

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank of Richmond, Richmond 13, Va.

June 30, 1947

Business Conditions

THERE was considerable irregularity in business movements in the Fifth District during May, but nothing bordering on a business recession was then visible. The trade level in the District, as measured by seasonally adjusted department store sales, in May exceeded April by 1 per cent and was 9 per cent higher than the trade level for the same month a year ago. Other types of District stores, as reported to the Bureau of the Census, are still showing substantially larger gains than department stores. Exceptionally large increases are continuing in the automotive trade and in building supplies. There was variability in the movements between April and May in the nine lines of wholesale trade. In the main, these trades are holding at high levels.

The employment situation in the District has stabilized, and few further expansions are in sight in the next several months. In numerous places there have been moderate slow-downs in industrial activity, and a few plants have found it necessary to shut down temporarily. These are, in the main, small concerns, and thus far few workers have been adversely affected.

Despite the high building costs and early general reports of reduced activity, building permits are showing a surprising amount of strength. After adjustment for seasonal variation, building permits in the Fifth District in May were 8 per cent higher than in April and 22 per cent higher than in May 1946.

Reports are current that some wholesalers and retailers in the District are again purchasing supplies equivalent to their high rates of sales. It will be recalled that stores generally had adopted a policy in the spring of reducing inventories by purchasing considerably less than was being sold. These reduced purchases have had their effect on manufacturers' activities as is shown in various industries of our District, notably cotton yarns, certain types of furniture, some types of clothing, and certain finished cotton goods. It is interesting to note that some stores have resumed purchases equivalent to their rate of sales, and it indicates a strengthening factor in manufacturing output and employment. There are, no doubt, some stores which had accumulated much larger inventories relative to their sales and which are still purchasing smaller supplies than they are selling. At the going level of sales, however, most

stores' inventory positions should be in alignment by the beginning of fall. This would seem to indicate that many of the adjustments that have been taking place in the past two months in manufacturing activity will be essentially completed by the end of summer.

One of the strong factors in the District's business outlook is the fact that the cotton textile industry reduced its spindle activity simultaneously with a reduction in market demand. In May the seasonally adjusted index of cotton consumption in the Fifth District dropped 13 per cent from the April level and was 6 per cent smaller than that of May 1946. This means that the manufacturers have been unwilling to produce for stock and that there will be no supplies of goods overhanging the market.

The market demand for cotton goods is spotty. Some constructions—notably print cloths—are in extraordinarily strong demand, and prices are strengthening. Other constructions are moving slowly, but even in these no weakness in price has been evident.

It is becoming clear that there are not likely to be any material price concessions made in cotton goods until the price of raw cotton itself has dropped materially. It is further clear that nothing lower than around 30-cent cotton (92.5 per cent of parity) need be anticipated through the calendar year 1948. Exports of cotton goods are continuing at the highest level on record and are a little more than double the level of a year ago. The demand for cotton goods required for inventory accumulation in the several stages of fabrication and distribution apparently has been eliminated, but the increased demand for exports has to a large extent offset this loss. The best anticipation that could be justified at this stage would be that cotton consumption after the summer holidays will resume a level about the same as in the early part of the year.

Cigarette output of the District dropped notably in May from April on a seasonally adjusted basis, but the major part of this is undoubtedly due to labor troubles. There has been little indication thus far that there has been any weakening in the demand for cigarettes.

Lumber, which in 1946 approximated its production record of four decades ago, has become a drug on the market in the early months of 1947, and production has fallen sharply from the year-end, 1946, level. This does

not mean that lumber production will stay at these reduced levels, but it is an indication that price and cost adjustments must be made. The demand for lumber under those conditions which would permit the full development of housing facilities will be very much greater than current production. Rough lumber prices have broken sharply, but this is not true of finished lumber where facilities for production are much more limited.

Speculative building of residences has fallen off notably from what it was over the past several months, but here and there an occasional development of considerable size has gotten under way. The current level of building permits in the District must be fairly heavily weighted with commercial, industrial, and government projects. There have been some notable reductions in residential building costs in the form of increased labor efficiency, but these costs are still high and it remains to be seen whether or not new starts can be attained in volume under these costs. The lifting of restrictions on the number of square feet and the number of bathrooms has resulted in some activity in custom built houses. It is believed that considerably more of this type of housing will evolve.

Although the record is not available for bituminous coal output for May, it is probable that a considerably higher level of production was attained than in April when a mourning holiday period was called. June production, however, will again be adversely affected because it is re-

ported that a substantial proportion of the miners has quit work in protest over the new labor bill. Such labor stoppages and holidays as have been occurring will have their effects largely on the volume of coal exports if miners return on July 7. This is unfortunate at a time when the nation's best efforts should be exerted to reactivate the production of foreign nations.

The crop outlook in general in the Fifth District is in satisfactory shape despite the late spring. Cotton acreage will be in the neighborhood of 15 per cent higher than that of a year ago, but boll weevil emergence has been greater than normal, and this may in part offset a gain in production that might be expected from a larger acreage.

Tobacco stands are spotty in many areas of the District. At this stage it does not appear that the poundage of tobacco will equal that of last year. However, climatic conditions in the next thirty days could change this outlook completely. Tobacco prices will be lower than they were last year unless the crop is unusually short or some arrangement is made to finance purchases normally made by Great Britain. The price of cotton, on the other hand, on the basis of the current outlook appears to hold a substantial measure of strength.

The spring pig crop was only a few per cent higher than that of a year ago in the District as well as in the nation. This does not offer much hope for much reduction in the price of meat this year.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100—Seasonally Adjusted

	May 1947	Apr. 1947	Mar. 1947	May 1946	% Change May 1947 from	
					Apr. 47	May 46
Bank Debits	290	270	293	250	+ 7	+ 16
Bituminous Coal Production*.....		132	165r	77	.....	.....
Building Contracts Awarded.....	263	296	272	437	- 11	- 40
Building Permits Issued.....	213	198	144	174	+ 8	+ 22
Cigarette Production	207	254	246	255	- 19	- 19
Cotton Consumption	139	159	152	148	- 13	- 6
Department Store Sales.....	303	299	307	279	+ 1	+ 9
Department Store Stocks.....	292	302	300	233	- 3	+ 25
Electric Power Production.....		235	238	199	.....	.....
Employment—Mfg. Industries*		132	134	127	.....	.....
Furniture Sales—Retail	258	239r	279	228	+ 8	+ 13
Gasoline Consumption			153	150	.....	.....
Life Insurance Sales.....	238	246	239	287	- 3	- 17
Wholesale Trade:						
Automotive Supplies**	296	308	345	277	- 4	+ 7
Drugs	244	268	260	266	- 9	- 8
Dry Goods	154	167	163	155	- 8	- 1
Electrical Goods**	90	69	65	42	+ 30	+114
Groceries	266	278	277	240	- 4	+ 11
Hardware	126	114	114	96	+ 11	+ 31
Industrial Supplies**	341	317	271	188	+ 8	+ 81
Paper and Its Products**.....	191	200	164	134	- 4	+ 43
Tobacco and Its Products**.....	109	121	108	114	- 10	- 4
Lumber Production		147	126	161		
Wheat Flour Production.....		129	145	85		

*Not seasonally adjusted

**1938-41=100

The Banker Looks at the Soil

Most people, when out driving in their local community on a Sunday afternoon, are impressed by the beauty of a well kept and well operated fertile farm. Fewer people are disturbed by the all too frequent evidences of poor soil management and exploitative practices. If they notice it at all, they are prone to dismiss it with the thought that it is the other man's land and not their own. They fail to see that if John Jones, a farmer in their community, abuses his soil, the adverse effects of it will be felt by him, yes, but also to a greater or lesser degree by the entire community. Self interest demands that a banker view with alarm the exploitation and destruction of the soil and fertility on the farms in his banking community, whether the farmers are customers of his bank or not.

