MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

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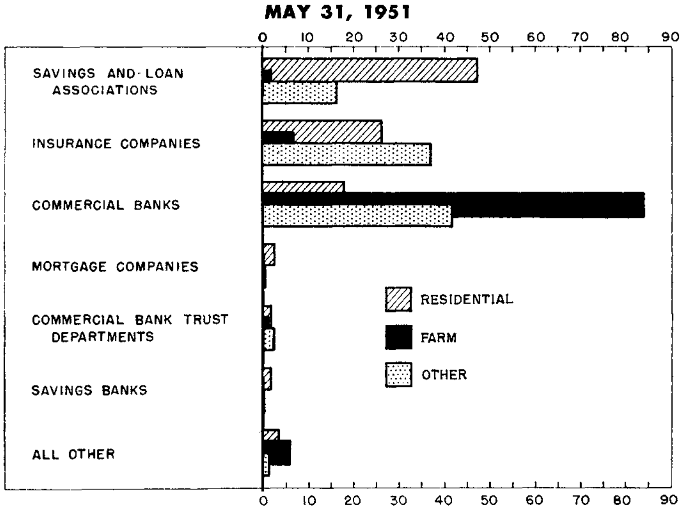
Structure of District Mortgage Holdings

Financing construction has been particularly significant in credit developments during the postwar period. Mortgage credit, for example, has been used to finance much of the building, especially residential. Last year, the 21 billion dollars of new private construction throughout the United States was accompanied by an increase of over 10 billion dollars in mortgage debt.

The majority of all new houses in the District and in other parts of the nation have been bought with mortgages. Only five out of every hundred new houses bought in the Atlanta metropolitan area during the last quarter of 1950, for example, were not mortgaged, according to a recent Government survey. Moreover, mortgage money constituted the greater part of the purchase price in many cases. In the Atlanta area, mortgages on 84 percent of the new houses amounted to 75 percent or more of the purchase price.

PERCENT DISTRIBUTION OF TOTAL SIXTH DISTRICT MORTGAGE HOLDINGS BY TYPE OF LENDER
MAY 31, 1951



Wide-scale building has been a prominent feature of postwar activity in the Sixth Federal Reserve District. Contracts awarded for residential building during the five postwar years beginning in 1946 amounted to 2.4 billion dollars, according to F. W. Dodge figures. These contracts amounted to 43 percent of all awards. Total construction contracts in the District during the postwar period averaged 345 percent more than the prewar period 1935-39, whereas the 37 eastern states covered by F. W. Dodge surveys show a gain of only 253 percent.

This high level of construction activity, together with current purchasing practices, is evidence that mortgage financing in the District has been substantial and that the resulting mortgages represent a large part of total investment holdings. Despite this evidence, comprehensive data on the total amount of mortgages held by District investors have not been available heretofore. Statistics recently collected from mortgage lenders in connection with the administration of real estate credit controls under Regulation X provide reasonably comprehensive data for the first time. They throw a valuable light on regional characteristics of mortgage holdings.

A Multi-billion Dollar Business

Mortgage lending in the District is a multi-billion dollar business, according to the statistics for May 31 of this year. On that date all registered lenders held 2.3 billion dollars in mortgages for their own account. Besides holding their own investments in mortgages, they were servicing those owned by other persons or corporations in the amount of 1.8 billion dollars, part of which may have been included in the total held for their own account. The importance of mortgages held for their own account is evident when their volume is compared with the 2.7 billion dollars in loans of all types outstanding at District commercial banks.

Residential mortgages, accounting for 1.9 billion dollars of the total, were over four times as important as mortgages on nonresidential property. Mortgages on farm real estate made up 89 million dollars of the

406-million-dollar total for nonresidential mortgages.

Under the provisions of the real estate credit regulation, all lenders extending credit more than three times in either 1950 or 1951, or in aggregate volume of more than 50,000 dollars a year, were required to register. The data, of course, do not measure the lending activity of mortgage lenders but only the amount of mortgages outstanding on May 31 of this year. Nor do they show the total amount owed on mortgages by Sixth District borrowers, since mortgages may be held by lenders located outside the District.

Who Holds the Mortgages?

With many different types of investors seeking profitable outlets for their funds, prospective borrowers have a wide range to choose from. Over 3,000 individuals or corporations indicated that they either owned or serviced mortgages. Except for commercial banks, individual investors are by far the most numerous mortgage lenders, but their total holdings are relatively small. On the basis of dollar value, three

MORTGAGES HELD AND SERVICED ON MAY 31, 1951, BY SIXTH DISTRICT LENDERS
(Millions of Dollars)

Type of Lender	HELD FOR OWN ACCOUNT Residential	Non-residential	Total	SERVICED FOR OTHERS
Savings and loan assns	879.7	54.1	933.8	19.2
Insurance companies	488.5	123.9	614.6*	96.8
Commercial banks	337.2	205.9	543.1	134.5
Mortgage companies	45.0	.9	45.9	544.2
Commercial bank trust departments	27.2	9.4	36.6	17.7
Savings banks	31.5	1.5	32.9*	1.0
Investors	14.3	2.0	16.3	6.3
Mortgage brokers	15.2	.4	15.6	634.6
Real estate agents	13.2	1.4	14.6	223.7
Nonprofit institutions	5.7	.3	6.0	...
Builders or developers	4.5	.3	4.8	.3
Individual trustee or executor	1.5	.5	2.0	.3
Small loan companies	.3	.1	.4	1.3
Dealer or contractor in htg., plbg., air con. equip., etc., or renovation and repairs	.2	...	.2	...
Sales finance companies	.1	...	.1	...
All others	6.0	5.0	11.0	102.3
All types	1,870.1	405.7	2,277.9*	1,782.2

*Includes some amounts for which detailed breakdowns are not available.

types of lenders hold 92 percent of total mortgages outstanding owned by registrants.

Although for the entire country, insurance companies are the most important holders of real estate mortgages, in this District savings and loan associations carry the largest share. Their holdings on the reporting date amounted to 41 percent of the total, compared with 27 percent held by insurance companies and 24 percent held by commercial banks.

