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The Tourist Industry in the Sixth District

The industrialization of the South is one of the outstanding economic developments of the present century in the United States. Although no exact date can be given for the beginning of this development, it may be said to have coincided roughly with the period following the First World War. Especially during and since the Second World War has it gathered increasing momentum, until the South now shares with the West the distinction of being among the most rapidly growing industrial areas of the country.

Discussions of the industrialization of the South usually assume that industry is synonymous with manufacturing. This is not necessarily true. The South's rapidly changing industrial pattern includes not only new manufacturing industries but also nonmanufacturing industries of great importance.

Among the many industries that have taken root throughout the Southland, there is one of the second type that deserves more attention than it has so far received. This is the industry that serves the tourist trade. Indeed, the many thousands of individuals and business establishments that receive all or part of their income from the tourist trade have scarcely recognized the fact that they constitute an industry. If an industry, however, is defined as an organization of related or complementary economic activities directed toward the satisfaction of some human want, then the business of caring for tourists and vacation travelers is truly an industry. The organization of an industry may be loose and almost unconscious, growing out of the inherent interdependence of its parts, as the tourist business is at present. Or it may be the result of conscious co-operation and integration which the tourist business may achieve as it becomes more self-conscious. More and more, those who derive income from the tourist trade will feel themselves bound together in a common enterprise and will tend to organize for its promotion and advancement.

There has been a curious feeling on the part of some people, who should know better, that those who gain their livelihood by serving the needs of tourists and vacationists are unproductive in any real sense. Before the tourist industry can achieve full maturity this erroneous attitude must be corrected. At one time agriculture was considered the only productive occupation and all others were considered more or less parasitic living, it was said, off the income that was created only by agriculture. Thinking on this subject changed, however, and it later came to be admitted that manufacturing was also productive because it turned out tangible objects that people needed to satisfy their wants. But it was still later that the rendering of intangible services came to be considered productive. Although economists now consider any activity that satisfies a want to be productive, in popular thinking there remains a holdover from the past in the form of attitudes such as that sometimes expressed concerning the tourist industry. It should be realized that the provision of facilities for recreation is just as productive as the provision of food and clothing. The tourist industry, therefore, is as legitimate as any other from an economic standpoint. It is not a parasite, but exists rather to satisfy one of the most fundamental needs of man.

Psychological Basis

One of the basic traits of human nature, rooted in physical and psychological necessity, is the propensity to break the rhythm and routine of daily existence and to seek change and relaxation in different climates and unaccustomed places. The tensions and monotonies of life in complex and mechanized urban centers reinforce the necessity for such periods of respite and escape, but the fundamental necessity has always been present.

Just how important this urge to escape the inhibitions of everyday environment and to seek recreation of body and mind in a change of scene has been in the great mass migrations of history cannot now be determined. There is every reason to suppose, however, that it had more than a little to do with some of these historic phenomena. When the medieval knight or baron from the bleaker parts of western Europe set his wife down to her knitting and embroidery, put his castle in the custody of bailiff or chamberlain, and rode off to reconquer the Holy Sepulchre in the wars of the Crusades, he may have been animated in part by religious piety. Some students of history are inclined to believe that he was also animated by a desire to take a vacation. Beyond the Alps lay sunny Italy, and at the end of the road lay the golden sands and olive groves of Palestine. Midway in the journey the fabulous wealth and exotic pleasures of the Saracenic capital on the Bosporus spread their net of allurement. When the knights returned to their homes they brought back with them new tastes and new ideas that eventually remade the consumption habits of all Europe. Commerce by land and sea revived; industry flourished; art and architecture took on new color and form. The shadows of the Dark Ages receded before the light of the coming Renaissance. It was the vacation aspect of the Crusades rather than their religious aspect that produced the most profound effects on the economic development of Europe.

The wandering armies of armored knights and barons are no longer with us, but they have a modern counterpart in the army of tourists moving over the country in all directions in search of relaxation. The armor has given way to sport clothes, and in place of the charger there is now the family car, perhaps with a trailer drawn behind it. Wife and children, however, are no longer left decorously at home but are bundled into the car along with luggage and fishing tackle. This is the modern knight-errant—the vacation-bound American. At night the paths of his migration are clearly marked by the multicolored neon lights of tourist courts and filling stations, roadside clubs and trailer camps, stretching endlessly along the highways that lead him to his destination in the mountains or at the seashore, to some quiet resort where he can rest and relax; or to strange cities where, in the unfamiliar surroundings of luxurious hotels, he can experience old pleasures and excitements while still enjoying the illusion that they are new.

Economic Foundations

Although the need for rest and recreation is a fundamental want of man, the scale upon which it is satisfied depends upon the technical advancement and economic well-being of society at any particular time. The elaborate scale of the tourist business in modern America has been made possible by the development of the internal combustion engine that has put the nation on wheels and has sent it winging through the air. It is now technically possible for the modern vacationist to travel over distances that would have been unthinkable a half century ago. Equally important, however, has been the enormous productivity of our modern economic system, for this has created both leisure and the financial means of spending that leisure in travel. The growth in the amount of leisure time is one aspect of modern prosperity that is of overwhelming importance for the tourist business.

It all began perhaps when Divine Providence decreed that man should work six days and rest on the seventh. Left to his own devices, man has attempted to improve on this situation by cutting down little by little the time spent in work and by enlarging the amount of leisure at his disposal. Even as late as 1840 in the United States, he had not yet made much progress in this direction. Out of the 168 hours in a week it has been estimated that the average American in 1840 spent 78 hours at work and 86 hours in eating, sleeping, washing, dressing, and all the other necessary tasks involved in living. He had approximately four hours a week left in which to enjoy himself. By 1940, however, the situation had radically improved. Although what has been called maintenance time remained the same (86 hours), the hours spent at work had declined to 38 and the amount of leisure time had increased to 44 hours a week.

In addition to the shortening of the workday and workweek, the spread of paid vacations has also increased the amount of leisure time. The annual two-weeks vacation with pay used to be enjoyed in business only by employees on the highest levels. Today, however, it is a matter of course for nearly all white-collar workers and is rapidly spreading to all types of labor. At present about 85 percent of all organized workers are working under contracts containing paid vacation clauses.

Population experts also tell us that as a nation our life expectancy is increasing. This is one of the fruits of medical progress and improved public hygiene. It means, therefore, that a growing proportion of the population is falling into the high-age groups in which retirement from active employment is normally to be expected. Taken in conjunction with the spread of pension and retirement plans in many industries, this means that a rapidly growing number of elderly people will be spending their declining years on what amounts to a modest but continuous vacation.

The present dimensions of the industry catering to the vacation and tourist traffic thus depend upon the enjoyment of a considerable amount of leisure time by wide segments of the population. Leisure depends in turn upon the maintenance of a high degree of productivity in the economy and on technological progress. Because of this dependence, and because it is highly vulnerable to adverse changes in the general business situation, the tourist industry has every reason to wish for a stable and expanding economy and to fear all developments that tend to reduce productivity and employment. Barring any irreparable or prolonged breakdown in the economic system, therefore, the tourist industry may confidently look forward to continued growth. The upward trend of the industry's growth curve, however, may not be smooth but may be marked by sharp fluctuations.

The Tourist Seeks the South

Because of its actual and potential stake in the tourist industry, the Sixth District is vitally interested in the industry's future. Few regions in the nation can excel the Southeast in the number and variety of tourist attractions. The whole periphery of the Sixth District is dotted by vacation areas and centers of tourist traffic. In many cases these are already highly developed; in others they are merely potential resources, the future of which will depend upon the wisdom, energy, and imagination displayed by public and private agencies in their development.

Of all the vacation areas in the District, Florida, of course, is by far the most important. The whole state is virtually one great playground. Enjoying an unusually favorable climate, spangled by its 30,000 lakes, washed by the Atlantic on its eastern shore and by the blue waters of the Gulf along its western shore, the state of Florida has long exercised a powerful attraction on people seeking health and recreation. The Fountain of Youth for which Ponce de Leon sought may have been a myth, but the reality of the myth has nevertheless been found by many in the state of Florida.

Northward from Florida, the islands lying off the Georgia coast already attract considerable numbers of tourists and vacationists. Their full possibilities, however, are yet to be developed. Westward from Florida the Gulf coast provides another natural vacation area. Alabama dreams that some day Baldwin County may rival Miami or Gulfport and Biloxi as a vacation center. With proper co-ordination of effort by all interested state and private agencies there is reason to suppose that this dream may be realized to a considerable extent.

