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District Long-Term Personal Savings A Source of Investment Funds?

BRINGING its income up to the national level is generally recognized as the South's major long-term economic problem. Southerners, as well as others who are interested in the general welfare of the nation, therefore, have derived much satisfaction from the statistical record of progress that has been made in that direction during the last two decades.

They have seen per capita income in the Southeast rise from \$344 in 1929 to \$957 in 1948, or from 51 percent of the national average to 68 percent. They have seen the Southeast's share of total national income payments increase from 10.5 percent to 13.8 percent. More important, they have seen the improvements brought about by this growth. Such things as better diets, improved housing, wider educational opportunities, and many other things that go with a higher standard of living are now more easily accessible to the average southerner.

But to those who have taken an active role in programs to improve the South's income position, the record means something more. The educator may feel that it is the result of a modest improvement in educational standards; the agricultural expert probably explains it as the fruit of better farming practices; the industrialist would likely say that expanded manufacturing is largely responsible. Perhaps the banker finds that the improvement stems from wise granting of credit; and the forestry expert believes that the income has come from more efficient forestry operations. Still others may see it as an effect of industrial research.

In one respect, all those who actively promote policies that look toward the raising of southern incomes have one purpose in common. To give southerners better jobs. They do not necessarily want to put more southerners to work. They do want to put them at more productive work, either the same type they are now doing or perhaps something altogether different. They are united in trying to raise the productivity of the South.

Increasing Productivity

Some increased productivity can come from improving the ability of the workers themselves or by adopting better methods of doing the same things. Our national economic history, however, shows that the relatively high productivity of the American worker was attained by an increase in the capital investment per worker. It is quite likely that greater productivity in the South will also come when increased capital investment provides more and better tools, machinery, and equipment.

Various policies that might lead to increased income in the

Sixth District have been discussed from time to time in this *Review*. Generally, despite the diversity of subject, these discussions have concluded that more investments, of one kind or another, were needed in order to bring the policies to fruition. An improved livestock-raising industry requires not only better skills but also investments in improved pastures and equipment. Full development of the tourist industry requires tangible capital improvements in the form of roads and highways, and facilities necessary to feed and house the traveler. If the region's water transportation facilities are to be utilized fully, terminals must be built. Better education results, not only from more pay to teachers, but also from new school buildings. Laboratories for industrial research cost money. New factories necessary for greater industrialization obviously can come only from long-term capital investment.

These examples merely emphasize what is perfectly axiomatic to those who are seriously studying the problem of increasing the region's income. They all see many opportunities for profitably utilizing additional capital investment in the region. The difficulty lies in finding this capital.

The Source of Capital Investment

Disregarding the mechanics of money, credit, and investment institutions, it can be said that real capital investment is made out of real savings. Savings occur when less is currently consumed than is currently produced.

A large part of American capital investment, of course, is not made from individual savings. Corporations save when they pay out in dividends less than they earn. Estimates for 1948 indicate, for example, that American corporations with profits after taxes of 20 billion dollars retained over half, a re-investment of 12.2 billion dollars. That year, personal savings, as defined by the Department of Commerce, was only slightly greater, 14.9 billion dollars. Governments also save, in a real sense, when they use taxpayers' money to make long-term capital improvements.

The same people or organizations who do the saving do not necessarily do the investing in capital improvements. Individuals may entrust their savings to institutions who make investments for them. Institutions, in turn, may seek profitable capital investments in another region. Generally speaking, investments flow from those areas where economic opportunities are less than savings to places where economic opportunities exceed savings.

In the past, the South has found itself in the latter category. It was a region where the amount of funds needed for

capital investment in its agriculture and other industry far outstripped the amount of local savings. Such a position, of course, has distinct disadvantages. Especially, as has been the case in the South, when the investment funds from other regions have been insufficient to satisfy all the needs for the area's economic development.

Many investors are reluctant to entrust their savings to persons or organizations beyond their immediate sight. Financial institutions often follow the accustomed pattern which leads to investment close to home. Small business finds it especially difficult to secure capital from a distance. It is obvious then that a local source of funds is advantageous. An appraisal of how adequate personal savings within the District are as a source of investment funds should, therefore, be worthwhile.

A Decade of Saving

Savers in the Sixth District states made a good record in the last decade. At the end of 1938 the value of their life insurance equities, repurchasable capital in savings and loan associations, together with personal time deposits in commercial banks, postal savings, and savings bonds amounted to 2.1 billion dollars or \$140 per capita. By the end of 1948 their total holdings had grown to 8.7 billion dollars or \$532 per capita. Part of this increase in long-term savings, of course, can be explained by the inflationary developments in the war and postwar periods. However, even in terms of 1935-39 dollars the gain was striking—from \$139 per capita to \$311.

There were other savings accumulated during this period which are excluded from the figures just cited. For example, some persons invested their savings in their own business or put them to other productive uses; others used their savings to buy stocks and corporate bonds. Yet the greater part of long-term accumulated savings for the majority of persons is represented by the types of savings which made up the 8.7 billion dollar total at the end of 1948. The "1948 Survey of Consumer Finances" discovered, for example, that only 9

percent of all consumer units owned stocks and corporate bonds, whereas 78 percent of them owned life insurance policies; 48 percent, United States Government bonds; and 46 percent, savings accounts.

Per Capita Long-Term Savings (Amounts in Dollars)

End of Year	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District States	United States
1938	111	173	143	174	81	163	140	408
1939	121	194	156	183	88	175	152	425
1940	132	229	171	189	98	189	166	447
1941	152	249	189	200	98	207	182	480
1942	202	307	237	264	123	260	232	561
1943	269	407	323	337	171	335	308	702
1944	363	525	411	441	237	429	403	880
1945	429	628	490	522	284	507	473	1,031
1946	428	693	503	502	303	512	492	1,039
1947 ^p	450	720	541	536	320	537	520	1,086
1948 ^p	464	719	561	547	332	551	532	1,111

^p Preliminary

Sources: Long-term savings include private repurchasable capital in savings and loan associations, life insurance equities, deposits in mutual savings banks, personal time deposits in insured banks, postal savings deposits, and U.S. savings bonds at current redemption values. U.S. data are converted to per capita figures from those of the Federal Savings and Loan Insurance Corporation. State data for all years and U.S. data for 1948 were prepared by the Research Department of this Bank, from which detailed data and methods may be obtained upon request.