MORTGAGES HELD AND SERVICED ON MAY 31, 1951, BY SIXTH DISTRICT LENDERS, BY STATE
(Millions of Dollars)

Type of Lender	FOR OWN ACCOUNT Ala.	Fla.	Ga.	La.*	Miss.*	Tenn.*
Savings and loan assns.	60.9	323.6	228.7	185.2	34.8	100.5
Insurance companies	113.1	51.7	30.9	45.7	36.5	336.8
Commercial banks	103.3	96.2	148.1	66.3	32.5	96.8
Mortgage companies	23.5	5.7	1.1	6.1	.1	9.5
Commercial bank trust departments	15.2	6.3	4.1	**	2.0	8.9
Savings banks	...	12.4	19.4	...	...	1.1
Investors	5.0	2.9	2.2	1.8	.9	1.8
Mortgage brokers	4.9	6.6	.8	.5	1.0	2.7
Real estate agents	1.7	4.8	3.1	6.1	.3	.4
Nonprofit institutions	4.9	.4	.5	.2	...	...
All others	2.5	5.0	2.6	4.7	.2	2.5
All types for own account	335.0	515.6	441.5	316.6	108.3	561.0
Serviced for others	345.1	611.2	384.5	194.4	77.0	169.9

*That part of state included in Sixth District.
**Less than $100,000.

In the field of nonresidential mortgage lending, commercial banks led with 51 percent of total nonresidential mortgages, followed by insurance companies with 31 percent, and savings and loan associations with 13 percent. District farm mortgages are concentrated in the hands of commercial banks, which hold 84 percent of total farm mortgages.

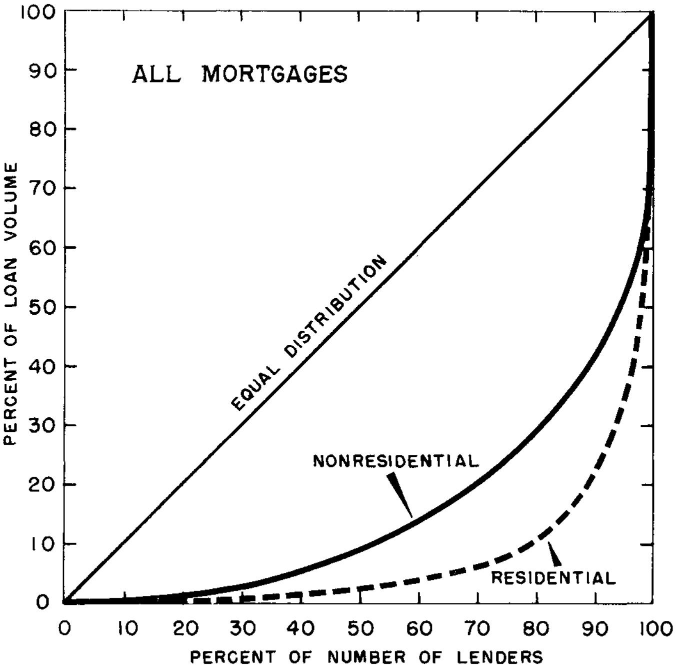
Large and Small Mortgage Lenders

In the District, the bulk of the mortgages, measured on a dollar basis, is held by the relatively small proportion of larger lenders. As a corollary, the bulk is held by lenders located in the metropolitan centers.

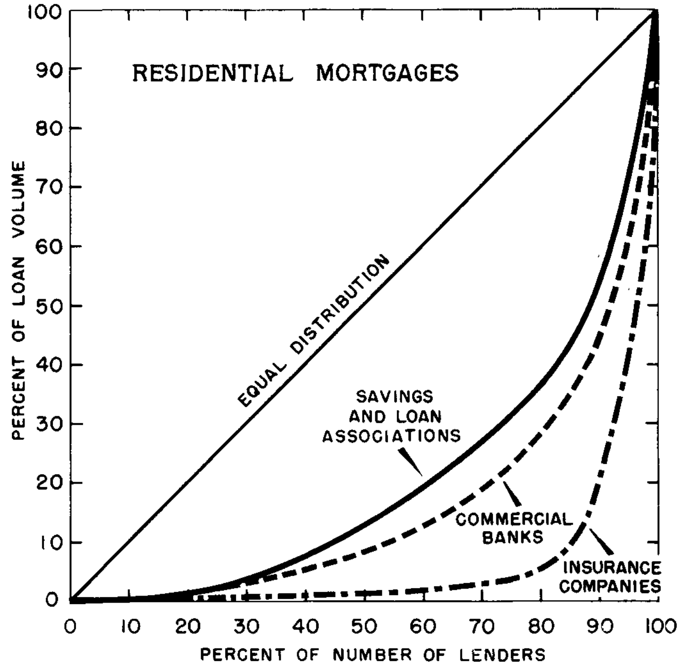
Lenders each of whose total mortgage holdings amounted to 10 million dollars or more constituted less than 2 percent of the total lenders. These large lenders, however, held 48 percent of the dollar volume of the mortgages. Concentration of mortgage holdings in the hands of the larger holders is found in the case of each type of lender.

A mortgage borrower is more likely to have his mortgage held by a large lender if he has mortgaged residential property. Moreover, mortgages made on multi-family residences are likely to be so large that they can be handled only by large companies. There is more equal distribution of holdings among the nonresidential mortgage holders. Small commercial banks concentrate their lending in nonresidential mortgages more than do large banks. Even in the nonresidential field, however, lenders whose individual

DISTRIBUTION OF SIXTH DISTRICT MORTGAGE HOLDINGS BY SIZE OF TOTAL MORTGAGES OUTSTANDING, MAY 31, 1951



DISTRIBUTION OF SIXTH DISTRICT RESIDENTIAL MORTGAGES BY TYPE OF LENDER AND BY SIZE OF TOTAL MORTGAGES OUTSTANDING, MAY 31, 1951



mortgage assets exceeded 10 million dollars held about 30 percent of the mortgages.

The residential mortgage holdings of the savings and loan associations show the least concentration in the hands of the large lenders of the three principal types of lenders. The heaviest concentration is found in the case of insurance companies. Commercial bank holdings are only slightly more concentrated among large lenders than those of savings and loan associations.

Combined holdings of large lenders, located in the metropolitan centers of the District, constituted 71 percent of the dollar value of mortgage holdings, although these lenders number only 45 percent of the total. A notable exception to this generalization is found in farm real estate lending. In each District state the bulk of these loans is held outside metropolitan areas. Since commercial banks as a group are by far the most popular source for this type of mortgage funds, banks in smaller places are the chief source of local farm mortgage lending.

