MONTHLY REVIEW

FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA MAY 31, 1948

Business Conditions

EMPLOYMENT levels in the Fifth District, after allowance for seasonal fluctuations and strikes, have shown little aggregate change since January. Tobacco rehandling has declined seasonally, leaving a considerable unemployment in numerous areas that will largely remain until a new crop is again being processed. Food industries continued to employ fewer people in March where ordinarily February is the seasonal low point. Construction employment fell more than seasonally to February and had not moved back in stride until May. The volume of construction work under way is sufficient to expand construction employment to a new seasonal peak this summer, but this employment will not be as broadly distributed throughout the District this year as last year.

Poor logging conditions lowered lumber employment in the Carolinas, but did not materially affect workers in other states. Furniture employment has leveled off around 17 thousand in Virginia but had been edging upward to over 25 thousand in North Carolina through March. However, some plants manufacturing case goods at the low end of the price scale are reported to be working on a three-day week basis because of a lack of demand resulting from too little price spread between low-end and quality products. It is said these firms will bring out a new line of products in July priced at greater differentials with respect to the quality goods.

Employment at shipyards in Maryland has risen sharply since the termination of a strike last summer. The current level, however, has not reached that of the spring of 1947, but prospects in the industry are conducive of further improvement. Virginia shipyard employment had been inching upward until March when a small lay off was made. Larger cut-backs had been anticipated for some time, but it is now believed that increased contract awards will probably result in some expansion.

Knitting mills and apparel concerns increased employment levels through the spring. Activity should level off until mid-year when some cut-back will probably be experienced unless a marked improvement occurs soon in sales, particularly of knitted goods.

Cotton textile employment has shown little change since November in North and South Carolina, but showed some reduction in Virginia in recent months where there is normally a loss of workers back to farm activities at this time of year. Cotton textile employment both in spinning and weaving mills will be reduced substantially by vacations in the first and second weeks of July. Unless there is a marked improvement in the rate of purchase of goods and yarns at present price levels, reduced employment levels will continue beyond the second week of July since few mills are favorably inclined toward inventory accumulation and since costs of neither labor nor cotton are likely to decline beforehand enough to lower prices sufficiently to make a market for the full output of goods and yarns. It is possible that a demand for export or military purchases may appear to ward off reduced employment in the industry but there are few indications as yet that give support to these potentialities.

Employment levels in the paper industry, which held on an even keel through most of 1947, have weakened somewhat this spring despite a continued strong demand for all paper products. This is probably a result of increased labor productivity due to technological improvements.

The growth in rayon production last year and up to now has been due mainly to increased labor productivity resulting from technological improvements since very little change in employment in this industry has occurred in this period. Industrial chemicals in West Virginia show a slow but gradual increase in employment levels, while these industries in Virgina show a stable level for nearly a year.

Bituminous coal production of the District in April improved from the March level on a seasonally adjusted basis, but still remained 24 per cent below the same month last year. The coal strike did not have any noticeable adverse effect on sales of West Virginia reporting department stores. These have shown a steady rising trend after seasonal correction since January, April sales being at an all time high level for these stores.

Cotton consumption in the Fifth District rose 2 per cent in April over March on a seasonally adjusted basis, but the April level was 2 per cent below that month last year. Hours run by the spindles in the District in April, however, showed a gain of 6 per cent over that last year. Orders on hand for both spinners and weavers are running down, and thus far there has been little disposition of consumers to enter into new purchase agreements in sufficient volume to maintain current production levels. There does not appear to be much question of the maintenance of industrial consumption of cotton textiles, except for bags and tire fabrics, but in the apparel uses the physical quantity of sales at retail is receding and prospects do not justify the expectation of offsets to this reduction, when the loss of demand previously in evi-

dence for building inventories and lower exports is taken into account.

Trade levels in the District improved on all fronts in April compared with March on seasonally adjusted figures. Retail furniture sales rose 2 per cent; department store sales rose 1 per cent and all lines of wholesale trade, except dry goods, electrical goods and automotive supplies, rose from 1 to 14 per cent. Wholesale dry goods sales declined 7 per cent and wholesale automotive supplies declined 1 per cent while wholesale electrical goods held at the same level as in March. As the situation appears at this time, the trend of furniture store sales is probably downward, or flat at best; the trend of department store sales is flat; trends of wholesale sales are variable, with drugs and paper and dry goods flat, hardware, electrical goods, automotive and industrial supplies rising, groceries and tobacco falling.

Department store inventories in April showed no change from the peak level of March on a seasonally adjusted basis. Relative to the 1935-39 base period inventories in April were up 240 per cent; April sales relative to the same base were up 221 per cent. This inventory level is too high, according to opinions of several store managers, and efforts are being made to reduce it. In fact it will be reduced in the next few months, if sales hold up reasonably well, for outstanding orders at the end of April declined 21 per cent from March, 53 per cent from January and were at the lowest level since 1942. Even so outstanding orders at the end of April were still 12 per cent larger than sales in April. Since there is no upward seasonal move in sales from April to May and June, it is probable that further reductions in orders would be necessary to reduce the inventory level.

In April credit sales in 19 department stores of this District accounted for 56.2 per cent of total sales. A year ago credit sales accounted for 52.2 per cent of total sales. Installment sales accounted for 8.3 per cent of sales of these stores in April 1948 and 6.5 per cent in April 1947. Other credit sales accounted for 47.9 per cent of total sales in April 1948 and 45.7 per cent in April 1947. Collections during April 1948 on installment receivables outstanding at the beginning of the month amounted to 22.5 per cent, and 24.8 per cent in April 1947. Collections during April 1948 on other receivables outstanding at the beginning of the month amounted to 44.8 per cent, and in April 1947, 45.1 per cent. It is apparent that as far as department stores are concerned there is no cause for alarm over the credit situation despite the slight lengthening of repayment periods. It is probably true, however, that without the enlarged credit sales, the total level of sales would not be as high as they are at the present time.

