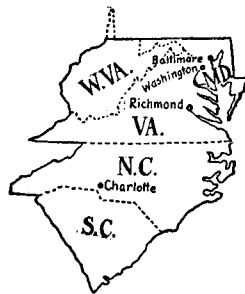


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

August 31, 1939

Summary of July Business Conditions

JULY is a between-seasons month, and trade and industry in many lines tend to decline to approximately the year's low levels, but business in July this year continued substantially above July 1938, and some of the seasonal declines were smaller than usual.

Employment in July and early August showed some seasonal drop in industry, but held up unusually well in coal mining and rose in construction and tobacco warehouses. Textile mills restricted operations about 7 per cent in July to give vacations to employees and to overhaul machinery and take inventories. Coal mines, busy bringing depleted reserves back to normal, dug 6 per cent more coal than in June. Building permits issued in the Fifth district last month were 15 per cent above those issued in the preceding month of June, and contract awards, while lower than in June, were higher than in any other July since 1930. Tobacco markets which opened in the South Carolina belt early in August gave employment to several hundred warehouse workers and handlers.

TRADE DECLINES SEASONALLY

Debits to individual accounts, reflecting transactions passing through the banks of 24 Fifth district cities, were 5 per cent less in July than in June, a slightly more than normal decrease. Sales by department stores fell 32 per cent in July below June sales, a drop of approximately seasonal proportions, and retail furniture sales declined 11 per cent in the same period. Automobile sales, which in

most years show a material decline in July, held up well this year, actually exceeding June sales in both Carolinas and probably in West Virginia. At wholesale, 205 firms in leading lines sold an average of 4 per cent less than in June, but wholesale shoe sales registered a 60 per cent seasonal increase in July.

Commercial failures were fewer in July than in either June this year or July last year, and liabilities also declined last month from the June total, but were higher than liabilities in July 1938.

TEXTILE POSITION IMPROVES

Demand for cotton textile products moderately increased in July, and improved prices for some cloths together with lower cotton prices widened mill margins. The rayon industry was very active in July, and shipments of filament yarn to fabricators exceeded output sufficiently to reduce reserve stocks of yarn by 23 per cent during the month.

CROP CONDITIONS AVERAGE, OR BETTER

Weather in the Fifth district was generally too dry in May and June, but in July and early August rains were sufficient for all needs and on August 1 crops were in excellent condition, especially in the lower half of the district. Prospective production figures for this year are tabulated at the end of the *Review*.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	July 1939	June 1939	July 1938	% Change	
				Mo.	Year
Debits to individual accounts (24 cities).....	\$1,221,748,000	\$1,290,739,000	\$1,133,054,000	— 5	+ 8
Sales, 30 department stores, 5th district.....	\$ 6,193,095	\$ 9,143,340	\$ 6,139,736	— 32	+ 1
Sales, 38 furniture stores, 5th district.....	\$ 962,894	\$ 1,084,706	\$ 811,409	— 11	+ 19
Sales, 205 wholesale firms, 5th district.....	\$ 11,667,000	\$ 12,115,000	\$ 10,384,000	— 4	+ 12
Registrations, new autos, 5th district.....	19,962	18,177	11,704	+ 10	+ 71
Number of business failures, 5th district.....	35	36	56	— 3	— 38
Liabilities in failures, 5th district.....	\$ 486,000	\$ 714,000	\$ 440,000	— 32	+ 10
Value of building permits, 30 cities.....	\$ 13,596,301	\$ 11,799,132	\$ 6,949,405	+ 15	+ 96
Value of contracts awarded, 5th district.....	\$ 35,117,000	\$ 46,154,000	\$ 21,560,000	— 24	+ 63
Cotton consumption, 5th district (Bales).....	255,264	274,367	225,665	— 7	+ 13
Cotton price, ¢ per lb., end of month.....	9.28	9.33	8.63	— 1	+ 8
Print cloths, 38½ in., 64x60s, end of month.....	4.75	4.63	4.75	+ 3	0
Rayon yarn shipments, U. S. (Pounds).....	32,900,000	33,000,000	31,900,000	0	+ 3
Rayon yarn stocks, U. S. (Pounds).....	25,000,000	32,600,000	53,600,000	— 23	— 53
Soft coal mined, U. S. (Tons).....	29,490,000	27,900,000	23,367,000	+ 6	+ 26