In the northeast corner of the Sixth District the Great Smoky Mountains rise in splendor to attract those who enjoy hiking, fishing in mountain streams and lakes, and the coziness of open fires in mountain lodges in midsummer. Along the Tennessee River in the northern part of the District stretches the chain of lakes behind the dams built by the Tennessee Valley Authority incident to its program of flood control, navigation, and hydroelectric development. Although this area's recreational potentialities are yet to be fully exploited, its future possibilities for the tourist industry are great.

In the western part of the District lie three important centers of historic interest that attract thousands of tourists each year. Natchez, that enclave of the Old South embedded in a rapidly changing world, still preserves in the dignity of its old homes and in the rhythm of its daily life much of the charm and grace of the age of crinoline. Nearby Vicksburg was the site of one of the desperate but losing battles that the Old South fought for its right to live. Farther down the broad-bosomed Mississippi lies New Orleans over which have flown the flags of Spain, the fleur-de-lis of the French monarchy, the tricolor of the Republic, the Union Jack of Great Britain, the Stars and Bars of the Confederacy, and the Stars and Stripes of the re-united United States. Bathed in the romance of its past, New Orleans has long been a favorite rendezvous for gourmets and pleasure seekers from the whole country. The madness of the Mardi Gras season, which annually attracts to the city in the neighborhood of 100,000 visitors, may die in the ashes of Ash Wednesday, but something of the gaiety of that season remains in the spirit of the city throughout the year.

Even those interior parts of the Sixth District that can boast of no special attractions for tourists are interested in the tourist industry. To reach their destinations, tourists must necessarily traverse these interior areas and, in doing so, they distribute a considerable amount of purchasing power for food and lodging and for their incidental needs. Indeed, there is no part of the District that is unaffected by the vacation and tourist trade.

The South Seeks the Tourist

Richly endowed as it is with tourist resources, the Sixth District has a large financial stake in the tourist trade. Florida claims four to four and a half million tourists a year who spend in the neighborhood of 700 million dollars. Just how important this business is to the state can be realized when it is noted that the state's farm income is a little over 400 million dollars annually; the value of its manufactured products is about 500 million; the annual production of its forests is valued at 65 million; the annual value of its mining products is 30 million; and that of its fishery products is 20 million. Obviously the tourist business is the state's most important industry. This is true even if a certain amount of exaggeration lurks in the 700-million-dollar figure.

Mississippi claims that something like 200 million dollars is being spent annually on travel and recreation within the state. How much of this consists of expenditures by tourists and vacationists cannot be determined but the amount is undoubtedly large. In Louisiana, tourist expenditures are estimated at 100 million a year, an amount in excess of the value of the state's entire cotton crop. Eighty percent of this amount is said to be spent in the New Orleans area. Tourist expenditures in Georgia are estimated at 105 million dollars a year, in Alabama at 50 million, and in Tennessee at 150 million.

Although these estimates are probably the best that the various states can make under the circumstances, they must be taken only for what they are—estimates and informed guesses. The true figures may actually be greater than the estimates, or they may be somewhat smaller. With all due allowance for the admitted inadequacy of these estimates, however, the magnitude of the tourist trade is such as to raise the industry that caters to it to a position of major importance in the South's industrial pattern. Quite clearly the tourist industry should be a matter of concern to all the states of this district. It is an industry well worth cultivating.

There are two good reasons for cultivating the tourist industry although they may not be of equal weight. The first of these is that the tourist industry thrives upon regional differences. Although it is pretty generally agreed that the South's economic future is closely bound up in its industrialization, some southerners have deplored the tendency toward industrialization—thinking of it only in terms of manufacturing. To them the industrialization of the South has meant the last defeat of a way of life that was rooted in the land and was marked by a charm and grace that has been almost completely lost in modern industrial communities. Industrialization, to these people, spells wasted acres, decaying manor houses, and populations herded into cities over which industry casts not only a pall of smoke and stench but also a pall of monotony and deadly uniformity.

The advocates of industrialization, on the other hand, have pointed to the poverty that was so prevalent under that earlier way of life. People represent potential markets, and the size of the market depends upon the prosperity of the people. Prosperity depends upon productivity, and productivity depends upon the expansion of factories and machines. In the eyes of the industrializers, the first group consisted of romantic visionaries who would hold up the march of progress for the sake of perpetuating a tradition of moonlight and magnolias.

There is little doubt that the industrializers are winning in this unequal fight. Whether the romantics like it or not, industry is coming south. The point to be made here is that the tourist industry is one that may satisfy both groups. Tourists do not go thousands of miles to see the things they could see as easily at home. They move from place to place seeking different sights, different climates, different foods, different ways of life. Novelty of experience is the magnet that attracts the tourist and vacationist. If there are places in the South where there remain vestiges of the era that the romantics would preserve, and if tourists find such places attractive, it would be good business to preserve them. They would constitute a basic asset of the tourist industry. If a tourist wants moonlight and magnolias, there should be no objection to selling them to him. At this point the interests of those seeking to develop the South's industrial possibilities and of those seeking to preserve the old coincide. The tourist industry thrives on those geographical and cultural differences that tourists find attractive. Its interests are opposed to uniformity and drabness. On the contrary, they lie entirely in the direction of encouraging sports and pleasures, manners and customs, and ways of living that cannot be duplicated elsewhere.

The second reason why the South should be particularly interested in cultivating the tourist trade and the industry that serves it is that the tourist trade is really a kind of export market. The South has long been an area that has tended to suffer from an adverse balance of trade with the more industrialized sections of the country. To the extent that the value of its exports has not covered the cost of its imports, the South has become indebted to the North and East. Relief from the burden of debt could come about either by restricting imports from other sections or by expanding exports. As long as exports consisted largely of raw materials and agricultural products it was difficult if not impossible for the South to achieve a balance in its inter-regional trade. To restrict imports would only serve to reduce still further the standard of living in a region where it is not yet high enough.

In the case of the tourist business, however, the market comes to the goods instead of the goods going to the market.

The many services that the tourist industry performs for vacationists and pleasure seekers are export commodities that otherwise would not find a market. How else could a widow with a couple of rooms to rent to overnight guests export her lodging facilities? How could a filling-station operator export his services? How could the owner of a fishing boat otherwise enter the export market? By way of the tourist industry the thousands of people who cater to the wants and whims of tourists do become exporters, and thereby help redress the South's unfavorable balance of trade. The 700 million dollars worth of food, lodging, sport, recreation, sunshine, and surf-bathing that Florida exports through its tourist industry is a factor of prime importance in that state's economy. It is a similar—if less striking—factor in the economy of every other state in the Sixth District. If the tourist business should suddenly disappear entirely from this district, a devastating blow would have been dealt its whole economy. The tourist industry, therefore, deserves careful and businesslike development because it is a method for exporting many millions of dollars worth of goods and services that would otherwise remain unexportable.

One step in building up the tourist industry consists of advertising and promotion. Potential customers must be made aware of what the South has to offer to the pleasure-seeking tourist and vacationist. The states of the Sixth District have not been remiss in this type of activity. State development agencies, state and local chambers of commerce, public-utility companies, and tourist promotional organizations are doing, in one way or another, what they can to advertise the tourist attractions of the region. Brightly colored and well-illustrated pamphlets and leaflets have been broadcast like seed across the nation in the hope of reaping a harvest of tourists. In the aggregate a great deal of money is being spent by state governments on this sort of promotion although it must be admitted that the work of attracting tourists is not equally well financed in all states.

Another step in building up the tourist industry is developmental in character. It consists of providing facilities for the comfort and convenience of the tourist who is attracted southward. Nothing can be more detrimental to a would-be vacation area than for tourists, who have been lured to it by advertising, to discover transportation difficulties in reaching it; to find inadequate or undesirable living accommodations; or to discover that the facilities for sport, amusement, and recreation are few and poorly organized. This developmental step is much more difficult than promotion for it involves close co-ordination of effort by many public and private agencies. State agencies must provide roads and highways; must inspect and approve eating and lodging places in the interest of cleanliness, health, and morals; must develop and maintain state parks and shrines, and defend the public interest in water fronts and fishing grounds; must aid and advise local governments with respect to the zoning of tourist and recreational areas so that valuable sites may not be destroyed through promiscuous and ill-considered exploitation. These and many other things may be done by state agencies, depending upon their statutory powers. The actual investment in tourist facilities, however, is chiefly dependent on private initiative. The best interests of the tourist industry in any area are well served only when private investors and operators of tourist facilities co-operate with each other and with the state in the maintenance of high standards. Of great importance, also, is co-operation in exercising some degree of control over new developments. The tourist industry is inherently highly competitive. Unless subjected to reasonable voluntary restraint, the force of competition can easily lead to a destruction of values and ultimately to a loss of the more desirable tourist traffic.

