MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

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An Investment Opportunity— United States Savings Bonds

Practically all of us agree that we ought to save. In our efforts to do so, however, some of us, either because of circumstances or will power, have been more successful than others. But most of us have succeeded to some degree. Indeed, about three out of every five spending units, during the latest year for which we have data, were able to save something. Even in the group that are the poorest among us, one out of three has managed to save something.

But most Americans also want to spend. We work, not to get money, but to get the things that money will buy. The majority of us want more things than we have money to pay for. It is no wonder that many times we fail to save as much as we should; the wonder is that we save as much as we do.

Perhaps one of the reasons that we have done as well as we have is that many of us have faced emergencies when having a nest egg meant the difference between meeting them with difficulty and accepting tragic consequences. Or perhaps we remember opportunities we missed because we lacked the necessary funds to take advantage of them. As we have grown older, some of us have come to realize that one of the reasons we never bought a home, took a trip to Europe, or sent the children to college, for example, was that we had never saved. Some of us want to become capitalists —to have money work for us. If we are going to start a business, invest in land, buy stocks or any other income-yielding property, most of us must gradually accumulate the capital needed by spending less than we earn.

These and other motives for saving are so strong that many of us, even with small or moderate incomes, would probably save something whether or not we received any return in the form of interest. We have two primary desires about the form in which we place our savings; we want to be sure that they will obtain the same number of dollars at a later date and we want to be able to convert our savings into a spendable form at any time. In more technical terms, we want safety and liquidity. In addition, we want to receive the maximum reward for our savings consistent with this safety and liquidity. We also want yields.

The U. S. savings bond program was conceived to meet these general needs. It has, moreover, been designed to meet not only these general needs, but the particular needs of different groups of savers. Evidence that these needs have been met is attested to by the fact that, according to the latest data, at least 40 percent of the spending units in the United States held some form of savings bonds. With the announcement of certain changes in the savings bond program, this program will satisfy these needs even more.

SERIES E BONDS

For the Saver of Moderate Means

This series was especially designed for persons with moderate incomes. Issued in denominations requiring a small purchase price of as little as $18.75, they could be bought by most savers, especially if they were purchased through a plan whereby the employer or bank withheld a certain amount each payday. Because persons with moderate incomes are generally more interested in building up a principal than in deriving a current income from their savings, the interest earned by these bonds was not paid until maturity or redemption. In other words, they were issued at a discount of 75 percent of the maturity value. Thus, the purchaser paying $18.75 for a bond received $25 ten years later.

The designers of the Series E program, moreover, recognized the ever-present temptation most savers face to liquidate their savings and weaken their savings program. The provisions under which the bond was issued thus provided that the bond would earn higher yields the longer it was held so that at the end of ten years, the yield would average 2.9 percent compounded semi-annually. Because of the special advantages embodied in the provisions of the Series E bond, individual purchases each year were limited to $10,000 maturity value.

The new Series E bond placed on sale beginning with May 1 of this year embodies all of these attractive features and adds certain improvements. The bonds are still issued in denominations having maturity values of $25 and upward, purchased at three-fourths of the maturity value beginning at $18.75. By shortening the term of the bond to nine and two-thirds years, however, the yield for the life of the bond has been raised to 3 percent on the basis of interest compounded semi-annually. But there are even greater improvements for the holder of the bond who must redeem it before maturity. Formerly, the E bond had to be held for at least one year before the holder could receive any interest. Under the provisions of the new Series E bond, a return of 1.07 percent will be earned even if the holder is compelled

UNITED STATES SAVINGS BONDS

	NEW SERIES H CURRENT INCOME BOND	NEW SERIES E BOND	OLD SERIES E BOND	NEW SERIES J BOND	OLD SERIES F BOND	NEW SERIES K BOND	OLD SERIES G BOND
Rate of interest if held to maturity...	3.00%	3.00%	2.90%	2.76%	2.53%	2.76%	2.50%
Maturity..........	9 Yrs. 8 Mos.	9 Yrs. 8 Mos.	10 Yrs.	12 Yrs.	12 Yrs.	12 Yrs.	12 Yrs.
Who may buy.......	Individuals only	Individuals only	Individuals only	All classes of investors, except commercial banks	All classes of investors, except commercial banks	All classes of investors, except commercial banks	All classes of investors, except commercial banks
Issue Price.........	Par	75% of maturity value	75% of maturity value	72% of maturity value	74% of maturity value	Par	Par
Method of payment of interest........	By check semi-annually at varying rates (a)	By semi-annual increase in redemption value	By semi-annual increase in redemption value	By semi-annual increase in redemption value	By semi-annual increase in redemption value	By check semi-annually at 2.76% annual rate	By check semi-annually at 2.50% annual rate
Minimum denomination........... (issue price)	$500.00	$18.75	$18.75	$18.00	$18.50	$500.00	$100.00
Maximum annual purchase (issue price)	$20,000.00	$15,000.00	$7,500.00	$200,000.00 (b)	$100,000.00 (c)	$200,000.00 (b)	$100,000.00 (c)
Redeemable........	At par after 6 mos. holding on 1 mos. notice	Any time after 2 mos. holding	Any time after 2 mos. holding	After 6 mos. holding on 1 mos. notice	After 6 mos. holding on 1 mos. notice	After 6 mos. holding on 1 mos. notice	After 6 mos. holding on 1 mos. notice

Approximate investment yield on issue price from issue date to beginning of each ½ year period and redemption price per $100.00 of maturity value during each ½ year period from issue date:

