MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

Volume XXXVII | Atlanta, Georgia, December 31, 1952 | Number 12

A New Index: Furniture Store Sales

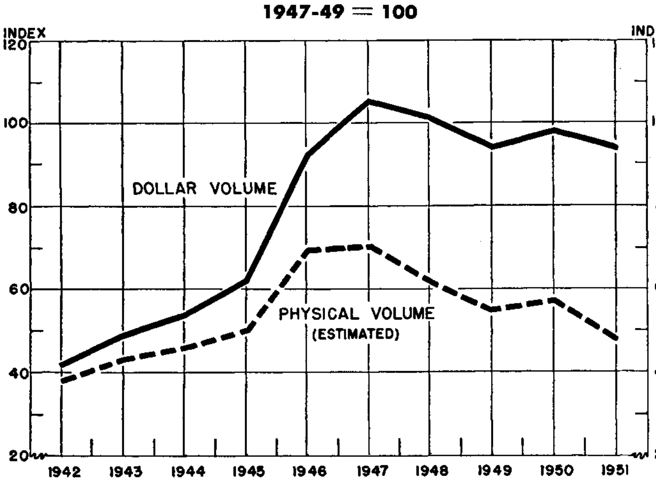
To retailers of durable goods, one of the more encouraging signs of Sixth District business activity during the last sixteen months, has been the rising, although occasionally erratic, trend in consumer purchases at furniture stores, marking a significant recovery from the mid-1951 slump. Seasonally adjusted sales in November 1952 were 29 percent greater than in July a year ago, the month before the revival began. Sales in the first eleven months of 1952, moreover, were 13 percent above the corresponding level in 1951 and were about one percent above the record high reached in 1947. All District states shared in the revival that started as early as May in Alabama and Georgia, and as late as October in Florida.

If the current rate of consumer purchases at District furniture stores is maintained, as many believe it will be, 1952 sales should be the highest on record. At this pace, dollar sales will be in the neighborhood of 316 million.

A New Barometer

Heretofore, the only monthly barometer of furniture store sales in the Sixth District was in terms of percentage changes. These percentages, based on a constant sample of stores in two periods under consideration, indicated the level of sales in a given month in relation to that in a month selected as the base period. This measure is of limited value since it cannot be used to trace trends in sales and cannot be compared readily with indexes of business activity.

DISTRICT FURNITURE STORE SALES INDEXES
1947-49 = 100



To overcome these deficiencies, an index of sales at furniture stores has been constructed for the District and for each state except Mississippi. Too few stores in that state report sales to form the basis of a reliable index. Whatever data are available for Mississippi, however, are included in the District index. The District sample represents only 3 percent of the retail furniture stores in operation in the 1948 census year, but they do about 15 percent of the sales volume.

In conformity with the shift of other Federal Reserve and Government indexes, the years 1947-49 were selected as the base period. The indexes were calculated on a monthly basis as far back as 1942, when the Federal Reserve Banks began collecting figures from furniture stores. Because the number of trading days varies from month to month, comparability has been improved through the use of daily average sales rather than monthly totals.

The computation of the index may be illustrated with sales data for Alabama furniture stores. To compute the September 1952 index for that state, for example, the daily average sales in September are divided by the daily average sales in the base period. The resulting index number indicates that Alabama furniture store sales in September 1952 were 113 percent of the sales in the base period; in other words, consumers spent 13 percent more at Alabama furniture stores in September of this year than they did in the average month in the base period.

Annual sales, of course, are not spread equally over the twelve months; the sales volume in some months is regularly better than in others in any given year. Alabama merchants, for example, know from experience that consumers buy more in December than in any other month. Holidays, recurring special sales campaigns, seasonal changes in weather, and customs, such as June marriages, influence consumer spending decisions. In order to determine whether business in September 1952 was actually better or worse, say, than in December 1951, it is therefore necessary to take this seasonal pattern into account.

This is achieved by constructing seasonal factors that depict the normal pattern of furniture store sales during the year. Sales in September are usually 119 percent of the average for the year. By dividing this September norm into the unadjusted sales index for September 1952, a seasonally adjusted index of 95 is derived. Likewise, unadjusted indexes for other months are divided by their respective factors to eliminate the effect of seasonal influences. The process yields a December 1951 adjusted index for Alabama of 108. A comparison of the indexes shows that, after the seasonal element is taken into account, furniture store business this September was off from December 1951.

The District furniture store sales index is derived by weighting each state's index according to its relative importance, as measured by sales in the 1948 census of retail trade. A more detailed description of the techniques employed in the constructing of these indexes may be obtained from the Research Department of the Federal Reserve Bank of Atlanta upon request. Hereafter, these indexes will be published monthly in this *Review*, as well as in the Bank's furniture store release.

What Has Happened at Furniture Stores During the Last Eighteen Years

A steadily rising trend in District furniture store sales is apparent from 1935 through 1947, with a subsequent moderately declining movement that was reversed in the last half of 1951. The rate of growth during the prewar years on the whole exceeded that during the war years. Part of this is attributable to the general revival in business activity after the Great Depression. During the war years, a scarcity of merchandise, combined with consumer credit controls, tended to counteract the increase in purchasing power and correspondingly limited the growth in furniture store sales.

