though in October, for example, when total deposits for all District member banks were down 1.4 percent from the comparable date in 1946, more than 40 percent of the banks reported increased deposits. The deposit figures grouped by states and by more localized areas show similar differences.

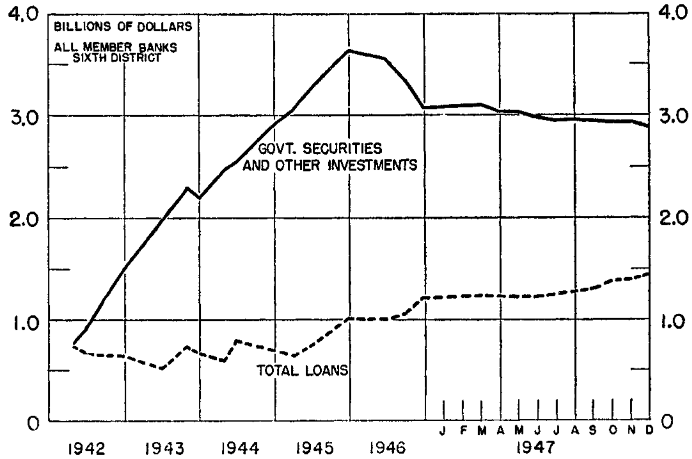
For the banks in Mississippi an increase in total deposits of about 2 percent was reported, and increases of less than one percent for those Mississippi and Louisiana banks located in the District. Although 31 percent of the Florida member banks reported increases in their total deposits, for the state as a whole deposits declined more than 4 percent. Decreases of more than one percent were reported for Alabama and Tennessee, although of the individual banks in those states 43 and 40 percent, respectively, had increases in deposits. Except for the banks in Florida, however, business and personal demand deposits alone, contrasted with total deposits, were larger.

The Year Ahead

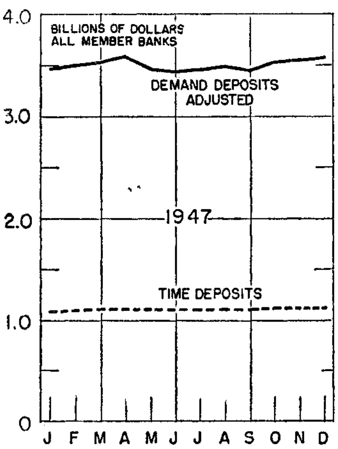
Banking is especially sensitive to general changes in economic conditions, perhaps more so than any other business. But taken collectively, the actions of the member banks have, in turn, very important effects on general economic conditions. The member banks are the custodians of the greater part of the District's funds; they have now become, through their loan operations, the most important source of additional purchasing power. Because, by reason of their day-to-day transactions, bankers are close to the local business community, they are in a better position than anyone else to prevent an overextension of credit. Only their individual actions can insure that, under the present inflationary conditions, bank credit is confined to the type of financing that helps production rather than increases the demand for already scarce goods and resources.

CHARLES T. TAYLOR

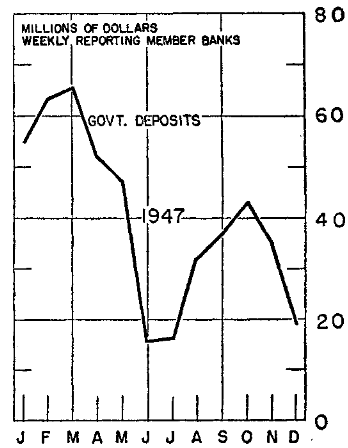
SIXTH DISTRICT MEMBER BANK OPERATIONS



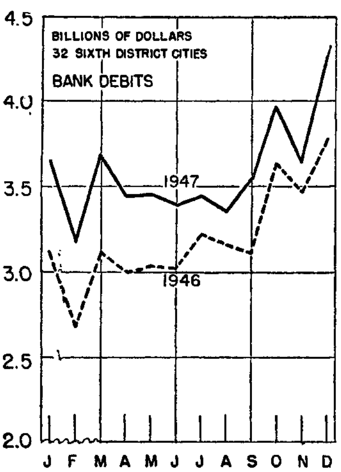
1. Member-bank operations in 1947 were characterized by a decline in Government-security holdings that was more than offset by a loan increase.