Continued on page 7

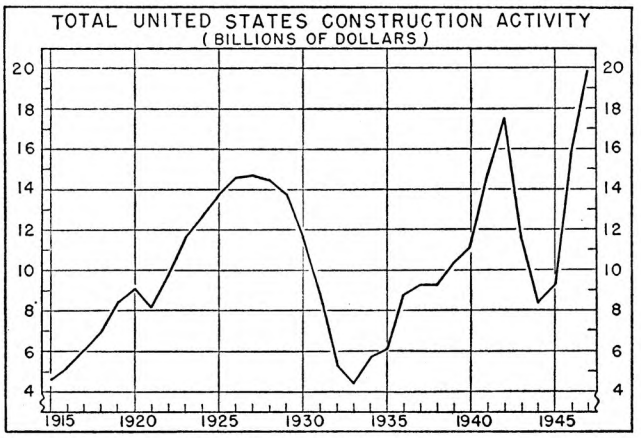
BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Apr. 1948	Mar. 1948	Feb. 1948	Apr. 1947	% Change Apr. 1948 from Mar. 48	% Change Apr. 1948 from Apr. 47
Automobile Registration*	.....	140	107	136	.....	.....
Bank Debits	313	320	313	270	— 2	+ 16
Bituminous Coal Production*	102	91	159	134	+ 12	— 24
Building Contracts Awarded	331	326r	335	296	+ 2	+ 12
Building Permits Issued	336	274	236	198	+ 23	+ 70
Business Failures—No.	40	61	28	17	— 34	+135
Cigarette Production	283p	248r	228r	252	+ 14	+ 12
Cotton Consumption	156	153	151	159	+ 2	— 2
Department Store Sales	321	317	306	299	+ 1	+ 7
Department Store Stocks	340	340	339	302	0	+ 13
Electric Power Production	.....	265	252	235	.....	.....
Employment—Mfg. Industries*	.....	135	134	133	.....	.....
Furniture Orders	313	320	415	365	— 2	— 14
Furniture Shipments	311	307	348	279	+ 1	+ 11
Furniture Unfilled Orders	1,211	1,001	912	1,196	+ 21	+ 1
Furniture Sales—Retail	271	265r	246r	239	+ 2	+ 13
Gasoline Consumption	.....	.....	159	173	.....	.....
Life Insurance Sales	261	246	231	246	+ 6	+ 6
Wholesale Trade:						
Automotive Supplies**	339	341	286	308	— 1	+ 10
Drugs	269	265	259	268	+ 2	0
Dry Goods	171	184	159	167	— 7	+ 2
Electrical Goods**	83	83	88	69	0	+ 20
Groceries	262	247	246	278	+ 6	— 6
Hardware	142	140	123	114	+ 1	+ 25
Industrial Supplies**	358	317	265	317	+ 13	+ 13
Paper and Its Products**	167	155	160	200	+ 8	— 17
Tobacco and Its Products**	99	87	96	121	+ 14	— 18
Building Contracts Awarded:						
Apartments and Hotels		173	681	673	.....	.....
Commercial Construction Contracts		304	350	386	.....	.....
Manufacturing Construction Contracts		498	664	348	.....	.....
One and Two Family Houses		378	347	264	.....	.....
Public Works and Utilities		316	225	336	.....	.....
Residential Construction Contracts	421	290	446	352	+ 45	+ 20

*Not seasonally adjusted
**1938-41=100

Construction

The dollar volume of new on-site construction erected in the United States in 1947 of $12.8 billion established an all-time high record for any peacetime year. It was 112 per cent higher than in 1939, 28 per cent ahead of 1946, and came close to equaling the $13.4 billion peak wartime level of 1942. In the first four months of 1948 the total ran ahead of the same months of 1947 by 32 per cent. There was an abnormally high expenditure in 1947 for maintenance and repair of $7 billion which brought the total outlay on construction to $19.9 billion which was a new all-time high record by a wide margin. Outlays for new construction, maintenance and repair for the United States from 1915 to 1947 are shown in the accompanying chart.



During this period a substantial increase occurred in construction costs and in the number of workers employed in contract construction. In 1939 there were 1,150,000 workers employed in contract construction in the nation; in 1947 there were 1,734,000 or 54 per cent more than in 1939. The Department of Commerce's composite building cost index in 1947 was 94 per cent higher than in 1939.

The above indicates the general nature of the problems confronting the construction industry. First, there is the unprecedented high demand for new construction which, together with an abnormal demand for maintenance and repair, is taxing severely the capacity of the industry. Second, the level of building costs is nearly double pre-war. This tends to raise prices beyond the ability to pay of many people and to restrict the market. Third, the large increase in the number of construction workers raises many difficult problems regarding labor relations, the training of new workers, and the maintenance of labor efficiency.

In light of the changes just mentioned it might be in order to make some comment on the general relationship of construction and employment levels in the entire economy as well as on some of the financial consequences of the currently high-valued new construction.

Construction and Economic Activity

The value of construction considered only for its contribution to the production of goods and services does not add to the total in any substantial way. Its relative importance is less now than it was in the previous era of prosperity in the 1920 decade. It was probably of smaller importance in 1929 than it was in any of the four preceding years though documentary evidence on this point is not precise. In 1947 construction put in place accounted for only 5 per cent of the gross national product; in 1929 it accounted for 8 per cent and in 1939, 4 per cent.

The importance of construction to the whole economy, however, has much broader significance than its small contribution to the gross national product. Construction is one of the most important components of investment expenditures which, together with consumption outlays, determines the levels of income and employment. Thus it may be pointed out that if in any given time period investment exceeds savings there will be a tendency for income and employment to rise. Conversely, if savings exceed investment there is a tendency for income and employment to fall. Also it may be pointed out that construction expenditure, like other capital investment, may have a multiple effect on economic activity considerably greater than its original incidence. For example, the increase in consumption outlay, consequent to the original expenditure on construction, may induce further increases in investment and a widespread expansion of economic activity. With more specific reference to the construction industry itself, employment levels in the industries supplying its materials are widely affected by construction expenditures, and transportation is more profitable when these expenditures are rising or are maintained at high levels. A clear illustration of the direct multiple effect of the construction expenditures without vouching for the accuracy of the multiple, is the industry's saying that for each man on the scaffold there are nine men backing him up.

Financial Consequences

The construction industry played an important part in the inflationary developments in 1947 because of a mortgage credit situation that supported the volume of demand for homes even after prices had risen well beyond a stage that under normal financing conditions would have found no buyers. Back of this financial support to the housing market were the liberal guarantees of the Federal Housing Administration under "Title Six," and the G.I. loan guarantee of half of the appraised value—or a maximum guarantee of $4,000. These loans permitted the purchase of houses in which the buyers had little or no equity and will have very little for years. Then, too, in many places it is still cheaper to pay the debt service charges required in home ownership than it is to pay current rental.