Furniture stores, of course, sell more than furniture and bedding. Floor coverings, radios, and television sets, as well as a wide variety of household appliances are among the important commodities these stores handle. During the war years, defense requirements restricted production of most durables. Consequently, consumers either diverted their disposable income to merchandise available at other retail outlets or built up their savings. Furniture stores, nevertheless, retained their relative prewar position. Their sales averaged 2.8 percent of total national retail sales before, as well as during, the war period. The ratio increased to 3.4 percent in 1946 and 1950, slipping a little thereafter to 3.1 percent for the first nine months of 1952.

When furniture store sales are compared with total sales of consumer durables, their wartime standing improves considerably. For the period 1935-39, the nation's furniture store sales represented about 11 percent of total sales of major consumer durables; for 1942-45, however, the ratio jumped to 18 percent, chiefly because of the virtual stoppage in production and sales of civilian automobiles. By 1951, the proportion had fallen back to a little over 9 percent.

After the end of the war, District furniture store sales advanced to a higher plateau; 1946 sales jumped 48 percent above the dollar volume of the preceding year—the largest annual rate of gain in the eighteen-year span under consideration. The peak was reached in 1947, when the index stood at 105 percent of the 1947-49 average, and the boom was over. As civilian production controls were removed, consumers bid for the increasingly available goods with funds from larger paychecks, vast accumulated savings, and bank borrowings which increased sharply.

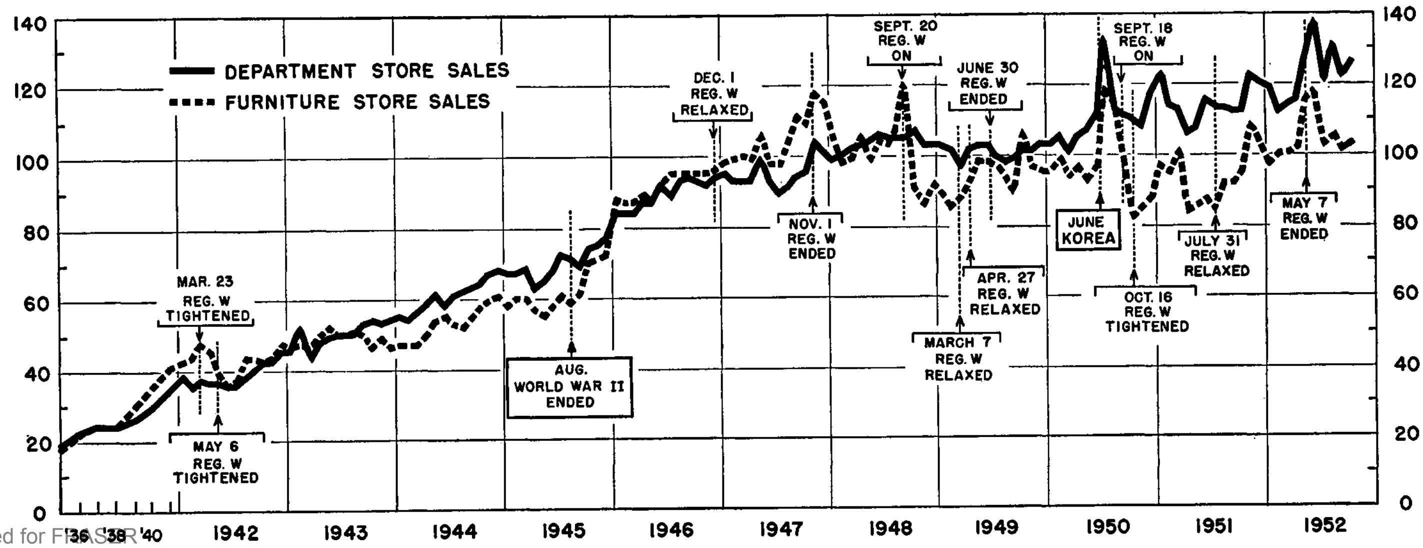
By 1948, the backlog of demand had eased and furniture store sales slipped off 4 percent from the preceding year. In 1949, the volume fell almost to the 1946 level. Had the Korean War not provided a stimulant, the two-year decline would in all probability have lasted longer. Spurred by cries of shortages in 1950, consumers bought in anticipation of future needs, thus contributing to the drop in 1951 sales.

Furniture Store Sales Lag Behind Department Store Sales

Until now the index of department store sales was the only index of retail buying for the Sixth District. A comparison of the newly constructed furniture store sales index with that for department stores reveals that neither measure is always an accurate indicator of total retail buying. By using both indexes and comparing their movements, a better picture of total buying can be obtained.

Throughout the entire period covered, consumer spending at department stores generally grew more rapidly than at furniture stores. This was partly because home furnishings account for practically all sales at District furniture stores, but represent only one-fifth of sales at department stores. Only in 1946 and 1947, when the supply of major con-

DISTRICT FURNITURE AND DEPARTMENT STORE SALES INDEXES, 1935-52
1942-52, Monthly, adjusted for seasonal variation
1947-49 = 100



sumer durables increased rapidly, was the reverse true. In the postwar period, department stores experienced only one year-to-year decline, a moderate 2-percent decrease in 1949. In 1951, they actually topped the 1950 mark for a record level to that time, a record which has been decisively broken this year.

