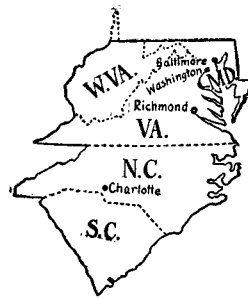


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

September 30, 1939

Summary of August Business Conditions

THE total volume of trade and industry in the Fifth Federal Reserve district was fully up to seasonal level in August, although one or two indicators lagged slightly for special reasons. Since the beginning of September, war in Europe has had several concrete effects on business, among them being heavy buying of textiles, suspension of auction tobacco sales, and some accumulation of inventories.

Distribution of goods in August showed a substantial rise over July, much of which was seasonal. Sales in representative department stores rose 20 per cent above sales in the preceding month, and were also 6 per cent larger than sales in August last year. Due chiefly to the customary August sales, furniture sales at retail advanced by 41 per cent over sales in July, and in addition rose 7 per cent over August 1938 sales. Wholesale trade increased 22 per cent in August in comparison with July, and was 7 per cent above trade in August last year. Sales of new automobiles in August exceeded sales in the same month last year by 45 per cent, but declined somewhat more than seasonally from July sales, buyers beginning to wait for new models earlier than usual this year.

INDUSTRIAL ACTIVITY EXPANDS

In industry, cotton textile mills expanded operations around 17 per cent in August; rayon mills, except for one which was tied up by a strike, ran full time and

shipped nearly as much yarn as in July; tobacco manufacturers sharply increased output of all their products; and bituminous coal operators mined a very heavy tonnage for this season. Cotton mills have sufficient orders on hand to keep them running for a number of weeks, and the demand for rayon is so strong that producers have reduced stocks to a relatively low figure and are beginning to readjust base prices upward.

CONSTRUCTION AND EMPLOYMENT HOLD UP

Construction continues at recent high levels, although the value of permits issued and contracts awarded in August were both smaller than July figures. However, both July figures were comparatively high. A continuation of construction on a large scale, with increased activity in many lines, is keeping employment up and is increasing the number of workers in some fields.

AUCTION TOBACCO MARKETS SUSPEND

The only outstanding development of an unfavorable nature in the district in the past month was the necessity of closing auction tobacco markets early in September to prevent price demoralization as a result of the retirement of export buyers. With a very large crop of tobacco to be sold, this first direct result of the European conflict is extremely serious to tobacco growers in North Carolina and Virginia, and to all lines of business in the tobacco growing sections of those states.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	August 1939	July 1939	August 1938	% Change	
				Month	Year
Debits to individual accounts (24 cities).....	\$ 1,218,844,000	\$ 1,221,748,000	\$ 1,125,303,000	0	+ 8
Sales, 30 department stores, 5th district.....	\$ 7,409,362	\$ 6,193,095	\$ 6,965,642	+20	+ 6
Sales, 37 furniture stores, 5th district.....	\$ 1,324,494	\$ 941,894	\$ 1,238,416	+41	+ 7
Sales, 189 wholesale firms, 5th district.....	\$ 12,664,000	\$ 10,367,000	\$ 11,831,000	+22	+ 7
Registrations, new autos, 5th district.....	15,840	19,962	10,903	-21	+45
Tobacco sold in 5th district (Pounds).....	219,924,342	.....	141,771,927	....	+55
Growers receipts from tobacco, 5th district.....	\$ 35,233,572	.....	\$ 33,894,137	....	+ 4
Average price of tobacco, per hundred pounds.....	\$ 16.02	.....	\$ 23.91	....	-33
Number of business failures, 5th district.....	35	35	72	0	....51
Liabilities in failures, 5th district.....	\$ 246,000	\$ 486,000	\$ 727,000	-49	-66
Value of building permits, 31 cities.....	\$ 8,498,125	\$ 13,635,565	\$ 6,757,976	-38	+26
Value of contracts awarded, 5th district.....	\$ 32,213,000	\$ 35,117,000	\$ 32,347,000	- 8	0
Cotton consumption, 5th district (Bales).....	299,195	255,264	273,351	+17	+ 9
Cotton price, ¢ per lb., end of month.....	8.76	9.28	8.31	- 6	+ 5
Print cloths, 38½ in., 64x60s, end of month.....	4.63	4.75	4.38	- 3	+ 6
Rayon yarn shipments, U. S. (Pounds).....	31,300,000	32,900,000	36,700,000	- 5	-15
Rayon yarn stocks, U. S. (Pounds).....	18,400,000	24,900,000	41,100,000	-26	-55
Bituminous coal mined, U. S. (Tons).....	34,470,000	29,135,000	28,665,000	+18	+20

