

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

September 30, 1937

THE Federal Reserve Bank of Richmond, with the approval of the Board of Governors of the Federal Reserve System, lowered its basic discount rate from 2 per cent to 1½ per cent on August 27, in order to assist member banks in financing seasonal crop movements in the district. Discounts at the Reserve bank did not advance in the first half of September, but on the contrary declined from the August level. Between August 15 and September 15 the seasonal rise in Federal Reserve note circulation continued as additional tobacco markets opened and other crops began to move. Member bank reserves were increased during the month, and the Reserve bank's cash reserves also rose. Reporting member banks showed some increase in loans and discounts between August 11 and September 15, but their investments showed a material decline. Both demand and time deposits showed small declines last month, but deposits in mutual savings banks rose to the highest point on record. Debits to individual accounts figures in 24 Fifth district cities declined seasonally by 9.2 per cent in August in comparison with July, but exceeded August 1936 debits by 6.9 per cent.

There were no marked changes in business and industry in the Fifth Reserve district in August and early September, and on the whole developments followed seasonal trends. In employment fields, the trend was upward, with additional workers being needed at tobacco markets, coal mines, and in agricultural sections for harvest work, while employment in construction and other lines subject to weather conditions held up well. The commercial failure record in the district in August was much better than the National record, the district showing fewer failures and lower liabilities than in August 1936 while both number and liabilities increased for the country as a whole. New auto registrations, which in July fell below July 1936 registrations, rose in August 6.8 per cent above August 1936 figures. There was a seasonal decline in new car sales last month in comparison with July sales. Construction provided for in August building permits was 21.2

per cent above that of August last year, and contracts actually awarded last month exceeded those awarded in August 1936 by 4.2 per cent. Bituminous coal production rose 1.7 per cent last month over production in the same month last year. Textile mills, after a seasonal decline in operations in July, increased working time and cotton consumption in August and again exceeded figures for the corresponding month of the preceding year. Both cotton prices and quotations on yarn, gray goods and finished goods declined steadily during August and the first half of September, being adversely affected by increasing evidence of an unusually large cotton crop this year. Tobacco manufacture exceeded August 1936 production in all branches of the industry last month. Auction tobacco markets in the Carolinas reported large sales in August, with prices at relatively high levels in view of materially increased production this year. Retail trade in department stores was between 3 and 4 per cent higher in dollar volume in August than in August last year, South Carolina stores making the best record with a gain of 9.2 per cent. Wholesale trade in August was in larger dollar volume than in August 1936 in all five lines for which data are available, hardware leading with an increase of 13.7 per cent.

Crop prospects on the whole remained about the same during August, with some crops improving while others lost ground. Perhaps the most important change was a reduction in cotton estimates for Fifth district states while the National estimate was rising.

There follows a statistical summary of conditions described above:

	Aug. 1937	Aug. 1936	% Change
Debits to individual accounts (24 cities)	\$1,201,523,000	\$1,124,464,000	+ 6.9
No. of business failures, 5th district	26	38	-31.6
Liabilities in failures, 5th district..	\$ 182,000	\$ 294,000	-38.1
Sales, 53 dept. stores, 5th district...	\$ 7,137,517	\$ 6,910,707	+ 3.3
Sales, 59 wholesale firms in 5 lines	\$ 6,279,487	\$ 5,986,422	+ 4.9
Registrations, new passenger autos.	21,855	20,466	+ 6.8
Value bldg. permits (31 cities).....	\$ 8,518,978	\$ 7,027,510	+21.2
Value of contracts awarded, 5th dist.	\$ 29,456,600	\$ 28,273,600	+ 4.2
Cotton consumption, 5th dist. (Bales)	289,841	271,480	+ 6.8
Soft coal mined, U. S. (Tons).....	33,665,000	33,086,000	+ 1.7

BANKING CONDITIONS

RESERVE BANK STATEMENT: Discounts for member banks declined between the middle of August and the middle of September, after advancing to the highest point in several years, and industrial advances for working capital also declined slightly, while the portfolios of open market paper and Government securities remained unchanged. The net reduction in total earning assets was \$647,000 during the month. There was a seasonal increase in Federal Reserve notes in actual circulation amounting to \$8,397,000 between August 15 and September 15, due in large part to opening of additional auction tobacco markets in North Carolina and the beginning of the new cotton marketing season. Member banks increased reserve deposits by \$7,677,000 last month, and cash reserves of the Federal Reserve Bank of Richmond rose by \$16,053,000. On August 27 the Richmond Reserve bank lowered the discount rate from 2 per cent to 1½ per cent.

