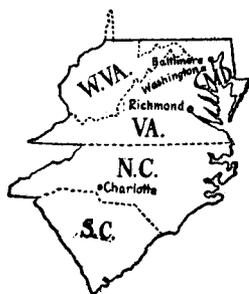


# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



RESERVE  
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

July 31, 1946

THE expiration of price control on June 30 and the developments that have taken place since then have changed the business outlook in the Fifth District considerably. The new price control law is likely to cause unsettlement for a short period, but in the main, it is designed to remove most of the impediments to production that have been attributable to imbalance in the price structure. In fact, rises in materials' prices may make it necessary to raise prices of finished goods produced in this area later on, since increases in finished goods' prices have so far been of moderate proportions.

The changed outlook for the District comes on two counts. First, the notable rise in the prices of important cash crops will expand the income and buying power of farmers, and second, the change in pricing of manufactured products that is bound to come even though new price controls have been instituted, may stimulate production of a wider range of commodities. This is because of several factors, chief of which are the flexibility to operate a plant more efficiently by balancing production; the incentive to attract a larger working force; and the return of products to the production line that had been eliminated by unprofitable prices. It must be emphasized, however, that the chief requirement for materially expanded production is a larger amount of employment or an increase in the efficiency of labor.

Already there has been evidence of an improvement in the flow of goods of the desired types into consumption channels, and there is likewise no evidence of a mass movement of the people in the area to rush out and exchange their money for goods. In fact there has been a rather cautious and discriminating attitude among the rank and file of the people thus far.

It is true that department store trade has held up well but this is due partly: to an improving supply of durable goods that have heretofore been unavailable; and to a lower rate of savings. Our seasonally adjusted index of sales in June was 9 per cent ahead of May and 28 per cent above June 1945. The July figures will probably fall short of the June level which was at an all time high record.

Considerable publicity has been given to abnormal percentage increases in rents. Some of these have been due to the bringing into line those rents which were well below the going rental for comparable space, and some have been because the traffic would bear them. In the main, however, there has not been any general increase of large proportions, though some notices have been sent out indicating proposed increases in rents. Real estate men believe an increase of somewhere in the neighborhood of 10 to 15 per cent might have become general in the bulk of rents, and a further evening up of inordinately low rents had no further rent control been adopted. On the other hand, with building costs up around 50 to 75 per cent and existing housing selling at prices more than double their pre-war level, it is obvious that rents could rise very substantially.

The increased cost of living occasioned by the elimination of price control should further reduce the rate of personal savings, particularly of those whose incomes are fixed or unlikely to rise as rapidly as the average income. However, with income of these people reasonably assured for a considerable period of time, the consequences may be an increase in the utilization of installment and other credit to effect purchases. The trade outlook need not be

Continued on page 2

### BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100

Seasonally Adjusted

	June 1946	May 1946	April 1946	June 1945	% Change June 1946 from	
					May 46	June 45
Bank Debits .....	258	250	244	257	+ 3	0
Bituminous Coal Production*.....	147	....	4	141	....	+ 4
Building Permits Issued.....	183	174	170	60	+ 5	+205
Cigarette Production** .....	231	255	244	210	- 9	+ 10
Cotton Consumption* ** .....	149	152	144	147	- 2	+ 1
Department Store Sales.....	302	276r	276	235	+ 9	+ 29
Department Store Stocks.....	243	233	217	211	+ 4	+ 15
Furniture Sales—Retail .....	270	228	237	170	+ 18	+ 59
Life Insurance Sales.....	252	287	283	158	- 12	+ 59
Wholesale Trade—Four Lines.....	219	219	219	173	0	+ 27

\*Not seasonally adjusted

\*\*Revised Series

materially affected by the sharp rises in food prices, since it does not necessarily follow that a larger part of the consumer's dollar will be diverted to food purchases. Rather it may be, as on many previous occasions, consumers will adjust their food purchases to the qualities which best fit their budgets.

The textile industry is still short of labor though the numbers employed had shown a moderate increase in the spring. There will be some seasonal loss in mill employees this summer and fall since farmers in tobacco areas are reported to be paying as much as a dollar an hour for farm hands. Undoubtedly cotten farmers will also pay a rate high enough to get their crop harvested after the experience they had last year in this respect. It is reported that the United Textile Workers of America are preparing to demand a wage increase equal to the 18½ cents per hour increase obtained in other industries earlier this year. This would mean an approximate further increase of 8½ cents an hour over increases already obtained. Offsetting the loss of employees to farms to some extent, maybe completely, is the gradual return of veterans to the mills. There are still a large number of veterans receiving unemployment compensation in the Carolinas and their return to employment can be expected mainly before the end of the year.

Cotton consumption on a seasonally adjusted basis had been rising at a fairly rapid pace since the postwar low established in December 1945, but the top month of May was only slightly above the level of usage in the first six months of 1945. June cotton consumption seasonally adjusted was 2 per cent under May and 1 per cent above June 1945.

Furniture supplies are reported to be short and materials of manufacture scarce. This is true in the economic sense for demand is at present much greater than the supply. In an absolute sense, however, total furniture shipments of the reporting firms of the Southern Furniture Manufacturers' Association in May were at their highest level for that month in any recent year and 26 per cent ahead of a year ago. Since the figures are reported in dollars, a good part of the rise has been due to higher prices, but quantity of output has also risen. Certain individual items, however, may be in smaller volume owing to various material shortages. There is a much larger demand existing for furniture, to say nothing of that which will develop as new housing facilities expand, than can be produced in a short period of time. Outlook for the industry therefore is one of high level operations for some years to come, even though the possibility of temporary recessions must be recognized. Any change which might be adopted in the approach to materials pricing would very likely improve the industry's supply situation.

