

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

January 31, 1940

Annual Survey for 1939

BUSINESS and industry in the Fifth Federal Reserve district continued through 1939 the improvement which began shortly after midyear in 1938, and results attained were materially better than those for the earlier year. Construction work not only exceeded 1938 work, but was also greater than for any other year since 1929. City building permits issued in 1939 exceeded 1938 permits by 35 per cent, and contracts awarded for all types of work, both rural and urban, were 16 per cent higher. The cotton textile industry was very active in the district in 1939, and consumed more cotton than in any earlier year, while rayon mills shipped the largest poundage of yarn since the industry began. Rayon mills, though operating at capacity, were unable to keep production up to shipments in the last half of 1939, and reserve stocks were reduced almost to the vanishing point. Tobacco manufacturing exceeded that of 1938 in all lines except smoking and chewing tobacco. Cigarettes, of which the district makes more than 80 per cent, rose 5 per cent in output in 1939 over 1938. Debits to individual accounts, reflecting transactions through the banks in 12 principal Fifth district cities, gained 6 per cent in comparison with 1938 debits. Commercial failures were fewer in number and lower in liabilities last year than in the preceding year. Sales of new automobiles rose 41 per cent in 1939 over 1938, and retail trade as reflected in department and furniture stores rose 4 per cent and 10

per cent, respectively. Employment in both the number employed and total payrolls showed substantial improvement throughout 1939. In agriculture, farmers had a better year than in 1938, yields and prices both being higher for most crops in the later year. Tobacco prices showed the most marked decline, but a record production offset the price drop and total receipts for the 1939 crop will approximately equal receipts for the 1938 crop. Purchasing power of farmers on the whole was appreciably higher in 1939 than in 1938, and this fact undoubtedly accounts in part for good results shown in distributive lines of trade.

DECEMBER BUSINESS

Considering specific developments in December, the month showed some seasonal recessions from other recent months, but the lines usually active in December did a large volume of business. Retail trade was somewhat above seasonal levels, department store sales rising 68 per cent above November sales and exceeding December 1938 sales by 4 per cent. Furniture sales were 13 per cent above December 1938 sales, and automobile sales were 3 per cent higher than in the final month of 1938. Construction provided for in December permits and contracts compared unfavorably with December 1938 figures, but this was due in part to high 1938 figures and very bad weather last month.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	December 1939	November 1939	December 1938	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,530,670,000	\$1,351,579,000	\$1,425,494,000	+ 13	+ 7
Sales, 31 department stores, 5th district.....	\$ 19,161,614	\$ 11,391,091	\$ 18,410,346	+ 68	+ 4
Sales, 38 furniture stores, 5th district.....	\$ 1,682,668	.....	\$ 1,488,386	.....	+ 13
Sales, 169 wholesale firms, 5th district.....	\$ 9,308,000	\$ 10,745,000	\$ 8,818,000	- 13	+ 6
Registrations, new autos, 5th district.....	19,330	17,380	18,853	+ 11	+ 3
Tobacco sold in 5th district (Pounds).....	78,350,037	260,664,844	29,822,668	- 70	+163
Growers' receipts from tobacco, 5th district.....	\$ 10,387,046	\$ 44,258,844	\$ 4,648,548	- 77	+123
Average price of tobacco, per 100 pounds.....	\$ 13.26	\$ 16.98	\$ 15.59	- 22	- 15
Number of business failures, 5th district.....	43	30	48	+ 43	- 10
Liabilities in failures, 5th district.....	\$ 540,000	\$ 289,000	\$ 934,000	+ 87	- 42
Value of building permits, 31 cities.....	\$ 5,280,866	\$ 8,947,654	\$ 8,387,203	- 41	- 37
Value of contracts awarded, 5th district.....	\$ 22,358,000	\$ 24,056,000	\$ 38,201,000	- 7	- 41
Cotton consumption, 5th district (Bales).....	307,369	341,096	266,650	- 10	+ 15
Cotton price, cents per lb., end of month.....	10.93	9.92	8.60	+ 10	+ 27
Print cloths, 38½ in., 64x60s, end of month.....	5.50	5.13	4.38	+ 7	+ 26
Rayon yarn shipments, U. S. (Pounds).....	30,900,000	32,800,000	26,200,000	- 6	+ 18
Rayon yarn stocks, U. S. (Pounds).....	6,800,000	7,600,000	39,500,000	- 11	- 83
Bituminous coal mined, U. S. (Tons).....	37,283,000	42,835,000	36,541,000	- 13	+ 2