When compared with the experience of the furniture and home furnishings departments of District department stores, the lag at furniture stores during the last decade is even more striking. Sales of furniture and bedding at department stores in 1951 were up 279 percent from the 1942 mark and home furnishings sales climbed 321 percent, compared with 124 percent at furniture stores. All three groups showed an upward trend through 1947, although the annual rate of increase in the two departments at department stores exceeded that of furniture stores in most years. From 1947 through 1950, however, the underlying movement at furniture stores was downward, in contrast to gains at the home furnishings and furniture departments of department stores. Sales declined at about the same rate in 1951 in all three categories.

Several factors may help explain the varying sales experience at furniture and department stores. The absolute size of operations at the two outlets differs strikingly. In 1951, over four-fifths of all reporting furniture stores in the District did less than a million dollars worth of business, compared with only 13 percent of the department stores. Over one-half of the department stores sold between one and five million dollars in merchandise. It may be that a store's ability to maintain its relative sales position is associated with the size of its operations.

Differences in credit policies at the two outlets may also be a factor in explaining the disparity. Almost half of District department store sales are for cash, compared with around 10 percent at furniture stores. Consequently, in the immediate postwar period, it is contended, department stores benefited from the spending of the vast accumulated savings more so than furniture stores. Also, furniture stores have encountered stiff competition from appliance dealers. According to Commerce Department estimates, sales of radio and appliance stores averaged a little over 30 percent of total household furnishings sales in the prewar period. During the war, the proportion dropped to about one-fifth. But in the postwar period, these stores sold approximately two-fifths of all household furnishings.

In the District, total department store business on the whole has not fluctuated as erratically as that at furniture stores. This relatively greater stability reflects in part the nature of the merchandise sold. Past studies show that sales of major durables fluctuate much more violently than other sales. Retail sales and consumption of durables are by no means synonymous terms; there is a time element. In buying furniture, for example, an individual acquires future as well as present services. Moreover, the period of usefulness of consumer durables is flexible. In normal times most durables are discarded before the end of their service life. But since replacement may be postponed, an element of potential instability in purchases is injected, which exists to a markedly less degree in nondurables.

From 1942 to 1951, when the dollar volume of District furniture store sales rose 124 percent, prices of the home furnishings component of the Bureau of Labor Statistics Department Store Inventory Price Index advanced an esti-

Sixth District Indexes

1947-49 = 100

DEPARTMENT STORE SALES AND STOCKS*

	Adjusted**			Unadjusted		
Place	Nov. 1952	Oct. 1952	Nov. 1951	Nov. 1952	Oct. 1952	Nov. 1951
DISTRICT SALES	128	126	122r	145	132	140r
Atlanta[1]	123	129	122r	146	136	145r
Baton Rouge	110	108	105r	121	112	115
Birmingham	120	119	110	135	118	123
Chattanooga	133	137	131r	147	130	145
Jackson	114	117	118	133	130	138
Jacksonville	117	115	122	123	134	128
Knoxville	115	122	121	121	120	127
Macon	126	130	125r	154	137	152
Miami	137	127	127	152	121	141
Nashville	121	121	117r	136	124	132
New Orleans	121	123	115	146	127	139
Tampa	122	118	117	141	124	135
DISTRICT STOCKS	137	133	130	153	145	145

[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

	Adjusted**			Unadjusted		
Place	Nov. 1952	Oct. 1952	Nov. 1951	Nov. 1952	Oct. 1952	Nov. 1951
TOTAL	142	147	141	146	144	145
Alabama	147	147	146	151	145	150
Florida	144	144	139	140	131	135
Georgia	146	144	141	151	143	146
Louisiana	133	132	158	140	136	166
Mississippi	152	169	143	168	172	157
Tennessee	129	151	116	138	150	125

COTTON CONSUMPTION*

Place	Nov. 1952	Oct. 1952	Nov. 1951
TOTAL**	112	104	111
Unadjusted	116	108	114
Alabama	114	111	115
Georgia	117	106	116
Mississippi	133	125	103
Tennessee	107	102	95

ELECTRIC POWER PRODUCTION*

	Oct. 1952	Sept. 1952	Oct. 1951
SIX STATES	159	157	138
Hydro-generated	73	70	85
Fuel-generated	238	236	186

MANUFACTURING EMPLOYMENT

Place	Oct. 1952	Sept. 1952	Oct. 1951
TOTAL**	112	110r	107
Unadjusted	112	111r	107
Alabama	108	107r	104
Florida	122	121r	114
Georgia	114	114	112
Louisiana	111	105	99
Mississippi	113	113r	110
Tennessee	111	111	106

CONSTRUCTION CONTRACTS

Place	Nov. 1952	Oct. 1952	Nov. 1951
DISTRICT	149	156r	93
Residential	158	136r	108
Other	143	172	81
Alabama	86	78	101
Florida	184	187	110
Georgia	202	90	79
Louisiana	126	261	62
Mississippi	211	66	44
Tennessee	87	133	106

CONSUMERS PRICE INDEX***

Item	Nov. 1952	Oct. 1952	Nov. 1951
ALL ITEMS	n.a.	197	195
Food	n.a.	235	234
Clothing	n.a.	208	215
Fuel, elec., and refrig.	n.a.	145	144
Home furnishings	n.a.	202	210
Misc.	n.a.	176	172
Purchasing power of dollar	n.a.	.51	.51

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Nov. 1952	Oct. 1952	Nov. 1951
Unadjusted	25.0	21.9	23.4
Adjusted**	23.4	21.1	21.9
Index**	121.5	109.5	113.7

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Nov. 1952	Oct. 1952	Nov. 1951
Unadjusted	138	139r	130
Adjusted**	136	139r	128

*Daily average basis
**Adjusted for seasonal variation
***1935-39 = 100
n.a. Not available
r Revised

mated 77 percent. When dollar sales are adjusted for price changes, the estimated physical volume of District furniture store sales increased only 26 percent in 1951, compared with 1942. Year-to-year dollar volume of sales are correspondingly reduced when deflated for price changes.

