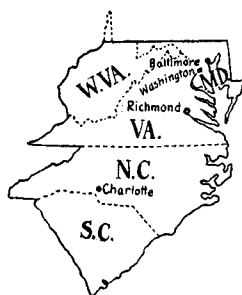


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

June 30, 1937

BANKING statements in the Fifth Federal Reserve district showed some seasonal developments in May and early June. At the Federal Reserve Bank of Richmond discounts for member banks rose as a few banks found it necessary to secure additional funds to finance planting or marketing of crops or to replenish funds lowered by higher reserve requirements. Circulation of Federal Reserve notes declined moderately between the middle of May and the middle of June, and member banks reduced their aggregate reserve balance at the Reserve bank, probably to purchase Government securities. Reporting member banks increased their investments in securities between May 12 and June 16, but the reserve balance of these particular banks declined very little. Their demand deposits decreased during the period under review, but loans remained practically stationary. Debits to individual accounts in 24 Fifth district cities declined 4.2 per cent from April to May, a seasonal drop due to quarterly payments in April, but debits last month exceeded May 1936 debits by 16.5 per cent.

Business in the Fifth district in May and the first half of June moved at a slower rate than in the first quarter of this year, but was above the volume of business done a year ago. Part of last month's slowing down was seasonal, but in addition there were other adverse factors at work. Employment conditions have been disturbed by strikes in some localities, and there appears to be a tenseness between workers and employers in a number of industries. The commercial failure record in the Fifth district in May was better than a year ago, but there were more insolvencies than in April this year. Sales of new passenger automobiles in May showed a smaller increase over May last year than earlier months this year showed, and fewer cars were sold last month than in May 1936 in the District of Columbia and West Virginia. Construction work in cities and their suburbs held up well in May, and building permits issued for urban work totaled more than in any other month in seven years, but there is less rural construction under way this year, due chiefly to a decline in publicly financed projects. Coal mining was 4.5 per cent above May 1936. Activity at cotton textile mills slowed further in May as production which

exceeded new orders cut down the backlog of unfilled orders. Cotton prices, in the face of a prospective increase in yield and a reduction in mill demand, declined further in late May and early June. Retail trade as indicated by department store sales was only about 4 per cent larger in May than in May last year, and wholesale trade in May, while in the aggregate larger than a year ago, compared less favorably with trade last year than in most recent months.

The outlook for agricultural production at the middle of June is much better than a year ago, but the price situation is not so favorable. Except for tobacco, which has been seriously damaged by blue mold, crop prospects are notably better than a year ago, and if price declines are not too great the farmers will experience a satisfactory year. Wheat production in the Fifth district is estimated to exceed 1936 production by 14.4 per cent, and the condition of other small grains is considerably above last year's June 1 condition. Pastures in the district are excellent, in contrast with the condition in June last year when grass had not recovered from drought. Peach production in all Fifth district states except South Carolina was larger this year than last, and prospects indicate a probable yield of apples about twice as large as last year's yield. The two Carolinas, the only States for which data are now available, show much better condition figures for the Irish potato crop than they showed last year at this time.

There follows a statistical summary of conditions described above:

	May 1937	May 1936	% Change
Debits to individual accounts (24 Cities)	\$1,259,069,000	\$1,080,571,000	+16.5
No. of business failures, 5th district	42	44	- 4.5
Liabilities in failures, 5th district..	\$ 310,000	\$ 611,000	-49.0
Sales, 52 dept. stores, 5th district...	\$ 10,049,599	\$ 9,655,212	+ 4.1
Sales, 55 wholesale firms in 5 lines..	\$ 4,795,263	\$ 4,410,653	+ 8.7
Registrations, new passenger autos..	25,795	25,004	+ 3.2
Building permits issued (31 cities)...	3,168	3,242	- 2.3
Value of bldg. permits (31 cities)...	\$ 10,178,457	\$ 6,462,132	+57.5
Value contracts awarded, 5th. dist.	\$ 24,030,000	\$ 23,417,657	+ 2.6
Soft coal mined, U. S. (Tons).....	29,980,000	26,010,000	+15.3
Cotton consumption, 5th dist. (Bales)	309,778	254,707	+21.6

BANKING CONDITIONS

RESERVE BANK STATEMENT: A comparison of selected items from statements of the Federal Reserve Bank of Richmond, for the dates indicated, shows a recent increase in discounts, chiefly due to seasonal needs of a few member banks for additional funds with which to finance crop planting or marketing of early farm products. Higher reserve requirements this year make it necessary for more banks to borrow for short periods to make temporary adjustments than a year ago.