RESERVE BANK OPERATIONS

Between July 15 and August 15, 1939, there was a seasonal increase in circulation of Federal Reserve notes incident to opening of auction tobacco markets in the South Carolina belt. Increases in member bank reserve deposits and in the Reserve bank's cash reserves also occurred, but earning assets declined, chiefly due to maturity of short term Treasury bills on which earnings were negligible.

RESERVE BANK STATEMENT ITEMS

ITEMS	Fifth District		
	Aug. 15 1939	July 15 1939	Aug. 15 1938
		000 omitted	
Discounts held	\$ 560	\$ 525	\$ 919
Foreign loans on gold	87	87	0
Open market paper	23	24	23
Industrial advances	1,067	1,153	1,479
Government securities	137,064	140,527	127,224
Total earning assets	\$138,801	\$142,316	\$129,645
Circulation of Fed. Res. notes	202,007	196,706	195,186
Members' reserve deposits	257,993	243,945	223,113
Cash reserves	377,097	364,133	339,717
Reserve ratio	74.01	72.16	73.52

LOANS AND INVESTMENTS RISE

Forty-one reporting member banks in 12 Fifth district cities reported moderate increases in loans and investments between July 12 and August 9 this year, and on the latter date both items were substantially larger than on August 10 last year. Reserve balances and demand deposits also rose during the past month, and on August 9 were far above figures a year ago.

SELECTED ITEMS—41 REPORTING BANKS

ITEMS	Fifth District		
	Aug. 9 1939	July 12 1939	Aug. 10 1938
		000 omitted	
Loans & discounts	\$245,316	\$241,625	\$229,385
Investments in securities	431,633	427,173	377,223
Reserve bal. with F. R. Bank	169,311	156,071	147,415
Cash in vaults	20,411	21,631	18,425
Demand deposits	494,508	488,948	439,826
Time deposits	200,308	200,133	198,683
Money borrowed	0	0	0

MUTUAL SAVINGS SHOW SUMMER DECLINE

Deposits in 10 mutual savings banks in Baltimore decreased from \$220,303,545 on June 30 to \$219,774,904 on July 31, but on the latter date exceeded deposits totaling \$217,975,431 on July 31, 1938. A small decline in mutual savings banks deposits usually occurs in July because of vacation withdrawals.

FAILURES AND LIABILITIES DECLINE

Commercial insolvencies for the Fifth district and the United States were reported by *Dun & Bradstreet* as follows:

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1939	35	917	\$ 486,000	\$ 14,150,000
June 1939	56	952	714,000	11,609,000
July 1938	56	1,038	440,000	14,761,000
7 months, 1939	366	7,480	\$4,151,000	\$107,833,000
7 Months, 1938	374	8,099	5,174,000	153,733,000

EMPLOYMENT BETTER THAN SEASONAL

Changes in employment probably about offset each other in July, whereas usually some net decrease occurs.

Industrial employment declined moderately in July and early August, many plants having reduced hours or closed a few days for inventory taking and machinery overhauling.

Coal mining, at a low level in mid-summer in most years, continued near the winter scale in July because of

the necessity for rebuilding reserve stocks which were depleted in April and May.

Opening of tobacco markets in South Carolina and border North Carolina towns gave seasonal employment to several hundred warehouse workers, and the demand for construction workers continued to expand.