Of all the aspects of soil management, bankers are perhaps most affected by the problem of soil erosion and the problem of under-utilization of available land resources. Although these are but two of the numerous aspects of soil management, they are the two in which most bankers hold the greatest vested interest in having the farmers in their communities use their soil to the best advantage.

All agree that the soil of a farm is the underlying basis for its present and future productivity. So far as the individual farmer is concerned it is the economic base of his farming operations. If he abuses his land through the use of exploitative practices or sheer neglect, the wealth producing capacity of the land—its productivity—will be wasted away. In fact, the land itself may go.

The farmer who operates his farm at, say, 50 per cent of its practical capacity does so at the loss of income in much the same manner as a manufacturing concern that willfully operates at only 50 per cent of the level at which it could produce and sell its output at a satisfactory profit. In fact, the situation in the case of the farm may be more difficult to rationalize, in view of the family labor situation and the inability of most farmers to reduce their expenses significantly as production declines.

Banks are intimately tied in with the economic life of their community. If the economic development of their community is one of growth, the bank itself has the maximum opportunity to grow and prosper. If, on the other hand, the wide scale dissipation of soil resources causes the economic position of the community to deteriorate, it is hard indeed, if not actually impossible, for the business firms in towns that function primarily as service centers for farming communities to grow and prosper. The same naturally holds for the banks in such communities, since the bank and the agriculture that makes up its farming community are too closely interrelated for banks to grow and prosper for any long period of time while farmers are becoming more and more depressed as their soil resources are dissipated.

STOPPING SOIL AND FERTILITY LOSSES

It has been estimated that before the war at least 3 billion tons of soil from the croplands and associated pastures of the nation were lost each year through erosion. These 3 billion tons contained an estimated 43 million tons of phosphorus, potassium, and nitrogen, the principal ingredients of commercial fertilizer, and a like amount of calcium and magnesium. The losses of nitrogen, phosphorus, and potassium were more than 60 times the

amount of these elements of plant food used in the entire United States as commercial fertilizers in a typical pre-war year. Unfortunately, the states of the Fifth Federal Reserve District pay all too heavy a share of this national cost from their meager "welfare fund"—the agricultural land of their farms.

Importance of Sheet Erosion

Much of the soil that washes away is lost through what is commonly known as sheet erosion—a slow insidious type of loss that occurs before our very eyes and yet so often goes undetected. It eats away the top soil wherever the combination of ground cover, slope, and soil characteristics are unable to slow up the run-off sufficiently. Much of the top soil of the agricultural lands of the District is already thinner than it was when first cleared. In fact, on much of the land it is so thin, if it exists at all, that production of annual crops has been discontinued and the land either lies idle or has returned to timber. Sheet erosion however is an important problem on much of the remaining agricultural land of the District, where it is carrying away what top soil remains particle by particle, handful by handful, bushel by bushel, and ton by ton.

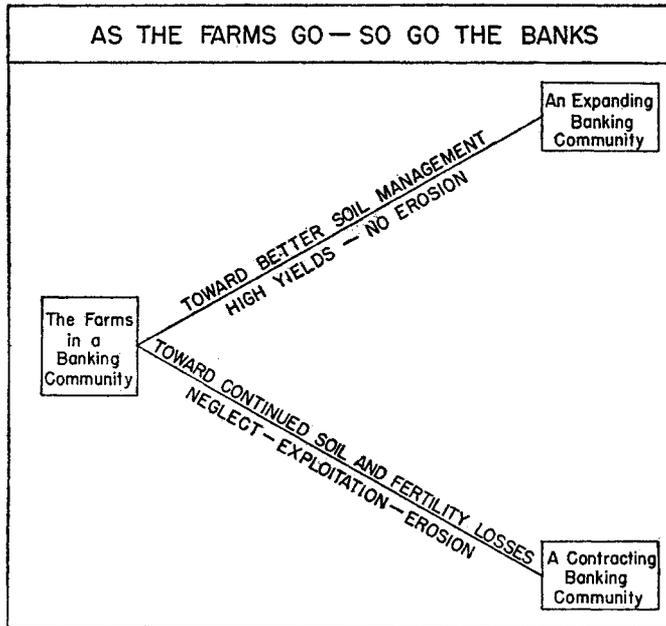
The soil goes, and it takes away with it much of the available plant nutrients. It also takes humus, or organic matter, which is important in soils for many reasons. Organic matter is the storehouse for practically all of the nitrogen in soils, and it also supplies a considerable part of the other available plant foods. In fact, one-third to one-half of the total phosphorus, much of the sulphur, and smaller amounts of calcium, potash, and other elements are held in the organic matter for use by plants. The presence of organic matter in the soil helps keep the soil in better physical condition, or tilth.

Because of its absorptive nature, organic matter has a high water holding capacity and therefore will enable the soil to hold more water and be less susceptible to drought. Since most of the organic matter in the soil is contained in the top few inches, or what is commonly called the plow-layer, it is evident that sheet erosion which digs away at the top soil removes the most valuable portion of the soil from the standpoint of its agricultural use.

Much of the cropland in the Fifth District lacks adequate protection against erosion. Except for some of the hay crops, the cropland of the District is plowed one or more times each year and, particularly in the southern part of the District, a large portion of the cropland is in row crops. This type of cover affords the least protection of any against erosion. Since many of the soils on which crops are widely grown are especially susceptible to erosion by virtue of their slope and inherent properties, the more successful soil managers have in many cases used terraces, contour plowing, strip cropping, grassed waterways, appropriate rotations, and winter cover crops as means of preventing soil and fertility losses.

It has not been so many years since it was a fairly common practice for farmers to burn their corn and cotton stalks. By so doing they took all of their crops from the soil and never gave as much in return. Although the burning of stalks is less common today, there are still many farmers who try to shortchange their land by sup-

plying the soil with too little organic matter. Erosion coupled with the decline in organic matter and fertility adversely affects crop yields. Many times the operators attribute the drop in yields to too much or too little rainfall, or to any number of other things that merited little or none of the responsibility for the lower yields. This was done instead of placing the blame where the blame belonged, namely, on their poor soil management practices.



Even in livestock areas where most of the land is in grass the same type of deterioration of soil goes on. In grass areas the comparable situation is for the farmer to let the fertility of his pasture land drop to the point where it is difficult to maintain a good soil cover. This lowers the carrying capacity of the pasture, which is conducive to overgrazing. Both tend to accelerate run-off, and away goes the soil.

