MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

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A Record Year for Sixth District Member Banks

A greater demand for loans was the chief factor influencing the operations of District member banks during 1950. By meeting the increased credit demands of businessmen, farmers, and consumers, the banks' total earnings rose in 1950 to 162 million dollars, topping those of 1949 by 16 million. Net profits after taxes and other charges amounted to 37 million dollars, 9 percent more than net profits for the preceding year.

Because the banks added to their capital accounts during the year, however, the average ratio of member bank net profits to capital increased but slightly, according to the member bank operating ratio study recently completed by this bank. Net profits averaged 10.6 percent of capital accounts during 1950, compared with 10.5 percent in 1949. The average ratio of net profits to total assets increased from .70 percent in 1949 to .75 percent in 1950.

These and the other ratios contained in the table on page 22 were computed from data taken from the banks' reports of condition for December 31, 1949; June 30, 1950; and October 4, 1950, and from the reports of earnings and dividends for the entire year of 1950. The ratios shown are arithmetic averages of individual bank ratios.

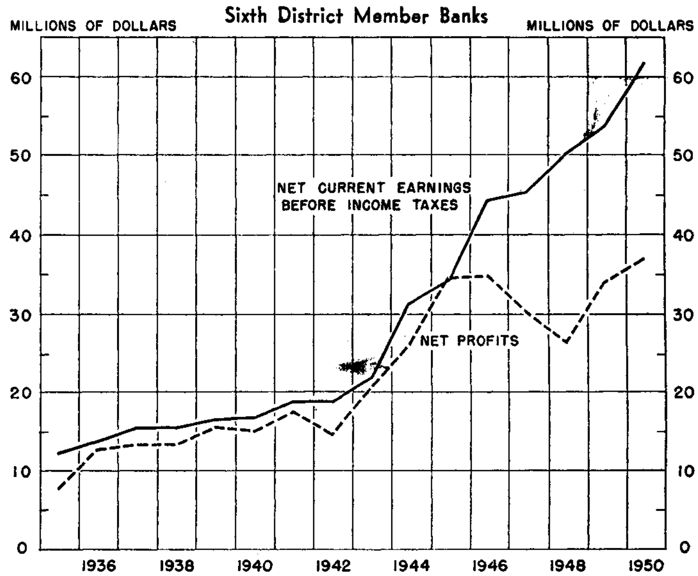
Changes in Earning Assets

Last year's greater earnings resulted not only from an increase of 600 million dollars in total assets but also from a change in their character. Meeting the demands for private credit meant that the banks had 389 million dollars more in loans outstanding at the end of 1950 than they had a year previously. This increase resulted from a growth in real estate and consumer loans during the first half of the year and from an unprecedented expansion of commercial and industrial loans during the latter half of the year.

To maintain reserves required by expanding deposits, the banks reduced their holdings of Government securities by 85 million dollars. Since loans yielded an average rate of 6.0 percent in 1950 and Government securities returned only 1.7 percent, the shift toward more loans and less Government securities resulted in a net increase in earnings. The result of these developments was that loans, constituting but 30.1 percent of total assets, provided 57.5 percent of total earnings. Not since 1940 have banks derived as great a proportion of their earnings from loans. Losses and charge-offs on loans, exclusive of transfers, amounted to only .2 of one percent of total loans. However, the banks transferred to reserves for losses on loans an amount averaging 4.4 percent of total earnings.

Not only did the banks have more loans on their books during 1950 but those loans yielded higher rates of return than in 1949. Earnings on loans during 1950 averaged 6.0 percent of total loans, compared with 5.8 percent in 1949. Part of the growth can be explained by the greater lending to consumers during most of the year. These loans customarily earn higher rates of return than business loans. But, in addition, business loans were made at higher rates during the latter part of 1950. Between December 1949 and December 1950 the average rates charged on new business loans at leading banks in Atlanta and New Orleans, for example, advanced approximately a quarter of one percent.

CURRENT EARNINGS AND NET PROFITS, 1935-50
Sixth District Member Banks



The rate of earnings on loans was higher in 1950 than in any other year since 1942. In the years 1937 through 1941, however, loans earned an average of 6.5 percent. Government securities yielded the same average return in 1950 as in 1949.

Expenses

For most banks, expenses in relation to total earnings were little changed from 1949 to 1950. Salaries and wages took 30.7 percent of total earnings, compared with 30 percent in 1949. The ratio of other expenses to total earnings declined, principally because of the decreased importance of interest on time deposits.

Capital Ratios

Although total assets grew during 1950 over half a billion dollars, the ratio of total capital accounts to total assets increased substantially. By the end of the year the banks had added 27 million dollars to their total capital accounts. Capital stock was increased 7 million dollars and surplus 19 million. The average ratio of total capital accounts to total assets of 7.3 percent in 1950 was the highest since 1943.

Part of the increase in total capital accounts resulted from a conservative dividend policy. Since dividends declared averaged but 3.2 percent of total capital accounts in 1950, a large part of the earnings went toward increasing capital.

During the war years, when the greater part of the banks' assets consisted of Government securities, which were readily convertible into cash at practically guaranteed prices, capital to asset or deposit ratios lost much of their significance. The growth in bank lending since the end of the war, however, has increased risks proportionately. The increased risk has been reflected in changes in what is often called the "risk asset" ratio. In 1945, when the banks had their heaviest holdings of Government securities, total capital accounts averaged 32.3 percent of risk assets (total assets less Government securities and cash assets). By 1949 the ratio had declined to 21.5. The further expansion in loans reduced it to 20.8 in 1950. The ratio now stands at practically the same level as in 1941.

The quality of a bank's loans and investments and the ability of its management are generally considered of more importance in appraising the soundness of the bank than any measure such as a capital ratio. Nevertheless, such a ratio provides some indication of a bank's ability to withstand a possible decrease in its assets from causes which may be beyond its control. A growth in capital accounts is therefore gratifying.