It was true there were a great many people who did not have the kind or amount of dwelling space they desired in 1947 and were, therefore, in the market either to purchase or rent. A housing shortage, however, is not an absolute condition but a relative one; it is relative to the effective demand for dwelling space. Rent ceilings have permitted occupancy of space by some who under rising rents probably would have doubled up as in former years. Liberal mortgage credit for housing has created a relatively much larger effective demand than prevailed in former years. Actually the number of housing units occupied relative to the population in 1947 was about the same as in 1940. Current Population Reports, "Housing" series p-70, No. 1, shows in April, 1947 there were 39,016,000 occupied dwelling units in the United States. There were 3.68 persons per occupied dwelling April, 1947 which compares with 3.78 persons per occupied dwelling in April, 1940. This latter figure is based on 34,855,000 occupied dwelling units shown in the 1940 Housing Census Volume 11, Part 1, U. S. Summary Table II, p-3 and the official population figure of 131,699,275. This, of course, does not take into account increased housing needs resulting from geographical shifts in the population, but it does give some support to the proposition that the demand is the factor that is most out of balance, and this is in part the result of easy credit.

Liberal credit has created a short-run demand that has been well beyond the construction industry's ability to supply, and nothing is accomplished by maintaining a mortgage credit condition that gives rise to a demand in excess of the current output of the construction industry. As a consequence the price of housing has risen abnormally relative to prices in general and has placed a higher than desirable burden on those who must in the future pay debts incurred in purchasing housing at present prices. In numerous cases this burden of debt payment could be carried only under conditions of further increases in personal income. In many instances houses have been purchased where the buyer has very little equity in the property. Also it appears that many buyers will not have an equity for many years sufficient to discourage them from defaulting under slight adversity.

The inordinately large demands for construction relative to the industry's ability to produce, resulting in prices paid for housing well above a level in keeping with a good number of purchasers' incomes, have not only created an abnormal debt service relative to income, but have drawn heavily on many individuals' liquid or invested savings. Such a condition might result in a large number of defaults with only small reductions in the employment level, and this would thereby intensify and prolong any readjustment problem.

There are two satisfactory ways of dealing with the construction problem as it exists today. First, changes could be made in building codes and in labor practices that would work toward increasing the supply of construction relative to the demand, and, second, the demand could be reduced to a point which would be equal to the going supply by restricting housing credit. The problem of moderninzing building codes is one that has plagued the industry for a long time, and not too much can be expected along this line. As a practical problem a restriction in the volume of credit made available for purchasing housing would be about the only approach that would offer a reasonable chance of success in balancing the demand for housing with the supply. "Title Six" expired on April 30th, and if not reenacted will probably have the effect of reducing demand through more stringent credit terms.

Fifth District Construction

Construction in the Fifth Federal Reserve District did not decline proportionately to total construction in the United States during the depression years of the 1930's, and as a consequence of this and a larger proportion of war construction, the District had maintained a rising percentage of the national new construction total all the way from 1930 to the peak year of war construction in 1942. Since 1942, however, the Fifth District contribution to the national total has fallen steadily to a lower percentage in 1947 than in 1939 as the table of figures estimated by the Department of Commerce shows:

TOTAL NEW CONSTRUCTION
(Million dollars)

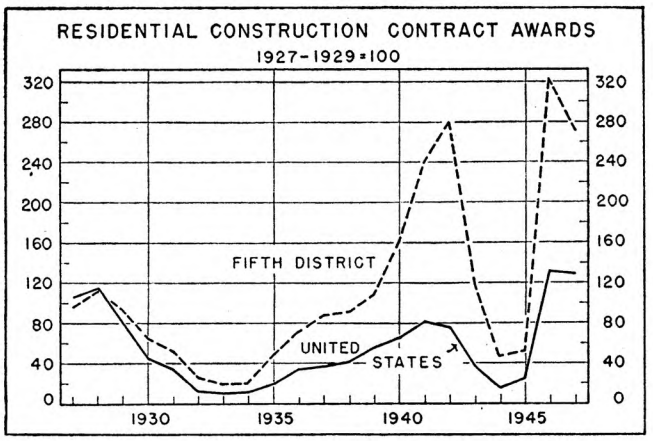
	United States	Fifth District*	% of U. S.
1939	6,062	598	9.5
1940	6,807	674	9.9
1941	10,308	1,111	10.8
1942	13,353	1,462	10.9
1943	7,734	800	10.3
1944	4,073	405	9.9
1945	4,595	402	8.8
1946	10,007	836	8.4
1947	12,825	1,048	8.2

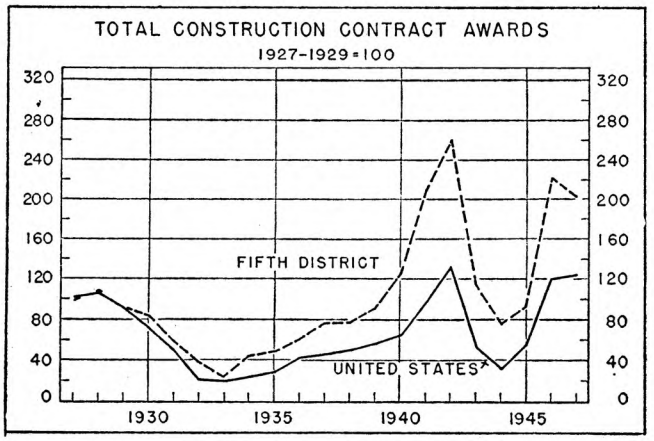
*Includes entire state of West Virginia

The Department of Commerce estimates of total construction put in place do not go back farther than 1939 on a state basis, but the Fifth District's proportion of the contract awards for 37 states compiled by the F. W. Dodge Corporation shows a similar rise in importance of the District in this total during the depression years of the 1930's. There were several causes for the rising proportion of Fifth District construction in the national total. First, a large amount of government building was effected in the District of Columbia. Federal government employment there was notably increased, and this in turn gave rise to demands for residential construction in the Washington area. Second, the employment level in the important consumer goods industries of the Fifth District did not fall as much as the employment level throughout the nation. Third, the early efforts at recovery, concentrated as they were in raising farm income and in creating purchasing power at the consumer level, because of the importance of consumer goods industries in the Fifth District resulted in cyclical recovery in the District better than resulted nationally. Fourth, in the District, even in the depression, there was some expansion of manufacturing industries, particularly the rayon industry. This development was contrary to the national trend.