GOVERNMENT SECURITY HOLDINGS HIGHER

Circulation of Federal Reserve notes rose during the past month as auctioning of tobacco increased and other fall crops began to come on the market. Member bank reserve deposits and cash reserves of the Richmond bank also increased between the middle of August and the middle of September. Perhaps the most significant change in the statement this month is the increase in the bank's portfolio of Government securities, due to System purchases of securities in the open market to maintain orderly conditions in the money market following the outbreak of war in Europe.

RESERVE BANK STATEMENT ITEMS

ITEMS	Fifth District		
	Sept. 15 1939	Aug. 15 1939	Sept. 15 1938
Discounts held	\$ 200	\$ 560	\$ 555
Foreign loans on gold	87	87	0
Open market paper	23	23	23
Industrial advances	1,043	1,067	1,472
Government securities	151,912	137,064	127,873
Total earning assets	153,265	138,801	129,921
Circulation of Fed. Res. notes	210,496	202,007	199,151
Members' reserve deposits	273,187	257,993	221,881
Cash reserves	398,943	377,097	353,254
Reserve ratio	72.48	74.01	74.00

FURTHER RISE IN LOANS AND INVESTMENTS

Reporting member banks in 12 Fifth district cities increased both loans and investments between August 9 and September 13, and showed a substantial rise in demand deposits. Reserves of the 41 banks also were higher on the later date. Cash in vaults rose seasonally as crop marketing and early fall trade began.

SELECTED ITEMS—41 REPORTING BANKS

ITEMS	Fifth District		
	Sept. 13 1939	Aug 9 1939	Sept. 14 1938
Loans & discounts	\$248,637	\$245,316	\$234,138
Investments in securities	433,539	431,633	384,509
Reserve bal. with F. R. Bank	183,969	169,311	148,342
Cash in vaults	23,043	20,411	19,212
Demand deposits	521,368	494,508	458,960
Time deposits	200,024	200,308	197,934
Money borrowed	0	0	0

MUTUAL SAVINGS CONTINUE SUMMER DECLINE

Ten mutual savings banks in Baltimore had total deposits of \$219,426,239 on August 31, 1939, compared with \$219,774,904 on July 31, 1939, and \$217,598,810 on August 31, 1938. The small decline last month was a continuation of a drop which usually occurs during the vacation season.

FAILURES WELL BELOW LAST YEAR

Commercial failures in 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.
August 1939	35	859	\$ 246,000	\$ 11,259,000
July 1939	35	917	486,000	14,150,000
August 1938	72	1,015	727,000	16,382,000
8 Months, 1939	401	8,339	\$4,397,000	\$119,092,000
8 Months, 1938	446	9,114	5,901,000	170,115,000

EMPLOYMENT CONTINUES UPWARD

Specific data on employment are not sufficiently available to indicate changes from month to month with precision, but it seems clear that conditions in the Fifth district improved during August.

Industrial plants on the whole were more active in August than in either July this year or August last year, and production in bituminous coal mines last month was higher than in either the preceding month this year or the corresponding month last year.

Cotton textile mills increased operations in August, and rayon mills were fully employed except one large plant which was closed by a strike.

Opening of additional tobacco markets in North Carolina in August added to the number of handlers, graders, etc., at work, but this improvement was lost in September when markets closed after withdrawal of buyers for exporters.

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 July to August:

STATES	Percentage change from July 1939 to Aug. 1939	
	in number on payroll	in amount of payroll
Maryland	+ 2.0	+ 1.4
Dist. of Columbia	- 2.2	- 0.7
Virginia	+ 3.9	+ 4.7
West Virginia	+ 1.9	+ 13.6
North Carolina	+ 2.8	+ 5.6
South Carolina	+ 2.0	+ 2.4

DEBITS AT SEASONAL LEVEL

Debits to individual accounts in 24 trade centers in the Fifth Reserve district were approximately the same in August as in July this year, but exceeded August 1938 debits by 8 per cent. Of the 24 cities reporting for both years, 12 reported higher and 12 lower figures for August than for July, while all but 3 cities reported higher figures last month than for August 1938.

