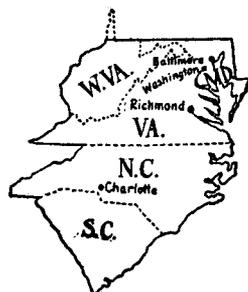


# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



RESERVE  
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

October 31, 1946

### Business Conditions

SEPTEMBER saw a continuation of the previous months' high level of business activity in the Fifth Federal Reserve District. Production facilities were being utilized at rates approaching capacity: bituminous coal production, cotton consumption and cigarette output ranged from 9 to 15 per cent above September of last year and both coal and cigarettes showed increases over August of this year after adjustment for seasonal variation. Building permits were up 21 per cent from August and 154 per cent from last September, reflecting the continued acceleration of the housing program. Wholesale trade showed increases over August in all lines except hardware, which lost ground slightly. Retail trade, as reflected by department store sales, was the only major indicant which showed a decrease from the preceding month: after seasonal adjustment, a 3 per cent decrease was shown from the August figure even though there was an increase of 32 per cent over September of 1945. Bank debits were up 2 per cent from August and 25 per cent from last September.

Cotton and tobacco harvests in the Fifth District have been estimated at 7 and 13 per cent respectively above the

1945 level, and current prices for both crops indicate large cash returns. The October 1 estimate on the apple crop is slightly higher than the estimate of September 1 and sets an expected yield of 22.1 million bushels, or an increase of 225 per cent over the 1945 yield. Lumber production showed an increase in July over June of 8 per cent, the month's output being 547 million board feet. This represented an 87 per cent increase over July of 1945 and reflected a continuing rate of growth in excess of that of the country as a whole.

#### COTTON AND COTTON TEXTILES

The Fifth District 1946 cotton crop as of October 1 was estimated at 1,188,000 bales, a decline of 1.7 per cent since the September 1 estimate but 7.2 per cent above 1945 production. The cut since September 1 is largely the result of excessive rains and cool weather in the Carolinas where the losses occurred, there being no change in the estimate of Virginia's crop. The U. S. crop, however, is predicted at only 8,724,000 bales, 3.2 per cent below that of 1945 while yields are the lowest since 1941.

#### BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100      Seasonally Adjusted

|                                  | Sept.<br>1946 | Aug.<br>1946 | July<br>1946 | Sept.<br>1945 | % Change                   |                             |
|----------------------------------|---------------|--------------|--------------|---------------|----------------------------|-----------------------------|
|                                  |               |              |              |               | Sept. 1946 from<br>Aug. 46 | Sept. 1946 from<br>Sept. 45 |
| Bank Debits .....                | 303           | 298          | 259          | 243           | + 2                        | + 25                        |
| Bituminous Coal Production*..... | 153           | 151r         | 153          | 142           | + 1                        | + 8                         |
| Building Permits Issued.....     | 211           | 175          | 184          | 83            | + 21                       | +154                        |
| Cigarette Production .....       | 234           | 229          | 216          | 207           | + 2                        | + 13                        |
| Cotton Consumption .....         | 154           | 154          | 140          | 134           | 0                          | + 15                        |
| Department Store Sales.....      | 298           | 306          | 307          | 225           | - 3                        | + 32                        |
| Department Store Stocks.....     | 262           | 259          | 263r         | 200           | + 1                        | + 31                        |
| Furniture Sales—Retail .....     | 267           | 212          | 249          | 167           | + 26                       | + 60                        |
| Life Insurance Sales.....        | 265           | 272          | 297          | 153           | - 3                        | + 73                        |
| Wholesale Trade:                 |               |              |              |               |                            |                             |
| Automotive Supplies** .....      | 286           | 251          | 239          | 195           | + 14                       | + 47                        |
| Drugs .....                      | 282           | 260          | 280          | 230           | + 8                        | + 23                        |
| Dry Goods .....                  | 221           | 193          | 213          | 148           | + 15                       | + 49                        |
| Electrical Goods** .....         | 54            | 43           | 55           | 40            | + 26                       | + 35                        |
| Groceries .....                  | 267           | 249          | 246          | 197           | + 7                        | + 36                        |
| Hardware .....                   | 116           | 122          | 112          | 81            | - 5                        | + 43                        |
| Industrial Supplies** .....      | 275           | 253          | 237          | 137           | + 9                        | +101                        |
| Paper and Its Products**.....    | 181           | 126          | 137          | 115           | + 44                       | + 57                        |
| Tobacco and Its Products**.....  | 111           | 107          | 116          | 94            | + 4                        | + 18                        |

\*Not seasonally adjusted

\*\*1938-41=100

Cotton ginnings in the Carolines prior to October 1 totaled 321,963 running bales, 73 per cent above those for the corresponding period last year and 28 per cent of this year's indicated production.

Cotton prices continued to rise during the first week of October, the average for middling 15/16" cotton in the 10 spot markets on October 2 being 38.93 cents a pound, the highest point since 1920. After slight declines on the following two days prices rose again, reaching 38.92 on October 8. Prices then declined steadily but remained above 38 cents until October 16 when the market experienced the widest break since last July. On that day futures slumped the permissible daily limit of \$10 a bale on a wave of liquidation which lasted for three days. The New Orleans and New York cotton exchanges decided to close on Saturday, October 19, hoping orderly trading would be re-established by the following Monday. The average price for middling 15/16" cotton on the 10 spot markets on Monday was 33.77, compared with Friday's low of 33.49. By October 23 the average had risen to 35.38, the market having recovered about half the losses it suffered the previous week. The exchange decided to close on October 26 because of the large volume of business. The sharp drop of nearly \$25 a bale was reported to have cost cotton growers more than \$200 million in three days. But any statement as to the amount of the loss must take account of the fact that probably half of the crop had been sold by the middle of October. Subsequent weakness in the market indicates the presence of a combination of factors which must be taken into account in any explanation, and the weight to be given to each of these is not clear at this time.

The break in raw cotton prices seems to have had a favorable effect on the textile market. Sales were being booked through the end of this year and into the first month of 1947, and industry spokesmen feel the cotton textile industry is now entering a stage of normal market competition and normal consumer behavior.

Cotton consumption in the Fifth District totaled 390,834 bales during September declining a seasonal 3.8 per cent from August but was 14.4 per cent above that of September 1945.

#### TOBACCO

Tobacco production in the Fifth District was estimated on October 1 at 1,280 million pounds, 13 per cent above the 1945 harvest. The increase of approximately 1 per cent above the September estimate is due largely to an increase in indicated yield. Total flue-cured tobacco is estimated at 1,179 million pounds, or 12 per cent above 1945, and the 1946 crop of fire-cured is estimated at 15.4 million pounds, or 31 per cent larger than last year. Production of burley tobacco in the District will be 40.6 million pounds,

as indicated on October 1, or 12 per cent below last year's crop.

Approximately 64 per cent of the season's crop of flue-cured tobacco had been sold through October 11 at an average price of \$50.56 per hundred pounds. Prices had been climbing steadily since the last week in September and reached the season's high for the week on all belts during the week ending October 11. Prices continued upward, and on October 14 prices on both the Eastern North Carolina and Middle tobacco belts reached all-time high records of \$57.80 and \$52.45 respectively.

Average daily seasonally adjusted cigarette production in the Fifth District during September was 2 per cent above that for August and 13 per cent above the level of September 1945.

#### RETAIL AND WHOLESALE TRADE

Department store sales in the Fifth District during September after seasonal adjustment were 3 per cent below those of August but 32 per cent above September 1945. Inventories for September, however, were 1 per cent higher than in August and 31 per cent above last year.

Wholesale trade levels, in general, have shown a rising trend. This increase is especially marked in industrial supplies, paper and its products, dry goods, and automotive supplies. Eight of the nine lines of wholesale trade covered by our indexes rose from August to September—after seasonal adjustment—and each of the nine was 18 per cent or more higher than a year ago. Hardware sales in September were 5 per cent below those of August but were 43 per cent above September 1945.

#### EMPLOYMENT

Latest available data on employment are mainly for the month of July. Industrial employment levels in the District for July were unchanged from June but were 1 per cent below July 1945. Slight increases over June in Maryland, D. C., and Virginia were just offset by small decreases in the other three states. North Carolina was the only state in the District which showed an increase in employment in all industries over July 1945. Manufacturing employment in the Fifth District in July was slightly higher than in June, increases in Maryland and Virginia offsetting a 1 per cent decrease in North Carolina. The Carolinas and D. C. showed increases in manufacturing employment over a year ago, but these gains were offset by decreases in the other three, Maryland having the largest loss of 12.8 per cent. The decreases in shipbuilding and aircraft industries account for Maryland's low level in comparison with last year, but current employment trends are upward, increases in aircraft employment offsetting slight decreases in shipbuilding.

## Income Payments in 1945 Fifth Federal Reserve District

### MARYLAND

The effects of the war on income payments in the Fifth Federal Reserve District were pointed out and discussed in an article published in the October, 1944 issue of the *Monthly Review*. Since then the two-front war has been brought to a victorious end, and the country has passed through a period of military demobilization and economic reconversion. Thus, to the dynamic forces that determined war-time income payments were added in 1945 the influence of the readjustments to a peace-time economy.

Through the second quarter of 1945 neither the levels nor composition of income payments changed markedly from 1944. Payments in the third quarter of the year, however, reflected the immediate curtailment of war production after V-J Day and the ensuing rapid liquidation of the strictly war industries. Contrary to earlier expectations of the flow of income payments during the first few months of the peace, the final quarter of the year witnessed a volume of payments to individuals that, on an annual basis, exceeded the total for 1944. The principal factors affecting income payments throughout the nation in this quarter were (1) greatly expanded volumes of mustering-out payments to discharged servicemen and unemployment benefits, (2) the growth of income paid out by trade and service establishments consequent upon record expenditures of consumers, and (3) the continued advance of income payments by other private non-agricultural industries.

In addition to these factors, some of the dominant sources of income payments during the war period such as pay of the armed forces, agricultural income, and Federal civilian payrolls continued at relatively high levels in the fourth quarter of 1945. Notwithstanding the vast amounts of cancellations of war contracts and the other readjustments to peace, the flow of individual incomes in 1945 swelled to a record amount of \$152.7 billion.

The same forces and developments that accounted for the shifts in the levels of component income payments for the nation and netted an aggregate that was an all-time high serve, in varying degrees of applicability, to explain the pattern and volume of income payments in the individual states. Due to the differences in the industrial structures of the constituent states of the Fifth District and the varying importance of war-time sources of income, the impact of the end of the war produced results that differed considerably in certain states of this District. The readjustments that were effected after V-J Day had marked differences in timing, magnitude, and rationale that account, for example, for the absolute decline in income payments in Maryland and better-than-average relative increases in the District of Columbia, West Virginia, and North Carolina for 1945.

It is the purpose, then, of the following sections to point out the effects of the major developments during 1945 on the war-time patterns of state income payments and to weigh and assess the impact of the end of the war and the reconversion to a peace-time economy on total and per capita income payments in the states of the Fifth Federal Reserve District. Such an analysis will serve also as a guide to shifts in income payments in this District that will occur this year and which may be expected in the immediate years ahead of us.

