

# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



RESERVE  
DISTRICT

Federal Reserve Bank, Richmond, Va.

August 31, 1938

|  | July 1938       | July 1937       | % Change |
|--|-----------------|-----------------|----------|
| Debits to individual accounts (24 cities)..... | \$1,133,054,000 | \$1,323,424,000 | — 14     |
| Number of business failures, 5th district..... | 56              | 27              | +107     |
| Liabilities in failures, 5th district.....     | \$ 440,000      | \$ 180,000      | +144     |
| Sales, 55 department stores, 5th district..... | \$ 6,771,641    | \$ 7,196,717    | — 6      |
| Sales, 190 wholesale firms, 5th district.....  | \$ 9,998,000    | \$ 12,308,000   | — 19     |
| Registrations, new passenger autos.....        | 11,704          | 24,130          | — 51     |
| Value of bldg. permits (31 cities).....        | \$ 6,967,940    | \$ 7,866,938    | — 11     |
| Value of contracts awarded, 5th district.....  | \$ 21,560,000   | \$ 27,635,000   | — 22     |
| Cotton consumption, 5th district (Bales).....  | 225,665         | 276,415         | — 18     |
| Soft coal mined, U. S. (Tons).....             | 23,460,000      | 31,990,000      | — 27     |

ALTHOUGH there was no general improvement in business conditions in the Fifth Reserve district in July and the first half of August, there were several indications of a stronger tone. The most marked change occurred in rayon sales, deliveries by producers reaching the highest figure on record and nearly doubling shipments of yarn in June. This sudden demand cut substantially into surplus yarn stocks built up by producers during the winter, and caused an increase in August in operating time at mills. Cotton textiles also were in better demand during the past month, but the improvement was much less marked than in rayon. Tobacco auction markets opened in the South Carolina belt early in August, and tobacco sold for prices averaging around \$27 per hundred on unofficial calculations. The quality of tobacco appears to be good, although somewhat light in weight. Some increase in employment developed in July and early August as rayon and cotton manufacturers added employees, tobacco markets began sales, and coal output increased. Bituminous coal mined in July rose 4 per cent above June production, and although July output was 27 per cent below July 1937 production, it compared more favorably with last year than output in some other recent months. Debits to individual accounts showed a seasonal

drop of 4 per cent in July under June, and were but 14 per cent below July 1937 debits. Except for tobacco, which deteriorated because of excessive rain, crops improved or held their own during July. There were no significant changes affecting business in banking last month.

Construction work included in building permits issued and contracts actually awarded was less in July than in either June this year or July last year. However, a large amount of work, chiefly dependent upon Government loans or grants which have been approved, are in the planning stage or about ready for bids, and the outlook for construction work for the near future is therefore better than it has been for some time. Business failures in the district in July were more than double July 1937 failures, and last month's liabilities rose 144 per cent, but it should be noted that the July 1937 insolvency figures were unusually small. Registration figures on new automobiles in July were 51 per cent below July 1937 registrations, but the decrease was less than occurred in June. Retail trade in July as reflected in department store sales was 6 per cent less than in July 1937, and wholesale trade was nearly 19 per cent less than a year ago.

## BANKING CONDITIONS

RESERVE BANK STATEMENT: During the past month—July 15 to August 15—three items on the Reserve bank's statement changed materially. Cash reserves of the Richmond bank and member bank reserve deposits both rose, payments to Fifth district banks by outside banks apparently materially exceeding payments by them to banks in other districts. The increase in Federal Reserve notes in actual circulation, a seasonal development, was largely due to opening of tobacco markets in South Carolina and along the lower border of North Carolina. A large increase in the Reserve bank's cash reserves between the middle of August last year and this was chiefly due to a rise of approximately the same amount in the balance of the Treasurer of the United States.

| ITEMS                                | 000 omitted     |                 |                 |
|--------------------------------------|-----------------|-----------------|-----------------|
|                                      | Aug. 15<br>1938 | July 15<br>1938 | Aug. 15<br>1937 |
| Discounts held .....                 | \$ 919          | \$ 692          | \$ 1,266        |
| Open market paper .....              | 23              | 23              | 25              |
| Industrial advances .....            | 1,479           | 1,490           | 1,974           |
| Government securities .....          | 127,224         | 127,224         | 133,035         |
| Total earning assets .....           | 129,645         | 129,429         | 136,300         |
| Circulation of Fed. Res. notes ..... | 195,186         | 189,571         | 195,382         |
| Members' reserve deposits .....      | 223,113         | 206,975         | 213,736         |
| Cash reserves .....                  | 339,717         | 319,872         | 306,547         |
| Reserve ratio .....                  | 73.52           | 72.06           | 70.12           |