The following figures, compiled for the most part by the Bureau of Labor Statistics, show the trends of employment and payrolls in the Fifth district from June to July:

STATES	Percentage change from June 1939 to July 1939	
	In number on payroll	In amount of payroll
Maryland	+ 0.8	+ 0.8
Dist. of Columbia	- 3.2	- 3.5
Virginia	- 0.1	- 0.6
West Virginia	- 0.5	- 6.9
North Carolina	+ 1.9	+ 2.8
South Carolina	- 0.2	+ 0.1

DEBITS FALL MORE THAN SEASONALLY

Debits to depositors' accounts in 24 Fifth district cities in July declined 5 per cent from June figures, a seasonal decrease but of slightly larger proportions than usual. All 24 cities declined except Lynchburg, Raleigh, Greenville and Spartanburg. In comparison with July 1938 debits, those for July 1939 rose an average of 8 per cent, all cities increasing except five.

DEBITS TO INDIVIDUAL ACCOUNTS

24 CITIES	Fifth District			% of Change Month	Change Year
	July 1939	June 1939	July 1938		
		000 omitted			
Maryland					
Baltimore	\$ 346,938	\$ 368,367	\$ 324,984	- 6	+ 7
Cumberland	8,878	8,837	7,950	0	+ 12
Hagerstown	8,962	9,223	9,099	- 3	- 2
Dist. of Col.					
Washington	266,293	294,531	242,216	- 10	+ 10
Virginia					
Danville	7,380	7,525	7,560	- 2	- 2
Lynchburg	15,380	13,823	15,797	+ 11	- 3
Newport News	9,023	9,794	7,701	- 8	+ 17
Norfolk	48,264	50,629	43,230	- 5	+ 12
Portsmouth	4,072	4,671	4,225	- 13	- 4
Richmond,	143,081	148,304	136,686	- 4	+ 5
Roanoke	25,853	26,784	23,602	- 3	+ 10
West Virginia					
Charleston	45,197	46,403	46,226	- 3	- 2
Huntington	15,440	15,761	14,442	- 2	+ 7
Parkersburg	10,145*	9,756*	.....	+ 4	..
North Carolina					
Asheville	11,810	12,106	11,308	- 2	+ 4
Charlotte	59,292	60,558	50,616	- 2	+ 17
Durham	29,503	32,033	27,936	- 8	+ 6
Greensboro	18,430	19,612	15,494	- 6	+ 19
Raleigh	41,713	40,438	38,628	+ 3	+ 8
Wilmington	10,373	11,386	9,894	- 9	+ 5
Winston-Salem ..	37,257	39,689	34,772	- 6	+ 7
South Carolina					
Charleston	15,757	17,987	15,003	- 12	+ 5
Columbia	24,901	25,322	22,654	- 2	+ 10
Greenville	18,298	17,718	15,095	+ 3	+ 21
Spartanburg	9,653	9,238	7,936	+ 4	+ 22
District Totals ..	\$1,221,748	\$1,290,739	\$1,133,054	- 5	+ 8

Note: Parkersburg, W. Va., not included in totals.

AUTOMOBILE SALES LARGE

Sales of new automobiles in the Fifth district held up better than seasonally in July and continued far above sales in the corresponding period last year. West Virginia's apparent gain of 155 per cent in July 1939 is not accurate, since it contains many registrations which were filed but could not be cleared in June. Combined registrations in that state for June and July show an increase of 55 per cent over figures for the same two months last year. Total sales in the district in the first seven months

of 1939 were exactly 50 per cent greater than sales in the first seven months of 1938. The following registration figures for new cars were furnished by *R. L. Polk & Co.*, of Detroit:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	July 1939	July 1938	% Change	7 Months 1939	7 Months 1938	% Change
Maryland	3,330	2,214	+ 50	23,976	15,799	+52
Dist. of Col.	2,095	1,413	+ 48	16,170	10,712	+51
Virginia	3,797	2,435	+ 56	25,853	18,901	+37
West Va.	3,393*	1,332	+155	13,939	10,123	+38
No. Carolina ...	4,928	3,094	+ 59	27,347	17,774	+54
So. Carolina ...	2,419	1,216	+ 99	15,330	8,480	+81
District	19,962	11,704	+ 71	122,615	81,789	+50

* West Virginia figures for July 1939 contain a large number of registrations which were filed but not cleared in June.