The record growth of long-term savings in the Sixth District was also impressive when measured against the rate of growth for the United States. From the end of 1938 to the end of 1948, total holdings of Sixth District savers increased 311 percent and per capita savings 280 percent. Throughout the country, the rates of growth for that period were 208 percent and 172 percent, respectively.

Types of Savings

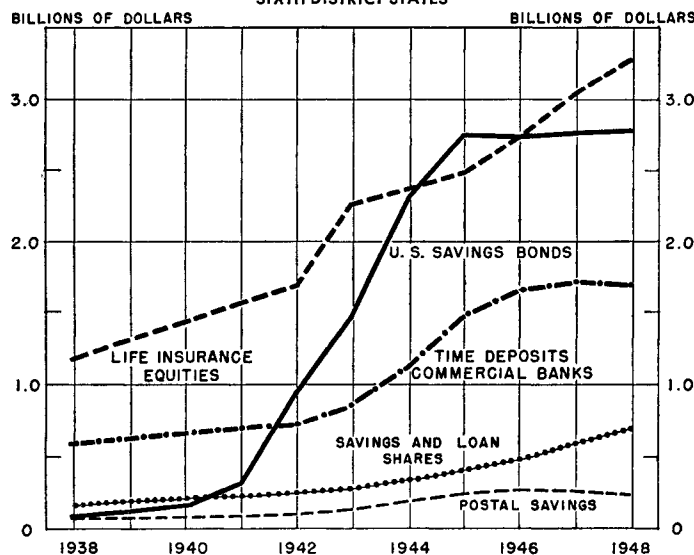
Since only a complete personal census would give exact data on personal holdings of long-term savings, the figures cited are necessarily estimates. But these estimates are based upon state, national, or regional data adjusted by standard statistical procedures. Although, like all estimates, they are subject to a margin of error, they provide a basis for analysis and comparison.

LIFE INSURANCE. By far, the most popular form of long-term savings owned by individuals in the Sixth District states is life insurance. At the end of 1948, policy holders in these states owned life insurance equities to the amount of \$201 per capita. Their equities had increased 154 percent since the end of 1938. Per capita figures ranged from \$104 in Mississippi to \$259 in Florida at the end of 1948. In Louisiana and Mississippi, per capita life insurance equities were slightly below per capita holdings of savings bonds.

Of course, life insurance equities do not represent immediately available cash and for that reason are sometimes called nonliquid assets. Cash surrender values of the policies are considerably less than the equities. However, the equities are the result of consumers having spent less on current living than they earned. Moreover, they measure the share that these southerners have in the resources of life insurance companies, which have now become some of the most important trustees for savings and, in turn, a source of investment funds.

SAVINGS BONDS. Second in importance to the Sixth District saver are his holdings of United States savings bonds. These amounted to 32 percent of total per capita savings in 1948, compared with 30 percent for American savers as a whole.

LONG-TERM SAVINGS OF INDIVIDUALS
SIXTH DISTRICT STATES



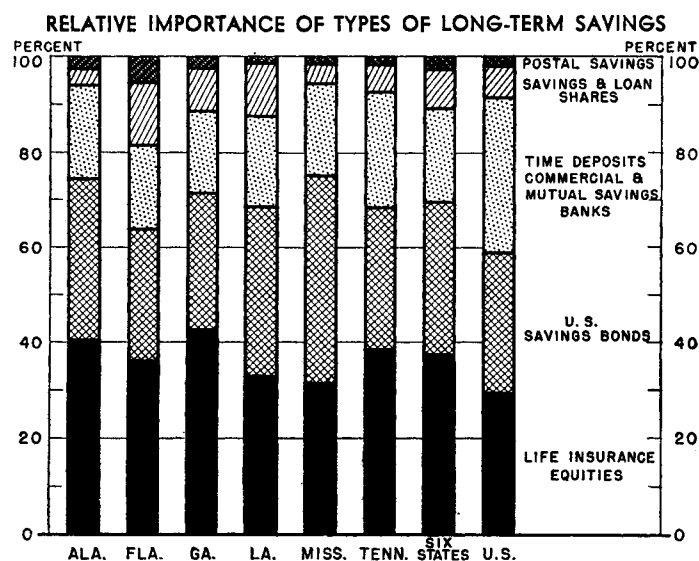
From 1938 through 1948, individuals in the District states increased their holdings of all forms of long-term savings by record amounts. At the end of 1948 the estimated total holdings of 8.7 billion dollars were 312 percent greater than total holdings had been at the end of 1938, whereas in the United States they were only 208 percent greater.

The \$170 per capita in current redemption value was strikingly higher than the \$6 per capita estimated for 1938. In fact, the growth in this type of saving accounted for 42 percent of the total increase in per capita savings during the 10-year period.

Savings bond owners added most to their holdings during the war, when their incomes expanded rapidly, when they could not buy many consumer goods, and when they were urged to buy bonds as a patriotic duty. The predictions made by many persons that when the war was over, the public would liquidate its holdings on a wide scale have not been verified. On the contrary, the per capita District holdings of all types of savings bonds at the end of 1948 were but slightly less than they were at the end of 1945. Accrued discount earned, as well as the continued purchase of E bonds offset redemptions to some extent. A net increase in the purchase of F and G bonds by individuals offset the decline of \$8 in per capita E bond holdings from 1945 to 1948.