STATEMENT OF 41 REPORTING MEMBER BANKS: Two items on the composite statement of 41 member banks in 12 cities changed considerably between July 13 and August 10 this year. Reserve balance at the Reserve bank rose, due in large part to an excess of receipts from over payments to banks in other districts, and these same transactions substantially increased demand deposits. Between August 11 last year and August 10 this year, loans and discounts, investments in securities and demand deposits declined materially, while reserve balances rose.

| ITEMS                                  | 000 omitted     |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | Aug. 10<br>1938 | July 13<br>1938 | Aug. 11<br>1937 |
| Loans & discounts .....                | \$229,385       | \$229,016       | \$242,022       |
| Investments in securities .....        | 377,223         | 379,721         | 398,336         |
| Reserve bal. with Fed. Res. Bank ..... | 147,415         | 131,787         | 128,683         |
| Cash in vaults .....                   | 18,425          | 19,211          | 18,223          |
| Demand deposits .....                  | 439,326         | 433,280         | 462,651         |
| Time deposits .....                    | 198,683         | 198,459         | 198,218         |
| Money borrowed .....                   | 0               | 0               | 0               |

MUTUAL SAVINGS BANK DEPOSITS: There was a decline in total deposits in July in 10 mutual savings banks in Baltimore, but there is usually a moderate decrease at vacation season. Deposits in 9 of the 10 banks dropped last month, the total falling from \$219,222,718 at the close of business June 30 to \$217,975,431 on July 31. On July 31, 1937, the same banks had deposits aggregating \$216,704,389.

DEBITS TO INDIVIDUAL ACCOUNTS: Checks drawn against individual, firm and corporation accounts in 24 Fifth district cities in July totaled 4 per cent less than those drawn in June, approximately a normal decline. Debits figures are large in the first week of July, due to quarterly and semi-annual payments, but trade in the balance of the month is usually relatively slow. Thirteen of the 24 cities reported higher figures for July than for June, but lower figures in three of the four largest cities pulled the average down. July 1938 debits were 14 per cent below debits in July 1937, Durham being the only city to report a higher 1938 figure. It is interesting that Durham also

made the only gains in June and May over corresponding figures for 1937.

| CITIES                 | 000 omitted        |                    |                    | % of<br>Month | Change<br>Year |
|------------------------|--------------------|--------------------|--------------------|---------------|----------------|
|                        | July<br>1938       | June<br>1938       | July<br>1937       |               |                |
| <b>Maryland</b>        |                    |                    |                    |               |                |
| Baltimore .....        | \$ 324,984         | \$ 334,683         | \$ 380,479         | - 3           | -15            |
| Cumberland .....       | 7,950              | 8,316              | 11,082             | - 4           | -28            |
| Hagerstown .....       | 9,099              | 8,309              | 11,020             | +10           | -17            |
| <b>Dist. of Col.</b>   |                    |                    |                    |               |                |
| Washington ...         | 242,216            | 278,184            | 266,015            | -13           | - 9            |
| <b>Virginia</b>        |                    |                    |                    |               |                |
| Danville .....         | 7,560              | 6,962              | 9,509              | + 9           | -20            |
| Lynchburg .....        | 15,797             | 13,309             | 17,497             | +19           | -10            |
| Newport News .....     | 7,701              | 7,941              | 11,161             | - 3           | -31            |
| Norfolk .....          | 43,230             | 45,409             | 54,397             | - 5           | -21            |
| Portsmouth .....       | 4,225              | 4,069              | 4,246              | + 4           | 0              |
| Richmond .....         | 136,686            | 136,609            | 160,072            | 0             | -15            |
| Roanoke .....          | 23,602             | 23,749             | 30,761             | - 1           | -23            |
| <b>West Virginia</b>   |                    |                    |                    |               |                |
| Charleston .....       | 46,226             | 43,856             | 60,078             | + 5           | -23            |
| Huntington .....       | 14,442             | 18,129             | 19,493             | -20           | -26            |
| <b>North Carolina</b>  |                    |                    |                    |               |                |
| Asheville .....        | 11,308             | 10,335             | 14,306             | + 9           | -21            |
| Charlotte .....        | 50,616             | 50,834             | 57,824             | - 1           | -12            |
| Durham .....           | 27,936             | 26,466             | 27,752             | + 6           | + 1            |
| Greensboro .....       | 15,494             | 16,111             | 20,170             | + 4           | -23            |
| Raleigh .....          | 38,628             | 37,664             | 40,144             | + 3           | - 4            |
| Wilmington .....       | 9,894              | 10,171             | 10,834             | - 3           | - 9            |
| Winston-Salem ..       | 34,772             | 34,655             | 40,498             | 0             | -14            |
| <b>South Carolina</b>  |                    |                    |                    |               |                |
| Charleston .....       | 15,003             | 16,515             | 19,160             | - 9           | -22            |
| Columbia .....         | 22,654             | 22,518             | 26,897             | + 1           | -16            |
| Greenville .....       | 15,095             | 14,989             | 20,541             | + 1           | -27            |
| Spartanburg .....      | 7,936              | 7,850              | 9,488              | + 1           | -16            |
| <b>District Totals</b> | <b>\$1,133,054</b> | <b>\$1,177,683</b> | <b>\$1,323,424</b> | <b>- 4</b>    | <b>-14</b>     |