Because they are service institutions, the individual banks vary one from another in their operations depending upon

AVERAGE OPERATING RATIOS OF ALL MEMBER BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT

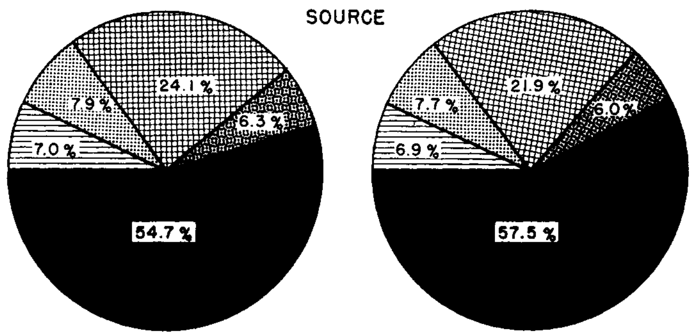
SUMMARY RATIOS:	1945	1946	1947	1948	1949	1950
Percent of total cap. accounts:						
Net current earnings before inc. taxes	13.2	16.8	16.9	17.1	16.8	16.7
Profits before inc. taxes	15.8	17.7	15.9	13.9	14.2	14.5
Net profits	12.4	14.0	11.7	10.4	10.5	10.6
Cash dividends declared	3.3	3.3	3.2	3.3	3.3	3.2
Percent of total assets:						
Total earnings	1.8	2.0	2.4	2.6	2.87	3.05
Net current earnings	.6	.8	1.0	1.0	1.11	1.18
Net profits	.6	.7	.7	.6	.70	.75
SOURCES AND DISPOSITION OF EARNINGS:						
Percent of total earnings:						
Int. on U. S. Govt. sec.	39.0	37.7	30.1	25.8	24.1	21.9
Int. and div. on other sec.	8.2	7.4	6.6	6.5	6.3	6.0
Earnings on loans	33.9	38.4	47.3	52.3	54.7	57.5
Serv. chgs. on dep. accounts	7.1	6.3	6.6	6.8	7.0	6.9
Other current earnings	11.8	10.2	9.4	8.6	7.9	7.7
Total earnings	100.0	100.0	100.0	100.0	100.0	100.0
Salaries and wages	30.2	28.5	29.0	29.5	30.0	30.7
Other current expenses	34.9	32.2	32.0	31.9	31.2	30.8
Total expenses	65.1	60.7	61.0	61.4	61.2	61.5
Net current earnings before inc. taxes	34.9	39.3	39.0	38.6	38.8	38.5
Net losses (including transfers)	+7.6	+2.3	—2.1	—6.6	—5.4	—4.4
Taxes on net income	8.9	8.6	9.6	7.9	8.6	9.0
Net profits	33.6	33.0	27.3	24.1	24.8	25.1
RATES OF EARNINGS ON SECURITIES AND LOANS:						
Percent of U. S. Govt. sec.:						
Int. on U. S. Govt. sec.	1.4	1.5	1.5	1.6	1.7	1.7
Percent of other sec.:						
Int. and div. on other sec.	3.2	3.6	3.0	2.9	2.8	2.7
Percent of total sec.:						
Net recoveries and profits or losses on sec.	+.2	+.1	..	..	..	..
Percent of total loans:						
Earnings on loans	5.0	5.6	5.7	5.7	5.8	6.0
Net recoveries or losses on loans[1]	+.1	..	—.1	—.5	—.2	—.2
DISTRIBUTION OF ASSETS:						
Percent of total assets:						
U. S. Govt. sec.	47.8	50.1	44.3	39.3	37.1	35.9
Other sec.	5.2	5.6	6.5	6.9	7.2	7.6
Loans	13.8	15.1	21.4	25.5	28.2	30.1
Cash assets	32.4	28.5	27.0	27.5	26.4	25.4
Real-estate assets	.6	.6	.6	.7	.9	.8
All other assets	.2	.1	.2	.1	.2	.2
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
OTHER RATIOS:						
Total cap. accts. to:						
Total assets	5.2	5.2	5.9	6.2	6.9	7.3
Total assets less Govt. sec. and cash assets	32.3	28.9	24.2	21.5	21.5	20.8
Total deposits	5.6	5.5	6.3	6.7	7.5	8.0
Time deposits[2] to total deposits	18.7	20.1	19.8	22.4	23.9	23.7
Int. on time deposits[2] to time deposits	.9	.9	.9	.9	1.0	1.0
Number of banks	324	329	333	344	347	350

[1] "Net losses on loans" is the excess of (a) actual losses charged against net profits plus losses charged against valuation reserves over (b) actual recoveries credited to net profits plus recoveries credited to valuation reserves; "net recoveries on loans" is the reverse. Transfers to and from valuation reserves are excluded.

[2] Banks with none were excluded in computing this average.

SOURCE AND DISPOSITION OF EARNINGS, 1949 and 1950
Sixth District Member Banks
(Percent of Total Earnings)

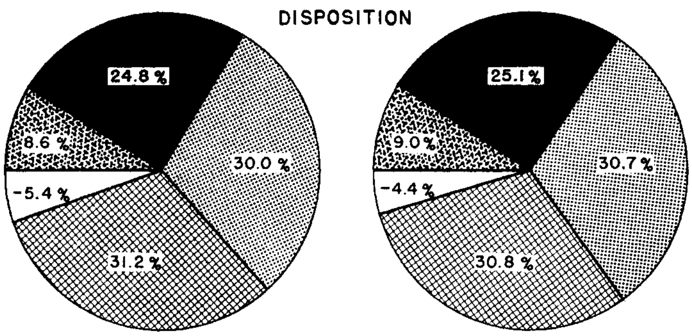
SOURCE



1949 1950

EARNINGS ON LOANS
OTHER CURRENT EARNINGS
INT. AND DIV. ON OTHER SEC.
INT. ON U.S. GOVT. SECURITIES
SERVICE CHARGES ON DEPOSIT ACCOUNTS

DISPOSITION



1949 1950

TAXES ON NET INCOME
SALARIES AND WAGES
NET LOSSES (INCLUDING TRANSFERS)
OTHER CURRENT EXPENSES
NET PROFITS

economic conditions governing the flow of deposits and the demands for credit in their communities. Because of the diversified economic activities found in the Sixth District, therefore, all member banks did not share equally in either the bank loan expansion or the growth in deposits.

Operations In Individual States

The differing impact of economic changes can be observed from the average ratio of net profits to total capital accounts in the individual states of the District. Part of the relative standing of the various states can be ascribed to different types of banking structure including the relative sizes of the banks, but a great part of the changes from 1949 was caused by economic conditions.

ALABAMA. Compared with 1949, last year was a much more prosperous year for Alabama's manufacturing, construction, and trade than it was for its agriculture. In many communities where agriculture is the predominant source of income, therefore, incomes were lower than in 1949. In these communities either the demand for loans was limited or bankers were more conservative in their lending than elsewhere.