Statistical Measurement

One other thing is needed by the tourist industry if its growth is to be rational and economically sound. This need is for some continuous statistical measure of the industry's operations. In almost every important industry, the manager of an individual enterprise has at his disposal certain statistical measures of current operations for the whole industry so that he may compare his own experience with that of others. Such statistical measures are indispensable instruments of managerial control. The one important industry that so far possesses no current statistical record of its short- and long-run fluctuations is the tourist industry. State officials and officers of chambers of commerce can usually give an inquirer fairly accurate monthly information about any of the state's major industries, but they are often embarrassed if asked for specific current information about the tourist business. Vague impressions, figures of dubious statistical parentage, and mere guesses are about all that they can offer in behalf of the tourist industry. This is no fault of the officials and officers who are called upon to answer such inquiries. The fault lies within the tourist industry itself in not yet having developed a sufficiently strong sense of common interest to realize the importance of such statistical measuring rods and to demand that they be provided by some appropriate agency.

It is sometimes argued that the tourist industry is composed of so many small and heterogeneous elements that it is impossible to measure it. There are, it is true, many thousands of small businesses serving tourists and vacationists that should be considered part of the tourist industry but that also serve the permanent population of their communities. For such businesses to determine what part of their operations was concerned with the tourist traffic and what part was not would obviously be difficult, if not impossible. Measurement of the industry's operations fortunately need not involve measuring everything. A rough unit of tourist travel is a night's lodging spent away from home. All other tourist expenditures tend to vary directly with the number of guest nights spent in lodging places, chiefly in hotels and tourist courts. If a representative group of hotels and tourist courts in each major vacation and tourist area in the District were to report monthly certain data on their operations to some appropriate agency, a reasonably accurate picture of what is happening to the industry could be obtained. Such reporting should be on a strictly voluntary basis and the data should be held in strict confidence. Figures should not be released in such a way as to divulge the operations of any individual enterprise and they should not be made a means to other ends such as tax inquiry or control.

The amount of data that should be reported would not be overwhelming. Six or seven items would suffice—guest capacity; the number of guest nights spent during the month together with the state origin of guests; gross receipts for the month; the number of persons employed during the month and the monthly wage bill; and finally, figures on advance registrations for the next few months. These items together with the ratios that can be computed from them could provide valuable information for the guidance of everyone concerned with the tourist business.

Consider what a proprietor of a tourist court, for example, could learn from such measurements if they were available. He knows, of course, that the tourist business is highly seasonal in character and that it is also extremely vulnerable to cyclical business fluctuations. In a period of normal seasonal decline he finds his business also declining. What he should know is whether his own business is declining more or less than can be attributed to seasonal factors alone. He should also know if his business is declining more or less than it is for the same general type of establishment in his area; and whether the change in his own area is greater or less than in other vacation areas. Only by making such comparisons can he determine his relative position in a highly competitive industry and do whatever seems appropriate to improve it. Comparisons of this kind would be possible with the sort of monthly reporting suggested.

Information that could be developed from these statistical measures would also be valuable to many persons other than proprietors of hotels and tourist courts. Promotional agencies would find in them some check on the effectiveness of their efforts. Knowing the state origin of overnight guests, they would also have some basis for allocating expenditures for state advertising.

Banks, too, would profit from such a statistical service if it were available. Proprietors of tourist facilities like other businessmen must come on occasion to their banks for loans. Loans are granted or refused on the basis of the moral and financial risk involved. The financial risk in any particular case, however, cannot be determined solely on the basis of the borrower's individual operations, for the borrower's income outlook is contingent upon the general state of the business in which he is engaged. Statistical measures of the current state of the tourist business would give a banker a reasonable basis upon which to erect his personal appraisal of the loan under consideration.

Are such statistical measures of the tourist industry in the Sixth District feasible? Certainly the dimensions of the industry in this district justify them. The pioneering work of the Federal Reserve Bank of Boston in developing similar measures for the tourist industry of New England shows that they are undoubtedly feasible elsewhere. What is needed is sufficient interest on the part of the industry to demand these measures, and a spirit of co-operation on the part of individual proprietors of tourist facilities sufficiently strong to induce them to report continuously to an appropriate agency.

The tourist industry is a big business by any measure. Tourist expenditures in the United States are variously estimated at from 6 to 10 billion dollars a year, and the Sixth District has a large and growing stake in this business. The further expansion of this industry through wise promotion, development, and financing can make it an increasingly valuable contributor to the prosperity of the South. Promotion, development, and financing can proceed intelligently, however, only on a basis of reasonably accurate current information as to the conditions of the business. At present the lack of such information is one of the greatest weaknesses of the tourist industry. This weakness, however, can be overcome just as soon as the industry becomes sufficiently self-conscious to recognize it and sufficiently co-operative to supply the data that would eradicate it. Only when the District's tourist industry has achieved such a degree of maturity that it guides its operations and plans its future on the basis of knowledge, can it take its permanent and rightful place in the industrial pattern of an expanding and a prosperous South.

EARLE L. RAUBER

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	August 1948	July 1948	August 1947	August 1948	July 1948	August 1947
DISTRICT	402	392	352	354	314	310
Atlanta	452	408	397	443	326	389
Baton Rouge	439	422	364	395	354	328
Birmingham	413	400	365	364	344	321
Chattanooga	384	380	329	342	315	292
Jackson	366	327	314	337	261	289
Jacksonville	415	424	429	365	352	378
Knoxville	399	422	303	367	351	278
Macon	326	299	330	271	233	274
Miami	466	410	420	312	291	281
Montgomery	363	387	342	323	314	305
Nashville	464	417	394	418	334	355
New Orleans	381	357	306	332	285	267
Tampa	469	482	465	408	400	405

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	August 1948	July 1948	August 1947	August 1948	July 1948	August 1947
DISTRICT	330	333	273	356	343	295
Atlanta	472	432	413	460	418	403
Birmingham	298	306	224	300	277	225
Montgomery	418	455	294	414	364	291
Nashville	554	611	444	553	529	444
New Orleans	344	367	281	323	337	264

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	August 1948	July 1948	August 1947	August 1948	July 1948	August 1947
SIX STATES	202	193	181	200	189	179
Alabama	204	201	187	206	196	189
Florida	177	185	165	172	172	160
Georgia	181	184	171	185	179	174
Louisiana	206	209	168	208	205	170
Mississippi	197	186	193	203	181	199
Tennessee	237	206	196	239	208	198

COTTON CONSUMPTION*

Place	Aug. 1948	July 1948	Aug. 1947
TOTAL	130	119	134
Alabama	138	125	135
Georgia	130	121	136
Mississippi	60	60	91
Tennessee	117	97	124

ELECTRIC POWER PRODUCTION*

	July 1948	June 1948	July 1947
SIX STATES	321	332	276
Hydro-generated	221	233	201
Fuel-generated	452	462	376

MANUFACTURING EMPLOYMENT***

Place	July 1948	June 1948	July 1947
SIX STATES	144	145	141
Alabama	157	157	152
Florida	129	132	111
Georgia	132	133	126
Louisiana	139	141	142
Mississippi	150	152r	155
Tennessee	153	155	152

CONSTRUCTION CONTRACTS

Place	July 1948	June 1948	July 1947
DISTRICT	438	518r	353
Residential	445	715r	464
Other	435	422r	299
Alabama	385	453	324
Florida	549	633	487
Georgia	465	482	345
Louisiana	397	350	301
Mississippi	293	182	236
Tennessee	529	630	259

CONSUMERS' PRICE INDEX

Item	Aug. 1948	July 1948	Aug. 1947
ALL ITEMS	180	178	166
Food	221	222	205
Clothing	204	201	185
Fuel, elec., and ice	138	137	129
Home furnishings	193	190	179
Misc.	208	201	143
Purchasing power of dollar	.56	.56	.60

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Aug. 1948	July 1948	Aug. 1947
Unadjusted	18.1	18.9	16.2
Adjusted**	20.4	20.1	18.3
Index**	82.9	81.5	74.2

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI

	Aug. 1948	July 1948	Aug. 1947
Unadjusted	296	290	256
Adjusted**	296	290	256

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

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District Business Conditions

Bank Loans and Bank Reserves

So far this quarter, Sixth District member banks have neither expanded their loans at a rate equal to that for the corresponding period last year, nor at a rate equal to that for the nation this year. Total loans at District member banks during July declined 3 million dollars; in August, they fell 8 million dollars more. Unless the trend of loans through September 15 at all member banks differs from that of the weekly reporting banks in leading cities, total loans at Sixth District member banks rose only 12 million dollars since the end of June.