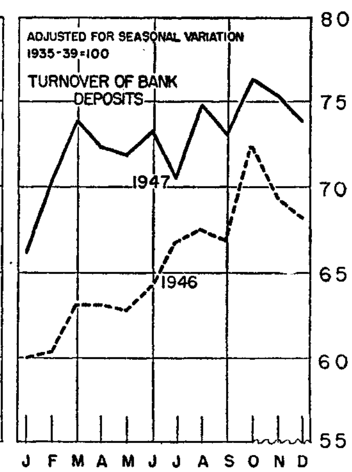
2. Purchasing power represented by business and personal deposits rose.



3. Government deposits, however, declined in response to calls made by the Treasury in its debt retirement.



4. Greater spending was reflected by increased bank debits to checking accounts.



5. And in a more rapid turnover of bank deposits.

The Food Situation and District Agriculture

THE YEAR just past was one of the most eventful agricultural periods of the decade. Even though, for the seventh consecutive year, farmers pushed their land, labor, and capital resources to the utmost, many price records were broken along with production records. At times unfavorable weather and fairly heavy insect and disease damage discouraged the farmers, yet the all-crop index for 1947 shows that total production fell only a little short of the average for the best five years in the nation's history.

As statesmen sought to bring about the rehabilitation of many countries, they primarily concerned themselves with food. Its availability was used repeatedly as a bargaining device to bolster or sway political leanings. Labor unions and other groups in the United States used food prices as their strongest bargaining point for wage and salary increases. As a new year begins, one of the most momentous questions asked on all sides is, "What will the food situation be this year?" There are no great reservoirs of food anywhere, not even in the United States where abundance is usually commonplace. In fact, domestic stockpiles of most food stuffs have dwindled to record low levels.

Shipments of food to foreign countries, particularly to Europe, focused attention on the effect that exports had on domestic markets. Indeed, many statesmen and commentators have said that the rise in prices of many food products is attributable, for the most part, to foreign demand resulting from rehabilitation loans, grants, and gifts. Some people have felt that the United States was being called upon to feed the world, but in reality it has bolstered food supplies in only a few countries. World food production in 1947 was almost equal to the prewar quantities. Wheat production was greater than it was in 1946 and only 3.7 percent smaller than the 1935-39 average. Corn production exceeded the prewar five-year average 20 million bushels. Rice crops yielded as much as they did before the war, and rye production fell only 12 percent short of its prewar average. The 1947 yields of sugar and peanuts were above their 1935-39 averages. From these comparative figures, it might seem that the cry of world shortages was a false appeal, but the distribution of food and feed crops definitely reveals a European crisis.

Europe's basic food crop, of course, is wheat. The 1947 production was 21.5 percent under the 1946 yield and 35.8 percent, or 568 million bushels, under the prewar-average production. This is the gap which the United States has sought to fill, because it is one of the few countries which can export food without endangering the health of its citizens. Its exports of grain last year were 550 million bushels. In comparison with prewar standards of production, the food situation seems to be good; but the world's population has increased in the past decade, making the 1935-39 production average an outdated measure of dietary standards.

Apart from this country's obligations to export food to European countries, the adequacy of food for our own needs is causing some concern and will cause even more if 1948 is a poor crop year. Not only have our stockpiles of grains and other food crops been greatly reduced, but an important drain has been placed on our agricultural resources during the past seven years. Soil fertility, for instance, has been greatly depleted. An increasing number of farmers, particularly in the Midwest, are therefore having to turn to commercial fertilizers in order to maintain or increase their yields. As a result of the seven consecutive years of high production much of the farm equipment — implements, machines, and buildings — is in need of repair or replacement, and new equipment is both scarce and high priced. The farmers' incentives to produce as much as they possibly can for another year are not as great as they have been. Because their operations have been profitable during the past seven years many of them may feel that they can now afford to slow down. The war incentive is gone and the peace incentive has, as a result of bickering and stalemating among members of peace conferences and organizations, lost much of its appeal.