SAVINGS DEPOSITS. About one-fifth of the District's personal savings — \$104 per capita at the end of 1948 — is entrusted to the commercial banks in the form of time deposits. The 167-percent increase in these deposits since 1938 was to a great extent accomplished during the war. Growth continued at a slower rate during 1946 and 1947 with a slight decline in deposits registered for 1948.

OTHER SAVINGS. Next to the increase in holdings of savings bonds, per capita holdings of shares in savings and loan associations increased at a rate greater than that for any of the other types of long-term savings between 1938 and 1948. These holdings of \$43 per capita account for but 8 percent of total savings but their postwar growth has exceeded that of the war years. Finally, although not of major importance, per capita postal savings tripled during the decade—from \$5 to \$15 per capita.



In the Sixth District states, life insurance equities are the most important type of long-term savings, followed closely by U. S. savings bonds. For the United States, savings deposits exceed all other types in importance.

These savings, in addition to providing their owners with a certain amount of security, are earning for them a substantial sum each year. Despite the comparatively low rates of interest now prevailing, it is estimated that they earn a

total of almost 200 million dollars annually or about \$14 per capita. For these reasons alone, the savings growth has made a definite contribution toward raising the income of individuals throughout the District.

Rate of Saving

Not only are these estimates a matter of interest as a means of increased security; they are of some significance to the South's future economic development through expansion of capital investment. If these trends are generally representative of the South, some persons may ask, do they not show that investment opportunities can now be met out of personal savings to the same degree as is being done in other parts of the country?

Of course the accumulated savings are not composed of idle funds seeking opportunities for capital investment. They are already in use. Neither do they measure the amount of business savings. They do give some indication, however, of the extent to which southerners have in the past been able to lay aside some of their current earnings.

DOLLAR INCREASES LESS STRIKING. Despite the greater-than-national rate of increase in savings, the actual per capita dollar savings growth in the Sixth District states from 1938 to the end of 1948 was only 56 percent of the per capita dollar increase for the nation. On a per capita basis, Sixth District savers added \$392 to their long-term savings; savers throughout the country, \$703. The reason for the greater percentage rate of increase in the Sixth District states was that savings were lower there to start with. If this difference in the actual dollar growth in savings can be explained, it may be possible to have a better understanding of potential capital investment.

Factors Influencing Rate of Saving

The most obvious explanation for the smaller growth in District savings is that District savers had smaller incomes out of which to save. Even if they had saved the same proportion of their incomes as others did, they would have saved fewer dollars. The rate of growth in District income during the period was higher than that for the nation but it brought the per capita figure for the District states in 1947 up to only 67 percent of the national one.

But did not the greater-than-national rate of growth in income put District savers in a better position to add to their savings out of the additions to their incomes than savers elsewhere? Here, too, percentage rates of increase may be misleading. The dollar total of the year-to-year increases in per capita incomes for the nation was something like \$814 for the period 1938-47. For the District states the total was \$605. Even if the average Sixth District saver had saved every cent of the yearly increases in income, his dollar savings would not have expanded as much as those of the average saver in the whole country.

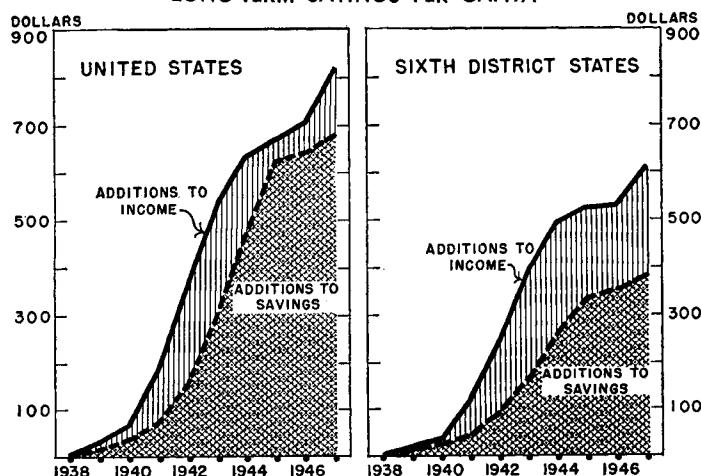
DISTRICT SAVINGS RATE LOWER. Correlations between the yearly increases in per capita incomes and the yearly increases in per capita savings show that, as a matter of fact, a smaller proportion of the added income in the District states was saved than throughout the country. For the 1938-47 period as a whole, when the average Sixth District individual received a dollar of additional income during the year, he increased his savings 46 cents. On the other hand when the average individual throughout the country got the extra dollar, the increase in long-term savings was 60 cents. The

years 1944 and 1945 were excluded from the computations because the war savings campaigns and the nonavailability of many goods made the savings rates unusually high in those years.

RATE OF SPENDING HIGHER. It seems reasonably safe to assume that since a smaller proportion of the additions to income was saved in the District states than throughout the country, a larger proportion was spent. Figures covering all types of consumer expenditures are not available by which this assumption can be tested, but scattered data point towards its validity.

The latest available census data show that per capita retail sales in the Sixth District states in 1939 were equal to 71 percent of the per capita income, whereas the figure for the United States was 63 percent. Moreover, on the basis of correlating yearly increases in per capita income between 1938 and 1947 with yearly increases in per capita department store sales, it can be concluded that consumers in the District states used a greater part of their increased incomes to increase their buying at department stores than did consumers throughout the country.

CUMULATIVE YEARLY GROWTH IN INCOMES AND
LONG-TERM SAVINGS PER CAPITA



Striking growth in incomes made the gains in savings possible. Although the rate of increase in Sixth District per capita incomes for 1938 to 1947 has been greater than that of the United States, the cumulative dollar increase for the District was only \$380, compared with \$678 for the nation. The cumulative dollar increase in savings, therefore, was less in District states than in the country as a whole.