By this time last year the 100-million-dollar-loan expansion which took place between July 1 and December 31 in the District was well under way. Almost 75 million dollars of the increase occurred between the first of July and the end of September.

Throughout the nation member bank loans increased in July this year, in contrast with the decline in the District. The 212-million-dollar increase was about 75 percent of the increase that took place during the corresponding period last year. Moreover, the weekly reports of member banks in leading cities throughout the nation indicate that loans expanded further in August although District member bank loans declined.

Seasonal needs for credit will possibly expand District member bank loans during the fourth quarter of this year. Unless the expansion is much greater than that which took place during the same period last year, however, it will not be enough to bring the six-month increase up to that of last year.

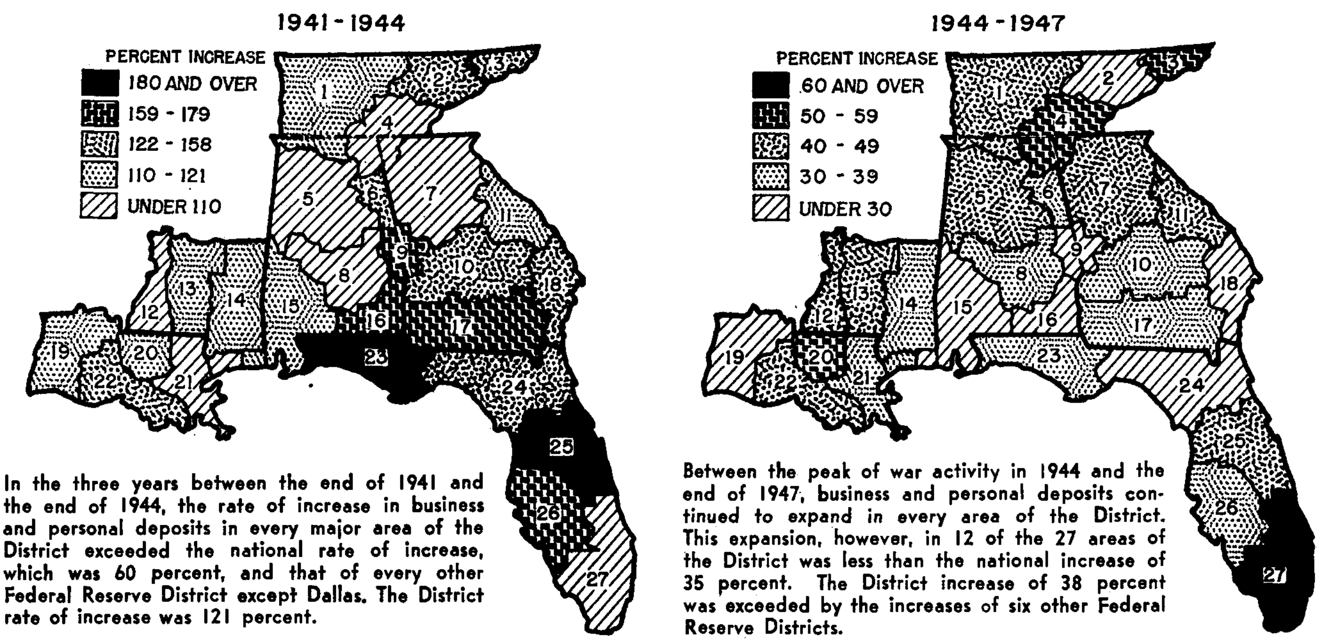
The smaller banks, especially the country banks—those outside the reserve cities of Atlanta, Birmingham, Jacksonville, Nashville, and New Orleans—have in many instances increased their loans, a tendency carried over from the first half of this year. Between the first of this year and the end of June, total loans for member banks with deposits of less than one million dollars—banks located primarily in the small cities—expanded 35 percent. Banks with deposits of from 1 to 10 million dollars increased their loans 9 percent; those with deposits of from 10 to 100 million dollars increased their loans 3 percent. At the banks with deposits of over 100 million dollars, loans were 5 percent less at the end of June than they were at the first of the year.

The tendency for loans to increase most rapidly at the country banks was prevalent in each state of the District. Despite the increases in loans at the smaller banks, however, total loans of all member banks in Florida were approximately 4 percent less on June 30 than they were the first of the year. In Louisiana, loans declined 3 percent. Georgia member banks, as a group, had approximately the same amount of loans at midyear as they had at the beginning of the year. Loans increased 6 percent in both Alabama and Mississippi, and 3 percent in Tennessee.

Although member bank total loans were approximately the same at midyear as they had been at the beginning of the year, real estate loans advanced 6 percent during that time. The over-all expansion occurred despite decreases reported by many member banks. Increases were more moderate at the larger banks than at the smaller ones; about one-quarter

WAR AND POSTWAR DEPOSIT CHANGES, ALL SIXTH DISTRICT BANKS

DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS BY MAJOR AREAS, DECEMBER 31



In the three years between the end of 1941 and the end of 1944, the rate of increase in business and personal deposits in every major area of the District exceeded the national rate of increase, which was 60 percent, and that of every other Federal Reserve District except Dallas. The District rate of increase was 121 percent.

Between the peak of war activity in 1944 and the end of 1947, business and personal deposits continued to expand in every area of the District. This expansion, however, in 12 of the 27 areas of the District was less than the national increase of 35 percent. The District increase of 38 percent was exceeded by the increases of six other Federal Reserve Districts.

Key to areas: 1. Nashville 2. Knoxville 3. Tri-Cities-Bristol 4. Chattanooga 5. Birmingham 6. Anniston-Gadsden 7. Atlanta 8. Montgomery 9. Columbus 10. Macon 11. Augusta 12. Natchez 13. Jackson 14. Hattiesburg-Meridian-Laurel 15. Mobile 16. Dothan 17. South Georgia 18. Savannah 19. Alexandria-Lake Charles 20. Baton Rouge 21. New Orleans 22. Lafayette-Iberia 23. Pensacola 24. Jacksonville 25. Orlando 26. St. Petersburg-Tampa 27. Miami of the banks throughout the District reported increases of more than 25 percent in real estate loans. In Florida, however, 39 percent of the banks reported that their real estate loans were smaller on June 30 than they had been on December 31, 1947.

In Alabama 21 percent of the banks decreased their real estate loans; in Georgia, 27 percent; in Louisiana, 20 percent; in Mississippi, 16 percent; and in Tennessee, 27 percent. Despite these decreases, however, total real estate loans increased in every state except Tennessee.

Sixth District Member Bank Loans
Percent Change June 30, 1948, from December 31, 1947

Size of Bank (Total Deposits, in Millions)	Total Loans						
	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District
Below 1	+43.6	*	*	...	...	+27.1	+34.7
1 - 10	+ 9.9	+ 3.1	+11.0	+ 9.8	+14.0	+ 6.8	+ 8.6
10 - 100	+ 9.3	— 4.1	+ 0.9	+11.3	+ 4.8	+ 4.8	+ 3.2
Over 100	*	— 6.2	— 2.4	— 9.6	— 1.0	*	— 4.9
All sizes	+ 5.5	— 3.6	+ 0.5	— 3.4	+ 3.4	+ 3.4	+ 0.7

Size of Bank (Total Deposits, in Millions)	Real Estate Loans						
	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District
Below 1	+ 4.3	*	*	...	...	—34.3	— 3.7
1 - 10	+ 8.9	+ 6.6	+ 7.3	+11.2	+ 5.4	+13.5	+ 9.4
10 - 100	+14.0	— 0.0	+12.4	+ 7.1	+ 5.8	—10.6	+ 5.1
Over 100	*	+ 8.0	+13.6	+11.9	...	*	+ 1.2
All sizes	+ 7.0	+ 3.5	+11.0	+ 9.1	+ 5.7	— 1.8	+ 5.7

*Withheld to prevent disclosure of individual bank operations, but included in state and District totals.