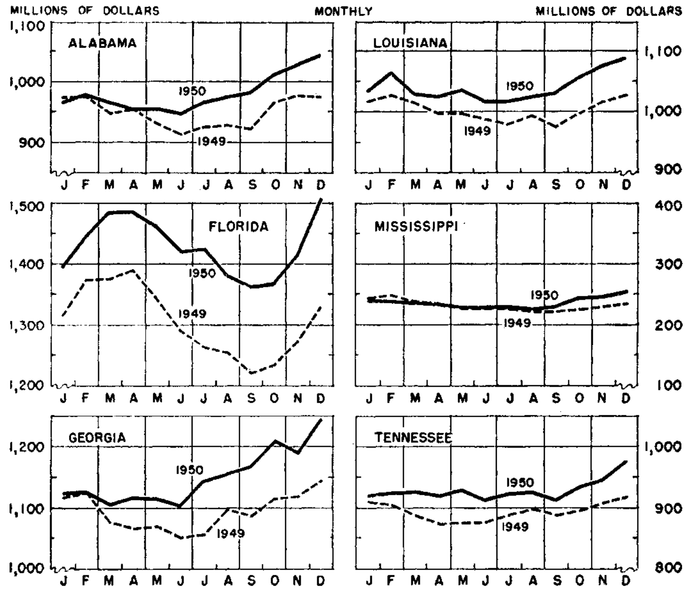
As a result, most of the loan expansion in Alabama occurred at the larger banks. By the end of 1950, loans at the banks with deposits of over 15 million dollars were 28 percent greater than at the end of 1949. On the other hand, at banks with deposits of less than 3.5 million dollars, many of them in rural communities, loans at the end of 1950 were approximately the same as they were a year previously.

This contrast in loan expansion showed up in the net profits at the smaller banks which were 8.4 percent less in 1950 than in 1949, whereas profits at all member banks in the state were up 9.9 percent.

Sixth District Member Banks
PERCENT CHANGE IN DEPOSITS, EARNING ASSETS, AND PROFITS 1950 COMPARED WITH 1949

	Deposit Size of Bank (Millions of Dollars)			
	Less Than 3.5	3.5-15.0	Over 15.0	All Banks
Total Deposits (End of Year)				
Alabama	+5.5	+5.8	+6.6	+6.3
Florida	+13.6	+18.8	+11.1	+12.9
Georgia	+9.0	+5.4	+10.3	+9.5
Louisiana	+10.3	+3.7	+7.0	+6.7
Mississippi	+8.3	+9.7	+6.2	+7.2
Tennessee	—.4	+2.0	+7.9	+6.4
District	**+5.8**	**+9.3**	**+8.7**	**+8.6**
Total Loans (End of Year)				
Alabama	+.3	+8.5	+28.3	+19.7
Florida	+15.9	+32.4	+27.8	+28.6
Georgia	+3.2	+13.6	+27.2	+24.0
Louisiana	+22.7	+16.2	+23.0	+22.3
Mississippi	+5.9	+7.2	+23.4	+15.9
Tennessee	+11.6	+8.0	+32.9	+27.1
District	**+5.6**	**+15.2**	**+27.6**	**+24.0**
Government Securities (End of Year)				
Alabama	+.4	—3.6	—16.7	—12.7
Florida	+8.5	+12.2	+4.2	+6.2
Georgia	+6.3	—4.1	—16.0	—12.4
Louisiana	+11.3	—8.6	—6.0	—6.0
Mississippi	—3.0	+2.6	—9.2	—4.5
Tennessee	—10.7	—9.5	—7.4	—7.9
District	**+.2**	**+1.7**	**—6.7**	**—4.9**
Net Profits (Year)				
Alabama	—8.4	+11.2	+14.3	+9.9
Florida	+48.6	+36.7	+4.6	+12.4
Georgia	+16.7	+16.7	—2.1	+2.3
Louisiana	—.5	—1.5	+7.4	+6.0
Mississippi	+24.8	+8.7	+29.0	+18.4
Tennessee	+13.4	+19.2	+12.2	+13.5
District	**+8.4**	**+18.1**	**+6.7**	**+9.2**

DEPOSITS AT SIXTH DISTRICT MEMBER BANKS
By States

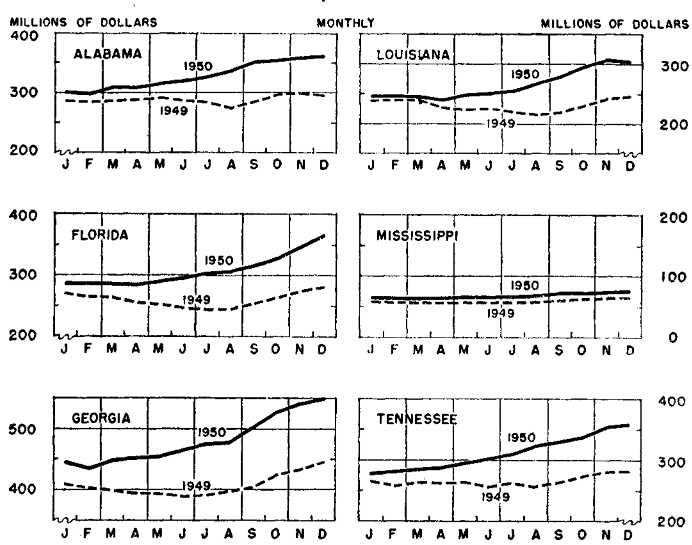


FLORIDA. As a group, Florida member banks led the District in deposit and loan expansion during 1950. This growth was shared by banks of all sizes. The banks' depositors had 12.9 percent more to their credit at the end of the year than at the end of 1949. Because of this flow of funds to them, the Florida banks were able to expand their loans 28.6 percent in the same period without reducing their Government securities.

The banks' earning statements reflected these developments. Total net profits in 1950 were 12.4 percent higher than in 1949. In contrast with the experience of the Alabama banks, the rates of profit increase were greatest at the smaller banks.