The dominant factor in the income-payments picture in Maryland during the past six years has been the war manufacturing industries located in the state. The four-fold increase between 1940 and 1943 of wages and salaries paid out by local war industries, particularly aircraft and shipbuilding, was mainly responsible for the expansion of income payments in this state at a much larger-than-average rate during that four-year period. The peak in war-industry payrolls, however, was reached in 1943, and as they turned down in 1944 Maryland experienced a concomitant decline in its share of national income payments.

In keeping with other states where war production had been particularly important in swelling income payments after 1940, the impact of the end of the war registered declines in income payments in Maryland as cancellations of war contracts forced heavy employment lay-offs. The munitions program was almost completely liquidated by early October, and the greatest consequent cuts in employment were suffered in aircraft building and assembly and in shipbuilding, Maryland's principal war industries.

During the last two weeks of August, 1945, 700,000 employees in the aircraft industry were laid off throughout the nation. This drastic reduction was followed by a further cut of 190,000 by mid-October, a total reduction of employment of 74 per cent from August 15 to October 15. It might be noted that although total aircraft employment in the country as of October 15 was only one-fourth of the V-J Day level and only 15 per cent of the peak in January, 1944, the approximate total employment of 310,000 was still more than three times the 1939 figure.

The Baltimore area's share of aircraft employment reduction as reported by major plants from V-J Day to mid-October was about 24,000, and by the end of the year the total decline in the state from December, 1944 amounted to 63 per cent, while payrolls had fallen off about 70 per cent.

Sharp cutbacks were also made in the shipbuilding and repair program after V-J Day, and by September 15 almost 260,000 workers had been dropped by the nation's shipyards, followed by a further decline of 107,000 by October 15 which brought total employment down to 655,000. The latter figure approximated employment in the first few months of the war but was considerably less than half the December 1943 peak of 1,722,500. For the year as a whole the declines in shipbuilding employment and payrolls in Maryland yards of 67 per cent and 74 per cent exceeded the cuts of 63 per cent and 72 per cent for the entire country.

In view of the severe reductions in wages and salaries in these two important industries and an over-all decline of 33 per cent in payrolls of all manufacturing industries from December 1944 to December 1945 (as compared with 36 per cent for the United States), plus a 15 per cent decrease in payrolls of building construction, not including public works projects, it might be wondered that the decline of aggregate income payments in Maryland from 1944 to 1945 was restricted to 2 per cent.

Offsetting factors in the total wages and salaries bill were realized, however, in gains in payrolls in retail and wholesale trade, public utilities, coal mines and quarrying, and

in service establishments. The net result was a reduction of 6.5 per cent in total wages and salaries in Maryland as compared with 1.6 per cent in the Fifth District as a whole and 2.9 per cent in the United States.

Maryland also suffered comparatively in realizing a smaller percentage gain, 1.4 per cent, in proprietors' income from 1944 to 1945 than did the Fifth District and the

country as a whole in which gains of 4.1 per cent and 5.6 per cent respectively were made. On the other hand, Maryland's percentage gains in the other two major components of income payments, property income and other income, exceeded slightly the increases realized by the Fifth District and the nation. These data are shown in the accompanying Table I.

TABLE I  
TOTAL AND PER CAPITA INCOME PAYMENTS, BY TYPE OF PAYMENT,  
AND PERCENTAGE DISTRIBUTION AND RELATIVE CHANGES  
UNITED STATES AND FIFTH FEDERAL RESERVE DISTRICT

(Total payments in millions of dollars)

|                           | 1940   |            | 1944    |            | 1945    |            | Percent Change |            |       |            | Percentage Distribution |            |       |            |       |            |
|---------------------------|--------|------------|---------|------------|---------|------------|----------------|------------|-------|------------|-------------------------|------------|-------|------------|-------|------------|
|                           | Total  | Per Capita | Total   | Per Capita | Total   | Per Capita | 1940-44        | Per Capita | Total | Per Capita | 1940                    | Per Capita | 1944  | Per Capita | 1945  | Per Capita |
| Continental United States | 75,852 | 575        | 149,660 | 1,133      | 152,704 | 1,150      | + 97           | + 97       | + 2.0 | +1.5       | 100.0                   | 100.0      | 100.0 | 100.0      | 100.0 | 100.0      |
| Wages and salaries        | 47,995 |            | 101,671 |            | 98,692  |            | +112           |            | - 2.9 |            |                         |            |       |            |       |            |
| Proprietors' income       | 11,848 |            | 24,050  |            | 25,394  |            | +103           |            | + 5.6 |            |                         |            |       |            |       |            |
| Property income           | 11,335 |            | 14,662  |            | 15,764  |            | + 29           |            | + 7.5 |            |                         |            |       |            |       |            |
| Other income              | 4,674  |            | 9,277   |            | 12,854  |            | + 98           |            | +38.6 |            |                         |            |       |            |       |            |
| Maryland                  | 1,222  | 713        | 2,509   | 1,241      | 2,467   | 1,212      | +105           | + 74       | - 1.7 | -2.3       | 1.6                     | 124        | 1.7   | 110        | 1.6   | 105        |
| Wages and salaries        | 775    |            | 1,831   |            | 1,711   |            | +136           |            | - 6.6 |            |                         |            |       |            |       |            |
| Proprietors' income       | 158    |            | 291     |            | 295     |            | + 84           |            | + 1.4 |            |                         |            |       |            |       |            |
| Property income           | 235    |            | 256     |            | 276     |            | + 9            |            | + 7.8 |            |                         |            |       |            |       |            |
| Other income              | 54     |            | 131     |            | 185     |            | +143           |            | +41.2 |            |                         |            |       |            |       |            |
| District of Columbia      | 905    | 1,080      | 1,509   | 1,303      | 1,617   | 1,361      | + 67           | + 21       | + 7.2 | +4.5       | 1.2                     | 188        | 1.0   | 115        | 1.1   | 118        |
| Wages and salaries        | 659    |            | 1,159   |            | 1,261   |            | + 76           |            | + 8.8 |            |                         |            |       |            |       |            |
| Proprietors' income       | 64     |            | 92      |            | 99      |            | + 44           |            | + 7.6 |            |                         |            |       |            |       |            |
| Property income           | 140    |            | 144     |            | 154     |            | + 3            |            | + 6.9 |            |                         |            |       |            |       |            |
| Other income              | 42     |            | 78      |            | 103     |            | + 86           |            | +32.1 |            |                         |            |       |            |       |            |
| Virginia                  | 1,127  | 450        | 2,561   | 888        | 2,597   | 903        | +127           | + 97       | + 1.4 | +1.7       | 1.5                     | 78         | 1.7   | 78         | 1.7   | 79         |
| Wages and salaries        | 753    |            | 1,797   |            | 1,738   |            | +139           |            | - 3.3 |            |                         |            |       |            |       |            |
| Proprietors' income       | 186    |            | 410     |            | 429     |            | +120           |            | + 4.6 |            |                         |            |       |            |       |            |
| Property income           | 134    |            | 185     |            | 198     |            | + 38           |            | + 7.0 |            |                         |            |       |            |       |            |
| Other income              | 52     |            | 169     |            | 232     |            | +225           |            | +37.3 |            |                         |            |       |            |       |            |
| West Virginia             | 760    | 398        | 1,356   | 791        | 1,457   | 839        | + 78           | + 99       | + 7.4 | +6.1       | 1.0                     | 69         | .9    | 70         | 1.0   | 73         |
| Wages and salaries        | 539    |            | 965     |            | 999     |            | + 79           |            | + 3.5 |            |                         |            |       |            |       |            |
| Proprietors' income       | 101    |            | 175     |            | 188     |            | + 73           |            | + 7.4 |            |                         |            |       |            |       |            |
| Property income           | 67     |            | 89      |            | 95      |            | + 33           |            | + 6.7 |            |                         |            |       |            |       |            |
| Other income              | 53     |            | 127     |            | 175     |            | +140           |            | +37.8 |            |                         |            |       |            |       |            |
| North Carolina            | 1,131  | 316        | 2,484   | 702        | 2,575   | 732        | +120           | +122       | + 3.7 | +4.3       | 1.5                     | 55         | 1.7   | 62         | 1.7   | 64         |
| Wages and salaries        | 699    |            | 1,456   |            | 1,430   |            | +108           |            | - 1.8 |            |                         |            |       |            |       |            |
| Proprietors' income       | 261    |            | 638     |            | 668     |            | +144           |            | + 4.7 |            |                         |            |       |            |       |            |
| Property income           | 112    |            | 191     |            | 197     |            | + 71           |            | + 3.1 |            |                         |            |       |            |       |            |
| Other income              | 59     |            | 199     |            | 280     |            | +237           |            | +40.7 |            |                         |            |       |            |       |            |
| South Carolina            | 545    | 286        | 1,245   | 652        | 1,265   | 663        | +128           | +128       | + 1.6 | +1.7       | .7                      | 50         | .8    | 58         | .8    | 58         |
| Wages and salaries        | 340    |            | 811     |            | 781     |            | +139           |            | - 3.7 |            |                         |            |       |            |       |            |
| Proprietors' income       | 127    |            | 243     |            | 246     |            | + 91           |            | + 1.2 |            |                         |            |       |            |       |            |
| Property income           | 37     |            | 71      |            | 74      |            | + 92           |            | + 4.2 |            |                         |            |       |            |       |            |
| Other income              | 41     |            | 120     |            | 164     |            | +193           |            | +36.7 |            |                         |            |       |            |       |            |
| Fifth Fed. Res. Dist.     | 5,690  | *          | 11,664  | *          | 11,978  | *          | +105           | *          | + 2.7 | *          | 7.5                     | *          | 7.8   | *          | 7.8   | *          |
| Wages and salaries        | 3,765  |            | 8,055   |            | 7,920   |            | +114           |            | - 1.7 |            |                         |            |       |            |       |            |
| Proprietors' income       | 897    |            | 1,849   |            | 1,925   |            | +106           |            | + 4.1 |            |                         |            |       |            |       |            |
| Property income           | 725    |            | 936     |            | 994     |            | + 29           |            | + 6.2 |            |                         |            |       |            |       |            |
| Other income              | 303    |            | 824     |            | 1,139   |            | +172           |            | +38.2 |            |                         |            |       |            |       |            |

Source: Survey of Current Business (August, 1945 and 1946) U. S. Department of Commerce.

\*—Not available.

No mention has been made of agricultural income inasmuch as the net farm income of farm operators constituted only 3.8 per cent of total income payments in Maryland in 1945. However, the \$15 million increase in the former item in 1945 appeared significant when compared with the small change of only \$42 million in total income payments.

As stated at the outset, then, the dominant force in the pattern and volume of income payments in Maryland in

1945 was the decline in employment and payrolls in the war industries. With payrolls in war manufacturing industries approximating as much as one-fourth of total income payments in the state in 1944 it was to be expected that total income payments would be adversely affected to a considerable degree by the cessation of war production. Maryland had been the only state in the District in which war manufacturers accounted for a larger percentage of

the war-time increase in income payments than in the United States as a whole. Consequently, its problems of reconversion, which although temporary, affected 1945 income payments, were greater than in the rest of the District.