The result of the general real estate loan expansion has been to bring more banks closer to the legal maximum of real estate lending than they were six months earlier. At that time about one out of every 10 banks in the District had reached its capacity in real estate lending according to the legal limits for national banks. On June 30 almost one out of every five banks had reached that limit. Contraction of real estate loans by the banks with deposits of over 100 million dollars, however, brought real estate loans down enough so that none of these banks had used as much as 50 percent of their legal lending power.

A deliberate policy of limiting loans probably explains in part the failure of total loans to expand this year at the rate at which they expanded last year. Many banks have been following the policy of voluntary restraint in extending new loans advocated by the American Bankers Association and other groups. In addition, many banks have taken steps to reduce their loans, particularly real estate loans.

Part of the variation from bank to bank in the District has been caused, of course, by variations in the economic activity in the different sections, which in turn have led to variations in demands for loans by agriculture and business. Some of these variations are reflected in the behavior of deposits at individual banks.

Since the first of the year, total deposits of Sixth District member banks have declined as have deposits throughout the country. By the end of July, they were 303 million dollars less than they were at the first of the year. Both time and demand deposits declined. The decline amounted to 4 percent at all member banks throughout the country, whereas that for this district's member banks amounted to 6 percent. District member bank total deposits were about one percent greater at the end of July this year, however, than they were on the corresponding date last year. Those for the United States were up 1.4 percent.

The use of the Treasury surplus to retire Federal Reserve held Government securities explains much of the general decline in deposits. In the District, however, there have been marked variations from bank to bank that can only be explained by differences in the seasonal trend in the flow of deposits or by variations in economic conditions from community to community. Despite the general decline, over one-third of the banks increased their deposits during the first six months of this year although most of the increases were less than 5 percent. On the other hand, at a little less than one-third of the banks, deposit decreases exceeded 10 percent. At 4 percent of the banks, deposit decreases exceeded 25 percent. A greater proportion of the banks in Florida reported deposit increases than did the banks in any other state.

Sixth District Member Bank Total Deposits
Percent Change June 30, 1948, from December 31, 1947

Size of Bank (Total Deposits, in Millions)	Area						
	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District
Below 1	—14.4	*	*	...	...	— 0.7	— 6.2
1 - 10	— 9.1	— 1.1	— 6.9	— 4.8	— 3.6	— 2.4	— 5.2
10 - 100	— 6.6	— 4.7	— 7.8	+ 0.8	—34.3	— 5.3	— 8.1
Over 100	*	— 3.8	— 4.8	— 4.6	...	*	— 5.1
All sizes	— 7.8	— 3.8	— 5.8	— 3.5	—27.2	— 5.2	— 6.3

*Withheld to prevent disclosure of individual bank operations, but included in state and District totals.

More serious drains on reserves have naturally resulted from these deposit decreases at some banks than at others. Because they have been subject to less serious drains on their reserves some member banks, therefore, were much better prepared than others to meet the new reserve requirements that were effective this month. Since September 24, the reserve city banks have been required to maintain reserves with this bank amounting to 22 percent of their net demand deposits instead of 20 percent as formerly, and to 7½ percent of their time deposits instead of 6 percent. Since September 16, country banks have had to maintain reserves of 16 percent of demand deposits and 7½ percent of time deposits instead of 14 and 6 percent, respectively.

The combined effect of these changes upon reserve city banks and country banks was to raise required reserves approximately 90 million dollars. Because member banks, as a group, had excess reserves in August of approximately 60 million dollars, only 30 million more was needed to meet the new requirements. If the new requirements had been in effect in August, member banks over the District as a whole would have been deficient in reserves by 4 percent, whereas under the then existing requirements they had excess reserves amounting to 9 percent of required reserves.

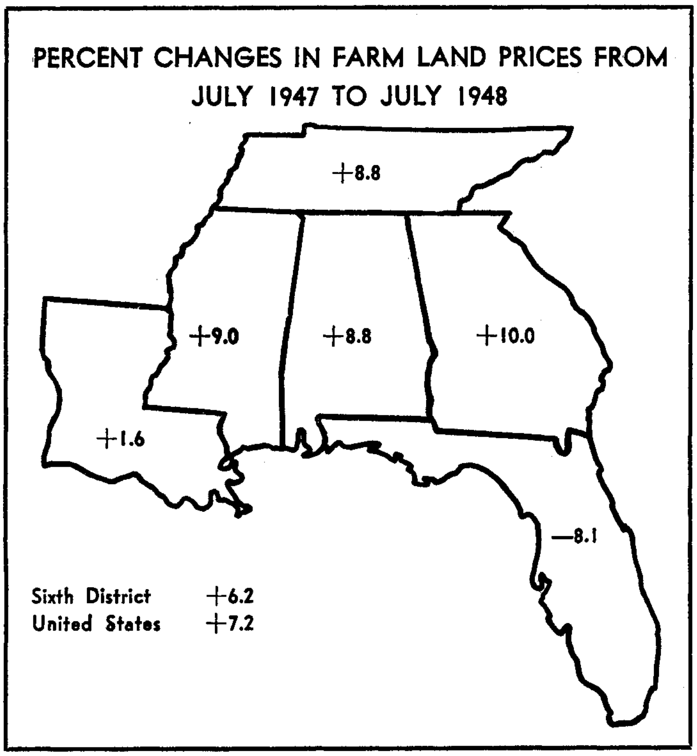
Member banks began to build up their reserves soon after the new requirements were announced. By September 15, total member bank reserves at this bank were 765 million dollars, which is almost 50 million more than they were August 18.

Were the new reserve requirements imposed during the period of brisk demand for loans, and were the banks in the District intent on expanding their loans, the effect of this new regulation would be slight. They could sell their

Bank Deposits by Counties

A tabulation of bank deposits by counties in the Sixth Federal Reserve District for December 31, 1941, 1942, 1944, and 1947 is available upon request to the Research Department of this bank.

Government securities not only to meet the new reserve requirements but also to expand loans. So far this year, however, bankers seem to have exhibited caution in making loans. In addition, because the new reserve requirements will be felt keenly by banks that have been losing deposits more rapidly than others, the higher requirements may have more of a dampening effect on credit expansion than some people seem to think. C. T. T.



Farm Land Prices

During the past year, in marked contrast with the war years, the farm real estate market has been relatively inactive. District farm land prices, according to the Department of Agriculture's index, increased about 6 percent in the year ending in July 1948. Since the 1935-39 base period, however, District prices increased 123 percent, while farm land prices for the entire nation increased only 109 percent. Only in Florida and Louisiana where land values increased 59 percent and 89 percent, respectively, were the price increases less than they were for the nation.

On the whole, there has been little evidence of speculative activity in the District farm land market during the past year. About two-thirds of all farm land sold has been bought by farmers, most of whom already owned some land. Sales have largely been between farmers in the same community in which the buyer added land to his present farm. Most of the recent farm land buyers, therefore, are concerned primarily about the long-time trend of farm land values rather than the course of prices in the next year or two. A man who buys farm land to make a living from it for several years estimates the present worth of all the future net incomes from the land. Although most buyers probably do not consciously go through the process of capitalizing the expected net income, their thinking is often expressed in such terms as "farm land is worth only what it will produce."

Farm land values apparently have risen faster in the District than they have in the nation as a whole since the prewar years, but it does not follow that District farm land buyers are expecting greater increases in net returns from land than the nation's farmers are. The price of farm land is also influenced by such factors as the residence value of the farm house, the home-site value, and the possibilities for combining part-time farming with nonfarm work. Sales of small farms and farms of below average quality have been reported more frequently in the District states than in other agricultural regions. The selling price of these small tracts undoubtedly has been governed more by their value for nonagricultural uses than by their ability to produce farm products.

Although the data are subject to some decided limitations because of the sampling procedure followed, a survey of the farm loans of District member banks in 1947 shows some of the changes that have occurred in the land market. Of all the farm real estate loans, the proportion on tracts of 40 acres or less increased from 14 percent of all loans in 1939-43 to 30 percent of all loans in 1947. Since the appraised value per acre of the small tract averaged about three times the value per acre of the more-than-40-acre tracts, the average sale price of all land probably does not measure accurately the changes in value of land that is to be used strictly for agricultural purposes. Although the farm land value index prepared by the Department of Agriculture showed an 8-percent rise in District land values from July 1946 to July 1947, the appraised value per acre on tracts of more than 40 acres that were used as security for member bank loans declined 3 percent. More conservative appraisals may account for this decline in appraised value but it seems unlikely that appraised value would go down at a time when selling price was going up. From the loan survey data, it appears that the price of District land used primarily for agricultural purposes has increased at about the same rate as farm land in the whole nation, and that District land prices leveled off or even declined slightly in the past two years.

