

# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



RESERVE  
DISTRICT

Federal Reserve Bank, Richmond, Va.

December 31, 1938

	October 1938	November 1938	November 1937	% Change	
				Mo.	Year
Debits to individual accounts (24 cities).....	\$1,330,878,000	\$1,224,102,000	\$1,271,937,000	— 8	— 4
Number of business failures, 5th dist.....	51	51	53	0	— 4
Liabilities in failures, 5th dist.....	\$ 442,000	\$ 320,000	\$ 747,000	—28	—57
Sales, 30 department stores, 5th dist.....	\$ 10,848,373	\$ 10,185,559	\$ 10,442,938	— 6	— 2
Sales, 188 wholesale firms, 5th dist.....	\$ 12,604,000	\$ 11,758,000	\$ 11,755,000	— 7	0
Registrations, new passenger autos.....	8,575	15,638	14,995	+82	+ 4
Value of bldg. permits, 31 cities.....	\$ 8,383,620	\$ 6,729,179	\$ 6,155,315	—20	+ 9
Value of Contracts awarded, 5th dist.....	\$ 34,205,000	\$ 36,928,000	\$ 19,433,000	+ 8	+90
Cotton Consumption, 5th dist. (Bales).....	260,773	287,585	243,550	+10	+18
Tobacco sold in district (Pounds).....	206,215,820	80,433,919	120,254,949	—61	—33
Cash received for tobacco, 5th dist.....	\$ 51,587,098	\$ 16,810,986	\$ 27,924,941	—67	—40
Coal mined, U. S. (Tons).....	35,094,000	35,480,000	36,428,000	+ 1	— 3

RETAIL trade in the Fifth Federal Reserve district in November, as measured by department store sales, was 6 per cent below the volume of trade in October, a seasonal decrease of approximately normal proportions. Unusually mild weather retarded retail sales of wearing apparel in both months. Sales in November 1938 averaged 2 per cent less than sales in November 1937, part of which may be attributed to somewhat lower prices this year. The marked increase in construction work provided for in permits issued and in contracts actually awarded in October continued through November, valuation for city permits in November showing an increase of 9 per cent over November 1937 permits, and contracts awarded gaining 90 per cent over contracts awarded in the corresponding month last year. As in October, most of the large projects for which contracts were awarded in November represented Government work either in whole or in part. Textile mills in the Fifth district operated more extensively in November than in either October of this year or November of last year, cotton consumption gaining 10 per cent over the October figure and 18 per cent over that of November 1937. Automobile sales rose to the highest figure for this year in November, and exceeded November 1937 sales by 4 per

cent. The introduction of new models in October and November played a prominent part in the sharp rise in sales of cars, but a general increase in purchasing power as a result of improved conditions in other lines of business also stimulated automobile sales. Tobacco markets in North Carolina and Virginia sold much less tobacco in November than in October, a normal development after the peak of the marketing season had passed. Coal mined last month exceeded October production by 1 per cent, but lacked 3 per cent of equaling production in November last year. Employment in the Fifth district, which normally tends to decline moderately at this season, appears to have increased to some extent since October, especially in cotton textiles, construction work, and retail distribution. In agriculture crops were all made and harvested before the middle of November. On December 10, in a poll covering all cotton growing sections of the United States, cotton growers voted approval of the Government's quota marketing plan, thereby assuring reasonable control of 1939 production, but flue-cured tobacco growers of the Nation voted against continuation of the quotas, and a week later fire-cured tobacco growers also registered their disapproval.

**RESERVE BANK STATEMENT:** Federal Reserve notes of the Richmond bank in actual circulation declined between November 15 and December 15, an unseasonal decrease probably due to earlier marketing of cotton and tobacco this year than in most years. Other changes in the Reserve bank statement during the month were without special significance.

ITEMS	000 omitted		Dec. 15 1937
	Dec. 15 1938	Nov. 15 1938	
Discounts held .....	\$ 157	\$ 89	\$ 715
Open market paper .....	24	23	23
Industrial advances .....	1,485	1,421	1,783
Government securities .....	120,321	120,321	134,396
Total earning assets .....	\$121,987	\$121,854	\$136,917
Circulation of Fed. Res. notes .....	209,172	212,514	213,210
Members' reserve deposits .....	223,376	230,287	215,121
Cash reserves .....	376,240	385,853	336,357
Reserve ratio .....	76.59	76.84	71.90

**STATEMENT OF 41 REPORTING MEMBER BANKS:** Loans in 41 regularly reporting member banks in 12 Fifth district cities rose slightly between November 16 and December 14, while investments in securities declined by about the same amount. There was a decline in time deposits during the month, incident to withdrawal of funds for holiday shopping, but demand deposits rose a little. During the past year, loans decreased at the reporting banks but all other items except money borrowed rose substantially.