Another aspect of the trend of war-time income payments is the relative narrowing of the wide differences among states and regions in respect to size of per capita incomes. In the 17 states having per capita incomes higher than the nation's in 1940, 14 registered 1940-45 gains that fell short of that for the country as a whole. Conversely, of the 32 low-income states, 28 scored war-period gains exceeding the nation-wide average. Although the percentage increase in total income payments in Maryland from 1940-45 matched that of the nation and was only eight points less than the increase for the Fifth District, when the payments are reduced to a per capita basis it is seen in Table I that the Old Line State lagged very far behind the rest of this District and the entire country in the rate of expansion of per capita incomes.

Thus, the experience of Maryland with respect to per capita incomes during the past six years has been in line with that of the other high-income states in that its expanding manufacturing industries attracted workers from other states, and the combination of an increased population and a larger initial base from which per capita income gains are computed resulted in smaller percentage gains. Finally, the rapidly expanding agricultural income and military payments that boosted per capita incomes in Virginia and the Carolinas accounted for a smaller percentage of the increase in income payments in Maryland than in any other state of the District.

#### THE DISTRICT OF COLUMBIA

Income payments in the District of Columbia stem mainly from employment in the Federal service; in fact, about 40 per cent of total income payments at the end of the war consisted of Federal civilian payrolls and 10 per cent arose from military payments. From 1940 to 1944 Federal civilian payrolls accounted for a little over one-half of the aggregate increase in income payments, and about 22 per cent of the growth was attributable to military payments. As a consequence of the comparative inflexibility of government wage and salary rates, the District of Columbia suffered a steady relative decline in income payments during the war period. Whereas the expansion of government employment and payrolls during the '30s had raised the percentage participation of the District to 1.19 per cent of total income payments in the country in 1940, decreases each year thereafter lowered the distribution to 1.01 for 1944.

Although a \$6 billion decrease in Government payrolls was effected in 1945, the decline in the District's Federal civilian employment was too small to offset an over-all increase of 7 per cent, as compared to the 3 per cent cut in the entire country, from 1944-45 in total wages and salaries. From August to December Federal civilian employment dropped only 9 per cent, from 251,000 to 229,000, and increased wage and salary rates and expanded employment in private service and distributive industries more than offset this reduction with the net result in wages and salaries noted.

Combined with the increases shown in Table I in the other major components of income payments, the increased amount of wages and salaries in 1945 resulted in a growth

of total payments to individuals that was relatively greater than that for the country as a whole. As a consequence, the war-time trend of a steady decline in the relative income status of the District of Columbia was interrupted, and a very slight improvement was registered as the District's share of national income payments moved up from 1.01 per cent in 1944 to 1.06 per cent in 1945.

As a result of the factors noted and the expansion of incomes in other states resulting from war-inflated manufacturing payrolls and agricultural income, the 79 per cent increase in total income payments in the District of Columbia from 1940-45 fell far short of the rate of growth of 101 per cent for the nation. In fact, only six states had a smaller percentage growth. On a per capita basis the District's rate of increase was by far the smallest in the country, amounting to only 26 per cent as against a 100 per cent average increase throughout the country.

Along with Maryland, the District of Columbia is the only other governmental unit in the Fifth District to be included among the high-income states (states whose per capita income of civilians exceeded the national average). But whereas the District of Columbia had the highest per capita income in the country by a substantial margin in 1940, the fact that it achieved the smallest relative increase in such income payments during the war reduced its rank to 8th place in 1945. Despite the much smaller-than-average growth of per capita income in D. C. during this period and the larger-than-average increases of the states of the Fifth District, except Maryland, there is still, as shown in Table I, a considerable gap between per capita incomes in the Fifth District, the amount in D. C., for example, being more than double that of South Carolina in 1945.

The reason for the high per capita income in D. C. is found in the employment of a large percentage of its labor force in distributive and service (excluding domestic service) activities in which average incomes are relatively high. In 1940, 67.5 per cent of the employed labor force were in distributive and service occupations, 19.5 per cent in construction work and manufacturing, and 12.7 per cent in domestic service. Thus, only 13 per cent of the entire laboring population were engaged in work that paid comparatively low average wages.

#### VIRGINIA

From 1940 through the fourth quarter of 1945 income payments in Virginia expanded at a substantially higher rate than in the country as a whole. Next to South Carolina's increase of 132 per cent, Virginia's growth of 130 per cent was the highest in the Fifth District and well above the national rate of 101 per cent. As was common to the other states of the southeastern region, military payments constituted the most important element of this state's increase in total income payments from \$1,127,000,000 in 1940 to \$2,597,000,000 in 1945. Of the total increase from 1940 to 1944, 31.6 per cent was attributable to military payments, 18.9 per cent to Federal civilian payrolls, 11.6 per cent to agricultural income, and only 8.6 per cent to war manufacturing payrolls. The importance of military payments and Federal Government employment in Virginia is also illustrated by the fact that pay of military personnel and civilian employees of the Federal Government made up 42 per cent of all income derived from wages and salaries in the state in 1944.

Between July 1, 1940 and December 31, 1944 war manu-

facturing plants costing nearly \$300 million were constructed in Virginia under authority of the War Production Board. Of the total cost the Federal Government supplied about \$225 million, and the balance was from private investment. Shipbuilding and repair yards and munitions plants together absorbed 92.5 per cent of all public funds expended in the state. Notwithstanding, however, the substantial increases in employment by the shipyards of the Hampton Roads area and by the munitions plants of the Radford-Pulaski area, payrolls in war manufacturing industries constituted only 8.6 per cent of total income in Virginia in 1943 and 7.9 per cent in 1944.

Although, then, the per cent of increase in total wages and salaries from 1940 to 1944 attributable to war manufacturing payrolls was considerably less in Virginia than in the entire country, 12.6 to 39.3, the factors that accounted for the general improvement in the position of the worker such as full employment, increased wage rates, overtime payments, longer work week, and the shift to higher paying industries applied with greater force in this state than on the average and combined to net an increase in aggregate wages and salaries from 1940 to 1944 of 139 per cent, as compared with the percentage rise of 112 for the nation.

Similarly, for each of the other three components of total income payments shown in Table I greater-than-average gains were realized by individuals in Virginia with the net result of an increase in aggregate income payments that, percentage-wise, led the other states of the Fifth District with the exception of South Carolina that had an advantage of merely one percentage point.

During the first 45 days after V-J Day, 22,300 workers were laid off throughout the state. The rapid cancellation of war contracts effected, of course, the greatest employment declines in the war industries. The largest immediate lay-offs occurred in the Pulaski-Radford areas, where explosive manufacture and new construction were cut back drastically. Similarly, contract cancellations forwarded by the Navy Department forced substantial numbers of shipyard workers to be discharged following the end of the war. Nevertheless, payrolls in Virginia war manufacturing industries on an annual basis in the fourth quarter of 1945 were 67 per cent of the 1944 total, as compared with 57 per cent in the country as a whole, and had declined from the 1944 payroll bill by only 33 per cent while a reduction of 43 per cent took place nationally. However, the reverse action during the last half of 1945 of the factors that had led during the war to increase wages and salaries in Virginia at a greater-than-average rate, again applied with a greater intensity in Virginia to effect a higher percentage decline of total wages and salaries than in the nation.

In view of the worker lay-offs that occurred after V-J Day and the reductions in incomes from wages and salaries for reasons other than strikes, it was a seemingly anomalous situation that job availabilities should have been at a high figure. During the first week in October, job openings in the state totaled 36,600—well in excess of applicants for work. Textile mills, for example, claimed that in addition to heavy absenteeism and excessive worker turnover, the lack of an adequate labor force was seriously handicapping operations. Similarly, retail and wholesale establishments, construction trades, and farms were hanging out Help Wanted signs.

One of the reasons for this incongruous situation was

the high number of one-skill displaced workers who could not immediately be fitted into new and different occupations. Also, openings increased rather than decreased because employers formerly operating under a man-power ceiling, with a minimum working force, filed orders with the USES for workers immediately upon the lifting of regulations. There were other reasons that were unavoidable causes of the temporary maladjustment such as geographical variations in job lay-offs and job openings, and the permanent egress from the labor force of women who were discharged from war jobs or who voluntarily left their jobs. But there is no doubt that a considerable amount of the reduction of income from wages and salaries was voluntarily absorbed by workers who felt that the grind of the war years merited or necessitated an extra vacation or by those who had the means, in the form of "extra" savings from the war years, to indulge their desire to relax temporarily now that the all-out nature of the war work had disappeared with the end of hostilities.

As a consequence of its greater-than-average expansion of income payments from 1940-45, Virginia's relative position improved from receiving 1.49 per cent of the nation's income payments in 1940 to 1.70 per cent in 1945. When adjustments are made, however, for population changes, Table I shows that the increase of per capita income in the Old Dominion just kept pace with the average for the nation, leaving its relative per capita income payments position unchanged over the war period.

Thus, the lessening of the relative differential in per capita incomes between southern states and the rest of the country during the war was not participated in by Virginia. The reasons for the comparatively low per capita incomes in this state are to be traced to the basic nature of the state economy.

The high average weekly wage in the Hampton Roads shipyards, which during the first six months of 1945 approximated \$67, was not matched, of course, in the other sectors of Virginia's economy, and, more important, wage rates in general in Virginia were below average rates of the entire country. In the tobacco manufacturing companies, whose output has the greatest value of all Virginia industries, the average weekly wage during the first half of 1945 was about \$32, while in the textile mill group, which employs the greatest number of workers in the state, average weekly wages amounted to \$27.36. Compared with these amounts, the Bureau of Labor Statistics reported that average weekly earnings in the nation's non-durable goods industries were about \$36 at the end of the war. Compensation in consumer goods industries has traditionally run lower than in the durable goods industries, and this is an important factor in the relative status of per capita incomes in Virginia inasmuch as 68 per cent of all manufacturing employment in the state are in consumer goods industries.

In addition to the distribution of manufacturing employment, the industrial distribution of the entire labor force also is a basic factor in explaining the relatively low incomes of individuals in Virginia. As reported by the U. S. Department of Commerce, 26.8 per cent of the employed labor force in 1940 were engaged in agriculture, 30.5 per cent in manufacturing, mining, and construction, 35.1 per cent in distribution and service, and 7.6 per cent in domestic service. The distribution for the nation was 19.8 per cent, 31.7 per cent, 43 per cent, and 5.5 per cent respectively. Thus, whereas 74.7 per cent of the country's

workers were engaged in "high-pay" occupations and 25.3 per cent in lower paid jobs in agriculture and domestic service, in Virginia there was a relatively less "profitable" distribution in that only 65.6 per cent of the workers were in high-pay industries and 34.4 per cent in low-pay occupations. (In New York, which had the highest per capita income in 1945, the proportions were 89.8 per cent and 10.2 per cent.)

Finally, it should be pointed out that in agriculture, as well as in manufacturing, the returns are smaller in Virginia than the average for the country. In 1945 the average net income per farm in the United States amounted to \$2,254; in Virginia it was \$1,679. Similarly, farm wage rates were considerably lower in this state than average rates throughout the nation. In 1945 hired farm hands

received \$68 per month without board as compared with \$95.70 in the United States.