ITEMS	000 omitted		
	June 15 1937	May 15 1937	June 15 1936
Discounts held	\$ 703	\$ 363	\$ 123
Open market paper	149	149	120
Industrial advances	2,603	2,667	4,124
Government securities	133,035	133,035	116,716
Total earning assets	136,490	136,214	121,083
Circulation of Fed. Res. notes	191,564	195,474	173,502
Members' reserve deposits	216,530	226,547	156,467
Cash reserves	309,709	302,729	281,707
Reserve ratio	70.39	69.66	71.56

STATEMENT OF 41 REPORTING MEMBER BANKS: During the past month investments rose \$19,111,000, while demand deposits declined \$9,121,000 and borrowing from other banks dropped \$4,500,000 in the regularly reporting banks, other changes in the statement being relatively immaterial. In comparison with figures on June 17 last year, figures on June 16 this year showed increases of \$59,205,000 in loans, \$32,408,000 in reserve balance at the Reserve bank, and \$56,931,000 in demand deposits, while investments in securities decreased \$12,652,000 during the year.

ITEMS	000 omitted		
	June 16 1937	May 12 1937	June 17 1936
Loans & discounts	\$241,336	\$241,505	\$182,131
Investments in securities	403,609	384,498	416,261
Reserve bal. with F. R. Bank	132,514	134,748	100,106
Cash in vaults	16,847	19,688	17,647
Demand deposits	466,501	475,622	409,570
Time deposits	199,288	198,825	193,012
Money borrowed	0	4,500	0

DEBITS TO INDIVIDUAL ACCOUNTS: Debits to individual, firm and corporation accounts in member and non-member banks in 24 Fifth district cities declined \$55,846,000, or 4.2 per cent, in May 1937 in comparison with

CITIES	May 1937	April 1937	May 1936	% of Month	Change Year
Maryland					
Baltimore	\$ 354,792	\$ 370,813	\$ 298,799	- 4.3	+18.7
Cumberland	9,200	9,122	8,044	+ .9	+14.4
Hagerstown	8,692	9,309	7,788	- 6.6	+11.6
Dist. of Col.					
Washington	265,533	280,253	237,754	- 5.3	+11.7
Virginia					
Danville	8,712	8,460	6,448	+ 3.0	+35.1
Lynchburg	15,616	15,732	13,493	- .7	+15.7
Newport News	9,430	9,954	8,532	- 5.3	+10.5
Norfolk	49,293	52,591	43,807	- 6.3	+12.5
Portsmouth	4,139	4,240	3,849	- 2.4	+ 7.5
Richmond	144,669	150,047	126,029	- 3.6	+14.3
Roanoke	33,107	33,375	28,171	- .8	+17.5
West Virginia					
Charleston	59,127	55,157	41,208	+ 7.2	+43.5
Huntington	20,549	19,744	18,926	+ 4.1	+ 8.6
North Carolina					
Asheville	13,121	13,884	10,701	- 5.5	+22.6
Charlotte	59,721	62,930	49,510	- 5.1	+20.6
Durham	24,383	24,238	20,079	+ .6	+21.4
Greensboro	18,404	18,741	22,321	- 1.8	-17.5
Raleigh	34,422	40,096	28,098	-14.2	+22.5
Wilmington	10,436	12,240	9,848	-14.7	+ 6.0
Winston-Salem	39,355	42,419	32,025	- 7.2	+22.9
South Carolina					
Charleston	18,755	19,577	15,424	- 4.2	+21.6
Columbia	27,297	28,937	25,594	- 5.7	+ 6.7
Greenville	20,633	22,325	16,958	- 7.6	+21.7
Spartanburg	9,633	10,731	7,165	- 9.8	+35.1
District, 24 Cities	\$1,259,069	\$1,314,915	\$1,080,571	- 4.2	+16.5

debits in April this year, a seasonal drop due to quarterly payments made in early April. On the other hand, debits last month exceeded May 1936 figures by \$178,498,000, or 16.5 per cent, reflecting a larger volume of trade this year. Every reporting city except one shows a higher figure for the 1937 month than for May 1936.