	New H yield	New H price	New E yield	New E price	Old E yield	Old E price	New J yield	New J price	Old F yield	Old F price	New K yield	New K price	Old G yield	Old G price
	[see also (a)]													
0 years to ½ year	—	—	0.00%	$75.00	0.00%	$75.00	—	—	—	—	—	—	—	—
½ to 1 year	0.80%	$100.00	1.07	75.40	0.00	75.00	1.11%	$72.40	0.00%	$74.00	1.16%	$99.20	0.10%	$98.80
1 to 1½ years	1.65	100.00	1.59	76.20	0.67	75.50	1.25	72.90	0.27	74.20	1.26	98.50	0.30	97.80
1½ to 2 years	1.93	100.00	1.94	77.20	0.88	76.00	1.38	73.50	0.45	74.50	1.37	97.90	0.44	96.90
2 to 2½ years	2.07	100.00	2.10	78.20	0.99	76.50	1.51	74.20	0.61	74.90	1.52	97.50	0.61	96.20
2½ to 3 years	2.15	100.00	2.19	79.20	1.06	77.00	1.64	75.00	0.75	75.40	1.62	97.10	0.75	95.60
3 to 3½ years	2.21	100.00	2.25	80.20	1.31	78.00	1.77	75.90	0.89	76.00	1.75	96.90	0.88	95.10
3½ to 4 years	2.25	100.00	2.28	81.20	1.49	79.00	1.85	76.80	1.03	76.70	1.84	96.70	1.04	94.80
4 to 4½ years	2.28	100.00	2.30	82.20	1.62	80.00	1.95	77.80	1.19	77.60	1.94	96.60	1.20	94.70
4½ to 5 years	2.40	100.00	2.43	83.60	1.72	81.00	2.04	78.90	1.34	78.60	2.03	96.60	1.35	94.70
5 to 5½ years	2.49	100.00	2.52	85.00	1.79	82.00	2.12	80.00	1.49	79.70	2.13	96.70	1.51	94.90
5½ to 6 years	2.57	100.00	2.59	86.40	1.85	83.00	2.20	81.20	1.63	80.90	2.21	96.80	1.66	95.20
6 to 6½ years	2.63	100.00	2.64	87.80	1.90	84.00	2.26	82.40	1.76	82.20	2.27	96.90	1.79	95.50
6½ to 7 years	2.69	100.00	2.69	89.20	2.12	86.00	2.33	83.70	1.87	83.50	2.33	97.00	1.89	95.80
7 to 7½ years	2.73	100.00	2.72	90.60	2.30	88.00	2.39	85.00	1.96	84.80	2.39	97.20	1.98	96.10
7½ to 8 years	2.77	100.00	2.74	92.00	2.45	90.00	2.45	86.40	2.03	86.10	2.44	97.40	2.05	96.40
8 to 8½ years	2.81	100.00	2.79	93.60	2.57	92.00	2.50	87.80	2.09	87.40	2.49	97.60	2.12	96.70
8½ to 9 years	2.84	100.00	2.83	95.20	2.67	94.00	2.54	89.20	2.14	88.70	2.53	97.80	2.18	97.00
9 to 9½ years	2.87	100.00	2.86	96.80	2.76	96.00	2.57	90.60	2.19	90.00	2.57	98.10	2.23	97.30
9½ to 9⅔ years	2.89	100.00	2.88	98.40										
9½ to 10 years					2.84	98.00	2.61	92.10	2.24	91.40	2.61	98.40	2.27	97.60
10 to 10½ years							2.64	93.60	2.29	92.90	2.65	98.70	2.31	97.90
10½ to 11 years							2.68	95.20	2.34	94.50	2.68	99.00	2.35	98.20
11 to 11½ years							2.71	96.80	2.40	96.20	2.70	99.30	2.39	98.60
11½ to 12 years							2.73	98.40	2.46	98.00	2.73	99.60	2.44	99.20
MATURITY	3.00%	$100.00	3.00%	$100.00	2.90%	$100.00	2.76%	$100.00	2.53%	$100.00	2.76%	$100.00	2.50%	$100.00

(a) Based on annual rate of .80% first 6 months, 2.50% next 3½ years, and 3.40% last 6 years, to provide investment yield of approximately 3% if held to maturity, lesser yields as shown if redeemed at earlier dates.

(b) Limit applies to Series J or K bonds alone or in combination.

(c) Limit applies to Series F or G bonds alone or in combination.

to cash his bond at the end of six months. If he can hold the bond for at least one year, he will earn 1.59 percent, compared with .67 percent under the provisions of the former Series E bonds.

Series E bonds still retain the desirable feature that the longer they are held the higher rate of interest they earn. A person buying a bond having a redemption value of $100, for example, would purchase it for $75. Nine and two-thirds years later, he would receive $100, thus earning a rate of 3 percent over the whole life of the bond. If he cashed it after two years, he would receive $78.20. The additional dollars earned would provide him with a yield of 2.1 percent at that time. If he held it to maturity, however, the $78.20 would yield an additional $21.80, and would give an approximate investment yield of 3.23 percent on the basis of the redemption value at that time.

The desirability of continuing to hold the bond would be even greater if he contemplated redeeming it after eight years. At that time, he would collect $93.60, or $18.60 more than he paid for the bond. But during the remaining life of the bond, one year and eight months, the investment of $93.60 would earn $6.40, or an investment yield of 4.01 percent. Balancing the higher yield the owner of a Series E bond would earn by holding it to maturity against what he had earned thus far, therefore, provides him with a deterrent to the liquidation of his savings and a strong inducement for continuing his savings program unimpaired.

