

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

February 28, 1938

IN the Fifth Federal Reserve district the volume of Federal Reserve notes in actual circulation continued to decline seasonally between the middle of January and the middle of February, and member banks further added to their reserve balances at the Reserve bank. Reporting member banks in leading cities reduced loans and discounts, and demand deposits declined proportionally. Time deposits, however, increased slightly during the past month in both reporting member banks and mutual savings banks. Debits to individual accounts figures, reflecting transactions through banks in 24 Fifth district cities, were more than seasonally below debits in December and showed a larger percentage decline in comparison with January 1937 debits than the percentage decrease in any other month for several years. For the first time since the banking holiday in March 1933, every reporting city had lower debit figures in January 1938 than in the corresponding month of the preceding year.

Trade and industry is at a relatively low level in January in most years, and this year the comparison with December appears somewhat more adverse than usual. Employment conditions on the whole grew worse, chiefly due to shortened hours with lower payrolls, notwithstanding favorable weather for outside work and less seasonal decline in employment of this nature than in average mid-winter. Commercial failures in both the Fifth district and the United States increased over December insolvencies, a seasonal result of pressure caused by year-end settlements. In comparison with January 1937 failures, the district in January 1938 showed a small decline in number and an increase in liabilities involved, but compared more favorably with figures for the preceding year than the Nation in both number and liabilities. Sales of new automobiles in the district declined approximately 33 per cent from the December figures, and were 48 per cent lower than registrations in January last year. Construction work provided for in building permits issued and contracts actually awarded in the district in January was in about the same volume as in December, but was substantially lower in estimated valuation than the work provided

for in January 1937. Coal production in January was materially lower than in either December or January last year, due chiefly to reduced use of fuel in industry. Cotton textile mills in the Fifth district operated in January at approximately the December level, and shipments roughly balanced production. Inventories of cotton goods in secondary hands are reported semi-officially to be substantially lower than two or three months ago, and during the same period the mills have also lowered their manufactured stocks to a moderate degree. Rayon manufacturers shipped about a third more yarn in January than in December, but they did not restrict operations to as great an extent as cotton mills and their yarn stocks increased slightly during the month. Cotton prices advanced a little in late January and the first half of February, and mill margins of profit narrowed when cloth prices failed to reflect the cotton advance. Tobacco markets in North Carolina and Virginia operated in January, but the tobacco handled was lower in grade than earlier in the season and prices declined accordingly. Tobacco manufacturing declined in comparison with January 1937 figures for all products except chewing and smoking tobacco, but cigarette output exceeded that of December. Retail trade in January continued to hold up well in comparison with developments in other lines of trade, sales in Fifth district department stores slightly exceeding sales in January last year, and inventories in reporting stores averaging about 5 per cent below inventories on January 31, 1937. There were no developments last month in agriculture, but unusually warm weather in February advanced vegetation to a dangerous point if severe weather occurs later.

There follows a statistical summary of conditions described above:

	Jan. 1938	Jan. 1937	% Change
Debits to individual accounts (24 cities)	\$1,201,934,000	\$1,359,793,000	-11.6
No. of business failures, 5th district	59	61	-3.3
Liabilities in failures, 5th district... \$	719,000	523,000	+37.5
Sales, 56 dept. stores, 5th district... \$	7,291,464	7,243,656	+ .7
Sales, 133 wholesale firms, 5th dist. \$	9,110,000	10,523,000	-13.4
Registrations, new passenger autos.	9,916	19,188	-48.3
Value bldg. permits (31 cities)..... \$	4,125,673	5,672,717	-27.3
Value of contracts awarded, 5th dist. \$	19,438,000	28,647,900	-32.1
Cotton consumption, 5th dist. (bales)	216,303	315,420	-31.4
Soft coal mined, U. S. (tons).....	30,173,000	40,940,000	-26.3

BANKING CONDITIONS

RESERVE BANK STATEMENT: Changes in items on the statement of the Federal Reserve Bank of Richmond between the middle of January and the middle of February were seasonal. The circulation of Federal Reserve notes dropped by \$7,577,000 as the return flow of currency continued after the passing of the holiday season, and member bank reserve deposits rose by \$3,801,000 during the month. Little change occurred in the bank's earning assets, discounts held and industrial advances declining \$36,000 and \$52,000, respectively, while the portfolio of open market paper rose by \$1,000. Cash reserves of the bank rose \$1,593,000 between January 15 and February 15, and the ratio of cash reserves to note and deposit liabilities combined gained approximately a tenth of a point.