The demand for cigarettes has been at a higher level than had been anticipated at the turn of the year. Our revised index includes total cigarette withdrawals, rather than those for domestic consumption, of Fifth District factories. This index is at a substantially higher level than a year ago, and some brands are still not obtainable regularly. At present the growth in cigarette output of the District appears to be continuing at the same rate as was shown since 1941.

The agricultural outlook on July 1 pointed to another year of high production of tobacco and probably a moderately reduced level of cotton. Fruit and truck crops are mainly larger than last year but the blight has destroyed a substantial part of the tomato crop in the canning areas of the Eastern Shore. Heavy July rains in eastern North Carolina have reduced the quality of the tobacco crop and probably the yield per acre. Boll weevil activity is reported to be on the increase in the Carolinas. Cotton acreage in the District this year is six thousand acres smaller than last year. If the crop should turn out to be about the same size as last year, farmers' income would be increased more than 50 per cent if present prices hold through the season.

Commercial, industrial, and agricultural loans of the weekly reporting banks of this District rose \$6 million from the seasonally low point on July 3 to July 17. These loans on July 17 are \$62 million higher than on July 18, 1945, and show evidence of rising at a fairly fast pace despite the large accumulations of liquid assets. Rising commodity prices require larger amounts of funds to move crops, to carry inventories and to expand receivables. The loans labeled "all other" which are largely personal loans have been rising steadily for nearly a year. On July 17 these loans totaled \$86 million, a gain of \$25 million over last year. Loans on real estate have moved up steadily since the end of March, having risen \$9 million from March 27 to July 17, and \$14 million from July 18, 1945 to July 17, 1946. Loans to others than brokers and dealers for purchasing or carrying securities were at their highest point, \$91 million, on February 13. These loans had declined \$31 million by July 17.

Demand deposits of individuals, partnerships, and corporations of the weekly reporting banks on July 17 were higher than on any other date with the exception of June 12. These deposits on July 17 were \$119 million higher than on January 2, and \$194 million higher than on July 18, 1945. The recent rise in prices of farm products and in textiles should still cause this District to increase its percentage of the national total perhaps for the remainder of the year or until such time as large transfers can be made for the still short supplies of goods produced in other Districts.

## Significance of Some Recent Changes in The Agriculture of The Fifth District

The agriculture of the Fifth Federal Reserve District appears substantially as it did before the war in many respects, yet in others it is materially different. Among the significant changes which have occurred since the outbreak of war in 1939, some appear to have resulted directly from the war itself and some seem to have been the result of trends which were already evident at an earlier time. Irrespective of their direct causes, most such changes as did occur are worthy of examination. This article will examine some of the changes in the agriculture of the Fifth Federal Reserve District. Attention will be focused primarily on the forces underlying the changes and an attempt will be made to determine how these forces may exert themselves during the next few years.

By 1944 the volume of farm production for the South Atlantic states was nearly one-fifth higher than in the pre-war period 1935-1939. This production record was achieved with a materially smaller farm labor supply. As a result of the high level both of farm production and of commodity prices, gross farm income for the states in the Fifth District in 1944 was  $2\frac{1}{2}$  times as high as the 1935-1939 average. Much of the increase in gross returns went to pay higher production costs, but net income also increased sharply and in 1944 was over  $2\frac{1}{2}$  times as high as in 1939. The need for farm products was so great and the demand so strong that farmers found themselves assured an outlet that guaranteed minimum prices for most any product they wished to produce. These are but a few of the conditions which came to prevail, but they serve to illustrate how much change did occur during a relatively short period.

Bankers, other commercial groups, and of course farmers themselves are very much concerned with what the future holds in store for them. The farmer, of course, is interested in the general level of business conditions inasmuch as it is closely related to the demand for farm products. But stated in its simplest form, the farmer may be said to be interested in achieving the maximum excess of receipts over direct expenditures which is consistent with sustained sound farming practices.

The interest of commercial groups may be briefly summarized as being three-fold. In the first instance, they are interested in the farmer as a customer for the goods and services they have for sale. The higher his income the larger their volume of business. In so far as farmers purchase on a deferred payment basis, or they wish to contemplate their own future volume of business, these commercial groups are also interested in the farmers' future income. It goes almost without saying that these groups also have an interest in the income of farmers because of its effect on the level of well-being of third parties—that is, other people who deal both with the farmer and the other commercial people in the community.

Bankers have reason to be especially interested in the prospects for agriculture during the next few years. At the present time farmers have more money in bank accounts than ever before. If farm incomes continue high, banks in farming areas will have a much better chance of holding their volume of deposits than they will if farm incomes fall sharply. Whatever the outlook in any given

farming community, it will need to be taken into account by the local banks as they estimate the future trend of their deposits and develop appropriate maturity schedules for their Bond portfolios. Banks are also interested in loans to farmers. The level of well-being among farmers will affect both their need for credit and the conditions under which the farmer and his bank can both safely become parties to a loan. As in the case of the commercial groups, the banker is also interested in the outlook for agriculture because of the effect of the level of farm income on the non-farm groups in the banking community.