ITEMS	000 omitted		
	Sept. 15 1937	Aug. 15 1937	Sept. 15 1936
Discounts held	\$ 677	\$ 1,266	\$ 140
Open market paper	120	120	121
Industrial advances	2,481	2,539	4,133
Government securities	133,035	133,035	128,011
Total earning assets	136,313	136,960	132,405
Circulation of Fed. Res. Notes	203,779	195,382	190,136
Members' reserve deposits	221,413	213,736	202,444
Cash reserves	322,600	306,547	294,891
Reserve ratio	71.20	70.12	70.06

STATEMENT OF 41 REPORTING MEMBER BANKS: Forty-one regularly reporting member banks in 12 Fifth district cities increased their loans and discounts by \$4,909,000 between August 11 and September 15, and also built up their reserves at the Reserve bank by \$7,268,000, but their investments in securities declined by \$23,482,000 and their cash in vaults dropped by \$1,166,000. Demand deposits showed a decrease of \$249,000 during the five weeks under review, and time deposits declined by \$658,000.

ITEMS	000 omitted		
	Sept. 15 1937	Aug. 11 1937	Sept. 16 1936
Loans & discounts	\$246,931	\$242,022	\$208,780
Investments in securities	374,854	398,336	432,097
Reserve bal. with F. R. Bank	135,951	128,683	133,340
Cash in vaults	17,057	18,223	16,626
Demand deposits	462,402	462,651	437,645
Time deposits	197,560	198,218	196,737
Money borrowed	0	0	0

DEBITS TO INDIVIDUAL ACCOUNTS: There was a seasonal decline in debits to individual accounts in the banks of 24 Fifth district cities in August in comparison with debits in July, due chiefly to semi-annual payments made in the earlier month, but debits in August this year were 6.9 per cent above those of August last year. All reporting cities except Durham and Wilmington, N. C., reported lower figures for August than for July, but all of the 24 cities except Newport News, Greensboro, Raleigh and Greenville reported higher figures than for the corresponding month last year.

CITIES	000 omitted			% of Month	Change Year
	Aug. 1937	July 1937	Aug. 1936		
Maryland					
Baltimore	\$ 344,857	\$ 380,479	\$ 321,479	- 9.4	+ 7.3
Cumberland	9,533	11,082	8,836	-14.0	+ 7.9
Hagerstown	8,700	11,020	8,074	-21.1	+ 7.8
Dist. of Col.					
Washington	228,398	266,015	221,447	-14.1	+ 3.1
Virginia					
Danville	8,518	9,509	6,596	-10.4	+29.1
Lynchburg	13,939	17,497	13,592	-20.3	+ 2.6
Newport News ..	8,638	11,161	9,483	-22.6	+ 8.9
Norfolk	47,073	54,397	43,243	-13.5	+ 8.9
Portsmouth	3,701	4,246	3,630	-12.8	+ 2.0
Richmond	159,849	160,072	146,389	+ .1	+ 9.2
Roanoke	27,286	30,761	28,877	-11.3	+ 5.4
West Virginia					
Charleston	50,858	60,078	43,413	-15.3	+17.1
Huntington	17,788	19,493	16,690	- 8.7	+ 6.6
North Carolina					
Asheville	13,897	14,306	12,268	- 2.9	+13.3
Charlotte	55,715	57,824	53,108	- 3.6	+ 4.9
Durham	37,106	27,752	32,728	+33.7	+13.4
Greensboro	16,948	20,170	13,064	-16.0	+ 6.2
Raleigh	31,174	40,144	33,276	-22.3	+ 6.3
Wilmington	11,496	10,834	9,562	+ 6.1	+20.2
Winston-Salem ..	39,584	40,498	34,952	- 2.3	+13.3
South Carolina					
Charleston	16,259	19,160	12,656	-15.1	+28.5
Columbia	23,718	26,897	22,121	-11.8	+ 7.2
Greenville	18,042	20,541	18,914	-12.2	+ 4.6
Spartanburg	8,446	9,488	8,066	-11.0	+ 4.7
District, 24 Cities	\$1,201,523	\$1,323,424	\$1,124,464	- 9.2	+ 6.9