ITEMS	000 omitted		Dec. 15 1937
	Dec. 14 1938	Nov. 16 1938	
Loans & discounts .....	\$242,824	\$240,548	\$254,288
Investments in securities .....	426,905	429,097	394,130
Reserve bal. with F. R. Bank .....	149,180	146,548	129,949
Cash in vaults .....	21,492	17,696	18,574
Demand deposits .....	476,614	475,854	448,555
Time deposits .....	195,305	199,294	191,538
Money borrowed .....	0	200	0

**DEBITS TO INDIVIDUAL ACCOUNTS:** Debits to individual, firm and corporation accounts in 24 Fifth district cities declined 8 per cent in November in comparison with October, approximately the same as the average decrease of 8.8 per cent between these months during the six preceding years. October debits are normally larger be-

CITIES	000 omitted		Nov. 1937	% of Month	Change Year
	Nov. 1938	Oct. 1938			
<b>Maryland</b>					
Baltimore .....	\$ 319,818	\$ 355,242	\$ 347,279	-10	- 8
Cumberland .....	7,356	7,467	8,443	- 1	-13
Hagerstown .....	8,203	8,541	7,827	- 4	+ 5
<b>Dist. of Col.</b>					
Washington .....	257,738	252,503	250,647	+ 2	+ 3
<b>Virginia</b>					
Danville .....	15,734	20,484	15,986	-23	- 2
Lynchburg .....	14,273	14,384	15,061	- 1	- 5
Newport News .....	9,020	8,039	8,450	+12	+ 7
Norfolk .....	47,739	47,626	48,444	0	- 1
Portsmouth .....	4,246	4,183	4,032	+ 2	+ 5
Richmond .....	165,934	211,579	169,243	-22	- 2
Roanoke .....	25,856	25,100	27,343	+ 3	- 5
<b>West Virginia</b>					
Charleston .....	46,024	46,417	56,879	- 1	-19
Huntington .....	16,302	17,303	18,710	- 6	-13
<b>North Carolina</b>					
Asheville .....	11,670	12,283	12,597	- 5	- 7
Charlotte .....	55,111	59,175	58,678	- 7	- 6
Durham .....	36,482	51,058	42,827	-29	-15
Greensboro .....	18,091	18,488	18,856	- 2	- 4
Raleigh .....	40,951	41,141	38,407	0	+ 7
Wilmington .....	10,258	11,607	10,180	-12	+ 1
Winston-Salem .....	43,596	46,835	40,027	- 7	+ 9
<b>South Carolina</b>					
Charleston .....	16,458	16,064	15,983	+ 2	+ 3
Columbia .....	25,354	24,290	28,235	+ 4	-10
Greenville .....	18,392	20,111	18,121	- 9	+ 1
Spartanburg .....	9,496	10,958	9,682	-13	- 2
District Totals ..	\$1,224,102	\$1,330,878	\$1,271,937	- 8	- 4

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

cause quarterly payments fall in that month, and because more tobacco and cotton is marketed than in November.

November 1938 debits were only 4 per cent below those in November 1937, the best comparison with the corresponding month of the preceding year since November last year, when an increase of 2.5 per cent over the November 1936 figure was shown.

**MUTUAL SAVINGS BANK DEPOSITS:** Deposits in 10 mutual savings banks in Baltimore declined during November, as is usual when holiday buying begins. Total deposits in the 10 banks amounted to \$218,613,489 on November 30, compared with \$218,785,221 on October 31, 1938, and \$218,047,433 on November 30, 1937. Seven of the 10 banks showed decreases in deposits in November.