DEBITS TO INDIVIDUAL ACCOUNTS

CITIES	Fifth District			% of Change Month	Year
	Aug. 1939	July 1939	Aug. 1938		
Maryland					
Baltimore	\$ 325,562	\$ 346,938	\$ 303,924	- 6	+ 7
Cumberland	7,546	8,878	7,485	-15	+ 1
Hagerstown	8,030	8,962	7,717	-10	+ 4
Dist. of Columbia					
Washington	246,187	266,293	221,504	- 8	+11
Virginia					
Danville	9,170	7,380	8,749	+24	+ 5
Lynchburg	13,405	15,380	13,443	-13	0
Newport News	9,602	9,023	7,683	+ 6	+25
Norfolk	43,747	48,264	42,439	- 9	+ 3
Portsmouth	3,913	4,072	3,738	- 4	+ 5
Richmond	169,458	143,081	164,377	+18	+ 3
Roanoke	24,621	25,853	22,223	- 5	+11
West Virginia					
Charleston	46,420	45,197	38,701	+ 3	+20
Huntington	15,673	15,440	14,252	+ 2	+10
Parkersburg	9,607*	10,145*	.....	- 5	..
North Carolina					
Asheville	12,499	11,810	11,707	+ 6	+ 7
Charlotte	61,310	59,292	51,250	+ 3	+20
Durham	41,281	29,503	46,634	+40	-11
Greensboro	18,095	18,430	15,556	- 2	+16
Raleigh	40,266	41,713	36,448	- 3	+10
Wilmington	11,111	10,373	11,350	+ 7	- 2
Winston-Salem ..	40,681	37,257	36,658	+ 9	+11
South Carolina					
Charleston	15,489	15,757	13,938	- 2	+11
Columbia	27,256	24,901	21,738	+ 9	+25
Greenville	17,710	18,298	15,814	- 3	+12
Spartanburg	9,812	9,653	7,975	+ 2	+23
District Totals ..	\$1,218,844	\$1,221,748	\$1,125,303	0	+ 8

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

AUTO BUYERS AWAIT NEW MODELS

New automobile sales in August fell below July sales by somewhat more than seasonal average, but this was probably due to the expectation of earlier showing of new

models this year, and to incomplete stocks of new cars on some dealers' floors toward the end of the month. Stocks of used cars are not burdensome this fall, and automobile dealers appear to be optimistic on fall and winter prospects. The following registration figures for new cars were furnished by *R. L. Polk & Co.*, of Detroit:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	Aug. 1939	Aug. 1938	% Change	8 Months 1939	8 Months 1938	% Change
Maryland	2,935	1,868	+57	26,911	17,667	+52
Dist. of Col.	1,681	1,189	+41	17,851	11,901	+50
Virginia	3,636	2,269	+60	29,489	21,170	+39
West Va.	1,716	1,172	+46	15,655	11,295	+39
No. Carolina ...	3,805	3,015	+26	31,152	20,789	+50
So. Carolina ...	2,067	1,390	+49	17,397	9,870	+76
District	15,840	10,903	+45	138,455	92,692	+49

CONSTRUCTION DECLINES SEASONALLY

There was a decline in the value of building permits issued in August from the high July total, but last month's valuation was materially higher than the August 1938 figure. Permits issued in 31 cities in August 1939 totaled \$8,498,125, compared with \$13,596,301 in July 1939 and \$6,757,976 in August 1938. Washington reported the highest figure last month, \$2,290,900, Baltimore was second with \$1,636,990, Raleigh third with \$800,283, Richmond fourth with \$796,095, and Charlotte fifth with \$425,066.

Contracts actually awarded in the Fifth district in August totaled \$32,213,000, a decrease of 8 per cent from \$35,117,000 awarded in July 1939, and also a fraction below contracts totaling \$32,347,000 in August 1938. However, except for August 1938, last month's awards were the highest for any August in this bank's records which run back through 1929. Figures collected by the *F. W. Dodge Corporation* by states for August 1939 and 1938 on construction contracts awarded are as follows:

CONSTRUCTION CONTRACTS AWARDED

STATES	Aug. 1939	Aug. 1938	% Change
Maryland	\$ 8,568,000	\$ 6,650,000	+ 29
Dist. of Col.	10,035,000	5,553,000	+ 81
Virginia	6,760,000	9,751,000	- 31
West Virginia	2,376,000*	2,205,000*	+ 8
North Carolina	3,271,000	5,810,000	- 44
South Carolina	1,529,000	2,696,000	- 43
Fifth District	\$32,539,000*	\$32,665,000*	0

* Includes some contracts outside 5th district.