### CHANGES IN FARM INCOME 1939-1945

In 1939 the gross cash farm income from the sale of farm products in the five states of the Fifth Federal Reserve District was 544 million dollars. This was slightly below the 1935-39 average of 558 million dollars. Of the cash income in 1939, crops accounted for 367 million dollars, and livestock and livestock products 177 million dollars. By 1945 total cash receipts had risen to 1,475 million dollars of which crops comprised 976 million dollars, and livestock and livestock products 499 million dollars. Thus during this comparatively short period of 1939-45 total cash farm income increased 171 per cent, receipts from crops 166 per cent, and receipts from livestock and livestock products 181 per cent. In both periods crops comprised two-thirds of the total. With the exception of crops in South Carolina, where the income in 1945 was slightly lower than in 1944, each of the two major classes of farm receipts, as well as the total cash farm income, was higher in every state in 1945 than in any of the other 21 years of record.

Although not exactly comparable with the above data on gross returns from farm marketing, the data which are available on production expenses and net farm income including Government payments for the years 1939 through 1944 reveal the extent to which they, too, have risen. For example, in 1939 the farm production expenses in the Fifth District states are estimated to have totaled 414 million dollars. By 1944 they had risen to 723 million dollars, an increase of 75 per cent during the five years. Meanwhile net income including Government payments rose from 444 million dollars to nearly 1,150 million dollars, or 159 per cent.

It can be said with accuracy that the combined effect of the increases in production and farm product prices since 1939 outstripped the rise in production expenses, and resulted in higher net income for the farmers of the Fifth District. Since this is merely a description of net results and throws little light on underlying causes, the following discussion will dig more deeply into some of the more basic forces.

### INCREASES IN AGRICULTURAL PRODUCTION

Data on the aggregate volume of agriculture production are not available for just the Fifth District states. However, an index is available for the South Atlantic states which includes the five Fifth District states plus Delaware, Georgia, and Florida. It is believed that in most respects the index for the South Atlantic states reasonably

reflects changes in the Fifth District. This index shows that in 1944, the latest year for which data are available, the aggregate volume of farm production was 17 per cent above the average 1935-39 level. Farm crops, including pasture, were 12 per cent above the prewar average, and meat animals and animal products 49 per cent higher than in 1935-39. For the entire United States gross farm production in 1944 was 23 per cent above the prewar average; farm crops including pasture was up 21 per cent, and meat animals and livestock products was up 36 per cent. Thus, during the war the farmers in the South Atlantic states expanded their livestock and livestock product enterprises more than did the country as a whole, but they expanded crop production and total production less than did the country as a whole. Although there were shifts between crops, no general increase occurred in total crop acreage. In fact, in 1945 the harvested acreage of principal crops in the Fifth District was 6 per cent less than in 1939.

This means that the increase in production resulted from increased yields. Among the factors contributing to the increased yields were heavier applications of fertilizer, improved cultural practices, wide-spread use of higher yielding varieties of the various crops, and of course above-average weather conditions. Although no one knows what the future holds in store so far as weather is concerned, there are rather definite indications on some of the other factors affecting yields.

Farmers in the Fifth Federal Reserve District are more aware now than ever before of both the conditions under which fertilizer advantageously can be used and the manner in which it can best be used. Consequently, unless the relationship between fertilizer costs and prospective farm product prices is unfavorable, it is reasonable to expect that farmers will be heavy users of fertilizer. At present there is little or no indication of such an unfavorable relationship in the next few years. Consequently, it seems probable that the upward trend in yields attributable to improved fertilizer practices, which dates back to well before the war, will be continued in the postwar period.

The improvement in cultural practices during the past decade seems certain to be retained, and further improvements will likely be made. Since the Government production control programs were commenced in the middle 1930's and farmers found the acreage of their principal crops reduced, they have attempted, by means of better cultural practices, to increase yields and to avoid, so far as it was practicable to do so, any loss in total production. Another effect of the production control program on crop yields was the encouragement given to better soil management, especially to such things as reducing soil erosion and the greater use of winter cover crops, liming materials, and phosphates.

One of the factors that has permitted the increase in yields arising from improvements in cultural practices has been the increased use of machinery—especially tractor-drawn machinery. The use of larger, heavier, and power equipment has enabled farmers to do a more thorough job of soil preparation and cultivation. The greater speed with which crops can now be tended has meant that they can now be cultivated more often and at times and in ways that are most conducive to good soil and crop care.

There is no reason to assume that these improvements in cultural practices when once accepted by a farmer are in danger of being lost. It can confidently be expected that as time passes more and more farmers will attempt

improved practices, so that the average level of yields as affected by cultural practices should continue upward at a moderate rate. So far as mechanization is concerned, there is every reason to believe that for some time it will move ahead as rapidly as the supply of new machinery permits. In fact, there are indications that many farmers may undertake the purchase of more machinery than can be justified from a purely economic standpoint. Much of such machinery will nevertheless have an effect on production.