**EMPLOYMENT:** This year comparatively little seasonal unemployment occurred in November and the first half of December, and on the whole employment conditions appear to have improved during that period. Early closing of South Carolina and some North Carolina tobacco markets released a few handlers, but on the other hand textile mills increased operations appreciably in November over October, and most types of construction work increased to some extent. Retailers employed a large number of extra sales people for the holiday trade, and daily output of bituminous coal in November rose about 7 per cent over output in October. The following figures, compiled chiefly by the Bureau of Labor Statistics from reports furnished by a large number of industries, show the trends of employment and payrolls in the Fifth district geographical divisions from October to November, the latest available figures:

STATES	Percentage change from Oct. 1938 to Nov. 1938	
	In number on payroll	In amount of payroll
Maryland .....	+ 0.1	- 2.2
Dist. of Columbia .....	+ 1.6	+ 1.0
Virginia .....	- 1.6	+ 2.9
West Virginia .....	+ 2.5	+ 1.9
North Carolina .....	+ 1.5	+ 0.4
South Carolina .....	+ 2.2	+ 2.4

**COMMERCIAL FAILURES:** The Fifth Reserve district made a better record than the United States in commercial failures in November in comparison with November 1937. Last month there was a decrease of 4 per cent in the number of insolvencies in the district, while in the United States failures showed an increase of 17 per cent over insolvencies in November 1937. In aggregate liabilities involved the district comparison was still more favorable, liabilities in November 1938 declining 57 per cent in comparison with those of November last year, while the National decrease was only 25 per cent. For 11 months this year, the Fifth district registered an increase of 29 per cent in number of failures and a decrease of 21 per cent in liabilities in comparison with 11 months last year, while the United States showed increases of 41 per cent in number of insolvencies and 35 per cent in aggregate liabilities. *Dun & Bradstreet* insolvency figures, which have been revised to include failures occurring under Section 77B of the National Bankruptcy Act, are as follows:

PERIODS	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
November, 1938 .....	51	984	\$ 320,000	\$ 12,302,000
October, 1938 .....	51	997	442,000	13,219,000
November 1937 .....	53	842	747,000	16,400,000
11 Months, 1938 .....	591	11,961	\$7,118,000	\$209,977,000
11 Months, 1937 .....	469	8,481	9,054,000	155,435,000

REGISTRATIONS OF NEW AUTOMOBILES: For the first time in 13 months, registrations of new passenger automobiles in November in the Fifth district were more numerous than registrations in the corresponding month of the preceding year. Substantial increases occurred last month in the District of Columbia and the two Carolinas, while Maryland and Virginia showed small decreases. Sales of new cars in November were nearly double the number of October sales, and were 127 per cent above sales in September 1938, the low point of this year. Sales last month in the Fifth district were larger than in any other month since September 1937. The following figures, compiled by *R. L. Polk & Co.*, of Detroit, show November and 11 months' registration figures for new passenger cars in Fifth district states:

STATES	Nov.	Nov.	% Change	11 Months		% Change
	1938	1937		1938	1937	
Maryland .....	3,102	3,186	- 3	23,904	43,850	-45
Dist. of Col. ...	2,123	1,741	+22	15,801	26,789	-41
Virginia .....	2,985	3,204	- 7	27,438	47,704	-42
West Virginia ..	1,739	2,082	-16	14,726	34,238	-57
North Carolina .	3,586	3,263	+10	28,155	50,359	-44
South Carolina .	2,103	1,519	+38	13,755	25,722	-47
District .....	15,638	14,995	+ 4	123,779	228,662	-46

COAL PRODUCTION: Bituminous coal mined in November totaled 35,480,000 net tons, an increase of 1 per cent over 35,094,000 tons dug in the longer month of October but 3 per cent below production of 36,428,000 tons in November 1937. On a daily basis, output of 1,442,000 tons in November 1938 was 7 per cent above daily production of 1,350,000 tons in October 1938. Total production of bituminous coal this calendar year to December 10 of 317,351,000 tons compares with 419,477,000 tons in 1937 and 501,610,000 tons in 1929 to the same date. Shipments of coal through Hampton Roads to December 10 totaled 15,732,231 tons this year, 19,798,433 tons in 1937, and 20,898,452 tons in 1929.