COAL MINING CONTINUES ABOVE 1938 LEVEL

Bituminous coal production in August was unusually high for that month, totaling 34,470,000 net tons, an increase of 18 per cent over production of 29,135,000 tons in the shorter month of July this year and 20 per cent above 28,665,000 tons mined in August last year. Total production this calendar year to August 31 of 224,862,000 tons is 11 per cent higher than 1938 production of 202,666,000 tons for the corresponding months. Increased production of coal during the past three months was principally to rebuild reserve stocks which were depleted in April and May, but coal consumption also increased substantially in industry and reserve stocks have therefore not yet been replenished.

Shipments of coal through Hampton Roads ports this calendar year to September 9 totaling 12,546,906 tons exceeded 11,140,833 tons handled in the corresponding 8 months last year by 13 per cent.

COTTON TEXTILE ACTIVITY ROSE 17%

Cotton textile mills in August increased operations after a seasonal recession during July. Both cotton consumption and actual spindle hours of operations rose 17 per cent in the Fifth district in August in comparison with July. Further, with declining cotton prices while the prices for textiles were firm, mill margins widened in August. In the first half of September orders were received in excess of production and many mills are assured of full time operations for some weeks. Meanwhile mills have grown reluctant to book further advance orders at current prices, and therefore today's quotations are nominal in many constructions.

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

COTTON CONSUMPTION

MONTHS	Fifth District			
	—Bales—			
	No. Carolina	So. Carolina	Virginia	District
August 1939	163,494	121,535	14,166	299,195
July 1939	143,266	100,757	11,241	255,264
August 1938	143,560	114,916	14,875	273,351
8 Months 1939	1,229,760	927,332	92,956	2,250,048
8 Months 1938	964,160	744,991	91,511	1,800,662

RAYON IN STRONG POSITION

In spite of the absence of one of the largest producers from the market because of a strike during nearly all of August, shipments of rayon filament yarn during that month totaled 31,300,000 pounds, only 5 per cent below 32,900,000 pounds shipped in July 1939 and 15 per cent less than 36,700,000 pounds shipped in August 1938. Shipments of rayon exceeded production in August, and stocks declined from 24,900,000 pounds on July 31 to 18,400,000 pounds on August 31. Settlement of the strike previously mentioned increased production in September, but demand for rayon is very strong and on September 19 the largest producer announced an increase in price of 2 cents per pound. Some of the mills are restricting orders for deliveries beyond November until price adjustments now in process are completed.

COTTON PRODUCTION ESTIMATE RAISED

Spot cotton prices, which declined steadily during August, rose again early in September, but failed to hold all the gain at the middle of the month. On August 18, the average price for middling grade upland cotton on 10 Southern markets was 8.95 cents, from which it dropped to 8.74 cents on August 25. However, by September 8 the average was up to 9.49 cents, and on September 15 stood at 9.18 cents.

The second cotton condition report estimated probable production in 1939 at 12,380,000 bales, an increase of 968,000 bales over the August 1 estimate. The unfavorable effect of this marked increase in prospective yield was lessened by European developments, which may tend to increase demand for American cotton both at home and abroad. If the price rise which occurred in September is maintained, in addition to the higher production indicated by the September report, farm purchasing power in the Carolinas during the fall and winter should be very materially increased.

COTTON CONSUMED AND ON HAND
(Bales)

	August 1939	August 1938
Fifth district states:		
Cotton consumed	299,195	273,351
Cotton growing states:		
Cotton consumed	531,632	470,431
Cotton on hand August 31 in		
Consuming establishments	494,911	856,529
Storage & compresses	11,777,604	9,757,925
United States:		
Cotton consumed	628,448	559,409
Cotton on hand August 31 in		
Consuming establishments	653,874	1,059,052
Storage & compresses	11,805,195	9,825,329
Exports of cotton	218,792	200,843
Spindles active in month	22,012,186	22,157,528