Land is sufficiently variable that what works best in stopping erosion on one farm or in one field may be totally inadequate on another farm or in another field on the same farm. Very often also the practices have to be used in some definite pattern. For example, terraces are an important practice in stopping erosion on many farms. However, use of terraces often calls for grassed run-off areas. Other erosion control practices that are of importance in parts of this District are strip cropping, contour plowing, contour furrowing, reforestation, and adding enough lime, phosphate, and new seed to grass lands to support a sufficient growth of grass to hold the soil in place. At the individual farm level, therefore, the need is for farmers to recognize that soils are different and to determine how each soil area on the farm should be handled. Having done these two things, they should proceed to institute the appropriate soil saving practices.

Preventing Soil Losses Much Easier Today

Some farmers have always done a good job of managing their soil. A generation ago to do a successful job required rare insight and ingenuity. Today the job is much easier. Research workers in the Land Grant Colleges and the Department of Agriculture have conducted

a great deal of valuable research, and their findings can be drawn upon by all. Present day agricultural implements also make the job much easier today than ever before. In addition, large numbers of technically trained men on the staffs of the Land Grant Colleges and the Department of Agriculture are available to work with the farmers on problems of soil management, to inventory the conditions of their farms, and to prepare recommended programs of action.

Erosion has made heavy inroads on much land where crop yields have been quite well maintained or increased. Lest the maintenance of yields lull people into thinking that safe farming practices are being followed, it is well to examine what really has happened. Actually, two opposing sets of forces are in operation. One set—the loss of top soil, the declining level of organic matter, and, closely related thereto, the drop in fertility—operate to reduce crop yields. At the same time use of higher yielding varieties; increased use of commercial fertilizers, sprays, and fungicides; and better tillage practices tend to improve crop yields. Another factor that has tended to improve the average level of yields has been the retirement from cultivation of large amounts of “worn out” land.

The plea has been made in this article for stopping soil and fertility losses. It was pointed out that it is generally the productive capacity of the soil that gives a farm its value. The land is a resource in which the owner-operator has much of his capital invested, and from the use of which he expects to derive his income. Under such circumstances, the farmer can ill afford to abuse the land to the point that current yields are reduced or that future productive capacity is impaired.

NEED FOR INCREASED YIELDS

While farmers cannot afford to let the fertility of their farms decline or their soil wash away, it is just as true that they must do more than merely stop soil and fertility losses. Many farmers are tolerating yields of only half or less what they could achieve with better soil management and farm management practices. Furthermore, achieving this higher level of yields would be one of the easiest ways for individual farmers to increase both their gross and their net farm income.

Many of the farmers that could profit relatively most from a fuller utilization of their land are on farm units that are too small, considering their present mode of operation. Such farmers have three alternative courses of action aside from doing nothing. One approach is to increase the number of acres in the operating unit. Another approach is to find gainful employment off the farm for the time that can be spared from farming operations. Many, if not most, small farmers can do neither of these things. As a practical matter, therefore, the only real hope for the majority of small farmers of improving their income is by increasing the economic size of their farming operations within the boundaries of their present farm. Higher rates of production is an important means of doing this.¹

Higher Yields—A Means of Increasing Income

Theoretically, farmers can go to such length to increase yields that the rise in costs of so doing will exceed the

¹Hereafter the term “yield” will be used instead of “rate of production.” The term yield though more limited in meaning has the merit of brevity.

benefits. As a practical matter, however, it is most unusual for farmers with exceptionally favorable yields to find them associated with lower net incomes than would have been received had yields been lower. This is borne out in numerous farm management studies, which quite generally reveal a fairly close and direct relationship between yields and whatever measure of net income is used in the study for analysis purposes.

Most farmers know how to improve the yields on their farm, but most farmers do not know how to go about building up yields to the maximum level justified by costs and returns. To obtain assistance in determining what direction to go, and how far to go, farmers have the opportunity to confer with local extension service personnel, local vocational agriculture teachers, the local personnel of the soil conservation service, and other professional agricultural workers of State and Federal agencies. These people are in a position to give rather precise recommendations based on a knowledge of research findings and local conditions.

Lime and Phosphate Keys to Increased Yields of Grasses

In the grass land sections of the District, the recommendations for increasing rates of production center mainly around the application of lime and phosphate. The primary job is to increase grass production, especially the species that are most nutritious. One of the steps in doing this is to correct the soil reaction by the application of lime. Another step is the application of phosphate. For many permanent pastures these two practices are adequate, but some will require reseeding and some also will require application of potash and any other plant nutrients of which there is a deficiency.

From this it is seen that the practices that will control erosion in the grass land areas of the District are the same, except possibly in degree, as those that will achieve full production. In other words, it can be said with safety that the farmer who handles his pasture and hay lands in such a way as to get the highest yields has nothing to fear from erosion, unless the land is so steep or otherwise so unsuited for grass that it should be returned to timber.

Winter Cover Crops Build and Conserve Soil

Some farmers put winter cover crops on their cultivated land. Such crops make a two- or three-fold contribution. In the first place, they add organic matter to the soil and increase its fertility; secondly, they provide resistance to erosion; and in the third place, they often provide winter grazing. Aside from the use of winter cover crops, however, direct efforts to increase the productive capacity of cultivated land has but little to do with the control of erosion. Only to the extent that the larger amount of organic matter in a high producing soil can absorb more moisture and thereby reduce run-off, can the higher productive capacity of the soil be said to aid in the control of erosion. On the other hand, the control of erosion on cultivated land can be said to contribute to a higher level of crop yields. The role of winter cover crops already has been noted. Where the cover crops are legumes, the effect on fertility is even more pronounced than where they are grasses. Besides this, the control of erosion whether by mechanical or other means, stops soil and fertility losses. The arresting of such losses results in im-

proved crop yields even where there is no improvement in cultural practices.

Regardless of the extent and direction of any causal relationships between the elimination of soil and fertility losses and the achievement of high yields, the fact remains that both pay high returns to the enterprising farmer. In view of the returns to be derived from good soil management, it is depressing to realize what a large part of the total job remains to be done. Fortunately, some progress is being made. In recent years the rate of progress has been more rapid than ever before. Passages in "Charting A Route for Agriculture in West Virginia," a bulletin that was prepared by the Postwar Planning Committee of that state and published by the West Virginia Agricultural Experiment Station, illustrate the need for greater accomplishments. In this report it is pointed out that in 1944 West Virginia farmers used 1,600 tons of nitrogen, 17,000 tons of superphosphate, and 2,100 tons of potash for fertilizer purposes. Although this is a marked increase over earlier years, the report stated that five times as much of these fertilizer elements should be used annually by West Virginia farmers.

The report also states that 600,000 tons of liming materials were used in 1944, also a marked increase over earlier years. However the report goes on to state that West Virginia farms need an initial foundation application of 8 million tons of lime plus annual applications thereafter of 600,000 tons per year. Although these two illustrations are for West Virginia, conditions elsewhere in the District are more or less similar. Progress is being made, but the rate of progress needs to be greatly accelerated along all fronts.