An owner of a Series E bond has a further incentive—to continue to hold the bond after maturity. Previously, if he held the bonds for another ten years, he would receive a yield of approximately 2.9 percent on the maturity value. If he chose to keep his investment intact by extending his Series E bond, he would earn during the earlier years approximately 2½ percent.

Under the new extension provisions of the Series E bond, the investor holding his bonds after maturity will also earn an average return of 3 percent annually for the entire additional ten years. In case it is necessary to redeem the bonds before the end of the extended ten-year period, however, he will receive higher rates than prevailed under the old provisions. After three years, for example, his extended bond would have earned 2.96 percent in case he had to redeem it, compared with 2.43 percent under the old provisions. Or if he wishes to convert the matured bond into a security that will pay him a regular income, he may convert it to a Series K bond, described later, for which he will receive interest checks every six months for twelve years at the rate of 2.76 percent per annum.

SERIES H BONDS

Current Income for the Saver of Moderate Means

There are savers, however, who not only wish to preserve their savings in a form assuring safety and liquidity but also wish to receive interest currently from their holdings rather than in a lump sum at some future date. The Treasury has announced a new type of bond for this group called the Series H bond. Because the E and H bonds were both designed to appeal to savers with similar desires, they have many points of similarity.

The Series H bond is issued only to "natural persons," thus corporations and associations are excluded. The Series H bond during its entire life earns the same rate as the Series E bond. The amount that may be purchased by an individual during any calendar year is limited to $20,000.

One difference between the Series H and the Series E bond is that the former is not issued at a discount but at par. Interest is paid to the holder of a Series H bond by check at the end of every six months after the bond has been held for six months. Like the Series E bond, the Series H bond becomes a more valuable investment the longer it is held. The checks received are smaller during the first part of the period than when the bond approaches maturity. At the end of six months, for example, the holder receives a check for $4 on a $1,000 bond. Beginning with the one year and extending to the period of four years after the issue date, he receives a check for $12.50 semi-annually. After that period, he receives a check every six months for $17. At maturity the holder will, of course, receive the amount he has invested. He may also redeem his bond at face value at any time prior to maturity if he has held the bond for at least six months, and after one month's notice.

The H bond also differs from the E bond in that the lowest denomination offered is $500, with $1,000, $5,000, and $10,000 denominations also available. The H bond also differs in that there is no extension period after the original nine and two-thirds year term. The investment yield on a Series E bond is slightly greater during the earlier years if the bond is redeemed before maturity.

SERIES J BONDS

Appreciation for Other Investors

For those persons who are unable to satisfy all their investment requirements with Series E or H bonds in any one year because of the $20,000 maturity value limitation, the Treasury has provided other bonds which also afford liquidity, safety, and stability. These bonds also may be held by corporations and institutions other than banks.

The new Series J bond replaces the Series F bond. It resembles the Series E bond in that if the bond is held to maturity, the interest earned is not paid until the maturity date—twelve years after the issue date. A bond having a $1,000 maturity value, for example, is issued at $720. During the life of the bond, an investment accrues of 2.76 percent compounded semi-annually. Lesser yields are provided if the bond is redeemed before maturity. The bond may be redeemed six months after the issue date on one month's notice, but if it is redeemed at the first opportunity, the investment yield on the issue price is 1.11 percent, whereas if it is held for four years the yield averages 1.95 percent. The yields become progressively greater the longer the bond is held.

SERIES K BONDS

Current Income for Other Investors

The new Series K bond is designed to provide a current income and to yield the same rates as provided by the Series J bond. Interest is paid semi-annually equal to 2.76 percent per annum. The provisions of the bond, however, encourage the owner to hold it to maturity. If the bond is redeemed before maturity, the redemption value will be below par. For example, an investor pays $1,000 for a Series K bond. If he holds it to maturity—twelve years after the issue date—each six months he receives a check for $13.80 and twelve years later receives the full face value of the bond. If, however, he redeems it two years after the issue date, he receives only $975. The reduction in redemption value at that time, of $25, is of course more than offset by the interest received during the two years, but the net yield would be only 1.52 percent instead of the 2.76 percent earned if the bond were held to maturity.

The Series K bond replaces the Series G bond. The investment yield over twelve years maturity, however, is raised from 2.5 percent to 2.76 percent and the "cut back" provisions applying to redemptions prior to maturity apply to a lesser extent than in the case of the G bond. There is a limit of $200,000 on the amount of Series K and J bonds that any one holder may acquire during a year.

The Opportunity

The U. S. savings bond program thus affords an opportunity to individuals, regardless of the size of their incomes and investment programs, to invest their savings in a form that provides safety and liquidity with an attractive yield. It also provides an opportunity for institutions to invest part of their funds in securities having desirable features provided by no other type of security. The savings bond program is especially appropriate for those persons who have regular savings programs. Although the bonds may be converted readily into cash before maturity without any market loss, there are rewards for those who hold them to maturity. By use of the payroll savings plan, moreover, the individual can be assured of a constantly growing principal resulting both from his own savings and from the appreciation of compound interest.

