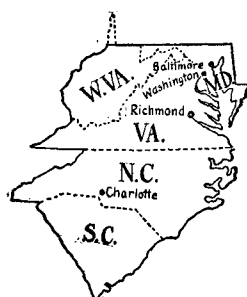


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

September 30, 1938

	August 1938	August 1937	% Change
Debits to individual accounts (24 cities).....	\$1,125,303,000	\$1,201,523,000	— 6
Number of business failures, 5th district.....	70	26	+169
Liabilities in failures, 5th district.....	\$ 514,000	\$ 181,000	+184
Sales, 59 Department stores, 5th district.....	\$ 7,728,252	\$ 7,720,242	0
Sales, 199 wholesale firms, 5th district.....	\$ 13,837,000	\$ 14,774,000	— 6
Registrations, new passenger autos.....	10,903	21,855	— 50
Value of bldg. permits (31 cities).....	\$ 6,757,976	\$ 8,518,978	— 21
Value of contracts awarded, 5th district.....	\$ 32,347,000	\$ 29,456,000	+ 10
Cotton consumption, 5th district (Bales)	273,351	289,841	— 6
Tobacco sold in district (Pounds).....	140,430,629	90,357,981	+ 55
Coal mined, U. S. (Tons).....	28,280,000	33,983,000	— 17

BUSINESS in the Fifth Federal Reserve district achieved somewhat more than seasonal improvement in August and early September, and nearly all indices compared more favorably with last year than in earlier months this year. Changes in bank statements last month were minor and for the most part seasonal in character. Federal Reserve note circulation rose between August 15 and September 15, to supply needs for additional currency to move tobacco and other crops. Member bank loans rose moderately, probably as a reflection of mercantile needs of funds with which to discount bills for fall merchandise. Debits to individual accounts figures, reflecting transactions through banks, showed a decrease of only 6 per cent in August in comparison with August 1937, the best comparison made in any month since December. A much more unfavorable comparison was registered by commercial failures, which in August rose 169 per cent in number and 184 per cent in liabilities over corresponding figures for August 1937. Registrations of new automobiles in the district in August, while 50 per cent below registrations in August last year, showed the smallest decline from the corresponding month of the preceding year for any month since April. Coal production on a work-day basis rose 12 per cent in August over July, but continued substantially below 1937 figures for the same month. Cotton textile mills increased operating time further in August and cotton consumption in the district lacked only 6 per cent of equalling August 1937 consumption, while

shipments of rayon yarn by producers set a record and surplus stocks of rayon were greatly reduced. Construction work under way in the Fifth district increased sharply during August, contract award figures rising 51 per cent above the July figures and 10 per cent above August 1937 contracts. Tobacco manufacturing increased materially last month over July, and in all lines except snuff exceeded output in August last year. Tobacco auction markets in the Carolinas which opened in August sold considerably larger quantities of tobacco than in August last year, and at prices slightly better than those of August 1937. These improvements were reflected in employment, which increased in nearly all sections of the district. Retail trade in August as reflected in department store sales was practically the same as in August 1937, and cumulative sales in the first 8 months of this year were only 4 per cent lower than sales in the same period last year. Wholesale trade reported by 199 firms in the Fifth district was 6 per cent less in dollar amount in August 1938 than in August 1937, but showed a seasonal rise of 23 per cent over the volume of trade in July this year. Developments in agriculture during August were chiefly unfavorable, dry weather having hastened maturity of late crops and thereby reduced prospective yield figures. On the whole, however, Fifth district crops are up to average in condition, and yields will compare favorably with ten-year average yields in all crops except in a few instances of material reduction in acreage this year.

RESERVE BANK STATEMENT: Two items changed materially on the statement of the Federal Reserve Bank of Richmond between August 15 and September 15. Federal Reserve notes in actual circulation rose \$3,965,000 as the opening of additional tobacco markets in North Carolina and early sales of cotton required an increased volume of money, a seasonal development at this time. Cash reserves of the bank rose by \$13,537,000 during the same period, due chiefly to an increase of approximately \$10,000,000 in the deposit balance of the Treasurer of the United States. The substantial increase in cash reserves on September 15, 1938, over those on September 15, 1937, was caused by a corresponding rise in the Treasurer's balance.