General experience during the entire period (excluding 1946 as exceptional) indicates that every \$10 yearly increase in per capita income throughout the country was accompanied by an increase of 14 cents in per capita department store sales. In the District states the \$10 yearly increase in income was accompanied by an increase of 19 cents in per capita sales, over a third more. This was despite the influence of other factors on department store sales during the period.

If the relationship between income increases and increases in department store sales was characteristic of other types of retail trade as well, there is thus an explanation for part of the extraordinary growth in retail sales in the District during recent years.

PROPENSITY TO CONSUME. In terms of "economic jargon," the marginal propensity to consume in the District has been higher than throughout the country during the last decade

and the marginal propensity to save has been lower. In simple terms, it was more likely that additions to incomes in the District would be spent instead of saved than it was throughout the country. In the light of certain generally accepted principles of consumption, it is not surprising that such a condition exists.

Individually, some consumers will save no matter how small their incomes and will continue to save even when their incomes decrease. In general, however, a period during which there has been an increase in income is most favorable to savings expansion, and what the individual will do with the additional income dollars he gets varies with the amount of income he has been receiving in the past.

The typical family in the low income group has little difficulty in deciding how to spend additional income; better food, housing, clothes for the children, and so on, are probably urgently wanted. Security for the future may be far down on the list of the possible uses of the increased income. Consequently, most of the increased income is spent. Consumers with very high incomes respond differently and a higher proportion of their incomes may be saved. Variations occur all the way between the two extremes, but as a rule, the higher the income, the greater proportion of that income is saved.

In view of the relative income standing of the Sixth District states, it is not surprising, therefore, that the evidence shows a lower savings rate or a higher propensity to consume than exists elsewhere. But there are also certain other characteristics of the District's population which are customarily associated with lower rates of saving.

Generally, lower rates of saving from equal incomes can be expected from a population which is younger than from one which is older. The District's population is comparatively young. In 1940, for example, 43 percent of the people in the six states were less than 21 years of age, compared with 36 percent for the country as a whole.

A more highly educated population seems to be accompanied by a higher rate of savings. In 1940 only 33 percent of the persons of 25 or over in the District had gone to high school, compared with 39 percent throughout the country.

Farmers, as a rule, save more out of a given money income than do city dwellers, although they do not necessarily do it in the forms measured here. Rather, they often prefer to use their savings for property improvements, to increase their land holdings, or to pay off debts. The proportion of farm population is greater in the District than throughout the country. Were other things equal, it is possible that this condition might raise the area's rate of savings. Because the majority of these farmers receive low incomes, however, such a possibility seems unlikely.

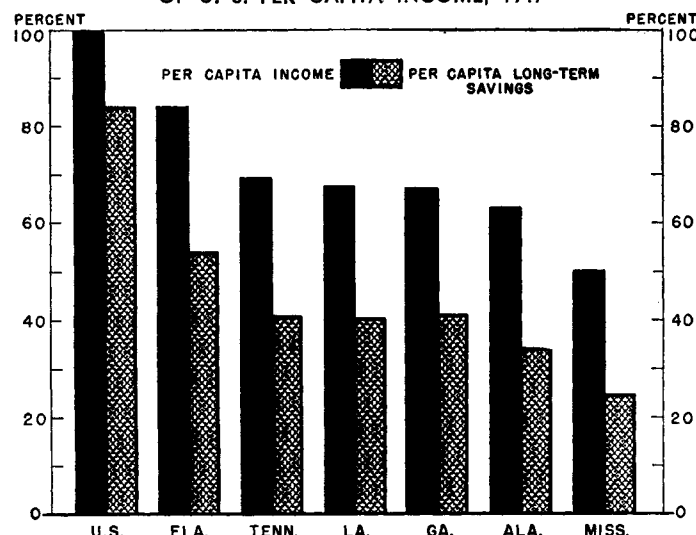
Sixth District savers consequently made a very creditable performance in spite of their handicaps. By the end of 1947 their long-term savings were about seven times the average per capita monthly income for that year. In 1938, savings had equaled only about six months' income. Nevertheless, there are numerous obstacles to be overcome before the District long-term savings will be equal to the national ratio of 10 month's per capita income.

Can the South Now Finance Itself?

Because the opportunities for the investment of savings are practically immeasurable, there is no way of exactly determining whether personal savings are now adequate to meet the investment opportunities available in the Sixth

District. At least it can be said, however, that the amount of personal savings that could be used for capital investment is lower in the Sixth District in relation to present economic activity than in many other areas of the country. If past performance is any measure, moreover, it seems unlikely that the condition will be corrected in the near future.

SIXTH DISTRICT PER CAPITA INCOME AND SAVINGS AS PERCENT OF U. S. PER CAPITA INCOME, 1947



As a rule, the smaller the income the smaller is the proportion of that income saved. Consequently, in the Sixth District states, where per capita incomes are low, long-term savings are lower in relation to per capita income than they are throughout the United States.

One of the encouraging things, of course, about the experience of the last decade is the progress that has been made despite handicaps. Given ample time and given a continued advance in income, it is possible that the area's investment needs can be satisfied eventually from its own savings. Moreover, the job could become progressively easier as incomes become larger.

If the figures mean anything, however, the answer to the question, Can the South now finance itself out of its own savings? must be No, insofar as personal savings are concerned. Capital expansion that relies entirely upon local investment out of savings will, of necessity, be considerably less than one which is helped by the investment of personal savings of other areas where incomes are higher.

CHARLES T. TAYLOR

Bank Announcements

On August 18, a newly organized nonmember bank, the Citizens Bank of DeKalb, Avondale Estates, Georgia, opened for business and began remitting at par. This bank has a capital stock of \$50,000, paid-in surplus of \$10,000, and paid-in undivided profits of \$5,000. The officers of the bank are Walter H. Scott, President; J. Vernie Hall, Vice President; Frank B. Graham, Jr., Vice President; and Ned E. Porter, Cashier.