Note: Changes marked (0), less than 1/2 of 1%.

EMPLOYMENT: Between the middle of July and the middle of August, employment apparently increased appreciably in some Fifth district industries, and no important reductions in personnel were noted in other lines. Rayon manufacturers stepped up operations in August, and both increased hours for those already employed and called back many workers who were laid off last fall and winter. Carolina tobacco markets took several hundred helpers early in August, and several large construction projects also got under way. Most of the new projects planned under the Government's latest grants or loans have not yet reached the actual work state. The following figures, compiled chiefly by the Bureau of Labor Statistics from reports furnished by a large number of identical industries, show the trends of employment and payrolls in the Fifth district geographical divisions from June to July 1938, the latest available figures:

| STATES                  | Percentage change from<br>June 1938 to July 1938 |                         |
|-------------------------|--|-------------------------|
|                         | In number<br>on payroll                          | In amount<br>of payroll |
| Maryland .....          | - 0.9  | + 0.1                   |
| Dist. of Columbia ..... | - 2.8  | - 2.3                   |
| Virginia .....          | - 2.9  | - 1.2                   |
| West Virginia .....     | - 0.5  | + 2.7                   |
| North Carolina .....    | + 4.5  | + 3.9                   |
| South Carolina .....    | + 2.5  | + 7.2                   |

COMMERCIAL FAILURES: The insolvency record in the Fifth district was substantially worse in July than in the United States as a whole. In comparison with failures in July last year, the district had an increase of 107 per cent in number and a rise of 144 per cent in liabilities in July this year, against increases of 61 per cent in number and 39 per cent in liabilities in the Nation. The Fifth district record for the year through July is better than the National record, however, the number of insolvencies increasing 20 per cent in the district and 46 per cent in the United States, and aggregate liabilities involved rising 57 per cent in the district and 62 per cent in the Nation. *Dun & Bradstreet* insolvency figures are as follows:

| PERIODS              | Number of failures |       | Total Liabilities |               |
|----------------------|--------------------|-------|-------------------|---------------|
|                      | District           | U. S. | District          | U. S.         |
| July 1938 .....      | 56                 | 995   | \$ 440,000        | \$ 10,793,000 |
| June 1938 .....      | 56                 | 1,018 | 673,000           | 12,236,000    |
| July 1937 .....      | 27                 | 618   | 180,000           | 7,766,000     |
| 7 Months, 1938 ..... | 360                | 7,661 | \$4,029,000       | \$101,655,000 |
| 7 Months, 1937 ..... | 300                | 5,260 | 2,564,000         | 62,581,000    |

**AUTOMOBILE NEW CAR REGISTRATIONS:** The number of new passenger automobiles registered in the Fifth district in July was less than in June in all states except North and South Carolina, and was much less than in July last year in all states. North Carolina showed the smallest decline from July 1937 registrations, while West Virginia showed the largest decrease. For the first 7 months of 1938, Virginia registrations declined least from 1937 figures, with West Virginia again showing the largest decrease. The following figures, compiled by *R. L. Polk & Co.*, of Detroit, show July and 7 months' registration figures for new passenger cars in Fifth district states:

**Registration of New Passenger Cars**

| STATES            | July   | July   | % Change | 7 Months | 7 Months | % Change |
|-------------------|--------|--------|----------|----------|----------|----------|
|                   | 1938   | 1937   |          | 1938     | 1937     |          |
| Maryland .....    | 2,214  | 4,809  | -54      | 15,799   | 30,793   | -49      |
| Dist. of Col. ... | 1,413  | 2,880  | -51      | 10,712   | 19,599   | -45      |
| Virginia .....    | 2,435  | 4,679  | -48      | 18,901   | 32,955   | -43      |
| West Va. ....     | 1,332  | 3,597  | -63      | 10,123   | 24,473   | -59      |
| No. Carolina ...  | 3,094  | 5,455  | -43      | 17,774   | 34,164   | -48      |
| So. Carolina ...  | 1,216  | 2,710  | -55      | 8,480    | 17,959   | -53      |
| District .....    | 11,704 | 24,130 | -51      | 81,789   | 159,943  | -49      |

