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Member Bank Operations in 1947

LIKE most other Sixth District businesses in 1947, the banks in the region had a profitable year. Unlike many other types of businesses, they had lower net profits than they had in 1946. The 11.7-percent ratio of net profits to total capital accounts for all the member banks was, nevertheless, higher than it had been in any year before 1945. Profits were 12.4 percent of total capital accounts in that year and 14 percent in 1946. Member-bank profits in 1947 were 14 percent below the 1946 profits.

This decline occurred despite the growth in total earnings. Higher earnings from loans were more than sufficient to offset lower interest returns from Government securities, the banks' holdings of which had been reduced because of the Treasury's debt-retirement program. Earnings from service charges were also greater. Although the banks, like other businesses, had increases in wage-and-salary costs and other operating expenses last year, the total increase was not as great as the growth of earnings. Had it not been for greater income-tax deductions from earnings and net losses instead of recoveries, therefore, net profits would have been higher in 1947 than they were in 1946.

Member-bank assets were at their lowest for the year during June, when, on the last Wednesday of the month, their total was 5,678 million dollars, 312 million less than the total at the first of the year. An 88-million-dollar decline in holdings of Government securities was important in bringing about that decrease, but even more important were declines in the reserves, cash, and bank balances of the member banks. During the latter half of the year, however, total assets increased each month. Loans expanded rapidly, beginning in July, to reach the highest total they have ever attained. Reserves, cash, and bank balances also increased while total holdings of Government securities remained relatively stable.

This picture of District bank operations during 1947 is derived from the Bank's eleventh annual computation of the member banks' operating ratios. Averages of the individual bank ratios for the 333 member banks operating during the entire year are presented in detail in the tables on pages 26, 27, and 28.

In many cases, of course, the ratios for the various banks differ markedly from the averages. At the individual banks the profits ranged all the way up to 40 percent of invested capital. In fact the combined net profits of the 60 smaller banks, those with deposits of less than two million dollars, were greater in 1947 than they were in 1946. Furthermore, many banks in the other size groups had greater profits last year.

The lessening during 1947 of the influence that wartime

Government financing has had on banking operations is evident, as is the growing importance of private financing. Since the commercial banks in the nation still hold about 40 percent of the total marketable Government securities outstanding, the effects of war financing on bank operations will, of course, last many years. Government-security holdings still made up 44.3 percent of the Sixth District member banks' total assets, but in 1946 they amounted to 50.1 percent. Loans to private borrowers, on the other hand, after increasing from 13.8 percent in 1945 to 15.1 percent in 1946, climbed to 21.4 percent of total assets in 1947. For the first time since 1943, earnings from loans last year exceeded earnings from Government securities.

Another change has been the slowing down of the increase in deposits, which were enlarged so rapidly during the war years because of Government borrowing from the banks. Total member-bank deposits on December 31 last year were up only 1.5 percent from those at the end of 1946, in contrast with the high gains from one year end to another during the war. For 1943 and 1944 the rates of increase were 23 percent each, and for 1945 the increase was 25 percent.

An equally striking change from wartime banking conditions is found in the elimination of net recoveries and profits on loans and securities as a source of addition to profits. This item included profits from the sale of Government securities. In 1945 the net recoveries and profits, which were derived principally from profits from the sale of Government securities in a rising bond market, amounted to 7.6 percent of total earnings. In 1946 the ratio fell to 2.3 percent. Last year, however, losses on loans so exceeded recoveries and profits from security selling that net recoveries and profits reduced net profits by 2.1 percent of total earnings.

Government-bond prices remained stable during most of 1947 and declined during the final quarter, thus reducing the possibility of profits from the sale of securities. During 1945 and 1946 profits from this source had been one of the chief factors increasing banking profits. The net losses on loans amounted to only a tenth of one percent of the total loans outstanding during the year at the member banks. Some loss on loans is characteristic of normal banking operations, and in the past 20 years there have been only three when the recoveries on loans previously charged off exceeded the losses. In only two of the 20, however, has the ratio of losses to total loans been as low as it was during 1947.

Greater lending activity during 1947 with the accompanying increase of risk has again directed attention to the protection provided by capital accounts. Even during the years of high banking profits the banks followed conservative divi-