MUTUAL SAVINGS BANK DEPOSITS: In addition to time deposits in 41 reporting member banks, shown elsewhere, 10 mutual savings banks in Baltimore had deposits totaling \$216,298,343 on May 31, 1937. This figure shows a slight decrease from \$216,372,167 on April 30, 1937, but is 4.4 per cent above deposits totaling \$207,112,843 on May 31, 1936. A moderate decline in savings deposits usually occurs at vacation time.

BUSINESS CONDITIONS

EMPLOYMENT: The labor situation in the Fifth district continues unsettled on account of strikes which have occurred in many localities. These disturbances were chiefly local in character, but the psychological effects have been unfortunate and the rate of increase in employment has slowed down materially. Prolonged strikes in other sections of the Nation are beginning to affect workers in the Fifth district by reducing demand for industrial products manufactured in the district. Events of the past few weeks appear to have reduced prospects for employment in industry in the near future, and the outlook is less favorable than it was six weeks ago.

The following figures, compiled for the most part by the Bureau of Labor Statistics from reports submitted by a large number of identical industries, show the trends of employment and payrolls in the Fifth district from March to April 1937, the latest available figures:

STATES	Percentage change from March to April 1937	
	In number on payroll	In amount of payroll
Maryland	+ 2.1	+ 5.7
D. of Columbia	+ .4	+ .4
Virginia	- 1.6	- .4
West Virginia	- 1.7	-11.8
North Carolina	+ .9	+ 2.2
South Carolina	+ .6	+ 4.6

COMMERCIAL FAILURES: Business failures in the Fifth Federal Reserve district in May 1937 showed a decrease of 4.5 per cent in comparison with failures in May 1936, and aggregate liabilities involved were 49 per cent lower in the 1937 month. The following figures were reported by *Dun & Bradstreet*:

PERIOD	Number of Failures District U. S.		Total District	Liabilities U. S.
	May 1937.....	42	834	\$ 310,000
April 1937.....	36	786	348,000	8,906,000
May 1936.....	44	832	611,000	15,375,000
5 Months, 1937.....	236	3,972	\$1,942,000	\$46,624,000
5 Months, 1936.....	218	4,541	4,278,000	77,996,000

AUTOMOBILE NEW CAR REGISTRATIONS: Sales of new passenger automobiles reflect consumer buying power in two ways, first, by the number of cars sold, and secondly, by the class of cars taken. For example, the following figures collected by *R. L. Polk & Company* of Detroit show that the number of new cars registered in the Fifth district in May 1937 exceeded the number registered in May 1936 by 3.2 per cent, and analysis of detailed fig-

ures shows that 65.1 per cent of the cars sold in May this year were the three most popular makes, while in May 1936 sales of the three made up 70.3 per cent of all sales.

Registrations of New Passenger Cars

STATES	May 1937	May 1936	% Change	5 Months 1937	5 Months 1936	% Change
Maryland	5,179	4,954	+ 4.5	20,809	17,688	+17.6
D. of Col.	3,179	3,668	-13.3	13,415	14,868	- 9.8
Virginia	5,459	5,378	+ 1.5	23,101	20,410	+13.2
West Va.	3,981	4,304	- 7.5	15,634	14,372	+ 8.8
No. Carolina ...	5,301	4,321	+22.7	23,993	17,745	+35.2
So. Carolina ...	2,696	2,379	+13.3	12,578	9,382	+34.1
District	25,795	25,004	+ 3.2	109,530	94,465	+15.9

CONSTRUCTION: Building in the Fifth Reserve district continues to expand, especially in residential work in and near cities. Permits were issued in 31 Fifth district cities in May 1937 for work estimated to cost \$10,178,457, the highest monthly figure reported since April 1930, and 57.5 per cent larger than \$6,462,132 shown for May 1936. Twenty-two of the 31 cities reported higher figures for May this year than last. Contracts actually awarded, as reported by *F. W. Dodge Corporation*, show a total of \$24,030,000 in the Fifth district in May 1937, an increase of only 2.6 per cent over \$23,417,657 in awards in May 1936, but last year's figure contained a larger number of Government financed or aided projects in rural sections. Of the May 1937 contracts, \$10,766,900, or 45 per cent, went into residential work, compared with 40 per cent in May 1936.