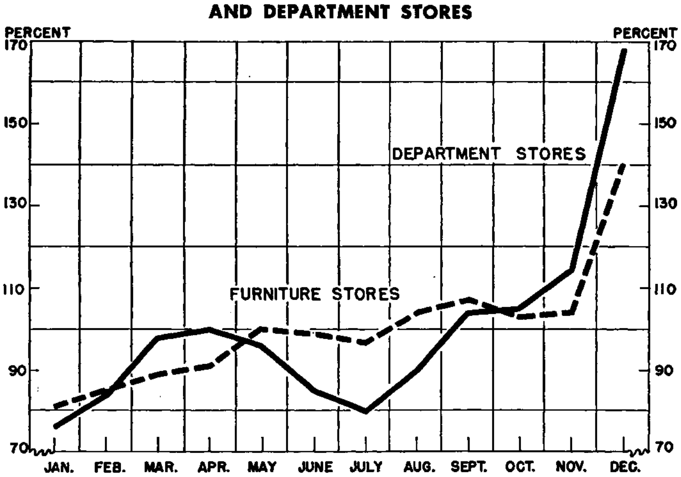
On this basis, too, related departments at District department stores recorded larger gains than furniture stores. In the home furnishings departments, which handle most of the merchandise found in furniture stores, the gain in the physical volume of sales from 1942 to 1951 was 140 percent. Similarly, the physical volume in the furniture departments of department stores climbed 121 percent.

Seasonal Patterns

Seasonal factors constructed for use in adjusting indexes show a gradual "normal" upward month-to-month movement in District furniture store sales from the January low to the peak in December. Sales in December are customarily 35 percent greater than in November and 72 percent greater than in January. Two other less striking peaks occur in May and September. Summer stocks and gift and bridal merchandise are promoted in May. In September, fall merchandise is heralded, as well as new lines purchased at the summer furniture show at the Chicago mart. Many stores, however, boost August for this purpose.

The seasonal sales pattern at District department stores differs from that at furniture stores in several aspects, as is shown in the chart. The over-all range of sales between

SEASONAL PATTERNS AT DISTRICT FURNITURE AND DEPARTMENT STORES



January and December is wider at department stores, with sales in December 121 percent greater than in January. An April peak at department stores is followed by a decline to July, the second lowest point in the year. The subsequent normal rise to December is far steeper than at furniture stores. The Easter trade, which is a relatively insignificant factor at furniture stores, influences the short-term rise at department stores in the first quarter of the year.

Relation of Consumer Credit To Furniture Store Sales

Furniture stores traditionally sell relatively more on credit than most other lines of retail outlets. Retail Credit Surveys for recent years indicate that approximately 80 percent of all furniture store sales in the Sixth District are made on the instalment plan, a ratio higher than that for the nation and far greater than that for any of the remaining eight lines of trade covered in the Surveys. For the nation as a whole, about one-tenth of the total instalment sale credit outstanding originates at furniture stores.

In the District, consumer instalment loans made by commercial banks other than for automobile purchases or for home repairs have accounted for between 15 and 20 percent of the total outstandings in most years since 1946. Part of these loans, of course, are for financing consumer purchases at furniture stores. Beginning in the postwar period, such outstandings rose sharply, and with but few very minor interruptions, to a peak in October 1950. Furniture store sales, on the other hand, reached their peak in 1947 and subsequently declined. After dropping off in 1951, outstandings once again advanced to a level in October 1952 only slightly below the 1950 maximum. Movements in consumer instalment loans outstanding appear to have been moderately influenced by the tightening and relaxing of consumer credit controls.

Effect of Credit Controls

Controls on down payments and maturities, operative in about nine of the last twelve years, were instrumental in some of the sharp, short-run movements at District furniture stores. Regulation W was first instituted in September 1941. On March 23, 1942, controls were tightened. Since the possibility of this action was probably well known in advance, consumers bought almost 20 percent more at District furniture stores in that month than in the previous month. A similar situation existed in September 1948. In September 1950, controls, which had been lifted in 1949, were again clamped on after the buying wave, precipitated by the Korean War, began.

It is interesting to note that the imposition of credit controls tended to have a relatively greater and longer lasting effect in restricting consumer purchases at furniture stores than the relaxation or termination of Regulation W had in stimulating sales. In practically all instances, lifting of Regulation W on the following dates afforded only a temporary stimulus to sales: November 1, 1947; June 30, 1949; and May 7, 1952. After credit controls were reinstituted on September 20, 1948, and September 18, 1950, sales in succeeding months dropped to a lower plateau than in the preceding periods. The reaction of sales to credit controls indicate that the latter were an effective brake on one contributory segment of the inflationary spiral.