TOBACCO MARKETS DEMORALIZED

Auction tobacco markets in the two Carolinas were open in August and sold 55 per cent more tobacco than in August 1938, but growers received only 4 per cent more for their tobacco since average prices were 33 per cent lower in the 1939 month. Early in September the leading export buyer retired from the markets because of disturbed European conditions, and a few days later all auction tobacco markets closed to prevent complete demoralization of prices. Sales in August, all of the flue-cured type, were as follows:

STATES	Producers' Tobacco Sales, Pounds		Price per Hundred	
	August 1939	August 1938	1939	1938
So. Carolina	76,832,115	58,683,790	\$15.96	\$23.86
No. Carolina	143,091,227	83,088,137	16.05	23.94
Total	219,924,342	141,771,927	\$16.02	\$23.91

TOBACCO PRODUCTS INCREASE SUBSTANTIALLY

All branches of the tobacco manufacturing industry increased operations materially in August over July, and output in every line was also higher than August 1938 output. The Bureau of Internal Revenue reports as follows on August manufacturing:

TOBACCO PRODUCTS MANUFACTURED

	August 1939	August 1938	% Change
Smoking & chewing tobacco, pounds	29,839,260	27,504,760	+ 8
Cigarettes, number	16,571,041,957	15,891,586,977	+ 4
Cigars, number	500,807,236	477,595,984	+ 5
Snuff, pounds	3,451,554	2,966,448	+16

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

	Net Sales		Stocks		Ratio Aug. collections to accounts outstanding August 1
	Aug. 1939	Jan. 1 to date compared with same period last year	Aug. 1939	July 1939	
Richmond (3) ...	+ 2.2	+ 2.4	+ 3.9	+ 3.9	30.2
Baltimore (8) ...	+ 5.1	+ 1.1	+ 1.3	+ 15.1	29.2
Washington (6) ..	+ 8.7	+ 4.6	+ 5.4	+ 7.6	26.3
Other Cities (13) ..	+ 6.3	+ 4.1	+ 9.4	+ 4.6	25.7
District (30) ..	+ 6.4	+ 3.1	+ 4.2	+ 9.4	27.6
Same stores by states, with 24 stores added:					
Virginia (13) ...	+ 2.7	+ 3.0			
West Va. (10) ..	+ 4.9	+ 2.2			
No. Carolina (8) ..	+ 8.1	+ 0.9			
So. Carolina (9) ..	+ 13.2	+ 16.3			

RETAIL FURNITURE SALES

STATES	% Change in Sales, Aug. and 8 Months 1939 Compared with Aug. 1938		Compared with 8 Months 1938	
	Aug. 1938	8 Months 1938	Aug. 1938	8 Months 1938
Maryland, 9 stores	+ 3	+ 3		
Dist. of Col., 7 stores	+ 12	+ 5		
Virginia, 10 stores	+ 3	+ 9		
North Carolina, 4 stores	+ 8	+ 9		
South Carolina, 7 stores	+ 7	+ 20		
District, 37 stores	+ 7	+ 6		

Individual Cities:

Baltimore, 9 stores	+ 3	+ 3
Columbia, 3 stores	- 30	- 5
Richmond, 5 stores	- 1	+ 2
Washington, 7 stores	+ 12	+ 5

WHOLESALE TRADE, 189 FIRMS

LINES	Net Sales compared with		Stocks compared with		Ratio Aug. collections to accounts outstanding August 1
	Aug. 1938	July 1939	Aug. 31, 1939	July 31, 1939	
Auto Supplies (5)	+ 20	+ 9	..	..	50
Shoes (5)	+ 2	+ 82	+ 12	- 5	48
Drugs (10)	+ 3	+ 10	+ 6	- 1	83
Dry Goods (9)	+ 14	+ 77	- 6	+ 3	44
Electrical Goods (14) ..	+ 40	0	+ 41	+ 5	69
Groceries (62)	+ 2	+ 7	+ 5	+ 4	87
Hardware (20)	+ 7	+ 29	+ 6	+ 3	51
Indus. Supplies (10) ..	+ 8	+ 17	+ 8	+ 1	60
Paper & Products (7) ..	- 4	+ 11	- 7	0	60
Tobacco & Products (8) ..	+ 11	+ 13	..	..	89
Miscellaneous (39)	+ 7	+ 15	+ 3	+ 1	69
Totals (189)	+ 7	+ 22	+ 7	+ 1	66