AVERAGE OPERATING RATIOS OF MEMBER BANKS IN THE

AVERAGES OF INDIVIDUAL BANKS

Size Groups — Banks Group

ITEM	Less Than \$1,000,000		\$1,000,000 to 2,000,000		\$2,000,000 to 3,500,000	
	1946	1947	1946	1947	1946	1947
SUMMARY RATIOS:						
Percentage of total capital accounts:						
Net current earnings before income taxes....	13.2	12.3	14.6	16.9	17.6	19.0
Profits before income taxes.....	13.5	10.9	14.7	15.7	17.9	17.9
Net profits.....	11.5	9.0	12.2	12.8	15.2	14.1
Cash dividends declared.....	3.2	2.9	3.3	3.5	3.5	3.4
Percentage of total assets:						
Total earnings.....	2.2	2.7	2.1	2.7	2.2	2.6
Net current earnings before income taxes....	.9	1.0	.8	1.1	.9	1.1
Net profits.....	.8	.7	.7	.9	.8	.8
SOURCES AND DISPOSITION OF EARNINGS:						
Percentage of total earnings:						
Interest on U. S. Government securities.....	28.2	20.5	33.0	25.1	33.5	29.1
Interest and dividends on other securities....	5.5	5.6	5.7	4.4	7.9	6.9
Earnings on loans.....	53.2	61.7	45.4	56.7	43.5	50.7
Service charges on deposit accounts.....	6.4	6.1	6.7	5.5	6.0	6.3
Other current earnings.....	6.7	6.1	9.2	8.3	9.1	7.0
Total earnings.....	100.0	100.0	100.0	100.0	100.0	100.0
Salaries and wages.....	29.7	31.8	31.5	29.7	27.8	27.6
Other current expenses.....	28.5	31.3	30.5	29.1	31.2	30.0
Total expenses.....	58.2	63.1	62.0	58.8	59.0	57.6
Net current earnings before income taxes..	41.8	36.9	38.0	41.2	41.0	42.4
Net recoveries and profits.....	+ 1.1	— 4.5	+ 1.9	— 2.6	+ .1	— 2.5
Taxes on net income.....	6.3	6.2	6.8	7.1	6.4	8.4
Net profits.....	36.6	26.2	33.1	31.5	34.7	31.5
RATES OF EARNINGS ON SECURITIES AND LOANS:						
Percentage of U. S. Government securities:						
Interest on U. S. Government securities.....	1.5	1.5	1.5	1.5	1.5	1.6
Percentage of other securities:						
Interest and dividends on other securities....	4.5	3.9	3.8	3.5	3.5	3.4
Percentage of total securities:						
Net recoveries and profits on securities.....	+ .5	— .1	....	....	+ .1	....
Percentage of total loans:						
Earnings on loans.....	8.0	7.5	7.0	7.2	6.5	6.4
Net recoveries on loans.....	....	— .2	+ .1	— .2	— .1	— .1
DISTRIBUTION OF ASSETS:						
Percentage of total assets:						
U. S. Government securities.....	41.8	36.0	45.3	41.7	47.6	44.3
Other securities.....	3.5	4.9	3.9	4.0	5.6	5.9
Loans.....	15.6	22.9	15.1	23.5	16.3	22.5
Cash assets.....	38.6	35.6	35.1	30.1	30.0	26.7
Real-estate assets.....	.5	.5	.5	.5	.4	.5
All other assets.....	.0	.1	.1	.2	.1	.1
Total assets.....	100.0	100.0	100.0	100.0	100.0	100.0
OTHER RATIOS:						
Total capital accounts to:						
Total assets.....	7.8	9.3	6.1	7.0	5.6	6.1
Total assets less Government securities and cash assets.....	43.3	35.6	35.1	28.8	31.9	25.6
Total deposits.....	8.6	10.5	6.6	7.7	6.0	6.5
U. S. Government securities to total deposits....	45.0	39.3	48.2	44.9	50.5	47.2
Time deposits to total deposits ¹	13.2	13.7	17.4	20.8	21.6	23.5
Interest on time deposits to time deposits ¹	1.3	1.1	1.0	1.1	1.0	1.0
Trust department earnings to total earnings ¹...	....	.7	....	.4	1.1	2.2
Interest on time deposits to total earnings.....	7.4	5.9	7.9	7.8	9.0	8.9
Number of banks ²	12	11	36	49	64	58

¹Banks with none were excluded in computing this average.²Three member banks not in operation for the entire year of 1946 were excluded from the compilations for 1946, and seven member banks were excluded from the compilations for 1947.

[XTH FEDERAL RESERVE DISTRICT IN 1946 AND 1947**TIOS, EXPRESSED IN PERCENTAGES****Amount of Total Deposits**

\$3,500,000 to 7,000,000		\$7,000,000 to 15,000,000		\$15,000,000 to 75,000,000		More Than \$75,000,000		All District Member Banks	
1946	1947	1946	1947	1946	1947	1946	1947	1946	1947
18.0	16.7	16.5	17.1	17.3	16.7	15.2	13.1	16.8	16.9
19.3	16.0	17.8	15.6	18.0	15.9	16.9	12.9	17.7	15.9
15.7	11.6	13.7	11.0	13.1	10.7	11.7	8.7	14.0	11.7
3.5	3.4	3.3	3.2	2.6	2.7	3.3	3.2	3.3	3.2
2.0	2.3	2.0	2.4	1.9	2.2	1.8	2.0	2.0	2.4
.8	.9	.7	.9	.8	.8	.7	.7	.8	1.0
.7	.6	.6	.6	.6	.5	.5	.5	.7	.7
37.7	31.2	41.4	31.6	41.9	33.4	42.6	34.7	37.7	30.1
7.0	6.7	8.1	7.8	7.5	7.0	7.5	6.5	7.3	6.6
40.6	47.4	32.8	43.1	30.7	38.3	30.4	37.6	38.5	47.3
6.0	6.5	7.3	7.8	6.8	8.0	3.7	4.5	6.3	6.6
8.7	8.2	10.4	9.7	13.1	13.3	15.8	16.7	10.2	9.4
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
28.0	29.3	29.0	28.9	27.8	29.6	25.9	27.8	28.5	29.0
31.4	32.2	34.3	33.6	32.7	33.1	35.6	37.5	32.2	32.0
59.4	61.5	63.3	62.5	60.5	62.7	61.5	65.3	60.7	61.0
40.6	38.5	36.7	37.5	39.5	37.3	38.5	34.7	39.3	39.0
+ 2.7	- 1.3	+ 3.4	- 2.6	+ 2.5	- 2.1	+ 5.0	- .3	+ 2.3	- 2.1
8.2	10.2	9.1	10.4	11.4	11.9	14.0	11.3	8.6	9.6
35.1	27.0	31.0	24.5	30.6	23.3	29.5	23.1	33.0	27.3
1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.5	1.5	1.5
3.3	2.8	2.8	3.2	2.7	2.2	2.9	2.6	3.2	3.0
+ .1	....	+ .1	....	+ .2	....	+ .2	+ .1	+ .1	....
5.8	5.6	5.2	5.3	4.2	4.4	3.3	3.4	5.6	5.7
+ .1	- .1	+ .1	- .2	+ .1	- .1	....	- .2	....	- .1
50.3	44.8	54.0	46.0	52.9	47.2	50.3	42.3	50.1	44.3
4.9	6.5	7.1	8.9	6.3	7.4	5.8	5.4	5.6	6.5
15.4	20.8	13.4	20.3	14.8	19.3	17.2	22.3	15.1	21.4
29.0	27.3	24.7	23.9	25.0	25.0	25.5	28.7	28.5	27.0
.4	.5	.6	.7	.8	.8	.8	.9	.6	.6
....	.1	.2	.2	.2	.3	.4	.4	.1	.2
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
4.8	5.6	4.8	5.4	4.6	5.1	4.5	5.2	5.2	5.9
27.2	24.9	27.7	20.5	24.1	20.5	21.7	19.4	28.9	24.2
5.0	6.0	5.0	5.8	4.9	5.4	4.8	5.6	5.5	6.3
52.9	47.5	56.8	48.7	55.6	50.0	52.9	44.8	52.8	47.2
22.1	23.8	24.2	27.5	18.1	20.6	16.2	17.8	20.8	23.0
.9	.9	.8	.8	.8	.8	.9	.9	.9	.9
.7	1.2	2.3	2.1	3.3	3.3	3.4	3.8	2.5	2.6
9.6	8.8	9.7	9.6	7.5	7.4	8.1	8.4	8.9	8.5
82	90	71	65	43	42	21	18	329	333