**COAL PRODUCTION:** Soft coal mined in the United States in July 1938 totaled 23,460,000 net tons, an increase of 4 per cent over 22,470,000 tons in June 1938 but 27 per cent less than 31,990,000 tons in July 1937. Total production of 180,352,000 tons this calendar year to August 6 was 31 per cent less than 260,884,000 tons mined to the same date last year and 41 per cent less than 305,148,000 tons dug in the corresponding period in 1929. Hampton Roads ports shipped 9,658,414 tons in 1938 to August 6, compared with 12,777,309 tons last year to the same date. Reserve stocks of coal held by industrial consumers declined in June in tonnage, but since consumption declined more the reserve stocks in terms of days' supply rose from 43 at the end of May to 44 at the end of June.

**COTTON TEXTILES:** The cotton textile industry expanded operations in July to a moderate degree, and cotton consumption in the Fifth district mills increased 3 per cent over June figures but was 18 per cent less than consumption in July last year. Prior to the August 8 cotton condition report the demand for textile products had strengthened, and WPA orders had also helped the mills increase working time. Cotton consumption figures in Fifth district states in July 1938, June 1938, July 1937, and in the first 7 months of last year and this are shown herewith:

| MONTHS               | No. Carolina    | So. Carolina | Virginia | District  |
|----------------------|-----------------|--------------|----------|-----------|
|                      | July 1938 ..... | 119,305      | 93,542   | 12,818    |
| June 1938 .....      | 115,152         | 98,927       | 9,457    | 213,536   |
| July 1937 .....      | 143,568         | 118,014      | 14,833   | 276,415   |
| 7 Months, 1938 ..... | 820,600         | 630,075      | 76,636   | 1,527,311 |
| 7 Months, 1937 ..... | 1,205,460       | 907,700      | 104,617  | 2,217,777 |

**RAYON:** In July the market for rayon yarn suddenly expanded amazingly, and the *Rayon Organon's* index of deliveries jumped from 473 in June to an all-time high of 843. To make these shipments, producers drew heavily on their available stocks, and at the end of July producers held 3.1 months' supply as compared with 3.9 months' supply held at the end of June. Actual poundage

stocks of rayon yarn on July 31 approximated holdings at the end of 1937. The *Organon* says that all yarn shipped in July will not pass at once to ultimate consumers, but much of it will go toward building up to normal levels the inventories of yarn, semi-finished and finished goods held by weavers, converters and other distributors of rayon goods. An interesting and perhaps extremely important development in the past month was the introduction of passenger car tires with rayon bases instead of cotton, put on the market by two leading tire manufacturers.

**CONSTRUCTION:** The value of building permits issued in 31 Fifth district cities in July 1938 was \$6,967,940, compared with a total valuation of \$7,866,938 in July 1937. Washington led last month with \$2,959,910, followed in order by Baltimore with \$829,235, Charleston, W. Va., with \$671,123, Norfolk with \$409,672, and Richmond with \$255,061. Larger figures were reported for July this year than last in 1 of 5 reporting cities in Maryland, in 4 of 7 Virginia cities, in 2 of 4 West Virginia cities, in 3 of 9 North Carolina cities, in 4 of 5 South Carolina cities, and in Washington, a total of 15 of the 31 cities.

Contracts awarded for all classes of construction in the Fifth district in July totaled \$21,560,000, according to figures collected by *F. W. Dodge Corporation*. This relatively low figure shows a decrease of 28 per cent in comparison with \$29,981,000 in June this year and a drop of 22 per cent below \$27,635,000 in July 1937.

**COTTON:** Spot cotton prices, which had advanced above 9 cents per pound early in July, slowly moved downward during the balance of that month, and dropped further after the August 8 cotton condition report by the Department of Agriculture. The average price on ten Southern spot markets for middling grade upland cotton on July 8 was 9.15 cents per pound, but on August 5 the average had declined to 8.49 cents. On August 12, the average was 8.27 cents. The first condition report on the 1938 crop estimated probable yield at 11,988,000 equivalent 500-lb. bales, approximately 700,000 bales above the average of several private reports previously issued. While this year's crop is nearly 37 per cent lower than the 1937 record yield, and is 9 per cent below the ten-year average, it is still higher than probable consumption requirements for American cotton. In the Fifth district, production figures for 1938 are much lower than last year, actual figures being shown elsewhere in this *Review*.