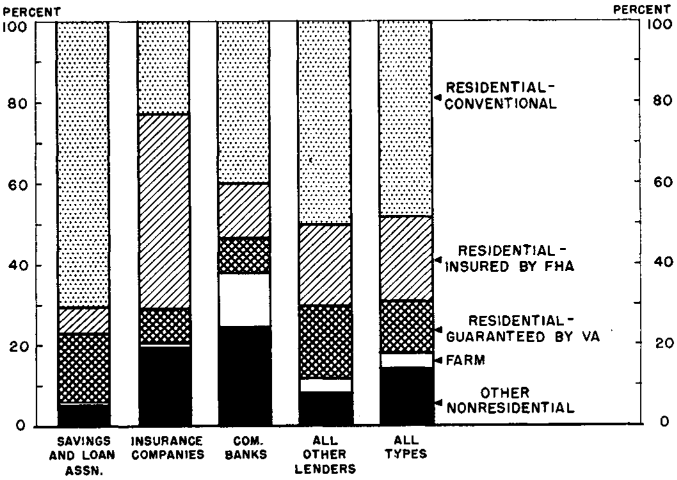
Another notable exception to the generalization is that metropolitan area lenders hold a greater proportion of total residential mortgages than they do of nonresidential mortgages other than farm. Some concentration of residential mortgage holdings in metropolitan areas would be expected because of the amount of residential construction that has taken place there, but in addition, because of the insurance and guarantee provisions of the Federal Housing Administration and Veterans Administration, larger institutional lenders find residential mortgages on property outside their immediate areas attractive.

Types of Residential Mortgage Holdings

Lenders hold three types of residential mortgages—those insured by the Federal Housing Administration; those guaranteed by the Veterans Administration; and conventional mortgages, that is, those without any guarantee or insurance provision. The latter are the most important to all lenders as a group in that they made up 60 percent of the total dollar volume of residential mortgages held by all District lenders. Insurance companies and lenders likely to dispose of their loans to other lenders, however, held greater amounts of insured or guaranteed than of conventional mortgages.

Metropolitan lenders thus had a greater proportion of the total FHA loans than they had of the total residential loans. On the other hand, lenders located in smaller centers held a greater proportion of the loans guaranteed by the VA.

RELATIVE IMPORTANCE OF TYPE OF MORTGAGES HELD FOR OWN ACCOUNT ON MAY 31, 1951, BY PRINCIPAL SIXTH DISTRICT LENDERS



Savings and loan associations in both metropolitan and nonmetropolitan areas showed a decided preference for conventional mortgages. The importance of each type of holding to the principal lenders is shown on the above chart.

Servicing Loans for Others

In a rapidly developing economic area such as the Sixth Federal Reserve District, opportunities for profitable investment are likely to exceed the region's available funds. In more mature areas where incomes are higher there is likely to be a surplus of funds seeking investment outside the area. Moreover, the location of large institutional investors, such as insurance companies, in certain sections of the country causes a concentration of investment funds in leading financial centers.

This condition is revealed by the comparatively large amount of mortgages being serviced for others by Sixth District lenders. The 1.8 billion dollars reported in such mortgages was 78 percent as great as the amount reported by lenders for mortgages held for their own account. By way of contrast, in the New York Federal Reserve District, whose financial organization differs markedly from that of the Sixth District, mortgages serviced by others amount to a figure less than 10 percent as large as the holdings of mortgages held for their own account by New York District lenders.

The data for the Sixth District show neither the ultimate owners of these serviced mortgages nor where they reside. Some of the loans may be serviced for other lenders located in the District. The known institutional pattern of lending in the District, however, leads to the conclusion that the bulk of these mortgages is owned by lenders outside the District, many of which are large insurance companies. Because these loans are excluded from the data on loans held for their own account by Sixth District lenders, indebtedness of Sixth District mortgage borrowers to insurance companies is probably understated.

MORTGAGES HELD AND SERVICED BY SIXTH DISTRICT LENDERS ON MAY 31, 1951, BY METROPOLITAN AREA AND TYPE
(Percent Distribution)

State and Metropolitan Area*	OUTSTANDING FOR OWN ACCOUNT: Residential	Nonresidential: Farm	Nonresidential: Nonfarm	All Types	SERVICED FOR OTHERS
Alabama					
Birmingham	65	2	39	59	75
Mobile	6	1	16	6	2
Montgomery	6	3	9	6	11
Nonmetropolitan	23	94	36	29	12
State	100	100	100	100	100
Florida					
Jacksonville	15	4	27	16	41
Miami	33	4	27	32	38
Tampa-St. Petersburg	14	10	11	14	12
Nonmetropolitan	38	82	35	38	9
State	100	100	100	100	100
Georgia					
Atlanta	54	8	38	50	64
Augusta	6	2	4	5	3
Columbus	4	1	4	4	7
Savannah	7	2	20	8	2
Nonmetropolitan	29	87	34	33	24
State	100	100	100	100	100
Louisiana**					
Baton Rouge	11	3	10	11	20
New Orleans	66	6	60	64	49
Nonmetropolitan	23	91	30	25	31
State	100	100	100	100	100
Mississippi**					
Jackson	65	3	53	38	77
Nonmetropolitan	35	97	47	62	23
State	100	100	100	100	100
Tennessee**					
Chattanooga	16	2	26	18	15
Knoxville	7	4	2	6	27
Nashville	61	26	63	60	45
Nonmetropolitan	16	68	9	16	13
State	100	100	100	100	100

*Including one or more counties as defined by the U. S. Bureau of the Census.

**That portion within the Sixth District.

The greatest proportion of the servicing of loans is done by three groups of lenders: mortgage brokers or agents, mortgage companies, and real estate agents. Together, they account for nearly nine-tenths of this type of business. On the other hand, lenders in these groups hold but 3 percent of Sixth District loans held for their own account. Many hold no loans for their own account.

On May 31, 1951, mortgage companies holding only 46 million dollars for their own account were servicing 544 million dollars worth of mortgages. Investors held only 15 million dollars of their own mortgages but were servicing 224 million dollars worth. Mortgage brokers reported figures of 16 million and 635 million dollars, respectively, for the two types of activity.

Many real estate agents, mortgage companies, and brokers do not have large amounts of their own funds available for lending. Many serve as loan agents for insurance companies or other large institutional lenders. If not direct agents, they may be operating for large institutions who have committed themselves to eventually buy a certain amount of mortgages of a specified type. Mortgages held by mortgage companies or brokers, therefore, represent only a temporary inventory until sold to other lenders. Frequently, mortgage companies or brokers secure necessary funds from bank loans to carry the inventory.

Mortgages are serviced in both metropolitan and nonmetropolitan areas, with a greater number of the persons or firms servicing loans located outside the District's principal metropolitan areas. The dollar amount of loans serviced by those in the metropolitan areas, however, is greater than the amount serviced by lenders elsewhere.

Implications

In many instances the data collected in connection with the registration of Sixth District mortgage lenders merely confirm what was already generally known about the structure of real estate mortgage lending. Their special value, therefore, lies in their providing more specific data which emphasize the importance of mortgage lending activity to the District's economy.