As previously mentioned Department of Commerce estimates of total new construction are not available on a state basis prior to 1939, but the large gain in the Fifth District's importance in construction activity compared with the late years of the 1920's can be shown in the construction contract awards compiled by the F. W. Dodge Corporation, and are graphically presented for both residential awards and total awards below the next paragraph.

It should be noted that residential construction contract awards in the Fifth District had again nearly reached the 1928 pre-depression peak by 1939, whereas the 37 state residential contract awards did not regain that level until 1946. Of the total construction contract awards, those in the Fifth District exceeded the 1928 peak by 1940 whereas the 37 state total contract awards did not exceed the 1928 level until 1942. Furthermore the 1942 contract awards, (the all time peak in both the District and nation) exceeded the 1928 level by 140 per cent in the Fifth District, and exceeded the same level by only 23 per cent in the 37 states.





The construction level in the Fifth District during the depression of the 1930's and in the early war years was relatively better than the national construction level and was in keeping with the District's increasing proportion of the national income in this period. In fact the District's increased proportion of national construction in the above period was in part responsible for the relative increase in income payments.

On a per capita basis the value of new construction in the Fifth District had been well below that of the United States prior to 1939. From 1939 through 1944 the value of new construction per capita ran moderately higher in the Fifth District than in the country as a whole, but since 1944 the District level has been moderately lower than the national level. This latter trend again is in keeping with the District's relative economic position in the nation, as reflected by employment, retail trade, check payments, and income. The per capita value of construction in both District and nation are as follows:

VALUE OF CONSTRUCTION PER CAPITA
(Dollars)

	U. S.	Fifth District*
1925	91.15	47.15
1926	95.22	47.68
1927	93.49	47.18
1928	89.63	51.44
1929	81.41	47.71
1930	65.48	39.34
1931	48.21	26.99
1932	26.11	17.06
1933	17.70	11.19
1934	21.81	19.61
1935	24.44	21.58
1936	36.81	26.38
1937	41.20	32.90
1938	38.65	33.53
1939	46.32	46.72
1940	51.58	53.31
1941	77.39	85.37
1942	99.16	109.51
1943	56.66	60.19
1944	29.50	30.60
1945	32.92	31.05
1946	70.86	62.54
1947	90.81†	78.40†

*Figures for 1925-1938 based on District's percentage of construction contract awards, adjusted to comparability with subsequent figures.
†Based on 1946 population.

There was a considerable expansion in expenditures for factories in the Fifth District in 1946, but the amount dropped substantially in 1947. There is some evidence of a little improvement from 1947 levels in the early months of 1948. The proportion of construction contract awards for factory buildings in the Fifth District relative to the 37 state total was 7.3 per cent in 1945, 11.0 per cent in 1946, and 7.2 per cent in 1947. There is, therefore, no tendency indicated thus far of a relative improvement in manufacturing facilities that would point to further employment and income growth in the Fifth District relative to the nation.

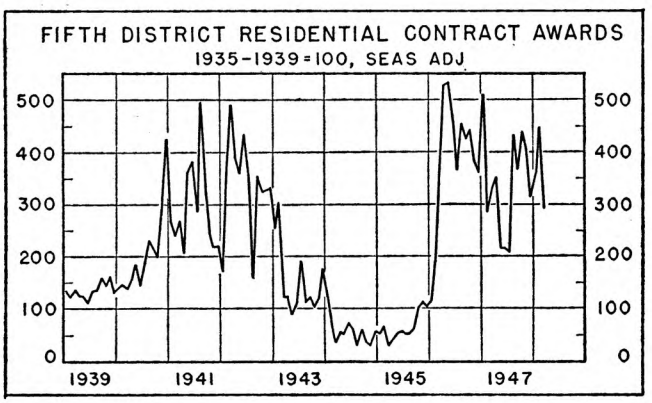
Residential building in the Fifth District is still the dominating factor in the construction volume, but in 1947 it fell to 43 per cent of the total contract awards compared with 46 per cent in 1946. Non-residential building awards dropped from 33 per cent of the total in 1946 to 28 per cent in 1947. Public works and utility contract awards rose both in dollar amount and in percentage of total from 1946 to 1947 as the table shows:

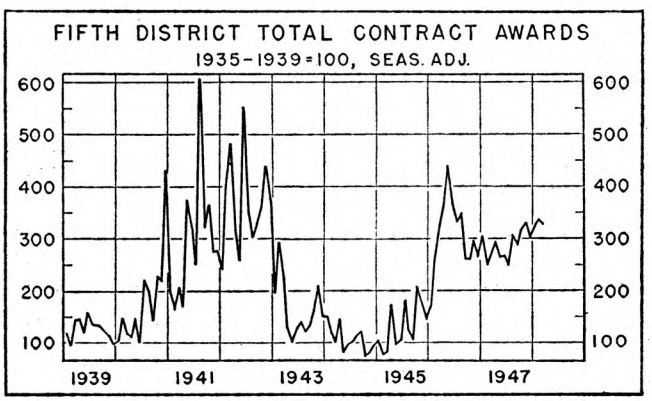
CONSTRUCTION CONTRACT AWARDS—FIFTH DISTRICT

	Million Dollars			Per cent of Total		
	1945	1946	1947	1945	1946	1947
Non-residential buildings	196	309	249	50	33	29
Residential buildings	68	429	362	18	46	43
Public works & utilities	125	198	237	32	21	28
Total	389	936	848	100	100	100

On a seasonally adjusted basis residential contract awards in the Fifth District weakened substantially in

March, (our latest figures) after having risen in February to the best level since January 1947. These, however, will probably rise from the March levels as excerpts from a spot survey shown later on indicate. Total contract awards turned down moderately in March and give thus far the impression of a leveling off process. However, these tendencies remain to be confirmed in future months. Current trends can be seen in the two charts which follow:





Probably the most illuminating evidence regarding the residential construction situation at this time are excerpts from a spot survey made in eleven cities of the Fifth District late in April as follows:

Area 1. Prospects not as good as a year ago—Prospective buyers accept present home prices out of necessity—Three-fourths of the purchasers say they are paying more than house is worth, but believe buying now is better than renting and waiting developments.—No demand here for public housing—no shortage of mortgage credit, but there is a tightening of requirements, more selectivity better credit risks, closer inspections and appraisals on the part of all lenders.