Tenancy has an important bearing on soil management in large parts of the District, particularly the cash crop areas. Traditional rental agreements in such areas are built entirely around crop enterprises. On many tenant operated farms soil conditions are such that a good soil management plan would provide for the development of improved permanent pasture and beef cattle or dairy enterprises. However, share rental arrangements involving important livestock enterprises are at least unusual if not actually non-existent in many communities. Thus, much research and educational work needs to be done in the development of equitable rental provisions for the sharing of both expenses and receipts before this obstacle to sound soil management is removed. Meanwhile, the most rapid progress in achieving sound soil management programs will be on owner-operated farms.

THE CONTRIBUTIONS OF GOOD SOIL MANAGEMENT

By way of summary, let us appraise some of the contributions that good soil management can make to the economy of the various parts of the Fifth Federal Reserve District. First, let us look at what it means to the farmers themselves.

What It Means to Farmers

Good soil management affords the farmer an opportunity to keep his investment in his land intact, in fact actually to increase it. It enables him to increase the economic size of his farm without enlarging his acreage. It means increasing his expenses, but, if operated efficiently, income will rise more than expenses, except at the outset, with the result that the net farm income will increase.

It is generally accepted that money invested in good seed, fertilizers, and lime, up to the maximum levels of application recommended by the respective Agricultural Experiment Stations, gives about the highest rate of return of any money invested in the farm business. In other words, from the standpoint of the farmer's own welfare, there is every reason to commend to the farm operators of the District that they as individuals institute good soil management programs for their farms. This includes among other things, the control of erosion and the achievement of high rates of production.

What It Means to Bankers

Now to shift and look at what good soil management can mean to banking and to business generally. It has been stated that farm expenses will rise if farmers achieve the desirable level of good soil management about which we have been talking. A part of this will reflect the expenditures for larger amounts of lime and fertilizer, and the development of appropriate mechanical erosion control devices such as terraces. Also, a part of the increased expenditure will be a natural outgrowth of the larger volume of business the farmers are doing. Except at the outset, gross income will tend to rise more than expenses with a consequent rise in net incomes. All in all this means more total business in the trade territory.

Mention was just made of the fact that, at first, expenses rise faster than incomes. If a farmer is going to improve his pasture or meadow it means a heavy application of lime and phosphate and possibly potash and nitrogen. It also may mean reseeding. Terracing for the small farmer with insufficient equipment means custom work. All this costs money and the returns in the form of greater production are not so large before the second or third year. This lag in returns forces the farmer who wants to improve his land to make a choice. He must either go into debt to do the job, or improve a few acres a year out of whatever margin of income can be spared from other uses. The kind of credit that will enable the farmer to make most rapid progress in improving his land is the kind that will supply the funds when needed and provide for repayment in the second or third year after the soil treatments have had a chance to be re-

flected in a higher level of farm income.

It is fair, therefore, to conclude that a generally higher level of soil management throughout a community aids a bank both through its direct effect on the volume of loans to, and deposit levels of farmers, and through the indirect effect on the merchandising and service trades in the community. *Aiding in the development of such economic strength in the entire community is one of the best ways a bank in an agricultural community can insure itself of a good chance to grow and prosper in the years to come.*

How Bankers Can Assist Farmers

Now to consider what bankers can do to encourage better soil management. One of the first things for a banker to do is to develop the point of view that whatever helps each and every farmer in his banking community to become a better farmer, and his farm a better farm, contributes to the economic strength of his community. It follows, then, that he is justified in concerning himself with ways and means of helping the farmers to help themselves to become better farmers.

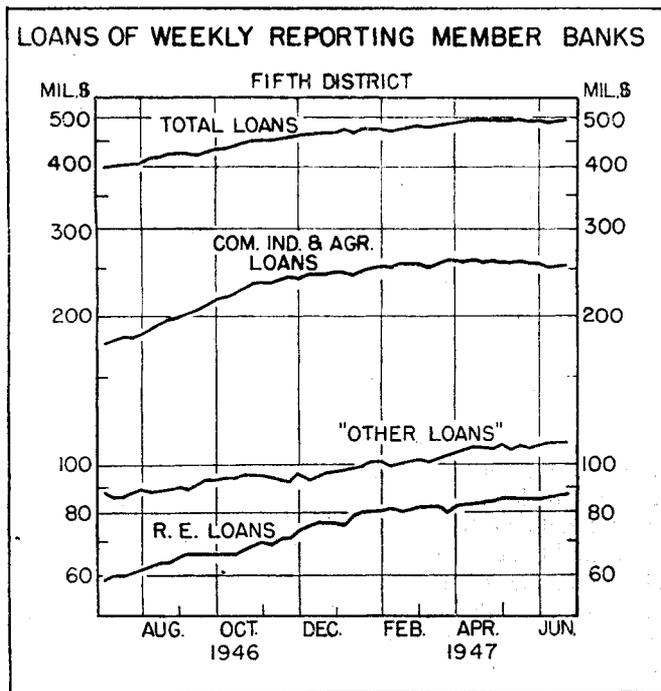
With some farmers it may involve no more than a few words of appreciation and an expression of respect for the way they are already going about becoming better farmers. A sincere compliment from a highly respected banker can mean a lot to a farmer. Other farmers may respond to a suggestion that they talk over some of their farming problems with their County Agent or other technically trained agricultural workers or a successful farmer in their community. Other farmers will need credit on appropriate terms.

Today especially when there are indications that AAA benefit payments, that heretofore have been a stimulus to improved soil management, may be substantially reduced, there is an especially great need for bankers and other business leaders to provide a high quality of constructive leadership in helping farmers to realize that they simply cannot afford to let the curtailment of Government payments induce them to abandon the improved practices they have been following. *Government payments or no Government payments, good soil management practices pay good dividends and they should by all means be expanded—not contracted.*

Banking

Loans of the weekly reporting banks of the Fifth Federal Reserve District gave decided evidence in May and early June of leveling off from the steady upward trend of the past nine months. During the five-week period ended June 18, total loans fell from their May 14 peak of \$495 million to \$492 million. Totals on the four Wednesdays between these two dates ranged from \$490 million to \$492 million as compared with the range of \$492 million to \$494 million of the six weeks preceding May 14. The occurrence of a similar leveling-off period in the same months of last year leads, however, to the question as to whether the decline is a temporary one to be followed by a renewal of week-to-week gains or a stop or reversal of the two-year growth of loans that has occurred.

During the five weeks, commercial, industrial, and agricultural loans declined from \$257 million to \$251 million, while real estate loans and "other" loans continued their upward movement, the former rising \$2 million to \$87 million and the latter increasing by \$1 million to \$110 million. Loans to brokers and dealers for purchasing and carrying securities remained constant at \$5 million and loans to others for the same purpose declined from \$38 million to \$37 million. The chart below shows the changes that have occurred during the past twelve months in the major classes of loans outstanding.



In spite of a \$1 million increase in portfolios of securities other than United States Government obligations, total investments of weekly reporting member banks declined \$9 million to \$1,366 million between May 14 and June 18. As may be seen from the table following, there were decreases in holdings of all types of Governments other than certificates of indebtedness, which increased by \$5 million to \$178 million.

HOLDINGS OF UNITED STATES GOVERNMENT OBLIGATIONS WEEKLY REPORTING MEMBER BANKS

Fifth District					
(Millions of dollars)					
Date	Bills	C. of L.	Notes	Bonds*	Total
May 14	16	173	69	998	1,256
21	18	181	69	998	1,266
28	13	177	64	997	1,251
June 4	15	167	62	995	1,239
11	11	171	59	998	1,239
18	11	178	60	997	1,246

*Includes obligations guaranteed by the United States.