The trend of production of meat animals and livestock products has been upward for a number of years. In general the period from 1920 to date is divisible into three periods: From 1920 to the middle 1930's was a period of gradual increase; from the middle 1930's to about 1940 was a period of somewhat greater increase; and the war period was one of very marked rise. Several factors have accounted for increases during the past decade. The control of cotton and tobacco acreage and the emphasis given soil conservation have induced many farmers to expand their cattle enterprise. Cattle numbers have increased, and the quality has been improved by the use of better herd sires. The breeding of hogs also has improved. Expansion in poultry accounted for a sizeable part of the total increase in meat animals and livestock products. In recent years broiler production especially has expanded, having increased several fold. In poultry, as in cattle and hogs, farmers in the Fifth District have both increased numbers and improved quality, with a resulting increase in efficiency of production. During the next few years it would seem likely that the achievements of farmers in improving the quality of their livestock will be retained or increased. The extent to which production will be maintained will be governed in part by the relative profitability of the respective livestock enterprises and alternative lines of production. In no event, however, does it appear likely that gross production of meat animals and livestock products will revert to prewar levels.

From the above it may be concluded that the prospects are for the volume of agricultural production in the Fifth Federal Reserve District to remain at a substantially higher level than before the war. This assumes a generally high level of business activity and of demand for farm products. Should business activity more nearly approach depression levels, the return flow of workers to the farm might tend to expand the production of cotton and tobacco, both of which can utilize large amounts of hand labor, unless prevented by Government programs or unless these crops become substantially less profitable than other lines of production.

#### INCREASED INCOMES LARGELY RESULT OF WARTIME PRICES

Heretofore it has been shown that gross and net farm income have increased very materially since 1939. Part of this is explained by the increase in the aggregate volume of agricultural production. More important from the standpoint of farm income was the effect of rising farm prices. During the year ended June 1946, the U. S. index of prices received by farmers was 93 per cent above the average for the five calendar years 1935-39. The corresponding increase for all crops was 114 per cent and for livestock and livestock products 75 per cent. Prices of livestock and livestock products 75 per cent. Tobacco prices increased 111 per cent, and cotton prices increased 122 per cent. These have been the two most important

sources of cash farm income in the Fifth District. At present the price of cotton is substantially above this 1945-46 level.

Prices of a number of farm products in the Fifth Federal Reserve District are now substantially higher than can reasonably be expected to prevail as a normal thing. It remains to be seen how long the prices of certain commodities can continue at current levels. Under normal conditions prices could be materially lower and still be sufficiently attractive to call forth so large a production of such commodities that burdensome surpluses would accumulate. It is impossible to say just when prices will turn downward and whether such decline will be sudden or gradual. If farmers can hold their crops within reasonable bounds, they should have at least a few years of reasonable prosperity because of the Government price support commitments, but such commitments will not necessarily prevent a considerable sag in prices from present levels unless there is a further marked advance in the index of prices paid by farmers. This arises out of the fact that under present legislation the price of certain farm commodities will be supported at 90 per cent of parity (92½ per cent in the case of cotton) for two full calendar years after the war is officially declared to be over. Since there has as yet been no such declaration, the Government's price commitment will extend at least through the 1948-49 season.

#### FARM LABOR SITUATION

One of the principal problems confronting the farmers during the war period was the tight farm labor situation. In the South Atlantic states employment during the first half of 1946 was 15 per cent below the average for the comparable months of the five years 1935-39. Employment of family workers declined only 10 per cent, but employment of hired workers dropped 28 per cent. This decline in farm employment can in no respect be attributed to any lack of demand for farm labor, for farmers would willingly have hired many more workers at prevailing wages than were available.

Farm wage rates have risen sharply during the war. For example, in July 1946 the average wage without board in the South Atlantic states was \$3.48 per day. This is three times the July average for the five years 1935-39. As a means of offsetting the scarcity of hired labor and the higher wage rates, many farmers have shifted to crops having lower labor requirements. They also have attempted to make more efficient use of labor. This has taken such forms as leaving certain jobs undone which from the short time production viewpoint were non-essential, developing short cuts and other means of doing a given job with less labor, and increasing the use of machinery as a means of reducing labor requirements.

#### DETERIORATION OF MANY FARMS

Leaving certain jobs undone because of the scarcity of labor or some other essential production factor has caused many farms to deteriorate appreciably. Fences and buildings have not been kept in repair. Fence rows and idle fields have started to grow up, and drainage ditches and terraces have not received the attention they needed. Machinery also has tended to run down, sufficient repairs having been made to keep it in good operating condition, but replacement postponed until new machines are again available.

One result of allowing so much deterioration to occur that a considerable outlay will be required to restore it to a satisfactory condition is that an opportunity is provided for the owner to alter his system somewhat with a minimum net cost. For example, a man with several head of work-stock so old as to need replacing may elect to buy a tractor instead. Similarly, the farmer with several old tenant houses may elect to tear one down and use the salvaged material to repair the others rather than to buy new material and repair all of them. However, in so doing he lowers the upper limit on the number of tenant families on that farm.

#### NEED FOR AVOIDING EXCESSIVE DEBT

As already noted net incomes of farmers generally are much higher than when the war broke out. Partly as a result of the scarcity of goods and services for which farmers might have spent their income, savings in the hands of farmers have risen to the highest level ever reached. These savings are held mainly in the form of cash on hand, bank accounts, war bonds, and other securities. Many of the farmers who hold savings in these forms will draw upon them to improve their farms, their farm homes, and their farm equipment, at times even to a point unjustified from an economic standpoint. Other farmers who either have insufficient savings or have them earmarked for other purposes may go into debt to finance such improvements, expecting to repay the debt out of future earnings. Should such farmers experience any sharp reduction in income, many might find themselves in strained circumstances.