ITEMS	000 omitted		
	Feb. 15 1938	Jan. 15 1938	Feb. 15 1937
Discounts held	\$ 523	\$ 559	\$ 4
Open market paper	24	23	25
Industrial advances	1,707	1,759	2,548
Government securities	136,297	136,297	133,417
Total earning assets	138,551	138,638	135,994
Circulation of Fed. Res. notes	195,377	202,954	197,378
Members' reserve deposits	222,014	218,213	211,325
Cash reserves	307,930	306,337	303,997
Reserve ratio	69.81	69.68	69.90

EXCESS RESERVES: A study of member bank reserves in the Fifth district has recently been made, covering the week ending January 14, 1938. In reserve cities, 11 Baltimore banks had excess reserves averaging 38 per cent of required reserves, 13 Washington banks 37 per cent, 5 Richmond banks 17 per cent, and 4 Charlotte banks 15 per cent, an average excess for 33 reserve city banks of 32 per cent of required reserves. Country bank figures varied more widely, as indicated in the following table:

Percent of excess reserves to required reserves	No. of banks	% of total no. of banks
Less than 10	119	32.0
10 to 25	88	23.7
25 to 50	86	23.1
50 to 75	33	8.9
75 to 100	18	4.8
100 or more	28	7.5
Total	372	100.

In addition, the 372 country banks had balances "due from domestic banks" totaling 182.4 per cent of required reserves. These balances, combined with excess reserves at the Federal Reserve bank, were equal to more than 200 per cent of required reserves. However, all balances with correspondent banks cannot be considered as equivalent to excess reserve, because they are not available in their entirety for transfer to the Federal Reserve bank.

STATEMENT OF 41 REPORTING MEMBER BANKS: Forty-one member banks in 12 leading Fifth district cities which regularly send weekly condition reports to the Reserve bank showed declines in all principal items except time deposits between the middle of January and the middle of February. Loans and discounts decreased \$7,611,000 and demand deposits dropped \$7,505,000. Investments in securities declined \$4,851,000 during the month, and cash holdings in vaults were reduced by \$2,812,000. Aggregate reserve balance of the 41 banks at the Reserve bank showed no more than a daily fluctuation, declining \$442,000 between January 12 and February 16. Time deposits showed a rise of \$1,029,000.

February 16, 1938, figures showed three substantial changes in comparison with February 17, 1937, figures. Loans and discounts rose \$13,846,000, but investment in securities dropped \$45,087,000 during the year and demand deposits declined \$19,738,000.

ITEMS	000 omitted		
	Feb. 16 1938	Jan. 12 1938	Feb. 17 1937
Loans & discounts	\$243,670	\$251,281	\$229,824
Investments in securities	384,528	389,379	429,615
Reserve bal. with F. R. bank	136,854	137,296	132,401
Cash in vaults	16,194	19,006	17,484
Demand deposits	441,111	448,616	460,849
Time deposits	195,731	194,702	196,852
Money borrowed	0	0	0

DEBITS TO INDIVIDUAL ACCOUNTS: The volume of checks drawn against accounts of individuals, firms and corporations in the banks in 24 Fifth district cities in January 1938 was 15.2 per cent less than the aggregate of checks drawn in December 1937 and 11.6 per cent below the total for January last year. Every reporting city showed lower figures for last month than for either the preceding month or the corresponding month last year. The following percentages show how debits in each month of the past year compared with debits in the corresponding month of the preceding year: January 1937 +20.7%; February +16.0%; March +25.0%; April +19.7%; May +16.5%; June +9.6%; July +8.1%; August +6.9%; September +8.6%; October +3.5%; November +2.5%; December -4.1%; January 1938 -11.6%. These figures illustrate the decline in the volume of business transacted by checks since the high point in March 1937 in comparison with business a year earlier.