#### WEST VIRGINIA

Aside from the District of Columbia, West Virginia was the only state in the Fifth District to realize an increase in total income payments from 1940 through 1944 which was smaller than that of the nation. In fact, there were only ten states whose rate of expansion of income payments fell below the 78 per cent increase of West Virginia in this period. The reasons for the comparatively poor showing of this state are largely to be found in the four dynamic factors which were all-important in the war economy. These are shown in Table II.

**TABLE II**  
**SELECTED COMPONENTS AS A PERCENT OF TOTAL INCOME PAYMENTS AND THEIR RELATIVE IMPORTANCE IN TOTAL INCREASE OF INCOME PAYMENTS**

|                   | Percent of total income payments |      |                     |      |                           |      |                   |      | Percent of total increase in income payments, 190-44, attributable to |      |                            |                     |                           |                   |
|-------------------|----------------------------------|------|---------------------|------|---------------------------|------|-------------------|------|---|------|----------------------------|---------------------|---------------------------|-------------------|
|                   | War manufacturing payrolls       |      | Agricultural income |      | Federal civilian payrolls |      | Military payments |      | Total   |      | War manufacturing payrolls | Agricultural income | Federal civilian payrolls | Military payments |
|                   | 1940                             | 1944 | 1940                | 1944 | 1940                      | 1944 | 1940              | 1944 | 1940  | 1944 |                            |                     |                           |                   |
| Continental U. S. | 9.7                              | 19.3 | 7.2                 | 9.2  | 2.4                       | 4.7  | 0.5               | 7.5  | 19.8  | 40.7 | 29.4                       | 11.4                | 7.1                       | 14.9              |
| Maryland          | 11.0                             | 24.2 | 3.6                 | 4.4  | 3.2                       | 5.9  | 1.3               | 8.5  | 19.1  | 43.0 | 37.2                       | 5.1                 | 8.6                       | 15.6              |
| District of Col.  | .2                               | .2   | ....                | .... | 32.2                      | 39.8 | 2.7               | 10.4 | 35.1  | 50.4 | .3                         | .....               | 51.1                      | 21.8              |
| Virginia          | 6.2                              | 7.6  | 9.7                 | 10.8 | 4.9                       | 13.0 | 3.6               | 19.8 | 24.4  | 51.2 | 8.6                        | 11.6                | 18.9                      | 31.6              |
| West Virginia     | 10.1                             | 13.2 | 5.6                 | 6.0  | 1.4                       | 1.5  | ....              | 7.2  | 17.1  | 27.9 | 17.0                       | 6.6                 | 1.5                       | 16.4              |
| North Carolina    | 1.2                              | 4.8  | 17.6                | 23.6 | 1.7                       | 4.2  | .6                | 12.8 | 21.1  | 45.4 | 8.0                        | 28.7                | 6.3                       | 23.3              |
| South Carolina    | .7                               | 1.4  | 18.4                | 17.8 | 4.2                       | 10.6 | 2.3               | 17.4 | 25.6  | 47.2 | 1.9                        | 17.4                | 15.7                      | 29.5              |

Source: Survey of Current Business, August 1945, U. S. Department of Commerce.

West Virginia was the only state in the Fifth District in which the combined payments from the four sources given constituted a smaller percentage of total income payments during the war period than they did for the entire country. And inasmuch as these sources of income payments experienced the greatest gains during the war, it is evident that West Virginia would suffer a decline in its relative income payments position.

The end of the war posed no great problems of reconversion of the economy of the state. The limited number of distinctly "war" plants built in the state had either been in the process of being closed before the war ended or had their operations tapered off after V-J Day by a relatively gradual decline toward complete shut-down. All told, the close of the war brought almost immediate layoffs for about 40,000 workers, but job openings registered with the state USES exceeded, in most of the areas, the number of discharges and voluntary quits. Out of a civilian labor force of 287,300 in four West Virginia labor market areas approximately 20,300 were unemployed in September despite the fact that the USES reported 15,351 job openings at the end of that month.

West Virginia, with 390 mines out of production and approximately 93,000 men, or 90 per cent of its mining force idle, was the hardest hit state of the six having soft coal strikes between September 21 and October 22. This meant the loss of a \$6,000,000 weekly payroll, or 42 per cent of the total paid to all classes of workers covered by workmen's compensation.

Despite shut-downs of war plants, contract cancellations, and strikes after V-J Day, total wages and salaries for the year increased 3.5 per cent over 1944. Increased activity in civilian manufacturing industries, construction work,

and in retail and wholesale trade supported wages and salaries sufficiently in the last five months of the year that, combined with the record wages bill of the first seven months—5.5 per cent above the comparable period in 1944—the net result was a new peak in this source of income payments. Added to the increases in the other components shown in Table I for 1945, the expansion of wages and salaries enabled West Virginia to register the highest percentage growth in total income payments in the Fifth District—7.4 per cent from 1944-45 as compared with 2.7 per cent for the entire District.

The steady decline in population that had set in after 1920 in West Virginia was accelerated during the war, and as a consequence, the war-time increase in total income payments, while not as great as that for the nation, resulted in a growth of per capita incomes that exceeded slightly the national gain. The lesser impact of the close of the war on industrial activity in West Virginia than in the country as a whole resulted in a further relative gain in per capita income payments in this state for 1945. Whereas per capita incomes increased 1.5 per cent from 1944-45 in the United States and 2.4 per cent in the Fifth District, West Virginia enjoyed a growth of 6.1 per cent.

#### NORTH CAROLINA

North Carolina was the only state of the Fifth District in which agriculture was of relatively much more importance than non-agricultural sources in feeding the war-time income stream. As shown in Table II, agricultural income constituted 24 per cent of total income payments in 1944, and 29 per cent of the total increase in income payments from 1940-44 were attributable to this one source

of income. Another dominant factor in the economy of North Carolina during the war was its nonwar manufacturing industries which were more important as a source of total income increase than in the country as a whole. This was largely due to the importance of its textile industry which, while working on government contracts, was not classified as a "war" industry such as were the chemical, rubber, iron and steel, ordnance, transportation, and machinery industries.

The third significant source of war-time increases in income payments in North Carolina was military payments which were responsible for almost one-fourth of the total increase from 1940-44. While payrolls in war manufacturing industries increased tremendously from \$13 million in 1940 to \$117 million in 1944, in the latter year they comprised but 4.7 per cent of the state's total income.

On the whole, then, although the percentage increase from 1940-44 in wages and salaries was not quite as large as that for the entire country, combined with the much larger-than-average gains in the other three main components shown in Table I, it was sufficient to net an increase in total income payments that was substantially greater than that realized by the United States and by the Fifth District. Of the other three components of income payments, the most important was proprietors' income which, reflecting the gains in agriculture, outstripped the average increase of the country by a considerable margin.

In the absence of an important war industry—as a whole, that is—and with its employment centered largely in production of consumer goods, the end of the war and the subsequent period of reconversion had about as little upsetting impact on North Carolina industry as in any state of this District. By September 1, 13,849 or 57 per cent of the workers employed in the state's important war plants as of July 1 had been released. By September 30 the total released from war-time jobs had reached 16,000, but of this number 73 per cent had found re-employment or had returned to their home states. In no week during 1945 were there as many as 10,000 workers on benefit lists which, in 1940, carried an average of 17,760.

Although North Carolina's relative position with respect to the nation's total income payments improved from 1940-45, it enjoyed greater relative gains in its per capita income payments. In a sense, North Carolina served as a reservoir of labor for war industries for not only did the Wilmington shipyards and other industries of the state engaged in war work attract workers from other occupations, but a heavy drain was exerted by war industries of other states. From 1940 to August 31, 1945 the loss of workers in North Carolina through migration was greater than in any other state of the Union except Oklahoma.

As a consequence, then, of increasing total income payments and a declining population, per capita incomes increased from \$316 in 1940 to \$732 in 1945, a growth that far exceeded the average rate in the country and which was exceeded in the Fifth District only by that of South Carolina. Notwithstanding, however, the relatively great gains achieved during the war, there was still a very considerable gap between the incomes of individuals in North Carolina and average incomes throughout the nation. An important source of the difference is to be found in the lower wages paid to agricultural labor and the lower incomes of farm operators in North Carolina as compared with the country as a whole. Whereas net income per farm in the United States amounted to \$2,254 in 1945, in

North Carolina it amounted to only \$1,965. Similarly, in manufacturing there is also an unfavorable comparison. Average weekly earnings in all manufacturing industries of North Carolina were \$29.98 in June 1945, and for the country as a whole they were in excess of \$47. This comparison is biased by the disproportionate weights of employment in durable goods industries, but even in the non-durable goods industries the average weekly earnings of workers in North Carolina at the end of the war were substantially less than the \$36 average in the country.

#### SOUTH CAROLINA

With an increase of 128 per cent in both total income payments and per capita income from 1940-44, South Carolina led the states of the Fifth District in improving its relative income payments position. The gain in its relative status was not, however, as great as might be indicated by the percentage increases in income payments inasmuch as the latter were heavily influenced by the low bases for the computations.

The rise after 1940 of income payments centered around the continued pre-war increase in non-war manufacturing and the comparatively heavy Federal expenditures in the state. Although the war induced no great amount of expansion of manufacturing facilities in South Carolina, except in ship-building, the direct impact of the war upon income payments in the state was very pronounced. As is shown in Table II, agricultural income, Federal civilian payrolls, and military payments combined accounted for 46 per cent of total income payments in the state in 1944. The percentage of total increase in income payments from 1940-44 attributable to each of these sources exceeded the corresponding percentage contributions in the country as a whole—as was the case in each of the other states of the Fifth District, with the exception of West Virginia.

The fundamental nature of the industrial structure of South Carolina, however, remained unchanged during the war, and the bulk of its laboring force continued to be employed in the production of the same types of goods and services as prior to 1940. Consequently, the end of the war created no serious problems in plant conversion, shifts to new products, or unemployment. Nevertheless, an unavoidable amount of changes to lower paid jobs and reductions in weekly working hours and overtime payments plus voluntary separations caused a decline from 1944 in total wages and salaries.

Increases, however, in 1945 in proprietors' income, property income, and, particularly, in other income such as mustering-out payments to discharged servicemen and other forms of transfer payments more than offset the reduction in total wages and salaries. The net result was a slight increase in total income payments in 1945 which left the relative position of South Carolina but little better than it had been at the outset of the war.

Similarly, although the percentage increase in per capita income in South Carolina from 1940-45 was much better than the average for the country and the highest in the Fifth District, the relative improvement was not sufficient to lift the state from its rank in 47th place among the states and the District of Columbia in 1940. The same reasons given in the preceding sections account for the low per capita income in South Carolina and apply with even greater force in this state. For example, where the net income per farm in North Carolina in 1945 was \$1,965 and almost \$300 below the average for the country, in South Carolina farm operators netted only \$1,168.

Again, the industrial distribution of the labor force (excluding government) referred to in preceding sections is the general answer to the comparatively low average incomes in South Carolina. Throughout the country only one-fourth of the employed labor force in 1940 was engaged in the relatively low paying occupations of agriculture, forestry, and fishing and of domestic service. In South Carolina one out of every two workers were employed in such occupational pursuits.