ITEMS	000 omitted		
	Sept. 15 1938	Aug. 15 1938	Sept. 15 1937
Discounts held	\$ 553	\$ 919	\$ 677
Open market paper	23	23	25
Industrial advances	1,472	1,479	1,929
Government securities	127,873	127,224	133,035
Total earning assets	129,921	129,645	135,666
Circulation of Fed. Res. notes	139,151	135,186	203,779
Members' reserve deposits	221,881	223,113	221,413
Cash reserves	353,254	339,717	322,600
Reserve ratio	74.00	73.52	71.20

STATEMENT OF 41 REPORTING MEMBER BANKS: Loans and discounts in reporting member banks rose by \$4,753,000 between August 10 and September 14, and investments in securities increased \$7,286,000. There was a rise of \$19,134,000 in demand deposits during the same period. In comparison with figures on September 15, 1937, the statement for September 14, 1938, shows substantial increases in investments in securities and reserve balances, and a decline in loans and discounts.

ITEMS	000 omitted		
	Sept. 14 1938	Aug. 10 1938	Sept. 15 1937
Loans & discounts	\$234,138	\$229,385	\$246,931
Investments in securities	384,509	377,223	374,854
Reserve bal. with Fed. Res. bank	148,342	147,415	135,951
Cash in vaults	19,212	18,425	17,057
Demand deposits	458,960	439,826	462,402
Time deposits	197,934	198,683	197,560
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS: For the fourth successive month deposits in 10 mutual savings banks in Baltimore declined in August. Some recession in savings usually occurs during vacation season, but the decrease was greater this year than in most years. Total deposits in the 10 banks amounting to \$217,598,810 on August 31, 1938, compared with the record figure of \$219,926,013 on April 30 this year and with \$217,294,470 on August 31 last year. Deposits in 8 of the 10 banks declined during August.

DEBITS TO INDIVIDUAL ACCOUNTS: Debits to individual, firm and corporation accounts in banks in 24 Fifth district cities were 1 per cent less in August than in July, a smaller than normal seasonal decrease, and were only 6 per cent less than August 1937 debits, the smallest decline from the corresponding month of the preceding year since last December. Twelve cities reported larger August figures than those for July, Durham leading with an increase of 67 per cent, and 5 cities increased over August 1937, Durham again leading with 26 per cent. Durham made the only gains over 1937 figures in May, June and July, in addition to leading in percentage increase in August.

CITIES	000 omitted			
	Aug. 1938	July 1938	Aug. 1937	% of Change Month Year
Maryland				
Baltimore	\$ 303,924	\$ 324,984	\$ 344,857	- 6 -12
Cumberland	7,485	7,950	9,533	- 6 -21
Hagerstown	7,717	9,099	8,700	-15 -11
Dist. of Col.				
Washington	221,504	242,216	228,398	- 9 - 3
Virginia				
Danville	8,749	7,560	8,518	+16 + 3
Lynchburg	13,443	15,797	13,939	-15 - 4
Newport News ..	7,683	7,701	8,638	0 -11
Norfolk	42,439	43,230	47,073	- 2 -10
Portsmouth	3,738	4,225	3,701	+12 + 1
Richmond	164,377	136,686	159,849	+20 + 3
Roanoke	22,223	23,602	27,286	- 6 -19
West Virginia				
Charleston	38,701	46,226	50,858	-16 -24
Huntington	14,252	14,442	17,788	- 1 -20
North Carolina				
Danville	11,707	11,308	13,897	+ 4 -16
Charlotte	51,250	50,616	55,715	+ 1 - 8
Durham	46,634	27,936	37,106	+67 +26
Greensboro	15,556	15,494	16,948	0 - 8
Raleigh	36,448	38,628	31,174	- 6 +17
Wilmington	11,350	9,894	11,496	+15 - 1
Winston-Salem ..	36,658	34,772	39,584	+ 5 - 7
South Carolina				
Charleston	13,938	15,003	16,259	- 7 -14
Columbia	21,738	22,654	23,718	- 4 - 8
Greenville	15,814	15,095	18,042	+ 5 -12
Spartanburg	7,975	7,936	8,446	0 - 6
District Totals ..	\$1,125,303	\$1,133,054	\$1,201,523	- 1 - 6

0 indicates change of less than 1/2 of 1%.