To neglect this opportunity to enter upon a savings program, and to include the regular purchase of U. S. savings bonds as a part of it, can mean a loss to the individual. It is also to neglect an opportunity to participate in an important part of a sound program of Government finance. To the extent that Americans participate in the savings bond program, the greater will be the chance that defense expenditures can be financed without inflationary consequences.

Bank Announcements

On July 1, the Bank of Naples, Naples, Florida, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. The bank's officers are R. Clarence Tooke, President; E. L. Turner, Executive Vice President; W. Roy Smith and E. H. Frank, Vice Presidents; Mamie B. Tooke, Cashier; and Vera L. Storter, Assistant Cashier. It has a capital of $50,000 and surplus and undivided profits of $67,000.

Sixth District Statistics

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

Item	July 23 1952	June 25 1952	July 25 1951	Percent Change July 23, 1952, from June 25 1952	Percent Change July 23, 1952, from July 25 1951
Loans and investments—Total	2,856,145	2,776,925	2,543,982	+3	+12
Loans—Net	1,130,037	1,121,016	1,071,127	+1	+5
Loans—Gross	1,149,848	1,140,862	1,089,419	+1	+6
Commercial, industrial, and agricultural loans	636,902	638,530	618,450	—0	+3
Loans to brokers and dealers in securities	16,996	15,769	11,973	+8	+42
Other loans for purchasing and carrying securities	54,048	36,240	35,347	+49	+53
Real estate loans	91,152	91,388	91,021	—0	+0
Loans to banks	4,020	9,700	12,612	—59	—68
Other loans	346,730	349,235	320,016	—1	+8
Investments—Total	1,726,108	1,655,909	1,472,855	+4	+17
Bills, certificates, and notes	749,554	752,183	615,683	—0	+22
U. S. bonds	725,130	653,704	630,910	+1	+15
Other securities	251,424	250,022	226,262	+1	+11
Reserve with F. R. Banks	521,415	504,995	473,439	+3	+10
Cash in vault	48,928	48,421	47,704	+1	+3
Balances with domestic banks	208,731	214,244	196,832	—3	+6
Demand deposits adjusted	2,092,949	2,074,837	1,963,645	+1	+7
Time deposits	554,385	549,908	521,753	+1	+6
U. S. Gov't deposits	202,181	128,398	72,830	+57	*
Deposits of domestic banks	536,996	548,332	496,052	—2	+8
Borrowings	28,000	18,200	500	+54	*

*Over 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	June 1952	May 1952	June 1951	Percent Change June 1952 from May 1952	Percent Change June 1952 from June 1951	Percent Change Yr.-to-Date 6 Mos. 1952 from 1951
ALABAMA						
Anniston	32,261	30,402	31,314	+6	+3	+3
Birmingham	419,393	441,050	412,055	—5	+2	+7
Dothan	16,428	18,148	16,502	—9	—0	—1
Gadsden	21,258	24,064	20,767	—12	+2	+1
Mobile	168,629	167,311	161,630	+1	+4	+3
Montgomery	83,919	100,128	82,984	—16	+1	+2
Tuscaloosa*	29,498	30,968	28,096	—5	+5	—1
FLORIDA						
Jacksonville	391,352	396,066	375,926	—1	+4	+4
Miami	321,660	337,194	295,147	—5	+9	+7
Greater Miami*	487,699	527,138	449,340	—7	+9	+8
Orlando	76,381	86,581	77,848	—12	—2	+6
Pensacola	48,180	50,392	42,498	—4	+13	+13
St. Petersburg	78,004	88,475	73,770	—12	+6	+8
Tampa	174,614	170,534	166,409	+2	+5	+3
GEORGIA						
Albany	32,842	34,161	31,077	—4	+6	+7
Atlanta	1,120,226	1,093,403	1,035,712	+2	+8	+4
Augusta	90,678	93,865	76,249	—3	+19	+13
Brunswick	12,051	12,178	12,082	—1	—0	+3
Columbus	80,147	80,188	74,857	—0	+7	+10
Elberton	4,987	3,713	4,131	+34	+21	+3
Gainesville*	23,298	24,694	21,500	—6	+8	+13
Griffin*	12,312	13,689	12,661	—10	—3	+2
Macon	76,216	79,787	76,574	—4	—0	+3
Newnan	10,839	10,532	11,242	+3	—4	+1
Rome*	23,397	23,785	22,250	—2	+5	—5
Savannah	118,552	127,890	121,928	—7	—3	+3
Valdosta	17,081	17,744	13,813	—4	+24	+20
LOUISIANA						
Alexandria*	48,842	45,206	42,149	+8	+16	+10
Baton Rouge	115,865	112,525	109,035	+3	+6	+3
Lake Charles	53,118	53,992	44,285	—2	+20	+12
New Orleans	864,408	903,083	823,059	—4	+5	+8
MISSISSIPPI						
Hattiesburg	19,481	20,325	18,959	—4	+3	+4
Jackson	163,396	170,974	158,322	—4	+3	+5
Meridian	30,120	32,235	29,050	—7	+4	+1
Vicksburg	28,676	30,110	24,258	—5	+18	+27
TENNESSEE						
Chattanooga	181,625	180,154	201,257	+1	—10	—1
Knoxville	127,041	121,985	139,652	+4	—9	—9
Nashville	417,092	395,227	429,437	+6	—3	+6
SIXTH DISTRICT**	5,396,520	5,484,416	5,191,829	—2	+4	+5

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

District Business Conditions

Retail Trade Developments

The dollar volume of sales at weekly reporting department stores in the District rose 5 percent in the period January 1 through July 19, compared with that period last year. This gain merits attention because at these stores throughout the entire country, sales were off 3 percent.