dend practices and distributed only a comparatively modest portion of their profits as cash dividends. As a consequence total capital accounts increased from year to year. So rapid, however, was the growth of deposits during the war period that the ratio of total capital accounts to total deposits declined each year, from an average of 14.7 in 1941 to 5.6 in 1945. Because the banks were increasing their holdings of Government securities, which are as riskless as any other noncash assets can be, of course, the decline in the capital-deposit ratio was not considered alarming. More significance was attached to the trend that the ratio of capital to risk assets was taking. This ratio, showing the relationship of total capital accounts to total assets less Governments and cash, rose from an average of 18.7 in 1941 to 32.3 in 1945. The latter percentage was the highest for that particular ratio the Sixth District member banks had ever had.

In addition to the normal reinvestment of earnings, the sale of stock increased capitalization at several banks last year. Partly as a result of this increase in capital and partly as a result of lower deposits in some months of 1947, the

capital-deposit ratio last year averaged 6.3, against 5.5 for 1946.

The increase in capital, however, was insufficient to prevent a decline in the risk ratio. This decline had already started in 1946, and in 1947 the ratio for all the banks averaged 24.2, a fall of 8 points from the 1945 ratio. It was an inevitable accompaniment to the 17.9-percent expansion between the end of 1946 and the end of 1947 in loans, which are risk assets, and the 8.8-percent decline in Government-security holdings, which are almost risk free.

The risk ratio for 1947 was still high compared with the ratios prevailing at the member banks during most of the years preceding the war. The decline from the 1946 ratio emphasized, however, the greater importance of prudent bank management in a situation where private financing is becoming predominant over Government financing. The Treasury's schedule of further debt retirement during 1948 and evidences of a continued need for personal and business financing forecast a year of even greater necessity for management of that type.

CHARLES T. TAYLOR.

SIXTH DISTRICT MEMBER BANK CHANGES IN DEPOSITS, EARNING ASSETS, AND PROFITS FOR THE YEAR 1947**
(In Thousands of Dollars)

Group*	Number in Group	Year Ending Dec. 1947	Year Ending Dec. 1946	Change	
				Amount	Percent
Deposits					
A	11	8,659.8	8,115.1	+	544.7
B	49	78,965.1	76,526.9	+	2,438.2
C	58	159,865.1	162,510.0	-	2,644.9
D	90	463,189.4	461,822.7	+	1,366.7
E	65	693,415.3	680,522.9	+	12,892.4
F	42	1,455,964.5	1,445,510.3	+	10,454.2
G	18	2,745,357.6	2,688,344.3	+	57,013.3
Total	333	5,605,416.8	5,523,352.2	+	82,064.6
Government Securities					
A	11	3,644.8	3,404.9	+	239.9
B	49	31,881.3	36,477.7	+	4,596.4
C	58	71,206.7	80,105.6	+	8,898.9
D	90	202,280.4	230,456.8	-	28,176.4
E	65	300,802.5	343,789.3	-	42,986.8
F	42	652,163.6	721,005.8	-	58,842.2
G	18	1,105,846.8	1,192,490.1	-	86,643.3
Total	333	2,377,826.1	2,607,730.2	-	229,904.1
Loans					
A	11	2,122.9	1,544.7	+	578.2
B	49	21,457.4	15,668.5	+	5,788.9
C	58	41,466.4	33,500.0	+	7,966.4
D	90	111,214.4	89,765.9	+	21,448.5
E	65	189,235.4	132,941.2	+	36,294.2
F	42	325,443.6	280,104.0	+	45,339.6
G	18	738,921.5	642,256.9	+	96,664.6
Total	333	1,409,861.6	1,195,781.2	+	214,080.4
Profits					
A	11	58.8	52.7	+	6.1
B	47	661.3	581.4	+	79.9
C	58	1,426.8	1,461.2	-	34.4
D	89	2,953.2	3,363.3	-	410.1
E	65	4,125.9	4,412.9	-	287.0
F	42	7,410.7	8,766.4	-	1,355.7
G	18	12,969.6	15,684.0	-	2,714.4
Total	330	29,606.3	34,321.9	-	4,715.6

*** Average Deposits**

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

**The banks in each group are identical for both years, the classification of each bank being determined by its average deposits for 1947.