MUTUAL SAVINGS BANK DEPOSITS: Ten mutual savings banks in Baltimore had deposits totaling \$217,294,470 on August 31, 1937, an increase of three-tenths of 1 per cent over \$216,704,389 on deposit on July 31, 1937, and 3.6 per cent above \$209,767,995 on deposit on August 31, 1936. Aggregate deposits in the ten reporting banks on August 31, 1937, were the highest on record.

BUSINESS CONDITIONS

EMPLOYMENT: On the whole, employment appears to have increased slightly in the Fifth district last month. Opening of North Carolina tobacco markets in August and September increased the need for workers in the market towns. Coal production also increased in August in comparison with July, and harvesting materially raised the demand for agricultural workers. The textile and tobacco industries operated at approximately the same rates in August as in July, and little change was noted in construction work. The following figures, compiled for the most part by the Bureau of Labor Statistics from records submitted by a large number of identical industries, show the trends of employment and payrolls in the Fifth district from June to July 1937, the latest available figures:

STATES	Percentage change from June to July 1937	
	In number on payroll	In amount of payroll
Maryland	+ .9	- 1.9
D. of Columbia	- 2.9	- 2.0
Virginia	- 1.0	- 3.1
West Virginia	- 1.5	- 4.9
North Carolina	- 2.3	- 7.4
South Carolina	+ .1	- 1.3

COMMERCIAL FAILURES: *Dun & Bradstreet* reports that business failures in the Fifth Federal Reserve district in August declined 31.6 per cent in comparison with failures in August 1936, and liabilities involved declined 38.1 per cent, in contrast with increases of 7.9 per cent in number of insolvencies and 44.1 per cent in liabilities involved in failures in the United States. Only 3 of the 12 Federal Reserve districts had fewer failures in August 1937

than in August 1936, and only 5 districts reported lower liabilities last month.

PERIOD	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
August 1937.....	26	707	\$ 182,000	\$ 11,916,000
July 1937.....	27	618	180,000	7,766,000
August 1936.....	38	655	294,000	8,271,000
8 Months, 1937.....	326	5,967	\$2,746,000	\$ 74,497,000
8 Months, 1936.....	336	6,608	5,541,000	105,348,000

AUTOMOBILE NEW CAR REGISTRATIONS: Automobile sales in the Fifth district in August showed a seasonal decline from July sales, but in comparison with sales in the same month last year August made a better record than July. Four of the 6 geographical divisions of the district showed larger sales in August 1937 than in August 1936, while in July 1937 only one division exceeded July 1936 sales. Registrations in the district of the three most popular makes made up 62.5 per cent of all registrations in August this year, compared with 72.6 per cent in August last year. The following figures were collected by *R. L. Polk & Company*, of Detroit:

Registration of New Passenger Cars

STATES	Aug.		% Change	8 Months		% Change
	1937	1936		1937	1936	
Maryland	4,245	3,583	+18.5	35,038	31,507	+11.2
D. of Col.	2,435	2,525	- 3.6	22,034	24,182	- 8.9
Virginia	4,490	4,582	- 2.0	37,445	35,884	+ 4.4
West Va.	3,370	3,032	+11.1	27,843	28,011	- .6
No. Carolina ..	4,741	4,529	+ 4.7	38,905	32,596	+19.4
So. Carolina ...	2,574	2,215	+16.2	20,533	16,320	+25.8
District	21,855	20,466	+ 6.8	181,798	168,500	+ 7.9

CONSTRUCTION: There were 2,564 building permits issued in 31 Fifth district cities in August, a decrease of 12.3 per cent under 2,922 permits issued in August 1936, but in the more important matter of estimated valuation the August 1937 total of \$8,518,978 exceeded the August 1936 total of \$7,027,510 by 21.2 per cent. Seventeen of the 31 cities reported higher valuation figures last month.