COTTON TEXTILES: In cotton textiles, probably the chief development in November and the first half of December was increased buying of cotton goods by industrial consumers. Tire manufacturers, for example, stepped up production and required larger supplies of cords and fabrics than in other recent months. Unfinished cloth markets were relatively inactive, and prices on the whole were weak. Activity of cotton mills in the Fifth district increased in November over October, and exceeded the level of operations in November last year. Cotton consumption figures in bales in Fifth district states in November 1938, October 1938, November 1937, and in the first 11 months of this year and last are shown herewith:

MONTHS	No. Carolina	So. Carolina	Virginia	District
November 1938 .....	156,212	118,756	12,617	287,585
October 1938 .....	138,181	109,728	12,864	260,773
November 1937 .....	122,039	108,487	13,024	243,550
11 Months, 1938 .....	1,397,379	1,083,755	123,146	2,609,280
11 Months, 1937 .....	1,760,511	1,379,552	164,309	3,304,372

RAYON: The *Rayon Organon* has revised and improved its method of presenting rayon yarn shipments and stocks, giving data in pounds in addition to the index number previously published. Rayon yarn shipments in November averaged 578 per cent of average daily shipments in 1923-1925, a decline from 689 per cent in October but far above the November 1937 figure of 257

per cent. Poundage shipments of rayon yarn by months in 1938 in comparison with 1937 are presented herewith, together with surplus stocks of yarn on hand at the end of each month:

	Shipments		Stocks	
	1938	1937	1938	1937
January .....	14.7	26.1	59.8	4.0
February .....	17.4	25.2	61.1	3.5
March .....	18.7	27.5	64.3	3.5
April .....	17.1	27.2	65.8	3.4
May .....	16.8	27.2	67.7	3.2
June .....	19.4	27.3	66.9	3.3
July .....	32.4	26.5	53.5	4.6
August .....	36.0	26.8	41.0	6.9
September .....	32.5	20.7	34.3	13.9
October .....	24.5	14.1	35.8	28.4
November .....	21.0	9.4	39.7	44.5
December .....	..	9.1	..	56.8

Source: *Rayon Organon*.

CONSTRUCTION: The value of building permits issued in 31 Fifth district cities declined in November from October, but exceeded the November 1937 figure. Permits were issued last month for work to cost \$6,729,179, a decrease of 20 per cent below the October figure of \$8,383,620, but 9 per cent above \$6,155,315 for November 1937. Twenty-one of the 31 cities reported increased valuation figures in November this year over figures for the same month last year.

Contracts actually awarded for construction work of all kinds in the Fifth Reserve district in November 1938 totaled \$36,928,000, according to figures compiled by *F. W. Dodge Corporation*, the highest figure for any month since June 1937 and the second highest figure since June 1930. Contracts awarded in November 1937 totaled \$19,433,000. Nine contracts of a half million dollars or more each were awarded in the Fifth district in November, the largest being \$1,500,000 for construction of eight apartment houses at Arlington, Virginia, and the second a \$1,250,000 project for a hospital in Washington, D. C. Most of the large projects were for public buildings or public works, the only large industrial contract awarded being one for a tobacco manufacturing plant at Durham, N. C., costing \$500,000.

COTTON: Spot cotton prices on 10 Southern markets declined gradually from an average of 8.71 cents per pound for middling upland on November 11 to 8.30 cents on December 9, but firmed slightly after the latter date and rose to 8.36 cents on December 16. The vote on December 10 whereby cotton growers approved a con-

	Nov. 1938	Nov. 1937	Aug. 1 to Nov. 30 This Year Last Year	
<b>Fifth district states:</b>				
Cotton consumed .....	287,585	243,550	1,081,969	1,086,595
<b>Cotton growing states:</b>				
Cotton consumed .....	503,544	417,040	1,892,461	1,882,023
Cotton on hand Nov. 30 in				
Consuming establishments ..	1,514,440	1,407,707	.....	.....
Storage & compresses .....	15,524,637	11,480,284	.....	.....
<b>United States:</b>				
Cotton consumed .....	596,289	482,976	2,234,510	2,212,086
Cotton on hand Nov. 30 in				
Consuming establishments ..	1,714,264	1,653,651	.....	.....
Storage & compresses .....	15,577,526	11,553,358	.....	.....
Exports of cotton .....	480,788	796,985	1,534,879	2,433,765
Spindles active, U. S. ....	17,026,194	17,374,560	.....	.....

tinuation of the Government's allotment plan of crop control tended to raise cotton prices. The *Commodity Credit Corporation* reports that prior to December 15 a

total of 3,436,000 bales from the 1938 crop was pledged on Government loans, and that total Government loan stocks of cotton now exceed 10,400,000 bales. The Department of Agriculture's final estimate of production for the 1938 cotton crop, 12,008,000 bales, was about in line with trade expectations and had no appreciable influence on the market.