One thing emphasized is the great importance of mortgage credit as an outlet for investment funds in this area. The interest on mortgages in the hands of institutions and investors, conservatively estimated on the basis of $4\frac{1}{2}$ percent interest, amounts to over 100 million dollars a year. Total interest payments by Sixth District borrowers are, of course, much greater than that, because of the large number of mortgages held by the investors located outside the District.

That the availability of mortgage credit is of great importance to the building industry is obvious. It is perhaps not often recognized that because of the size of both the principal and interest, changes in the amount of mortgages outstanding are likely to have substantial effects on the purchasing power of consumers. Changes in mortgages outstanding, therefore, are likely to have repercussions outside the immediate field of residential building.

The data have emphasized that any complete analy-

Bank Announcements

For the first time in the history of the Federal Reserve System, the number of banks remitting at par in the Sixth District exceeds the number of nonpar banks. In each month during 1950 there were approximately 14 more par than nonpar banks. In March 1951, however, the number of par banks had grown until it equaled that of the nonpar list. By September, five more banks in the District were remitting at par for checks drawn on them when received from the Federal Reserve Bank than were on the nonpar list.

During October, three newly organized nonmember banks opened for business in the District and announced that they will remit at par.

The Bank of Upson, Thomaston, Georgia, opened October 1, with Charles M. Pasley, Jr., President; J. A. Wurst, Executive Vice President; and Robert P. Cravey, Cashier. Capital stock of this bank amounts to $150,000 and paid-in surplus to $30,000.

Located in territory served by the Jacksonville Branch of the Federal Reserve Bank, the South Dade Farmers Bank, Homestead, Florida, opened for business October 12. Officers are L. L. Chandler, President; Robert W. Freitag, Executive Vice President; Walter E. Loper, Cashier; and Edward A. Van Houten, Assistant Cashier. Capital stock amounts to $150,000 and surplus and undivided profits to $100,000.

Also located in Jacksonville Branch territory is the Commercial Bank of Miami, Miami, Florida, which opened October 31. H. T. Maroon is President; M. E. Stephens, Executive Vice President and Cashier; and W. H. Boyette and W. W. Swan, Jr., Assistant Cashiers. Capital stock amounts to $300,000 and surplus and undivided profits to $100,000.

sis of District credit conditions must include a consideration of mortgage lending. Although changes in total mortgage credit outstanding are likely to take place more slowly than do changes in bank credit, the amount of mortgage credit outstanding in the District is so great that to consider bank lending alone would be a significant omission.

Although these generalities probably apply to many other parts of the country as well as to the Sixth District, one thing the data emphasize applies particularly to this area. Because of the large amount of mortgage funds secured from outside the District, the availability of mortgage credit in the nation's financial centers is of greater importance to District conditions than if the funds were secured only from District investors. Because it is so dependent upon the availability of outside credit, there are few other economic activities more senstive to general change in credit conditions than the District construction industry.

CHARLES T. TAYLOR

What Is the Check Routing Symbol?

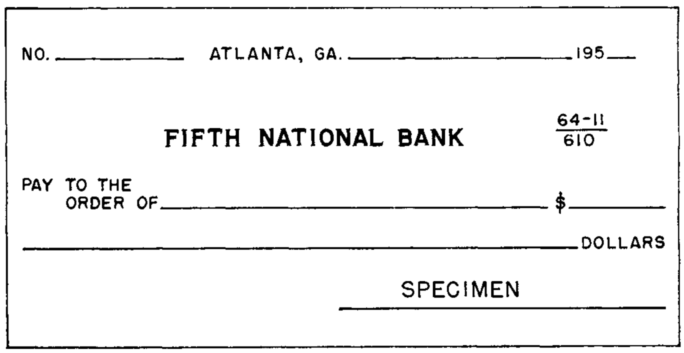
Anyone who has occasion to write checks on his bank account must wonder from time to time at the widespread nature of this way of transferring money from one person to another, persons often residing in widely separated parts of the country. This method of transferring funds is used in all but the smaller day-to-day transactions. Over 85 percent of all our business is done by means of bank checks.

It is obvious when one stops to think about it that this sort of business must make an enormous amount of work for someone, for all of these hundreds of millions of checks, shuttling back and forth across the country, must eventually find their way to the banks upon which they are drawn. Since there are over 15,000 banks in the country, it is a wonder that so few checks go astray. The rapid and accurate sorting of checks is one of the most fascinating and important operations that keeps our money mechanism running.

The ability of banks to handle the fantastic number of checks used in carrying on the nation's business depends in part on the employment of complicated sorting machines that enable one person to do the work of many. In part, however, it depends on the use of a printed device that is to be seen on many checks, although not on all. This device is a number in fraction form, printed in the upper right corner of the check.

What looks like the numerator of the fraction is called a "transit number," assigned to the bank by the American Bankers Association. It indicates the city and state in which the bank is located and also designates the particular bank according to the ABA Numerical Key System.

The lower part of the fraction, known as the "check routing symbol," is used on all checks collectible through Federal Reserve Banks. Each member bank and any other bank that agrees to remit in full on all checks collected through the Federal Reserve Bank (so-called "par banks") is assigned such a check routing symbol to be used on its printed checks. A specimen check on an imaginary bank is shown below.



Each digit in the check routing symbol has a meaning all its own. The first digit indicates the Federal Reserve District in which the bank is located. In the case of a bank located in the district served by the Federal Reserve Bank of Atlanta, this digit would be 6. In the case of San Francisco it would take two digits to indicate the Federal Reserve District—12.

Following the digit indicating the Federal Reserve District comes one that shows the zone in which the bank is located—the zone served by the head office of the Federal Reserve Bank, or a zone served by a branch of the Federal Reserve Bank. The figure 1 shows that the bank lies within head office territory. Branch zones are designated by digits greater than 1, the branches being arranged alphabetically. In the

Atlanta district there are four branches—Birmingham, Jacksonville, Nashville, and New Orleans.

The final digit of the symbol serves to narrow the location of the bank still further. It shows in which part of the head office or branch territory (outside of the reserve cities) the bank is located. If the final digit is 0, this means that the bank is to be found in a city where the Federal Reserve Bank or one of its branches is located and where funds to cover the check are immediately available. If the symbol read 610, for example, the bank would be located in the Sixth Federal Reserve District (6), in territory served by the head office, Atlanta (1), and located in Atlanta itself (0). The following table of numbers used by the Federal Reserve Bank of Atlanta illustrates this use of the last digit:

- 610 Banks located in Atlanta.
- 611 Banks in southeastern Alabama served by the head office.
- 612 Banks in Georgia outside of Atlanta.
- 613 Banks in Chattanooga served by the head office.
- 620 Banks in Birmingham.
- 621 Banks in Alabama, outside of Birmingham but served by the Birmingham Branch.
- 630 Banks in Jacksonville.
- 631 Banks in Florida outside of Jacksonville.
- 640 Banks in Nashville.
- 641 Banks in that part of Tennessee lying within the Sixth District but outside of Nashville and Chattanooga.
- 650 Banks in New Orleans.
- 651 Banks in that part of Alabama (Mobile and Baldwin Counties) served by the New Orleans Branch.
- 652 Banks in that part of Louisiana lying within the Sixth District but outside of New Orleans.
- 653 Banks in that part of Mississippi lying within the Sixth District, served by the New Orleans Branch.