Withdrawals of Treasury funds—concentrated principally in the first and third weeks of June—led to a small decline in the reserve funds of Fifth District member banks during the five-week period. Currency transactions had little net effect upon reserves as gains were just about offset by losses, and commercial and financial transactions alternately withdrew and supplied funds, a substantial inward movement taking place in the first week of June followed by a smaller yet considerable outflow in the following week. Locally extended reserve bank credit similarly fluctuated from week to week as the reserve position of member banks was reflected in Treasury bill transactions and changes in the volume of borrowings at the Federal Reserve Bank. A summary is presented in the table below from which it may be seen that the gains from commercial and financial transactions and the small net increase in reserve bank credit were insufficient by \$7 million to offset the losses from Treasury transactions and the increased currency demand.

FACTORS AFFECTING MEMBER BANK RESERVES

Fifth District	
Factors increasing (+) or decreasing (—) reserves:	Change for 5 weeks ended June 18, 1947 (Millions of dollars)
Reserve bank credit extended locally	+ 3
Commercial and financial transactions	+38
Treasury transactions	—47
Currency transactions	— 1
Other factors	— •
Net change in reserve balances	— 7

*Less than \$500,000

May saw deposits of Fifth District member banks, as measured by average daily deposits of the last half of the month, remaining substantially at the level of the preceding month, and since there was but a slight change in the total deposits of member banks in the United States, the proportion held by the Fifth District banks remain unchanged. There was some redistribution among the states of the District as Maryland, the District of Columbia, and West Virginia increased fractionally while the remaining three states lost similarly small amounts. The table below gives the comparative holdings for April and May.

AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last half of April		Last half of May	
	\$ thousands	% of U.S.	\$ thousands	% of U.S.
Maryland	977,429	.95	989,798	.96
Reserve City Banks	618,610	.60	629,767	.61
Country Banks	358,819	.35	360,031	.35
District of Columbia	927,893	.90	983,278	.90
Reserve City Banks	907,252	.88	912,403	.88
Country Banks	20,641	.02	20,875	.02
Virginia	1,270,386	1.23	1,264,587	1.22
Reserve City Banks	290,642	.28	287,319	.28
Country Banks	979,744	.95	977,268	.94
West Virginia	540,055	.52	542,979	.53
North Carolina	814,832	.79	804,822	.78
Reserve City Banks	369,517	.36	365,254	.35
Country Banks	445,315	.43	439,568	.43
South Carolina	416,491	.40	412,773	.40
Fifth District	4,947,088	4.79	4,948,237	4.79
U. S. (Millions)	103,800	100.0	103,284	100.0

*Excluding interbank demand deposits.

ASSETS AND LIABILITIES OF MEMBER BANKS

Fifth Federal Reserve District

May 28, 1947

Preliminary

(Millions of Dollars)

ITEMS	Reserve city member banks	Other member banks	All member banks	Chg. from Apr. 30, '47 all member banks
Assets				
1. Loans and investments	1,948	2,326	4,274	-26
a. Loans and discounts	625	707	1,232	+12
b. U. S. Gov't obligations	1,329	1,468	2,797	-39
c. Other securities	93	151	244	+2
2. Reserves, cash, and bank balances	656	686	1,343	-31
a. Reserves with F. R. bank	398	317	715	+4
b. Cash in vault*	43	82	125	+8
c. Demand balances with banks in U. S.	83	227	310	-25
d. Other bank balances*	2	3	5	0
e. Cash items in process of collection	135	58	193	-18
3. Other assets*	42	37	79	+3
4. Total assets	2,647	3,049	5,696	-53
Liabilities and Capital				
5. Gross demand deposits	2,022	1,973	3,995	-51
a. Deposits of banks	286	85	371	-15
b. War loan accounts	35	43	77	-23
c. Other demand deposits	1,702	1,845	3,547	-13
6. Time deposits	450	860	1,310	-1
7. TOTAL DEPOSITS	2,472	2,833	5,305	-52
8. Borrowings from F. R. bank	2	6	8	-6
9. Other liabilities*	13	14	27	+3
10. Total capital accounts*	160	196	356	+2
11. Total liabilities and capital accounts	2,647	3,049	5,696	-53

*Estimated

Details may not add to total due to rounding.

OWNERSHIP OF DEMAND DEPOSITS

Increases in the non-business demand deposits of banks of the Fifth Federal Reserve District more than offset the slight decline in business deposits to bring about an increase in total demand deposits of individuals, partnerships and corporations of \$136 million in the seven-month period from July 31, 1946 to February 26, 1947. The gains were found principally in personal deposits and in the deposits of non-profit associations which rose from their July levels by \$69 million and \$67 million respectively. Gains and losses among business concerns were unevenly distributed, the largest losses being shown in deposits of trade establishments, which fell by \$36 million, while the greatest gain was shown by manufacturing and mining concerns whose deposits increased by \$13 million.

The table below presents the February 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	Amt. out-standing Feb. 26, '47	Percent of Total Feb. 26, '47	July 1946	Dollar Increase or Decrease from Jan. 1946
Total Business	2,223	50.7	— 13	+ 90
Nonfinancial business:	1,916	43.7	— 15	+ 53
Manufacturing & Mining	581	13.3	+ 13	+ 53
Public utilities	231	5.3	+ 5	+ 3
Trade	853	19.4	— 36	— 35
Other nonfinancial	251	5.7	+ 3	+ 33
Financial business:	307	7.0	+ 1	+ 38
Insurance companies	83	1.9	+ 7	+ 11
Other financial	224	5.1	— 6	+ 27
Personal	1,805	41.2	+ 69	+172
Trust funds	85	1.9	+ 17	+ 15
Nonprofit association	271	6.2	+ 67	+ 79
Foreign	....	..	— 5	— 2
Total	4,383	100.0	+136	+355

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

Complete data on the seven preceding semi-annual surveys of deposits ownership may be found in the Monthly Review of this Bank for June 30, 1946 and October 31, 1946.

The \$13 million increase from July 1946 shown by deposits of manufacturing and mining concerns was just proportional to the increase in the total of demand deposits of individuals, partnerships and corporations. Since the institution of the surveys, however, a seasonal decline of these deposits has been noted in the first-of-the-year surveys of ownership. Thus the increase in the dollar amount that occurred from July to February represented a substantial gain in view of this seasonal factor. Apparently the reconversion drains upon the funds of these concerns have been reversed and increased cash requirements brought about by increased current expenses are being reflected in larger bank balances.

Deposits of public utility, transportation and communications concerns reversed their previous declining trend and increased sufficiently to maintain the relative position reached in July 1946. Here again greater liquidity requirements have been reflected in the increased deposits carried by these firms. The large units commonly found in these fields are as a rule quite careful to maintain their funds at a level consistent with their requirements and the level of deposits serves as an accurate measure of the requirements of the concerns.