Who Can Use the Indexes

Occasionally people ask, "Just how can *we* use these indexes?" or "Of what value is such information to merchants who do not have the training or, because of their small operations, do not have the funds to establish a research department?" This is a valid question. Several applications of the furniture store sales indexes may therefore be suggested for merchants, bankers, and business analysts.

FURNITURE STORE MERCHANTS The paramount question on the tongues of merchants at all times is, "How's business?" The answer to this question is most frequently available on the national level. But the process of averaging to obtain aggregates for the nation often conceals widely divergent local or regional trends. Sixth District department store sales through November, for example, were running 8 percent ahead of last year, although for the nation they were off slightly. Similar divergences were apparent within the District. A merchant is primarily interested in occurrences in his own bailiwick. Local trade associations afford one means of obtaining impressions of the trend of business, but actual statistics in many instances are not available. Federal Reserve indexes are frequently the only measures available over a period of time.

Merchants will probably find the indexes most helpful in determining long-term trends or cyclical movements of the furniture store business on a state level. By comparing the movement of his sales with the average in his area over a period of time, a merchant can readily determine his relative position. Continuous divergences from the average may reflect a strengthening or weakening of his competitive standing. Such a comparison may be invaluable as the starting point for a critical internal analysis of a business, be it small or large. Since various surveys conclude that well over half of all business failures are caused by lack of knowledge, mismanagement, and inefficiency, such an examination may be all the more important.

BANKERS Retail furniture stores account for about 10 percent of the total instalment sales credit granted. In financing consumer sales, retailers themselves must often resort to banks, wholesalers, or finance companies to obtain working capital. The last two, in turn, frequently obtain funds from commercial banks to carry accounts of retailers. Beyond this, consumers may borrow directly from banks to buy merchandise sold at furniture stores. Since about 90 percent of Sixth District furniture store sales are made on credit, the trend of consumer buying at furniture stores may give bankers a useful clue as to the strength of one factor in the demand for consumer credit.

Bankers may also find familiarity with the normal seasonal changes in sales helpful in anticipating their customers' credit needs to carry inventories and accounts receivable. Acquaintance with general conditions in the furniture store business, moreover, should prove useful to bankers in their analyses of applications for loans as well as in their counseling services.

BUSINESS ANALYSTS Researchers in private business and in the Government are constantly seeking information that will shed additional light on consumer expenditures, and, in turn, on the over-all level of business activity. Within the Federal Reserve System, information on changes in consumer durable goods sales is needed as one basis for policy decisions with respect to maintaining national monetary and credit stability.

One potent inflationary force in the nation is the extension of consumer credit; over 22 billion dollars is outstanding today, most of which is in the form of instalment sale and loan credit. In abnormal periods such as that immediately following the beginning of the war in Korea, effective demand may well exceed the available supply of merchandise and cause prices, if unchecked, to rise. Easy access to instalment credit would amount to "adding fuel to the fire." Awareness of the trends in consumer buying at furniture stores is, therefore, another aid in formulating credit policies aimed at promoting economic stability.

BASIL A. WAPENSKY.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change Nov. 1952 from Oct. 1952	Volume: Nov. 1951	Outstandings: Percent Change Nov. 1952 from Oct. 1952	Outstandings: Nov. 1951
Federal credit unions	34	—9	+11	+1	+25
State credit unions	18	—2	+23	—0	+30
Industrial banks	7	—8	—9	+1	+8
Industrial loan companies	10	—3	—1	+1	+6
Small loan companies	34	—1	+8	+0	+19
Commercial banks	32	—6	+19	+2	+22

RETAIL FURNITURE STORE OPERATIONS

Item	Number of stores Reporting	Percent Change November 1952 from Oct. 1952	Nov. 1951
Total sales	140	—8	—2
Cash sales	123	+2	—11
Instalment and other credit sales	123	—8	—2
Accounts receivable, end of month	131	+2	+35
Collections during month	131	—3	+15
Inventories, end of month	94	+3	—4

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change Oct. 1952 from Sept. 1952	Sales: Oct. 1951	Inventories: No. of Firms Reporting	Inventories: Percent Change Oct. 31, 1952, from Sept.30 1952	Inventories: Oct.31 1951
Automotive supplies	5	+2	—1	5	+1	—6
Electrical—Full-line	3	—12	—6	.	..	..
" Wiring supplies	6	+1	+5	6	+4	+6
" Appliances	8	+21	+28	7	—7	—24
Hardware	11	+10	+7	6	+2	—5
Industrial supplies	10	+4	+10	.	..	..
Jewelry	4	+17	+17	.	..	..
Lumber and bldg. mat'ls	7	+3	+13	5	—0	+5
Plumbing & heating supplies	4	+10	—20	3	+6	+18
Refrigeration equipment	6	—12	—8	6	—3	—1
Confectionery	5	+13	+16	.	..	..
Drugs and sundries	12	+5	+6	3	—7	—2
Dry goods	13	—1	+8	9	—10	—6
Groceries—Full-line	48	+3	+3	35	+8	—2
" Voluntary group	3	+15	+5	.	..	..
" Specialty lines	12	+11	+8	7	+12	—3
Tobacco products	17	—4	+8	12	+0	—2
Miscellaneous	13	—6	—1	13	—4	—15
Total	187	+4	+6	117	+1	—6