SEASONAL CHANGES IN RESERVE BANK STATEMENT

No change of special significance occurred in the statement of the Federal Reserve Bank of Richmond between December 15, 1939, and January 15, 1940. Circulation of Federal Reserve notes declined seasonally by \$9,687,000 after the holiday need for funds had passed, and member bank reserve deposits rose by \$9,160,000. Government security holdings declined \$4,321,000, and cash reserves rose \$4,272,000. On January 15 this year notes in actual circulation exceeded those in circulation a year ago by \$19,226,000, probably reflecting a more active flow of business and trade this year. Member bank reserve deposits rose by \$40,810,000 during the year, and the Reserve bank's cash reserves increased by \$66,201,000.

RESERVE BANK STATEMENT ITEMS

ITEMS	Fifth District		
	Jan. 15 1940	Dec. 15 1939	Jan. 15 1939
Discounts held	\$ 122	\$ 109	\$ 337
Foreign loans on gold	216	208	0
Open market paper	0	0	24
Industrial advances	942	950	1,466
Government securities	125,583	129,904	134,019
Total earning assets	\$126,863	\$131,171	\$135,846
Circulation of Fed. Res. notes	221,031	230,718	201,805
Members' reserve deposits	288,976	279,816	248,166
Cash reserves	430,976	426,704	364,775
Reserve ratio	77.57	76.58	73.36

In 1939, the Federal Reserve Bank of Richmond handled a total of 76,814,000 checks in its clearing operations, having a total face value of \$13,720,123,000. This is the highest number of checks handled in any year since the Reserve System began, but larger dollar amounts were handled in 1929, 1928, 1926 and 1925. Currency and coin handled in 1939 also exceeded the volume handled in 1938, and transactions through the Interdistrict Settlement Fund in which the Richmond bank was involved exceeded in amount those of the earlier year. The following banks in the Fifth district became members of the Federal Reserve System in 1939:

Merchants & Farmers Bank	Portsmouth, Va.
Southern Bank & Trust Co.	Richmond, Va.
Commercial Bank of Camden	Camden, S. C.
Belington Bank	Belington, W. Va.
Bank of Phoebus	Phoebus, Va.
Farmers Bank of Mathews	Mathews, Va.
Bank of Smithfield	Smithfield, Va.
Security Savings & Commercial Bank	Washington, D. C.
City National Bank of Fairmont	Fairmont, W. Va.
Citizens Bank of Poquoson	Odd, Va.

MUTUAL SAVINGS AT RECORD LEVEL

Deposits in 10 Baltimore mutual savings banks increased in December to a new record of \$222,060,975, after a small seasonal decline in November. With only occasional small recessions, deposits showed a steady rising tendency during 1939. In January and February total deposits were lower than in the corresponding months in 1938, but every month after February showed higher figures than a year earlier and new records were set on March 31, April 30, October 31 and December 31. Between December 31, 1938, and December 31, 1939, aggregate deposits in the 10 banks rose from \$219,160,622 to \$222,060,975, an increase of 1.3 per cent. Eight banks gained deposits during the year 1939, while two banks lost deposits, percentage changes ranging from a rise of 14.1 per cent in a small institution to a decline of 3.4 per cent.

MEMBER BANK ITEMS CHANGE LITTLE

Forty-one member banks in 12 leading cities of the Fifth district make a condensed report of condition each week to the Federal Reserve Bank of Richmond, and the accompanying table shows principal items for January 10, 1940, in comparison with corresponding figures on December 13, 1939, and January 11, 1939. Most of the changes last month were either seasonal or daily fluctuations, but the yearly comparisons show material increases in both loans and investments, in reserve balances at the Reserve bank, and in demand deposits.