**TOBACCO MARKETING:** South Carolina tobacco markets sold no tobacco in November, all markets having closed previous to that month. Season sales in South Carolina totaled 86,670,522 pounds of producers' tobacco, at \$22.24 per hundred pounds, compared with 101,352,469 pounds sold for \$20.83 per hundred in 1937. North Carolina and Virginia sales figures last month and in November 1937 were as follows:

STATES	Producer's Tobacco Sales, Lbs.		Price per Cwt.	
	Nov. 1938	Nov. 1937	1938	1937
North Carolina .....	51,263,239	90,036,736	\$21.09	\$23.25
Virginia (Flue-cured) .....	28,150,150	29,421,361	20.60	23.50
(Fire-cured) .....	1,020,530	796,852	9.93	9.71

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

	Nov. 1938	Nov. 1937	% Change
Smoking & Chewing Tobacco, Pounds .....	27,747,016	23,797,206	+17
Cigarettes, Number .....	13,505,602,337	12,786,229,523	+6
Cigars, Number .....	515,858,670	492,686,008	+5
Snuff, Pounds .....	3,193,290	3,216,535	-1

#### RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales Nov. 1938 comp. with Nov. 1937	Net Sales Jan. 1 to date comp. with same period last year	Stocks Nov. 30, 1938 comp. with Nov. 30, 1937	Ratio Nov. collections to accounts outstanding Nov. 1
Richmond (3) ..	- 3.5	- 1.0	- 2.2	+16.1
Baltimore (8) .	- 5.9	- 6.5	- 5.8	+ 2.7
Washington (6)	+ 1.4	- 1.8	- 2.3	+ 5.1
Other Cities (13)	- 5.4	- 9.2	- 8.0	+ 4.6
District (30).	- 2.4	- 4.0	- 4.1	+ 5.5

Same stores by States, with 25 stores added:	Nov. 1938	Nov. 1937
Virginia (13) ....	- 4.1	- 2.0
West Virginia (9)	- 7.9	-13.2
North Carolina (8)	+ 2.3	- 6.3
South Carolina (9)	- 3.0	- 8.2

#### WHOLESALE TRADE, 188 FIRMS:

LINES	Net Sales Nov. 1938 compared with Nov. 1937	Net Sales Oct. 1938 compared with Oct. 1937	Stocks Nov. 30, 1938 compared with Nov. 30, 1937	Ratio Nov. collections to accounts outstanding Nov. 1
Shoes (5) .....	+29	-35	-26	-12
Drugs (12) .....	- 4	0	- 8	- 6
Dry Goods (6) .....	- 4	- 8	-33	-10
Electrical Goods (14) ..	+19	+24	-21	- 2
Groceries (67) .....	- 6	- 2	-13	- 1
Hardware (20) .....	- 5	-11	- 3	- 1
Industrial Supplies (12)	+ 2	+ 1	- 5	- 2
Plumb'g & Heating (6)	- 3	-13	- 3	0
Paper & Products (9) ..	- 6	- 9	-17	+ 1
Tob. & Products (12) ..	+ 6	+ 7	0	+13
Miscellaneous (25) ....	0	-11	- 7	- 2
All Firms (188).....	0	- 7	-12	- 3

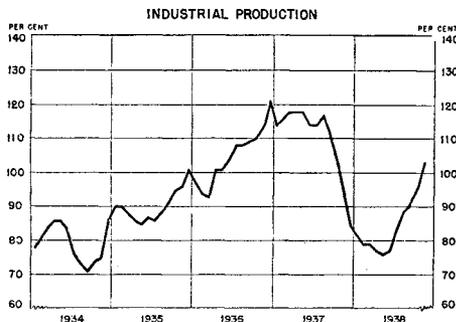
#### AGRICULTURAL CONDITIONS

In the January 31, 1939, issue of the *Monthly Review* we shall publish a table showing 1938 crop yields for the several states in the Fifth Federal Reserve district, in comparison with corresponding figures for some earlier periods.