CONSTRUCTION CONTINUES STRONG

Building permits issued in 30 cities in July totaling \$13,596,301 showed increases of 15 per cent over \$11,799,132 in June this year and 96 per cent over \$6,949,405 in July last year, 19 of the 30 cities reporting higher figures last month than a year ago. Washington led in July 1939 valuation with \$6,255,495, Huntington was second with \$1,933,967, and Richmond third with \$1,492,656.

Contracts awarded in the district in July totaling \$35,117,000 were 24 per cent less than awards of \$46,154,000 in June 1939, but 63 per cent above \$21,560,000 in July 1938 awards. Figures collected by the *F. W. Dodge Corporation* by states for July 1939 and 1938 on construction contracts awarded are as follows:

BUILDING CONTRACTS AWARDED

STATES	July 1939	July 1938	% Change
Maryland	\$ 6,024,000	\$ 5,183,000	+ 16
Dist. of Col.	5,871,000	2,395,000	+145
Virginia	8,814,000	7,120,000	+ 24
West Virginia	6,137,000*	1,799,000*	+241
North Carolina	7,014,000	2,932,000	+139
South Carolina	2,076,000	2,382,000	- 13
Fifth District	\$35,936,000	\$21,811,000	+ 65

* Includes some contracts outside Fifth district.

RESTOCKING AIDS COAL OUTPUT

In order to rebuild stocks of coal which were depleted during the April and May shut-down, mines in July continued to produce more coal than was consumed. Production of 29,490,000 net tons of bituminous coal in July 1939 was 5.7 per cent above June output of 27,900,000 tons and 26.2 per cent above July 1938 tonnage of 23,367,000 tons. In this calendar year to July 31, production of 190,747,000 tons exceeded 174,001,000 tons last year by 9.6 per cent.

Shipments of coal through Hampton Roads ports were relatively large in June and July, and total shipments this calendar year to August 12 amounted to 11,075,675 tons, against 9,966,447 tons shipped to the same date last year.

POSITION OF COTTON TEXTILES IMPROVED

A seasonal reduction in textile mill operations in July in combination with increased demand for many textile products improved the position of the industry. Some increases in prices of several constructions occurred in July, and the entire list was firmly maintained. Cotton prices declined and widened mill margins from 9.84 cents in June to 10.52 cents in July. At the end of the 1938-1939 cotton season, mill sales of cloth and yarn were running about equal to output, with stocks of cotton textiles in channels of distribution comparatively small. Neither retailers nor wholesalers are disposed to increase stocks

materially, depending instead on frequent buying for immediate needs.

Consumption of cotton by states in the Fifth district in July 1939, June 1939, and July 1938, in bales, is shown below:

COTTON CONSUMPTION

MONTHS	Fifth District			
	—Bales—			
	No. Carolina	So. Carolina	Virginia	District
July 1939	143,266	100,757	11,241	255,264
June 1939	147,640	117,442	9,285	274,367
July, 1938	119,305	93,542	12,818	225,665
7 Months, 1939	1,066,266	805,797	78,790	1,950,853
7 Months, 1938	820,600	630,075	76,636	1,527,311

LARGE RAYON DELIVERIES EXCEED PRODUCTION

Shipments of rayon filament yarn to domestic consumers in July totaled 32,900,000 pounds as compared with 33,000,000 pounds shipped in June and 31,900,000 pounds in July 1938, according to figures given in the August issue of *Rayon Organon*. Shipments in July materially exceeded production, and manufacturers' stocks of yarns declined from 32,600,000 pounds to 25,000,000 pounds during the month. On July 31, 1938, stocks totaled 53,600,000 pounds. One of the large rayon producers has been tied up since August 5 by a strike, thus further constricting an already tight yard market. *Rayon Organon* attributes the active demand for rayon yarn to (1) a seasonal upswing in fabricators' mill activity, (2) the current silk price situation, and (3) an improved outlook for general business for the remainder of this year.