Contract award figures for April 1937 and 1936 are now available by States, and are as follows for the Fifth Reserve district:

Construction Contracts Awarded

STATES	April 1937	April 1936	%Change
Maryland	\$ 5,269,100	\$ 3,943,700	+33.6
D. of Columbia	4,854,700	2,460,900	+97.3
Virginia	10,275,700	5,235,400	+96.3
West Virginia	3,596,200	2,246,800	+60.1
North Carolina	5,894,500	4,209,800	+40.0
South Carolina	2,716,100	1,363,700	+99.2
District	\$32,606,300	\$19,460,300	+67.6

COTTON TEXTILES: Activity in cotton mills continued to decline in May, both in the United States and the Fifth district, but cotton consumption by mills was 26.1 per cent in the United States and 21.6 per cent in the district above consumption in May 1936. Consumption of cotton by states in the district in May 1937, April 1937, and May 1936, in bales, is shown below.

MONTHS	No. Carolina	So. Carolina	Virginia	District
May 1937.....	168,744	125,731	15,303	309,778
April 1937.....	183,425	133,239	15,589	332,253
May 1936.....	136,728	104,326	13,653	254,707
5 Months, 1937.....	896,973	656,014	73,776	1,626,763
5 Months, 1936.....	717,024	542,407	68,723	1,328,154

On May 20, 1937, the Department of Commerce issued a report on spindle activity in the cotton textile industry for the month of April. On April 30, 1937, there were 26,991,338 spindles in place in the United States, of which North Carolina led all states with 22.5 per cent, and South Carolina was second with 20.9 per cent. The Fifth district as a whole had 45.8 per cent of all spindles in place on April 30. In actual hours of operation per spindle in place during April, South Carolina took first rank with 399 hours, against a National average of 340 hours. North Carolina with a record of 348 hours was above the National average, but Virginia with 312 hours was below.

COTTON: Favorable growing weather over most of the cotton belt, unofficial estimates of materially increased acreage, and a falling off in orders for textile products, tended to lower cotton prices during the past few weeks. As a result, the average price for middling grade upland cotton on ten Southern markets dropped from a high of 14.62 cents per pound on April 2 to 12.35 cents on June 18.

Cotton Consumed and On Hand

	(Bales)			
	May 1937	May 1936	Aug. 1 to May 31 This Year Last Year	
Fifth district states:				
Cotton Consumed	309,778	254,707	3,112,820	2,488,558
Cotton growing states:				
Cotton consumed	558,626	447,822	5,569,389	4,360,023
Cotton on hand May 31 in				
Consuming establishments ..	1,474,396	895,080
Storage & compresses	3,482,826	5,152,116
United States:				
Cotton consumed	669,460	530,894	6,680,343	5,188,655
Cotton on hand May 31 in				
Consuming establishments ..	1,815,035	1,089,784
Storage & compresses	3,587,788	5,238,974
Exports of cotton	323,736	351,734	5,086,093	5,518,804

Cotton seed received at United States mills between August 1, 1936, and May 31, 1937, totaled 4,454,079 tons, compared with 3,703,562 tons received in the ten months ended May 31, 1936. Of the receipts mentioned, North Carolina mills took 232,808 tons this year and 223,487 tons last year, and South Carolina mills took 220,090 tons and 206,878 tons in the two periods, respectively.

COAL MINING: Total production of bituminous coal in the United States was 29,980,000 net tons in May 1937, an increase of 15.3 per cent over 26,010,000 tons produced in April this year and 4.5 per cent over 28,684,000 tons mined in May last year.