CITIES	000 omitted			% of Month	Change Year
	Jan. 1938	Dec. 1937	Jan. 1937		
Maryland					
Baltimore	\$ 333,781	\$ 402,105	\$ 392,921	-17.0	-15.1
Cumberland	6,291	9,117	8,619	-31.0	-27.0
Hagerstown	7,538	8,682	8,459	-13.2	-10.9
Dist. of Col.					
Washington	246,204	283,615	258,811	-13.2	-4.9
Virginia					
Danville	9,396	12,442	10,801	-24.5	-13.0
Lynchburg	15,281	16,162	16,902	-5.5	-9.6
Newport News	8,208	10,443	9,664	-21.4	-15.1
Norfolk	48,509	56,604	52,493	-14.3	-7.6
Portsmouth	4,089	4,698	4,397	-13.0	-7.0
Richmond	160,986	176,927	185,655	-9.0	-13.3
Roanoke	24,308	30,695	31,093	-20.8	-21.8
West Virginia					
Charleston	49,657	71,157	51,676	-30.2	-3.9
Huntington	15,602	20,064	16,836	-22.2	-7.3
North Carolina					
Asheville	12,296	13,992	13,111	-12.1	-6.2
Charlotte	51,749	62,151	62,113	-16.7	-16.7
Durham	28,612	33,443	30,636	-14.4	-6.6
Greensboro	17,571	19,543	19,647	-10.1	-10.6
Raleigh	39,959	48,742	45,736	-18.0	-12.6
Wilmington	10,196	11,620	11,459	-12.3	-11.0
Winston-Salem	40,702	45,534	43,737	-10.6	-6.9
South Carolina					
Charleston	16,766	17,909	19,884	-6.4	-15.7
Columbia	26,472	31,228	30,574	-15.2	-13.4
Greenville	18,707	19,707	23,947	-5.1	-21.9
Spartanburg	9,054	10,676	10,622	-15.2	-14.8
District Totals ..	\$1,201,934	\$1,417,256	\$1,359,793	-15.2	-11.6

MUTUAL SAVINGS BANK DEPOSITS: At the end of January 1938, ten mutual savings banks in Baltimore had deposits aggregating \$219,551,305, an increase of 3/10ths of 1 per cent over deposits totaling \$218,947,860 on December 31, 1937, and a gain of 2.5 per cent over \$214,116,289 on deposit on January 31, 1937. Deposits at the end of January 1938 were the highest on record in the ten banks for the second successive month.

BUSINESS CONDITIONS

EMPLOYMENT: Employment conditions did not improve in the Fifth district in January, but on the contrary there appears to have been some increase in workers laid off entirely and a greater reduction in payrolls through shortened hours. The volume of construction work under way in January was about the same as in December, but was much below the January 1937 level. Coal output in January was substantially below output in either December or last January. Textile mills and rayon plants operated at approximately the December rate, but a number of less important industries worked on sharply reduced schedules.

The following figures, compiled 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 December to January:

STATES	Percentage change from Dec. 1937 to Jan. 1938	
	In number of payroll	In amount of payroll
Maryland	- 9.8	-10.6
D. of Columbia	-13.5	-10.7
Virginia	- 4.3	- 9.2
West Virginia	- 7.7	-24.4
North Carolina	- 2.2	- 4.3
South Carolina	- 1.8	- 6.1

COMMERCIAL FAILURES: Due to the pressure of year-end settlements, business failures usually rise in January, and in the Fifth district last month bankruptcies increased 37.2 per cent in number in comparison with December failures, while aggregate liabilities involved rose by 101.4 per cent. At the same time, bankruptcies in the United States rose in number by 41.6 per cent, but liabilities involved rose only 13.1 per cent. Fifth district insolvency figures in January 1938 for both number and liabilities compared more favorably than National figures with the corresponding data a year earlier. January 1938 failures in the Fifth district decreased 3.3 per cent in comparison with January 1937 insolvencies, while the United States showed an increase in number of 62.8 per cent. Further, Fifth district liability figures in January this year were only 37.5 per cent higher than liabilities in January 1937, while the United States showed a rise in liabilities of 73.6 per cent during the year.