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)						
Item	Aug. 17, 1949	July 20, 1949	Aug. 18, 1948	Percent Change Aug. 17, 1949, from		
				July 20, 1949	Aug. 18, 1948	
Loans and investments—						
Total	2,355,387	2,282,101	2,308,100	+ 3	+ 2	
Loans—Net	765,325	786,684	794,612	— 3	— 4	
Loans—Gross	776,428	797,711	801,989	— 3	— 3	
Commercial, industrial, and agricultural loans	439,315	452,234	489,330	— 3	— 10	
Loans to brokers and dealers in securities	6,537	8,669	7,239	— 25	— 10	
Other loans for pur- chasing and carrying securities	37,341	37,881	55,414	— 1	— 33	
Real estate loans	69,396	68,959	63,385	+ 1	+ 9	
Loans to banks	4,420	5,816	4,963	— 24	— 11	
Other loans	219,419	224,152	181,658	— 2	+ 21	
Investments—total	1,590,062	1,495,417	1,513,488	+ 6	+ 5	
Bills, certificates, and notes	492,223	391,751	445,855	+ 26	+ 10	
U. S. bonds	892,455	900,832	876,707	— 1	+ 2	
Other securities	205,384	202,834	190,926	+ 1	+ 8	
Reserve with F. R. Bank	408,455	423,003	433,060	— 3	— 6	
Cash in vault	38,386	39,927	41,883	— 4	— 8	
Balances with domestic banks	192,283	186,825	192,429	+ 3	— 0	
Demand deposits adjusted	1,751,303	1,758,438	1,765,582	— 0	— 1	
Time deposits	541,106	538,538	535,078	+ 0	+ 1	
U. S. Gov't deposits	37,008	18,082	41,852	+ 105	— 12	
Deposits of domestic bank	480,758	426,117	455,422	+ 13	+ 6	
Borrowings			7,450			
DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	July 1949	June 1949	July 1948	Percent Change July 1949, from	
					June 1949	July 1948
ALABAMA						
Anniston	3	17,607	17,839	19,349	— 1	— 9
Birmingham	6	298,602	310,412	320,672	— 4	— 7
Dothan	2	11,080	11,317	10,688	— 2	+ 4
Gadsden	3	15,753	16,156	17,484	— 3	— 10
Mobile	5	113,252	126,124	153,890	— 10	— 26
Montgomery	3	66,939	66,979	64,963	— 0	+ 3
FLORIDA						
Jacksonville	4	251,122	261,704	269,143	— 4	— 7
Miami	7	208,108	226,280	231,467	— 8	— 10
Greater Miami*	13	287,351	319,071	315,249	— 10	— 9
Orlando	3	45,454	50,868	47,780	— 11	— 5
Pensacola	3	34,090	32,620	34,256	+ 5	— 0
St. Petersburg	3	49,431	51,112	48,673	— 3	+ 2
Tampa	6	108,752	120,716	109,802	— 10	— 1
GEORGIA						
Albany	3	20,331	20,787	19,814	— 2	+ 3
Atlanta	4	741,488	790,966	780,417	— 6	— 5
Augusta	3	54,894	51,021	53,997	+ 8	+ 2
Brunswick	2	8,350	8,446	9,491	— 1	— 12
Columbus	4	47,394	47,684	53,690	— 1	— 12
Elberton	2	3,312	3,442	3,558	— 4	— 7
Gainesville*	3	12,517	13,204	14,362	— 5	— 13
Griffin*	2	10,012	9,881	10,639	+ 1	— 6
Macon	3	50,679	52,506	58,575	— 3	— 13
Newnan	2	7,916	7,807	8,566	+ 1	— 8
Rome*	3	17,157	17,193	20,404	— 0	— 16
Savannah	4	83,530	82,010	105,113	+ 2	— 21
Valdosta	2	12,694	10,707	17,737	+ 19	— 28
LOUISIANA						
Alexandria*	3	29,147	28,255	28,212	+ 3	+ 3
Baton Rouge	3	105,247	105,527	94,407	— 0	+ 11
Lake Charles	3	36,420	37,223	34,674	— 2	+ 5
New Orleans	8	609,614	686,141	655,582	— 11	— 7
MISSISSIPPI						
Hattiesburg	2	15,553	15,999	16,288	— 3	— 5
Jackson	3	109,811	120,669	125,410	— 9	— 12
Meridian	3	23,092	22,216	27,527	+ 4	— 16
Vicksburg	2	21,940	21,765	22,634	+ 1	— 3
TENNESSEE						
Chattanooga	3	126,362	130,825	146,782	— 3	— 14
Knoxville	4	99,991	110,916	113,003	— 10	— 12
Nashville	6	275,869	309,913	300,731	— 11	— 8
SIXTH DISTRICT						
32 Cities	114	3,674,677	3,928,697	3,976,163	— 6	— 8
UNITED STATES						
333 Cities		98,484,000	109,068,000	102,940,000	— 10	— 4
*Not included in Sixth District total.						

*Not included in Sixth District total.

District Business Conditions

Banking and Trade

BANKING and trade statistics for July and the first half of August indicated little change in the trend of business activity in the Sixth District. Debits, which consist of checks and other withdrawals from banks, in the principal cities of the District declined from June to July and were 8 percent less this July than they were last July. In June they were down 3 percent from the corresponding month of the preceding year. For the three weeks ended August 17, debits to demand deposit accounts at the weekly reporting member banks in leading cities were one percent below those reported for the comparable period last year.

Loans of all member banks were 8 million dollars less on the last Wednesday in July than they were at the end of the preceding month. During the corresponding period last year, loans declined 3 million dollars and a further decline was reported in August but a rather sharp increase took place each month thereafter.

At the weekly reporting banks, commercial and industrial loans in July averaged 461 million dollars, 68 million dollars less than in June and the lowest amount reported for any month this year. By August 17 they were down to 439 million dollars. Last year these loans declined 5 million dollars from June to July and increased one million in August.