SUMMARY TABLE

Operating Ratios of All Member Banks in the Sixth Federal Reserve District
For Selected Years from 1937-47

SUMMARY RATIOS	1937	1941	1944	1945	1946	1947
Percent of total cap. accounts:						
Net current earnings.....	9.4	8.9	12.6	13.2	16.8	16.9
Profits before inc. taxes.....	*	*	13.6	15.8	17.7	15.9
Net profits.....	8.0	8.0	11.2	12.4	14.0	11.7
Cash dividends declared....	*	3.5	3.4	3.3	3.3	3.2
Percent of total assets:						
Total earnings.....	4.1	3.6	2.0	1.8	2.0	2.4
Net current earnings**.....	1.2	1.0	.7	.6	.8	1.0
Net profits.....	1.1	.9	.6	.6	.7	.7
SOURCES AND DISPOSITION OF EARNINGS						
Percent of total earnings:						
Int. on U. S. Govt. sec.....	*	*	*	39.0	37.7	30.1
Int. & div. on other sec.***	27.5	20.5	43.3	8.2	7.4	6.6
Earnings on loans.....	55.4	62.7	36.4	33.9	38.4	47.3
Serv. charges on dep. accts..	***	5.4	7.8	7.1	6.3	6.6
Other current earnings.....	17.1	12.4	12.5	11.8	10.2	9.4
Total earnings.....	100.0	100.0	100.0	100.0	100.0	100.0
Salaries & wages.....	28.6	30.4	30.5	30.2	28.5	29.0
Other current expenses.....	41.1	41.7	34.2	34.9	32.2	32.0
Total expenses.....	69.7	72.1	64.7	65.1	60.7	61.0
Net current earnings before inc. taxes.....	30.3	27.9	35.3	34.9	39.3	39.0
Net recoveries & profits.....	-3.6	-3.2	+3.4	+7.6	+2.3	-2.1
Taxes on net inc.....	*	*	6.5	8.9	8.6	9.6
Net profits.....	26.7	24.7	32.2	33.6	33.0	27.3
RATES OF EARNINGS ON SECURITIES AND LOANS						
Percent of U. S. Govt. sec.:						
Int. on U. S. Govt. sec.....	*	*	*	1.4	1.5	1.5
Percent of other sec.:						
Int. & div. on other sec.***	3.7	3.2	1.7	3.2	3.6	3.0
Percent of total sec.:						
Net recoveries & profits.....	+ .5	+ .8	+ .1	+ .2	+ .1	...
Percent of total loans:						
Earnings on loans.....	6.5	6.5	5.2	5.0	5.6	5.7
Net recoveries on loans.....	-.4	-.2	+ .1	+ .1	...	-.1
DISTRIBUTION OF ASSETS						
Percent of total assets:						
U. S. Govt. sec.....	*	*	*	47.8	50.1	44.3
Other sec.***	*	22.0	49.5	5.2	5.6	6.5
Loans.....	*	35.5	15.4	13.8	15.1	21.4
Cash assets.....	*	39.5	34.0	32.4	28.5	27.0
Real-estate assets.....	*	2.7	.9	.6	.6	.6
All other assets.....	*	.3	.2	.2	.1	.2
Total assets.....	100.0	100.0	100.0	100.0	100.0	100.0
OTHER RATIOS						
Total cap. accts. to:						
Total assets.....	...	...	6.1	5.2	5.2	5.9
Total assets less Govt. sec. & cash assets.....	...	...	32.2	32.3	28.9	24.2
Total deposits.....	*	14.7	6.6	5.6	5.5	6.3
Number of banks.....	320	315	309	324	329	333

*Not computed

**Net current earnings beginning with 1944 not comparable with those for prior years

***Including Government securities in 1937-44

****Included in "all other earnings"

District Business Conditions

Banking

MEMBER-BANK loans usually decline between the end of December and the end of March, even in so-called boom periods. During that time many borrowers' inventories and accounts receivable, which generally reach their seasonal peak at the end of a year, are liquidated, enabling some of the borrowers to repay their loans. In only four years of the past 25 have total loans of the weekly reporting member banks, for example, increased instead of declined during the first quarter. The increases amounted to 1.7 percent in 1923, to 2.5 percent in 1925, to 1.2 percent in 1937, and to 1.7 percent in 1941. The declines for the other 21 years averaged 4.8 percent.

As would be expected, therefore, member-bank loans contracted somewhat during the first quarter of this year. In January all those outstanding fell one million dollars, and during February they declined an additional five million. All of the decreases, however, took place at the reserve-city banks at Atlanta, Birmingham, Jacksonville, Nashville, and New Orleans, where loans were down 14 million dollars for the two-month period. At the country banks, those outside reserve cities, total loans at the end of February were eight million dollars greater than they were at the beginning of the year. So great was the amount of total loans outstanding that the six-million-dollar decrease for the member banks as a group meant a decline of only four tenths of one percent from the amount outstanding at the end of 1947.

Between the last Wednesday in February and March 17 total loans of the weekly reporting member banks, whose loans constitute almost 60 percent of all Sixth District member-bank loans, increased nine million dollars. On the latter date they were just about one percent less than they were at the end of 1947. It seems probable, therefore, that figures for the end of March will show the first-quarter decline to be less this year than it usually is. That the decline was not at the usual rate is chiefly because increases in real-estate, business, and agricultural loans partially offset declines in other types of loans.