Greater District Crop Production

In recognition of the world's great need for food, District farmers continued their all-out effort to meet the demands at home and abroad. As a result their production last year exceeded that for 1946. The acreage of principal crops harvested by District farmers totaled 29.7 millions, 1.4 percent more than the 1946 acreage but 12 percent less than the 1936-45 average. National acreage, to the contrary, increased 3.5 percent over its 10 year average.

Higher prices for some District crops offset the lower prices for others. On the whole the cash crops—cotton, tobacco, citrus fruit, rice, and sugar—showed little price change. In most of the states the value of total products, however, reached new peaks.

Of the various District crops, cotton fared best last year. It was the only major farm crop in the United States besides wheat, in fact, that increased much over its 1946 production. The total for the nation was 11.7 million bales, against 8.6 million in 1946 and a yearly average for 1936-45 of 12.4 million. The Six States produced 35.7 percent of that total. Each of them increased its planted acreage in amounts ranging from 5,000, in Florida, to 100,000, in Mississippi. Yields per acre increased in all except Tennessee, and the average was 282 pounds of lint cotton, a gain of 20 percent over the 234 pounds in 1946. The national average was 265 pounds, a gain of 13 percent.

It was the increased production rather than the temporarily higher price that made cotton income so much greater than it was in the preceding year. Cotton prices rose from a low point of around 30 cents a pound in the early spring to a high of more than 39 cents in mid-July, their highest point, in fact, since 1920. Following a sharp decline, they climbed irregularly to reach 36 cents near the end of the year. Mill buying rose and fell accordingly, slackening in May, June, and July and picking up rapidly in the fall. October sales of spot cotton totaled more than two million bales, a new monthly record.

The 1947-48 consumption, it is estimated, will total 8.75 million bales, against 10 million in the preceding cotton year. Together with a short crop in 1946, these high rates of use are reducing the stocks of American cotton. On the first of last August the carryover was 2.8 million bales, 5.2

million fewer than that on the preceding August and the smallest since 1929. Like those of most major farm products, supplies of cotton have been reduced to such an extent that dependence is now almost entirely on the current crop.

In contrast to cotton acreage, the acreage of tobacco harvested from farms of the Sixth District states last year was 2 percent less than it was in 1946 but 19 percent larger than the 1936-45 average. Yields per acre were higher in Georgia, Florida, and Alabama and slightly lower in Tennessee and Louisiana. For all six states the production averaged 1,196 pounds an acre, against 971 pounds for 1936-45.

Altogether the District states produced 14 percent of the nation's tobacco. The decline in only one of them, 15 percent in Tennessee, was enough to more than offset the gains of 18 percent in Georgia and in Alabama, 22 percent in Florida, and 66 percent in Louisiana. Tobacco prices through October 3 averaged nine cents a pound less than they did during the corresponding period in 1946 and only nine tenths of a cent more than the Government-guaranteed support price of 40 cents.

Although only one of the District states produces citrus commercially, it produces enough to make that crop an important source of cash income. Burdened again this year with a large quantity of oranges and grapefruit, the citrus industry received low prices during the first half of the marketing year. The estimated production of 50.5 million boxes of Florida oranges would mean a reduction of 6 percent from the 1946-47 total of 53.7 million boxes. Grapefruit production is estimated at 31 million boxes, two million more than it was last season. The total acreage of bearing citrus in Florida last year was 389,200, or 46 percent of the nation's total.