The usefulness of this device is obvious. Its utility increases, of course, as more and more banks come to use it. The speed, accuracy, and economy with which the collection process is conducted would be greatly increased if its use were universal. Every bank that becomes eligible to use the check routing symbol is therefore doing a favor to itself, to its customers, and to the army of hard-working clerks whose business it is to see that all these millions of checks find their way home.

Sixth District Statistics

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

Item	Oct. 24 1951	Sept. 26 1951	Oct. 25 1950	Percent Change Oct. 24, 1951, from Sept. 26 1951	Oct. 25 1950
Loans and investments—					
Total	2,692,311	2,636,195	2,519,270	+2	+7
Loans—Net	1,066,156	1,058,839	1,067,223	+1	—0
Loans—Gross	1,084,751	1,077,294	1,081,315	+1	+0
Commercial, industrial, and agricultural loans	621,055	613,918	634,791	+1	—2
Loans to brokers and dealers in securities	12,489	11,357	12,172	+10	+3
Other loans for purchasing and carrying securities	34,358	34,645	36,122	—1	—5
Real estate loans	86,299	87,468	89,807	—1	—4
Loans to banks	4,462	9,705	5,154	—54	—13
Other loans	326,088	320,201	303,269	+2	+8
Investments—Total	1,626,155	1,577,356	1,452,047	+3	+12
Bills, certificates, and notes	753,162	707,608	561,227	+6	+34
U. S. bonds	636,850	640,591	668,033	—1	—5
Other securities	236,143	229,157	222,787	+3	+6
Reserve with F. R. Banks	524,837	473,703	400,324	+11	+31
Cash in vault	47,013	48,147	43,142	—2	+9
Balances with domestic banks	207,441	213,288	174,742	—3	+19
Demand deposits adjusted	2,008,949	1,969,855	1,840,400	+2	+9
Time deposits	529,947	527,295	526,237	+1	+1
U. S. Gov't deposits	100,037	105,498	46,081	—5	*
Deposits of domestic banks	603,618	550,461	512,933	+10	+18
Borrowings	12,000	500	6,000	*	*

*More than 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Sept. 1951	Aug. 1951	Sept. 1950	Percent Change: Sept., 1951 from Aug. 1951	Sept. 1950	Yr.-to-Date 9 Months 1951 from 1950
ALABAMA						
Anniston	27,271	27,782	26,340	—2	+4	+29
Birmingham	378,905	400,330	407,982	—5	—7	+15
Dothan	18,716	19,171	16,915	—2	+11	+31
Gadsden	22,471	22,852	22,509	—2	—0	+10
Mobile	149,879	151,869	149,219	—1	+0	+24
Montgomery	95,857	89,912	98,234	+7	—2	+13
Tuscaloosa*	29,804	29,581	32,245	+1	—8	+9
FLORIDA						
Jacksonville	316,376	334,997	311,099	—6	+2	+15
Miami	260,978	278,554	248,993	—6	+5	+14
Greater Miami*	388,829	414,177	363,366	—6	+7	+16
Orlando	61,127	63,453	60,575	—4	+1	+13
Pensacola	39,668	44,250	39,213	—10	+1	+17
St. Petersburg	66,761	66,268	65,887	+1	+1	+16
Tampa	141,236	142,350	138,999	—1	+2	+12
GEORGIA						
Albany	32,483	32,839	28,398	—1	+14	+30
Atlanta	972,068	1,050,885	993,811	—8	—2	+16
Augusta	87,641	76,860	71,218	+14	+23	+34
Brunswick	11,668	12,390	9,651	—6	+21	+29
Columbus	76,779	73,576	68,669	+4	+12	+17
Elberton	4,823	4,047	4,813	+19	+0	+9
Gainesville*	24,582	20,448	21,021	+20	+17	+32
Griffin*	13,098	12,209	13,288	+7	—1	+11
Macon	81,139	83,300	74,690	—3	+9	+21
Newnan	9,541	10,494	10,220	—9	—7	+26
Rome*	22,608	22,275	25,209	+1	—10	+13
Savannah	111,032	121,412	106,408	—9	+4	+23
Valdosta	15,246	37,754	12,244	—60	+25	+25
LOUISIANA						
Alexandria*	42,348	39,021	41,782	+9	+1	+21
Baton Rouge	100,848	111,115	105,567	—9	—4	+8
Lake Charles	46,868	46,322	46,693	+1	+0	+18
New Orleans	807,725	854,312	827,781	—5	—2	+9
MISSISSIPPI						
Hattiesburg	19,600	18,679	20,123	+5	—3	+6
Jackson	165,615	164,785	162,770	+1	+2	+13
Meridian	34,627	30,579	35,437	+13	—2	+12
Vicksburg	32,173	37,043	25,094	—13	+28	+15
TENNESSEE						
Chattanooga	175,796	174,223	164,308	+1	+7	+22
Knoxville	129,939	130,206	130,886	—0	—1	+18
Nashville	388,674	456,686	367,292	—15	+6	+17
SIXTH DISTRICT**	4,883,530	5,169,295	4,852,038	—6	+1	+15

*Not included in Sixth District totals.
**32 Cities.

District Business Conditions

The tempo of District business activity generally quickens at this time of the year. Marketing of agricultural crops increases trading activity in that it directs funds toward the District and ordinarily increases the need for bank credit. Retailers build stocks to meet not only expanded fall demands but anticipated high December sales. After the summer lull, many manufacturing concerns step up operations in response to fall orders.

Interest in the fall pick-up this year is running high. After several months of declining consumer demands and curtailed operations in some fields of manufacturing, many businessmen are looking for the increased impact of the defense program to bring about a more-than-usual upturn.

So far, however, economic indicators for most sectors of the District economy show that except for those types of economic activity directly influenced by the defense program the seasonal expansion has been less than was expected.

Consumers have increased their buying at department, furniture, and household appliance stores less than they do ordinarily and merchants are still reducing inventories. The latest figures showed little sign of greater-than-usual fall expansion in most types of manufacturing. Bank loans, although still greater than a year ago, have expanded less than seasonally. Despite a 59-percent increase in the District cotton crop, only a seasonal gain in farmers' net income is expected. The effect of the large increase in cotton production will be offset by higher costs, lower cotton prices, and smaller production of other crops.