At the end of the war average hourly earnings in the cotton goods industries of the South were 69 cents as compared to 78.8 cents in similar industries in northern states. This average difference existed despite very large wage increases during the war in the textile industry of the South. From January 1, 1941 until September, 1945, according to the U. S. Bureau of Labor Statistics, the average hourly earnings of southern textile workers increased from 40.3 cents to 68 cents, a percentage increase of 68.7 per cent. Eliminating overtime, the increase amounted to 51 per cent. Thus, in South Carolina about 15 per cent of the working population (in 1940 about 66,000 of the working force were employed in the textile industry) shared in wage increases during the war that, percentagewise, were greater than in any of the other major industries of the country.

Although it is not likely that relative gains to such a great extent as the foregoing will be continued, it is probable that income payments will benefit from a continuation of the trend in South Carolina towards a balanced agricultural-industrial economy.

#### SUMMARY

One of the striking developments of the early years of the war period was the acceleration of the trend of geographic redistribution of income payments in favor of the South and the far West. Although this trend was retarded, but not completely arrested, in 1944, the end of the war left the relative income positions of these two areas considerably improved over the pre-war situations.

Participating in this broad geographic redistribution of income, the Fifth District registered gains in income payments over the war period that exceeded by a substantial margin those for the country as a whole. Although the

absolute increase in total income payments was not particularly large, the relative growth was an impressive one. Whereas total income payments in the nation increased 101 per cent from 1940 to 1945, the gain for the Fifth District amounted to 111 per cent, and if we exclude the District of Columbia from the calculation, the increase amounted to 117 per cent. As we have noted, the District of Columbia realized a rate of growth in income payments that was considerably below that of the nation. As a particular consequence, then, of the general trend of income redistribution, the share of the Fifth District in the country's income payments climbed from 5.96 per cent in 1929 to 7.50 per cent in 1940 and to 7.85 per cent in 1945.

These gains were reflected in improvements in the important per capita income position of the District. Only the District of Columbia and Maryland failed to achieve greater percentage increases than the rate of growth attained by the whole country during the period 1940-45. These two states, however, continued to be the only ones in the District whose per capita incomes exceeded the national average. Individuals in the other four states, although they enjoyed greater-than-average gains during the war, still receive incomes that are considerably less than average per capita incomes in the country as a whole.

Although the large percentage gains of the war period removed only a comparatively small part of the difference in per capita income between the low-income states of the Fifth District and the high-income groups in other sections of the country, the secular trend of geographic redistribution of income supports the view that the gap will continue to be narrowed. The improvement during this decade and the past one has been significant; in South Carolina, for example, per capita income in 1929 amounted to only 37 per cent of the national figure, but subsequent relative gains raised this proportion to 58 per cent in 1945.

Allowance must be made, of course, for the importance of Government expenditures in the increase of income payments in this District since 1940, but the growing importance of manufacturing and the consequent trend towards a better balanced District economy affords a basis for belief that the income-payments position of this District will continue its upward march.

## Banking

The five weeks ended October 16 saw continued increases in the loans of the weekly reporting member banks of the Fifth Federal Reserve District, nearly all of which were accounted for by the increased volume of commercial, industrial and agricultural loans. These loans increased steadily week by week from \$205 million on September 11 to \$228 million on October 16, the greatest dollar increase that has occurred in such a period of time during the growth of these loans from their low point of July 25, 1945. Loans for purchasing or carrying securities showed a net loss, principally accounted for by a further decrease in loans to others than brokers and dealers against United States Government securities. Real estate loans and loans to banks showed small increases for the period, while all other loans, including consumer loans to individuals, showed an increase of \$3 million. Total loans increased by \$24 million.

Total investments fell from \$1,641 million on September

11 to \$1,586 million on October 16, a decrease that was principally the result of War Loan account withdrawals and the redemption of certificates held. The weekly holdings of United States Government obligations are presented below:

| (Amounts in millions of dollars) |       |          |       |       |       |
|----------------------------------|-------|----------|-------|-------|-------|
| DATE                             | Bills | C. of I. | Notes | Bonds | Total |
| September 11                     | 49    | 337      | 136   | 1,034 | 1,556 |
| 18                               | 42    | 337      | 136   | 1,036 | 1,551 |
| 25                               | 31    | 335      | 136   | 1,038 | 1,540 |
| October 2                        | 28    | 315      | 136   | 1,014 | 1,493 |
| 9                                | 27    | 310      | 133   | 1,024 | 1,494 |
| 16                               | 24    | 309      | 133   | 1,032 | 1,498 |

During the week ending October 2, United States Government deposits fell off \$27 million and at the same time holdings of certificates decreased by \$20 million. Subsequent weeks showed slight increases in investments, but for the five-week period the increase in loans was more than offset by decreases in investment portfolios, resulting

in a decrease of \$31 million in total loans and investments.

Reserves of the Fifth District member banks fell off toward the latter part of September and then registered gains in the first three weeks ending in October. The net change for the five weeks ending October 16 was a gain of \$5 million, which was the residual of substantial inflows and outflows of funds. Treasury transactions took \$106 million out of the District, concentrated principally in the two weeks ending September 25: during these weeks, in spite of substantial inflows on commercial and financial account, reserve positions were tight as reflected by an increase in Federal Reserve credit extended locally (\$42 million) and a decrease of member bank reserves (\$25 million). The following week however saw large gains from commercial and financial transactions—undoubtedly including substantial withdrawals from out-of-district correspondents as a result of redemptions—which enabled member banks to cover the large increase in currency and circulation, to repay loans at this Bank, and to increase reserves by \$13 million. The last two weeks of the period brought continued losses as the result of increases in currency in circulation which were more than offset by funds furnished by the other factors affecting reserves, resulting in an increase of \$17 million, and bringing total reserves to \$472 million, a new high. A complete statement of factors affecting member bank reserves follows:

|                                       | Change for 5 weeks<br>ending October 16, 1946<br>(Millions of dollars) |
|---------------------------------------|--|
| Reserve Bank Credit extended locally  | + 11   |
| Commercial and financial transactions | +161   |
| Treasury transactions                 | -106   |
| Currency transactions                 | - 61   |
| Other factors                         | 0  |
| Net change in reserve balances        | + 5  |

#### AVERAGE DAILY TOTAL DEPOSITS\* OF MEMBER BANKS

|                      | Last half of August |            | Last half of Sept. |            |
|----------------------|---------------------|------------|--------------------|------------|
|                      | \$ millions         | % of U. S. | \$ millions        | % of U. S. |
| Maryland             | 1,073               | .99        | 1,061              | .98        |
| Reserve city banks   | 698                 | .64        | 684                | .63        |
| Country banks        | 376                 | .35        | 376                | .35        |
| District of Columbia | 959                 | .88        | 946                | .87        |
| Reserve city banks   | 937                 | .86        | 924                | .85        |
| Country banks        | 22                  | .02        | 22                 | .02        |
| Virginia             | 1,351               | 1.25       | 1,357              | 1.25       |
| Reserve city banks   | 339                 | .31        | 339                | .31        |
| Country banks        | 1,013               | .94        | 1,018              | .94        |
| West Virginia        | 565                 | .52        | 567                | .52        |
| North Carolina       | 826                 | .76        | 832                | .77        |
| Reserve city banks   | 364                 | .33        | 361                | .33        |
| Country banks        | 462                 | .43        | 471                | .44        |
| South Carolina       | 400                 | .37        | 428                | .40        |
| Fifth District       | 5,175               | 4.77       | 5,191              | 4.80       |

\*Excluding interbank demand deposits.  
Details may not add to totals due to rounding.

#### DEPOSITS\* OF ALL ACTIVE BANKS June 29, 1946

|                      | Millions of<br>dollars |
|----------------------|------------------------|
| Maryland             | 1,893                  |
| District of Columbia | 988                    |
| Virginia             | 1,678                  |
| West Virginia        | 854                    |
| North Carolina       | 1,493                  |
| South Carolina       | 602                    |
| United States        | 147,985                |

\*Excluding interbank deposits.

#### OWNERSHIP OF DEMAND DEPOSITS

Demand deposits of individuals, partnerships and corporations held by all banks of the Fifth Federal Reserve District showed an increase of \$219 million at the end of July 1946 over January 1946 and an increase of \$636 million over July 1945. The increase of the six-month period of this year was divided principally between business and personal accounts, although not proportionately and not evenly as among the various classes of business depositors. Non-financial business showed a dollar increase while losing position relatively and financial business (excluding insurance companies) showed the largest percentage increase of any class owning a sizable portion of total deposits. Personal deposits increased by 6.3 per cent as compared with 5.4 per cent for total demand deposits of individuals, partnerships and corporations. The table below presents the July pattern of ownership, together with the changes in the dollar amounts of each class from preceding survey dates.

#### CHANGES IN OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS Fifth Federal Reserve District

(Estimates in millions of dollars)\*

| Type of holder         | Amount<br>outstanding<br>July 31, '46 | Percent of<br>Total<br>July 31, '46 | Dollar<br>Increase from |           |
|------------------------|---------------------------------------|-------------------------------------|-------------------------|-----------|
|                        |                                       |                                     | Jan. 1946               | July 1945 |
| Total business         | 2,236                                 | 52.6                                | 103                     | 214       |
| Nonfinancial business: | 1,930                                 | 45.4                                | 67                      | 136       |
| Manufacturing & mining | 568                                   | 13.4                                | 39                      | 6         |
| Public utilities       | 226                                   | 5.3                                 | 2                       | 15        |
| Trade                  | 889                                   | 20.9                                | 1                       | 125       |
| Other nonfinancial     | 247                                   | 5.8                                 | 29                      | 32        |
| Financial business:    | 306                                   | 7.2                                 | 36                      | 78        |
| Insurance companies    | 76                                    | 1.8                                 | 4                       | 12        |
| Other financial        | 230                                   | 5.4                                 | 33                      | 66        |
| Personal               | 1,735                                 | 40.9                                | 102                     | 358       |
| Trust funds            | 68                                    | 1.6                                 | 1                       | 16        |
| Nonprofit associations | 204                                   | 4.8                                 | 12                      | 45        |
| Foreign                | 5                                     | 0.1                                 | 3                       | 4         |
| Total                  | 4,247                                 | 100.0                               | 219                     | 636       |

\*Owing to rounding, details may not add to totals.

Complete data on the six preceding semi-annual surveys of deposits ownership may be found in the "Monthly Review" of this Bank for June 30, 1946.

Manufacturing and mining concerns showed an increase of \$39 million over their January deposits but still fell short of their figure for the previous July. This represents a reversal of the drains that were placed upon the accounts of these concerns during the earlier days of reconversion when plant expenditures, wages and material costs were not being compensated by returns from sales. Throughout the period of the previous ownership surveys (July 1943-January 1946), a downward trend in the importance of these deposits has been evident; on the first date they constituted 18.1 per cent of the total while in January of this year they had fallen to 13.1 per cent. Since there has been a seasonal partial recovery of their importance in each of the July surveys, it is too early to say that the gains shown in the last survey represent any reversal of the three-year trend.

Public utilities, transportation and communications concerns continued their loss of deposits and even greater loss of relative importance. Their failure to increase in recent months is surprising. The units commonly found in these fields are large ones that normally adjust their balances very closely in accordance with their requirements; these requirements have undoubtedly risen substantially within the past year due to increased labor costs and the outlays for replacement of and additions to their capital equipment.