C. T. T.

Trade

In the first quarter of 1948 Sixth District department stores, if their experience in the first 20 days of March has continued during the rest of the month, sold goods valued at 120 million dollars, an amount about 9 percent greater than the value of goods they sold in the first quarter of 1947. January sales this year exceeded those last year 4 percent, those in February 7 percent, and those in the first three weeks of March 14 percent.

Two factors have accounted for the increase so far this year. Sales were lower in the first quarter of 1947 than they were to be in any other part of the year. Then, Easter this year falls on its earliest date since 1940. If it had the usual effect, this early date of Easter increased March sales at least 5 percent. The first-quarter sales may have been limited, however, by the unusually cold weather during part of the period, and perhaps a tendency for consumers to postpone buying in hope that the commodity-price decline at the exchanges would be followed by a similar decline in the retail market.

Contrary to events in most of 1947, when sales of all types

of durable-goods stores had higher rates of increase than department-store sales did, sales at some of the durable-goods stores during the first two months of 1948 gained less than the department-store sales. January furniture-store sales in the District were 5 percent below their total for 1947, and February sales were 3 percent below their last year's total. Retail household-appliance stores still report large gains in sales. The increase in January sales this year amounted to 65 percent and that in February sales to 36 percent. Jewelry-store sales in January were 7 percent greater than they were during January 1947, but reports for February indicate that sales, although they had declined only 2 percent from the volume of the preceding month, were down 11 percent from those made in the second month of last year.

More and more of this business has been done on a credit basis. Cash sales in February this year at credit-granting department stores in the District made up only 47 percent of total sales. In that month last year the ratio was 52 percent, and in February 1946 it was 59 percent. Although with good collections the retailers eventually receive payments for the goods sold on credit, the waiting involved has raised the amount of accounts receivable much more than either credit sales or total sales have increased. Because collections have been slowing down somewhat, they must now carry the average account for a longer period of time.

At the credit-granting department stores as a group, total February sales this year were 2 percent greater than those in 1946 and 5 percent greater than those in 1947. Accounts receivable, however, were up 87 percent from their total at the end of February 1946 and 32 percent above that at the end of February 1947. With the value of inventories increasing 89 percent at the end of February this year over the amount at the end of February 1946 and 11 percent over that at the end of February 1947, the stores' combined accounts receivable and inventories, which make up the greater part of their current assets, have a much higher relation to sales than they had in 1946. This February they were four times total sales and in February 1946 only $2\frac{1}{2}$ times.

Some retailers, of course, have been able to carry these expanded inventories and accounts receivable by using their own cash resources and perhaps some of the securities they acquired during the war years. It is, however, extremely likely that many have shifted the financing of their accounts receivable and inventories to the banks, a shift that has contributed to the present high level of member-bank loans.

C. T. T.

Industry and Employment

Industrial activity at many places in the Sixth District, as in other parts of the country, was interrupted in the latter part of January and the first half of February by fuel shortages that resulted from unusually severe weather conditions. Many plants were shut down intermittently because of the failure of fuel supplies to meet the increased need. The cold, wet weather, which continued well into March, seriously delayed construction that was in progress and interfered importantly with lumber-mill and logging operations. In the last week of January the production of Southern Pine lumber was reported to be only half as large as it was in that week a year ago, and shipments were down almost a third. Coal

output was greater in the first half of January than it was a year earlier. During the latter half of the month and the first three weeks of February, however, it fell below the volume for the corresponding period in 1947. Following the mid-March strike, reports indicate, about 10,000 Alabama coal miners were idle.

In most areas of the District nonagricultural employment declined in January. There is always a decrease in that month, of course, in the number of workers at those establishments, mostly retail stores, that employ extra workers for the Christmas trade. In Atlanta the employment increases in most lines of manufacturing and industry, however, were more than enough to offset the decreases in trade. Increases in the number of workers employed in Savannah by fertilizer and paper plants resulted in an over-all gain in employment there also, but at other points employment declined somewhat. Most areas expected increased employment, particularly in construction, with the arrival of spring weather.

Despite the high and increasing costs of construction, total value of contracts awarded in this District during 1947 amounted to 843 million dollars, an amount exceeded only in 1942, when there was a large amount of construction for war purposes. According to the index of the American Appraisal Company, construction costs increased 26 percent in 1947 and averaged, for the year, more than double the 1940 figure. January construction contracts awarded in this District were down about 28 percent from their December level but, because of a 29 percent increase in nonresidential awards, were 15 percent higher than the January 1947 level. Residential contracts were slightly less than they were a year ago.

By January Sixth District textile mills had regained about two thirds of their decline in the January-July 1947 period. January consumption of cotton in the District was about 10 percent less than it was in January last year but about a third larger than it was at the low point in July. In February the daily rate was off slightly from what it was in January. Mill margins increased 26 percent in 1947, and in December were almost five times the 1940 level.

After operating throughout the year 1947 at an average of 99 percent of rated capacity, the District's steel mills have continued at rates well above the national average. They averaged 102.5 percent of rated capacity in January and 102.2 percent in February, against averages of 96.2 percent and 93.4 percent for the country.