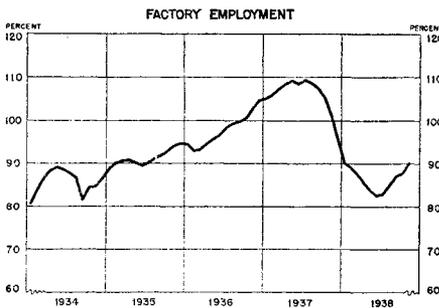
(Compiled December 21, 1938)

## SUMMARY OF NATIONAL BUSINESS CONDITIONS

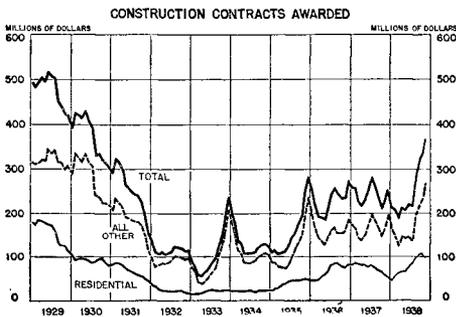
(Compiled by the Board of Governors of the Federal Reserve System)



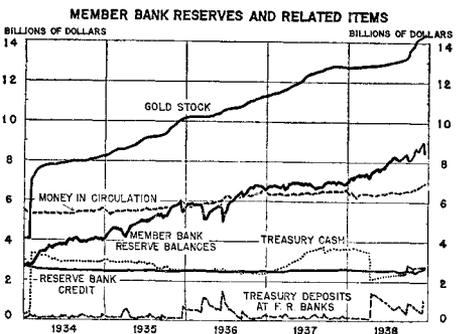
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to November 1938.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to November 1938.



Three-month 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 October and November and estimate for December.



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

The sharp rise in industrial production, which began early last summer, continued in November. Preliminary reports for the first three weeks of December indicate some slowing down in the advance. Employment also increased in November and payrolls showed little change, although a decline is usual at this season. Distribution of commodities to consumers increased considerably.

### PRODUCTION

The Board's seasonally adjusted index of industrial production in November rose to 103 percent of the 1923-1925 average from 96 percent in October. Output of steel continued to increase, contrary to the seasonal trend, and there was a further sharp rise in automobile production. In the first three weeks of December activity at steel mills declined somewhat more than seasonally, while output of automobiles continued at the high level reached at the end of November. Lumber production in November decreased by more than the usual seasonal amount. In the nondurable goods industries, shoe production declined seasonally, while output of textiles showed a considerable expansion, with increased activity at cotton, wool, and silk mills. At mines, bituminous coal output increased further and production of anthracite showed less than the usual seasonal decline. Output of petroleum showed little change.

Value of construction contracts awarded in November showed a decline from the high level reached in October, according to F. W. Dodge figures for 37 Eastern States. Private and public projects both declined, following increases in October. The decline in contracts for private residential building was less than seasonal.

### EMPLOYMENT

Employment increased somewhat further and payrolls showed little change between the middle of October and the middle of November, although declines are usual at this time of year. In manufacturing the number employed continued to rise, reflecting principally a further sharp increase at automobile factories and substantial increases in the machinery, steel, and textile industries. Employment declined seasonally at establishments producing clothing and shoes; in most other industries employment increased somewhat. In lines other than manufacturing, employment showed some increase, when allowance is made for usual seasonal changes.

### DISTRIBUTION

Distribution of commodities to consumers showed a considerable increase in November. Department store sales and mail order sales, which had been retarded in October by unseasonably warm weather, rose sharply, and sales at variety stores also increased in November. Sales of automobiles to consumers expanded sharply following the introduction of new models and in November were larger than a year earlier.

Freight-car loadings, which had increased considerably in previous months, showed a slightly less than seasonal decline in November.

### COMMODITY PRICES

Prices of some industrial materials, such as nonferrous metals, hides, and cotton goods, decreased somewhat from the middle of November to the third week of December. Sugar prices also declined, while grains advanced somewhat. Prices of most other agricultural and industrial commodities continued to show little change.

### BANK CREDIT

In connection with pre-holiday trade, there was a sharp increase in money in circulation and as the result of this increase in the demand for currency, together with Treasury operations around December 15, there was a temporary decline in member bank reserves.

Following declines during November, total loans and investments of reporting member banks in 101 leading cities increased during the first three weeks of December, largely reflecting operations of the Treasury. Loans to security dealers by New York banks increased sharply, reflecting temporary borrowing for the purpose of carrying Government securities exchangeable for new issues on December 15. Adjusted demand deposits rose to a new high level in the first half of December.