There are also other ways in which farmers and others in the Fifth Federal Reserve District would tend to be vulnerable to a drop in farm incomes. Many farmers have used the high incomes during the war period to pay off the debt on their farms and to develop reserves to improve the farm and farm equipment after the war. On January 1, 1946 farm mortgage indebtedness in the Fifth District was estimated at 240 million dollars or 14 per cent less than the 1935-39 average. However, while farmers in the Fifth District were reducing their mortgage indebtedness 14 per cent, farmers in the country as a whole were reducing mortgage indebtedness 29 per cent. Stated differently, farm mortgage indebtedness in the Fifth District in the beginning of this year was 36 per cent below the all time high reached in 1928, but for the entire U. S. farm mortgage indebtedness was 48 per cent below the level in 1928 and 53 per cent less than the record high reached in 1923. The more rapid curtailment of mortgage indebtedness outside the Fifth District means that the percentage of the U. S. total accounted for by the Fifth District has risen from 3.9 per cent during the five years 1935-39 to an all time high of 4.7 per cent in 1946.

An increasing number of farms are now held debt free, but total mortgage indebtedness in Maryland has been rising from the low reached in 1944 and both Virginia and North Carolina had a larger mortgage debt in 1946 than the low reached in 1945. The debt has continued to drop in West Virginia and South Carolina as well as for the entire Fifth District and the United States.

Farm land values have risen appreciably in the Fifth District during recent years. In March 1946 average values were 109 per cent above the 1935-39 average in North Carolina and South Carolina, 88 per cent above in Virginia, 70 per cent above in Maryland, and 47 per cent

above in West Virginia. The average increase for the entire United States was 71 per cent.

The proportion of cash sales of farm land has been increasing; also, on credit financed transfers the percentage of the total consideration represented by the down payment has increased. Even so, as a general thing land prices have risen so much faster than the down payment that the average indebtedness per acre on credit financed transfers has risen considerably. In North and South Carolina, for example, a mortgage of 50 per cent of the current sales price represents more dollars per acre than the average value of the land during the five year period 1935-39. There is considerable reason to be apprehensive over the number of farms that are changing hands at present day prices, or the still higher prices which possibly lie just ahead, on which sizeable mortgages are being placed. Although one cannot categorically lodge a protest against the purchase of a farm "on a shoestring," it must be recognized that such buyers are more likely to find themselves in a position of being unable to meet their current obligations than are those who started at the same time but with a sizeable equity. The lending institutions which have extended the necessary credit may also feel the differential effect, based on the size of the buyer's initial equity.

#### SUMMARY

By way of summary it can be said that the prospects are bright for a high level of agricultural production in the Fifth Federal Reserve District during the next decade; however, it is not to be expected that the prices of all commodities will continue for such a period at present high levels even though in the meantime they may have pushed even higher than at present. It is only a question of time

until the income of many farmers will decline. If farm product prices follow their usual pattern of falling faster than the prices of non-farm products purchased by farmers, net incomes also will decline. Meanwhile farmers will be improving their agricultural plant, labor and materials permitting, by replacing and adding to their supply of machinery and by improving their buildings and fences and their farm land generally. Many farmers will finance these changes out of savings or current earnings, but others, like many of those who are buying farms at the present time, will go into debt to finance the undertaking. This latter class will be the most adversely affected by a drop in farm incomes.

Remembering how the drop in prices in 1920 occurred between the time many farmers incurred the cost of making their crop and its harvest, farmers should avoid so far as is practicable the incurring of unnecessary or excessive debt. So far as a bank's farm lending program is concerned at the present time there is much to commend the policy of emphasizing the services of the bank to the farmers of its community rather than merely the development of the maximum loan volume.

Conservatism on the part of both the banker who has money to lend and the farmer who is willing to go too deeply into debt for his own good may pay big dividends in a period of falling or fallen prices. In a period of somewhat lower farm product prices, both bankers and farmers may be able to look back with mutual satisfaction at the service each was to the other when, after a careful appraisal of all the factors involved, they agreed: to scale down certain requests for loans; insisted on a heavier rate of repayment, while high prices continued, than seemed easy at the time; or even decided not to make the loan at all.

#### BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100

Seasonally Adjusted

	May 1946	April 1946	March 1946	May 1945	% Change May 1946 from	
					Apr. 46	May 45
Bank Debits .....	250	244	254	225	+ 2	+ 11
Bituminous Coal Production*.....	.....	4	154	133	....	....
Building Contracts Awarded.....	437	365	328	94	+ 20	+365
Building Permits Issued.....	174	170	304	49	+ 2	+255
Cigarette Production** .....	255	244	252	215	+ 5	+ 19
Cotton Consumption* ** .....	152	144	140	149	+ 6	+ 2
Department Store Sales.....	276	276	294	210	0	+ 31
Department Store Stocks.....	233	217	206	207	+ 7	+ 13
Electric Power Production.....	208	204	193	228	+ 2	- 9
Employment—Mfg. Industries* .....	120	120r	118	132	0	- 9
Furniture Orders .....	211	290	192	164	- 27	+ 29
Furniture Shipments .....	237	224	192	188	+ 6	+ 26
Furniture Unfilled Orders.....	717	902	668	650	- 21	+ 10
Furniture Sales—Retail .....	228	237	255	139	- 4	+ 64
Life Insurance Sales.....	287	283	244	162	+ 1	+ 77
Wholesale Trade—Four Lines.....	219	219	225	180	0	+ 22
Wholesale Trade—Drugs .....	266	269	248	214	- 1	+ 24
Wholesale Trade—Dry Goods .....	184	193	193	177	- 5	+ 4
Wholesale Trade—Groceries .....	238	236	244	193	+ 1	+ 23
Wholesale Trade—Hardware .....	99	107	115	84	- 7	+ 18