Contract award figures for July, now available by States in *F. W. Dodge Corporation* reports, show an increase in the Fifth district of 28.5 per cent over awards in July 1936. Contract award figures include rural as well as urban projects, and are a better measure of construction activity than building permit figures.

Construction Contracts Awarded

STATES	July 1937		% Change
	July 1937	July 1936	
Maryland	\$ 6,450,100	\$ 4,348,100	+ 48.3
D. of Col.	5,663,800	4,867,100	+ 16.4
Virginia	5,177,900	3,385,600	+ 52.9
West Virginia ..	2,721,500	2,716,100	+ .2
North Carolina ..	5,002,200	4,411,200	+ 13.4
South Carolina ..	2,913,900	2,013,900	+ 44.7
District	\$27,929,400	\$21,742,000	+ 28.5

COAL MINING: In August 1937 bituminous coal production in the United States totaled 33,665,000 net tons, an increase of 1.7 per cent over 33,086,000 tons dug in August 1936, and total output this calendar year to September of 287,688,000 tons was 8.2 per cent larger than 265,922,000 tons mined in the corresponding period last year. Hampton Roads ports shipped 15,043,920 tons between January 1 and September 11 this year, an increase of 14.7 per cent over 13,114,642 tons shipped to September 11 last year. Official figures by States for July production in tons this year and last are now available

from reports of the *National Bituminous Coal Commission*:

STATES	Soft Coal Production in Tons		Percentage Change
	July 1937	July 1936	
West Virginia	9,460,000	9,488,000	- .3
Virginia	1,077,000	900,000	+19.7
Maryland	110,000	120,000	- 8.3
5th District	10,647,000	10,508,000	+ 1.3
United States	31,912,000	32,005,000	- .3

COTTON TEXTILES: In spite of a steady decline in raw cotton and cotton textile products prices during the past month, textile mills in both the Fifth district and the United States increased operations in August over July, an increase which occurs at that time in most years. Cotton consumption in the Fifth district in August again exceeded consumption in the corresponding month last year, after falling below the 1936 figure in July this year.

Consumption of cotton by States in the district in August 1937, July 1937, and August 1936, in bales, is shown below:

MONTHS	No. Carolina	So. Carolina	Virginia	District
	August 1937.....	149,923	123,763	16,150
July 1937.....	143,568	118,014	14,833	276,415
August 1936.....	146,433	111,304	13,743	271,480
8 Months, 1937.....	1,355,388	1,031,463	120,767	2,507,618
8 Months, 1936.....	1,162,534	880,990	110,228	2,153,752

Figures on spindle activity in July were released by the Bureau of the Census on August 20. There were 26,987,716 spindles in place in American mills on July 31, of which Fifth district mills had 12,394,382 spindles. Actual spindle hours of operation in July totaled 7,665,035,632 hours in the United States, South Carolina ranking first with 2,036,964,470 hours and North Carolina second with 1,685,432,647 hours. South Carolina also led in actual hours of operation per spindle in place with 358, compared with the National average of 284, and Virginia was in third place with 319 hours. North Carolina with an average of 279 hours per spindle was below the National average.

COTTON: Continuation of favorable weather for cotton growth during August, and a forecast of probable production on September 8 considerably larger than the

Cotton Consumed and On Hand (Bales)

	August 1937	August 1936
Fifth district states:		
Cotton consumed	289,841	271,480
Cotton growing states:		
Cotton consumed	505,449	480,868
Cotton on hand August 31 in		
Consuming establishments	732,004	584,893
Storage & compresses	3,436,855	4,272,372
United States:		
Cotton consumed	604,380	575,014
Cotton on hand August 31 in		
Consuming establishments	960,899	755,788
Storage & compresses	3,504,127	4,308,995
Exports of cotton	220,415	182,487

trade expected, caused spot cotton prices to decline steadily during August and the first half of September. The average price of middling grade upland cotton on ten Southern markets dropped from 11.18 cents per pound on August 6 to 8.70 cents on September 17. However, the Government's loan plan of 9 cents per pound on a middling grade basis is expected to prevent prices falling much below the September 17 quotation. On September 8, the Department of Agriculture issued a forecast of 16,098,000 bales for this year's crop, an increase of 505,000 bales over the August 9 report, and an increase of