COTTON PRICES EASIER

Spot cotton prices on 10 Southern markets were lower between the middle of July and the middle of August than in the preceding month, the price tension created in June having been relaxed by withdrawal of approximately 400,000 bales of cotton from Government loan stocks. In recent weeks the average price for middling grade upland cotton dropped from 9.58 cents per pound on June 23 to 8.95 cents on August 18, the latest date for which official quotations are available.

The first condition report on the 1939 crop estimated probable yield at 11,412,000 equivalent 500-lb. bales, a decline of 4.4 per cent below 1938 production of 11,943,000 bales, but substantially above combined domestic and export takings of cotton during the 1938-1939 year. In addition, the new crop faces a carry-over of 13,032,611 bales of cotton in the United States from earlier crops, but if plans for exporting cotton can be carried out the pressure of the surplus may be materially lightened. In the Fifth district, production estimates for 1939 are much higher than last year's production, actual figures being shown elsewhere in this *Review*.

COTTON CONSUMED AND ON HAND

	(Bales)			
	July 1939	July 1938	Year Ended Aug. 1	This Year Last Year
Fifth district states:				
Cotton consumed	255,264	225,665	3,299,472	2,822,601
Cotton growing states:				
Cotton consumed	442,138	381,164	5,813,404	4,880,644
Cotton on hand July 31 in				
Consuming establishments ..	681,708	1,036,748	.....	.....
Storage & compresses	11,586,745	9,569,117	.....	.....
United States:				
Cotton consumed	521,405	448,453	6,860,246	5,747,978
Cotton on hand July 31 in				
Consuming establishments ..	831,656	1,262,532	.....	.....
Storage & compresses	11,620,955	9,645,907	.....	.....
Exports of cotton	106,531	195,706	3,326,840	5,598,415
Spindles active, U. S.	21,915,363	21,915,394	.....	.....

AUCTION TOBACCO MARKETS OPEN

Tobacco markets in South Carolina and border towns in North Carolina opened on August 3. While official averages have not been issued, unofficial figures indicate that prices were approximately 26 per cent below opening prices in 1938. However, farmers turned few tickets, and on the whole appeared to feel that prices were as high as could be expected. If the present relation of 1939 and 1938 prices holds during the season, gross receipts by growers of tobacco will probably exceed last year's receipts, since the 1939 crop in the Fifth district is forecast 33 per cent above the 1938 yield, while opening prices were down less than that figure. Some improvement in prices was registered in August in the Carolinas over those paid in July in Georgia and Florida.

TOBACCO MANUFACTURING DECLINES SEASONALLY

The Bureau of Internal Revenue report shows tobacco products manufactured in July 1939 and 1938. As usual, all figures for last month were lower than corresponding figures for June 1939, but cigarette and cigar production exceeded production in July last year.

TOBACCO PRODUCTS MANUFACTURED

	July 1939	July 1938	% Change
Smoking & chewing tobacco, pounds	23,674,676	24,812,074	- 5
Cigarettes, number	14,259,801,810	13,784,357,840	+ 3
Cigars, number	427,533,137	420,510,372	+ 2
Snuff, pounds	2,571,218	2,731,960	- 6

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

	Net Sales July 1939	Net Sales Jan. 1 to date	Stocks July 31, 1939	Ratio July collections
	comp. with July 1938	compared with same period last year	July 1938	to accounts outstanding July 1
Richmond (3) ...	-.5	+ 2.4	+ 7.5	-.5
Baltimore (8) ...	+.7	+.7	- 6.1	-13.4
Washington (6) ...	+ 1.0	+ 4.0	+ 2.8	- 5.9
Other Cities (13) ...	+ 2.9	+ 3.8	+10.2	- 6.2
District (30) ..	+.9	+ 2.6	+ 1.0	- 7.9
Same stores by states, with 28 stores added:				
Virginia (13) ...	+ 1.6	+ 3.0	...	...
West Va. (10) ...	+ 2.2	+ 1.9	...	...
No. Carolina (8) ...	+ 1.9	-.2	...	...
So. Carolina (12) ...	+ 6.7	+16.4	...	...