GEORGIA. Although deposits at Georgia member banks during the first quarter of the year averaged only slightly above the level of the corresponding quarter of 1949, a pickup in manu-

LOANS OF SIXTH DISTRICT MEMBER BANKS
By States



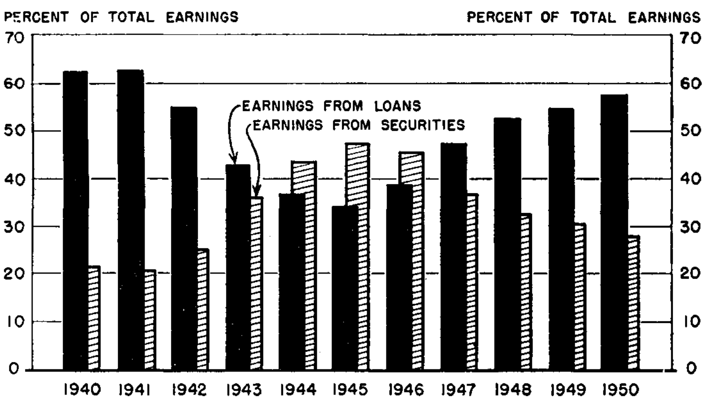
facturing activity throughout the state helped raise total income during the latter part of the year. This growth, coupled with an agricultural income in 1950 almost equal to that of 1949, stimulated deposit growth during the remainder of 1950. By the end of the year Georgia member bank deposits were 9.5 percent greater than a year earlier. The rate of growth at the larger banks was somewhat greater than at the smaller ones.

Loans to build inventories of commodities and to help in the marketing of cotton and peanuts were important factors in raising total loans at Georgia banks during the last half of 1950. These loans were largely concentrated at the banks located in the larger cities. Total loans at banks with deposits of over 15 million dollars, therefore, had climbed 27.2 percent by the end of the year from the level established on December 31, 1949. However, largely because of accounting adjustments for reserves for bad debt losses on loans, the profit increase at the larger banks over 1949 was moderate. At the smaller banks loans expanded only 3.2 percent but net profits were up 16.7 percent.

LOUISIANA. Until midyear, loan expansion at Louisiana member banks was at a lower rate than at banks in other sections of the District. Loans expanded rapidly during the latter half of 1950, however, and on December 31, were up 22.3 percent from a year earlier. Although the loan expansion was greatest at the largest banks, the rate of growth was high at the smaller banks.

Deposit growth at the Louisiana banks, however, was only moderate. As a consequence, most banks liquidated some of their Government security holdings. The banks ended the

IMPORTANCE OF EARNINGS FROM LOANS AND SECURITIES



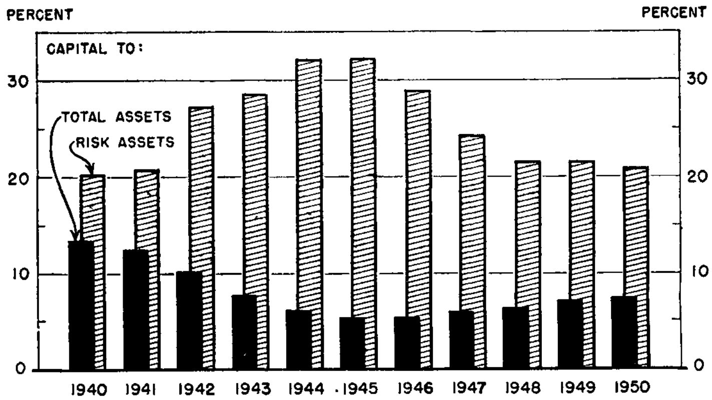
year with profits 6.0 percent greater than in 1949. Profits at the smaller banks were slightly less in 1950 than in 1949.

MISSISSIPPI. Growth in manufacturing, construction, and other types of income compensated for lower farm income in Mississippi in 1950 but these gains were not shared equally throughout the state. Until May, deposits reflected the low farm income of 1949 and were below the level of the corresponding months of the previous year. By the end of 1950, total deposits were 7.2 percent greater than at the end of 1949, but for the year as a whole they averaged only 2.5 percent higher.

Loans expanded at a lower rate than at banks in any other District state and the growth during the latter part of the year was much less marked. As a group, the banks had 4.5 percent less in Government securities at the end of 1950 than at the end of 1949. Despite these limitations, the rate of growth in profits at the Mississippi banks in 1950 over those of 1949 was greater than in any other District state. A good deal of this resulted from comparing 1950 profits with the relatively low profits of 1949. All Mississippi member banks earned profits in 1950 but at many banks the effect of lowered farm income was apparent.

TENNESSEE. The growth in deposits during 1950 in Tennessee was largely confined to the larger banks. At the year's end, depositors in banks with deposits of less than 3.5 million dollars had slightly lower deposits to their credit than at the end of 1949. Depositors in banks with deposits of over 15 million dollars increased their deposits 7.9 percent in the same period. For the Tennessee member banks combined, deposits were up 6.4 percent.

CAPITAL RATIOS



Loan expansion at the Tennessee banks followed the trend in many other states with the greatest growth occurring during the latter part of the year. Since the smaller banks experienced an expansion in loans, despite their limited deposit growth, they decreased their holdings of Government securities even more than the large banks. Net profits for all member banks were 13.5 percent greater in 1950 than in 1949.

The Year Ahead

Recognition of the inflationary potentialities in the current rearmament program has led to the effort to finance it with as limited an expansion of bank credit as possible. In 1951, banks will undoubtedly be called upon to facilitate through credit the production of goods and services required in the rearmament program. Balancing these demands against the inflationary potentialities in granting them and weighing the chance of increased earnings against limiting credit expansion will pose serious problems for District bankers.

CHARLES T. TAYLOR.

Tabulations showing the average operating ratios of Sixth District member banks, classified by size of bank and by states, are available on request to the Research Department of this bank.

District Business Conditions

Lending and Spending

Lending and spending continued at high rates in February and March throughout the District although there were signs of slackened lending in some parts. Member bank loans on February 28 were only 2 million dollars greater than a month previously. Between that date and March 21, loans at banks in leading cities of the District increased only 1.5 million dollars. But, compared with loans outstanding last year at this time and the usual seasonal decline, lending is still at record levels.

The spending of the proceeds of loans rather than the lending itself, of course, bears the primary responsibility for inflationary pressures. Loans only help make the spending possible. Total spending in February and March as measured by bank debits continued high. Debits, representing checks and other withdrawals from deposit accounts at reporting banks in 32 District cities, amounted to 4.7 billion dollars in February, 21 percent more than in February last year. Debits at the weekly reporting banks in leading cities for the first three weeks of March were running 29 percent greater than in the corresponding period last year.

But only part of the spending has been with borrowed funds. More active use of existing liquid assets has financed much of the increased buying of consumers and businessmen. This is evidenced by the increased rate of turnover or velocity of deposit circulation.