PERIOD	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
January, 1938	59	1,320	\$ 719,000	\$15,035,000
December 1937	43	932	357,000	13,291,000
January 1937	61	811	523,000	8,661,000

AUTOMOBILE NEW CAR REGISTRATIONS: Sales of new passenger automobiles in January in the Fifth district declined nearly 33 per cent from sales in December, and were 48.3 per cent less than January 1937 sales. The decline in comparison with January a year ago was comparatively uniform throughout the district, varying from a decrease of 40.1 per cent in Virginia sales to 51.8 per cent in North Carolina. Of the cars sold in January this year, 65.4 per cent were models of the three most popular makes, while 66.8 per cent of cars sold in January 1937 were of the same makes. The following figures on sales were reported by *R. L. Polk & Company* of Detroit:

STATES	Registrations of New Passenger Cars		
	January 1938	January 1937	% Change
Maryland	1,648	3,373	-51.1
Dist. of Col.	1,115	2,137	-47.8
Virginia	2,441	4,076	-40.1
West Virginia	1,124	2,303	-51.2
North Carolina	2,404	4,991	-51.8
South Carolina	1,184	2,308	-48.7
Totals	9,916	19,188	-48.3

CONSTRUCTION: New building provided for in permits issued and contracts awarded shows some signs of revival, but total figures continue much below the figures for the corresponding period a year ago. Building permits issued in January 1938 in 31 Fifth district cities totaled \$4,125,673, a decrease of 27.3 per cent in comparison with permits issued in January 1937 totaling \$5,672,717, but 16 of the 31 cities reported higher figures for the later month. Baltimore and Washington, with a combined decline of 53.6 per cent, accounted for most of the district decrease. The five leading cities in order in value of permits issued last month were Washington, Charlotte, Baltimore, Norfolk and Richmond, the Charlotte and Norfolk figures being much larger than January 1937 figures.

Contract awards for all types of construction, both rural and urban, totaled \$19,438,000 in the Fifth district in January 1938, a decrease of 32.1 per cent in comparison with awards totaling \$28,647,900 in January 1937, according to figures collected by *F. W. Dodge Corporation*. Of last month's contracts, \$4,587,000 represented residential work, compared with \$11,241,700 for this type of work in January 1937, a decrease this year of 59.2 per cent. Contract award figures include such projects as bridges, roads, dams and other engineering work as well as industrial, commercial and residential buildings.

COAL MINING: Bituminous coal mines in the United States dug 30,173,000 net tons of coal in January 1938, compared with 36,226,000 tons in December 1937 and 40,940,000 tons in January last year. On a daily basis, output for January this year was 1,202,000 tons, against 1,393,000 tons in December and 1,631,000 tons in January 1937. Hampton Roads ports shipped 1,829,430 tons between January 1 and February 5, 1938, compared with 2,546,984 tons shipped through the same ports in the corresponding period last year.

COTTON TEXTILES: Mill activity increased somewhat in early January, but slackened again toward the end of the month when production began to exceed shipments and mill inventories increased. Indications are that stocks of cotton goods in finishing and garment manufacturing establishments, as well as in wholesale and retail channels, have decreased considerably during recent weeks. Prices of textile products have not advanced as much as cotton prices, and mill margins narrowed in late January and the first half of February. Consumption of cotton by states in the Fifth district in January 1938, December 1937 and January 1937, in bales, is shown in the accompanying table:

MONTHS	No. Carolina	So. Carolina	Virginia	District
January 1938	116,448	89,303	10,552	216,303
December 1937	104,593	93,865	10,237	208,695
January 1937	174,415	127,699	13,306	315,420

Spindle activity in December declined to an average of 214 hours per spindle in place for the United States as a whole. South Carolina led all states with 287 hours per spindle in place, and Virginia with 232 hours tied for seventh place and was above the National average, but North Carolina dropped to ninth place and below the average with 211 hours per spindle. Total spindle hours of operation in December numbered 5,726,020,185 hours, of which the Carolina and Virginia accounted for 3,058,102,237 hours, or 53.4 per cent, although the three states contain only 46.4 per cent of spindles in place.