RETAIL FURNITURE SALES

STATES	% Change in Sales, July and 7 Months 1939	
	Compared with July 1938	Compared with 7 Months 1938
Maryland, 10 stores	+18	+ 3
Dist. of Col., 7 stores	+18	+ 4
Virginia, 10 stores	+13	+10
North Carolina, 3 stores	+ 9	+ 9
South Carolina, 7 stores	+20	+22
District, 38 stores*	+19	+ 7
Individual cities:		
Baltimore, 10 stores	+18	+ 3
Columbia, 3 stores	+29	0
Richmond, 5 stores	+ 4	+ 3
Washington, 7 stores	+18	+ 4

* Totals include one W. Va. store.

LINES

WHOLESALE TRADE, 205 FIRMS

LINES	Net Sales July 1939 compared with July 1938		Stocks July 31, 1939 compared with July 31, 1938		Ratio July collections to accounts outstanding July 1
	July 1938	June 1939	July 1938	June 1939	
Auto Supplies (9)	+13	- 6	+11	+ 2	66
Shoes (5)	+46	+60	+19	+27	56
Drugs (11)	+ 5	- 1	+ 1	+ 2	79
Dry Goods (8)	+ 6	-14	- 6	+23	38
Electrical Goods (19) ..	+47	-10	+27	- 2	71
Groceries (66)	+ 3	- 5	+ 5	+ 5	89
Hardware (18)	+14	-16	+ 6	+10	41
Indus. Supplies (11) ...	+26	- 5	- 3	- 2	60
Paper & Products (9) ..	+ 5	- 5	-12	- 1	59
Tobacco & Products (8) ..	+ 6	-10	- 5	0	84
Miscellaneous (41)	+ 5	- 5	- 3	- 2	65
Average, 205 Firms ..	+12	- 4	+ 5	+ 7	64

CROP FORECASTS

The following figures show forecasts of production based on August 1 conditions, compared with yields in 1938 and in the 10-year period 1928-1937, and percentage changes in acreage this year over or under 1938. Yield figures marked (+) were raised between July 1 and August 1, and those marked (-) were lowered.

COTTON (BALES)

	% Change Acreage	Yield 1939	Yield 1938	Yield 1928-1937
Virginia	-15	20,000	12,000	40,000
North Carolina	-11	489,000	388,000	702,000
South Carolina	0	810,000	648,000	827,000

WHEAT (BUSHELS)

Maryland	-18	7,334,000	9,420,000	8,419,000
Virginia	-10	7,946,000+	8,526,000	8,764,000
West Virginia	-10	2,030,000	2,340,000	1,983,000
North Carolina	-10	4,972,000	5,440,000	4,496,000
South Carolina	+14	2,013,000	1,771,000	1,054,000

CORN (BUSHELS)

Maryland	+ 1	17,710,000	18,537,000	15,617,000
Virginia	0	36,166,000+	34,775,000	32,225,000
West Virginia	+ 1	13,978,000+	12,640,000	12,384,000
North Carolina	- 1	48,360,000+	46,398,000	41,355,000
South Carolina	- 5	25,433,000+	26,767,000	21,335,000

OATS (BUSHELS)

Maryland	+ 5	1,161,000	1,312,000	1,364,000
Virginia	+10	2,020,000+	1,978,000	2,237,000
West Virginia	-15	1,387,000	1,806,000	2,218,000
North Carolina	+ 4	5,786,000	5,566,000	3,906,000
South Carolina	+ 7	11,750,000	10,648,000	8,488,000