3,699,000 bales, or 29.8 per cent, over 12,399,000 bales picked in 1936. In the Fifth district, prospects declined last month in both Carolinas and Virginia, but remained materially above the 1936 figures. The Virginia forecast of 40,000 bales is 21 per cent above last year's yield, North Carolina with 686,000 bales is up 15 per cent, and South Carolina with 856,000 bales is 5 per cent higher than in 1936.

TOBACCO MARKETING: Auction tobacco markets in South Carolina and 7 towns in North Carolina opened early in August, and later in the same month markets in the New Bright belt in North Carolina opened. All sales in August were of flue-cured tobacco, and figures were as follows:

STATES	Producers' Tobacco Sales, Pounds		Price per Hundred	
	August 1937	August 1936	1937	1936
South Carolina	41,372,414	20,076,330	\$23.56	\$22.78
North Carolina	48,172,893	20,576,369	23.46	23.49

The markets in the New Bright belt did not open in 1936 until September, but this year these markets sold 12,703,296 pounds in August.

TOBACCO MANUFACTURING: The Bureau of Internal Revenue reports tobacco products manufactured in August 1937 and 1936 as follows:

	Aug. 1937	Aug. 1936	% Change
Smoking & Chewing Tobacco, Pounds	25,351,631	24,014,224	+ 5.6
Cigarettes, Number	15,097,837,400	13,430,194,483	+12.4
Cigars, Number	452,897,908	445,975,527	+ 1.6
Snuff, Pounds	3,009,478	2,741,396	+ 9.8

RETAIL TRADE IN DEPARTMENT STORES:

LINES	Net Sales		Stocks		Ratio Aug. collections to accounts outstanding August 1
	Aug. 1937 comp. with August 1936	Jan. 1 to date compared with same period last year	Aug. 31, 1937	Aug. 31 July 31 1937	
Baltimore (8) ..	+ 5.5	+ 7.8	+ 9.0	+13.6	27.7
Washington (6)	+ 2.4	+ 1.0	+10.6	+ 4.5	24.4
Other Cities (14)	+ 1.2	+ 7.5	+13.8	+ 8.4	26.4
District (28) .	+ 3.3	+ 4.6	+10.5	+ 8.7	25.8
Same stores by States, with 25 stores added:					
Virginia (10)...	+ 3.5	+ 7.6			
West Va. (10) ..	+ 2.2	+12.9			
No. Carolina (7)	- 3.2	+ 9.6			
So. Carolina (11)	+ 9.2	+14.2			
District (53) ..	+ 3.3	+ 5.3			

WHOLESALE TRADE, 59 FIRMS:

LINES	Net Sales		Stocks		Ratio Aug. collections to accounts outstanding August 1	
	Aug. 1937 comp. with Aug. July 1936	Jan. 1 to date compared with same period last year	Aug. 31, 1937	Aug. 31 July 31 1937		
Groceries (21) .	+ 8.9	- 2.2	+12.0	+11.6	+11.5	118.7
Dry Goods (7) .	+ 2.5	+73.3	+ 4.8	+71.9	- 9.6	40.5
Shoes (6)	+ .1	+86.6	+12.7	+46.9	+ 1.9	33.2
Hardware (12)	+13.7	+ 5.3	+23.9	+11.6	+ .2	38.9
Drugs (13)....	+ 4.0	+ 1.1	+ 7.0	+ 4.0	+ .1	77.1