As might have been expected deposits of trade establishments showed some decline from their July level. The first half of 1946 saw but little change as compared with the almost steady growth that had occurred in the inter-survey periods prior to that time. Indications then were that forces were operating to reduce cash balances of these firms even in the face of greater cost of goods sold and other increased expense items. Balances had been accumulated in many cases without regard to estimated requirements for funds, and inventory requirements and increases in credit sales have tended to reduce bank balances of these establishments.

Other non-financial establishments decreased slightly in relative importance although registering a small dollar gain. This is a heterogeneous group which includes construction contractors, amusement places, hotels, laundries,

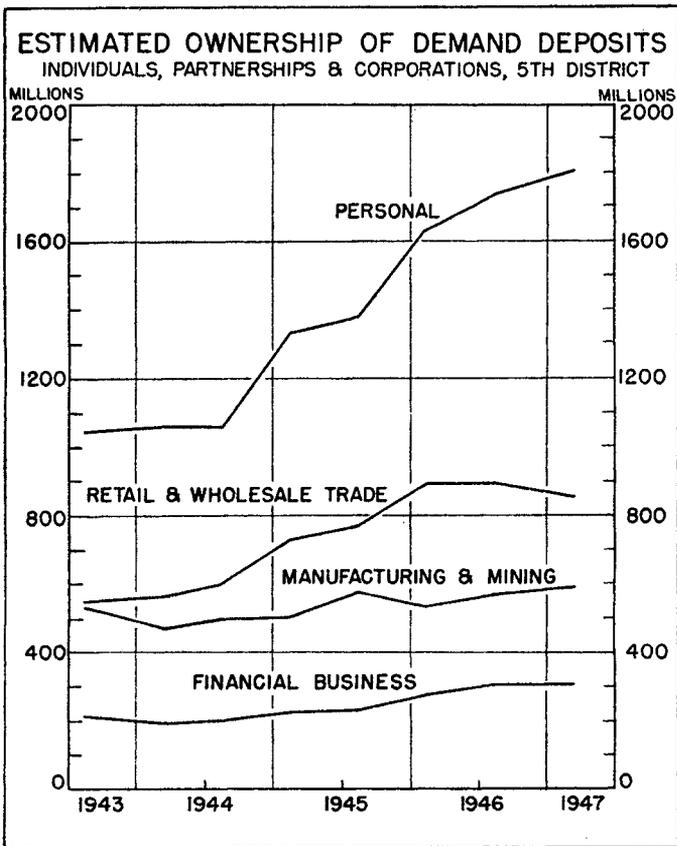
garages, repair shops, and the business accounts of professional people. There are obviously conflicting forces

at work to determine the total deposits carried by the members of this group. For many members financial requirements rose in varying degree during these months as in the case of trade establishments. However, it is probable that many establishments were carrying bank balances prior to this time that were considerably in excess of their requirements and that increased requirements were simply reflected in increased use of previously held balances. In addition, the seven months between July and February saw some slackening of demand for the products of service establishments and it is possible that this was reflected in reduced requirements for some members of this group of deposit owners.

The deposits of insurance companies increased substantially on a relative basis while other financial business lost in relative importance due to a decline in actual dollar amount of balances.

Personal deposits continued the growth that has been characteristic of the years covered by the surveys, increasing by four per cent. As in former years the increase in deposits held by farmers contributed to the gain in total personal accounts; farmers' accounts grew from \$317 million to \$362 million, a fourteen per cent gain in the seven months covered. Personal accounts other than farmers showed a gain of two per cent during the same period.

Trust funds of banks showed a twenty-six per cent gain, rising to \$85 million while the most spectacular gain of the period was shown by the non-profit associations, which grew by thirty-three per cent and increased in relative importance from 4.8 per cent of total demand deposits of individuals, partnerships, and corporations to 6.2 per cent.



FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	June 18	Chg. in Amt. from	
	1947	5-14-47	6-12-46
Total Gold Reserves.....	\$ 918,152	-86,947	+ 19,882
Other Reserves	12,656	- 2,940	- 4,475
Total Reserves	930,808	-89,887	+ 15,407
Bills Discounted	9,128	- 7,491	- 9,037
Industrial Advances	0	0	- 28
Gov. Securities, Total.....	1,420,339	+20,619	- 52,934
Bonds	44,840	- 663	- 11,819
Notes	22,766	+ 1,116	- 86,932
Certificates	376,164	+24,668	- 18,756
Bills	976,559	- 4,502	+ 64,573
Total Bills & Securities.....	1,429,467	+13,128	- 61,999
Uncollected Items	275,868	+37,827	+100,299
Other Assets	15,731	+ 774	- 16,447
Total Assets	2,651,874	-38,158	+ 37,260
Fed. Res. Notes in Cir.....	\$1,654,314	- 9,336	+ 6,313
Deposits, Total	729,247	-53,965	- 46,282
Members' Reserves	711,959	- 6,539	+ 6,292
U. S. Treas. Gen. Acc.....	517	-34,432	- 40,070
Foreign	14,725	-12,748	- 8,708
Other Deposits	2,046	- 246	- 3,796
Def. Availability Items.....	232,410	+24,698	+ 73,217
Other Liabilities	762	+ 32	+ 22
Capital Accounts	35,141	+ 418	+ 3,990
Total Liabilities	2,651,874	-38,158	+ 37,260

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	June 18	Chg. in Amt. from	
	1947	5-14-47	6-12-46
Total Loans	\$ 492,270	- 3,471	+ 89,544
Bus. & Agri.	250,875	- 6,348	+ 71,371
Real Estate Loans.....	87,173	+ 1,936	+ 30,251
All Other Loans.....	154,222	+ 941	- 12,078
Total Security Holdings.....	1,336,736	- 8,715	-380,194
U. S. Treasury Bills	11,147	- 4,849	- 19,584
U. S. Treasury Certificates.....	178,042	+ 4,958	-223,488
U. S. Treasury Notes	60,032	- 9,296	-117,684
U. S. Gov. Bonds	997,299	- 487	- 25,816
Other Bonds, Stocks & Sec.....	90,216	+ 959	+ 6,378
Cash Items in Process of Col.....	160,383	-10,806	+ 19,123
Due from Banks	130,935*	+ 6,134	- 13,569
Currency & Coin.....	41,577	+ 764	+ 1,837
Reserve with F. R. Bank.....	333,211	- 8,744	- 15,852
Other Assets	72,212	- 1,412	- 9,130
Total Assets	\$2,567,324	-26,250	-308,241
Total Demand Deposits.....	\$1,913,419	-11,336	-323,419
Deposits of Individuals	1,431,758	+33,918	+ 10,962
Deposits of U. S. Gov.	16,191	-35,610	-299,895
Deposits of State & Local Gov.....	111,821	+ 1,105	+ 17,572
Deposits of Banks	317,347*	-17,313	- 58,721
Certified & Officers' Checks.....	36,302	+ 6,564	+ 6,663
Total Time Deposits.....	399,176	- 255	+ 17,065
Deposits of Individuals	382,446	- 257	+ 16,105
Other Time Deposits.....	16,730	+ 2	+ 960
Liabilities for Borrowed Money.....	2,760	- 7,750	- 8,240
All Other Liabilities.....	99,608	- 8,045	- 3,690
Capital Accounts	152,361	+ 1,136	+ 10,043
Total Liabilities	\$2,567,324	-26,250	-308,241

*Net figures, reciprocal balances being eliminated.