Citrus growers had counted heavily on foreign demand and processing to relieve some of the price pressure on the fresh market. The decline in the dollar exchange of foreign countries and the restrictions imposed by the Canadian Government dimmed export hopes; and through the middle of December processors had used only a slightly greater quantity of oranges than they used in the corresponding part of 1946.

Higher Meat and Dairy Product Prices

The past year was characterized by a rapid rise in the prices of all classes of livestock and livestock products. During the first 10 months hog prices increased 50 percent, and the prices of all steers marketed through the Union Stockyards at Chicago averaged 39 percent higher than they did during the corresponding 10 months of 1946. Beef supplies were up 12 percent, but pork supplies declined 7 percent and lamb supplies 18 percent.

In the District, where hog and cattle prices usually are lower than Chicago quotations, owing to lack of finish, there have been the same relative increases. During the first 9 months of 1947 livestock income to District farmers was 618 million dollars, a gain of 35 percent over the same period in 1946, but the year's gain will be much larger since the heaviest marketings come in the last quarter.

A four-million-head decline of cattle on farms over the nation during the year is the basis for concern over meat supplies for this year. Indications are that the supply of pork in 1948 will, however, be about as large as it was last year, both in the District and nationally.

Last year the District's dairy industry went through a period of general readjustment, with a modernization of

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	Dec. 1947	Nov. 1947	Dec. 1946	Dec. 1947	Nov. 1947	Dec. 1946
DISTRICT	394	383	363	619	459	570
Atlanta	466	420	415	662	521	589
Baton Rouge	429	423	412	656	478	631
Birmingham	395	399	337	608	478	520
Chattanooga	391	388	375	602	442	577
Jackson	361	348	350	527	418	510
Jacksonville	472	444	445	736	533	694
Knoxville	354	341	335	539	402	510
Macon	332	317	327	581	399	571
Miami	407	362	395	676	442	655
Montgomery	394	373	355	623	459	562
Nashville	497	449	438	735	521	648
New Orleans	364	364	324	553	430	493
Tampa	532	522	493	829	616	769

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	Dec. 1947	Nov. 1947	Dec. 1946	Dec. 1947	Nov. 1947	Dec. 1946
DISTRICT	344	337	347	289	354	291
Atlanta	419	391	462	340	452	376
Birmingham	283	242	245	248	285	214
Montgomery	317	321	359	269	374	304
Nashville	508	480	523	432	558	444
New Orleans	283	255	305	248	288	267

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	Dec. 1947	Nov. 1947	Dec. 1946	Dec. 1947	Nov. 1947	Dec. 1946
SIX STATES	168	174	165	171	179	168
Alabama	175	191	165	178	197	168
Florida	164	174	160	163	169	158
Georgia	156	169	157	155	175	156
Louisiana	164	167	151	165	176	153
Mississippi	159	160	158	162	176	162
Tennessee	191	176	196	206	189	212

COTTON CONSUMPTION*

Place	Dec. 1947	Nov. 1947	Dec. 1946
TOTAL	142	156	158
Alabama	146	160	170
Georgia	144	158	158
Mississippi	100	106	128
Tennessee	122	136	119

ELECTRIC POWER PRODUCTION*

	Nov. 1947	Oct. 1947	Nov. 1946
SIX STATES	309	296	290
Hydro-generated	227	180	272
Fuel-generated	416	447	313

MANUFACTURING EMPLOYMENT***

Place	Nov. 1947	Oct. 1947	Nov. 1946
SIX STATES	146	145r	145
Alabama	154	152r	153
Florida	122	118	131
Georgia	136	134	140
Louisiana	146	145	134
Mississippi	159	160r	154
Tennessee	156	157	154

CONSTRUCTION CONTRACTS

Place	Nov. 1947	Oct. 1947	Nov. 1946
DISTRICT	364	418r	258
Residential	464	691r	301
Other	315	286r	237
Alabama	245	409	329
Florida	488	601	416
Georgia	324	432	186
Louisiana	579	324	191
Mississippi	117	177	83
Tennessee	324	345	135