CHANGES IN DEPOSITS AND TURNOVER
Sixth District Reporting Banks, By Cities

	Annual Rate of Deposit Turnover*		February 1951 Compared with February 1950 (Percent)	
	February 1951	February 1950	Average Deposits	Deposit Turnover
ALABAMA				
Anniston......	9.0	7.2	+6.9	+25.0
Birmingham...	13.2	10.9	+5.8	+20.9
Dothan.......	10.9	9.4	+27.4	+16.7
Gadsden......	9.1	8.4	+6.5	+8.6
Mobile........	10.0	8.8	+6.4	+13.7
Montgomery..	12.4	10.9	+4.4	+13.2
FLORIDA				
Jacksonville...	15.7	14.3	+9.0	+10.1
Miami........	13.3	12.5	+15.4	+6.7
Orlando......	12.1	11.8	+9.8	+3.1
Pensacola.....	11.3	9.5	+1.0	+19.0
St. Petersburg	8.4	8.0	+16.6	+4.5
Tampa........	13.1	12.0	+7.4	+9.0
GEORGIA				
Albany.......	16.2	13.6	+15.6	+19.5
Atlanta.......	21.6	18.6	+8.9	+16.1
Augusta......	13.6	11.6	+15.5	+16.5
Brunswick....	11.6	9.0	+3.9	+29.3
Columbus.....	12.5	10.0	—.5	+25.3
Elberton......	9.6	8.6	+6.6	+11.1
Macon........	12.8	10.3	+6.7	+24.4
Newnan......	12.5	9.6	+4.4	+30.0
Savannah.....	13.0	12.0	+14.1	+8.1
Valdosta......	10.7	9.4	—4.8	+14.1
LOUISIANA				
Baton Rouge..	11.9	11.4	+1.0	+4.2
Lake Charles..	7.1	5.8	+1.5	+22.9
New Orleans..	13.6	12.6	+6.5	+7.6
MISSISSIPPI				
Hattiesburg...	9.8	8.4	—3.6	+17.1
Jackson.......	17.3	15.5	+5.9	+11.6
Meridian......	9.4	8.5	+7.5	+9.9
Vicksburg.....	13.0	12.5	—3.2	+3.8
TENNESSEE				
Chattanooga..	12.0	9.8	+4.4	+22.0
Knoxville.....	10.4	8.5	+8.4	+22.5
Nashville.....	11.6	10.9	+3.5	+6.6
TOTAL.........	**13.4**	**11.9**	**+6.8**	**+13.1**

*The ratio of bank debits (to demand and time deposits) to an average of deposits at the beginning and end of the month converted to an annual rate. Bank debits and deposits to the credit of banks are excluded.

INCREASED DEPOSIT USE. In February, for example, depositors of weekly reporting member banks in leading cities had 169 million dollars more to spend in the form of demand deposits adjusted than they had a year earlier. As measured by bank debits, they spent 640 million dollars more. Measured on an annual basis, the resulting rate of deposit turnover adjusted for seasonal variation this February was 95 percent of the 1935-39 average. Last year it was 82 percent in February and averaged 89 percent for the year.

An increased rate of deposit turnover has taken place in every city of the District for which information is available. The accompanying table shows that in several cases where average deposits in February were lower than last year there was nevertheless an increased use as measured by the rate of deposit turnover. For reporting cities throughout the District, combined deposits in February, including both time and demand deposits, were 6.8 percent greater than in February last year. The use of these deposits as measured by the rate of turnover increased 13 percent.

CONTINUED BUYING OF CONSUMER DURABLE GOODS. The increased use of deposits is, of course, but a reflection of the high level of buying by consumers and businessmen. Consumers have been willing to use more of their liquid assets to buy goods even though their ability to get credit has been limited. Evidence can be found in the current reports on retail buying of consumer durable goods.

Customers of Sixth District furniture stores bought 19 percent more for cash during February this year than last year, but, limited by consumer credit controls, decreased their credit purchases 7 percent. Thus, the stores' total sales were only 3 percent less than a year ago.

Despite putting 21 percent of the purchase price out in cash for down payments this January, compared with 11 percent in January of last year, customers of reporting household appliance stores in the District increased their total instalment buying. Total sales at the reporting stores were 43 percent greater than they were in January 1950. In February, sales were up 22 percent over last year.

Higher down payments and shorter repayment periods for instalment contracts evidently did not prevent customers of department stores from buying increased quantities of durable goods. Preliminary figures show February sales of major household appliances 29 percent greater than in last February, furniture and bedding sales up 79 percent, and floor covering sales up 28 percent. A much greater proportion of these sales was made on a cash or charge account basis than last year.

Less complete data are available for automobile sales, which of course continued to be the major part of the total consumer durable goods sales. In the Atlanta metropolitan area, however, new passenger car sales in February are estimated to have been 28 percent greater than in last February.

GREATER BUSINESS SPENDING. Consumers, of course, have not been the only ones whose spending has accelerated the circulation of money and bank deposits. In response to the increased consumer demands, merchants have stepped up their buying, in some cases more than their sales have expanded. At the end of February, District department stores had stocks estimated at 3.8 times their February sales. Last year the ratio was 3.2. Furniture stores had stocks for 6.7 months' sales at the February rate; last year 4.4.

Buying by retail merchants was reflected in the sales of a representative group of wholesalers throughout the District. Their combined sales this February were 27 percent greater than in the corresponding month last year. Demands of wholesalers' customers have been so great, however, that despite increased inventories they are smaller, compared with sales this year, than they were last year. Manufacturing firms have been in somewhat the same position.

These developments illustrate that pressures leading toward higher prices come not only from expanding the supply of money and credit but also from the greater use of the existing supply. They emphasize the importance of examining carefully changes in the public's propensity to spend or to save, when assessing the effects of monetary restraints upon inflationary pressures. C.T.T.

Farmers' Prospective Plantings

Farmers' plans for the 1951 crop season were more uncertain than usual, according to the Department of Agriculture's annual report on prospective acreages of the principal crops. For the 17 crops currently reported upon, a slight decrease from last year's acreage is expected. Cotton acreage, however, is not covered by this report and if cotton farmers respond to the Government's appeal for more cotton, the total acreage of all crops may be about the same as it was last year.

Much of farmers' uncertainty about 1951 crop acreages hinges upon the supply of labor. Labor is mostly adequate for the spring planting season, but there is widespread concern about the supply at harvest time. Machinery is generally available, but for some crops there is at present no dependable substitute for large amounts of hand labor.

The report also indicates a continuation of the swing toward less intensive cropping systems and more grassland farming. Feed grain acreages will be sharply smaller than in 1950, but because of geographical shifts in acreage, total production may be only about 6 percent less. This reduction in feed grains comes in spite of a rather favorable price outlook. Farmers apparently are reluctant to plow up pastures and revert to intensive row crops.