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Percent Change: Sales: Nov. 1952 from Oct. 1952	Sales: Nov. 1952 from Nov. 1951	Sales: Yr.-to-Date 1952-1951	Inventories: Nov. 30, 1952, from Oct. 31 1952	Inventories: Nov. 30 1951
ALABAMA	—2	+6	+8	+5	+12
Birmingham	+2	+5	+6	+2	+6
Mobile	—1	+14	+17	..	..
Montgomery	+0	+2	+8	..	..
FLORIDA	+0	+1	+7	+13	+1
Jacksonville	—18	—8	+5	+5	+7
Miami	+12	+4	+5	+23	—4
Orlando	—5	+5	+7	..	..
St. Petersburg	+3	+1	+9	+8	+7
Tampa	+1	+0	+9	..	..
GEORGIA	—4	—2	+7	+4	+7
Atlanta**	—4	—4	+4	+5	+7
Augusta	—9	+12	+27	..	..
Columbus	+2	—5	+8	+3	+0
Macon	+7	—5	+5	—1	+5
Rome**	—9	+4	+7	..	..
Savannah**	—5	+6	+17	..	..
LOUISIANA	+2	+1	+9	—0	+4
Baton Rouge	—4	+1	+7	+3	+8
New Orleans	+3	+1	+9	—1	+1
MISSISSIPPI	—12	—6	+3	—1	+4
Jackson	—9	—8	+3	—2	+7
Meridian**	—16	—2	+3	..	..
TENNESSEE	—5	—4	+3	+5	+5
Bristol**	—9	—10	—3	+7	+5
Bristol-Kingsport-Johnson City**	—5	—7	—4	..	..
Chattanooga	+0	—3	+5	..	..
Knoxville	—11	—8	—3	+4	+5
Nashville	—2	—1	+8	+7	+13
DISTRICT	—2	—0	+8	+5	+5

*Includes reports from 122 stores throughout the Sixth Federal Reserve District.
**In order to permit publicaton 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.

Commodity Financing at District Banks

Seasonal influences usually cause loans at District banks to rise about 7 percent from the end of August to the end of the year. One contributing force is the expansion of credit needed to finance the marketing of crops. Substantial amounts of credit are used to finance the movement of tobacco, peanuts, and rice, but the financing of cotton marketings overshadows all other types of commodity financing.

The same small country bank that provides the cotton farmer with production credit usually finances the first stage in the marketing process. This may consist of financing cotton held by the ginner pending sale to a cotton merchant, or it may consist of financing cotton held by the farmer in anticipation of a more favorable price.

After the cotton is shipped from the local producing area, most of the funds required to finance its movement to the mills or into export trade come from banks in the larger population centers. Except for the small portion of the crop marketed co-operatively by farmers and that purchased by mills directly from ginners and farmers, most of the cotton passes through the hands of cotton merchants. These merchants accumulate and store the cotton and deliver it at the time and to the place required by mills and exporters. A large share of the loans to commodity dealers at District banks are to these cotton merchants.

The volume of bank credit outstanding at a particular time and the seasonal pattern of that credit depends, among other things, upon the weather, the size of the crop, trends in the price of cotton, farmers' expectations about future price movements, and the outlook for cotton exports. The relative importance of these factors varies, of course, from season to season.

Favorable weather for harvesting tends to shorten the marketing period. This year the weather has been unusually favorable, with the result that 90 percent of the crop had been ginned by December 1, the highest percentage on that date since 1943. Total production this year is now estimated at 15,038,000 bales, compared with 15,140,000 in 1951. From the beginning of the current cotton season on August 1 to the middle of December, prices declined nearly 20 percent, in contrast to the 20-percent increase during the comparable part of last season.

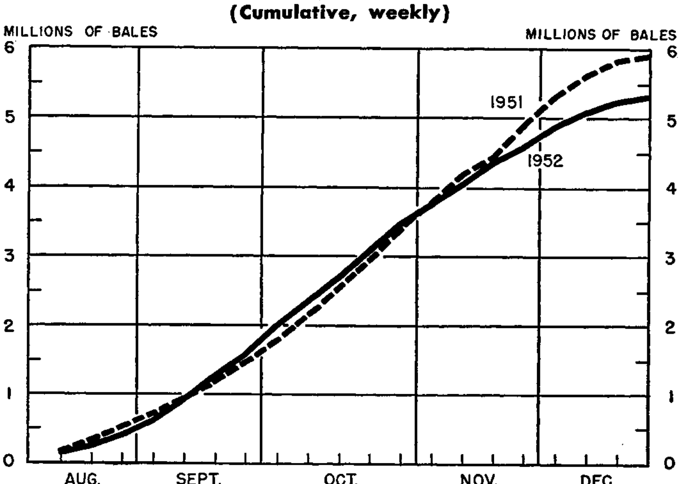
Although there are no statistical measurements of farmers' expectations about future price movements, the rate of entry of cotton into the CCC loan affords one clue. From the beginning of the 1951 season to November 1, nearly 700,000 bales were placed in the loan, compared with only 100,000 bales during the comparable part of the current season. Entries for the month of November, however, totaled 200,000 bales in 1951 and 300,000 bales in 1952. Loan entries for the week ending December 19, 1952, amounted to 155,900 bales, the largest weekly total for the season. During the early part of the 1951 season, many farmers apparently expected prices to go higher and held part of their cotton. During the early part of the current season, on the other hand, farmers sold freely and apparently did not expect higher prices later in the season. The rising rate of entries into the loan indicates that farmers' expectations have changed, particularly in November.