The seasonally adjusted index of department store sales in July was 377 percent of the 1935-39 average, compared with 368 for June and 402 for July last year. If sales at the weekly reporting stores during the first three weeks of the month are any indication, the seasonally adjusted index for August for the District as a whole will be approximately 378, compared with 393 in August 1948.

Declines from last year were also reported for July by the furniture stores, where sales were down 2 percent, and by the jewelry and household appliance stores, whose sales dropped 17 and 33 percent, respectively. These reports, of course, do not cover all types of retail trade where the changes in

sales may have been somewhat different. Moreover, figures for the entire District conceal rather marked variations from city to city.

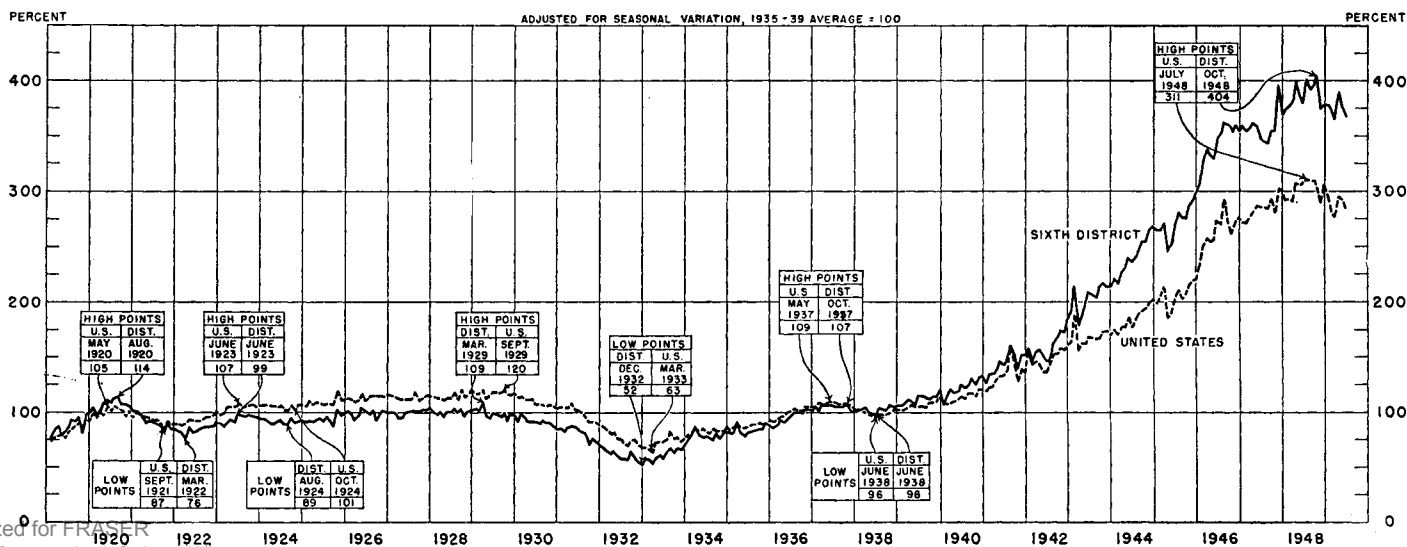
Exactly how much price declines are reflected in the lower dollar sales is, of course, difficult to measure. According to the index of consumer prices for the District which is based on the Bureau of Labor Statistics indexes for the larger cities, clothing prices were 2.7 percent lower in June this year than in June last year and home furnishings prices were down 1.4 percent. Weighting these changes by the importance of the two types of goods to total department store sales indicates a decline of 2.6 percent in prices at District department stores. The Consumers Price Index, however, does not include the prices of many goods sold at department stores nor the whole effect of price reductions made in special sales or promotions.

For the first seven months of the year, department stores throughout the District sold about 3 percent less on a dollar basis than they did during that period last year. However, the seasonally adjusted indexes for the first six months of this year averaged 4 percent less than during the last half of 1948 when there was an expansion in sales. Consequently, unless there is a growth in sales during the remainder of the year, the rate of decline for the entire year will be greater than that experienced thus far.

Not for more than a decade have annual sales fallen below those of the preceding year. In 1938, the most recent period of decline, department store sales in the District fell approximately 2 percent for the year. On the other hand, from 1920 to 1921 they declined 14 percent and 5.6 percent further in 1922. In 1924 the District stores sold 3 percent less than in 1923. Sales were smaller each year following 1928 until 1933. In 1932 they were 40 percent lower than in 1928. Long-term comparisons with the United States can be made from the accompanying chart which shows the behavior of department store sales in the District and throughout the country for the last 30 years.

C.T.T.

DEPARTMENT STORE SALES, 1919-49



Industry and Employment

THE VALUE OF CONSTRUCTION CONTRACTS awarded in the Sixth District in July, according to F. W. Dodge Corporation statistics, was down 30 percent from June and was nearly 8 percent less than the total for July last year. For the first seven months of 1949, however, total awards were only 4.6 percent less than in that part of 1948, a comparison not unfavorable because of a decline in construction costs since last fall. Residential contracts awarded in July were 2.5 percent larger than a year ago. For the seven months, however, they were down 7.1 percent, and contracts for "all other" construction were off 2.7 percent. Residential construction has accounted for 41.4 percent of the total so far this year, about the same proportion as in the comparable period of 1948.

TEXTILE MILL ACTIVITY in Alabama, Georgia, Tennessee, and Mississippi declined in July, the last month of the cotton year and the time when many mills shut down for a vacation. The daily average rate of cotton consumption by the mills in these states in July was down 20 percent from June; it was 25 percent lower than in July last year; and it was the lowest rate for any month since July 1938.