EMPLOYMENT: Increase in employment in Fifth district industries which was noted in July continued moderately in August. Rayon manufacturers and cotton textile mills further expanded operations, and tobacco factories increased output. Opening of additional auction tobacco markets gave work to several hundred handlers. Construction work as reflected in contract awards increased notably last month, most of it in suburban and rural areas which are not included in city building permits. 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 July to August 1938, the latest available figures:

STATES	Percentage change from July 1938 to Aug. 1938	
	In number on payroll	In amount of payroll
Maryland	+ 5.4	+ 3.7
Dist. of Columbia	- 2.4	- 2.6
Virginia	+ 3.6	+ 6.3
West Virginia	+ 4.2	+10.1
North Carolina	+ 6.5	+11.3
South Carolina	+ 1.1	+ 4.5

COMMERCIAL FAILURES: Insolvencies in the Fifth Reserve district in August increased 169 per cent in number over those in August 1937, while the United States showed a total increase of only 38 per cent. In liabilities involved, a district rise of 184 per cent compared with a National decline of 2 per cent. Total insolvency figures for 8 months of 1938 show rises in number of bankruptcies of 32 per cent for the district and 45 per cent for the United States, and increases in liabilities involved of 66 per cent for the district and 52 per cent for the Nation. *Dun & Bradstreet* insolvency figures are as follows:

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
August, 1938	70	974	\$ 514,000	\$ 11,692,000
July 1938	56	995	440,000	10,793,000
August 1937	26	707	181,000	11,916,000
8 Months, 1938	430	8,661	\$4,543,000	\$113,347,000
8 Months, 1937	326	5,967	2,745,000	74,497,000

AUTOMOBILE NEW CAR REGISTRATIONS: Purchases of new automobiles tend to decline gradually after the spring months, and in August registrations of new cars in the Fifth district declined from the July number in all states except South Carolina, in which sales of tobacco stimulated nearly all lines of trade. The number of new cars sold in the Fifth district in August was 50 per cent below the number sold in August last year, but the percentage of decrease in sales in August was lower than in any other month since April. Used cars sold well during the summer and most dealers cut down the backlog they were carrying earlier in the year. The following figures, compiled by *R. L. Polk & Co.*, of Detroit, show August and 8 months' registration figures for new passenger cars in Fifth district states:

STATES	Aug. 1938	Aug. 1937	% Change	8 Months 1938	8 Months 1937	% Change
Maryland	1,868	4,245	-56	17,667	35,038	-50
Dist. of Col.	1,189	2,435	-51	11,901	22,034	-46
Virginia	2,269	4,490	-50	21,170	37,445	-44
West. Va.	1,172	3,370	-65	11,295	27,843	-59
No. Carolina ...	3,015	4,741	-36	20,789	38,905	-47
So. Carolina	1,390	2,574	-46	9,870	20,533	-52
District	10,903	21,855	-50	92,692	181,798	-49

COAL PRODUCTION: Output of bituminous coal in August totaling 28,280,000 net tons increased 21 per cent over 23,357,000 tons in July 1938, but was 17 per cent less than 33,988,000 tons in August 1937. On a work-day basis, production of 1,047,000 tons per day in August showed an increase of 12 per cent over output in July this year but a decline of 20 per cent from the August 1937 daily average. Total production of bituminous coal this calendar year to September 10 of 211,948,000 tons compares with 300,538,000 tons mined in 1937 and 355,156,000 tons in 1929 to the same date. Shipments of coal through Hampton Roads ports to September 10 totaled 11,140,833 tons in 1938, against 14,645,368 tons in 1937 and 15,066,542 tons in 1929.

COTTON TEXTILES: Cotton mills further increased operations in August, and cotton consumption in Fifth district mills not only rose 21 per cent over consumption in July but lacked only 6 per cent of equaling August 1937 consumption. Reports indicate, however, that output at the mills was in excess of distribution in August, and early in September there was a tendency to reduce output to some extent. Cloth prices softened slightly between the middle of August and the middle of September. Cotton consumption figures in Fifth district states in August 1938, July 1938, August 1937, and in the first 8 months of last year and this are shown herewith:

MONTHS	No. Carolina	So. Carolina	Virginia	District
August 1938	143,560	114,916	14,875	273,351
July 1938	119,305	93,542	12,818	225,665
August 1937	149,928	123,763	16,150	289,841
8 Months, 1938	964,160	744,991	91,511	1,800,662
8 Months, 1937	1,355,388	1,031,463	120,767	2,507,618