In its June 12 report the Bureau of Mines gave State production figures for April 1937 and 1936, and Fifth district coal states, which dug 35 per cent of the National total, were reported as follows, in tons:

STATES	Production April 1937	Production April 1936	Percentage Change
West Virginia	8,305,000	8,443,000	- 1.6
Virginia	726,000	796,000	- 8.8
Maryland	78,000	130,000	-40.0
5th District	9,109,000	9,369,000	- 2.8
United States	26,010,000	30,454,000	-14.6

TOBACCO MANUFACTURING: Production of cigarettes in May 1937 exceeded production in April, the preceding month, but production of cigars, smoking and chewing tobacco, and snuff declined in the later month. Output figures on tobacco products for May 1937 and May 1936 in the United States, according to the report of the Bureau of Internal Revenue, were as follows:

	May 1937	May 1936	% Change
Smoking & Chewing Tobacco, Pounds	24,639,079	24,994,224	-1.4
Cigarettes, Number	13,069,936,403	12,024,856,900	+8.7
Cigars, Number	430,628,149	419,369,234	+2.7
Snuff, Pounds	2,917,691	3,106,057	-6.1

No State figures were released, but at the rate of production attained by the Fifth district in 1936 the district manufactured approximately 10,978,747,000 cigarettes last month, or 84 per cent of the National total; 12,401,000 pounds of smoking tobacco and snuff, or 45 per cent of the total; and 47,369,000 cigars, or 11 per cent of the total. Taxes paid to the Federal Treasury on tobacco manufacture totaled \$45,245,852 last month, an increase of 7.3 per cent over \$42,171,318 paid in May 1936.

RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales		Net Sales		Stocks		Ratio May collections to accounts outstanding May 1
	May 1937 comp. with May 1936	Jan. 1 to date comp. with same period last year	Jan. 1 to date comp. with same period last year	May 31, 1937 compared with May 31 1936	Apr. 30 1937		
Baltimore (7) ..	+ 7.4	+ 8.9	+ 7.7	+ 7.7	-3.0		31.1
Washington (7)	- .6	+ 3.2	+14.8	+14.8	-3.9		26.3
Other Cities (14)	+ 4.1	+ 9.1	+12.2	+12.2	-1.0		31.7
District (28).	+ 3.0	+ 6.2	+11.5	+11.5	-3.0		28.8
Same stores by States, with 24 stores added:							
Virginia (10) ..	+ 4.3	+ 8.5					
West Va. (9)...	+12.1	+17.5					
No. Carolina (7)	+ 7.9	+11.4					
So. Carolina (11)	+15.6	+17.0					
District (52) ..	+ 4.1	+ 7.1					

WHOLESALE TRADE, 55 FIRMS:

LINES	Net Sales		Net Sales		Stocks		Ratio May collections to accounts outstanding May 1
	May 1937 comp. with May 1936	Apr. 1937	Jan. 1 to date comp. with same period last year	Jan. 1 to date comp. with same period last year	May 31, 1937 compared with May 31 1936	Apr. 30 1937	
Groceries (21).	+13.7	- 8.1	+15.1	+15.1	+25.0	-5.0	111.9
Dry Goods (7).	- 1.9	- 8.1	+ 7.2	+ 7.2	+56.0	-1.7	38.9
Shoes (6)	- 1.1	-30.7	+17.7	+17.7	+30.5	-8.7	61.0
Hardware (11)	+22.4	- 4.2	+25.9	+25.9	+ 9.5	-2.3	47.3
Drugs (10) ...	+10.1	- 5.1	+11.5	+11.5			66.8

Note: All figures in Retail and Wholesale tables represent percentage changes except the collection ratios. Number of reporting firms shown in parentheses.

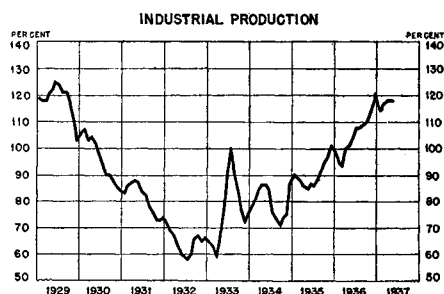
AGRICULTURAL CONDITIONS

AGRICULTURAL NOTES: Weather in early May was too cool for best crop development, but the second half of May and the first half of June witnessed warm temperatures and crops improved materially in nearly all sections of the Fifth district. Some crops are late, but they can easily overcome this handicap if growing conditions are favorable the balance of the season. Tobacco prospects have been seriously decreased by blue mold, and there is a scarcity of plants in certain sections, but otherwise the agricultural outlook for production is much better than it was a year ago. There is plenty of moisture in the soil. The price situation is less favorable, but agricultural authorities take the position that increased production for most crops will compensate for lower prices. Probable production figures for wheat are now available, and are as follows for 1937 and 1936, respectively, in Fifth district states: Maryland, 9,234,000 bushels and 8,980,000 bushels; Virginia, 9,310,000 bushels and 7,862,000 bushels; West Virginia, 2,262,000 bushels and 2,025,000 bushels; North Carolina, 6,648,000 bushels and 5,194,000 bushels; and South Carolina, 1,748,000 bushels and 1,472,000 bushels. The district total production of wheat this year of 29,202,000 bushels is 14.4 per cent larger than the 1936 crop of 25,533,000 bushels.