\*Not seasonally adjusted

\*\*Revised Series

FEDERAL RESERVE BANK OF RICHMOND			
(All Figures in Thousands)			
ITEMS	July 17	Change in Amt. from	
	1946	6-12-46	7-18-45
Total Gold Reserves.....	\$ 917,855	+ 19,585	+ 92,739
Other Reserves .....	17,323	+ 192	+ 4,944
Total Reserves .....	925,178	+ 19,777	+ 97,683
Bills Discounted .....	7,590	- 10,575	+ 4,474
Industrial Advances .....	0	- 28	- 85
Gov. Securities, Total.....	1,466,263	- 7,010	+ 43,372
Bonds .....	46,084	- 10,575	- 23,818
Notes .....	36,341	- 73,357	- 69,516
Certificates .....	479,926	+ 84,996	+ 100,402
Bills .....	903,912	- 8,074	+ 36,304
Total Bills & Securities.....	1,473,853	- 17,613	+ 47,761
Uncollected Items .....	189,619	+ 14,050	+ 55,903
Other Assets .....	26,911	- 5,267	+ 13,396
Total Assets .....	2,625,561	+ 10,947	+ 214,743
Fed. Res. Notes in Cir.....	\$1,661,142	+ 13,141	+ 105,332
Deposits, Total .....	764,941	- 10,588	+ 46,243
Members' Reserves .....	697,034	- 8,633	+ 65,860
U. S. Treas. Gen. Acct.....	40,667	+ 80	+ 6,702
Foreign .....	24,530	+ 1,097	- 23,341
Other Deposits .....	2,710	+ 3,132	- 2,978
Def. Availability Items.....	167,438	+ 8,245	+ 56,687
Other Liabilities .....	446	- 294	- 17
Capital Accounts .....	31,594	+ 443	+ 6,498
Total Liabilities .....	2,625,561	+ 10,947	+ 214,743

DEBITS TO INDIVIDUAL ACCOUNTS				
(000 omitted)				
	June 1946	% Change from June 1945	6 months 1946	% Change from 6 mos. '45
Washington .....	\$ 654,200	- 3	\$ 3,680,925	+ 10
Maryland				
Baltimore .....	826,608	-21	4,831,434	- 1
Cumberland .....	20,214	+13	108,573	+25
Frederick .....	14,759	+ 9	85,245	+16
Hagerstown .....	22,011	+13	124,489	+21
North Carolina				
Asheville .....	37,816	+15	216,621	+19
Charlotte .....	168,898	+ 4	945,427	+14
Durham .....	90,491	+15	496,461	+31
Greensboro .....	51,489	- 6	307,046	+23
Kinston .....	9,400	+24	59,087	+29
Raleigh .....	78,557	- 7	424,612	+21
Wilmington .....	30,366	-22	188,526	-14
Wilson .....	11,106	+ 2	63,062	+ 5
Winston-Salem .....	90,215	+17	515,223	+32
South Carolina				
Charleston .....	50,958	+14	291,195	+14
Columbia .....	75,245	+28	407,034	+26
Greenville .....	58,035	+39	315,772	+28
Spartanburg .....	31,655	+30	184,892	+32
Virginia				
Charlottesville .....	21,060	-13	132,699	+ 9
Danville .....	19,746	- 6	119,448	+17
Lynchburg .....	30,413	+18	170,708	+28
Newport News .....	22,575	-27	134,447	- 9
Norfolk .....	134,077	- 8	791,107	+ 6
Portsmouth .....	17,171	-10	100,667	- 2
Richmond .....	339,291	-10	2,045,077	+ 2
Roanoke .....	63,829	+20	353,683	+31
West Virginia				
Bluefield .....	27,627	0	156,884	+ 5
Charleston .....	101,537	- 8	583,823	+ 9
Clarksburg .....	21,661	+10	129,519	+27
Huntington .....	39,972	- 5	238,188	+ 3
Parkersburg .....	20,668	-12	117,779	0
District Totals .....	\$3,181,650	- 7	\$18,319,653	+ 8