RAYON: After setting a record for daily shipments of rayon yarn in July, producers went further in August and shipped 895 per cent of average daily shipments in 1923-1925 against 841 per cent in July and only 473 per cent as recently as June of this year. Surplus stocks of yarn

were reduced from 3.1 months' supply on July 31 to 2.3 months' supply on August 31. The *Rayon Organon* states that stock of rayon in pounds showed a reduction of 38 per cent from the high point in June to the end of August. Weaving mill activity also increased substantially in July and August, and production of such staples as twills and serges, faille taffetas and the pigment taffetas, as well as box loom fabrics, showed notable improvement.

CONSTRUCTION: Building permits issued in 31 Fifth district cities in August rose 7 per cent in number over permits issued in August 1937, but estimated valuation figures declined 21 per cent. Permits issued last month totaled 2,775, with estimated valuation of \$6,757,976, compared with 2,591 permits and a valuation of \$8,518,978 in August last year. Washington reported the largest valuation in August 1938, \$3,114,975, Baltimore was second with \$1,044,587, Norfolk third with \$245,169, Richmond fourth with \$234,205, and Winston-Salem fifth with \$200,932. Among the five largest cities, Richmond and Norfolk reported higher figures than for August last year, while Baltimore, Washington and Charlotte reported lower figures. Seventeen cities showed higher figures for the 1938 month, while 14 cities showed lower figures.

Contract award figures, furnished by *F. W. Dodge Corporation*, totaled \$32,347,000 for the Fifth district in August, an increase of 50 per cent over contracts totaling \$21,560,000 awarded in July this year and 10 per cent above \$29,456,600 awarded in August last year. Contract award figures are a better measure of construction activity than city building permits, since contracts include all types of work located anywhere in the district while city permits cover activities within corporate limits only.

COTTON: Spot cotton prices, after advancing somewhat in the second half of August, declined in September to the lowest point registered since last December. From an average of 8.27 cents per pound for middling grade, the average of ten Southern spot markets rose to 8.40 cents on August 26, but then dropped to 8.01 cents on September 16. The second condition report on the 1938 crop, issued by the Department of Agriculture on September 8, estimated the yield at 11,825,000 equivalent 500-lb. bales, a reduction of 163,000 bales below the August 1 estimate, 7,121,000 bales less than the 1937 crop, and 1,376,000 bales less than the 1927-36 average production. In the Fifth district, prospective yield figures were reduced for South Carolina in August, but remained unchanged in North Carolina and Virginia.

	(Bales)	
	Aug. 1938	Aug. 1937
Fifth district states:		
Cotton consumed	273,351	289,841
Cotton growing states:		
Cotton consumed	472,698	505,365
Cotton on hand August 31 in		
Consuming establishments	851,213	733,266
Storage & compresses	9,757,377	3,432,201
United States:		
Cotton consumed	561,406	603,617
Cotton on hand August 31 in		
Consuming establishments	1,052,631	958,887
Storage & compresses	9,825,616	3,500,711
Exports of cotton	200,851	220,415
Spindles active in month	22,152,526	24,341,192

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, Lbs.		Price per Cwt.	
	Aug. 1938	Aug. 1937	1938	1937
South Carolina	58,683,790	41,372,414	\$23.86	\$23.56
North Carolina	81,746,839	48,985,567	23.93	23.66

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

	Aug. 1938	Aug. 1937	% Change
Smoking & Chewing Tobacco, Pounds	27,506,542	25,351,631	+9
Cigarettes, Number	15,891,586,977	15,097,837,400	+5
Cigars, Number	477,595,984	452,897,908	+5
Snuff, Pounds	2,966,448	3,009,478	-1

RETAIL TRADE IN DEPARTMENT STORES:

LINES	Net Sales Aug. 1938 comp. with August 1937	Net Sales Jan. 1 to date comp. with same period last year	Stocks Aug. 31, 1938 comp. with Aug. 31 July 31 1938		Ratio Aug. collections to accounts outstanding August 1
			Aug. 31 1937	July 31 1938	
Richmond (3) ..	+ 2.4	+ .2	-.4	+ 7.5	28.7
Baltimore (8) ..	- 4.1	- 6.0	-12.2	+ 6.9	28.2
Washington (6) ..	+ 3.9	- 2.5	- 8.3	+ 5.0	25.9
Other Cities (13) ..	- 4.9	-10.2	- 6.1	+11.7	24.0
District (30) ..	+ .1	- 4.1	- 8.6	+ 6.7	26.7