Since the District trend in consumer spending at department stores has diverged markedly from the national trend for over a year, there is much speculation as to the causes. Gains in the southern part of the country have outstripped those in other sections, with the poorest sales records being made in the Federal Reserve Districts bordering the Great Lakes. As one moves geographically away from this area, declines are replaced by gains, the largest ones being found in the deep south. For the first six months of the year, compared with 1951, sales at monthly reporting department stores grew 7 percent in the Atlanta District and 5 percent in the Dallas District.

Early in 1951, the trend of department store sales in the Atlanta District began to diverge from the national pattern and that divergence has become more striking in recent months. From the low point reached in April 1951, department store sales, after seasonal adjustment, climbed to a peak in November in both the District and the nation. The decline that followed ended in February 1952 for the District but not until April for the United States. In the subsequent recovery, moreover, District advances considerably surpassed those for the nation.

Within the Sixth District, contrasts were even more pronounced, as is shown in the accompanying chart. At Augusta department stores, for example, the dollar volume of consumer purchases in the first six months of 1952 jumped 27 percent above corresponding year-ago figures, but in Bristol, Tennessee, sales were down 4 percent. Since January 1951, most cities, nevertheless, have exhibited either relatively stable or slightly rising sales trends.

Unless the divergences between District and national department store sales trends, as well as the contrasts within the District, are merely the results of consumer whims, they must have some more fundamental cause. Since purchasing power is essential for consumer spending, an analysis of recent income changes may afford some explanation. According to the Bank's estimates, during the first five months of 1952, personal income grew at a greater rate in the District than in the nation. Reasons for this growth may be found in an examination of changes in the major sources of income in the District, that is, in manufacturing, construction, agriculture, and government. In addition, part of the explanation may lie in changes in the rate of saving, in the use of credit, and in prices.

Sources of Income

MANUFACTURING AND CONSTRUCTION Changes in manufacturing income, which accounts for approximately 16 percent of total District income payments, appear to have contributed to the divergence between District and national department store sales trends. District manufacturing payrolls in the first five months of this year were 5 percent larger than in those months last year, compared with a national gain of 2.5 percent.

All District manufacturing industries, of course, did not register uniform gains. Estimated payrolls in the transportation equipment sector rose 32 percent in the period under comparison, with gains in the aircraft industry more than offsetting a slump in automotive output. Such a substantial increase probably affected consumer spending somewhat although the transportation sector is the source of only a small proportion of total District income. In the nation transportation equipment payrolls increased only 14 percent.

Another difference between national and District trends arose in the paper and allied products industry, in that payrolls dropped nearly 3 percent in the nation but rose 10 percent in the District. In the food processing industry, which accounts for 12 percent of the manufacturing employment in the District and for 9 percent in the United States, the District showed a gain of about 10 percent, compared with a national rise of only 4 percent. Chemicals payrolls in the nation also showed a 4 percent rise, but increased 9 percent in the District.

The above-mentioned gains were only partly offset by losses in other industries. In almost every instance, however, declines were less in the District than in the nation. The slackened demand that has plagued the textile industry since the cessation of the second post-Korean buying spurt reduced estimated payrolls in District textile mills by 11 percent for the first five months of this year, but the comparable decline throughout the nation amounted to 13 percent. A 9.5 percent drop in textile employment figures in the nation loomed large against a 3.5 percent fall in the District. Developments in the apparel sector followed a similar pattern although the decreases were more moderate. As national payrolls in this industry decreased 5 percent, District payrolls declined slightly less than 3 percent.

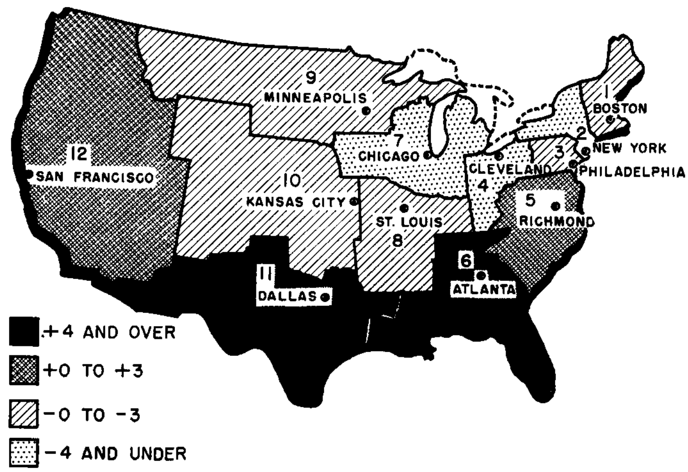
Again, in the lumber and wood products industry, the District fared better than the nation. Roughly the decline in District payrolls amounted to 5 percent, whereas in the nation it was slightly more than 6 percent. Only in the primary metals group did the District decrease in the first five months of 1952 from that period of 1951 exceed the national decline. This industry's payrolls fell 4 percent in the District, but decreased less than 1 percent nationally.

Incomes have been boosted by gains in other segments of the economy. District construction activity, for example, was stimulated by a striking increase in contract awards during the first five months of 1952, compared with those months last year. The gain for all types of construction awards in the District amounted to 16 percent, which takes on added significance when compared with a 15 percent drop in the thirty-seven eastern states for which data are available. Residential awards showed more moderate movements—rising 9 percent in the District and falling less than one percent in the larger area.