That the price increases for District land used entirely for agricultural purposes have not exceeded those for the nation is no assurance, of course, that future difficulties attributable to high land prices can be avoided. Despite a small acreage relative to prior years, cotton accounted for one-fourth of District farmers' cash receipts in 1946. Before the war, cotton prices were held above world levels by Government action. The increased income from the cotton price supports was, to a large extent, capitalized into land values. The wartime increase in land values, therefore, were imposed on a level of land values artificially created by the Government. The effects of drastically lower support prices for cotton or abandonment of farm price-support programs cannot be estimated accurately, but there is little doubt that it would cause serious financial difficulties for some farmers and would remove the basis for part of the present value of farm land. To the extent that alternative crops for cotton can be grown which provide comparable per acre returns, or to the extent that farming systems centering around livestock are developed, the effect on land values of lower support prices for cotton would be lessened. Neither of these developments, however, is likely to cushion effectively a drop in land values. In the first place, some of the more widely grown cash crops, such as peanuts, that have been substituted for cotton, are themselves subject to price supports. Lowering price supports for these crops would have much the same effect on land values as lowering the support price for cotton would. A second consideration is that a shift to farming systems that are not dependent upon a cash crop is extremely difficult for many farmers, particularly those with small acreages.

Even though the nation's requirements for food crops continue to expand, as seems likely if we continue to have full employment and high personal incomes, heavy exports or Government price supports, or both, may be required to maintain the present price of many District crops. The level of farm land values which will be warranted by probable future incomes, therefore, probably depends more upon public policy than it does upon the domestic supply and demand for farm products. Although prices for District farm land that is used exclusively for agriculture may not have increased any faster than farm land prices generally, uncertainties in the price outlook for District crops call for continued caution on the part of lending institutions and farm land buyers.

B. R. R.

FARM COMMODITY PRICES IN THE SIXTH DISTRICT STATES

Item	Unit	August 1948	July 1948	August 1947	Percent Change August 1948 from	
					July 1948	Aug. 1947
		(Dollars)	(Dollars)	(Dollars)		
Cotton	lb.	.316	.340	.342	— 7	— 8
Cottonseed	ton	72.00	87.33	74.33	— 18	— 3
Peanuts	lb.	.10	.10	.91	0	+ 10
Corn	bu.	2.09	2.19	2.23	— 5	— 6
Rice	bu.	2.50	3.10	2.82	— 19	— 11
Oranges	box	...	.40	...	..	..
Beef cattle	cwt.	19.25	19.48	14.77	— 1	+ 30
Hogs	cwt.	25.00	23.93	22.28	+ 4	+ 12
Chickens	lb.	.332	.336	.325	— 1	+ 2
Eggs	doz.	.509	.467	.503	+ 9	+ 1
Milk	cwt.	5.90	5.75	5.16	+ 3	+ 14
INDEX (1935-39 = 100)						
Truck crops		194	194	221	0	— 12
All farm products		274	288	276	— 5	— 1

Industry and Employment

The value of construction contracts awarded in the Sixth District was 16 percent less in July than it was in June, but was 24 percent more than it was in July last year. The July volume was larger than the monthly average for the first quarter of the year, but it was well below the average for the second quarter. It was, however, larger than the total for July of any earlier year except 1942.

The July decline from June was due to a 38-percent reduction in the value of residential construction contracts. Residential awards in July were smaller in total value than they had been in any month since January, and they were smaller than in any of the last six months of 1947. Alabama, Florida, Georgia, and Tennessee shared the July decline, but Louisiana and Mississippi reported small increases. Other than residential construction contracts were up 3 percent from June, the increase being shared by five of the states, offset slightly by a small decrease in Alabama.

Residential contracts accounted for 33 percent of total contracts awarded in July, against 45 percent in June and 43 percent in July last year. As in other recent months, Florida had the largest total amount of awards and the largest amount for residential construction, and awards in that state accounted for 39 percent of the District's total in each instance.

Sixth District Statistics

INSTALMENT CASH LOANS

Lenders	No. of Lenders Reporting	Volume: Percent Change August 1948 from		Outstandings: Percent Change August 1948 from	
		July 1948	August 1947	July 1948	August 1947
Federal credit unions	41	— 8	+ 33	+ 3	+ 55
State credit unions	24	+ 19	+ 59	+ 6	+ 47
Industrial banking companies	11	— 4	+ 19	+ 0	+ 11
Industrial loan companies	19	— 7	+ 12	+ 0	+ 6
Small loan companies	44	+ 2	+ 14	+ 2	+ 11
Commercial banks	34	+ 3	+ 33	+ 3	+ 43

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change August 1948 from	
		July 1948	August 1947
Total sales	93	+ 36	+ 32
Cash sales	84	+ 15	— 18
Instalment and other credit sales	84	+ 41	+ 42
Accounts receivable, end of month	92	+ 9	+ 49
Collections during month	92	— 1	+ 11
Inventories, end of month	66	— 4	+ 12

WHOLESALE SALES AND INVENTORIES*

Item	SALES: No. of Firms Reporting	SALES: Percent Change August 1948 from		INVENTORIES: No. of Firms Reporting	INVENTORIES: Percent Change Aug. 31, 1948, from	
		July 1948	August 1947		July 31 1948	Aug. 31 1947
Automotive supplies	6	+ 2	+ 6	5	— 3	+ 14
Electrical group						
Wiring supplies	5	— 3	+ 19	5	— 5	+ 4
Appliances	8	+ 3	+ 7	7	+ 6	+ 7
General hardware	7	+ 7	+ 10	4	— 0	+ 16
Industrial hardware	5	+ 6	+ 16	.	..	..
Jewelry	5	+ 36	— 3	3	+ 9	+ 20
Plumbing and heating supplies	4	+ 11	— 0	3	+ 8	+ 51
Confectionery	4	— 7	+ 6	.	..	..
Drugs and sundries	10	+ 5	+ 19	4	— 3	+ 0
Dry goods	17	+ 47	+ 14	11	— 3	+ 21
Groceries						
Full lines	36	— 0	+ 7	22	+ 2	+ 8
Specialty lines	6	— 4	+ 7	3	+ 2	+ 27
Tobacco products	9	— 9	+ 8	5	— 30	— 12
Miscellaneous	15	+ 25	+ 45	13	— 5	— 0
Total	137	+ 10	+ 14	85	— 1	+ 11

*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES

Place	SALES: No. of Stores Reporting	SALES: Percent Change August 1948 from		INVENTORIES: No. of Stores Reporting	INVENTORIES: Percent Change Aug. 31, 1948, from	
		July 1948	August 1947		July 31 1948	Aug. 31 1947
ALABAMA						
Birmingham	4	+ 6	+ 13	3	+ 8	+ 34
Mobile	5	+ 1	+ 17	.	..	..
Montgomery	3	+ 3	+ 6	3	+ 14	+ 42
FLORIDA						
Jacksonville	4	+ 4	— 3	3	+ 3	+ 16
Miami	4	+ 7	+ 8	3	— 2	+ 22
Orlando	3	+ 8	+ 37	.	..	..
Tampa	5	+ 2	+ 1	3	+ 10	+ 15
GEORGIA						
Atlanta	6	+ 36	+ 14	5	+ 10	+ 14
Augusta	4	+ 9	+ 5	3	— 2	+ 32
Columbus	3	+ 11	+ 24	.	..	..
Macon	4	+ 16	— 1	4	+ 10	— 0
Rome	3	— 8	+ 3	.	..	..
Savannah	3	+ 9	+ 14	.	..	..
LOUISIANA						
Baton Rouge	4	+ 9	+ 21	4	+ 12	+ 42
New Orleans	5	+ 16	+ 24	4	— 4	+ 22
MISSISSIPPI						
Jackson	4	+ 29	+ 17	4	— 9	+ 13
Meridian	3	+ 6	+ 5	.	..	..
TENNESSEE						
Bristol	3	+ 21	+ 11	3	+ 10	+ 17
Chattanooga	4	+ 8	+ 17	3	+ 8	+ 13
Knoxville	4	+ 5	+ 32	.	..	..
Nashville	6	+ 25	+ 18	5	+ 5	+ 25
OTHER CITIES*	19	+ 1	+ 5	22	+ 3	+ 21
DISTRICT	103	+ 14	+ 13	72	+ 4	+ 21