The effect of the defense program, however, is becoming more apparent. Government borrowing and expenditures are increasing bank deposits and District banks have expanded their Government security holdings. Nonresidential construction contracts are high, reflecting both industrial and military expansion. Government payrolls continue to grow. Although it has not had the effect originally expected, the defense program has already made a deep impact upon the Sixth District.

Reluctant Consumer Buying

Inventory-laden merchants in the Sixth District shuddered as they compared their summer sales this year with those of 1950. Their feeling of relief that summer was over was accompanied by the anticipation that fall would bring a revival in consumer buying.

Consumer purchases at department, household appliance, and furniture stores in the June-August period of 1951 were below those of the comparable period of 1950. Department store sales averaged 6 percent less in the three summer months this year; household appliance store buying fell 40 percent; and furniture store, 22 percent. Sales at both household appliance and furniture stores since April 1951 have been below those of the corresponding months of 1950.

This movement has continued through September, when buying at furniture stores was down 19 percent from September 1950 and 41 percent at household appliance stores. September department store sales were 5 percent under those of that month last year. Department store data available for the first three weeks in October, however, show sales climbing 11 percent above the comparable weeks of October 1950.

In June, July, and August of 1951, consumers spent more at District department stores than in the like period of any other year except 1950. Sales for these months in 1951, for example, were 9 percent greater than those in the comparable period of 1949. These expansions in the dollar volume of sales at department stores, however, as compared to 1949, a more normal year, were caused primarily by rising prices; there was little change in the physical volume of merchandise sold. Consumer purchases at furniture and household appliance stores for these months, on the other hand, were less in 1951 than in either 1950 or 1949.

Weak Fall Pick-up September ushered in a slight increase in purchases at District department stores, but buying at furniture and household appliance stores, dropped below the August volume. August sales, however, both at furniture and at household appliance stores were greater than usual for that time of year. The August rally was probably caused in part by the relaxation of Regulation W, but the effect appears to have been short-lived.

Since August, department store sales have shown an upward trend. During that month, sales at reporting stores grew 19 percent from July. The 5-percent September gain over August at District department stores was approximately 9 percent below the normal increase for that month, and data available for the first three weeks in October reveal a 3-percent rise in sales over the last three weeks in September. The seasonally adjusted index of department store sales changed from 408 in September to an estimated 411 in October.

September buying at District furniture stores was 6 percent below that in August and was also less than the volume expected for that month. For three out of six years since 1946, furniture sales rose in September as compared to August. Only at household appliance stores was the 2-percent September decrease approximately equal to the normal movement for that month.

Declining Inventories The prospect of a hike in excise taxes, together with the possibility of rationing of scarce raw materials vital to consumer durable goods industries has had, thus far, little effect on purchasing, either by consumers or by department stores. The seasonally adjusted index of stocks declined steadily from 483 in April 1951 to 429 in September.

Department store stocks, although being continually reduced were considerably above any other year, including 1950. August 1951 inventories of household textiles, for example, were up 62 percent from last August; muslins and sheetings, 140 percent; men's and boys' wear, 14 percent; men's clothing, 31 percent; major household appliances, 18 percent; domestic floor coverings, 12 percent. Merchants, however, succeeded in paring stocks of radios, television sets, and phonographs to a level 32 percent below that of August 1950.

Department store inventories have decreased in recent months primarily because merchants did not replenish their stocks. Merchandise receipts at these stores have been below the comparable 1950 levels since May 1951. On a month-to-month basis, outstanding orders declined 13 percent in August 1951, but jumped in September to a level 29 percent above that of the preceding month.

Inventories at District furniture stores also reveal a continued drop from last year. A 44-percent gain in January 1950 had dwindled to 11-percent gain in August. On a month-to-month basis in 1951, stocks climbed steadily from January 1951 through April; since then, they have fallen until in August inventories were 3 percent below those of July.

B.A.W.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Report-ing	Volume: Percent Change Sept. 1951 from Aug. 1951	Volume: Sept. 1950	Outstandings: Percent Change Sept. 1951 from Aug. 1951	Outstandings: Sept. 1950
Federal credit unions	39	—18	+13	+0	+6
State credit unions	17	—17	—14	+1	+9
Induhtrial banks	9	—7	—19	+1	+16
Industrial loan companieh	12	—4	+16	+1	+4
Small loan companies	34	—11	+17	+1	+6
Commercial banks	32	—5	—1	—0	—4

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change September 1951 from August 1951	September 1950
Total sales	120	—6	—23
Cash saleh	105	—10	—4
Instalment and other credit sales	105	—5	—25
Accounts receivable, end of month	81	+1	—9
Collections during month	81	—1	—9
Inventories, end of month	88	—0	+11

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Report-ing	Sales: Percent Change Sept. 1951 from Aug. 1951	Sales: Sept. 1950	Inventories: No. of Firms Report-ing	Inventories: Percent Change Sept. 30, 1951, from Aug. 31 1951	Inventories: Sept. 30 1950
Automotive supplies	3	+3	+11	.	..	..
Electrical—Wiring supplies	4	+2	+34	4	—6	+36
" Appliances	4	+26	—20	3	—1	+77
Hardware	9	—4	—13	4	—3	+44
Industrial supplies	12	—5	—11	3	—4	+14
Jewelry	4	—4	—16	3	+1	+56
Lumber and building materials	8	—17	—38	5	+4	+37
Plumbing and heating supplies	4	+22	+5	3	—16	+25
Confectionery	5	—1	+12	.	..	..
Drugs and sundries	9	—5	+1	.	..	..
Dry goods	12	—5	—10	9	—8	+22
Groceries—Full-line	45	—2	+6	34	—1	+6
" Specialty lines	10	—1	0	5	+18	+16
Tobacco products	11	—7	—2	8	—1	—1
Miscellaneous	11	—4	+18	11	+10	+36
Total	151	—3	—5	92	—1	+25