Same stores by States, with 29 stores added:

Virginia (13)...	+ 3.1	- 1.0
West Va. (10) ..	- 8.6	-14.8
No. Carolina (8) ..	- 2.1	- 7.3
So. Carolina (12) ..	- 2.4	- 8.8
District (59) ..	+ .1	- 4.5

WHOLESALE TRADE, 199 FIRMS:

LINES	Net Sales Aug. 1938 comp. with Aug. 1937		Stocks Aug. 31, 1938 comp. with Aug. 31 July 31 1938		Ratio Aug. collections to accounts outstanding August 1
	Aug. 1937	July 1938	Aug. 31 1937	July 31 1938	
Shoes (4)	+ 3.7	+161.2	-30.0	+ 1.3	54.8
Drugs (10)	+ 5.3	+ 7.8	+ .6	+ .3	104.0
Dry Goods (7)	-21.7	+ 67.6	-36.2	+ 3.9	44.2
Elec. Goods (27)	-15.1	+ 3.7	-18.9	- 4.8	72.2
Groceries (72)	- 7.9	+ 9.6	-18.6	- .5	103.5
Hardware (23)	- 4.5	+ 36.1	- 5.2	+ .8	42.3
Industrial Supplies (8) ..	-13.5	+ 51.7	- 4.7	+ 1.4	58.3
Plumbing & Heating (9) ..	- 9.7	+ 10.4	-16.9	- 8.9	56.4
Paper & Products (6) ..	+ 8.0	+ 16.9	-14.3	- 3.8	57.2
Tobacco Products (16) ..	+ 3.6	+ 8.3	+ 7.1	+ 1.5	91.6
Miscellaneous (17)	- 6.8	+ 9.6	- 5.8	- .7	66.2
All Firms (199)	- 6.3	+ 22.7	-17.0	- .8	68.4

CROP FORECASTS

The weather in the Fifth district was too dry during August, and curtailed yields of many crops by hastening maturity. The dry weather was favorable for harvesting, however. The accompanying figures show forecasts based on September 1 conditions, 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. Figures for peanuts, commercial apples and peaches are shown this month for the first time this season.

	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	643,000-	1,023,000	798,000

	Corn (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	- 2	18,216,000	18,576,000	15,477,000
Virginia	- 2	33,350,000-	37,740,000	32,199,000
West Virginia	-10	12,116,000-	14,245,000	12,104,000
North Carolina	+ 1	43,475,000-	45,357,000	40,787,000
South Carolina	+12	27,014,000-	24,945,000	21,161,000

	Oats (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 3	1,170,000+	1,083,000	1,407,000
Virginia	+10	1,892,000-	1,680,000	2,389,000
West Virginia	0	1,596,000-	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)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 3	576,000+	518,000	468,000
Virginia	+ 4	1,158,000	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	468,000	502,000	309,000

	White Potatoes (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	- 7	3,276,000-	3,430,000	3,348,000
Virginia	-13	10,243,000-	10,920,000	12,998,000
West Virginia	0	2,720,000-	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

	Sweet Potatoes (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	0	1,200,000-	1,000,000	1,205,000
Virginia	- 3	3,990,000-	5,070,000	4,282,000
North Carolina	+ 1	8,600,000-	8,160,000	7,915,000
South Carolina	+16	5,610,000-	5,130,000	4,898,000

	Tobacco (Pounds)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 7	30,030,000+	25,200,000	25,560,000
Virginia	0	100,115,000+	107,276,000	99,838,000
West Virginia	+17	3,798,000-	3,408,000	3,304,000
North Carolina	- 4	529,590,000	595,530,000	481,939,000
South Carolina	- 7	90,900,000	108,080,000	76,724,000

	Peanuts (Pounds)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Virginia	+ 5	141,300,000	173,650,000	145,288,000
North Carolina	+ 5	262,500,000	278,460,000	228,960,000
South Carolina	+ 9	8,400,000	7,865,000	8,539,000