Deposits of retail and wholesale trade establishments remained at substantially their level of last January, this being the first six-month period during which a substantial increase has not been shown. It may well be concluded that the factors making for the former increases have now lost their force: inventories are being expanded and receivables are increasing, resulting in a cash drain upon merchants. As against this, however, operating costs have increased and purchases necessitate larger working balances due to higher prices. Apparently the effects of the opposing forces have been balanced off in maintaining deposits at approximately their former level. It may well be that some of the balances formerly carried were in excess of actual requirements and have been drawn down somewhat while other firms have found it necessary to replenish and to increase balances through borrowings.

Other nonfinancial concerns showed a substantial gain over their January position, increasing their holdings from 5.4 to 5.8 per cent of the total. Included in this group are construction contractors, amusement places, hotels, laundries, garages, repair shops, and the business accounts of professional people. While it is difficult to make generalizations about the group as a whole, it is possible to see the

forces operating upon some segments of it. Construction has been at high levels with little evidence of a slackening of demand within the immediate future, resulting in expansion of the operations of concerns formerly in this field and the entry of new concerns. The rising costs of labor and building materials have increased these concerns' requirements for balances out of proportion to the increase in physical construction.

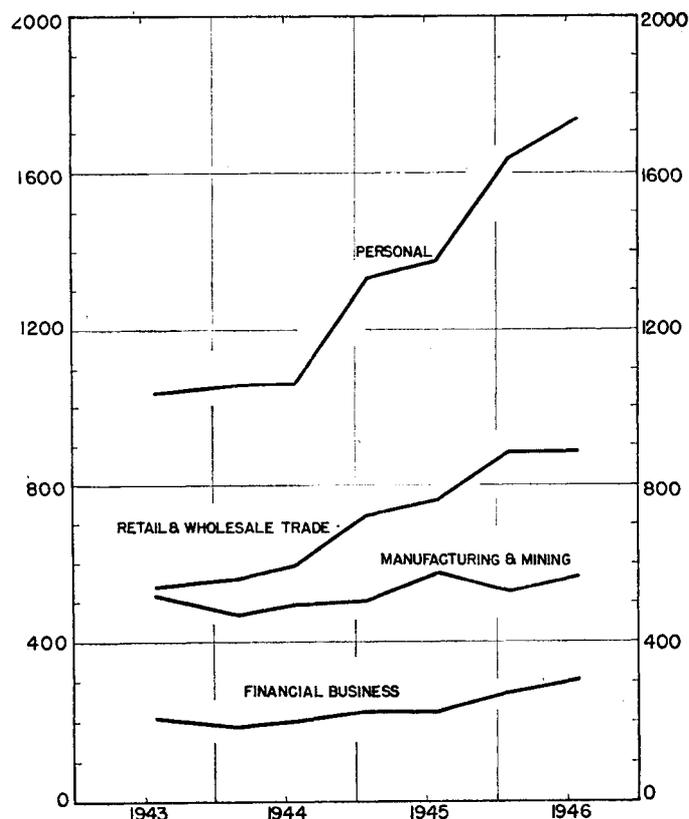
Service establishments in general have been operating at peak capacity since the war and have expanded their activities where labor conditions permitted. Traditionally a low-paid field for non-professional workers, wage increases have been necessary in order to compete with manufacturing industries, and accordingly the requirements of these concerns have increased. The retention of profits in liquid form has undoubtedly contributed to the increase since the small business unit normally found in this field is likely to consider requirements as a minimum for balances without setting definite upper limits above which funds will be utilized elsewhere.

Insurance companies increased their deposits proportionately with the increase in the total, resulting in maintaining the same position relatively that has been held for the past year. Financial business other than insurance companies showed a growth of 17 per cent during the six months ended July 31, and increased their proportion of the total to 5.4 per cent, the largest relative and absolute amount held by these concerns in the seven surveys. This is a reflection of the greatly increased activity of such companies: residential construction financing and consumer credit have both shown substantial gains during the current year, while new corporate issues and trading in outstanding issues have been heavy. Insurance sales have continued at high levels with correspondingly high levels of deposits for insurance agencies.

Personal deposits continued their growth although not at so rapid a rate as has been shown in past inter-survey periods. This may to a large extent be attributed to the continuing scarcity of durable consumer goods for which funds were being accumulated, the continued high level of income payments, and the desire of many persons to hold cash balances at a higher level than had formerly been their custom. The future of these deposits is uncertain and will depend upon factors which are still indeterminate. Future levels of saving and the form in which savings are held will strongly influence personal accounts, as will prospects for the future, in determining the precautionary balances to be held and the balances required for day-to-day transactions.

Trust funds of banks showed a small change from the January level to which a great amount of significance cannot be attached. Nonprofit associations continued their growth of deposit holdings reflecting a sharing in the general prosperity and quite probably some accumulation of funds for future investment in buildings and other facilities. Deposits of foreigners showed a substantial percentage rise but a dollar rise that is of no importance; the sum of these accounts is insignificant in this District.

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS  
INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS, 5TH DISTRICT  
(MILLIONS OF DOLLARS)



| FEDERAL RESERVE BANK OF RICHMOND<br>(All Figures in Thousands) |                    |                        |           |
|--|--------------------|------------------------|-----------|
| ITEMS  | October 16<br>1946 | Change in Amt.<br>from |           |
|  |                    | 9-11-46                | 10-17-45  |
| Total Gold Reserves  | \$1,043,285        | + 73,206               | + 80,914  |
| Other Reserves   | 18,259             | - 1,744                | + 4,644   |
| Total Reserves   | 1,061,544          | + 71,462               | + 85,558  |
| Bills Discounted   | 11,933             | - 8,012                | - 1,887   |
| Industrial Advances  | 0                  | 0                      | - 65      |
| Gov. Securities, Total   | 1,470,037          | + 8,648                | + 10,770  |
| Bonds  | 46,786             | + 794                  | - 15,150  |
| Notes  | 42,748             | + 6,480                | - 80,071  |
| Certificates   | 464,203            | + 9,644                | + 5,464   |
| Bills  | 916,300            | - 8,270                | + 100,527 |
| Total Bills & Securities                                       | 1,481,970          | + 636                  | + 8,818   |
| Uncollected Items  | 240,747            | + 46,616               | + 66,514  |
| Other Assets   | 28,382             | + 567                  | + 14,468  |
| Total Assets   | 2,812,643          | + 119,281              | + 175,538 |
| Fed. Res. Notes in Cir.  | \$1,764,055        | + 46,226               | + 67,114  |
| Deposits, Total  | 803,070            | + 31,446               | + 45,508  |
| Members' Reserves  | 742,149            | + 5,194                | + 45,982  |
| U. S. Treas. Gen. Acct.  | 33,983             | + 33,459               | + 19,333  |
| Foreign  | 23,968             | - 6,970                | - 14,568  |
| Other Deposits   | 3,069              | - 237                  | - 5,239   |
| Def. Availability Items  | 212,044            | + 41,137               | + 56,640  |
| Other Liabilities  | 571                | - 42                   | + 1       |
| Capital Accounts   | 32,903             | + 514                  | + 6,275   |
| Total Liabilities  | 2,812,643          | + 119,281              | + 175,538 |

| 41 REPORTING MEMBER BANKS—5th DISTRICT<br>(All Figures in Thousands) |                    |                        |           |
|--|--------------------|------------------------|-----------|
| ITEMS  | October 16<br>1946 | Change in Amt.<br>from |           |
|  |                    | 9-11-46                | 10-17-45  |
| Total Loans  | \$ 447,281         | + 26,459               | + 125,376 |
| Bus. & Agri. Loans   | 227,667            | + 22,731               | + 85,603  |
| Real Estate Loans  | 67,104             | + 1,510                | + 16,988  |
| All Other Loans  | 152,510            | + 2,218                | + 22,785  |
| Total Security Holdings  | 1,585,640          | - 55,028               | - 124,942 |
| U. S. Treasury Bills   | 23,688             | - 25,466               | - 23,424  |
| U. S. Treasury Certificates  | 309,453            | - 27,202               | - 1,780   |
| U. S. Treasury Notes   | 133,023            | - 2,581                | - 156,112 |
| U. S. Gov. Bonds   | 1,031,638          | - 2,510                | + 33,538  |
| Obligations Gov. Guaranteed  | 87                 | + 1                    | - 43      |
| Other Bonds, Stocks & Sec.   | 87,751             | + 2,730                | + 22,879  |
| Cash Items in Process of Col.  | 181,735            | + 33,461               | + 61,105  |
| Due from Banks   | 139,249*           | + 2,422                | - 22,338  |
| Currency & Coin  | 39,051             | - 2,570                | - 755     |
| Reserve with F. R. Bank  | 356,832            | - 1,328                | + 13,897  |
| Other Assets   | 74,190             | - 5,426                | + 1,581   |
| Total Assets   | 2,823,978          | - 2,010                | + 53,924  |
| Total Demand Deposits  | \$2,185,421        | + 11,490               | + 6,928   |
| Deposits of Individuals  | 1,458,523          | - 9,364                | + 145,549 |
| Deposits of U. S. Gov.   | 159,618            | - 24,896               | - 142,085 |
| Deposits of State & Local Gov.                                       | 93,369             | + 4,654                | + 11,561  |
| Deposits of Banks  | 444,596*           | + 38,038               | - 10,906  |
| Certified & Officers' Checks   | 29,315             | + 3,058                | + 2,809   |
| Total Time Deposits  | 394,760            | - 1,503                | + 40,281  |
| Deposits of Individuals  | 381,546            | + 5,162                | + 40,359  |
| Other Time Deposits  | 13,214             | - 6,665                | - 78      |
| Liabilities for Borrowed Money                                       | 4,200              | - 8,300                | - 7,300   |
| All Other Liabilities  | 92,476             | - 5,478                | - 4,207   |
| Capital Accounts   | 147,121            | + 1,781                | + 18,222  |
| Total Liabilities  | 2,823,978          | - 2,010                | + 53,924  |

\*Net figures, reciprocal balances being eliminated.

| COMMERCIAL FAILURES |                 |       |                   |              |
|---------------------|-----------------|-------|-------------------|--------------|
| MONTHS              | Number Failures |       | Total Liabilities |              |
|                     | District        | U. S. | District          | U. S.        |
| September 1946      | 3               | 96    | \$ 94,000         | \$ 4,877,000 |
| August 1946         | 3               | 92    | 135,000           | 3,799,000    |
| September 1945      | 0               | 64    | 0                 | 1,658,000    |
| 9 Months 1946       | 18              | 762   | \$ 348,000        | \$34,333,000 |
| 9 Months 1945       | 15              | 646   | 1,509,000         | 24,189,000   |