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Percent Change — Sales: Sept. 1951 from Aug. 1951	Sales: Sept. 1951 from Sept. 1950	Sales: Yr. to Date 1951-1950	Stocks: Sept. 30, 1951, from Aug. 31 1951	Stocks: Sept. 30 1950
ALABAMA	+13	+2	+2	+2	—3
Birmingham	+17	+1	+2	+1	—7
Mobile	+9	+10	+6	..	..
Montgomery	+9	+1	—1	—1	—4
FLORIDA	—0	—3	+6	+4	+5
Jacksonville	+0	+0	+6	+7	+2
Miami	—4	—7	+6	+2	+2
Orlando	+6	+1	+11	..	..
St. Petersburg	+5	—6	+8	+3	+10
Tampa	—2	—3	+0	+2	+7
GEORGIA	+4	—7	+3	+1	—5
Atlanta	+0	—12	—0	+0	—11
Augusta	+16	+16	+16	+0	+7
Columbus	—1	—3	+6	+5	+7
Macon	+15	—2	+7	+1	+7
Rome	+19	—11	—5	..	..
Savannah	+7	+5	+9	+7	+21
LOUISIANA	—4	—6	—3	—5	—2
Baton Rouge	+7	—10	—10	+0	—3
New Orleans	—7	—6	—2	—1	—2
MISSISSIPPI	+17	—6	—3	—1	+2
Jackson	+15	—7	—5	—3	+1
Meridian	+21	—7	—2	..	..
TENNESSEE	+9	—8	+0	+1	—3
Bristol	+5	—7	—2	+1	—2
Bristol-Kingsport-Johnson City	+11	—5	+1	..	..
Chattanooga	+20	—8	+0	+1	—6
Knoxville	+4	—7	+2	+3	+7
Nashville	+5	—8	—2	+1	—6
OTHER CITIES**	+9	—0	+4	+4	+9
DISTRICT	+5	—4	+2	+1	—2

*Includes reports from 137 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.

Manufacturing Activity

By August of each year, a seasonal expansion in manufacturing, which, in many cases, continues throughout the year, generally begins. The greatest increases are most likely to occur in the food processing, apparel, and textile industries.

These industries in the District, however, have failed to follow their customary pattern this year. Furthermore, there was a weakening in aircraft and shipbuilding employment in August. As a result, manufacturing employment increased only .6 percent, compared with the usual seasonal gain over July of 3 percent. The increase over last August for the District amounted to one percent.

Food Processing and Apparel August food processing employment, which during the past four years has risen approximately 12 percent above that of the previous month, increased only 1.2 percent from the July figure this year, and was down 7.6 percent from August 1950. Apparel manufacturing employment, instead of increasing 7 percent from July to August as usual, declined .3 percent. Furthermore, a fall of 3 percent from August last year was recorded.

Textiles Textile employment showed a .2 percent gain this August, compared with the customary 2-percent rise. Other measures of textile activity are average weekly hours worked and cotton consumption. During August 1949 and 1950, the average weekly hours put in by a textile worker increased approximately 1.8 hours over July. This August the average operator was on the job approximately 1.3 hours less per week. He put in about 4 hours less per week than in August 1950.

In 1947, August consumption of cotton in the textile industry exceeded that of July by 12 percent and in 1948 by 8 percent. The recovery in 1949 from the mild recession brought the August total up 26 percent from July of that year. In August 1950, consumers' initial reaction to Korea caused a 19-percent gain. Consumption this August increased 14 percent over July but was 3.5 percent below a year ago. Figures for September show cotton consumption 2 percent below that for August and 5.5 percent under consumption in September 1950.

Transportation Equipment Month-to-month gains might be expected in industries that are more sensitive to defense program orders than they are to seasonal factors. In the transportation equipment sector, however, which includes aircraft and shipbuilding, employment decreased 8 percent in August, compared with July. Because of previous monthly increases, however, the August 1951 employment figure exceeded that of last August by 11 percent.

Paper and Chemicals Two other industries figured significantly in the increase in total manufacturing employment this August as compared with last. The paper industry reported a gain of 13 percent in the number of workers and the chemical industry added to its forces by 5 percent.

Preliminary reports for September indicate that the less-than-seasonal increases in August activity have not been offset. Despite likely gains in chemical and paper employment and those arising from expanding activity in the aircraft industry during the remaining months of the year, it is doubtful that District manufacturing activity in the last quarter will equal that of the corresponding period in 1950.

Construction Contracts Total construction contracts awarded in August in the District decreased 34 percent from July. When it is noted that in 1948 and 1950 the August total was approximately 5 percent larger than that of July and in 1949 was only 2 percent smaller, this 34-percent decrease becomes significant. This September, total awards declined 10 percent from August, compared with a 7-percent decrease for the month in 1950, and a one-percent gain in 1949.

The 120 million dollars in contracts awarded this August was 16 percent below the 141 million dollars awarded in August 1950. With the nonresidential figure remaining constant at 64.5 million dollars, residential awards decreased a substantial 30 percent from the August 1950 amount of 76 million dollars to 54 million in August this year. Total construction contracts awarded decreased 20 percent from 139 million dollars in September 1950 to 107 million in September of this year. Residential awards fell 16 percent and nonresidential contracts were down 30 percent.

On the other hand, total construction contracts awarded from January to the end of September this year were 3 percent greater than those awarded during the corresponding period of 1950. The greater backlog of incompleted contracts this year is reflected in the high construction employment figures. C.H.T.

Bank Deposits and Credit

Changes in deposits, loans, and investments at District banks during recent months reflect the growing importance of the Government's defense program and the slackening of activity in certain private sectors of the District economy. Contrary to conditions prevailing during the corresponding period last year, credit expansion at District member banks has primarily been a result of Government, rather than private, borrowing.

Deposits Purchasing power available in the form of deposits at District banks ordinarily does not increase until October. At that time, in addition to an expansion in deposits reflecting a growth in loans, marketing of crops and renewed activity in several manufacturing industries often direct the flow of funds towards District banks.

This year total deposits at District member banks increased 115 million dollars in September. Approximately a fourth of this amount was in Government deposits but there were increases in other types of deposits as well. Demand deposits adjusted—demand deposits other than interbank and Government—at all District banks increased 10 million dollars this September. They declined 57 million dollars during that month last year; 63 million in 1949; 34 million in 1948; and 26 million in 1947. Further expansions occurred during October according to reports from weekly reporting member banks.

In the light of recent trends in loans and in business activity, the best explanation that can be given for this unusual deposit growth is the disbursement of Government funds for the defense program, particularly in the construction of military facilities and in meeting expanded Government payrolls.