CROP FORECASTS

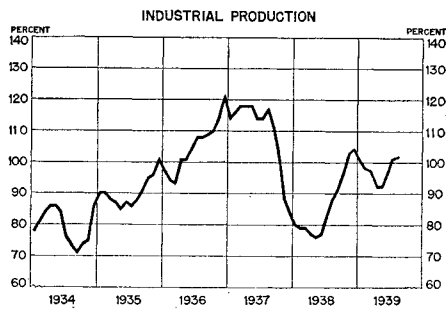
The following figures show forecasts of production based on September 1 conditions, compared with yields in 1938 and in the 10-year period 1928-1937, and percentage changes in acreage this year over or under 1938. Yield figures marked (+) were raised between August 1 and September 1, and those marked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

	Cotton (Bales)			
	% Change Acreage	Yield 1939	Yield 1938	Yield 1928-1937
Virginia	- 15	15,000 -	12,000	40,000
North Carolina	- 11	464,000 -	388,000	702,000
South Carolina	0	833,000 +	648,000	827,000
	Tobacco (Pounds)			
Maryland	+ 1	28,804,000 +	29,250,000	25,217,000
Virginia	+ 16	126,488,000 +	98,806,000	98,075,000
West Virginia	- 6	2,205,000 +	2,208,000	3,400,000
North Carolina	+ 21	694,550,000 -	516,850,000	493,327,000
South Carolina	+ 20	118,750,000	98,800,000	79,624,000
	Corn (Bushels)			
Maryland	+ 1	17,710,000	18,537,000	15,617,000
Virginia	0	36,166,000	24,775,000	32,225,000
West Virginia	+ 1	13,978,000	12,640,000	12,384,000
North Carolina	- 1	47,151,000 -	46,398,000	41,355,000
South Carolina	- 5	25,433,000	26,767,000	21,335,000
	Oats (Bushels)			
Maryland	+ 5	1,226,000 +	1,312,000	1,364,000
Virginia	+ 10	2,020,000	1,978,000	2,287,000
West Virginia	- 15	1,460,000 +	1,806,000	2,218,000
North Carolina	+ 4	5,736,000	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	1,010,000 +	1,138,000	916,000
West Virginia	+ 1	688,000 +	802,000	645,000
North Carolina	- 1	820,000 +	863,000	654,000
South Carolina	+ 1	475,000 +	431,000	338,000
	Irish Potatoes (Bushels)			
Maryland	- 4	2,200,000 -	2,990,000	3,257,000
Virginia	0	7,031,000	10,349,000	12,352,000
West Virginia	- 3	2,790,000 +	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	1,120,000 -	1,040,000	1,156,000
Virginia	0	3,978,000 -	3,570,000	4,285,000
North Carolina	0	8,586,000 -	8,748,000	7,896,000
South Carolina	+ 5	6,900,000	6,468,000	4,965,000
	Apples, Commercial (Bushels)			
Maryland .....	..	1,700,000 +	1,419,000	1,331,000
Virginia .....	..	8,000,000 +	7,268,000	8,153,000
West Virginia .....	..	4,300,000 +	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	279,000,000 -	249,075,000	238,750,000
South Carolina	+ 6	11,250,000 +	9,100,000	8,517,000

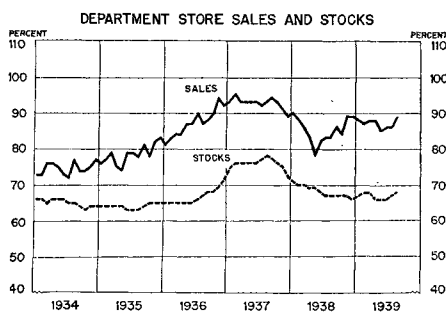
(Compiled September 21, 1939)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

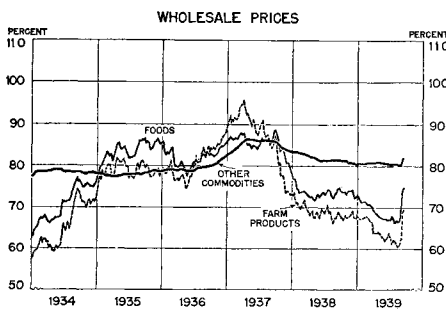
(Compiled by the Board of Governors of the Federal Reserve System)



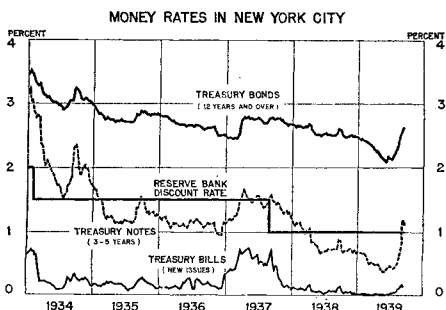
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1939.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1939.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending September 16, 1939.