Source: Dun & Bradstreet

| DEBITS TO INDIVIDUAL ACCOUNTS<br>(000 omitted) |               |                                |                |                                |
|--|---------------|--------------------------------|----------------|--------------------------------|
| District of Columbia<br>Washington             | Sept.<br>1946 | % Change<br>from<br>Sept. 1945 | 9 Mos.<br>1946 | % Change<br>from<br>9 mos. '45 |
|  |               |                                |                |                                |
| <b>Maryland</b>                                |               |                                |                |                                |
| Baltimore                                      | 771,911       | + 3                            | 7,267,538      | + 2                            |
| Cumberland                                     | 19,155        | + 35                           | 169,430        | + 29                           |
| Frederick                                      | 15,143        | + 31                           | 131,363        | + 20                           |
| Hagerstown                                     | 23,782        | + 41                           | 195,877        | + 28                           |
| <b>North Carolina</b>                          |               |                                |                |                                |
| Asheville                                      | 41,929        | + 49                           | 340,772        | + 35                           |
| Charlotte                                      | 199,581       | + 51                           | 1,532,593      | + 25                           |
| Durham   | 134,060       | + 7                            | 867,824        | + 25                           |
| Greensboro                                     | 50,915        | + 29                           | 469,997        | + 29                           |
| Kinston  | 32,639        | + 19                           | 125,881        | + 30                           |
| Raleigh  | 70,088        | + 36                           | 650,690        | + 28                           |
| Wilmington                                     | 33,431        | - 5                            | 291,490        | - 10                           |
| Wilson   | 39,877        | + 12                           | 143,110        | + 15                           |
| Winston-Salem                                  | 105,415       | + 35                           | 824,998        | + 35                           |
| <b>South Carolina</b>                          |               |                                |                |                                |
| Charleston                                     | 52,527        | + 43                           | 439,744        | + 19                           |
| Columbia                                       | 72,588        | + 49                           | 627,989        | + 32                           |
| Greenville                                     | 64,601        | + 64                           | 497,425        | + 37                           |
| Spartanburg                                    | 36,599        | + 52                           | 293,054        | + 37                           |
| <b>Virginia</b>                                |               |                                |                |                                |
| Charlottesville                                | 21,413        | + 7                            | 197,056        | + 8                            |
| Danville                                       | 31,087        | + 15                           | 197,421        | + 19                           |
| Lynchburg                                      | 30,927        | + 42                           | 262,931        | + 32                           |
| Newport News                                   | 25,579        | + 21                           | 209,734        | 0                              |
| Norfolk  | 135,187       | + 21                           | 1,208,418      | + 12                           |
| Portsmouth                                     | 16,138        | + 3                            | 151,278        | + 1                            |
| Richmond                                       | 478,101       | + 32                           | 3,819,364      | + 9                            |
| Roanoke  | 66,845        | + 49                           | 556,440        | + 39                           |
| <b>West Virginia</b>                           |               |                                |                |                                |
| Bluefield                                      | 32,263        | + 34                           | 253,780        | + 16                           |
| Charleston                                     | 116,482       | + 40                           | 922,744        | + 17                           |
| Clarksburg                                     | 23,270        | + 25                           | 200,943        | + 28                           |
| Huntington                                     | 43,876        | + 24                           | 370,768        | + 9                            |
| Parkersburg                                    | 23,212        | + 34                           | 186,554        | + 8                            |
| District Totals                                | \$ 3,440,634  | + 21                           | \$28,419,623   | + 13                           |

| COTTON CONSUMPTION AND ON HAND—BALES                   |                   |                   |                   |                  |
|--|-------------------|-------------------|-------------------|------------------|
|  | September<br>1946 | September<br>1945 | Aug. 1 to<br>1946 | Sept. 30<br>1945 |
| <b>Fifth District States:</b>                          |                   |                   |                   |                  |
| Cotton consumed  | 390,834           | 341,449           | 797,199           | 702,625          |
| <b>Cotton Growing States:</b>                          |                   |                   |                   |                  |
| Cotton consumed  | 720,196           | 620,512           | 1,472,276         | 1,271,058        |
| Cotton on hand Sept. 30 in<br>consuming establishments | 1,588,406         | 1,461,844         |                   |                  |
| storage and compresses                                 | 4,235,024         | 8,210,551         |                   |                  |
| <b>United States:</b>                                  |                   |                   |                   |                  |
| Cotton consumed  | 818,449           | 700,444           | 1,673,960         | 1,438,893        |
| Cotton on hand Sept. 30 in<br>consuming establishments | 1,956,442         | 1,745,954         |                   |                  |
| storage and compresses                                 | 4,328,526         | 8,306,523         |                   |                  |
| Spindles active, U. S.                                 | 21,642,924        | 21,359,866        |                   |                  |

| COTTON CONSUMPTION—FIFTH DISTRICT<br>In Bales |              |              |          |           |
|---|--------------|--------------|----------|-----------|
| MONTHS  | No. Carolina | So. Carolina | Virginia | District  |
| September 1946                                | 212,325      | 160,991      | 17,518   | 390,834   |
| August 1946                                   | 221,760      | 165,848      | 18,757   | 406,365   |
| September 1945                                | 185,470      | 139,804      | 16,175   | 341,449   |
| 9 Mos. 1946                                   | 1,887,423    | 1,416,015    | 155,905  | 3,459,343 |
| 9 Mcs. 1945                                   | 1,855,874    | 1,412,447    | 164,409  | 3,432,730 |

| DEPOSITS IN MUTUAL SAVINGS BANKS<br>8 Baltimore Banks |                |               |                |
|---|----------------|---------------|----------------|
|   | Sept. 30, 1946 | Aug. 31, 1946 | Sept. 30, 1945 |
| Total Deposits  | \$375,476,030  | \$372,943,742 | \$333,978,184  |

**BUILDING PERMIT FIGURES**  
Fifth Federal Reserve District

|                              | Total Valuation |               |
|------------------------------|-----------------|---------------|
|                              | Sept. 1946      | Sept. 1945    |
| <b>Maryland</b>              |                 |               |
| Baltimore .....              | \$ 7,457,800    | \$ 1,384,280  |
| Cumberland .....             | 66,755          | 35,700        |
| Frederick .....              | 35,220          | 7,135         |
| Hagerstown .....             | 68,800          | 11,538        |
| Salisbury .....              | 155,842         | 140,331       |
| <b>Virginia</b>              |                 |               |
| Danville .....               | 97,943          | 84,115        |
| Lynchburg .....              | 199,564         | 107,855       |
| Norfolk .....                | 255,960         | 312,460       |
| Petersburg .....             | 114,900         | 2,575         |
| Portsmouth .....             | 61,390          | 71,734        |
| Richmond .....               | 1,042,966       | 782,254       |
| Roanoke .....                | 163,825         | 146,524       |
| <b>West Virginia</b>         |                 |               |
| Charleston .....             | 291,403         | 156,568       |
| Clarksburg .....             | 34,925          | 11,404        |
| Huntington .....             | 299,535         | 100,000       |
| <b>North Carolina</b>        |                 |               |
| Asheville .....              | 160,483         | 68,101        |
| Charlotte .....              | 739,923         | 706,870       |
| Durham .....                 | 106,600         | 122,825       |
| Greensboro .....             | 295,745         | 128,728       |
| High Point .....             | 113,598         | 168,844       |
| Raleigh .....                | 225,520         | 183,485       |
| Rocky Mount .....            | 70,050          | 7,700         |
| Salisbury .....              | 30,144          | 31,195        |
| Winston-Salem .....          | 210,262         | 230,781       |
| <b>South Carolina</b>        |                 |               |
| Charleston .....             | 82,756          | 146,208       |
| Columbia .....               | 71,080          | 192,184       |
| Greenville .....             | 82,250          | 32,090        |
| Spartanburg .....            | 182,810         | 40,395        |
| <b>District of Columbia</b>  |                 |               |
| Washington .....             | 3,074,438       | 798,470       |
| <b>District Totals</b> ..... | \$ 15,792,487   | \$ 6,217,349  |
| <b>9 Months</b> .....        | \$137,921,221   | \$ 43,945,297 |

**RAYON YARN DATA**

|                                  | Sept. 1946 | August 1946 | Sept. 1945 |
|----------------------------------|------------|-------------|------------|
| Rayon Yarn Shipments, Lbs.....   | 53,900,000 | 57,300,000  | 47,900,000 |
| Staple Fiber Shipments, Lbs..... | 14,000,000 | 15,100,000  | 11,900,000 |
| Rayon Yarn Stocks, Lbs.....      | 8,900,000  | 8,400,000   | 6,000,000  |
| Staple Fiber Stocks, Lbs.....    | 2,600,000  | 2,300,000   | 4,800,000  |

Source: Rayon Organon

**AUCTION TOBACCO MARKETING**

| STATES               | Producers' Tobacco Sales, Lbs. |             | Price per Cwt. |         |
|----------------------|--------------------------------|-------------|----------------|---------|
|                      | Sept. 1946                     | Sept. 1945  | 1946           | 1945    |
| South Carolina ..... | 57,214,834                     | 32,135,158  | \$42.39        | \$42.21 |
| North Carolina ..... | 240,882,006                    | 241,862,377 | 49.97          | 42.61   |
| Virginia .....       | 14,684,235                     | 23,630,748  | 47.71          | 41.23   |
| Total .....          | 312,781,075                    | 297,628,283 | \$48.48        | \$42.46 |
| Season Through ..... | 551,330,733                    | 550,768,687 | \$50.90        | \$43.31 |

**TOBACCO MANUFACTURING**

|                             | Sept. 1946   | % Change from Sept. 1945 | 9 mos. 1946 | % Change from 9 mos. '45 |
|-----------------------------|--|--------------------------|-------------|--------------------------|
|                             | Smoking & chewing tobacco (Thousands of lbs.)..... | 18,563                   | -23         | 156,490                  |
| Cigarettes (Thousands)..... | 26,865,296   | + 2                      | 194,762,632 | +22                      |
| Cigars (Thousands).....     | 457,703  | + 9                      | 4,235,561   | +18                      |
| Snuff (Thousands of lbs.).. | 3,108  | - 8                      | 29,290      | -12                      |

**SOFT COAL PRODUCTION IN THOUSANDS OF TONS**

| REGIONS              | Sept. 1946         | Sept. 1945 | % Chg. | 9 Mos. 1946 | 9 Mos. 1945 | % Chg.  |
|----------------------|--------------------|------------|--------|-------------|-------------|---------|
|                      | West Virginia..... | 13,527     | 12,610 | +7          | 104,317     | 117,776 |
| Virginia .....       | 1,572              | 1,458      | +8     | 12,557      | 13,835      | - 9     |
| Maryland .....       | 152                | 139        | +9     | 1,537       | 1,283       | +20     |
| Fifth District... .. | 15,251             | 14,207     | +7     | 118,411     | 132,894     | -11     |
| United States... ..  | 51,080             | 46,938     | +9     | 390,899     | 439,238     | -11     |
| % in District... ..  | 29.9               | 30.3       |        | 30.3        | 30.3        |         |

**CONSTRUCTIONS CONTRACTS AWARDED**

| STATES                      | August 1946  | % Chg. from Aug. 1945 | 8 mos. '46    | % Chg. from 8 mos. '45 |
|-----------------------------|--------------|-----------------------|---------------|------------------------|
| Maryland .....              | \$22,040,000 | +138                  | \$211,700,000 | +213                   |
| Dist. of Columbia .....     | 4,811,000    | + 72                  | 47,088,000    | + 78                   |
| Virginia .....              | 20,765,000   | +233                  | 145,324,000   | + 87                   |
| West Virginia.....          | 5,346,000    | +173                  | 51,862,000    | +266                   |
| No. Carolina .....          | 19,569,000   | +209                  | 131,521,000   | +223                   |
| So. Carolina .....          | 10,813,000   | +285                  | 88,915,000    | +681                   |
| <b>Fifth District</b> ..... | \$83,334,000 | +183                  | \$676,410,000 | +182                   |

Source: F. W. Dodge Corp.