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

|                               | July      | July      | Aug. 1 to July 31 |           |
|-------------------------------|-----------|-----------|-------------------|-----------|
|                               | 1938      | 1937      | This Year         | Last Year |
| <b>Fifth district states:</b> |           |           |                   |           |
| Cotton consumed .....         | 225,665   | 276,415   | 2,822,601         | 3,703,834 |
| <b>Cotton growing states:</b> |           |           |                   |           |
| Cotton consumed .....         | 381,306   | 484,693   | 4,884,881         | 6,625,813 |
| Cotton on hand July 31 in     |           |           |                   |           |
| Consuming establishments ..   | 1,037,161 | 1,007,308 | .....             | .....     |
| Storage & compresses .....    | 9,564,411 | 2,720,608 | .....             | .....     |
| <b>United States:</b>         |           |           |                   |           |
| Cotton consumed .....         | 449,511   | 583,011   | 5,756,096         | 7,950,079 |
| Cotton on hand July 31 in     |           |           |                   |           |
| Consuming establishments ..   | 1,266,983 | 1,285,543 | .....             | .....     |
| Storage & compresses .....    | 9,641,201 | 2,813,305 | .....             | .....     |
| Exports of cotton .....       | 195,706   | 124,312   | 5,598,415         | 5,440,044 |

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

|                          | July 1938      | July 1937      | % Change |
|--------------------------|----------------|----------------|----------|
| Smoking & Chewing        |                |                |          |
| Tobacco, Pounds .....    | 24,812,074     | 26,702,350     | - 7      |
| Cigarettes, Number ..... | 13,784,357,840 | 15,290,072,227 | -10      |
| Cigars, Number .....     | 420,510,372    | 476,489,266    | -12      |
| Snuff, Pounds .....      | 2,731,960      | 2,816,456      | - 3      |

## RETAIL TRADE IN DEPARTMENT STORES:

|  | Net Sales                      |   | Stocks                                 |               | Ratio July collections to accounts outstanding July 1 |
|--|--------------------------------|---|--|---------------|---|
|  | July 1938 comp. with July 1937 | Jan. 1 to date comp. with same period last year | July 31, 1938 comp. with July 31, 1937 | June 30, 1938 |   |
| Richmond (3) ..                              | - 4.8                          | - .1  | + .8                                   | -4.2          | 29.7  |
| Baltimore (8) ..                             | - 8.0                          | - 6.2   | - 6.8                                  | -7.2          | 30.3  |
| Washington (6) ..                            | - 2.1                          | - 3.3   | - 8.7                                  | -5.1          | 24.9  |
| Other Cities (13) ..                         | -15.5                          | -10.9   | - 7.1                                  | -8.8          | 25.3  |
| District (30) ..                             | - 5.9                          | - 4.6   | - 6.7                                  | -6.1          | 27.2  |
| Same stores by States, with 25 stores added: |                                |   |  |               |   |
| Virginia (12)....                            | - 6.4                          | - 1.6   |  |               |   |
| West Va. (10) ..                             | -14.1                          | -15.6   |  |               |   |
| No. Carolina (8) ..                          | -10.4                          | - 8.1   |  |               |   |
| So. Carolina (10) ..                         | - 6.5                          | -10.4   |  |               |   |
| District (55) ..                             | - 5.9                          | - 5.0   |  |               |   |

## WHOLESALE TRADE, 190 FIRMS:

| LINES                     | Net Sales                      |           | Stocks                                 |               | Ratio July collections to accounts outstanding July 1 |
|---------------------------|--------------------------------|-----------|--|---------------|---|
|                           | July 1938 comp. with July 1937 | June 1938 | July 31, 1938 comp. with July 31, 1937 | June 30, 1938 |   |
| Shoes (4) .....           | -26.8                          | +30.5     | -33.4                                  | +57.1         | 60.5  |
| Drugs (14) .....          | - 5.5                          | + 1.1     | - 1.3                                  | - .3          | 91.2  |
| Dry Goods (7) .....       | -23.9                          | + .8      | -40.7                                  | + 7.6         | 37.1  |
| Electrical Goods (18) ..  | -29.4                          | - 3.3     | -14.8                                  | - .8          | 73.5  |
| Groceries (71) .....      | -18.3                          | - 3.4     | -19.5                                  | - 2.6         | 86.7  |
| Hardware (23) .....       | -25.3                          | - 9.1     | - 3.7                                  | + 3.7         | 40.9  |
| Indus. Supplies (9) ..... | -30.9                          | -13.3     | - 7.0                                  | - 4.1         | 55.8  |
| Plumbing & Heating (9) .. | - 9.2                          | - 8.0     | - 9.5                                  | + 2.4         | 61.6  |
| Paper & Products (6) ..   | -10.0                          | + 6.5     | - 8.8                                  | - 1.4         | 54.8  |
| Tobacco Products (13) ..  | - 6.6                          | - 5.4     | + 8.6                                  | +10.7         | 81.5  |
| Miscellaneous (16) .....  | -19.9                          | - 7.2     | - 6.3                                  | + 1.8         | 43.6  |
| All Firms (190) .....     | -18.8                          | - 2.4     | -16.8                                  | + 6.1         | 62.5  |

Note: Wholesale trade figures are included by arrangement with the Bureau of Foreign & Domestic Commerce. Only 137 firms reported on receivables and collections, and only 95 on inventories.