Area 2. Residential construction outlook better than a year ago.—Construction impediments chiefly in skilled labor.—Enough buyers at present prices to keep building at high level—no demand for public housing—Some signs of shortage of mortgage money, particularly for G. I. loans.

Area 3. Outlook no better than last year—no serious bottlenecks in evidence now—Buyers forced to accept present prices, but sales resistance is increasing—mortgage money rapidly becoming tighter; shortage of mortgage money for G. I. loans.

Area 4. Prospects for residential construction no better than a year ago—Some materials bottleneck still exists—Buyers inclined to wait for lower prices—no demand for public housing—no shortage of mortgage credit.

Area 5. Prospects for residential building not as good as last year—Demand for old houses has weakened and prices of these properties have declined—Demand for rental properties is very strong—Small 4 and 5 room houses rent for $75-$90 a month—Apartment rentals are high running from $75-$90 for small apartments and these are beyond the reach of those who made no more than $2,500 a year.—An FHA survey indicates a demand for 4,500 additional houses, but that is believed to be an overstatement of needs.

Area 6. Outlook no better than a year ago—Buyers expect prices of old and new houses to come down, prices of old homes already down 20 per cent—No demand here for public housing—Good mortgages readily saleable at slightly increased rates, G. I.'s and FHA's hard to dispose of, considerable tightening in other than good mortgages.

Area 7. Residential construction outlook better than last spring—Construction bottlenecks still exist, but situation improving—Expect prices of houses to come down—no demand for public housing—no shortage of mortgage money.

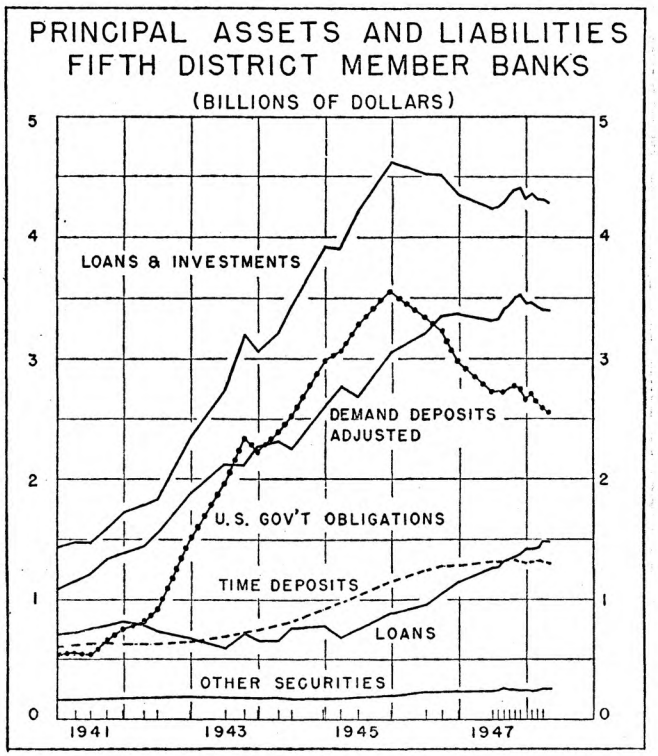
Area 8. Outlook for residential building better than a year ago.—Buyers are expecting prices to fall—no shortage of mortgage money.

Area 9. Building outlook better than last year.—Some material shortages still present—Divided opinion on home price outlook—no demand for public housing—no shortage of mortgage money.

Area 10. Residential prospects relative to last spring equally as good in small residence field—Large volume of Title Six projects under construction, but these are still short of requirements. Some bottlenecks now, expected to increase with seasonal rise in activity—Labor situation easier but wage rates have not dropped.—Very much buyer resistance as well as inability to finance in comparison with last year.—Expectations are for some reduction in prices, but not much—Old houses selling at lower prices and both old and new houses moving slower—more attention being given by buyers to quality, marginal or poorly constructed houses more difficult to sell.—No demand for public housing—603 and 608 FHA projects beginning to meet demand—Mortgage money short at 4 per cent for 4½ per cent title II loans, tightening up on other mortgage loans also, building and loan companies pretty well loaned up, borrowers looking more to banks for mortgage credit, banks are lending on a more conservative basis than heretofore.

Area 11. Building prospects no better than a year ago for residential construction—many individuals priced out of the market—Large multiple unit projects absorbing supply of materials and skilled labor, making home building by individuals difficult and expensive.—Some materials shortages present; likely to get worse later on—Buyers expect owner-built houses to increase and prices of old houses to rise slightly, $7,500 type house is now in adequate supply—no pressure for public housing—no shortage of mortgage money at fair rates of return to investor.

The general import of these comments is that the outlook for the volume of houses built in the spring and summer of 1948 is about the same as in that period of 1947, with some cities better and some worse. Material shortages exist, but are not indicated to materially impede construction progress. Consumer resistance is indicated or implied in most areas, but sufficient demand exists to keep the industry operating at capacity level for sometime yet. No demands or pressures exist for publicly owned housing. Mortgage money is available in all areas, but weaker risks are no longer financed. Interest rates have firmed, and appraisals have tightened.



AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last half of Mar.		Last half of Apr.	
	$ thousands	% of U.S.	$ thousands	% of U.S.
Maryland	996,366	.94	989,275	.93
Reserve city banks	630,916	.60	628,437	.59
Country banks	365,450	.34	360,838	.34
District of Columbia	917,534	.87	897,779	.85
Reserve city banks	895,905	.85	876,636	.83
Country banks	21,629	.02	21,143	.02
Virginia	1,266,977	1.20	1,259,215	1.19
Reserve city banks	288,737	.27	295,379	.28
Country banks	978,240	.93	963,836	.91
West Virginia	590,631	.56	584,559	.55
North Carolina	833,509	.79	824,426	.78
Reserve city banks	393,017	.37	387,843	.37
Country banks	440,492	.42	436,583	.41
South Carolina	432,335	.41	428,600	.40
Fifth District	5,037,352	4.76	4,983,854	4.70
United States (millions)	105,774	100.0	105,965	100.0

*Excluding interbank demand deposits

Business Conditions

Continued from page 2

With prices of hosiery and cotton textiles generally soft as a result of consumer resistance it will be interesting to note the degree of success attained by labor in securing higher wage rates. Without an increase in wage rates, even with full employment in manufacturing, the income of the District will probably be downward this year as a result of a decline in farm income and its radiated regional effects.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	May 12, 1948	Chg. in Amt. From 4-14-48	Chg. in Amt. From 5-14-47
Total Gold Reserves	$1,064,036	— 20,565	+ 58,937
Other Reserves	18,160	— 2,017	+ 2,564
Total Reserves	1,082,196	— 22,582	+ 61,501
Bills Discounted	12,623	— 91	— 3,996
Industrial Advances	49	+ 3	+ 49
Gov. Securities, Total	1,321,511	— 15,904	— 78,209
Bonds	407,928	+ 28,975	+362,425
Notes	127,083	+ 1,965	+105,433
Certificates	270,539	— 11,499	— 80,967
Bills	515,961	— 35,345	—465,100
Total Bills & Securities	1,334,183	— 15,992	— 82,156
Uncollected Items	237,753	— 21,390	— 288
Other Assets	25,070	— 2,566	+ 10,113
Total Assets	2,679,202	— 62,530	— 10,830
Federal Reserve Notes in Cir.	1,614,319	— 13,343	— 49,331
Deposits, Total	823,871	— 277	+ 40,659
Members' Reserves	724,025	+ 2,152	+ 5,527
U. S. Treas. Gen. Acct.	80,287	+ 5,231	+ 45,338
Foreign	16,890	— 3,332	— 10,583
Other Deposits	2,669	— 4,328	+ 377
Def. Availability Items	203,308	— 47,204	— 4,409
Other Liabilities	897	— 94	+ 167
Capital Accounts	36,807	— 1,612	+ 2,084
Total Liabilities	2,679,202	— 62,530	— 10,830

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	May 12, 1948	Chg. in Amt. From 4-14-48	Chg. in Amt. From 5-14-47
Total Loans	$ 820,151	— 3,393	+125,867
Bus. & Agri.	388,981	— 16,748	+ 53,740
Real Estate Loans	184,489	+ 4,193	+ 45,522
All Other Loans	246,681	+ 9,162	+ 26,605
Total Security Holdings	1,711,753	+ 1,627	—146,956
U. S. Treasury Bills	54,393	+ 4,544	+ 34,099
U. S. Treasury Certificates	181,834	+ 11,776	— 83,467
U. S. Treasury Notes	75,555	— 6,332	— 15,334
U. S. Gov. Bonds	1,276,095	— 6,296	— 84,895
Other Bonds, Stocks & Sec.	123,876	— 2,065	+ 2,641
Cash Items in Process of Col.	239,181	— 13,685	+ 36,000
Due from Banks	165,454*	+ 480	— 2,009
Currency & Coin	67,929	+ 2,647	+ 6,037
Reserve with F. R. Bank	480,010	+ 673	— 2,883
Other Assets	57,454	+ 3,651	+ 6,002
Total Assets	3,541,932	— 8,000	+ 22,058
Total Demand Deposits	2,698,830	— 12,092	+ 35,161
Deposits of Individuals	1,997,291	— 2,185	+ 2,185
Deposits of U. S. Gov.	71,847	+ 3,941	— 344
Deposits of State & Local Gov.	214,808	— 13,519	+ 25,210
Deposits of Banks	366,291*	— 6,793	— 1,444
Certified & Officers' Checks	48,593	+ 8,891	+ 9,554
Total Time Deposits	604,518	— 581	— 13,049
Deposits of Individuals	587,155	— 82	— 10,372
Other Time Deposits	17,363	— 499	— 2,677
Liabilities for Borrowed Money	2,000	— 1,000	— 11,610
All Other Liabilities	21,758	+ 4,937	+ 1,258
Capital Accounts	214,826	+ 736	+ 10,298
Total Liabilities	3,541,932	— 8,000	+ 22,058

*Net Figures, reciprocal balances being eliminated.

CONSTRUCTION CONTRACTS AWARDED

STATES	March 1948	% Change from March 1947	3 Mos. '48	% Change from 3 Mos. '47
Maryland	$34,640,000	+ 17	$ 72,881,000	+22
Dist. of Columbia	12,927,000	+139	27,358,000	+41
Virginia	17,531,000	— 10	46,166,000	— 8
West Virginia	3,782,000	— 39	28,743,000	+90
North Carolina	13,203,000	+ 55	30,920,000	— 2
South Carolina	6,616,000	+ 46	21,103,000	+69
Fifth District	$88,699,000	+ 29	$227,171,000	+21

Source: F. W. Dodge Corporation

COMMERCIAL FAILURES

MONTHS	Number of Failures District	Number of Failures U.S.	Total Liabilities District	Total Liabilities U.S.
April 1948	17	404	$ 294,000	$15,296,000
March 1948	29	477	559,000	17,481,000
April 1947	7	277	358,000	16,080,000
4 Months 1948	66	1,654	1,112,000	71,361,000
4 Months 1947	28	971	1,606,000	59,500,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	April 1948	% Change from April 1947	4 Mos. 1948	% Change from 4 Mos. '47
District of Columbia				
Washington	$ 732,797	+19	$ 2,856,645	+14
Maryland				
Baltimore	971,029	+15	3,802,159	+10
Cumberland	20,360	— 2	78,618	— 2
Frederick	19,760	+10	72,057	+ 4
Hagerstown	26,649	+ 9	103,702	+ 8
North Carolina				
Asheville	46,938	+13	188,578	+ 7
Charlotte	227,747	+20	906,452	+14
Durham	96,507	+14	358,285	0
Greensboro	74,182	+30	295,473	+22
Kinston	11,253	+15	46,324	— 7
Raleigh	117,185	+36	401,501	+ 6
Wilmington	33,948	+ 4	133,387	+ 2
Wilson	13,928	+ 9	54,147	— 5
Winston-Salem	123,443	+17	477,056	+ 5
South Carolina				
Charleston	51,385	+ 9	212,075	+ 9
Columbia	91,715	+16	363,456	+11
Greenville	78,971	+26	313,789	+17
Spartanburg	48,701	+28	191,959	+21
Virginia				
Charlottesville	21,268	+ 5	85,728	+ 5
Danville	23,923	+ 8	102,549	— 4
Lynchburg	37,610	+15	150,985	+13
Newport News	26,942	— 1	122,866	+10
Norfolk	169,534	+ 9	688,973	+13
Portsmouth	19,924	+10	78,204	+ 8
Richmond	444,112	+15	1,720,700	+10
Roanoke	83,100	+17	326,790	+15
West Virginia				
Bluefield	33,692	+ 8	160,142	+22
Charleston	117,923	+10	510,797	+13
Clarksburg	28,732	+ 9	122,671	+19
Huntington	51,918	+ 9	223,274	+20
Parkersburg	26,532	+11	101,771	+ 7
District Totals	$3,871,708	+16	$15,251,113	+11