ELECTRIC POWER PRODUCTION by public utilities in the Sixth District states increased at a daily average rate of a little more than one percent in June, following a three-month decline of 9 percent from the record February rate. The June rate was 5.9 percent higher than that for June 1948. A 20-percent increase over June 1948 in hydro-generated current, largely because of gains in Alabama and Georgia, was partially offset by a 4-percent decrease in fuel-generated power which took place for the most part in Alabama and Tennessee. Fifty-five percent of total power production was from the use of fuel.

COAL PRODUCTION in Alabama and Tennessee, already much below that of last year, declined further in July as a result of a three-day work week following the one-week vacation. July production in these two states was not quite half as large as it was in July last year.

STEEL MILL ACTIVITY in the Birmingham-Gadsden area has been reported at more than 100 percent of rated capacity each week since April with the exception of the second week in July, when it was 92 percent, and the last two weeks in August, when it was 97 percent.

MANUFACTURING EMPLOYMENT in the District registered the seventh consecutive monthly decline in June, when it was 9.7 percent below last November. The June index was 1.2 percent below that for May and 9 percent below that for June 1948. There were small over-all gains in June in employment in lumber and wood products and in transportation equipment but these were not enough to offset declines in the other manufacturing groups. In lumber and wood products industries, gains in Louisiana and Tennessee slightly more than offset losses in Alabama and Florida. A substantial increase in transportation equipment employment in Tennessee more than offset decreases in the number of workers at shipbuilding and repair establishments in Florida and Louisiana. A 2.6-percent decline in chemicals and allied products employment was largely due to seasonal reductions at plants manufacturing cottonseed oil products and fertilizers.

Textile employment was down 2.3 percent in June, and was 15.5 percent less than in June last year. Employment in transportation equipment was down 13.9 percent from a year

Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	July 1949	June 1949	July 1948	July 1949	June 1949	July 1948
DISTRICT.....	377	368	402r	294	323	314
Atlanta.....	389	420	418r	303	340	326
Baton Rouge....	403	412	427r	334	358	354
Birmingham....	350	356	415r	291	314	344
Chattanooga....	357	332	389r	289	299	315
Jackson.....	369	349	353r	273	297	261
Jacksonville....	382	389	435r	310	338	352
Knoxville.....	416	355	433r	337	330	351
Macon.....	257	262	324r	185	220	233
Miami.....	404	384	416r	283	307	291
Montgomery....	346	336	397r	274	286	314
Nashville.....	393	384	433r	303	353	334
New Orleans....	359	368	371r	277	328	285
Tampa.....	508	488	500r	406	430	400

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	July 1949	June 1949	July 1948	July 1949	June 1949	July 1948
DISTRICT.....	319	325	364r	300	312	343
Atlanta.....	412	423	454r	379	385	418
Birmingham....	266	286	301r	245	263	277
Montgomery....	341	338	391r	317	332	364
Nashville.....	450	485	545r	436	456	529
New Orleans....	282	290	351r	271	296	337

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	July 1949	June 1949	July 1948	July 1949	June 1949	July 1948
SIX STATES.....	213	210	193	209	212	189
Alabama.....	213	204	201	208	214	196
Florida.....	195	188	185	182	188	172
Georgia.....	196	191	184	190	196	179
Louisiana.....	252	223	209	246	228	205
Mississippi....	210	209	186	204	215	181
Tennessee.....	231	241	206	233	244	208

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	July 1949	June 1949	July 1948		June 1949	May 1949	June 1948
TOTAL.....	89	111	119	SIX STATES..	352	348	332
Alabama.....	96	120	125	Hydro.....			
Georgia.....	88	107	121	generated	280	297	233
Mississippi....	41	54	60	Fuel.....			
Tennessee....	79	114	97	generated	445	414	462

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	June 1949	May 1949	June 1948	Place	June 1949	May 1949	June 1948
SIX STATES.....	137	139	151r	DISTRICT...	595	508	518
Alabama.....	140	143	157	Residential..	702	724	715
Florida.....	130	133	132	Other.....	543	403	422
Georgia.....	131	133	145	Alabama....	565	508	453
Louisiana....	149	149	150	Florida....	455	646	633
Mississippi....	128	128r	152	Georgia....	748	463	482
Tennessee....	140	141	159r	Louisiana..	213	517	350
				Mississippi..	668	212	182
				Tennessee..	968	471	630

CONSUMERS PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	July 1949	June 1949	July 1948		July 1949	June 1949	July 1948
ALL ITEMS...	172	173	178	Unadjusted..	19.0	18.7	18.9
Food.....	204	207	222	Adjusted**..	20.2	18.9	20.1
Clothing....	194	196	201	Index.....	81.9	76.6	81.5
Fuel, elec., and refrig.	135	135	137	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings...	186	187	190		July 1949	June 1949	July 1948
Misc.....	154	154	149	Unadjusted..	277	290	290
Purchasing power of dollar....	.58	.58	.56	Adjusted**..	277	292	290

* Daily average basis

** Adjusted for seasonal variation

*** 1939 monthly average = 100;

other indexes, 1935-39 = 100

r Revised

ago, in lumber and wood products 10.4 percent, and in fabricated metal products 10.1 percent. On the other hand, June employment in food and food products was up 4.6 percent from June 1948, largely because of an 18-percent increase in Louisiana.

D.E.M.

Cotton and Peanut Production

Last year, two-fifths of the total cash receipts of farmers in the District states was from cotton, cottonseed, and peanut sales. These crops were particularly important sources of income in Mississippi and Alabama, where they accounted for about two-thirds of the total.

According to the most recent Government estimates, the District states' cotton crop will be 23 percent smaller than last year's crop and the peanut crop will be 27 percent smaller. The estimates have been fairly accurate in past years. They are based on crop conditions on August 1, however, and will be revised as growing conditions change. Although the acreage of cotton in cultivation on July 1 was 9 percent greater than at the same time last year, the yield per acre will be lower in most areas because of unfavorable weather and heavy weevil damage. Estimated peanut yields are slightly lower than they were last year but the decline is largely because of the 22-percent reduction in acreage under the Government production control program.