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

Sixth District Statistics

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

Item	Sept. 22 1948	Aug. 25 1948	Sept. 24 1947	Percent Change Sept. 22, 1948, from Aug. 25 1948	Percent Change Sept. 22, 1948, from Sept. 24 1947
Loans and investments—Total	2,267,156	2,302,163	2,337,084	— 2	— 3
Loans—Net	816,204	791,425	750,741	+ 3	+ 9
Loans—Gross	823,656	798,809	750,741	+ 3	+ 10
Commercial, industrial, and agricultural loans	506,215	489,590	430,835	+ 3	+ 17
Loans to brokers and dealers in securities	6,102	6,772	7,634	— 10	— 20
Other loans for purchasing and carrying securities	54,127	54,430	80,654	— 1	— 33
Real estate loans	64,929	63,202	59,518	+ 3	+ 9
Loans to banks	6,354	5,125	5,600	+ 24	+ 13
Other loans	185,929	179,690	166,500	+ 3	+ 12
Investments—total	1,450,952	1,510,738	1,586,343	— 4	— 9
Bills, certificates and notes	397,608	447,753	362,589	— 11	+ 10
U. S. Bonds	861,465	872,131	1,029,826	— 1	— 16
Other securities	191,879	190,854	193,928	+ 1	— 1
Reserve with F. R. Bank	437,178	430,705	440,088	+ 1	— 1
Cash in vault	43,830	43,893	43,103	— 0	+ 2
Balances with domestic banks	190,343	174,599	172,930	+ 9	+ 10
Demand deposits adjusted	1,745,394	1,765,263	1,746,634	— 1	— 0
Time deposits	530,908	533,900	548,807	— 1	— 3
U. S. Gov't deposits	40,106	38,463	36,387	+ 4	+ 10
Deposits of domestic banks	441,255	440,585	484,503	+ 0	— 9
Borrowings	4,000	2,500	8,000	+ 60	— 50

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	August 1948	July 1948	August 1947	Percent Change August 1948 from July 1948	Percent Change August 1948 from August 1947
ALABAMA						
Anniston	3	18,630	19,349	17,283	— 4	+ 8
Birmingham	6	298,007	320,672	267,880	— 7	+ 11
Dothan	2	11,789	10,688	9,970	+ 10	+ 18
Gadsden	3	16,645	17,484	14,765	— 5	+ 13
Mobile	5	135,579	153,890	116,319	— 12	+ 17
Montgomery	3	71,464	64,963	63,987	+ 10	+ 12
FLORIDA						
Jacksonville	3	244,610	264,456	228,083	— 8	+ 7
Miami	7	211,834	231,467	180,592	— 8	+ 17
Greater Miami*	13	301,703	315,249	243,491	— 4	+ 24
Orlando	3	45,340	47,780	35,729	— 5	+ 27
Pensacola	3	33,176	34,256	30,526	— 3	+ 9
St. Petersburg	3	43,618	48,673	38,587	— 10	+ 13
Tampa	3	101,123	98,616	89,887	+ 3	+ 12
GEORGIA						
Albany	2	15,903	16,304	13,261	— 2	+ 20
Atlanta	4	815,966	780,417	655,694	+ 5	+ 24
Augusta	3	52,957	53,997	43,956	— 2	+ 20
Brunswick	2	9,028	9,491	7,733	— 5	+ 17
Columbus	4	58,205	41,062	53,959	+ 42	+ 8
Elberton	2	3,445	3,558	3,211	— 3	+ 7
Gainesville*	3	12,913	14,362	12,008	— 10	+ 8
Griffin*	2	10,136	10,639	9,914	— 5	+ 2
Macon	3	63,966	58,575	59,796	+ 9	+ 7
Newnan	2	7,192	8,556	7,922	— 16	— 9
Rome*	3	19,603	20,404	17,509	— 4	+ 12
Savannah	4	87,857	105,113	82,287	— 16	+ 7
Valdosta	2	24,266	17,737	36,008	+ 37	— 33
LOUISIANA						
Baton Rouge	3	105,324	94,407	73,038	+ 12	+ 44
Lake Charles	3	33,060	34,674	25,764	— 5	+ 28
New Orleans	7	648,123	646,660	551,712	+ 0	+ 17
MISSISSIPPI						
Hattiesburg	2	16,083	16,288	14,567	— 1	+ 10
Jackson	4	129,103	125,410	103,485	+ 3	+ 25
Meridian	3	27,243	27,527	24,109	— 1	+ 13
Vicksburg	2	22,641	22,634	18,959	+ 0	+ 19
TENNESSEE						
Chattanooga	4	133,065	128,124	121,756	+ 4	+ 9
Knoxville	4	105,272	113,003	99,043	— 7	+ 6
Nashville	6	288,743	300,731	261,815	— 4	+ 10
SIXTH DISTRICT 32 Cities	110	3,879,257	3,916,572	3,351,683	— 1	+ 16
UNITED STATES 333 Cities		97,940,000	102,942,000	84,427,000	— 5	+ 16

*Not included in Sixth District total

For the January-July period total awards in the District were 47 percent larger than they were during the corresponding period of 1947; residential contracts were 42 percent larger; and other awards were up 50 percent.

The District's cotton-textile mills used, on a daily average basis, 9.4 percent more cotton in August than they did in July, recovering less than half the decrease from June to July. August consumption averaged 2.4 percent less than it was a year ago; an increase of 2.6 percent in Alabama was more than offset by decreases in the other states. There are many reasons for the decline this year in textile manufacturing and for the reluctance of mills to build up their inventories. The size of the current cotton crop makes lower prices a possibility; buyers of many textile products have apparently been holding off in their purchases in the hope of price declines; exports of cotton goods have been much less this year than last, and textile industries in foreign countries are increasing their production and their exports; and, finally, textiles are facing increasing competition from other fibers and other materials.

Coal output in Alabama and Tennessee, the two coal-producing states in this district, was greater in August than it was in July, when production was reduced because of idleness at the mines in the early part of the month. August production averaged about the same as it was in August last year; a decrease in Alabama was offset by an increase in Tennessee. In the January-August period production in Alabama was about 7 percent less than it was in that part of 1947, and in Tennessee it was about 3 percent less.

Steel-mill operations in the Birmingham-Gadsden area continued in August at 102 percent of rated capacity, according to the *Iron Age*. There was only a slight reduction in the week that included the Labor Day holiday. For the country as a whole, operations in August averaged about 93 percent of capacity.

Weekly figures of revenue freight-car loadings reported by Southern railroads averaged 6 percent larger in August than those in July, and 1.5 percent larger than those in August 1947. Car loadings declined about 10 percent in July from June, largely because of reductions in the movement of coal and miscellaneous merchandise. In August loadings of miscellaneous merchandise registered a further slight decline, and there were decreases in loadings of grain and grain products, livestock, coke, and ore—offset by gains in loadings of coal, lumber and forest products, and merchandise in less-than-carload-lots. Compared with those of August 1947, loadings of coal, forest products, and ore were larger, but there were decreases in the other groups.

Employment trends in July varied in different parts of the District and in different industries. At midsummer, operations at fertilizer factories, cottonseed-oil mills, and citrus canning and packing establishments were at a seasonally low level. Employment in construction work increased in July in a number of places. In some areas, however, there were reductions in the number of workers engaged in construction projects, attributed in some instances to an increasing reluctance of would-be buyers to pay the high and increasing costs of construction, and in a few instances to shortages of brick or other materials. In June and July the labor force was augmented by the addition of students out of high schools and colleges for the vacation period, but many of them will soon be returning to their studies and to some extent the number of available workers will thus be reduced.

In the Atlanta area there was an increase in the over-all total employment in July, but in construction work the number employed declined about 4 percent. There were only minor changes in the manufacturing industries. In the Augusta area small declines in the manufacturing group were offset by gains in construction work. In the Macon area increases in employment in the paper and paper-products industry offset declines in other lines. No significant changes were reported from Savannah, with the exception of an increase in construction toward the latter part of July. Construction workers at Columbus are fully employed, and employment in general continues at a high level.

Alabama reported employment increases in lumber and machinery industries, at blast furnaces, at fabricated metal products establishments, and in some other lines; but employment in textile plants and in plants manufacturing apparel declined. In the Mobile area there were further layoffs at the shipyards and in seasonal food-processing plants. In the Montgomery area decreases in food processing and in some lines of trade were more than offset by increases in the textile and farm-machinery industries, and by smaller increases in construction and trade.