RAYON: The *Rayon Organon* index of deliveries of yarn by manufacturers was 374 in January 1938, in comparison with 240 in December and 737 in January last year, the index being based on average monthly shipments in 1923-1925 as 100. At the end of January rayon manufacturers held 2.8 months' supply, based on average shipments in the past 12 months. According to the *Organon*, prices of yarn were materially reduced in December and January, placing rayon in a favorable bargaining position with other textile fibers. Weavers' excess stocks of rayon woven goods, except highly seasonal lines, have been largely reduced by drastic liquidation of inventories in the past five months, and the trade expects that even a hand-to-mouth yarn buying policy over the next few months will continue to lift rayon deliveries from the exceedingly low point reached in December.

COTTON: Spot cotton prices on ten Southern markets advanced slowly but steadily during the last week in January and the first half of February, and on February 11 averaged 8.82 cents per pound for 7/8 inch staple, middling grade. The Commodity Credit Corporation received reports on a total of 4,936,000 bales of the 1937 crop pledged on Government loans through February 10. Exports of cotton in January, while smaller than in December, exceeded January 1937 shipments abroad, and Japan came back into the market strongly for 108,584 bales after taking only 119,921 bales between August 1 and December 31, 1937. Japanese use of cotton has been reduced substantially in the past year by Government regulations requiring the inclusion of rayon fibers in all cotton textiles, averaging about 10 to 15 per cent. Japan has become the leading manufacturer of rayon yarn, but has to import cotton.

**Cotton Consumed and On Hand
(Bales)**

	Jan. 1938	Jan. 1937	Aug. 1 to Jan. 31 This Year Last Year	
Fifth district states:				
Cotton consumed	216,303	315,420	1,511,593	1,801,477
Cotton growing states:				
Cotton consumed	373,080	565,270	2,631,857	3,223,525
Cotton on hand Jan. 31 in				
Consuming establishments ..	1,489,994	1,755,065
Storage & Compresses	11,684,083	6,689,943
United States:				
Cotton consumed	434,740	678,786	3,085,298	3,855,288
Cotton on hand Jan. 31 in				
Consuming establishments ..	1,762,609	2,073,679
Storage & compresses	11,771,749	6,778,820
Exports of cotton	647,481	538,280	3,832,247	3,435,082

TOBACCO MARKETING: Although most leaf tobacco was sold prior to the Christmas holidays, 14 markets in North Carolina and 18 in Virginia were open in January and

sold 51,710,788 pounds of relatively low grade tobacco. Prices declined as the end of the season approached, as usual when growers sell the odds and ends of the crop. Sales last month and for the season to February 1 were as follows:

STATES	Producer's Tobacco Sales, Lbs.		Price per Cwt.	
	Jan. 1938	Jan. 1937	1938	1937
North Carolina (Flue-cured) (Burley) ..	17,625,606	11,438,188	\$14.41	\$16.73
North Carolina, Total	3,005,494	1,055,180	19.27	39.59
North Carolina, Total	20,631,100	12,493,368	15.09	18.65
N. C. Season to 1/31/38	575,472,031	435,121,786	24.47	22.92
Virginia (Flue-cured)	12,519,845	10,116,549	\$13.50	\$18.06
(Fire-cured)	9,355,594	9,380,533	11.02	14.10
(Burley)	7,841,406	3,652,790	17.13	33.90
(Sun-cured)	1,362,843	1,605,876	9.30	16.44
Virginia, Total	31,079,688	24,755,798	13.48	18.79
Va. Season to 1/31/38	119,819,250	111,297,855	20.54	21.74
South Carolina, Season ...	101,352,469	69,841,461	\$20.83	\$19.89

TOBACCO MANUFACTURING: The Bureau of Internal Revenue reports tobacco products manufactured in January 1938 and 1937 as follows:

	Jan. 1938	Jan. 1937	% Change
Smoking & Chewing Tobacco, Pounds	23,354,516	22,785,433	+ 2.5
Cigarettes, Number	13,058,452,906	13,436,210,177	- 2.8
Cigars, Number	328,574,263	356,996,363	- 8.0
Snuff, Pounds	2,925,067	2,973,836	- 1.6

RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales Jan. 1938 comp. with January 1937	Stocks Jan. 31, 1938 compared with Jan. 31 1937		Ratio Jan. collections to accounts outstanding January 1
		Jan. 31 1937	Dec. 31 1937	
Richmond (3)	+ 8.7	+ 7.8	- 7.1	33.0
Baltimore (8)	+ .7	- 7.9	- 10.0	33.1
Washington (6)	- 2.3	- 7.4	- 4.8	27.6
Other Cities (15)	+ .1	+ 2.8	- 3.0	29.8
District (30)	+ .3	- 4.9	- 6.8	30.2

Same stores by States

with 26 stores added:	
Virginia (13)	+ 8.2
West Virginia (9) ...	+ 13.7
North Carolina (8) ..	- 3.2
South Carolina (11) .	- 7.1
District (56)	+ .7

WHOLESALE TRADE, 133 FIRMS:

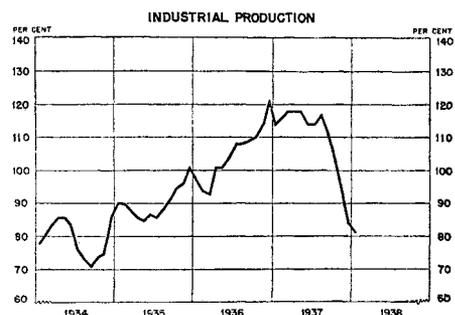
LINES	Net Sales Jan. 1938 comp. with		Stocks Jan. 31, 1938 compared with		Ratio Jan. collections to accounts outstanding January 1
	Jan. 1937	Dec. 1937	Jan. 31 1937	Dec. 31 1937	
Shoes (5)	-26.2	+145.8	-18.2	+ 8.4	46.5
Drugs (14)	- 3.4	- .5	+ 3.1	+ 4.8	93.6
Dry Goods (6)	-28.4	+ 1.2	- 3.6	+14.2	42.3
Electrical Goods (23) ..	-28.9	-42.2	+15.4	+ .3	72.5
General Hardware (23) ..	-16.3	+11.4	+ 4.1	+ 3.9	44.6
Groceries (20)	- 4.0	- 9.0	- .4	+ .3	109.3
Industrial Supplies (10) ..	-33.5	- 5.7	+ 5.4	- 1.3	65.1
Plumbing & Heating (8) ..	- 8.9	-21.6	- .0	+ 6.2	56.8
Paper & Products (6) ..	-13.8	- 3.0	+ 4.9	+ 4.9	57.4
Miscellaneous (13)	- 2.9	-17.0	+ 5.1	- 5.3	69.6
All Firms (133)	-13.4	- 9.3	+ .8	+ 3.5	63.0

Note: The wholesale trade figures are included through the courtesy of the Bureau of Foreign & Domestic Commerce. Only 81 of the 133 wholesale firms reported on stocks, and 98 reported on receivables and collections.

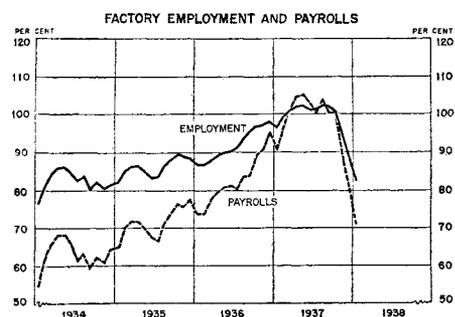
(Compiled February 21, 1938)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

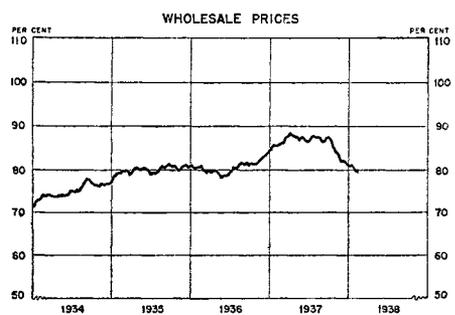
(Compiled by the Board of Governors of the Federal Reserve System)