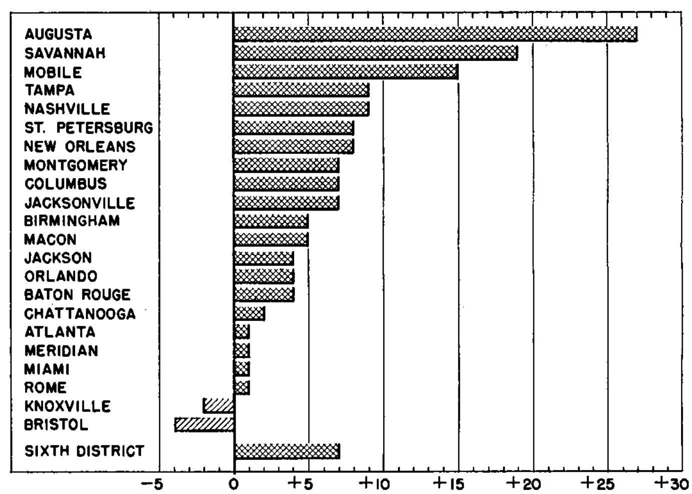
AGRICULTURE The first four months of 1952 marked a period of relative stability in farm income when compared with the same period last year, within the Sixth District as well as nationally. In the District, cash receipts from crops showed no change, but receipts from livestock and livestock products increased 6 percent. Since cash crops are predominant in District agriculture, however, total farm receipts increased only 2 percent. And this was probably more than offset by the continued rise in production costs, which for all farmers throughout the nation amounted to 4 percent in the first half of 1952. Except in the case of Florida, the first four months of the year represent an off-season for crop marketings in which farm income payments are small in proportion to total annual income payments. Furthermore, receipts from citrus fruits marketed in Florida early in the year were reduced considerably because of lower prices.

Other states in the District have shown substantial gains in cash receipts, such as Alabama with 24 percent and Georgia with 14 percent. It can be assumed that these increases are due to the proportionately larger marketings of cotton in the first part of the year. Although reporting department stores are not located in cities near principal cotton producing areas, increases in cash receipts could contribute indirectly to a growth in department store sales. In this case, however, changes in District farm income apparently have not been a major causal factor in the divergence between District and national department store sales trends.

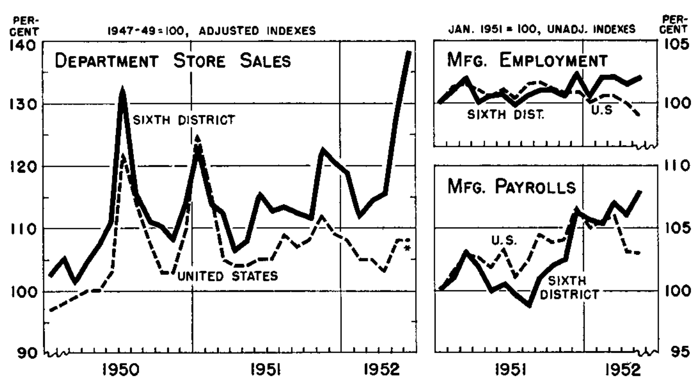
GOVERNMENT EXPENDITURES Estimates indicate a substantial growth in Government payrolls in the first quarter of 1952 over 1951 in the District, but not as large as that in the nation. Government payments on commercial accounts for military purposes have added to the income stream. In Georgia, Alabama, and Tennessee such payments were 34 percent higher in the first five months of 1952 than in that period in 1951. One indication that payments to military personnel have also increased is the rise in currency shipments from the Federal Reserve Bank of Atlanta to major military or defense areas in Georgia. These shipments in the first half of 1952 advanced 6 percent above the like period of 1951; to Augusta alone, they jumped 48 percent. Although these data indicate a sharp rise in Government income payments, they are incomplete and moreover cannot be com-



1. For the first six months of 1952, percent changes in department store sales by Federal Reserve Districts show the greatest gains taking place in the southern part of the nation—Sixth and Eleventh Districts.



2. During the same period, striking contrasts occurred in changes in department store sales in leading cities within the Sixth District.



3. Department store sales in the Sixth District have grown at a more rapid rate than the national average since early 1951. District sales gains during recent months are partly attributable to the relatively greater advances made here in manufacturing employment and payrolls than in the nation.

pared with the national gains because such data are not available.

Income tax refunds add to consumer purchasing power and consequently influence consumer spending. These payments in the first half of 1952 for Georgia and Florida were the highest since 1949.

Credit Buying

Southerners have traditionally used credit more extensively than consumers elsewhere. At District department stores, credit sales generally account for almost 60 percent of total sales; the comparable figure for the nation is 50 percent.

Undoubtedly, a greater use of credit, particularly instalment credit, has contributed to the impressive sales performance at District department stores. In the first five months of this year, compared with that period of 1951, the change in District credit sales was in greater contrast with the national change than it was in the case of cash sales. In those months of 1952, cash sales at District department stores grew 5 percent; throughout the country, these sales declined 2 percent. Instalment sales in the District ran 16 percent higher than they did last year, whereas at the nation's department stores, they declined, although less than one percent. Charge account sales in the District showed little change from last year, but in the nation, they fell 6 percent.

Expanded business in April and May had pushed total 1952 sales in the District above the year-ago mark. May increases may be attributed largely to the suspension of Regulation W, which seems to have stimulated consumer buying more in this region than nationally. Instalment sales at District department stores climbed 24 percent in April and 62 percent in May over last-year marks, compared with gains of 8 percent and 21 percent for the nation.