D. E. M.

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change February 1948 from	
		January 1948	February 1947
Total sales.....	36	— 7	— 10
Cash sales.....	33	— 7	— 22
Credit sales.....	33	— 7	— 2
Accounts receivable, end of month	34	— 5	+ 27
Collections during month.....	34	— 22	— 6

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change February 1948 from	
		January 1948	February 1947
Total sales.....	91	— 1	— 3
Cash sales.....	83	— 10	— 30
Installment and other credit sales.....	83	— 1	+ 1
Accounts receivable, end of month	90	— 1	+ 44
Collections during month.....	90	— 7	+ 5
Inventories, end of month.....	64	+ 7	+ 2

INSTALLMENT CASH LOANS					
Lenders	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Feb. 1948 from		Percent Change Feb. 1948 from	
		Jan. 1948	Feb. 1947	Jan. 1948	Feb. 1947
Federal credit unions.....	46	+ 3	+ 82	+ 2	+ 60
State credit unions.....	24	+ 14	+ 46	+ 3	+ 50
Industrial banking companies.....	11	— 8	+ 5	+ 1	+ 13
Industrial loan companies.....	18	— 2	+ 6	+ 1	— 1
Small loan companies.....	43	— 18	— 7	— 2	+ 8
Commercial banks.....	34	— 5	+ 60	+ 2	+ 63

WHOLESALE SALES AND INVENTORIES*						
Item	No. of Firms Reporting	SALES		No. of Firms Reporting	INVENTORIES	
		Percent Change February 1948 from			Percent Change Feb. 29, 1948, from	
		Jan. 1948	Feb. 1947		Jan. 31 1948	Feb. 28 1947
Automotive supplies.....	7	— 7	— 11	5	+ 1	+ 23
Electrical Group.....						
Wiring supplies....	4	— 18	+ 39	3	0	+ 58
Appliances.....	4	+ 13	— 1	3	+ 8	+ 33
General hardware.....	8	— 16	+ 2	5	+ 4	+ 24
Industrial hardware.....	4	+ 27	+ 19			
Jewelry.....	4	+ 57	— 5	4	+ 5	— 14
Plumbing and heating supplies.....	4	— 13	+ 39	3	+ 16	+ 89
Confectionery.....	6	— 14	— 2			
Drugs and sundries.....	10	— 11	+ 8	4	+ 4	+ 3
Dry goods.....	15	— 20	— 15	9	+ 17	+ 22
Farm supplies.....	3	— 19	+ 17			
Groceries.....						
Full lines.....	33	— 19	— 13	19	+ 7	+ 7
Specialty lines.....	8	— 9	+ 4	3	— 10	— 11
Tobacco products.....	8	— 6	+ 15			
Miscellaneous.....	20	— 7	— 8	16	+ 3	+ 51
Total.....	138	— 10	— 1	74	+ 6	+ 23

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES						
Place	No. of Stores Report- ing	SALES		No. of Stores Report- ing	INVENTORIES	
		Percent Change February 1948 from			Percent Change Feb. 29, 1948, from	
		Jan. 1948	Feb. 1947		Jan. 31 1948	Feb. 28 1947
ALABAMA						
Birmingham...	5	+ 12	+ 15	4	+ 13	+ 36
Mobile.....	5	— 16	+ 6			
Montgomery...	3	— 0	+ 3	3	+ 12	+ 4
FLORIDA						
Jacksonville...	4	— 2	+ 8	3	+ 14	+ 23
Miami.....	4	+ 6	+ 11	3	+ 10	+ 16
Orlando.....	3	— 4	+ 31			
Tampa.....	5	— 3	+ 10	3	+ 9	+ 30
GEORGIA						
Atlanta.....	6	+ 10	+ 5	5	+ 23	+ 10
Augusta.....	4	— 0	— 2	3	+ 4	+ 2
Columbus.....	3	— 2	+ 14			
Macon.....	4	+ 6	— 1	4	+ 11	— 7
Rome.....	3	+ 7	+ 1			
Savannah.....	4	— 11	+ 3			
LOUISIANA						
Baton Rouge...	4	+ 10	+ 2	4	+ 16	+ 24
New Orleans...	5	— 8	+ 7	4	+ 11	— 0
MISSISSIPPI						
Jackson.....	4	+ 14	+ 5	4	+ 16	+ 21
Meridian.....	3	— 11	— 8			
TENNESSEE						
Bristol.....	3	+ 12	+ 9	3	+ 17	— 2
Chattanooga...	4	+ 7	— 2	3	+ 15	+ 18
Knoxville.....	4	+ 19	+ 16			
Nashville.....	6	+ 15	+ 5	5	+ 20	+ 18
OTHER CITIES*	19	— 0	— 7	22	+ 1	+ 8
DISTRICT.....	105	+ 4	+ 7	73	+ 13	+ 13

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

A Farm Job Made Easier

Any development that aids the farmers contributes, of course, to the welfare of an area as agricultural as the Sixth District is. Until recently there have been few developments in the control of weeds, which has always been particularly a problem in the growing of row crops. In contrast to insects and diseases, which can be controlled by poisons, weeds have had to be destroyed largely by cultivation and hand operations. Therefore not only has their drain on soil fertility often reduced yields, but their destruction has been expensive.

Just prior to the war the job of weed control was made easier with the invention of a cultivator that sprayed the weeds with flame and thus burned them out, but the device could not be used with all crops. Where it is practicable, this process is simple and efficient, especially compared with the laborious and expensive method of hoeing. Cotton was one of the first major crops in whose production flame cultivation was used. A cotton stalk, however, will stand more burning than the competing weeds will. Flame cultivators can be used in connection only with crops that have a greater resistance to fire than the common field weeds and grasses or that have attained more growth. In addition, the initial cost of the equipment, which consists of a tank and torches, runs rather high. The cultivator, moreover, must be attached to a tractor for speed control. For these and other reasons, such as size of farm, flame cultivators are not widely used.

During the war a new chemical compound, whose symbol is 2,4-D, was tested for weed control and found to be quite successful for killing such broad-leaved plants as dandelions. This compound kills plants by making them literally grow themselves to death. At first it was widely publicized as a means of eliminating weeds from lawns. Then agricultural-research scientists began further experimentation in the chemical control of weeds among farm crops. Some of their results are now being made public.