(Compiled June 21, 1937)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

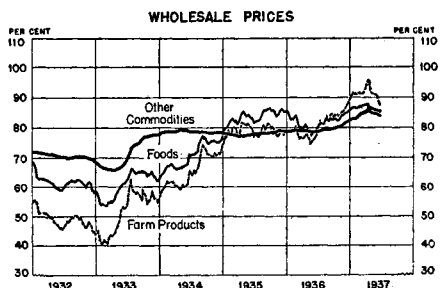
(Compiled by the Board of Governors of the Federal Reserve System)



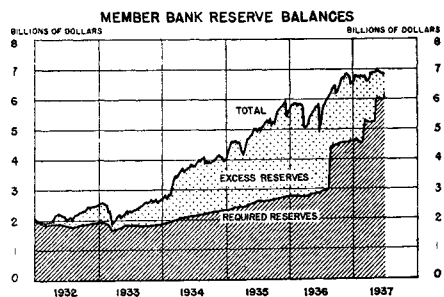
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1937.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1937. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1932 to date. Latest figures are for week ending June 19, 1937.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required reserves, January 6, 1932, to June 23, 1937.

Volume of industrial production in May continued at the level of the two preceding months. Commodity prices declined slightly in May and the first three weeks of June.

PRODUCTION, EMPLOYMENT AND TRADE

In May the Board's seasonally adjusted index of industrial production remained unchanged at 118 per cent of the 1923-1925 average. Output of iron, steel, automobiles and lumber increased further. At cotton and woolen mills and at shoe factories activity continued at a high level, while at silk mills, meatpacking establishments and sugar refineries there were considerable decreases. Crude petroleum production continued to rise and output of bituminous coal increased somewhat, following a sharp decline in April. Shipments of iron ore in May were larger than in the corresponding month of any previous year. In the first three weeks of June automobile production declined seasonally and, largely owing to labor disturbances, steel output was reduced to 77 per cent of capacity as compared with 90 per cent in May.

Value of construction contracts awarded in May was smaller than in April, according to figures of the F. W. Dodge Corporation. There were declines in awards for residential and other private projects, while contracts for public projects increased. In the first half of June awards for both private and public work were at a somewhat higher rate than in May.

Factory employment, which usually declines at this season, showed little change from April to May and the Board's adjusted index advanced somewhat further. Employment in the durable goods industries continued to increase while employment in other lines declined seasonally. Factory payrolls remained at the April level, following sharp increases in earlier months.

Distribution of commodities to consumers continued in May at the level of other recent months. Sales at department stores and at variety stores showed a seasonal rise and mail-order sales were maintained.

COMMODITY PRICES

Between the middle of May and the third week of June, prices of grains, except Spring wheat, declined considerably and there were smaller declines in cotton, cotton goods, wool, rubber and scrap, while prices of most other commodities showed little change.

BANK CREDIT

Excess reserves of member banks, which had been about \$900,000,000 after the May 1 increase in reserve requirements, declined by about \$180,000,000 during the week ending June 16, in connection with Treasury operations, but increased in subsequent days and on June 23 were at a level of \$810,000,000.

At reporting member banks in leading cities holdings of United States Government obligations, after several weeks of little change, increased sharply during the week ending June 16, reflecting purchases of the new issues of Treasury notes.

Commercial loans at member banks continued to increase in the four weeks ending June 16. This increase was largely at banks in New York City, which also showed a growth in loans to other New York banks and to brokers and dealers in securities.

MONEY RATES

The open market rate on 90-day bankers' acceptances, which had been reduced from 9/16 to 1/2 of 1 per cent on May 7, was further reduced to 7/16 of 1 per cent on June 22. Other money rates have shown little change in recent weeks.