Employment increased in the Jacksonville area at shipyards, in construction, and at food-processing plants, and in some of the service industries; but declined in wholesale and retail trade. In the Miami area there were seasonal layoffs in the service industries and in wholesale and retail trade that were more than sufficient to offset the gains in construction, finance, insurance, and real estate. At Tampa the over-all decline in July was small, the principal decreases being in tobacco manufacturing, construction, and the service industries. The decreases were offset only in part by an increase in chemicals and allied products.

In the Chattanooga area receipt of additional orders and other seasonal factors caused increased employment in chemicals, textiles, fabricated-metal products, and some other manufacturing industries; but lack of materials and lack of orders caused declines in food, lumber, furniture, and machinery industries. Nonmanufacturing employment remained stable. Employment declined in the Nashville area in construction, trade, and in most manufacturing industries. In the Knoxville area increases in some manufacturing industries were not sufficient to offset decreases in others; increases in construction, in the service industries, and in government employment more than offset a decrease in trade.

D. E. M.

Trade

Sixth District department-store sales now compare better with those of the rest of the nation than they have at any time since the end of the war. During July, August, and the first half of September, the rates of increase in sales at the District stores over those in the corresponding months last year were greater than the increases in any other Federal Reserve District. Sales for the first two weeks of September were up 16 percent from those of the corresponding period last year. August sales were up 13 percent, compared with 8 percent for the nation; and July sales were up 15 percent, compared with the national rate of 11 percent.

Until recent months the District's gains in sales had been lagging behind those of several other Districts. In May the District rate of increase was exceeded by that of five of the Districts and in June by four.

Total sales at department stores in the Atlanta Federal Reserve District for the first seven months of last year were 5 percent greater than those for that period in 1946. This year the District's seven-month total exceeded last year's 9 percent. Moreover, this year's increase exceeded the national increase of 8 percent, and it was exceeded by the rates of increase in only four other Districts. Last year the increase of 5 percent for the first seven months was less than the national increase and was exceeded by increases in nine other Districts. For the first seven months of 1946, the District's rate of increase over the corresponding months in 1945 was exceeded by the increases in seven other Districts.

Even though consumer spending is only partly reflected in department-store sales, the relative standing of various regions may be fairly well measured by them. Changes in sales, moreover, have reflected the District's relative income position since the war. The recent changes in sales may, therefore, indicate an improvement in the District's postwar income position.

Although most District states have registered income gains since the close of the war, these gains have been exceeded in several other regions. In 1946, according to Department of Commerce estimates, total income payments to individuals in the Sixth District states exceeded 1945 payments 2 percent. Throughout the Southeast as a whole, income payments were up 5 percent, compared with 9.9 percent throughout the United States.

During 1947, the District's relative standing was somewhat improved. For the District states as a group, income payments were up 11 percent from those for 1946. With payments up 13 percent in Alabama, 4 percent in Florida, 10 percent in Georgia, 11 percent in Louisiana, 15 percent in Mississippi, and 11 percent in Tennessee, the rate of increase in each District state except Florida exceeded that of any of the other five Southeastern states. Although the District gain was only slightly less than the national increase of 13 percent it was exceeded by those of the Middle East, the Southwest, the Central States, and the Northwest.

A multitude of factors is required to explain the slowing down of income gains in the District states during the postwar period, compared with gains during the war years. One of the reasons is that much of the war industry created in the Sixth District states was the type that could not be readily converted to peacetime production. Although new industrial facilities were being built in the area, they did not immediately furnish employment to replace the war-industry jobs; and the postwar boom in manufacturing was in the durable-goods industries rather than in the nondurable-goods industries predominant in this region. Moreover, the greatest agricultural price increases were for commodities other than those in which District farmers specialize; and increases in industrial wage rates in some District industries lagged behind those of industries concentrated in other regions.

In recent months conditions have become more favorable. More and more of the new industrial facilities are coming into production. Wage-rate advances in the District have become more widespread. Agricultural price changes are no longer so favorable to the grain-growing regions. Even should cotton prices decline to the support level, the estimated high production promises a higher income for District farmers this year than they received last year. Offsetting these factors has been a moderation in textile employment and in some other District industries. On the whole, however, in many quarters it is expected that during the remainder of the year the relative improvement in the District's income position that seems to be reflected in department-store sales will be continued.

C. T. T.

National Business Conditions

INDUSTRIAL output in August and the early part of September regained most of the decline which occurred in July. Department-store sales showed about the usual marked seasonal increase. Prices of some additional industrial products were raised, while prices of farm products and foods generally declined somewhat from the beginning of August to the latter part of September.

Industrial Production

The Board's seasonally adjusted index of industrial production was 190 percent of the 1935-39 average in August, as compared with 186 percent in July and 192 percent in June. Most of the increase in August reflected larger output of nondurable goods, but activity in these lines was about 2 percent below the June rate.

Steel production increased in August and was at a rate of 93 percent of capacity. During September steel-mill activity has been scheduled at a somewhat higher rate. Output of lumber and of stone, clay and glass products was somewhat larger in August than in the preceding month. Activity in the automotive industry, however, decreased in August and in the early part of September, primarily as a result of work stoppages at plants of parts suppliers and shortages of sheet steel. Output of most other durable goods continued in August at about the July rate.

Production in nondurable-goods industries in August recovered most of the decline shown in July, when plant-wide vacations sharply reduced output of textiles, leather, paper, and some other products.

Cotton consumption rose 11 percent in August but was at a rate somewhat below the same month a year ago. Shoe production showed a marked seasonal gain in August, according to trade estimates. Activity also increased in the paper and printing, chemicals, and rubber products industries. Output of manufactured foods, on the other hand, declined in August, reflecting mainly a further sharp reduction in the volume of meat production and a less than seasonal rise in the canning industry.

Production of fuels increased in August and was at a rate 7 percent above the same period a year ago. Output at metal mines remained at the July rate. In the early part of September crude petroleum output declined somewhat as a result of a west coast refinery strike.

Construction

Value of construction contracts awarded in August, according to reports of the F. W. Dodge Corporation, declined moderately from the high levels of recent months. The number of new non-farm dwelling units started in August was 83,000, as compared with 94,000 in July and a peak of 98,800 in April, according to preliminary estimates of the Bureau of Labor Statistics. Value of construction activity on jobs under way continued to increase during August.

Distribution

Department-store sales during August and the first half of September showed about the usual marked seasonal expansion and the Board's adjusted index for the third quarter is likely to be slightly higher than the level during the second quarter, when the index was 309 percent of the 1935-39 average.

Loadings of railroad revenue freight increased in August, largely as a result of increased loadings of coal and miscellaneous merchandise. Shipments of grain decreased somewhat from the high July level, and livestock shipments increased less than normally for this season.

Commodity Prices

The general wholesale price index declined one percent in the latter part of August but advanced again in the middle of September, reflecting chiefly fluctuations in meat prices. In the latter part of September wholesale prices of farm products and foods, including meats, were somewhat lower than in the early part of August, while average prices of industrial products were higher.

The Consumers' Price Index increased further by one-half percent from mid-July to mid-August, reflecting advances in prices of all major groups of items except foods. Retail food prices, following a rise of 7 percent from March to July, have apparently shown little change since that time.

Bank Credit

Federal Reserve System support purchases of United States Government bonds sold by insurance companies and other non-bank investors continued heavy in August and the first half of September. System sales of short-term Government securities both to banks and others were also large, and the total portfolio of Government securities was little changed. In the first half of September bank reserves were substantially increased by a decline in Treasury balances at the Reserve banks, but in the third week of the month these balances were rebuilt by large tax receipts.

In the early part of September the Board of Governors announced an increase in reserve requirements of 2 percentage points on net demand deposits and 1½ percentage points on time deposits, effective September 16 for member banks outside reserve cities and September 24 for reserve city and central reserve city banks. This action increased by 2 billion dollars the amount of reserves that member banks are required to hold.

Pursuant to legislative authority granted in August, the Board of Governors reinstituted the regulation of consumer instalment credit, effective September 20.

Commercial and industrial loans increased by 700 million dollars at banks in leading cities in August and the first half of September. Real estate and consumer loans also expanded further. Bank holdings of Government securities were little changed, despite the retirement for cash of about 400 million dollars of bank-owned Government bonds on September 15.

Interest Rates and Security Markets

Interest rates showed little further change in the first three weeks of September, following a rise in short-term money market rates in August. Common stock prices showed further moderate weakness, but prices of high-grade corporate and municipal bonds changed only slightly.

THE BOARD OF GOVERNORS