## CROP FORECASTS

Over a period of years, white potatoes is the third ranking cash crop in the Fifth district, and special attention to prospects for 1938 is pertinent. According to official reports, the crop will fall somewhat under the production for 1937 and also under the 1927-1936 average. This decline in production is accounted for by the decrease in acreage devoted to this crop from 276,000 acres in 1937 to 245,400 acres in 1938, a decline which is not fully offset by the indicated increase in the yield per acre from 111 bushels in 1937 to 119 in 1938. It is significant that the yield per acre in both years is higher than that for the ten-year average, 1927-1936, of 110 bushels. The indicated production in 1938 for the country as a whole is about 4 per cent higher than the ten-year average, while production in the Fifth district is more than one per cent lower than the ten-year average.

Until recently the Eastern Shore of Virginia (Accomac and Northampton counties) was the largest producer of white potatoes in the intermediate area (Kansas, Kentucky, Maryland, Missouri, Virginia, Nebraska and New Jersey). In 1935 the New Jersey acreage exceeded the Eastern Shore acreage. This was the first time that the Virginia district had not been dominant in the group. The trend in acreage planted was downward from 1924 to 1937. Approximately 67,000 acres were planted in these two counties in 1924 as compared with 41,500 acres in

1937. A low point of 34,000 acres was reached in 1936. During the five-year period from 1931 to 1935, the average estimated production declined to 6,563,000 bushels, a reduction of 34.5 per cent. On the other hand, acreage has increased in certain competitive states, particularly New Jersey, North Carolina and California. Partly because of the pressure of competition farmers in Accomac county realized in 1937 an average income of only about \$60.00 per acre from white potatoes. Data on cost of production in 1937 are not available, but the average cost in 1936 was found to be about \$67.00 per acre and it is known that 1937 costs were somewhat higher. Northampton county farmers did somewhat better in 1937 since they realized an average income of about \$90.00 per acre. Average cost of production was about \$73.00 an acre in 1936 and somewhat higher in 1937.\*

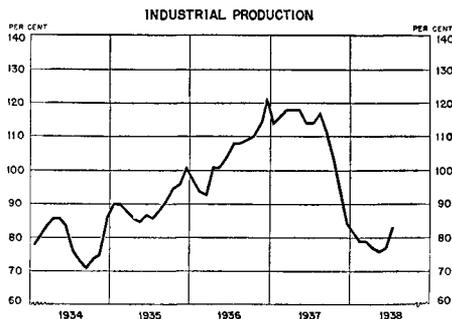
On the whole, weather in July was favorable for development of crops in the Fifth district except for tobacco. The accompanying figures show forecasts based on August 1 condition, compared with yields in 1937 and in the ten-year period 1927-1936. Estimates for 1938 which were increased or decreased last month are indicated by + or - signs, respectively.