Most early season estimates of the volume of exports centered around 4.5 million bales, or about one million less than was exported last year. There is considerable doubt, however, that this level will be reached, since exports through the early part of December totaled about one-half as much as those for the comparable part of the 1951 season.

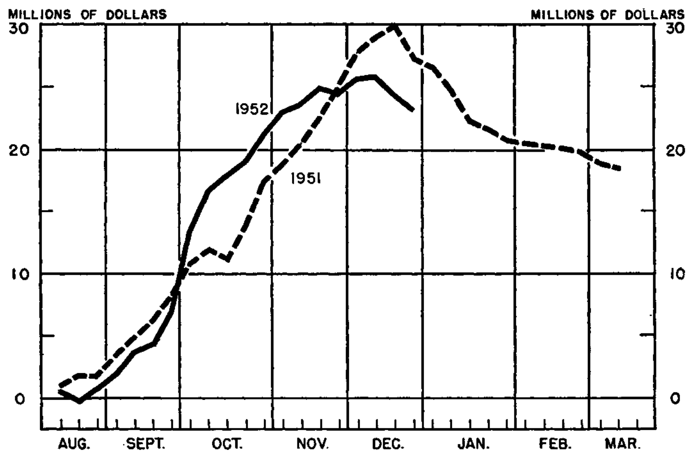
Although the combined effect of these forces on cotton loans at the country bank level cannot be accurately measured, it is known that many farmers have borrowed money from country banks in order to be able to hold their cotton for higher prices. Other loan demands at these banks are usually relatively low at this season of the year and deposits are relatively high. These funds used to finance cotton inventories now will be needed later to finance next season's crops. The volume of commodity loans at these banks, therefore, probably has already reached or passed its peak. Some of the increase in CCC loans may represent a refinancing of these cotton loans at country banks.

Loans to commodity dealers at 22 weekly reporting member banks in leading District cities have reflected closely the changes in cotton marketing activity during the

SPOT MARKETS SALES OF COTTON
(Cumulative, weekly)



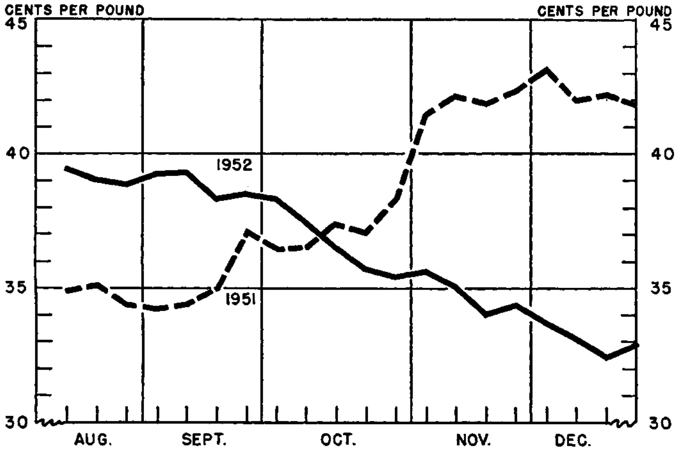
CUMULATIVE CHANGES IN LOANS TO COMMODITY DEALERS AFTER AUGUST 8 AT LEADING DISTRICT BANKS



current season. From mid-September to mid-October, prices were fairly steady, which contributed to the rapid movement of cotton. Sales on the spot markets increased more rapidly than during the comparable period of the 1951 season, and loans to commodity dealers at banks in the larger cities also increased more rapidly than in 1951. The decline in cotton prices that began in the early part of October was accompanied by a decline in market activity, as is indicated by sales in the spot markets, and a corresponding decline in the rate of lending to commodity dealers. From the beginning of the cotton season on August 1 through December 24, total cumulative sales

COTTON PRICES, MIDDLING 15/16"

Ten Spot Market Average



on the spot markets were 10 percent less than in the 1951 season, and cumulative changes in loans to commodity dealers showed a 16-percent drop from that part of the 1951 season.

Upward revisions in the estimated size of the crop and a disappointing start on the export movement have been the most obvious reasons for the declines in cotton prices and marketing activity. Since no further official estimates of the size of the crop will be made until May, this factor will have no influence in the coming months. Despite the slow start on exports, the need for cotton in the principal importing countries is still fairly large and more funds to finance the movement of this cotton may become available through the Export-Import Bank. Any strengthening of cotton prices and a resulting increase in marketings probably would cause loans to commodity dealers to follow a somewhat different pattern than they followed last year. Instead of declining rapidly after mid-December as it did in 1951, the volume of such loans might well remain relatively high in the early part of 1953.

BROWN R. RAWLINGS.

Bank Announcements

On January 1, 1953, The Farmers Bank of Pompano, a nonmember bank in Pompano Beach, Florida, will remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers of the bank are W. L. Kester, President; C. O. Stubbs, Vice President and Cashier; and Stanley E. Stubbs and Samuel L. Geer, Assistant Cashiers. It has capital of $100,000 and surplus and undivided profits of $200,000.