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

AGRICULTURAL CONDITIONS

CROP CONDITIONS AND ESTIMATES: Growing conditions were not quite so favorable in August as in earlier months this season, and a number of Fifth district crops deteriorated moderately, but prospects continued to be much better than a year ago and larger yields are forecast for all

crops in the district as a whole. In contrast with an increase last month in the National cotton estimate, that crop declined in the three cotton growing states in the district. Corn prospects declined in August in Maryland, Virginia and West Virginia, and remained unchanged in the Carolinas. The estimates for Irish potatoes were increased in all Fifth district states except Maryland. Maryland sweet potato prospects also declined, while Virginia prospects remained unchanged and those in the Carolinas rose. Tobacco declined in August in West Virginia, was unchanged in Maryland, and improved in Virginia and both Carolinas. Estimates for apple production were lowered for Virginia last month, remained unchanged for West Virginia and North Carolina, and were raised for Maryland. Pastures, which had been exceptionally good all Summer, improved further in August throughout the Fifth district except in West Virginia.

Forecasts of probable production in the Fifth Reserve district this year, based on September 1 condition figures, are shown herewith in comparison with yields in 1936 and the five-year period 1928-1932:

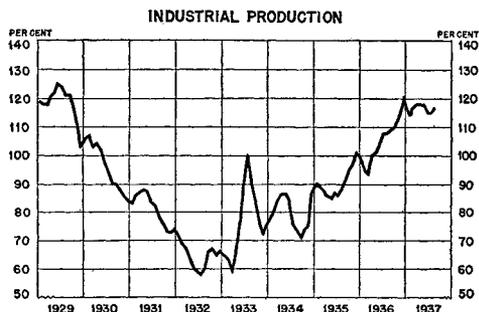
	Cotton (Bales)		
	1937	1936	1928-1932
Virginia	40,000—	33,000
North Carolina	686,000—	597,000
South Carolina	856,000—	816,000
Corn (Bushels)			
Maryland	18,060,000—	18,396,000	14,431,000
Virginia	37,350,000—	30,014,000	30,388,000
West Virginia	14,256,000—	11,569,000	11,054,000
North Carolina	44,194,000	43,475,000	38,415,000
South Carolina	24,210,000	23,635,000	20,240,000
Irish Potatoes (Bushels)			
Maryland	3,444,000—	2,940,000	3,339,000
Virginia	10,904,000+	7,380,000	14,328,000
West Virginia	3,360,000+	1,920,000	3,445,000
North Carolina	9,292,000+	5,986,000	7,540,000
South Carolina	2,875,000+	1,656,000	2,748,000
Sweet Potatoes (Bushels)			
Maryland	1,440,000—	1,200,000	1,299,000
Virginia	4,875,000	4,366,000	4,270,000
North Carolina	8,670,000+	7,560,000	7,141,000
South Carolina	4,860,000+	4,845,000	4,648,000
Tobacco (Pounds)			
Maryland	24,850,000	29,600,000	24,318,000
Virginia	99,819,000+	96,734,000	98,409,000
West Virginia	2,465,000—	1,282,000	4,224,000
North Carolina	559,990,000+	457,373,000	469,135,000
South Carolina	102,480,000+	73,350,000	75,918,000
Hay (Tons)			
Maryland	520,000+	327,000	448,000
Virginia	1,171,000+	605,000	868,000
West Virginia	754,000+	508,000	639,000
North Carolina	796,000+	680,000	571,000
South Carolina	446,000+	442,000	255,000
Apples (Bushels)			
Maryland	2,730,000+	2,014,000	2,067,000
Virginia	18,000,000—	8,500,000	13,116,000
West Virginia	9,760,000	4,395,000	6,837,000
North Carolina	4,240,000	1,890,000	3,199,000
Peanuts (Pounds)			
Virginia	161,000,000	151,200,000	148,324,000
North Carolina	243,000,000	243,960,000	223,450,000
South Carolina	8,400,000	8,160,000	8,760,000
Pasture Condition, September 1			
Maryland	86+	56	68
Virginia	93+	63	74
West Virginia	86—	56	78
North Carolina	88+	80	78
South Carolina	78+	71	68

Note: Estimates marked (+) were raised and those marked (—) were lowered between August 1 and September 1. The peanut estimates were made on September 1 for the first time this season.