41 REPORTING MEMBER BANKS—5th DISTRICT			
(All Figures in Thousands)			
ITEMS	July 17	Change in Amt. from	
	1946	6-12-46	7-18-45
Total Loans .....	\$ 403,101	+ 375	+ 90,851
Bus. & Agri. Loans.....	181,353	+ 1,849	+ 62,602
Real Estate Loans.....	60,362	+ 3,440	+ 14,054
All Other Loans.....	161,386	- 4,914	+ 14,195
Total Security Holdings.....	1,661,976	- 54,954	-130,709
U. S. Treasury Bills .....	26,387	- 4,344	- 76,506
U. S. Treasury Certificates .....	390,533	- 10,997	+ 22,918
U. S. Treasury Notes .....	137,942	- 39,774	-149,997
U. S. Gov. Bonds .....	1,021,783	- 1,186	+ 47,609
Obligations Gov. Guaranteed.....	136	- 10	+ 6
Other Bonds, Stocks & Sec.....	85,195	+ 1,357	+ 25,261
Cash Items in Process of Col.....	133,935	- 7,325	+ 38,420
Due from Banks.....	123,675*	- 20,829	- 50,834
Currency & Coin.....	38,503	- 1,237	+ 937
Reserve with F. R. Bank.....	339,985	- 9,078	+ 24,277
Other Assets .....	76,668	- 4,674	+ 5,358
Total Assets .....	2,777,843	- 97,722	- 21,700
Total Demand Deposits.....	\$2,145,555	- 91,283	- 87,584
Deposits of Individuals.....	1,398,342	- 22,454	+ 194,680
Deposits of U. S. Gov.....	244,936	- 71,150	-278,595
Deposits of State & Local Gov.....	95,260	+ 1,011	+ 18,422
Deposits of Banks .....	379,177*	+ 3,109	-28,569
Certified — Officers' Checks.....	27,840	- 1,799	+ 6,478
Total Time Deposits.....	388,158	+ 6,047	+ 56,632
Deposits of Individuals.....	371,681	+ 5,340	+ 53,777
Other Time Deposits.....	16,477	+ 707	+ 2,855
Liabilities for Borrowed Money....	1,500	- 9,500	- 4,216
All Other Liabilities.....	99,030	- 4,268	- 4,758
Capital Accounts .....	143,600	+ 1,282	+ 18,226
Total Liabilities .....	2,777,843	- 97,722	- 21,700

\*Net figures, reciprocal balances being eliminated.

COTTON CONSUMPTION AND ON HAND—BALES				
	June 1946	June 1945	Aug. 1 to June 30 1946	1945
Fifth District States:				
Cotton consumed .....	378,417	388,168	4,057,655	4,397,299
Cotton Growing States:				
Cotton consumed .....	694,308	693,507	7,433,599	7,854,854
Cotton on hand June 30 in consuming establishments .....	1,873,322	1,725,510		
storage & compresses....	5,244,205	9,079,189		
United States:				
Cotton consumed .....	792,661	785,945	8,436,102	8,894,959
Cotton on hand June 30 in consuming establishments .....	2,280,942	2,036,656		
storage & compresses....	5,381,566	9,192,041		
Spindles active, U. S.....	21,942,878	22,188,576		

COMMERCIAL FAILURES				
MONTHS	Number Failures		Total Liabilities	
	District	U. S.	District	U. S.
June 1946 .....	2	69	\$ 22,000	\$ 3,006,000
May 1946 .....	1	92	4,000	3,656,000
June 1945 .....	2	61	104,000	3,198,000
6 Months 1946.....	11	500	111,000	22,223,000
6 Months 1945.....	12	454	1,375,000	17,706,000

Source: Dun & Bradstreet

COTTON CONSUMPTION—FIFTH DISTRICT				
In Bales				
MONTHS	N. Carolina	S. Carolina	Virginia	District
June 1946 .....	205,593	155,307	17,517	378,417
May 1946 .....	229,604	168,318	18,829	416,751
June 1945 .....	209,991	160,421	17,756	388,168
6 Months 1946.....	1,265,131	947,361	102,727	2,315,219
6 Months 1945.....	1,297,610	985,896	115,669	2,399,175

DEPOSITS IN MUTUAL SAVINGS BANKS			
8 Baltimore Banks			
	June 30, 1946	May 31, 1946	June 30, 1945
Total Deposits .....	\$368,295,921	\$364,434,391	\$319,362,160

## BUILDING PERMIT FIGURES

	Total Valuation	
	June 1946	June 1945
<b>Maryland</b>		
Baltimore .....	\$ 5,318,630	\$ 758,220
Cumberland .....	38,100	35,850
Frederick .....	23,900	2,896
Hagerstown .....	79,550	91,507
Salisbury .....	126,401	69,888
<b>Virginia</b>		
Danville .....	124,355	105,330
Lynchburg .....	268,321	54,968
Norfolk .....	661,355	233,905
Petersburg .....	41,000	35,650
Portsmouth .....	44,925	30,750
Richmond .....	1,195,844	683,748
Roanoke .....	252,792	119,938
<b>West Virginia</b>		
Charleston .....	297,346	87,433
Clarksburg .....	51,910	4,215
Huntington .....	168,910	61,308
<b>North Carolina</b>		
Asheville .....	84,192	27,262
Charlotte .....	761,338	393,717
Durham .....	907,400	101,025
Greensboro .....	154,390	115,475
High Point .....	182,585	100,366
Raleigh .....	237,665	140,225
Rocky Mount .....	111,825	25,775
Salisbury .....	232,750	32,573
Winston-Salem .....	224,809	75,029
<b>South Carolina</b>		
Charleston .....	93,947	98,932
Columbia .....	405,450	81,920
Greenville .....	44,400	48,933
Spartanburg .....	103,225	53,920
<b>District of Columbia</b>		
Washington .....	2,644,425	1,263,983
District Totals .....	\$14,981,720	\$ 4,934,740
6 Months .....	\$95,815,222	\$24,654,031

## CONSTRUCTION CONTRACTS AWARDED

STATES	May 1946	% Change from		% Change from	
		May '45	5 mos. '46	5 mos. '45	5 mos. '45
Maryland .....	\$ 37,516,000	+ 719	\$120,230,000	+251	
Dist. of Columbia .....	13,696,000	+ 342	32,872,000	+103	
Virginia .....	26,674,000	+ 232	81,557,000	+ 56	
West Virginia .....	6,607,000	+ 231	37,693,000	+416	
North Carolina .....	13,555,000	+ 133	73,582,000	+313	
South Carolina .....	19,189,000	+1,037	55,571,000	+794	
Fifth District: .....	\$117,237	+ 365	\$401,505,000	+199	

Source: F. W. Dodge Corp.