HAY (TONS)

Maryland	+ 1	503,000+	543,000	464,000
Virginia	+ 1	967,000+	1,138,000	916,000
West Virginia	+ 1	654,000	802,000	645,000
North Carolina	- 1	810,000	863,000	654,000
South Carolina	+ 1	447,000+	431,000	338,000

IRISH POTATOES (BUSHELS)

Maryland	- 4	2,225,000-	2,990,000	3,257,000
Virginia	0	7,031,000-	10,349,000	12,352,000
West Virginia	- 3	2,635,000+	2,720,000	3,109,000
North Carolina	+10	8,091,000-	8,690,000	8,028,000
South Carolina	+17	3,108,000	2,784,000	2,476,000

SWEET POTATOES (BUSHELS)

Maryland	0	1,200,000-	1,040,000	1,156,000
Virginia	0	4,080,000+	3,570,000	4,255,000
North Carolina	0	8,910,000+	8,748,000	7,896,000
South Carolina	+ 5	6,900,000+	6,468,000	4,965,000

TOBACCO (POUNDS)

Maryland	+ 1	27,667,000+	29,250,000	25,217,000
Virginia	+16	126,310,000+	98,996,000	98,075,000
West Virginia	- 6	2,175,000+	2,208,000	3,400,000
North Carolina	+21	715,540,000+	516,850,000	493,927,000
South Carolina	+20	118,750,000-	98,800,000	79,624,000

APPLES, COMMERCIAL (BUSHELS)

Maryland .....	..	1,550,000	1,419,000	1,331,000
Virginia .....	..	7,800,000	7,268,000	8,153,000
West Virginia .....	..	4,000,000	3,227,000	3,576,000
North Carolina .....	..	580,000	480,000	657,000

PEANUTS (POUNDS)

Virginia	+ 5	181,500,000	146,010,000	148,630,000
North Carolina	+ 5	285,200,000	249,075,000	238,750,000
South Carolina	+ 6	10,875,000	9,100,000	8,517,000

(Compiled August 21, 1939)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

In July industrial activity, seasonally adjusted, rose sharply and was close to the level reached last December. Prices of some industrial materials increased in recent weeks while those for agricultural products continued to decline.

PRODUCTION

The Board's index of industrial production, according to preliminary returns, advanced to 102 percent of the 1923-1925 average in July as compared with 98 in June and 92 in April and May. The advance in July reflected chiefly a considerable further increase in output of iron and steel, which usually declines at this season. Steel ingot production rose from an average rate of 52 percent of capacity in June to 57 percent in July and in the first three weeks of August was maintained around 60 percent which for the month would represent about the usual seasonal increase. Lumber production showed little change in July, although a decline is usual.

In the automobile industry output showed a sharp seasonal curtailment during July and the first half of August, reflecting preparations for the shift to new model production which will be made about a month earlier this year than in other recent years. Retail sales of new cars continued in excess of production and dealers' stocks were greatly reduced. Plate glass production declined sharply in July, following a substantial increase in June.

Changes in output of nondurable manufactures in July were largely of a seasonal nature. At cotton textile mills and meat-packing establishments activity showed somewhat less than the usual declines and at sugar refineries output increased from the low level reached in June. Flour production continued in substantial volume.

Mineral production expanded further in July as output of bituminous coal continued to increase and petroleum production, which had been reduced in June, rose sharply. On August 14 the Texas Railroad Commission ordered a shutdown of most Texas oil wells for 15 days, beginning August 15, and subsequently similar shutdowns were ordered in several other important oil producing States.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in July, owing principally to a small rise in contracts for public projects. Awards for residential work, both public and private, were practically unchanged from the June total.

EMPLOYMENT

Factory employment, which usually declines in July, was maintained this year at about the June level and payrolls showed a less than seasonal decrease, according to reports from a number of leading industrial States.

DISTRIBUTION

Sales at department and variety stores in July showed about the customary seasonal decline. In the first half of August department store sales increased.