From Missouri State College comes the report that chemicals which will effectively control weeds growing among row crops have now been developed. Though the process is still in the experimental stage, many uses may soon be put into practice by farmers. One of the most interesting possibilities of chemical control is that it may eliminate the necessity for the cultivation of corn. In cultivation to control weed development and prevent the soil from becoming hard and packed, the lateral roots of the corn plants are often damaged, thus reducing yields, but when chemicals are used for weed control the roots are not disturbed. Furthermore, critically important moisture may be conserved when the soil is left undisturbed.

If chemical control could eliminate the necessity for cultivation, both the corn rows and the plants within the rows could be placed closer together, which should result in greater yields to the acre. Heavier rates of fertilization might then become more economical. In addition to the efficiency gained from higher yields, material reductions in cost could be made through savings in labor, fuel, machinery depreciation, and other production items. With less surface exposed and a firmer soil, wind and water erosion would be reduced.

Sprayers come in a wide variety of sizes and are inexpensive, compared to ordinary cultivators. If the chemical control of weeds becomes a practical process, it may be particularly adaptable to the small farms of the Southeast.

J. L. L.

Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	Feb. 1948	Jan. 1948	Feb. 1947	Feb. 1948	Jan. 1948	Feb. 1947
DISTRICT.....	359	355	338	316	284	298
Atlanta.....	377	381	360	355	297	338
Baton Rouge.....	365	419	358	329	277	322
Birmingham.....	366	332	325	315	259	279
Chattanooga.....	337	306	341	283	245	287
Jackson.....	342	322	327	294	238	281
Jacksonville.....	412	414	380	362	340	335
Knoxville.....	315	262	274	283	220	247
Macon.....	305	313	310	244	213	248
Miami.....	366	362	329	431	376	388
Montgomery.....	352	369	343	303	281	295
Nashville.....	381	335	361	335	268	318
New Orleans.....	307	340	300	270	272	264
Tampa.....	496	516	450	441	418	400

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	Feb. 1948	Jan. 1948	Feb. 1947	Feb. 1948	Jan. 1948	Feb. 1947
DISTRICT.....	378	345	335	352	311r	312
Atlanta.....	467	409	425	444	359	403
Birmingham.....	320	314	235	308	272	225
Montgomery.....	360	353	346	352	314	338
Nashville.....	535	534	455	524	435	446
New Orleans.....	310	323	311	311	281	312

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	Feb. 1948	Jan. 1948	Feb. 1947	Feb. 1948	Jan. 1948	Feb. 1947
SIX STATES.....	169	189	159	169	189	159
Alabama.....	186	199	170	177	194	162
Florida.....	183	189	173	197	196	186
Georgia.....	170	169	158	162	172	151
Louisiana.....	147	189	137	144	187	134
Mississippi.....	160	191	154	154	180	148
Tennessee.....	171	211	169	164	201	162

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	Feb. 1948	Jan. 1948	Feb. 1947		Jan. 1948	Dec. 1947	Jan. 1947
TOTAL.....	164	166r	176	SIX STATES.....	328	314	309
Alabama.....	170	173	190	Hydro-.....			
Georgia.....	165	169	175	generated.....	247	250	314
Mississippi.....	103	99	125	Fuel-.....			
Tennessee.....	141	139	136	generated.....	433	397	303

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	Jan. 1948	Dec. 1947	Jan. 1947	Place	Jan. 1948	Dec. 1947	Jan. 1947
SIX STATES.....	148	147r	145	DISTRICT.....	339	468r	291
Alabama.....	160	160	155	Residential.....	436	451r	424
Florida.....	128	126r	133	Other.....	293	476r	227
Georgia.....	137	135	136	Alabama.....	316	217	280
Louisiana.....	141	143r	134	Florida.....	390	462	330
Mississippi.....	167	163r	158	Georgia.....	322	507	300
Tennessee.....	156	156r	154	Louisiana.....	275	854	266
				Mississippi.....	443	228	799
				Tennessee.....	422	220	281

CONSUMERS' PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	Jan. 1948	Dec. 1947	Jan. 1947		Feb. 1948	Jan. 1948	Feb. 1947
ALL ITEMS.....	174	173	159	Unadjusted.....	22.1	20.0	18.4
Food.....	219	217	194	Adjusted**.....	21.9	18.0	18.2
Clothing.....	193	194	175	Index**.....	88.7	72.9	70.4
Fuel, elec., and ice.....	132	131	121	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings.....	187	188	173		Feb. 1948	Jan. 1948	Feb. 1947
Misc.....	147	146	140	Unadjusted.....	279	279	242
Purchasing power of dollar.....	.57	.58	.63	Adjusted**.....	275	274	238
*Daily average basis **Adjusted for seasonal variation ***1939 monthly average=100; other indexes, 1935-39=100				r Revised			