A continuation of the shift from row crops to grass on a nation-wide scale may mean that future increases in livestock production will depend upon increased production of pasture crops and other roughages. This trend has a twofold meaning for District farmers. It places a high premium upon their natural advantages in the production of pasture crops and it also indicates that competition from farmers in other sections of the country in this particular type of enterprise will increase.

Corn, which occupies more cropland than any other crop, will be planted on more acres in the Cornbelt and on fewer acres in the South. For the District states the acreage reductions from last year are 3 percent in Tennessee, 4 percent in Alabama, 15 percent in Mississippi, and 10 percent in Louisiana. The acreage in Georgia is expected to be about the same as it was last year. Because cotton and corn compete for the same land on most farms, changes in acreage of those crops are usually directly connected. That most farmers in the cotton growing areas plan to grow more cotton accounts for much of the prospective decline in corn acreage.

Because of the Government restriction program, the acreage of peanuts grown alone is expected to decline 3 percent

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change Feb. 1951 from Jan. 1951	Volume: Feb. 1950	Outstandings: Percent Change Feb. 1951 from Jan. 1951	Outstandings: Feb. 1950
Federal credit unions	40	—11	+5	—1	+26
State credit unions	20	—15	+12	—2	+23
Industrial banks	10	—20	+11	+2	+18
Industrial loan companies	13	—1	+8	—2	+1
Small loan companies	34	—10	+5	—3	+6
Commercial banks	33	—8	+1	—1	+27

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change Feb. 1951 from Jan. 1951	Feb. 1950
Total sales	119	+1	—3
Cash sales	104	—1	+19
Instalment and other credit sales	104	+2	—7
Accounts receivable, end of month	80	—2	+4
Collections during month	80	—13	+5
Inventories, end of month	89	+2	+45

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change Feb. 1951 from Jan. 1951	Sales: Feb. 1950	Inventories: No. of Firms Reporting	Inventories: Percent Change Feb. 28, 1951 from Jan. 31 1951	Inventories: Feb. 28 1950
Automotive supplies	3	+29	+58	3	—2	+8
Electrical group						
Wiring supplies	3	—29	+59	3	+13	+26
Appliances	8	+17	+44	7	—2	+12
General hardware	12	—15	+38	7	+1	+20
Industrial supplies	11	—11	+37	.	..	..
Jewelry	5	+20	+37	4	+2	+13
Lumber and building materials	6	—23	—3	5	+0	+21
Plumbing and heating supplies	3	—16	+50	3	—2	—12
Confectionery	4	—16	+6	.	..	..
Drugs and sundries	7	—6	+27	.	..	..
Dry goods	18	—9	+28	12	+4	+13
Groceries						
Full-line	33	—5	+25	22	—9	+13
Specialty lines	10	—13	+20	5	+23	+22
Tobacco products	14	—11	—8	9	+1	+14
Miscellaneous	18	—20	+22	13	+2	+9
Total	155	—10	+27	93	+1	+14

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Percent Change — Sales: Feb. 1951 from Jan. 1951	Sales: Feb. 1951 from Feb. 1950	Sales: Year to Date 1951-1950	Stocks: Feb. 28, 1951, from Jan. 31 1951	Stocks: Feb. 28, 1951, from Feb. 28 1950
ALABAMA	—9	+10	+18	+8	+36
Birmingham	—7	+15	+22	+6	+38
Mobile	—7	+9	+15	..	..
Montgomery	—13	+0	+10	+5	+19
FLORIDA	—1	+14	+21	+2	+23
Jacksonville	—5	+9	+16	+9	+20
Miami	+1	+18	+24	—4	+26
Orlando	—11	+14	+24	..	..
St. Petersburg	+1	+13	+23	+3	+31
Tampa	—5	+7	+13	+8	+23
GEORGIA	—2	+17	+24	+14	+43
Atlanta	—4	+15	+25	+15	+45
Augusta	+10	+27	+30	+14	+35
Columbus	+7	+22	+26	+5	+37
Macon	—2	+14	+24	+22	+30
Rome	—4	—1	+4	..	..
Savannah	—4	+13	+18	+3	+55
LOUISIANA	—11	—4	+4	+6	+22
Baton Rouge	—3	—10	—3	+17	+21
New Orleans	—12	—3	+6	+5	+23
MISSISSIPPI	—7	+1	+7	+15	+23
Jackson	—8	—1	+7	+12	+29
Meridian	—4	+4	+8	..	..
TENNESSEE	—8	+7	+16	+15	+29
Bristol	—4	+4	+13	+23	+6
Bristol-Kingsport-Johnson City	—5	+8	+12	..	..
Chattanooga	—4	+16	+22	+30	+38
Knoxville	—8	+11	+20	..	..
Nashville	—12	—2	+11	+11	+36
OTHER CITIES**	—3	+9	+16	+10	+20
DISTRICT	—5	+9	+17	+9	+31

* Includes reports from 126 stores in the Sixth Federal Reserve District.
** When fewer than three stores report in a given city, the sales or stocks are grouped together under "other cities." They are, however, included in state figures.

in Georgia and 8 percent in Alabama. Much of the land released from peanuts will go into cotton. District farmers are also planting more soybeans than in 1950. A large proportion of the increase is coming in Mississippi, though acreage is also increasing in Alabama and Tennessee.

Tobacco acreage will be 14 percent larger in Georgia, 12 percent larger in Florida, and 6 percent larger in Tennessee. Georgia and Florida farmers will plant about 14 percent more acres of Flue-cured than last year, but their acreage of Shade-grown wrapper will be increased by only 2 percent. Tennessee farmers will increase their Burley acreage by 8 percent, but will reduce the acreage of the Fire-cured types and dark Air-cured by 5 and 10 percent, respectively.

Crop Acreages in the Sixth District States
(Acres in Thousands)

	1950	1951, Est.	Percent Change
Corn	12,472	11,871	—5
Peanuts	1,577	1,504	—5
Rice	554	644	+20
Soybeans	1,070	1,157	+8
Tobacco	218	240	+10
Sweet Potatoes	302	218	—28
Oats	2,050	1,983	—3
All Hay	4,459	4,521	+1

A drastic reduction in sweet potato acreage is indicated for all the District states. Among the factors contributing to this decrease are the expectation of labor shortages, the lifting of restrictions on cotton and the easing of those on tobacco, and the unfavorable prices for much of last season's crop.

No official figures on cotton acreage will be released until after July 1, but if the weather permits, more cotton will be planted in most of the cotton-growing areas. The expected reduction in acreages of competing crops provides one indication of the extent to which cotton will be increased. If farmers plant all the land released from other crops to cotton, the increases in cotton acreage from 1950 to 1951 will range from 4 percent in Georgia to 16 percent in Louisiana.