Savings

Consumer savings as reflected in time deposits at commercial banks mounted steadily and at about the same pace in the District and nation in this 17-month interval. By May 1952, time deposits had climbed 8 percent over the January 1951 mark in both the District and the nation.

Individual cities reporting the largest increases in time deposits for May 1952 from January 1951 generally reported biggest sales gains. This suggests that income in certain areas was sufficiently high to permit consumers to expand their purchases and at the same time to add to their savings accounts at commercial banks.

While adding to savings accounts, the public simultaneously dissaved by cashing their holdings of Series A-E United States savings bonds. In each month from January 1951 through May 1952, redemptions exceeded sales in the District. With the exception of November, the same applied to the United States. Net redemptions in the District, however, were generally more constant throughout the entire period than in the nation. On balance, changes in savings probably add little to an explanation of the sales phenomenon.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change June 1952 from May 1952	Volume: June 1951	Outstandings: Percent Change June 1952 from May 1952	Outstandings: June 1951
Federal credit unions	39	+18	+50	+7	+18
State credit unions	17	—0	+33	+6	+22
Industrial banks	10	+1	+7	+1	+11
Industrial loan companies	12	—19	+4	+1	+12
Small loan companies	34	—6	+8	+2	+10
Commercial banks	33	—1	+38	+5	+10

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change June 1952 from May 1952	June 1951
Total sales	138	—5	+41
Cash sales	123	—7	—6
Instalment and other credit sales	123	—5	+49
Accounts receivable, end of month	131	+7	+33
Collections during month	131	—2	+12
Inventories, end of month	98	—5	—10

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change June 1952 from May 1952	Sales: June 1951	Inventories: No. of Firms Reporting	Inventories: Percent Change June 30, 1952, from May 31 1952	Inventories: June 30 1951
Automotive supplies	4	—10	—15	4	—10	—18
Electrical—Wiring supplies	4	—9	+3	4	—3	+2
" Appliances	5	+20	+79	3	—5	—20
Hardware	10	—3	+9	6	—3	—7
Industrial supplies	13	—29	—25	3	—2	—4
Jewelry	4	+17	+20	3	+2	—15
Lumber and bldg. mat'ls	8	—7	—10	5	—10	—4
Plumbing & heating supplies	4	+2	—14	3	+4	—2
Refrigeration equipment	6	+13	+6	6	—3	—3
Confectionery	5	—18	—7	.	..	..
Drugs and sundries	7	—5	+3	.	..	..
Dry goods	16	—13	—1	11	+2	—24
Groceries—Full-line	40	—7	+3	28	+2	—5
" Voluntary group	3	—15	+5	.	..	..
" Specialty lines	10	—0	—1	5	+6	+2
Tobacco products	10	+9	+31	6	—6	+4
Miscellaneous	14	+14	+5	13	—5	—8
Total	163	—4	+5	100	—2	—9

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Sales: June 1952 from May 1952	Sales: June 1952 from June 1951	Sales: Yr.-to-Date 1952-1951	Inventories: June 30, 1952 from May 31 1952	Inventories: June 30, 1952 from June 30 1951
ALABAMA	—9	+14	+8	—4	—8
Birmingham	—12	+9	+5	—5	—7
Mobile	—6	+24	+15	..	..
Montgomery	—12	+10	+7	..	..
FLORIDA	—10	+15	+5	—8	—5
Jacksonville	—14	+17	+7	—7	+1
Miami	—13	+11	+1	—7	—10
Orlando	—16	+15	+4	..	..
St. Petersburg	—4	+16	+8	—10	+2
Tampa	—3	+15	+9	..	..
GEORGIA	—15	+16	+5	—4	—13
Atlanta**	—19	+11	+1	—3	—16
Augusta	—3	+42	+27	..	..
Columbus	—8	+18	+7	—2	—2
Macon	—6	+13	+5	—8	—7
Rome**	—19	+8	+1	..	..
Savannah**	—3	+31	+19	..	..
LOUISIANA	—9	+16	+8	—5	—17
Baton Rouge	—9	+17	+4	—9	—21
New Orleans	—9	+15	+8	—4	—17
MISSISSIPPI	—14	+8	+4	—9	—16
Jackson	—12	+8	+4	—10	—20
Meridian**	—15	+8	+1	..	..
TENNESSEE	—14	+8	+2	—7	—13
Bristol**	—8	—1	—4	—12	—7
Bristol-Kingsport-Johnson City**	—11	—4	—6	..	..
Chattanooga	—17	+4	+2	..	..
Knoxville	—15	+0	—2	—5	—17
Nashville	—12	+21	+9	—4	—10
DISTRICT	—11	+15	+7	—6	—11

*Includes reports from 122 stores throughout the Sixth Federal Reserve District.

**In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such non-department stores, however, are not used in computing the District percentage changes.

Prices

Among the important factors determining consumer spending behavior are the current level of prices and consumer attitudes toward possible price changes. The high and rising level of consumer prices in 1951 assuredly dampened consumer spending. The consumers price index in the District hit its peak in October 1951, two months before the national all-time high was reached. The District index thereafter slipped 2 percentage points to 194 in January 1952, continuing at that point through May, in contrast to modest fluctuations nationally.