CONSUMERS' PRICE INDEX

Item	Nov. 1947	Oct. 1947	Nov. 1946
ALL ITEMS	171	169	159
Food	213	214	201
Clothing	190	188	164
Fuel, elec., and ice	130	129	116
Home furnishings	182	182	166
Misc.	145	145	136
Purchasing power of dollar	.58	.59	.63

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Dec. 1947	Nov. 1947	Dec. 1946
Unadjusted	20.9	19.7	20.3
Adjusted**	18.2	18.6	17.6
Index**	73.8	75.3	68.2

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Dec. 1947	Nov. 1947	Dec. 1946
Unadjusted	273	271	241
Adjusted**	283	267	249

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

barns and processing equipment and some consolidation of smaller production and distribution units. In most of its towns and cities the retail price of milk increased two cents a quart.

Increased Production Costs and Land Values

Most items and services entering into the cost of farm products had rather rapid price rises last year. Daily wages averaged $3.51 for the District states in 1947, 5 percent more than they averaged in 1946 and 20 percent more than the 1945 average. Prices of farm implements and machinery, feed, seed, insecticides, fertilizers, and containers were higher. Freight-rate increases further added to the cost of producing and marketing farm products. In the Southeastern states, where the prices of major farm commodities did not have a significant rise, these cost increases contributed to a lowering of net returns.

During the year ended July 1947 land values increased in all the Six States, with Florida and Tennessee having 14-percent increases and Louisiana a gain of 25 percent. For the District states as a group the rise was 18 percent, making the value a little more than twice the 1935-39 average.

An increase in land values usually is accompanied or followed by an increase in farm-mortgage debt. For the nation as a whole this debt was 2 percent larger at the beginning of 1947 than it was a year earlier, the first national upturn in this type of debt for almost a quarter of a century. The South and Southeast had a greater increase than any of the other sections. Even though an unusually large number of farms were purchased for cash or with substantial cash down payments, an increasingly larger number of farmers were buying and obtaining maximum mortgage credit, which may indicate that an unhealthy economic condition is developing.

Chief Causes of Higher Food Prices in 1947

There were more people employed at higher wages last year than there have been in any other year, and their demand for food bid farm prices to new highs. Wheat, corn, and butterfat were among the farm products establishing record high prices during the year. As a result the rationing of meat was proposed during the latter part of the year but was not given the necessary support, and the short-lived plan for meatless and eggless days as a means of reducing demand was abandoned.

One of the basic causes for higher food prices was farm production's failure to keep pace with nonfarm production. Some agricultural leaders blamed exports to Europe for the high domestic prices, but, though there is no doubt that foreign demand added to the pressure on prices, the demand of domestic consumers was backed up with a record-high disposable income of about 175 billion dollars, against a 1935-39 average of 67 billion. The quantity of foodstuff exported in 1946 was four times the prewar export volume, but in the 1946-47 Government fiscal year only 8 percent of all United States foodstuff was exported. It is clear, therefore, that the major portion of the increased demand came from domestic consumers who could and did spend more money for about the quantity of food they had bought in 1946.

J. L. LILES

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number of Lenders Reporting	Volume: Percent Change Dec. 1947 from		Outstandings: Percent Change Dec. 1947 from	
		Nov. 1947	Dec. 1946	Nov. 1947	Dec. 1946
Federal credit unions	43	+ 6	+ 50	+ 3	+ 55
State credit unions	25	+ 7	+ 46	+ 3	+ 52
Industrial banking companies	11	+ 16	+ 7	— 2	+ 12
Industrial loan companies	18	+ 26	+ 12	— 1	+ 10
Small loan companies	52	+ 16	+ 17	+ 4	+ 15
Commercial banks	34	+ 12	+ 64	+ 4	+ 62