| Cotton (Bales)           |                  |              |             |                 |
|--------------------------|------------------|--------------|-------------|-----------------|
|                          | % Change Acreage | Yield 1938   | Yield 1937  | Yield 1927-1936 |
| Virginia .....           | -35              | 18,000       | 43,000      | 40,000          |
| North Carolina .....     | -18              | 453,000      | 780,000     | 710,000         |
| South Carolina .....     | -23              | 691,000      | 1,023,000   | 798,000         |
| Wheat (Bushels)          |                  |              |             |                 |
| Maryland .....           | - 1              | 9,420,000    | 9,044,000   | 8,372,000       |
| Virginia .....           | - 5              | 8,624,000+   | 9,720,000   | 8,598,000       |
| West Virginia .....      | - 7              | 2,464,000+   | 2,736,000   | 1,855,000       |
| North Carolina .....     | - 2              | 5,554,000    | 5,817,000   | 4,275,000       |
| South Carolina .....     | +12              | 1,837,000    | 1,416,000   | 974,000         |
| Corn (Bushels)           |                  |              |             |                 |
| Maryland .....           | - 2              | 18,216,000+  | 18,576,000  | 15,477,000      |
| Virginia .....           | - 2              | 34,800,000+  | 37,740,000  | 32,199,000      |
| West Virginia .....      | -10              | 12,349,000-  | 14,245,000  | 12,104,000      |
| North Carolina .....     | + 1              | 44,650,000   | 45,357,000  | 40,787,000      |
| South Carolina .....     | +12              | 27,945,000+  | 24,945,000  | 21,161,000      |
| Oats (Bushels)           |                  |              |             |                 |
| Maryland .....           | + 3              | 1,131,000-   | 1,083,000   | 1,407,000       |
| Virginia .....           | +10              | 1,936,000+   | 1,680,000   | 2,389,000       |
| West Virginia .....      | 0                | 1,634,000+   | 1,520,000   | 2,366,000       |
| North Carolina .....     | 0                | 5,060,000+   | 4,830,000   | 3,682,000       |
| South Carolina .....     | + 2              | 10,648,000   | 10,076,000  | 8,316,000       |
| Hay (Tons)               |                  |              |             |                 |
| Maryland .....           | + 3              | 536,000      | 518,000     | 468,000         |
| Virginia .....           | + 4              | 1,153,000    | 1,204,000   | 907,000         |
| West Virginia .....      | + 5              | 802,000      | 741,000     | 661,000         |
| North Carolina .....     | + 6              | 925,000+     | 824,000     | 630,000         |
| South Carolina .....     | + 4              | 463,000+     | 502,000     | 309,000         |
| Sweet Potatoes (Bushels) |                  |              |             |                 |
| Maryland .....           | 0                | 1,280,000    | 1,000,000   | 1,205,000       |
| Virginia .....           | - 3              | 4,180,000-   | 5,070,000   | 4,282,000       |
| North Carolina .....     | + 1              | 8,772,000    | 8,160,000   | 7,915,000       |
| South Carolina .....     | +16              | 6,270,000+   | 5,130,000   | 4,898,000       |
| Tobacco (Pounds)         |                  |              |             |                 |
| Maryland .....           | + 7              | 28,875,000   | 25,200,000  | 25,560,000      |
| Virginia .....           | 0                | 97,982,000-  | 107,276,000 | 99,838,000      |
| West Virginia .....      | +17              | 3,920,000-   | 3,408,000   | 3,304,000       |
| North Carolina .....     | - 4              | 530,650,000- | 595,530,000 | 481,939,000     |
| South Carolina .....     | - 7              | 86,860,000   | 108,080,000 | 76,724,000      |
| Apples (Bushels)         |                  |              |             |                 |
| Maryland .....           | ..               | 2,194,000    | 2,847,000   | 1,920,000       |
| Virginia .....           | ..               | 10,320,000+  | 18,000,000  | 11,533,000      |
| West Virginia .....      | ..               | 5,520,000    | 10,004,000  | 5,780,000       |
| North Carolina .....     | ..               | 2,544,000    | 4,505,000   | 2,928,000       |
| White Potatoes (Bushels) |                  |              |             |                 |
| Maryland .....           | - 7              | 3,360,000+   | 3,480,000   | 3,348,000       |
| Virginia .....           | -13              | 10,401,000-  | 10,920,000  | 12,998,000      |
| West Virginia .....      | 0                | 3,040,000-   | 3,264,000   | 3,150,000       |
| North Carolina .....     | -13              | 9,828,000-   | 9,894,000   | 7,729,000       |
| South Carolina .....     | -15              | 2,596,000+   | 3,120,000   | 2,419,000       |

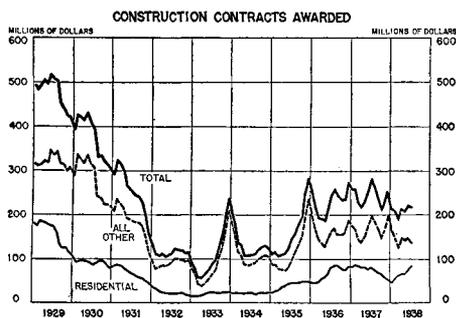
\* For further information on this subject see Publication No. 40,407, a "Survey of Conditions affecting the Production & Marketing of White Potatoes on the Eastern Shore of Virginia", by J. L. Maxton & J. H. Heckman, Agric. Exper. Station, V. P. I.