Freight-car loadings increased further from June to July. Loadings of coal continued to expand and shipments of miscellaneous freight, which usually decline at this season, showed little change.

COMMODITY PRICES

Prices of most farm products and foods declined from the beginning of July to the middle of August. Some industrial materials, principally steel scrap, nonferrous metals, and textile fabrics, showed advances in this period, while crude petroleum prices were reduced.

AGRICULTURE

On August 1 prospects for major crops were about the same as a month earlier, according to the Department of Agriculture. The first official estimate on cotton indicated a crop of 11,400,000 bales, somewhat smaller than last year's crop and 2,400,000 bales less than the 1928-1937 average. World carryover of American cotton, however, was estimated to have been somewhat larger on August 1 than the record volume of a year ago.

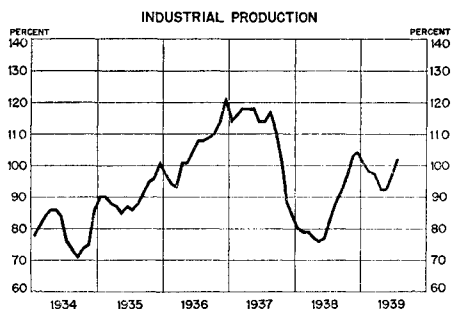
BANK CREDIT

Total loans and investments of member banks in 101 leading cities increased substantially during the four weeks ending August 9, reflecting chiefly increases in holdings of United States Government obligations and the purchase by New York banks of a large share of a new issue of New York State short-term notes. Commercial loans continued to increase at New York banks but declined at banks in 100 other leading cities as corn and cotton loans that were approaching maturity were taken over by the Commodity Credit Corporation in accordance with a standing agreement. Deposits at reporting banks remained at high levels.

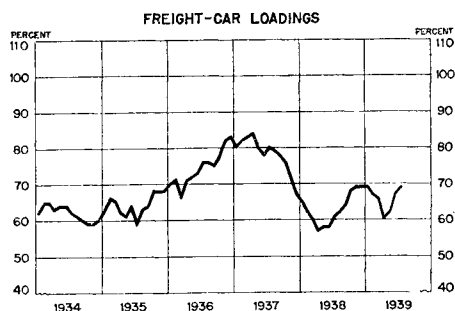
Excess reserves of member banks increased further to new high levels in the latter part of July and the first half of August, owing principally to gold imports and net Treasury disbursements, partly offset by a reduction in Federal Reserve bank holdings of Treasury bills.

MONEY RATES

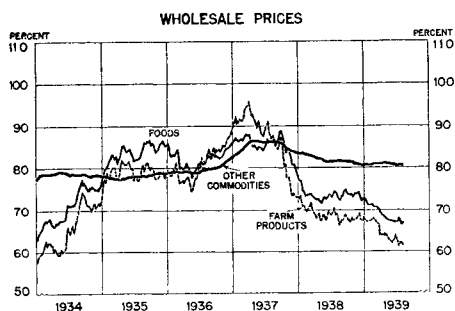
The average rate on new issues of 90-day Treasury bills has increased slightly in recent weeks and on August 10 was 0.032 percent. Prices of Treasury bonds showed little change from the middle of July to the middle of August.



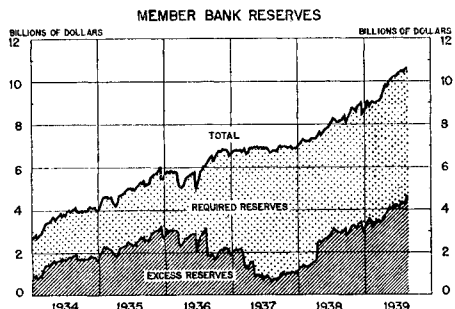
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average =100. By months, January 1934 to July 1939.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average =100. By months, January 1934 to July 1939.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending August 12, 1939.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934, to August 16, 1939.