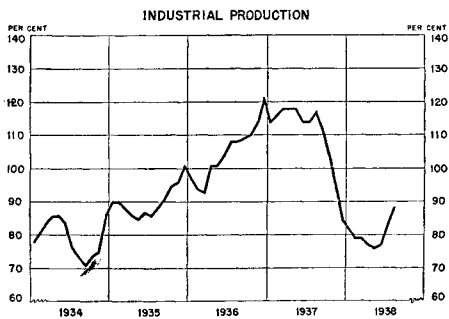
	Commercial Apples (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	1,400,000	1,750,000	1,266,000
Virginia	7,200,000	10,391,000	7,609,000
West Virginia	3,300,000	5,500,000	3,410,000
North Carolina	500,000	875,000	597,000

	Peaches (Bushels)			
	% Change	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	368,000	448,000	374,000
Virginia	1,161,000	1,599,000	767,000
West Virginia	204,000	528,000	299,000
North Carolina	2,232,000	1,984,000	1,813,000
South Carolina	1,515,000	1,080,000	1,095,000

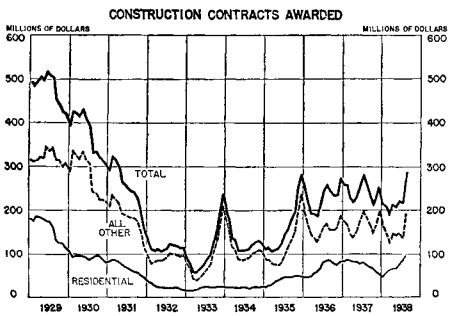
(Compiled September 21, 1938)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

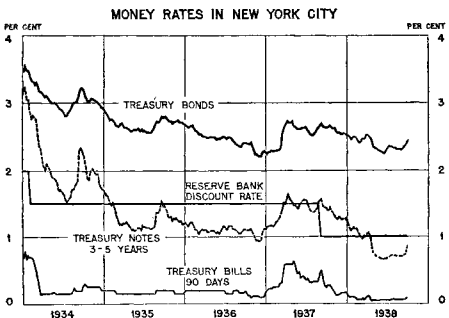
(Compiled by the Board of Governors of the Federal Reserve System)



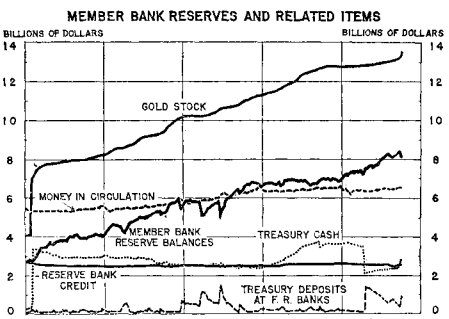
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to August 1938.



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 July and August and estimate for September.



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3-5 year Treasury notes and on Treasury bonds callable after 8 years; and weekly average of daily dealers' quotations on 90-day Treasury bills, or rate on new bills offered in week. For weeks ended January 6, 1934, to September 17, 1938.



Wednesday figures, January 3, 1934, to September 21, 1938.

Industrial activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

PRODUCTION

Volume of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 percent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparation for the shift to new model production. At steel mills, where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 percent of capacity as compared with 35 percent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon were maintained at the high level reached in July. Shoe production showed a further increase and activity at meat-packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced, as wells in Texas were closed on both Saturdays and Sundays, whereas in August only Sunday closings had been required.

Value of construction contracts awarded in 37 Eastern States increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the Public Works Administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937. Commercial building, which had increased in July owing to the award of a contract for a large office building, declined in August to about the level of other recent months.

EMPLOYMENT

Factory employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the summer of 1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

DISTRIBUTION

Distribution of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight-car loadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

COMMODITY PRICES

Prices of silk and rubber showed some advance from the middle of August to the third week of September and there were also increases at the end of the period in nonferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

BANK CREDIT

A heavy inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over \$500,000,000 in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions, excess reserves, which had increased to \$3,130,000,000, were reduced to \$2,740,000,000 on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States Government obligations. Balances held in New York City for foreign banks showed a substantial increase.

MONEY RATES AND BOND YIELDS

The average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to 0.11 percent, compared with 0.05 percent. Yields on high-grade corporate bonds increased slightly.