COTTON CONSUMPTION AND ON HAND—BALES

	April 1948	April 1947	Aug. 1 to April 30 1948	Aug. 1 to April 30 1947
Fifth District States:				
Cotton consumed	420,429	430,183	3,617,225	3,797,862
Cotton Growing States:				
Cotton consumed	731,266	772,399	6,286,773	6,841,436
Cotton on hand April 30 in consuming establishments	1,809,879	1,790,194		
storage and compresses	2,793,457	2,441,948		
United States:				
Cotton consumed	829,730	882,390	7,131,046	7,810,484
Cotton on hand April 30 in consuming establishments	2,195,881	2,504,402		
storage and compresses	2,860,277	2,117,197		
Spindles active, U. S.	21,694,000	21,808,000		

Source: Department of Commerce

COTTON CONSUMPTION—FIFTH DISTRICT

(In Bales)

MONTHS	N. Carolina	S. Carolina	Virginia	District
April 1948	226,307	175,225	18,897	420,429
March 1948	239,732	181,265	20,149	441,146
April 1947	228,298	182,066	19,819	430,183
4 Months 1948	907,428	692,591	75,237	1,675,256
4 Months 1947	921,337	714,936	77,427	1,713,700

Source: Department of Commerce.

PRICES OF UNFINISHED COTTON TEXTILES

	April 1948	March 1948	April 1947
Average, 17 constructions	83.42	87.11	86.15
Printcloths, average (6)	102.71	110.00	110.41
Sheetings, average (3)	72.08	77.86	79.81
Twill (1)	79.86	79.86	79.86
Drills, average (4)	70.42	70.83	65.03
Sateen (1)	97.61	97.61	97.61
Ducks, average (2)	63.27	63.25	62.54

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

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	April 30, 1948	March 31, 1948	April 30, 1947
Total Deposits	$393,221,652	$392,783,344	$386,575,159

BUILDING PERMIT FIGURES

	Total Valuation April 1948	April 1947
Maryland		
Baltimore	$11,848,925	$ 3,331,275
Cumberland	68,775	59,075
Frederick	299,850	53,915
Hagerstown	201,880	91,025
Salisbury	338,347	129,247
Virginia		
Danville	1,218,062	522,330
Lynchburg	399,382	409,225
Norfolk	1,202,330	597,295
Petersburg	110,600	598,070
Portsmouth	160,460	65,702
Richmond	1,313,932	795,187
Roanoke	1,271,040	389,521
West Virginia		
Charleston	518,631	1,091,882
Clarksburg	141,910	177,255
Huntington	446,141	523,710
North Carolina		
Asheville	256,594	166,271
Charlotte	791,219	557,424
Durham	1,330,102	401,650
Greensboro	537,090	1,591,603
High Point	200,030	193,381
Raleigh	347,907	236,525
Rocky Mount	101,650	177,100
Salisbury	156,765	54,285
Winston-Salem	580,427	297,804
South Carolina		
Charleston	281,378	101,065
Columbia	387,935	348,090
Greenville	635,350	158,560
Spartanburg	104,229	165,207
District of Columbia		
Washington	5,012,119	4,563,590
District Totals	$30,263,060	$17,847,269
4 Months	$91,043,849	$59,295,203

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	April 1948	April 1947	% Chg.	4 Mos. 1948	4 Mos. 1947	% Chg.
West Virginia	9,217	11,878	—22	46,811	56,442	—17
Virginia	1,170	1,226	— 5	5,398	6,179	—13
Maryland	151	135	+12	534	751	—29
Fifth District	10,538	13,239	—20	52,743	63,372	—17
United States	34,631	41,225	—16	174,138	207,182	—16
% in District	30.4	32.1		30.3	30.6	

TOBACCO MANUFACTURING

	April 1948	% Change from April 1947	4 Mos. 1948	% Change from 4 Mos. '47
Smoking & Chewing tobacco (Thousands of lbs.)	17,950	+10	65,017	+ 3
Cigarettes (Thousands)	30,036,168	+ 9	109,818,015	+ 1
Cigars (Thousands)	449,504	+ 8	1,841,142	+ 2
Snuff (Thousands of lbs.)	3,871	+12	14,684	+14

RAYON YARN SHIPMENTS AND STOCKS

	April 1948	March 1948	April 1947
Rayon yarn shipments	67,200,000	67,800,000	58,700,000
Staple fiber shipments	22,300,000	22,600,000	17,900,000
Rayon yarn stocks, lbs.	9,100,000	9,400,000	7,400,000
Staple fiber stocks, lbs.	3,600,000	4,800,000	2,900,000

Source: Rayon Organon

WHOLESALE TRADE, 191 FIRMS

LINES	Net Sales April 1948 compared with April 1947	March 1948	Stocks April 30, 1948 compared with Apr. 30 1947	Mar. 31 1948	Ratio April collections to acc'ts outstand'g April 1
Auto supplies (4)*	+ 8	+18	....	....	.....
Electrical goods (8)*	+21	+ 2	+50	+10	58
Hardware (9)*	+15	— 1	+45	— 2	82
Industrial supplies (4)*	+ 3	+ 2	+12	— 7	107
Drugs & sundries (11)*	+ 4	— 4	+ 6	+ 2	111
Dry goods (14)*	— 4	—12	+20	+ 2	69
Groceries (59)*	+ 3	+ 2	+ 6	— 2	166
Paper & products (7)*	— 7	— 1	....	....	103
Tobacco products (7)*	+ 2	+ 3	0	— 5	152
Miscellaneous (68)*	+ 1	—13	+39	— 1	79
District Average (191)*	+ 3	— 5	+27	0	94