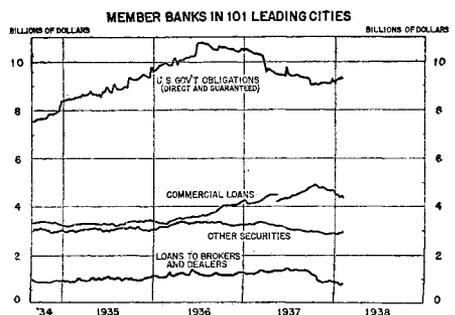
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average =100. By months, January 1929 to January 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to January 1938.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending February 19, 1938.



Wednesday figures for reporting member banks in 101 leading cities, Sept. 5, 1934, to Feb. 16, 1938. Loans on real estate and loans to banks excluded.

The decline in business activity, which had been rapid during the last quarter of 1937, continued in January but at a slower rate.

PRODUCTION

Volume of industrial production, as measured by the Board's seasonally adjusted index, was at 81 percent of the 1923-1925 average in January as compared with 84 percent in December. Output of durable goods continued to decline, reflecting chiefly considerable decreases in production of automobiles and plate glass and a further decline in output of lumber. Steel ingot production increased somewhat, the output for January averaging 30 percent of capacity. In the first three weeks of February, activity at steel mills showed little change at about 31 percent of capacity, while production of automobiles was at a lower rate than in January.

In the textile industries, activity at silk and rayon mills in January showed a sharp rise from the low levels reached in December. At cotton mills, however, there was less than the usual seasonal increase and output of woolen products continued in small volume. Shoe production, which also had been at a low rate in December, increased considerably in January, and activity at meat-packing establishments rose somewhat further. Output of tobacco products remained at a high level, while sugar meltings declined. At mines, bituminous coal production was considerably smaller than in December, and there was also a reduction in output of nonferrous metals. Petroleum production continued at the high level of other recent months.

Value of construction contracts awarded in January was smaller than in December and somewhat below the level maintained during the last four months of 1937, according to figures of the F. W. Dodge Corporation. Contracts awarded for public projects increased somewhat further, while awards for private work continued to decline, reflecting a further decrease in residential building and a sharp reduction in awards for factory construction. In the first half of February awards for private projects were at about the same rate as in January, while those for public work showed a sharp decline.

EMPLOYMENT

Factory employment and payrolls declined substantially further between the middle of December and the middle of January. In the durable goods industries, decreases in employment were general and were particularly large at factories producing automobiles, steel, and machinery. Employment in non-durable goods industries showed a somewhat smaller decline than in previous months. There was some increase in the number employed at shoe factories and little change in the food industries as a group, but in other nondurable goods industries employment continued to decrease. Employment on the railroads, in mining, and in the construction industry also declined.

DISTRIBUTION

Department stores sales showed a seasonal decrease from December to January, while sales at variety stores and mail order sales declined by more than the usual seasonal amount.

Freight-car loadings continued to decline in January, reflecting principally a reduction in shipments of coal.

COMMODITY PRICES

Prices of steel scrap and nonferrous metals declined from the middle of January to the third week of February, following some advance in December and the early part of January. There were further decreases in some other basic commodities, while prices of cotton and silk advanced. Livestock products continued downward and a number of finished industrial products declined further. Prices of pig iron and most finished steel products have been reaffirmed for second quarter delivery.

BANK CREDIT

During the first three weeks of February excess reserves of member banks were little changed from the level of \$1,400,000,000 reached at the end of January following the post-holiday return of currency from circulation.

During January there were substantial reductions in commercial loans and brokers' loans and moderate increases in investments at reporting member banks in 101 leading cities. In the first three weeks of February loans and investments of these banks showed little change.

MONEY RATES

Rates on Treasury bills and yields on Treasury notes and bonds continued in February at the low levels reached in the latter part of January.