Individual components of the index varied markedly from the all-item averages. Beginning with October 1951, clothing prices in the District and the nation fell steadily. The drop through April 1952 amounted to 4 percent for the District and 3 percent for the nation. Prices of home furnishings, after giving ground moderately for almost a year, were off 3 percent in the United States and 2 percent in the District from their respective 1951 high points. Elaborate promotional campaigns, coupled with steady price reductions, undoubtedly have stimulated sales at department stores. But since they were as prevalent in the District as in the nation, perhaps little weight can be attached thereto in explaining the District-national divergences in department store sales.

Conclusions

Of the major forces possibly affecting the District department store sales record, three stand out in importance—changes in manufacturing income, government expenditures, and credit buying. Increases have occurred in each, and gains in manufacturing income and credit buying have outdistanced those for the country. Striking percentage gains in instalment buying have continued down to the present and have substantially exceeded increases in total department store sales. Lifting of consumer credit controls has no doubt been a mainspring in this outstanding, but perhaps temporary, drive. Although comprehensive data for military expenditures in the District are not available, their impact has undoubtedly been significant. So long as the District continues to improve its income position, department store sales here are likely to grow faster than in the nation.

FARM COMMODITY PRICES IN THE SIXTH DISTRICT STATES

Item	June 1952	May 1952	June 1951	Percent Change June 1952 from May 1952	June 1951
Cotton, lb.	¢ 39.8	38.3	42.9	—4	—7
Cottonseed, ton	$ 66.00	66.17	91.17	—0	—28
Peanuts, lb.	¢ 9.5	9.6	10.4	—1	—9
Corn, bu.	$ 1.89	1.89	1.70	0	+11
Rice, cwt.	$ 5.70	5.50	5.70	+4	0
Oranges, box	$ 1.17	1.08	1.63	+8	—28
Beef Cattle, cwt.	$ 23.73	24.30	25.16	—2	—6
Hogs, cwt.	$ 19.05	18.50	19.88	+3	—4
Chickens, lb.	¢ 26.5	24.9	29.5	+6	—10
Eggs, doz.	¢ 39.4	37.5	45.9	+5	—14
Milk, cwt.	$ 5.49	5.53	5.32	—1	+3

Sixth District Indexes

1947-49 = 100

DEPARTMENT STORE SALES AND STOCKS*

	Adjusted** June 1952	Adjusted** May 1952	Adjusted** June 1951	Unadjusted June 1952	Unadjusted May 1952	Unadjusted June 1951
DISTRICT SALES	138	127r	115r	117	122r	98r
Atlanta[1]	135	133	115r	110	126	95r
Baton Rouge	122	103	100	105	107	86
Birmingham	118	108	105	105	111	93
Chattanooga	129	127	119	114	127	105
Jackson	135	115	123	108	114	98
Jacksonville	125	112	103	110	119	91
Knoxville	122	117	117	109	118	104
Macon	164	140	140	136	134	116
Miami	136	132	118	107	114	93
Nashville	130	108	103	113	119	89
New Orleans	128	119	107	110	112	92
Tampa	129	118	108	116	111	97
DISTRICT STOCKS	125	126	141	120	127	135

[1]In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such non-department stores, however, are not used in computing the District index.

GASOLINE TAX COLLECTIONS

Place	Adjusted** June 1952	Adjusted** May 1952	Adjusted** June 1951	Unadjusted June 1952	Unadjusted May 1952	Unadjusted June 1951
SIX STATES	153	153	149	154	155	151
Alabama	145	149	137	151	152	143
Florida	147	153	133	147	154	133
Georgia	148	150	156	151	150	160
Louisiana	164	170	146	167	157	149
Mississippi	167	171	166	172	167	171
Tennessee	144	154	156	146	154	157

COTTON CONSUMPTION*

Place	June 1952	May 1952	June 1951
TOTAL	104	105	124
Alabama	120	104	123
Georgia	95	105	125
Mississippi	117	111	116
Tennessee	101	101	118

ELECTRIC POWER PRODUCTION*

	May 1952	April 1952	May 1951
SIX STATES	146	149	130
Hydro-generated	84	110	99
Fuel-generated	202	185	158

MANUFACTURING EMPLOYMENT

Place	May 1952	April 1952	May 1951
SIX STATES	107	107	107
Alabama	105	105	101
Florida	117	120	114
Georgia	111	110	111
Louisiana	100	98r	99
Mississippi	108	108r	110
Tennessee	106	105	107

CONSTRUCTION CONTRACTS

Place	June 1952	May 1952	June 1951
DISTRICT	242	187r	220
Residential	189	199r	239
Other	282	178r	205
Alabama	193	150	293
Florida	229	169	189
Georgia	281	242	252
Louisiana	166	160	179
Mississippi	110	218	240
Tennessee	347	168	189

CONSUMERS PRICE INDEX***

Item	June 1952	May 1952	June 1951
ALL ITEMS	195	194	191
Food	231	228	229
Clothing	209	208	210
Fuel, elec., and refrig.	143	143	143
Home furnishings	204	204	209
Misc.	175	175	166
Purchasing power of dollar	.51	.52	.52

*Daily average basis
**Adjusted for seasonal variation
***1935-39 = 100
r Revised

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	June 1952	May 1952	June 1951
Unadjusted	22.8	21.8	23.5
Adjusted**	23.0	23.6	23.7
Index**	119.5	122.7r	123.1

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	June 1952	May 1952	June 1951
Unadjusted	133	118	127
Adjusted**	134	120	128