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

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1947: April 1948	4 Mos. 1948
Maryland (5)*	+19	+12
Dist. of Columbia (6)*	+22	+ 3
Virginia (18)*	+ 4	— 1
West Virginia (10)*	+ 7	+ 1
North Carolina (15)*	+ 4	— 4
South Carolina (9)*	+18	+ 8
District (63)*	+14	+ 4
Individual Cities		
Baltimore, Md., (5)*	+19	+12
Washington, D. C., (6)*	+22	+ 3
Richmond, Va., (6)*	— 5	— 9
Charleston, W. Va. (3)*	+14	— 1
Charlotte, N. C., (4)*	— 6	—12
Columbia, S. C., (3)*	+56	+ 8

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage chg. in April 1948 sales, compared with sales in April 1947:	0	+ 2	+ 5	— 1	+ 3
Percentage chg. in 4 months' sales 1948, compared with 4 months in '47:	+ 6	+ 3	+ 5	+ 7	+ 6
Percentage chg. in stocks on April 30, '48, compared with April 30, '47:	— 5	+15	+ 7	+19	+ 9
Percentage chg. in outstanding orders April 30, '48 from April 30, '47:	—24	—20	—16	+ 1	—18
Percentage chg. in receivables April 30, '48 from those on April 30, '47:	+41	+20	+20	+23	+24
Percentage of current receivables as of April 1, 1948 collected in April:	30	48	48	49	44
Percentage of instalment receivables as of Apr. 1, '48 collected in April:	17	23	22	27	23

	Maryland	Dist. of Col.	Virginia	W.Virginia	No. Carolina	So. Carolina
Percentage chg. in April '48 sales from April '47 sales, by states:	+ 1	+ 5	+ 2	+ 4	+ 4	0
Percentage change in 4 months' 1948 sales from 4 months' 1947 sales:	+ 3	+ 5	+ 7	+13	+ 5	+ 7

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial production decreased in April and increased in May owing chiefly to changes in coal production and supplies. Department store sales were at exceptionally high levels following the Easter shopping period. Wholesale and retail price levels were higher, reflecting chiefly increases in meat prices.

Industrial Production

The Board's seasonally adjusted index of industrial production declined 5 points in April to 187 per cent of the 1935-39 average, reflecting chiefly lower output of iron and steel resulting from the labor dispute at coal mines, which began in the middle of March. Following settlement of the dispute around the middle of April, output of coal and steel increased and the total index in May is expected to be around 190.

Steel production reached a low point of 71 per cent of capacity in the third week of April, as compared with a March average of 95 per cent, then advanced rapidly to a rate of 97 per cent in the fourth week of May. Automobile output was substantially curtailed in the first 3 weeks of May, as pig iron and steel supplies continued short and a work stoppage began at the plants of a major automobile company. Lumber output, adjusted for seasonal variation, declined 9 per cent in April, owing in large part to work stoppages on the West Coast.

Output of nondurable goods showed a further slight decline in April. According to preliminary indications textile production was below the March level. Coke production was sharply curtailed because of reduced coal supplies. Activity in the rubber products industry and in some chemical industries declined. On the other hand, production of gasoline increased, and newsprint consumption showed somewhat more than the usual seasonal rise.

Coal production for the month of April was in about the same small volume as in March. Output of crude petroleum was maintained at a record level, and there was an exceptionally large increase in output of iron ore.

Construction

Value of construction contracts awarded expanded sharply in April, according to the F. W. Dodge Corporation, reflecting chiefly large increases in awards for private residential construction and for religious and other institutional buildings. Awards for manufacturing plants and public works and utilities showed little change from the levels prevailing in recent months.

Distribution

Department store sales, which usually decline after the Easter shopping season, were maintained this year and the Board's seasonally adjusted index rose from 284 in March to 299 in April, with some further rise indicated for May.

Railroad shipments of coal and coke showed a sharp increase in the latter part of April following the end of the coal strike. Shipments of perishable goods were curtailed temporarily in the middle of May in anticipation of a rail strike which was subsequently called off. Carloadings of most classes of manufactured goods continued to show little change in April and the first half of May.

Commodity Prices

Wholesale prices of meats, livestock, and vegetable oils advanced from the middle of April to the third week of May, while most other farm products and foods showed little change or declined somewhat.

Price changes were also mixed for industrial materials. Wool tops, coal, coke, and building materials were higher in this period, reflecting in part freight rate increases, while prices of steel, cotton grey goods, and certain other materials were reduced somewhat. Price reductions were announced for various electrical products.

Consumer prices in mid-April were 1.4 per cent higher than in March and exceeded slightly the previous peak reached in January. The advance in April reflected higher retail prices for foods, owing chiefly to reduced supplies of meats and fresh vegetables, and further rises in prices for various consumer services.

Bank Credit

Little change occurred in member bank reserve positions in the last half of April and the first two weeks of May. Treasury operations were largely neutral in their effect on total bank reserves. A further moderate gold inflow permitted a small reduction in Reserve Bank credit. In the third week of May member bank reserve balances were reduced considerably, in part as a result of a transfer by the Treasury of funds from war loan accounts to its balances at Reserve Banks. In addition, member banks used reserve funds to purchase in the market Treasury bills held by the Reserve Banks, with the result that the reserves of many large city banks fell temporarily below requirements.

Real estate and consumer loans continued to expand at banks in leading cities during April and the first half of May. Commercial and industrial loans increased somewhat during May following a decline in earlier months of the year.

Security Markets

Prices of common stocks showed a marked further rise in the middle of May to a level 14 per cent below the high of May 1946, according to Standard and Poor's index of 90 stocks. Volume of trading was unusually large.

Following the Treasury announcement on May 13 that June and July certificate maturities would be refunded at 1-1/8 per cent, prices of Treasury bonds advanced sharply.