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change Dec. 1947 from	
		Nov. 1947	Dec. 1946
Total sales	84	+ 34	+ 20
Cash sales	76	+ 47	— 14
Instalment and other credit sales	76	+ 33	+ 30
Accounts receivable, end of month	83	+ 13	+ 36
Collections during the month	83	+ 5	+ 14
Inventories, end of month	60	— 7	+ 4

WHOLESALE SALES AND INVENTORIES*

Items	SALES: No. of Firms Reporting	SALES: Percent Change December 1947 from		INVENTORIES: No. of Firms Reporting	INVENTORIES: Percent Change Dec. 31, 1947, from	
		Nov. 1947	Dec. 1946		Nov. 30 1947	Dec. 31 1946
Automotive supplies	6	— 9	+ 14	5	+ 4	+ 34
Shoes	3	— 8	+ 12	.	..	..
Drugs and sundries	10	+ 2	+ 11	3	+ 2	+ 16
Dry goods	9	— 36	— 6	4	+ 10	— 26
Electric wiring sup.	3	+ 3	+ 38	3	+ 7	+ 49
Electrical appliances	5	+ 8	+ 35	4	— 8	+ 35
Fruits & vegetables	3	+ 33	+ 3	.	..	..
Confectionery	5	+ 7	+ 2	.	.	..
Groceries						
Full lines	27	+ 0	+ 8	14	— 0	— 4
Specialty lines	7	— 10	+ 14	3	+ 25	— 10
General hardware	9	— 0	+ 22	[illegible]	+ 9	+ 27
Industrial hardware	4	— 18	+ 39			
Jewelry	3	0	+ 6	3	— 11	— 9
Lumber and building materials	3	— 39	+ 29	.	..	..
Tobacco products	10	+ 11	+ 5			
Miscellaneous	19	— 3	+ 9	15	+ 17	+ 41
Total	126	— 4	+ 15	58	+ 4	+ 13

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS

Place	SALES: No. of Stores Reporting	SALES: Percent Change December 1947 from Nov. 1947	SALES: Percent Change December 1947 from Dec. 1946	SALES: Percent Change Year 1947 from Year 1946	INVENTORIES: No. of Stores Reporting	INVENTORIES: Percent Change Dec. 31, 1947, from Nov. 30 1947	INVENTORIES: Percent Change Dec. 31, 1947, from Dec. 31 1946
ALABAMA							
Birmingham	5	+ 38	+ 19	+ 7	4	— 13	+ 16
Mobile	5	+ 46	+ 19	+ 9	.	..	..
Montgomery	3	+ 47	+ 15	+ 7	3	— 28	— 12
FLORIDA							
Jacksonville	4	+ 50	+ 10	+ 2	3	— 14	+ 7
Miami	4	+ 66	+ 7	+ 8	3	— 12	— 4
Orlando	3	+ 54	+ 41	+ 9	.	..	..
Tampa	5	+ 46	+ 12	+ 8	3	— 21	+ 10
GEORGIA							
Atlanta	6	+ 38	+ 17	+ 4	5	— 25	— 9
Augusta	4	+ 45	+ 10	+ 3	3	— 22	— 0
Columbus	3	+ 57	+ 16	+ 7	.	..	..
Macon	4	+ 58	+ 6	— 2	4	— 26	— 7
LOUISIANA							
Baton Rouge	4	+ 49	+ 8	+ 4	4	— 20	+ 7
New Orleans	5	+ 39	+ 16	+ 9	4	— 14	— 7
MISSISSIPPI							
Jackson	4	+ 37	+ 7	+ 1	4	— 19	— 0
TENNESSEE							
Bristol	3	+ 54	+ 4	+ 2	3	— 41	0
Chattanooga	4	+ 48	+ 9	— 2	3	— 24	— 8
Knoxville	4	+ 45	+ 10	— 6	.	..	..
Nashville	6	+ 53	+ 18	+ 2	5	— 23	— 3
OTHER CITIES*	18	+ 54	+ 5	+ 3	22	— 12	+ 9
DISTRICT	94	+ 46	+ 14	+ 4	73	— 18	— 1

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