For weeks ending January 6, 1934, to September 16, 1939.

Industrial activity, which had increased substantially during the summer, showed a sharp advance in the first half of September after the outbreak of war in Europe. Prices of basic commodities and equity securities rose sharply while prices of high-grade bonds declined.

PRODUCTION

In August, the Board's seasonally adjusted index of industrial production was at 102 per cent of the 1923-1925 average as compared with 101 per cent reached in July. Volume of manufacturing production increased further, but mineral production declined, owing to a temporary curtailment in output of crude petroleum. In the iron and steel industry output increased somewhat further in August and rose sharply in the first half of September, steel ingot production reaching a rate of 70 per cent of capacity in the week ending September 16 as compared with about 63 per cent at the beginning of the month. Automobile production showed about the usual sharp seasonal changes in this period as the shift to new model production was being made. Output of plate glass increased sharply. Production of nondurable manufactures advanced in August, reflecting chiefly increased activity at cotton and woolen textile mills. At meat-packing establishments activity declined less than seasonally, while at flour mills, where output has been at a high rate in recent months, there was not the usual large seasonal increase. Shoe production advanced seasonally. At coal mines output increased by about the usual seasonal amount and shipments of iron ore were at the highest rate of this season. Petroleum production declined sharply during the latter half of August, reflecting shut-downs of wells in most of the principal oil producing states, but increased rapidly in the first half of September when the wells were reopened.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in August, owing to larger awards for publicly-financed projects, including several large dams and an increased volume of United States Housing Administration projects. Private residential building showed little change, although there is usually some seasonal decline. Other private construction, which in July had been the highest for any month in two years, declined in August.

DISTRIBUTION

Department store sales increased more than seasonally from July to August. The Board's adjusted index advanced from 86 to 89 per cent of the 1923-1925 average and was at about the level reached in the latter part of last year. Sales at variety stores showed little change in August.

Freight-car loadings rose somewhat further in August, reflecting chiefly continued increases in shipments of coal and miscellaneous freight.

COMMODITY PRICES

Prices of most basic foodstuffs and industrial materials advanced sharply in the first half of September. Prices of wheat, corn, sugar, cocoa, and vegetable oils as well as of hides, rubber, wool, zinc, and tin showed the largest increases. The general level of wholesale commodity prices as measured by the Bureau of Labor Statistics index rose 3.1 points and in the week ending September 9 was at 78.4 per cent of the 1926 average, about the same level as a year ago.

AGRICULTURE

Crop prospects showed some improvement on September 1 over a month earlier, according to the Department of Agriculture. Indications are that production of all leading crops except cotton will be average or above average in volume. A cotton crop of 12,380,000 bales, about 10 per cent below the 1928-1937 average, is forecast. This compares with a crop of 11,940,000 bales in 1938 and an estimated world consumption of 11,265,000 bales of American cotton during the past season.

GOVERNMENT SECURITY MARKET

Average yields on long-term Treasury bonds, which had advanced fractionally since last June, increased sharply by about $\frac{1}{2}$ of 1 per cent in the latter half of August and early September. In pursuance of the System's policy of endeavoring to maintain orderly conditions in the money market, the Federal Reserve banks during the first half of September increased their holdings of Government securities by about \$400,000,000. On September 1 the Board of Governors of the Federal Reserve System announced that the Federal Reserve banks are prepared at this time to make advances on Government obligations to member and nonmember banks at par and at the same rate of discount.

BANK CREDIT

Total investments held by reporting member banks in 101 leading cities declined during the first half of September. At New York City banks the decline represented the redemption at maturity of Federal Farm Mortgage Corporation bonds and at banks in other leading cities it represented the sale of Treasury bills and bonds. Commercial loans of city banks showed a substantial growth during August and the first half of September.