Because increased spending has not kept pace with growing deposits, however, the rate of turnover of demand deposits has changed little, aside from normal seasonal fluctuations, from that of previous months. In September the seasonally adjusted index of turnover of business and personal demand deposits at weekly reporting member banks in leading cities was 96 percent of the 1935-39 average, compared with 95 percent for August and 98 percent for September last year.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted** Sept. 1951	Aug. 1951	Sept. 1950	Unadjusted Sept. 1951	Aug. 1951	Sept. 1950
DISTRICT	408	398	409	424	358	426
Atlanta	427	416	466	474	420	518
Baton Rouge	354	345	391	393	304	433
Birmingham	428	378	409	458	348	437
Chattanooga	416	366	437	445	329	467
Jackson	368	344	383	434	317	452
Jacksonville	434	428	416	430	381	412
Knoxville	418	425	417	426	366	426
Macon	377	384	369	430	334	421
Miami	458	457	473	371	343	383
Nashville	460	440	480	474	401	494
New Orleans	352	409	361	373	355	383
Tampa	521	533	518r	501	453	497r

DEPARTMENT STORE STOCKS

Place	Adjusted** Sept. 1951	Aug. 1951	Sept. 1950	Unadjusted Sept. 1951	Aug. 1951	Sept. 1950
DISTRICT	429	441	438r	442	437	451r
Atlanta	521	561	583	568	566	635
Birmingham	343	363	368	360	356	387
Nashville	603	636	645	646	642	691
New Orleans	373	398	381	377	382	385

GASOLINE TAX COLLECTIONS***

Place	Adjusted** Sept. 1951	Aug. 1951	Sept. 1950	Unadjusted Sept. 1951	Aug. 1951	Sept. 1950
SIX STATES	269	266	247	275	263	252
Alabama	265	266	242	278	268	254
Florida	231	238	217	227	231	213
Georgia	241	244	255	251	249	266
Louisiana	288	284	269	302	287	283
Mississippi	279	277	246	288	285	254
Tennessee	320	280	252	326	283	257

COTTON CONSUMPTION*

Place	Sept. 1951	Aug. 1951	Sept. 1950
TOTAL	160	163	169r
Alabama	163	174	180r
Georgia	165	164	171
Mississippi	102	101	73
Tennessee	121	129	132

MANUFACTURING EMPLOYMENT***

Place	Aug. 1951	July 1951	Aug. 1950
SIX STATES	152	151	150
Alabama	151	152	151
Florida	141	140	132
Georgia	155	153r	154r
Louisiana	141	141	140r
Mississippi	152	150	152r
Tennessee	159	157	158r

CONSUMERS PRICE INDEX

Item	Sept. 1951	Aug. 1951	Sept. 1950
ALL ITEMS	192	191	181r
Food	233	231	216r
Clothing	214	211	196r
Fuel, elec., and refrig.	143	143	141r
Home furnishings	201	202	194r
Misc.	165	166	158r
Purchasing power of dollar	.52	.52	.55r

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

ELECTRIC POWER PRODUCTION*

	Aug. 1951	July 1951	Aug. 1950
SIX STATES	462	432	408
Hydro-generated	237	245	291
Fuel-generated	756	677	561

CONSTRUCTION CONTRACTS

Place	Sept. 1951	Aug. 1951	Sept. 1950
DISTRICT	527	595r	686
Residential	802	948r	951
Other	393	424r	558
Alabama	352	638	858
Florida	726	551	730
Georgia	481	322	998
Louisiana	616	657	606
Mississippi	203	1,335	409
Tennessee	576	938	504

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Sept. 1951	Aug. 1951	Sept. 1950
Unadjusted	22.8	20.7	23.3
Adjusted**	23.6	23.4	24.2r
Index**	95.7	94.7	97.9r

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Sept. 1951	Aug. 1951	Sept. 1950
Unadjusted	377	369	351r
Adjusted**	381	369	354r

Loans In September, for the first time in six months, new borrowings by businesses and individuals were greater than repayments at all member banks. The 20-million-dollar increase in total loans in September, however, was the smallest reported for that month in any postwar year. The greater part of the increase in loans occurred at country banks. Total loans at the end of September were, however, 58 million dollars greater than a year earlier.

Government Securities In contrast to the less-than-seasonal expansion in private credit, member banks in the District have steadily added to their holdings of Government securities. During September, total holdings increased 32 million dollars; in the preceding two months these holdings had expanded 122 million dollars. This tendency is quite different from that of the corresponding period in 1950, when banks were reducing their Government security holdings in order to build up reserves to carry their expanding loans.

C.T.T.

Fall Marketing of Cash Crops

The large seasonal increase in District farm income that occurs in the fall is attributable mainly to the heavy marketing of cash crops. Since cotton is the principal cash crop, the size, price, and rate of marketing of that crop often determine whether the seasonal rise in farm income will be larger or smaller than usual.

Cotton Crop Larger According to the October estimate, the cotton crop in the District states is 59 percent larger than last year, but only 5 percent larger than the ten-year average. Current prices received by farmers are about 15 percent below those of last year and large quantities are now entering the Government loan at approximately 32 cents a pound. The present loan value is about 20 percent below the farm price received during the heavy marketing season last year. Although most of the cotton now entering the loan may be redeemed later in the season and sold at higher prices, the net effect of the loan movement is to hold farmers' receipts from cotton down during the first few months of the marketing season.

The wide variations between seasons in the rate at which cotton is marketed are illustrated by the contrast between sales of the 1949 and 1950 crops. By the end of December 1949, Georgia farmers had sold 68 percent of their crop; Alabama farmers, 75 percent; and Mississippi farmers, 67 percent. In the 1950 crop year, however, sales at the end of December amounted to 95 percent of the crop in Georgia, 93 percent in Alabama, and 90 percent in Mississippi.

Prospects for higher prices later in the season appear to be good, with the result that the marketing pattern for the 1951 crop probably will more nearly resemble that of 1949 than that of 1950. Despite the large crop, therefore, the seasonal increase in total marketings attributable to the concentration of cotton sales in the last half of the year may be only slightly larger than normal, if any.

Other Cash Crops Smaller Production of some other crops that help to create the seasonal rise in cash receipts is below that of last year. Peanut production, for example, is down 17 percent and estimated sweet potato production is down 47 percent. Rice and tobacco production are larger than they were last year, but the size of these crops has little effect upon marketings during the last few months of the calendar year.

Production Costs Higher The extent of the seasonal rise in cash receipts, of course, does not always indicate the extent of the seasonal rise in net cash income. Production costs reached an all-time high in 1951. From June 1950 to June 1951, farm wage rates increased 13 percent; marketing prices increased 10 percent; prices of building and fencing supplies went up 14 percent; and prices of motor vehicle supplies advanced 6 percent. The gain in farmers' net incomes, therefore, is certain to be less than is indicated by the increase in gross receipts. Furthermore, a large part of the nicreased production costs this year has been deferred until the last few months of the year.

Farm production loans outstanding at District member banks on June 30 yere 18 percent larger in volume than on the same date in 1950. The near failure of cotton in some areas in 1950 meant that in 1951 farmers had to borrow a larger portion than usual of operating cash. Most of these loans will be repaid during October and November. Increased costs this year, in other words, will be largely concentrated in the last few months of the year. On balance, it appears that the seasonal increase in farmers' net income in 1951 will not be any greater than usual.

B.R.R.