Since the prices of these crops are almost certain to be at or near support levels throughout the marketing season, the effect of decreased production on income can be estimated fairly accurately. Income in Florida and Tennessee will be affected only by negligible amounts; the acreage of cotton and peanuts grown in Florida is comparatively small, and an increase in Tennessee cotton acreage will offset the decline in yield per acre. The 1949 crops of cotton and peanuts in Georgia and Alabama apparently will be about 25 percent less valuable than the 1948 crops. Even if income from all other sources is as large this year as it was last year, the estimated reduction in the value of these two crops would reduce Georgia and Alabama farmers' cash receipts 10 to 15 percent. Because of Louisiana's diversified agriculture, the estimated 24-percent decline in cotton income would reduce total income only about 9 percent. Unless the Mississippi cotton crop greatly exceeds the estimate of August 1, it will be worth about 35 percent less than last year's crop. If income from all other sources in 1949 is as large as it was last year, this reduction in the cotton crop would reduce cash receipts in Mississippi about 30 percent.

The need for expanding enterprises other than cotton and peanuts has been apparent since the end of the war. At the beginning of the current crop season, however, it appeared that District farmers would have at least one more year with a total income about as large as that of 1948. The prospective reductions in cotton and peanut production mean that farmers who depend upon these crops for a major portion of their income will have a large reduction in total income about a year earlier than they expected it.

Next year the peanut acreage probably will be reduced still further and acreage allotments for cotton are almost a certainty. On many farms, therefore, the expansion of other enterprises, such as livestock, will have to be done while farm income is falling rather rapidly. Considerably more bank credit may be required under these conditions than if other enterprises had expanded while the income from cotton and peanuts was at the recent high levels. B. R. R.

Sixth District Statistics

INSTALMENT CASH LOANS					
Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change July 1949, from		Percent Change July 1949, from	
		June 1949	July 1948	June 1949	July 1948
Federal credit unions.....	41	— 5	+ 30	+ 4	+ 33
State credit unions.....	17	— 33	+ 8	+ 4	+ 31
Industrial banking companies.....	11	— 14	— 11	+ 0	+ 9
Industrial loan companies.....	15	— 7	— 4	+ 1	+ 10
Small loan companies.....	36	— 6	+ 0	+ 0	+ 8
Commercial banks.....	33	— 15	+ 31	+ 3	+ 39

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change July 1949, from	
		June 1949	July 1948
Total sales.....	108	— 4	— 2
Cash sales.....	92	— 15	— 22
Instalment and other credit sales.....	92	— 3	+ 0
Accounts receivable, end of month.....	105	+ 2	+ 13
Collections during month.....	105	— 1	— 9
Inventories, end of month.....	74	— 3	— 14

WHOLESALE SALES AND INVENTORIES*					
Item	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change July 1949, from		Percent Change July 31, 1949, from	
		June 1949	July 1948	June 30 1949	July 31 1948
Automotive supplies.....	3	— 24	— 34	..	..
Electrical group.....					
Wiring supplies.....	3	+ 8	— 37	— 13	— 12
Appliances.....	6	— 3	+ 1	— 3	— 10
General hardware.....	11	— 8	— 17	— 2	+ 6
Industrial hardware.....	3	— 43	— 42	..	..
Jewelry.....	3	— 41	— 49	..	..
Lumber and building materials.....	3	— 27	— 30	..	..
Plumbing and heating supplies.....	4	— 1	— 14	+ 3	+ 5
Confectionery.....	3	— 6	— 16	..	..
Drugs and sundries.....	11	— 1	— 5	+ 1	+ 3
Dry goods.....	21	— 3	— 36	+ 3	— 35
Groceries.....					
Full lines.....	35	— 5	— 12	— 7	— 19
Specialty lines.....	10	— 11	— 4	— 6	— 9
Tobacco products.....	12	+ 3	+ 4	+ 2	— 7
Shoes and other footwear.....	3	+ 3	— 12	..	..
Miscellaneous.....	15	— 10	— 14	— 1	— 16
Total.....	146	— 8	— 16	— 2	— 15

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

DEPARTMENT STORE SALES AND INVENTORIES					
Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change July 1949, from		Percent Change July 31, 1949, from	
		June 1949	July 1948	June 30 1949	July 31 1948
ALABAMA					
Birmingham.....	4	— 11	— 13	— 7	— 12
Mobile.....	5	— 16	— 13	..	..
Montgomery.....	3	— 8	— 16	— 4	— 13
FLORIDA					
Jacksonville.....	4	— 12	— 15	— 0	— 5
Miami.....	4	— 11	— 6	+ 6	— 15
Orlando.....	3	— 11	— 4	..	..
Tampa.....	5	— 9	— 2	— 6	— 1
GEORGIA					
Atlanta.....	6	— 14	— 11	— 2	— 9
Augusta.....	4	— 14	— 4	— 7	— 10
Columbus.....	3	— 8	— 5	..	..
Macon.....	5	— 15	— 22	— 3	— 15
Rome.....	4	— 10	— 18	..	..
Savannah.....	6	— 6	+ 4	— 9	— 13
LOUISIANA					
Baton Rouge.....	4	— 10	— 9	— 5	— 11
New Orleans.....	6	— 19	— 7	— 8	— 19
MISSISSIPPI					
Jackson.....	4	— 12	+ 0	+ 1	— 9
Meridian.....	3	— 12	— 26	..	..
TENNESSEE					
Bristol.....	3	— 18	— 12	— 10	— 13
Chattanooga.....	4	— 7	— 12	+ 2	— 10
Knoxville.....	4	— 2	— 8	..	..
Nashville.....	6	— 18	— 13	— 4	— 18
OTHER CITIES*	22	— 8	— 11	— 5	— 10
DISTRICT.....	112	— 13	— 10	— 4	— 12

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