B.R.R.

Construction Trends

Recent restrictions on real estate credit and building appeared definitely to be influencing construction trends during February. Homebuilding slackened markedly, and a major drop occurred in contracts awarded for commercial buildings.

According to the Bureau of Labor Statistics, only 76,000 new, privately financed, nonfarm dwelling units were started throughout the United States during February 1951, compared to 83,700 in January. Also of consequence, in addition to restraints on real estate credit under Regulation X, was the modification of restrictions on copper and aluminum. Some of the market pressure stimulated by fear of immediate material shortages seemed to be relieved.

In Atlanta, Miami, and Mobile—the three cities in the Sixth District for which a complete survey of home construction is made by the BLS—the downward trend was likewise pronounced. In Atlanta only 720 new units were started in February, compared to 1,200 in January and 1,070 in February of last year. Activity in Atlanta, however, was decidedly above the rate two years ago, whereas in Miami and Mobile the rates were about the same.

Government restrictions on nonresidential construction apply primarily to commercial buildings such as retail stores, office buildings, banks, hotels, and recreation and service establishments. NPA Order M-4, effective January 13, requires specific authorization for practically all private construction of buildings of this type. Authorization can be given only if

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted** Feb. 1951	Adjusted** Jan. 1951	Adjusted** Feb. 1950	Unadjusted Feb. 1951	Unadjusted Jan. 1951	Unadjusted Feb. 1950
DISTRICT	419	449	383	352	342	322
Atlanta	501	572	434	421	406	365
Baton Rouge	366	431	401	311	301	341
Birmingham	395	454	343	328	327	284
Chattanooga	394	414	339	323	310	278
Jackson	371	417	370	308	305	307
Jacksonville	417	425	381	342	332	313
Knoxville	399	413	361	319	322	289
Macon	399	440	346	307	290	266
Miami	445	479	375	505	464	416
Montgomery	340p	405	334	279p	304	274
Nashville	401	488	409	313	327	319
New Orleans	356	397	366	299	314	308
Tampa	521	549	491	464	450	437

* Computation on daily average basis. There were 24 business days in February 1951, 26 in January 1951, and 24 in February 1950.

DEPARTMENT STORE STOCKS

Place	Adjusted** Feb. 1951	Adjusted** Jan. 1951	Adjusted** Feb. 1950	Unadjusted Feb. 1951	Unadjusted Jan. 1951	Unadjusted Feb. 1950
DISTRICT	458	472r	350	463	424r	354
Atlanta	668	664	461	648	565	447
Birmingham	358	370	261	373	352	271
Montgomery	471	499	402	476	454	406
Nashville	721	732	529	685	615	502
New Orleans	417	441	338	413	393	335

GASOLINE TAX COLLECTIONS***

Place	Adjusted** Feb. 1951	Adjusted** Jan. 1951	Adjusted** Feb. 1950	Unadjusted Feb. 1951	Unadjusted Jan. 1951	Unadjusted Feb. 1950
SIX STATES	269	246	228	269	246	228
Alabama	261	248	221	248	241	210
Florida	244	236	216	264	246	233
Georgia	279	253	239	266	258	228
Louisiana	273	278	243	268	275	238
Mississippi	288	256	180	276	241	173
Tennessee	302	222	269	290	211	258

COTTON CONSUMPTION*

Place	Feb. 1951	Jan. 1951	Feb. 1950
TOTAL	195	180	156r
Alabama	204	179	165r
Georgia	198	188	156r
Mississippi	117	115	93r
Tennessee	152	143	135r

ELECTRIC POWER PRODUCTION*

	Jan. 1951	Dec. 1950	Jan. 1950
SIX STATES	472	462	393
Hydro-generated	344	343	357
Fuel-generated	640	619	439

MANUFACTURING EMPLOYMENT***

Place	Jan. 1951	Dec. 1950	Jan. 1950
SIX STATES	152	152	142r
Alabama	152	153	144r
Florida	152	150	147r
Georgia	153	153	142r
Louisiana	138	142	133r
Mississippi	149	152	132r
Tennessee	159	158	145r

CONSTRUCTION CONTRACTS

	Feb. 1951	Jan. 1951	Feb. 1950
DISTRICT	619p	603r	433
Residential	877p	840r	663
Other	494p	489r	321
Alabama	411	684	503
Florida	713	760	472
Georgia	900	700	502
Louisiana	556	370	391
Mississippi	364	192	262
Tennessee	390	504	351

CONSUMERS PRICE INDEX

Item	Feb. 1951	Jan. 1951	Feb. 1950
ALL ITEMS	189	187	169
Food	229	226	195
Clothing	210	209	192
Fuel, elec., and refrig.	142	140	140
Home furnishings	207	206	185
Misc.	164	163	154
Purchasing power of dollar	.53	.53	.59

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Feb. 1951	Jan. 1951	Feb. 1950
Unadjusted	23.6	24.3	20.4
Adjusted**	23.4	23.0	20.2
Index**	94.7	93.1	81.7

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Feb. 1951	Jan. 1951	Feb. 1950
Unadjusted	362	357	323r
Adjusted**	357	351	318r

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

r Revised
p Preliminary

Sixth District Statistics

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES
(In Thousands of Dollars)

Item	Mar. 21 1951	Feb. 21 1951	Mar. 22 1950	Percent Change Mar.21,1951,from Feb. 21 1951	Mar. 22 1950
Loans and investments—					
Total	2,547,479	2,553,386	2,483,832	—0	+3
Loans—Net	1,143,720	1,142,467	898,875	+0	+27
Loans—Gross	1,160,747	1,158,202	912,157	+0	+27
Commercial, industrial, and agricultural loans	693,268	694,807	537,017	—0	+29
Loans to brokers and dealers in securities	13,538	12,468	12,213	+9	+11
Other loans for purchasing and carrying securities	34,768	35,279	33,362	—1	+4
Real estate loans	93,114	92,967	77,013	+0	+21
Loans to banks	4,901	4,547	5,309	+8	—8
Other loans	321,158	318,134	247,243	+1	+30
Investments—total	1,403,759	1,410,919	1,584,957	—1	—11
Bills, certificates, and notes	547,646	567,251	621,098	—3	—12
U. S. bonds	641,462	629,302	753,135	+2	—15
Other securities	214,651	214,366	210,724	+0	+2
Reserve with F. R. Bank	480,560	483,477	409,850	—1	+17
Cash in vault	46,372	44,133	41,445	+5	+12
Balances with domestic banks	193,103	173,491	172,999	+11	+12
Demand deposits adjusted	1,888,270	1,913,368	1,780,832	—1	+6
Time deposits	504,373	513,295	537,740	—2	—6
U. S. Gov't deposits	98,968	70,151	65,530	+41	+51
Deposits of domestic banks	545,638	540,075	532,689	+1	+2
Borrowings	15,500	13,850	......	+12	..