## RAYON YARN DATA

	June 1946	May 1946	June 1945
Rayon Yarn Shipments, Lbs.....	51,800,000	56,900,000	50,900,000
Staple Fiber Shipments, Lbs.....	14,000,000	15,900,000	13,800,000
Rayon Yarn Stocks, Lbs.....	7,100,000	8,700,000	6,000,000
Staple Fiber Stocks, Lbs.....	1,900,000	2,100,000	2,700,000

Source: Rayon Organon.

## TOBACCO MANUFACTURING

	June 1946		% chg. from June 1945		6 mos. 1946		% chg. from 6 mos. '45	
	June 1946	June 1945			1946	6 mos. '45		
Smoking & chewing tobacco (Thousands of lbs.) .....	18,009	—22	100,315	—27				
Cigarettes (Thousands) .....	26,360,144	+ 8	157,047,391	+33				
Cigars (Thousands) .....	452,180	+12	2,837,890	+19				
Snuff (Thousands of lbs.) .....	3,075	— 2	20,113	—12				

## WHOLESALE TRADE, 229 FIRMS

LINES	Net Sales compared with		Stock compared with		Ratio June collections to acct's outstanding June 1
	June 1945	May 1946	June 30 1945	May 31 1946	
	Auto Supplies (10)* .....	+ 73	— 4	+ 21	
Drugs & Sundries (9)* .....	+ 18	— 8	+ 23	— 1	123
Dry Goods (7)* .....	+ 12	+ 8	+105	+ 2	90
Electrical Goods (3)* .....	+116	+ 9	..	..	..
Groceries (78)* .....	+ 18	— 7	+ 10	— 9	165
Hardware (12)* .....	+ 50	— 8	+ 31	+ 1	117
Industrial Supplies (6)* .....	+ 9	+11	+ 16	+ 2	117
Paper & Products (7)* .....	+ 24	— 4	+ 6	+12	93
Tobacco Products (9)* .....	+ 18	— 3	+ 64	—12	143
Miscellaneous (71)* .....	— 3	—21	+ 23	+10	103
Dist. Average (212)* .....	+ 15	— 8	+ 27	+ 0	119

Source: Department of Commerce

\*Number of reporting firms.

## DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in June 1946 sales, compared with sales in June 1945:				
+31	+22	+22	+26	+23
Percentage change in 6 mos. sales 1946, compared with 6 mos. in 1945:				
+28	+21	+20	+24	+22
Percentage chg. in stocks on June 30, '46, compared with June 30, '45:				
+21	+ 6	+13	+22	+13
Percentage chg. in outstanding orders June 30, '46 from June 30, '45:				
+81	+42	+47	+57	+52
Percentage chg. in receivables June 30, '46, from those on June 30, '45:				
+51	+38	+42	+36	+41
Percentage of current receivables as of June 1 collected in June:				
49	53	49	57	51
Percentage of instalment receivables as of June 1 collected in June:				
25	27	26	37	27

Maryland	Dist. of Col.	Virginia	W. Virginia	No. Carolina	So. Carolina
Percentage change in June 1946 sales from June 1945 sales by States:					
+22	+22	+26	+29	+31	+19
Percentage change in 6 mos. sales 1946 from 6 mos. sales 1945:					
+22	+20	+23	+27	+29	+15

## RETAIL FURNITURE SALES

STATES	Percentage changes in June and 6 Mos. 1946 Compared with	
	June 1945	6 Months 1945
Maryland (5)* .....	+46	+47
Dist. of Columbia (6)* .....	+62	+60
Virginia (21)* .....	+58	+57
West Virginia (9)* .....	+36	+47
North Carolina (16)* .....	+53	+48
South Carolina (14)* .....	+51	+49
Fifth District (71)* .....	+52	+52
<b>Individual Cities</b>		
Baltimore, Maryland (5)* .....	+46	+47
Washington, D. C. (6)* .....	+62	+60
Lynchburg, Va. (3)* .....	+73	+75
Richmond, Va. (7)* .....	+62	+65
Charleston, W. Va. (3)* .....	+47	+60
Charlotte, N. C. (4)* .....	+64	+66
Columbia, S. C. (3)* .....	+62	+53

\*Number of reporting stores.

## SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	June 1946	June 1945	% Chg.	6 Mos. 1946	6 Mos. 1945	% Chg.
	West Virginia .....	13,336	13,582	— 2	54,648	79,845
Virginia .....	1,659	1,588	+ 4	6,742	9,567	—30
Maryland .....	215	147	+46	841	865	— 3
Fifth District .....	15,210	15,317	— 1	62,231	90,277	—31
United States .....	50,700	50,987	— 1	235,066	297,425	—21
% in District .....	30.0	30.0		26.5	30.4	