(Compiled September 21, 1937)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

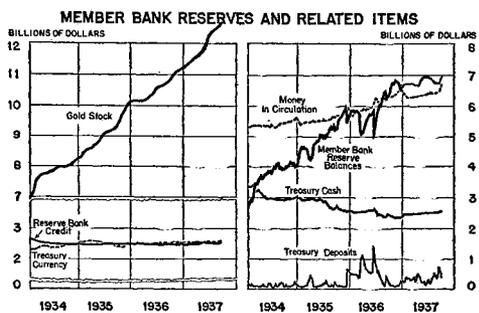
(Compiled by the Board of Governors of the Federal Reserve System)



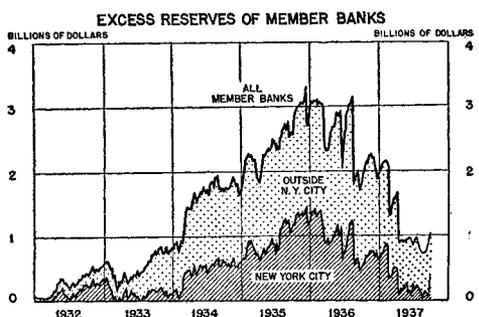
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to August 1937.



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



Wednesday figures, Jan. 3, 1934, to Sept. 22, 1937.



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932, to September 22, 1937.

In August industrial activity advanced from the level of the two preceding months and on a seasonally adjusted basis was close to the volume of last spring. Early reports for September indicate a decline in steel output and a seasonal decrease in the production of automobiles.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, was 117 percent of the 1923-1925 average in August as compared with a level of 114 percent in June and July and 118 percent during the spring. Steel production rose slightly further and was close to the high level prevailing before strikes curtailed output in June. Automobile production was maintained in considerably larger volume than is usual in the month preceding the shift to new model production. Lumber output declined, following a period of increase. In the nondurable goods industries output increased in August, reflecting chiefly increases at cotton and woolen textile mills, following considerable declines in the preceding month. Activity at meat packing establishments increased somewhat from an extremely low level. Shoe production showed less than the usual seasonal rise. At mines, output of coal increased less than seasonally, while crude petroleum production continued to expand.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined somewhat in August and the first half of September. Awards for private residential building showed little change and were in about the same volume as in the corresponding period of 1936, while publicly-financed residential building declined and was in considerably smaller volume than last year.

Factory employment, which had increased in July, showed less than a seasonal rise in August. Factory payrolls increased by about the usual seasonal amount. The number employed at steel mills increased somewhat further, while at automobile factories, railroad repair shops, and sawmills employment declined. In the textile industries employment in the production of fabrics decreased somewhat, while employment in the production of wearing apparel increased. Changes in employment in most other manufacturing industries were small.

AGRICULTURE

Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates a month earlier, except for an increase in cotton and a decrease in corn. Output of leading crops is substantially larger than last season. Supplies of livestock and meats are expected by the Department of Agriculture to continue smaller than last year.

DISTRIBUTION

Mail order sales and sales at department stores showed somewhat less than the usual seasonal increase from July to August. Freight-car loadings continued at the level of the previous month.

COMMODITY PRICES

Cotton prices declined considerably further from the middle of August to the third week of September and there were smaller decreases in cotton goods, silk, hides, steel scrap, copper scrap, and lumber. Prices of livestock and livestock products, after some decline in the latter part of August and the first week of September, advanced sharply in the middle of September.

BANK CREDIT

Excess reserves of member banks increased in the five-week period ending September 22 from \$800,000,000 to \$1,000,000,000 as the result of a release of gold by the Treasury from its inactive account. The bulk of the increase in excess reserves went to New York City banks and on September 22 these banks had excess reserves of \$350,000,000, Chicago banks had \$50,000,000, and banks elsewhere \$600,000,000.

Commercial loans at reporting member banks in 101 leading cities, reflecting in part seasonal demands, continued to increase substantially during the four weeks ending September 15, both in New York City and outside. Holdings of United States Government obligations and of other securities showed a further decrease, with the result that total loans and investments declined somewhat.

MONEY RATES

Rates on 9-month Treasury bills declined from 0.71 percent early in September to 0.44 percent later in the month, and average yields on long-term Treasury notes declined from about 1½ percent to below 1½ percent.