**RETAIL FURNITURE SALES**

| STATES                            | Percentage Changes in Sept. and 9 Mos. 1946 Compared with |               |
|-----------------------------------|---|---------------|
|                                   | Sept. 1945  | 9 Months 1945 |
| Maryland (5)* .....               | +74   | +51           |
| Dist. of Columbia (5)*.....       | +49   | +57           |
| Virginia (21)* .....              | +69   | +61           |
| West Virginia (9)* .....          | +27   | +69           |
| North Carolina (16)* .....        | +63   | +54           |
| South Carolina (14)* .....        | +57   | +55           |
| <b>Fifth District (70)*</b> ..... | +60   | +56           |
| <b>Individual Cities</b>          |   |               |
| Baltimore, Md., (5).....          | +74   | +51           |
| Washington, D. C., (5)*.....      | +49   | +57           |
| Lynchburg, Va., (3)*.....         | +77   | +78           |
| Richmond, Va., (7)*.....          | +73   | +66           |
| Charleston, W. Va., (3)*.....     | +36   | +66           |
| Charlotte, N. C., (4)*.....       | +89   | +74           |
| Columbia, S. C., (4)*.....        | +94   | +72           |

\*Number of reporting stores

**WHOLESALE TRADE 204 FIRMS**

| LINES                                | Net Sales compared with |           | Stock compared with |              | Ratio Sept. collections to acc'ts outstanding Sept. 1 |
|--------------------------------------|-------------------------|-----------|---------------------|--------------|---|
|                                      | Sept. 1945              | Aug. 1946 | Sept. 30 1945       | Aug. 31 1946 |   |
| Auto Supplies (6)*.....              | + 46                    | + 18      | + 80                | + 6          | 92  |
| Drugs & Sundries (8)*.....           | + 20                    | + 11      | + 30                | + 5          | 126   |
| Dry Goods (6)*.....                  | +104                    | + 6       | +125                | + 2          | 78  |
| Electrical Goods (3)*.....           | +118                    | + 18      | ..                  | ..           | 105   |
| Groceries (72)* .....                | + 30                    | + 2       | + 31                | + 5          | 165   |
| Hardware (14)* .....                 | + 72                    | - 2       | + 47                | +12          | 113   |
| Industrial Supplies (6)*.....        | + 62                    | - 7       | + 35                | + 4          | 110   |
| Paper & Products (6)*.....           | + 75                    | + 30      | + 6                 | + 3          | 92  |
| Tobacco & Products (9)*.....         | + 21                    | - 1       | + 47                | +13          | 153   |
| Miscellaneous (74)* .....            | + 40                    | + 5       | + 48                | + 6          | 122   |
| <b>District Average (204)*</b> ..... | + 44                    | +104      | + 48                | + 6          | 120   |

Source: Department of Commerce  
\*Number of reporting firms.

**DEPARTMENT STORE TRADE**

| Richmond   | Baltimore | Washington | Other Cities | District |
|--|-----------|------------|--------------|----------|
| Percentage change in Sept. 1946 sales, compared with sales in Sept. 1945:  |           |            |              |          |
| +34  | +33       | +20        | +29          | +28      |
| Percentage change in 9 mos. sales 1946, compared with 9 mos. in 1945:      |           |            |              |          |
| +30  | +25       | +21        | +26          | +24      |
| Percentage chg. in stocks on Sept. 20, '46, compared with Sept. 30, '45:   |           |            |              |          |
| +49  | +24       | +20        | +39          | +27      |
| Percentage chg. in outstanding orders Sept. 30, '46 from Sept. 30, '45:    |           |            |              |          |
| +73  | +44       | +20        | +42          | +37      |
| Percentage chg. in receivables Sept. 30, '46, from those on Sept. 30, '45: |           |            |              |          |
| +77  | +57       | +50        | +49          | +56      |
| Percentage of current receivables as of Sept. 1 collected in Sept.:        |           |            |              |          |
| 44   | 50        | 51         | 57           | 50       |
| Percentage of instalment receivables as of Sept. 1 collected in Sept.:     |           |            |              |          |
| 33   | 30        | 28         | 35           | 29       |
| Maryland Dist. of Col. Virginia W. Virginia No. Carolina So. Carolina      |           |            |              |          |
| Percentage change in Sept. 1946 sales from Sept. 1945 sales by States:     |           |            |              |          |
| +32  | +20       | +32        | +28          | +34      |
| Percentage change in 9 mos. sales 1946 from 9 mos. sales 1945:             |           |            |              |          |
| +25  | +21       | +26        | +30          | +31      |

## BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100

Seasonally Adjusted

|                                  | Aug.<br>1946 | July<br>1946 | June<br>1946 | Aug.<br>1945 | % Change                  |         |
|----------------------------------|--------------|--------------|--------------|--------------|---------------------------|---------|
|                                  |              |              |              |              | Aug. 1946 from<br>July 46 | Aug. 45 |
| Bank Debits .....                | 298          | 259          | 258          | 231          | + 15                      | + 29    |
| Bituminous Coal Production*..... | 151r         | 153          | 154          | 134          | - 2                       | + 12    |
| Building Contracts Awarded.....  | 347          | 330r         | 364          | 123          | + 5                       | +182    |
| Building Permits Issued.....     | 175          | 184          | 183          | 92           | - 5                       | + 90    |
| Cigarette Production .....       | 229          | 216          | 229          | 208          | + 6                       | + 10    |
| Cotton Consumption .....         | 154          | 140          | 149          | 137          | + 10                      | + 12    |
| Department Store Sales.....      | 306          | 307          | 303          | 237          | 0                         | + 30    |
| Department Store Stocks.....     | 264          | 263r         | 243          | 199          | 0                         | + 33    |
| Electric Power Production.....   | 223          | 214          | 203          | 209          | + 4                       | + 7     |
| Furniture Orders .....           | 206          | 117          | 454          | 138          | + 76                      | + 49    |
| Furniture Shipments .....        | 242          | 244          | 353          | 132          | - 1                       | + 83    |
| Furniture Unfilled Orders.....   | 437          | 409          | 788          | 364          | + 7                       | + 20    |
| Furniture Sales—Retail .....     | 212          | 249r         | 269          | 126          | - 15                      | + 68    |
| Life Insurance Sales.....        | 272          | 297          | 252          | 161          | - 8                       | + 69    |
| Wholesale Trade:                 |              |              |              |              |                           |         |
| Automotive Supplies** .....      | 251          | 239          | 286          | 175          | + 5                       | + 43    |
| Drugs .....                      | 260          | 280          | 269          | 218          | - 7                       | + 19    |
| Dry Goods .....                  | 193          | 213          | 197          | 158          | - 9                       | + 22    |
| Electrical Goods** .....         | 43           | 55           | 43           | 44           | - 22                      | - 2     |
| Groceries .....                  | 249          | 246          | 235          | 195          | + 1                       | + 28    |
| Hardware .....                   | 122          | 112          | 104          | 81           | + 9                       | + 51    |
| Industrial Supplies** .....      | 253          | 237          | 226          | 133          | + 7                       | + 90    |
| Paper and Its Products**.....    | 126          | 137          | 136          | 120          | - 8                       | + 5     |
| Tobacco and Its Products**.....  | 107          | 116          | 113          | 92           | - 8                       | + 16    |

\*Not seasonally adjusted

\*\*1938-41=100

## SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Board of Governors of the Federal Reserve System)

Industrial production continued with little change in September and the early part of October. Department store sales have shown no further rise from the high level reached at the end of August, although there is usually a considerable increase at this season. Wholesale prices of livestock and meats advanced sharply after the removal of price controls in the middle of October, while prices of cotton and grains declined.

## INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production was maintained in September at the August rate, which was 177 per cent of the 1935-39 average. Following the reestablishment of Federal price controls on livestock at the beginning of September, curtailment in marketings resulted in a sharp drop in activity at meat-packing plants; this decline offset, in the total index, further small gains in output of numerous other manufactured products and minerals. After the middle of October, when controls were removed, slaughter operations showed a sharp increase.

Output of durable manufactures rose 2 per cent in September, reflecting chiefly further gains in activity in the machinery and transportation equipment industries. Output of nonferrous metals also continued to rise in September and was at the highest level since the end of the war. Iron and steel production was maintained at about the August rate. In the first four weeks of October activity at steel mills advanced slightly, averaging for this period a scheduled rate of 90.3 per cent of capacity. Production of lumber and other building materials continued to increase in September. Except for the sharp drop in meat

production, there was little change in the output of non-durable goods.

Output of minerals rose slightly in September as increased production of coal and of metals more than offset a slight decline in output of crude petroleum.

## CONSTRUCTION

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in September. Nonresidential building awards dropped one-fifth to the lowest level since the end of the war, reflecting chiefly a sharp decline in contracts for factory construction. Residential awards were maintained at the high levels prevailing in July and August.

## EMPLOYMENT

Employment in nonagricultural establishments advanced somewhat further in September, after allowing for seasonal changes, reflecting continued gains in industries manufacturing durable goods and in trade and service lines. The number of persons unemployed remained at about 2 million.

## DISTRIBUTION

Department store sales, which were in exceptionally large volume in August, increased by less than the usual amount in September and the early part of October. The Board's seasonally adjusted index was 269 in September as compared with 290 in August and an average level of 257 during the first 7 months of the year. Since the middle of September sales have been considerably reduced in two important areas by industrial disputes, but sales in

most other districts of the country have also shown a smaller rise than is usual during this season of the year.

Loadings of most classes of railroad revenue freight were maintained at an exceptionally high rate in September and the early part of October. Shortages of freight cars persisted during this period, which is the seasonal high point of the year, limiting to some extent the distribution of commodities.

#### COMMODITY PRICES

In the middle of October Federal price ceilings were removed from livestock and meats and it was indicated that the controls remaining over most other commodities would be discontinued. During the subsequent week prices of livestock, meats, and some other agricultural commodities showed sharp advances and exceeded the previous peaks reached during the lapse of price control in July. Wholesale prices of various other commodities, including cotton, grains, butter, and eggs, declined but were still above the levels prevailing at the end of June. Wholesale prices of

industrial products have generally continued to show relatively moderate advances in recent weeks.

#### BANK CREDIT

Member bank reserve balances in September and the first half of October fluctuated somewhat, reflecting Treasury debt retirement operations and quarterly income tax collections. Required reserves increased somewhat in the first half of September and subsequently showed little change. Reserve Bank holdings of Government securities increased late in September and subsequently declined.

Commercial and industrial loans at weekly reporting banks in 101 leading cities continued to expand rapidly during September and early October. Real estate and consumer loans increased further, while loans for purchasing or carrying securities continued to decline. Holdings of Government securities were reduced considerably during the period, reflecting largely Treasury cash retirement of certificates on October 1.