Sixth District Statistics

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES

(In Thousands of Dollars)

Item	Dec. 24 1952	Nov. 26 1952	Dec. 26 1951	Percent Change Dec. 24, 1952, from Nov. 26 1952	Dec. 26 1951
Loans and investments—					
Total	2,945,321	2,966,477	2,751,610	—1	+7
Loans—Net	1,224,994	1,211,527	1,105,374	+1	+11
Loans—Gross	1,245,665	1,232,144	1,124,180	+1	+11
Commercial, industrial, and agricultural loans .	723,539	707,713	657,696	+2	+10
Loans to brokers and dealers in securities . .	13,183	15,455	12,692	—15	+4
Other loans for purchasing or carrying securities	38,923	40,202	35,525	—3	+10
Real estate loans	96,748	96,870	88,516	—0	+9
Loans to banks	2,073	7,166	5,339	—71	—61
Other loans	371,199	364,738	324,412	+2	+14
Investments—Total	1,720,327	1,754,950	1,646,236	—2	+5
Bills, certificates, and notes	751,059	786,469	782,390	—5	—4
U. S. bonds	706,334	699,330	627,899	+1	+12
Other securities	262,934	269,151	235,947	—2	+11
Reserve with F. R. Banks . .	549,832	543,226	512,148	+1	+7
Cash in vault	48,949	48,801	53,773	+0	—9
Balances with domestic banks	220,531	198,847	212,427	+11	+4
Demand deposits adjusted .	2,117,450	2,109,693	2,022,619	+0	+5
Time deposits	555,116	558,947	527,825	—1	+5
U. S. Gov't deposits	109,061	157,018	75,671	—31	+44
Deposits of domestic banks .	696,513	625,513	671,709	+11	+4
Borrowings	52,250	72,000	11,200	—27	*

*More than 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS

(In Thousands of Dollars)

Place	Nov. 1952	Oct. 1952	Nov. 1951	Percent Change Nov., 1952 from Oct. 1952	Nov. 1951	Yr.-to-Date 11 Mos. 1952 from 1951
ALABAMA						
Anniston . . .	29,884	35,155	27,887	—15	+7	+7
Birmingham . .	431,199	445,503	426,530	—3	+1	+5
Dothan . . .	18,102	23,506	18,995	—23	—5	+1
Gadsden . . .	23,287	27,976	24,828	—17	—6	+2
Mobile	160,346	181,832	151,295	—12	+6	+5
Montgomery . .	97,279	114,626	100,724	—15	—3	+2
Tuscaloosa* . .	31,418	34,437	32,408	—9	—3	+0
FLORIDA						
Jacksonville . .	373,087	397,361	350,648	—6	+6	+6
Miami	304,351	329,693	303,493	—8	+0	+8
Greater Miami*	462,478	498,566	469,693	—7	—2	+8
Orlando . . .	75,088	84,168	73,805	—11	+2	+11
Pensacola . .	52,320	54,429	45,358	—4	+15	+17
St. Petersburg .	89,672	85,226	76,307	+5	+18	+12
Tampa	171,641	166,540	163,943	+3	+5	+6
W. Palm Beach*	51,332	52,186	53,402	—2	—4	+2
GEORGIA						
Albany	38,617	37,251	38,072	+4	+1	+6
Atlanta . . .	1,053,149	1,255,394	1,119,673	—16	—6	+5
Augusta . . .	96,452	107,526	83,116	—10	+16	+15
Brunswick . .	11,233	11,734	12,530	—4	—10	—1
Columbus . . .	78,670	86,361	75,628	—9	+4	+8
Elberton . . .	5,355	6,208	4,953	—14	+8	+8
Gainesville* . .	25,209	27,710	24,396	—9	+3	+13
Griffin* . . .	13,807	15,890	13,320	—13	+4	+5
Macon	80,790	86,245	81,311	—6	—1	+3
Newnan . . .	10,957	13,749	11,862	—20	—8	—1
Rome*	26,896	33,614	27,096	—20	—1	+3
Savannah . . .	128,491	118,106	111,908	+9	+15	+5
Valdosta . . .	16,407	16,484	14,634	—0	+12	+11
LOUISIANA						
Alexandria* . .	42,629	50,695	42,369	—16	+1	+10
Baton Rouge .	119,081	134,231	115,124	—11	+3	+6
Lake Charles .	52,736	57,904	50,045	—9	+5	+12
New Orleans . .	863,114	990,476	917,451	—13	—6	+6
MISSISSIPPI						
Hattiesburg . .	19,484	21,813	18,733	—11	+4	+6
Jackson . . .	179,099	188,692	166,931	—5	+7	+6
Meridian . . .	31,725	38,843	31,905	—18	—1	+3
Vicksburg . . .	34,999	39,796	36,574	—12	—4	+10
TENNESSEE						
Chattanooga . .	222,896	201,604	190,816	+11	+17	+2
Knoxville . . .	134,859	138,969	126,380	—3	+7	—5
Nashville . . .	439,376	450,675	421,651	—3	+4	+5
SIXTH DISTRICT						
32 Cities . . .	5,443,746	5,948,076	5,393,110	—8	+1	+6
UNITED STATES						
342 Cities . .	130,188,000	154,239,000	123,541,000	—16	+5	+7

*Not included in Sixth District totals.

Index for the Year 1952