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)					
Item	Mar. 24 1948	Feb. 25 1948	Mar. 26 1947	Percent Change Mar. 24, 1948, from	
				Feb. 25 1948	Mar. 26 1947
Loans and investments—					
Total	2,317,450	2,341,956	2,353,151	— 1	— 2
Loans—total	835,384	833,941	721,415	+ 0	+ 16
Commercial, industrial, and agricultural loans	522,754	519,569	422,099	+ 1	+ 24
Loans to brokers and dealers in securities...	6,554	8,695	9,616	— 25	— 32
Other loans for pur- chasing and carrying securities	57,673	58,684	86,006	— 2	— 33
Real estate loans	74,311	70,888	54,065	+ 5	+ 37
Loans to banks	4,361	4,516	4,879	— 3	— 11
Other loans	169,731	171,589	144,750	— 1	+ 17
Investments—total	1,482,066	1,508,015	1,631,736	— 2	— 9
U. S. direct obligations	368,513	376,067	437,528	— 2	— 16
Obligations guaranteed by U. S.	928,085	948,629	1,005,100	— 2	— 8
Other securities	185,468	183,319	189,108	+ 1	— 2
Reserve with F. R. Bank	430,844	451,650	433,012	— 5	— 1
Cash in vault	44,662	44,425	43,393	+ 1	+ 3
Balances with domestic banks	187,053	175,742	200,271	+ 6	— 7
Demand deposits adjusted	1,745,147	1,760,482	1,738,416	— 1	+ 0
Time deposits	545,180	546,544	544,072	— 0	+ 0
U. S. Gov't deposits	33,196	26,646	61,882	+ 25	— 46
Deposits of domestic banks	475,287	492,408	520,040	— 3	— 9
Borrowings	5,500	16,500	1,500	— 67	+ 267

Bank Announcements

The Boynton Beach State Bank, Boynton Beach, Florida, began remitting at par on February 24. This newly organized bank is located in that territory served by the Jacksonville branch. Its officers are Paul Mercer, president; F. L. Purinton, vice president; and Douglas W. Gandy, cashier. The bank began its operations with capital amounting to \$50,000 and surplus and undivided profits amounting to \$25,000.

The Loop National Bank of Mobile, Mobile, Alabama, opened its doors for business on March 17. E. B. Peebles is president, Z. H. McKinley vice president, J. Marshall Marriott cashier, and Ben W. Riall assistant cashier. This bank has capital stock of \$200,000 and a surplus of \$40,000.

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Feb. 1948	Jan. 1948	Feb. 1947	Percent Change Feb. 1948 from	
					Jan. 1948	Feb. 1947
ALABAMA						
Anniston.....	3	17,846	21,411	18,081	— 17	— 1
Birmingham.....	6	291,534	340,148	248,554	— 14	+ 17
Dothan.....	2	9,991	13,812	9,323	— 28	+ 7
Gadsden.....	3	14,725	17,587	14,595	— 16	+ 1
Mobile.....	4	122,304	145,607	101,683	— 16	+ 20
Montgomery.....	3	67,741	79,463	63,081	— 15	+ 7
FLORIDA						
Jacksonville.....	3	238,689	272,801	223,591	— 13	+ 7
Miami.....	7	255,910	273,534	209,808	— 6	+ 22
Greater Miami*	12	357,835	382,687	306,369	— 7	+ 17
Orlando.....	3	45,998	54,112	42,223	— 15	+ 9
Pensacola.....	3	28,948	34,209	30,071	— 15	— 4
St. Petersburg.....	3	52,224	58,946	46,214	— 11	+ 13
Tampa.....	3	115,252	124,393	96,516	— 7	+ 19
GEORGIA						
Albany.....	2	16,220	21,371	12,662	— 24	+ 28
Atlanta.....	4	700,996	779,517	630,741	— 10	+ 11
Augusta.....	3	43,938	61,154	43,365	— 28	+ 1
Brunswick.....	2	8,029	8,799	7,580	— 9	+ 6
Columbus.....	4	50,142	59,704	49,863	— 16	+ 1
Elberton.....	2	3,016	3,887	3,172	— 22	— 5
Gainesville*	3	11,183	15,175	10,320	— 26	+ 8
Griffin*	2	10,121	11,851	8,808	— 15	+ 15
Macon.....	3	51,185	61,184	49,351	— 16	+ 4
Newnan.....	2	7,402	9,584	6,024	— 23	+ 23
Rome*.....	3	18,206	21,944	17,774	— 17	+ 2
Savannah.....	4	74,683	96,504	72,256	— 23	+ 3
Valdosta.....	2	9,219	11,971	10,027	— 23	— 8
LOUISIANA						
Baton Rouge.....	3	75,054	85,197	66,942	— 12	+ 12
Lake Charles.....	3	26,727	31,707	23,524	— 16	+ 14
New Orleans.....	7	566,751	640,032	503,645	— 11	+ 13
MISSISSIPPI						
Hattiesburg.....	2	14,283	16,450	15,575	— 13	— 8
Jackson.....	4	108,464	152,774	105,686	— 29	+ 3
Meridian.....	3	22,022	28,022	24,743	— 21	— 11
Vicksburg.....	2	20,914	24,227	20,498	— 14	+ 2
TENNESSEE						
Chattanooga.....	4	120,009	171,149	108,525	— 30	+ 11
Knoxville.....	4	97,903	127,521	102,013	— 23	— 4
Nashville.....	6	246,572	301,609	221,207	— 18	+ 11
SIXTH DISTRICT						
32 Cities.....	109	3,524,691	4,128,386	3,181,139	— 15	+ 11
UNITED STATES						
333 Cities.....		90,266,000	105,190,000	81,567,000	— 14	+ 11
* Not included in Sixth District total						

* Not included in Sixth District total

Publication of Technical Study

Debits and Clearing Statistics, Their Background and Interpretation, by George Garvy of the Federal Reserve Bank of New York, will be available for distribution within a few weeks. This paper is concerned with the usefulness of two long established and widely used series of banking statistics—bank clearings and bank debits. The author has undertaken to explain differences in the composition of these two series and in their comparative responsiveness to changes in business activity. Broadly stated, the purpose of the paper is to determine with what effectiveness these series, considering their technical limitations, reflect underlying economic processes. Constructive suggestions for the improvement of debits statistics are included in the analysis.

The pamphlet may be purchased for 25 cents or for 15 cents in group purchases of 10 or more copies for single shipment. Orders should be sent to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.