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	May 31, 1947	Apr. 30, 1947	May 31, 1946
Total Deposits	\$385,215,236	\$386,575,159	\$364,434,391

COMMERCIAL FAILURES

MONTHS	Number Failures		Total Liabilities	
	District	U. S.	District	U. S.
May 1947.....	7	378	\$ 291,000	\$17,326,000
April 1947.....	7	277	358,000	16,080,000
May 1946.....	1	92	4,000	3,656,000
5 Mos., 1947.....	35	1,349	\$1,897,000	\$76,826,000
5 Mos., 1946.....	9	431	89,000	19,217,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	May	% Chg.	5 Mos.	% Chg.
	1947	from May 1946	1947	from 5 Mos. '46
District of Columbia				
Washington	\$ 670,568	+ 8	\$ 3,171,472	+ 5
Maryland				
Baltimore	874,462	+ 6	4,328,967	+ 8
Cumberland	20,640	+16	100,545	+14
Frederick	16,587	+13	85,682	+22
Hagerstown	25,364	+19	121,282	+18
North Carolina				
Asheville	42,571	+20	218,224	+22
Charlotte	192,965	+18	989,793	+27
Durham	94,188	+ 2	452,736	+12
Greensboro	65,133	+19	307,176	+20
Kinston	10,790	+19	60,731	+22
Raleigh	100,868	+48	481,139	+39
Wilmington	37,767	+25	168,483	+ 7
Wilson	14,341	+52	71,451	+38
Winston-Salem	97,538	+11	553,639	+30
South Carolina				
Charleston	48,879	+ 3	243,640	+ 1
Columbia	81,202	+18	409,736	+23
Greenville	65,624	+28	333,539	+29
Spartanburg	40,265	+23	198,912	+30
Virginia				
Charlottesville	19,760	- 9	101,319	- 9
Danville	21,948	+14	128,761	+29
Lynchburg	32,615	+15	165,836	+18
Newport News	31,104	+50	143,052	+28
Norfolk	157,489	+21	767,613	+17
Portsmouth	18,056	+ 9	90,481	+ 8
Richmond	395,171	+13	1,959,592	+15
Roanoke	74,329	+23	357,720	+23
West Virginia				
Bluefield	35,240	+70	166,753	+29
Charleston	125,404	+32	576,467	+20
Clarksburg	27,444	+34	130,839	+21
Huntington	48,313	+26	233,906	+18
Parkersburg	23,725	+10	118,506	+22
District Totals	\$ 3,510,359	+13	\$17,237,992	+14

COTTON CONSUMPTION AND ON HAND—BALES

	May	May	Aug. 1 to May 31	
	1947	1946	1947	1946
Fifth District States:				
Cotton consumed	395,356	420,845	4,155,195	3,707,363
Cotton Growing States:				
Cotton consumed	728,180	763,321	7,566,609	6,736,242
Cotton on hand May 31 in				
consuming establishments	1,613,596	1,936,455		
Storage & compresses..	1,780,304	6,266,520		
United States:				
Cotton consumed	827,234	871,470	8,629,564	7,641,287
Cotton on hand May 31 in				
consuming establishments	1,928,815	2,331,747		
Storage & compresses..	1,835,991	6,405,726		
Spindles active, U. S.....	21,624,002	21,351,204		

COTTON CONSUMPTION—FIFTH DISTRICT

(In Bales)

MONTHS	No. Carolina	So. Carolina	Va.	Md.	District
May 1947.....	207,663	166,675	18,467	2,551	395,356
April 1947.....	228,521	181,716	19,819	3,363	433,419
May 1946.....	229,620	168,318	18,829	4,078	420,845
5 Mos. 1947.....	1,128,611	880,364	95,894	16,045	2,120,914
5 Mos. 1946.....	1,057,277	792,054	85,210	16,821	1,951,362

PRICES OF UNFINISHED COTTON TEXTILES

	May 1947	April 1947	May 1946
Average, 17 constructions.....	83.50	86.15	50.72
Printcloths, average (6).....	104.71	110.41	54.90
Sheetings, average (3).....	76.79	79.81	45.67
Twill (1)	79.86	79.86	51.94
Drills, average (4).....	64.76	65.03	46.85
Sateen (1)	97.61	97.61	66.58
Ducks, average (2)	62.54	62.54	44.92

Note: The above prices are those for the approximate quantities of cloth obtainable from a pound of cotton with adjustments for salable waste.

BUILDING PERMIT FIGURES

	Total Valuation	
	May 1947	May 1946
Maryland		
Baltimore	\$ 2,661,595	\$ 4,599,745
Cumberland	83,475	41,510
Frederick	27,750	76,950
Hagerstown	382,950	104,550
Salisbury	84,313	724
Virginia		
Danville	584,250	72,494
Lynchburg	424,498	261,360
Norfolk	1,699,980	266,985
Petersburg	114,100	47,450
Portsmouth	107,200	69,484
Richmond	1,547,201	887,370
Roanoke	264,821	261,733
West Virginia		
Charleston	349,348	161,071
Clarksburg	47,200	80,828
Huntington	443,813	234,610
North Carolina		
Asheville	324,879	113,466
Charlotte	750,200	1,217,950
Durham	739,558	229,300
Greensboro	260,775	218,308
High Point	360,974	94,412
Raleigh	438,900	204,940
Rocky Mount	356,600	65,700
Salisbury	148,370	76,610
Winston-Salem	431,887	204,602
South Carolina		
Charleston	288,318	109,646
Columbia	506,121	147,222
Greenville	114,950	128,875
Spartanburg	102,057	108,650
Dist. of Columbia		
Washington	3,599,383	4,009,699
District Totals	\$17,245,466	\$14,096,244
5 Months	\$76,840,669	\$80,833,552

CONSTRUCTION CONTRACTS AWARDED

STATES	April 1947	% Chg. from Apr. 1946	4 Mos. 1947	% Chg. from 4 Mos. '46
Maryland	\$18,410,000	-41	\$ 77,945,000	-6
Dist. of Columbia	8,643,000	+70	28,042,000	+46
Virginia	23,454,000	+57	73,872,000	+35
West Virginia	9,768,000	-38	24,896,000	-20
No. Carolina	18,352,000	-28	49,852,000	-17
So. Carolina	6,750,000	-48	19,272,000	-47
Fifth District	\$85,377,000	-19	\$273,880,000	-4

Source: F. W. Dodge Corp.