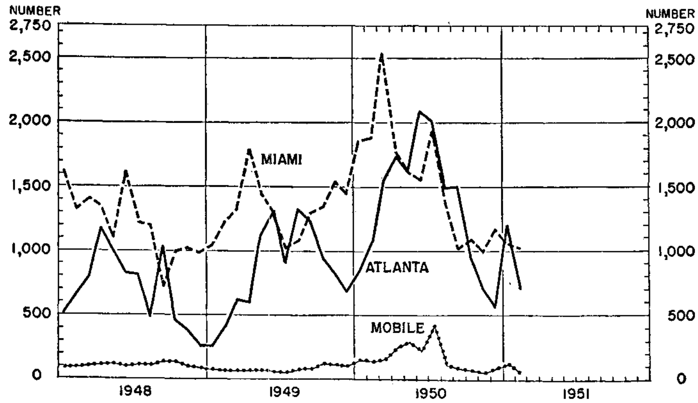
DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Feb. 1951	Jan. 1951	Feb. 1950	Percent Change: Feb. 1951 from Jan. 1951	Feb. 1950	Year-to-Date 2 Mos.1951 from 1950
ALABAMA						
Anniston	24,892	29,186	18,722	—15	+33	+32
Birmingham	369,312	446,343	289,188	—17	+28	+29
Dothan	17,612	19,637	11,891	—10	+48	+42
Gadsden	20,685	25,448	17,934	—19	+15	+25
Mobile	138,680	160,421	114,547	—14	+21	+28
Montgomery	82,840	99,013	69,890	—16	+19	+21
FLORIDA						
Jacksonville	336,531	382,159	280,145	—12	+20	+23
Miami	328,859	361,024	265,906	—9	+24	+27
Greater Miami*	497,567	548,009	395,067	—9	+26	+30
Orlando	73,334	80,945	64,303	—9	+14	+16
Pensacola	37,907	41,500	31,774	—9	+19	+20
St. Petersburg	78,139	92,032	63,788	—15	+22	+27
Tampa	163,986	184,518	139,807	—11	+17	+19
GEORGIA						
Albany	30,555	35,131	22,177	—13	+38	+38
Atlanta	984,229	1,148,783	778,384	—14	+26	+32
Augusta	68,365	80,217	50,646	—15	+35	+37
Brunswick	10,541	12,280	7,895	—14	+34	+37
Columbus	63,757	76,784	50,666	—17	+26	+34
Elberton	3,959	4,394	3,339	—10	+19	+23
Gainesville*	18,919	22,453	12,731	—16	+49	+58
Griffin*	12,041	13,773	9,764	—13	+23	+24
Macon	70,080	77,856	52,905	—10	+32	+29
Newnan	11,047	14,942	8,158	—26	+35	+37
Rome*	25,189	30,064	18,679	—16	+35	+36
Savannah	97,777	115,609	79,153	—15	+24	+31
Valdosta	11,639	14,135	10,667	—18	+9	+15
LOUISIANA						
Alexandria*	37,875	45,401	29,433	—17	+29	+32
Baton Rouge	101,318	131,848	96,851	—23	+5	+11
Lake Charles	41,511	49,728	32,966	—17	+26	+31
New Orleans	738,159	867,509	647,957	—15	+14	+17
MISSISSIPPI						
Hattiesburg	18,707	21,450	16,582	—13	+13	+18
Jackson	156,279	206,949	132,665	—24	+18	+24
Meridian	27,602	35,249	23,472	—22	+18	+28
Vicksburg	21,993	25,793	22,021	—15	—0	+3
TENNESSEE						
Chattanooga	164,312	212,026	128,677	—23	+28	+27
Knoxville	128,397	162,191	96,600	—21	+33	+28
Nashville	325,526	396,405	294,183	—18	+11	+18
SIXTH DISTRICT 32 Cities	4,748,527	5,611,505	3,923,859	—15	+21	+25
UNITED STATES 333 Cities	114,038,000	138,402,000	96,254,000	—18	+18	+24

* Not included in Sixth District totals.

the defense program is aided or if hardship results from the denial of the authorization. A 60-percent drop in construction contracts for commercial building in the District occurred between January and February, according to F. W. Dodge reports. Contracts for manufacturing buildings also fell below those of January, even though no specific restrictions apply.

NEW PERMANENT DWELLING UNITS STARTED



Source: So. Regional Office, Bu. of Labor Statistics.

The downward trend in home construction and commercial and manufacturing buildings was offset by an expansion in public works and public buildings. Therefore, only a minor change in the total value of construction contracts awarded was reported by the F. W. Dodge series. W.T.H.

Bank Announcements

The newly organized First National Bank of Gatlinburg, Gatlinburg, Tennessee, opened for business on March 1 as a member of the Federal Reserve System. This bank began its operations with a capital stock of $50,000 and surplus and undivided profits of $50,000. The officers are R. L. Maples, President; W. L. Mills, Executive Vice President and Cashier; and Dick Whaley, Vice President.

On March 16, a newly organized nonmember bank, the Citizens Bank of Toccoa, Toccoa, Georgia, opened for business and began remitting at par. The bank has a capital stock of $100,000, and surplus and undivided profits of $25,000. Its officers are Ray Trogdon, President; Marvin Tabor, Vice President; and Wallace B. Bruce, Executive Vice President and Cashier.

Another newly organized nonmember bank, the Bank of Barrow, Winder, Georgia, opened for business on March 17 and will remit at par. The capital stock is $75,000 and paid-in surplus is $22,500. W. C. Harris is President, John W. Robinson is Vice President, and George D. Walker is Executive Vice President and Cashier.

On March 27, the newly organized North Dade National Bank of North Miami, North Miami, Florida, opened for business as a member of the Federal Reserve System. The bank began operations with capital stock of $200,000 and surplus and undivided profits of $75,000. Its officers are L. A. Usina, President; R. C. Brown, Agnes B. Barber, Frank H. Willer, and Charles D. Bailey, Vice Presidents; and Charles W. Lantz, Cashier.