# SUMMARY OF NATIONAL BUSINESS CONDITIONS

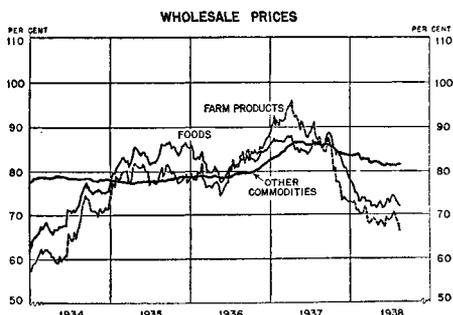
(Compiled by the Board of Governors of the Federal Reserve System)



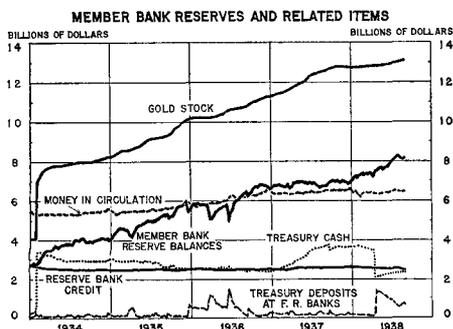
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to July 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for May and June and estimate for July.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending August 20, 1938.



Wednesday figures, January 3, 1934, to August 17, 1938.

Industrial activity increased in July, when there is usually a considerable decline, and rose somewhat further in the first three weeks of August.

## PRODUCTION

Volume of industrial production increased from 77 percent of the 1923-1925 average in June to 83 percent in July, according to the Board's index which is adjusted for changes in the number of working days and for usual seasonal variations. Steel output rose sharply, lumber production also increased, and output of cement and glass was maintained. Automobile production declined somewhat further. In the first three weeks of August activity at steel mills was at a rate of around 40 percent of capacity as compared with an average of 35 percent in July, while in the automobile industry there was more than the usual seasonal reduction in output as producers closed plants somewhat earlier than in other recent years to prepare for the shift to new model production.

At textile mills activity in July showed a further rise, marked increases being reported in mill consumption of cotton and wool and in shipments of rayon yarn. Shoe production also increased substantially, following a decline in June.

Bituminous coal production advanced somewhat in July, and output of crude petroleum was at a much higher rate, reflecting chiefly a return to production on a six-day week basis in Texas. Anthracite production decreased sharply following a considerable volume of output during May and June.

Value of construction contracts awarded in 37 eastern States showed little change from June to July, according to figures of the F. W. Dodge Corporation. Contracts for residential building continued to increase, and there was an increase also in commercial building, reflecting the award of a contract for a large office building. Factory construction remained at a low level and declines were reported in most other types of construction.

## EMPLOYMENT

Factory employment and payrolls, which usually decline at this season, increased somewhat from the middle of June to the middle of July. There were substantial increases in the number employed at textile mills, clothing establishments, and shoe factories, and at railroad repair shops there was a slight increase. In the machinery and automobile industries employment declined somewhat further. In non-manufacturing industries the principal changes in employment were a decrease at mines and an increase on the railroads.

## AGRICULTURE

A domestic cotton crop of 12,000,000 bales was indicated on August 1, according to the Department of Agriculture. Last season the crop was 19,000,000 bales and, with world consumption of American cotton about 11,000,000 bales, the carryover increased sharply to 13,500,000 bales. The wheat crop was forecast at 956,000,000 bushels, as compared with 874,000,000 bushels harvested last year and usual domestic consumption of about 670,000,000 bushels. Production estimates for most other major crops were slightly under the large harvests of a year ago. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including Government payments, will total \$7,500,000,000 for the calendar year 1938, a decline of 12 percent from last year, which was the highest since 1929.

## DISTRIBUTION

In July department store sales declined by less than the usual seasonal amount, while sales at variety stores and mail-order houses decreased seasonally. Retail sales of automobiles increased somewhat, although there is ordinarily a decline in July. In the first half of August sales at department stores showed less than the usual seasonal rise.

Freight-car loadings increased from June to July, reflecting chiefly larger shipments of grain, coal, and miscellaneous freight.

## COMMODITY PRICES

Prices of grains, cotton, livestock, and meats were lower in the third week of August than in the middle of July, while prices of most industrial commodities were unchanged. Steel scrap advanced further in July, then declined somewhat in the first half of August. Cotton grey goods also declined in the early part of August, while prices of copper and rubber were maintained, following increases in the latter part of July.

## BANK CREDIT

Excess reserves of member banks declined by about \$230,000,000 in the five weeks ending August 17 to a total of \$2,930,000,000, following a steady growth from the middle of April to a peak on July 13. The decline in reserves was largely the result of an increase in Treasury deposits with the Reserve banks, reflecting receipts from weekly Treasury bill offerings in excess of maturities and a sale of Reconstruction Finance Corporation notes. Most of the decrease in excess reserves was at city banks.

Following substantial declines since the autumn of last year, commercial loans and brokers' loans at reporting member banks in 101 leading cities increased somewhat during the first half of August. Member banks in leading cities added about \$170,000,000 to their holdings of investments in the middle of July, mainly United States Government guaranteed obligations, but thereafter their holdings showed little change.