RAYON YARN DATA

	May 1947	April 1947	May 1946
Rayon Yarn Shipments, Lbs.	60,400,000	60,000,000	56,900,000
Staple Fiber Shipments, Lbs.	17,900,000	18,600,000	15,900,000
Rayon Yarn Stocks, Lbs.	8,400,000	7,700,000	8,700,000
Staple Fiber Stocks, Lbs.	3,800,000	2,900,000	2,100,000

Source: Rayon Organon

TOBACCO MANUFACTURING

	May 1947	% Chg. from May 1946	5 Mos. 1947	% Chg. from 5 Mos. '46
Smoking & Chewing tobacco (Thousands of lbs.)	12,633	-30	75,713	-7
Cigarettes (thousands)	25,067,746	-16	133,685,645	+2
Cigars (thousands)	473,968	-5	2,273,329	-5
Snuff (thousands of lbs.)	3,478	+8	16,370	-4

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage chg. in May 1947 sales, compared with sales in May 1946:				
+17	+12	+8	+10	+12
Percentage chg. in 5 months' sales 1947, compared with 5 months in '46:				
+15	+6	+3	+6	+7
Percentage chg. in stocks on May 31, 1947, compared with May 31, '46:				
+34	+13	+23	+35	+22
Percentage chg. in outstanding orders May 31, '47 from May 31, '46:				
-68	-66	-65	-61	-66
Percentage chg. in receivables May 31, '47 from those on May 31, '46:				
+59	+29	+33	+33	+36
Percentage of current receivables as of May 1, 1947 collected in May:				
41	53	49	53	49
Percentage of instalment receivables as of May 1, '47 collected in May:				
24	30	25	32	27

Maryland	Dist. of Col.	Virginia	W. Virginia	No. Carolina	So. Carolina
Percentage chg. in May 1947 sales from May 1946 sales, by states:					
+12	+8	+15	+19	+14	+13
Percentage chg. in 5 months' sales 1947 from 5 months' 1946 sales:					
+6	+3	+12	+8	+11	+5

WHOLESALE TRADE, 189 FIRMS

LINES	Net Sales May 1947 compared with		Stock May 31, 1947 compared with		Ratio May collections to acc'ts outstanding May 1
	May 1946	Apr. 1947	May 31 1946	Apr. 30 1947	
Auto Supplies (8)*	+52	-15	+67	+3	134
Drugs & sundries (11)*	+3	-10	+11	-2	135
Dry goods (6)*	+5	-5	+83	+7	71
Electrical goods (5)*	+132	+21	+125	-6	119
Groceries (70)*	+13	-2	+35	-6	155
Hardware (11)*	+43	+7	+77	+5	95
Industrial supplies (4)*	+75	+10	+92	+17	111
Paper & products (3)*	+51	-1	..	..	..
Tobacco & products (9)*	-3	-5	+17	-5	173
Miscellaneous (62)*	+14	-4	+64	-4	88
District Avg. (189)*	+19	-2	+41	+1	108

Source: Department of Commerce

*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	Percentage Chgs. in May and 5 Mos. 1947 Compared with	
	May 1946	5 Mos. 1946
Maryland (5)*	+21	+14
District of Columbia (6)*	-7	-5
Virginia (19)*	+24	+15
West Virginia (7)*	+16	+7
North Carolina (16)*	+24	+24
South Carolina (10)*	+32	+16
Fifth District (63)*	+14	+10
INDIVIDUAL CITIES		
Baltimore, Md., (5)*	+21	+14
Washington, D. C., (6)*	-7	-5
Lynchburg, Va., (3)*	+37	+14
Richmond, Va., (6)*	+14	+19
Charleston, W. Va., (3)*	+16	-9
Charlotte, N. C., (4)*	+5	+24
Columbia, S. C., (3)*	+55	-1

*Number of reporting stores.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Output and employment at factories showed further slight declines in May, although employment in the economy as a whole increased seasonally. Value of retail trade in May and the early part of June was at earlier record levels. The general index of wholesale prices advanced slightly after the early part of May, with widely varying changes for individual commodities.

Industrial Production

Production of manufactured goods showed a further slight decline in May, while output of minerals increased considerably, and the Board's preliminary seasonally adjusted index of industrial production was maintained at the April rate of 186 per cent of the 1935-39 average.

Activity in durable goods industries in May was somewhat below the April rate, reflecting small decreases in most lines. Steel production increased, however, and was at the highest level since May 1945. Activity at electrical machinery plants declined somewhat further in May, and output of passenger cars and trucks was curtailed about 10 per cent, mainly because of a shortage of steel sheets. Automobile production increased in the first three weeks of June but remained below the April rate. Nonferrous metal fabricating activity declined somewhat further in May; and output of most building materials continued to show a smaller increase than is usual at this season.

Production of nondurable goods, as measured by the Board's index, continued to decline in May. Output at cotton and most wool textile mills declined further. Cotton consumption in May was about 10 per cent below the peak rate reached last November and apparel wool consumption has been reduced by a larger amount. Output at wool carpet and rayon fabric mills, on the other hand, increased in that period. Production of most manufactured food products declined somewhat in May after allowance for usual seasonal changes. Activity in rubber products industries continued to be curtailed. Output of paperboard, however, rose to a new record rate, which was 84 per cent above the 1935-39 average. Production of most other nondurable goods showed little change or declined slightly.

Output of minerals rose 7 per cent in May, reflecting a substantial gain in fuels production to the highest rate on record. Output of coal advanced sharply after declining in April because of work stoppages early in that month, and output of crude petroleum advanced further to a new peak rate.

Employment

Manufacturing employment continued to decline somewhat in May, owing mainly to production curtailments in various industries, while employment in most other types of nonagricultural establishments increased somewhat. The number of persons unemployed in May declined to about 2 million from a level of about 2.4 million during the first four months of this year.

Construction

Construction contract awards, according to the F. W. Dodge Corporation, were 12 per cent larger in May than in April, owing chiefly to a sharp rise in public awards.

Value of awards for commercial and industrial buildings showed little change. Awards for private residential construction declined further in value; the number of dwelling units, however, showed little change, with an increase in apartments and a decrease in single-family dwellings built for sale or rent.

Distribution

Department store sales increased in May and the Board's seasonally adjusted index rose from a level of about 275 in March and April to 290 per cent of the 1935-39 average, equaling the all-time high reached in August 1946. Sales in the first two weeks of June continued at the high May level.

Retail sales at most other types of stores also increased in May and were at about the same levels as those prevailing during the first quarter of the year, after allowance for seasonal changes.

Loadings of railroad revenue freight increased in May and the first half of June, reflecting larger shipments of coal and ore. Shipments of manufactured goods, after allowance for seasonal changes, declined somewhat further.

Commodity Prices

The general level of wholesale prices increased slightly from the beginning of May to the third week of June, reflecting chiefly increases in prices of cotton, corn, cattle, and beef. Prices of wheat, flour, and vegetable oils declined further.

Crude rubber prices dropped from 25 cents per pound to 14 cents, which is 3 cents lower than the price prevailing at the outbreak of war in 1939. Prices of various other industrial materials showed further declines but some items like hides, coke, and steel scrap increased. Prices of automobile tires and soap were reduced, while prices of most other manufactured goods continued to show little change.

Treasury Finance and Bank Credit

During May and the first three weeks of June reserve funds were supplied by a substantial gold inflow and by a decline in foreign deposits at Reserve Banks. As a result member bank reserve balances increased and Reserve Bank holdings of Government securities declined further. Treasury debt retirement continued in May and June with redemption for cash of a part of certain bill issues and one billion dollars of certificates maturing June 1.

Holdings of Government securities at member banks in leading cities declined somewhat in May and the early part of June. Commercial and industrial loans continued to decline, while real estate and consumer loans increased moderately.

Treasury war loan deposits at commercial banks were reduced to about one-half billion dollars as a result of withdrawals for debt retirement. Deposits of businesses and individuals increased further in May and June, reflecting in part cash redemption of certificates held by these groups.