SELECTED ITEMS—41 REPORTING BANKS

ITEMS	Fifth District		
	Jan. 10 1940	Dec. 13 1939	Jan. 11 1939
Loans & discounts	\$262,031	\$264,576	\$238,628
Investments in securities	455,811	449,111	425,546
Reserve bal. with F. R. bank	189,559	192,636	166,196
Cash in vaults	23,762	24,813	20,364
Demand deposits	526,599	540,913	474,842
Time deposits	198,300	196,702	196,136
Money borrowed	0	0	0

EMPLOYMENT DECLINES MODERATELY

It is customary for employment to decline sharply in the second half of December, part of which is temporary. Immediately after Christmas many extra employees are released by retail establishments, and holiday shut-downs reduce employment and payrolls in industry and tobacco marketing. These shut-downs last from two or three days to two weeks. In addition to the normal influences mentioned, this year the weather after Christmas in a considerable part of the Fifth district was so unfavorable that outside construction work was practically stopped, and building tradesmen found their January pay envelopes materially reduced. However, industries are active and a large volume of construction work is under way, and when the weather permits employment will be about up to the levels of recent months except in retailing and tobacco marketing, both relatively small factors in affecting total employment. During the calendar year 1939, employment appears to have risen something like 12 per cent in the Fifth district, while aggregate payrolls advanced about 21 per cent.

The following figures, compiled by the Bureau of Labor Statistics from records submitted by a large number of identical employers, show trends of employment and payrolls in the Fifth district from November to December:

STATES	Percentage change from Nov. 1939 to Dec. 1939	
	in number on payroll	in amount of payroll
Maryland	+ 2.8	+ 1.0
Dist. of Columbia	+ 5.0	+ 3.1
Virginia	+ 0.3	+ 1.8
West Virginia	- 0.3	- 8.3
North Carolina	+ 0.1	+ 1.2
South Carolina	- 0.7	- 0.5

INSOLVENCIES RISE IN DECEMBER

Fifth district commercial failures in 1939, as reported by *Dun & Bradstreet*, declined 14 per cent in number and 21 per cent in liabilities involved in comparison with figures for 1938, compared with decreases in the United States of 8 per cent in number and 32 per cent in liabilities. The district showed increases in both number and liabilities in December 1939 over November, while the

United States showed a decline in number but an increase in liabilities involved.

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
December 1939	43	882	\$ 540,000	\$ 12,078,000
November 1939	30	886	289,000	11,877,000
December 1938	48	875	934,000	36,528,000
Calendar Year 1939	552	11,781	\$6,357,000	\$168,589,000
Calendar Year 1938	639	12,836	8,052,000	246,505,000

DEBITS ADVANCE SEASONALLY

Debits to individual accounts, measuring checks cashed against deposit accounts of individuals, firms and corporations in 25 Fifth district cities, rose seasonally by 13 per cent in December in comparison with November, and were 7 per cent higher than December 1938 figures. All cities reported higher figures for December than for November except Danville, Durham and Richmond, the first two declining because tobacco markets were closed about ten days in the later month. In comparison with debits in December 1938, those in December 1939 increased in all but three cities, and two of the three declined less than 5/10th of 1 per cent.

In the calendar year 1939 debits in the 25 cities rose 6 per cent over 1938 figures, every city increasing except Durham, and total debits were higher in every month of 1939 than in the corresponding month of 1938. Newport News with an increase of 21 per cent led all cities, due to increased payrolls incident to a large volume of work in the ship building industry.

AUTO SALES ADVANCE FURTHER

Sales of new passenger automobiles in the Fifth district in December 1939 exceeded sales in December 1938 by 3 per cent and sales in December 1937 by 31 per cent. Sales in the past three years followed an interesting course. In 1937 they were very large through August, but in September a steady decline set in and ran through February 1938. From December 1937 through October 1938 sales ran far behind those for corresponding months of the preceding year. In November 1938, however, sales suddenly rose to the highest point of the year to that time, and in December went still higher. Moderate seasonal recessions followed in January and February 1939, but in March sales advanced sharply and in April the highest point of the year was reached. From that point to the end of the year sales were steady, with only one material decline which occurred in September when buyers were awaiting new models. The new models were well received, and in the last three months of 1939 sales were 21 per cent higher than in the same period in 1938 and 16 per cent above sales in the 1937 period. The year 1939 exceeded 1938 in sales by 41 per cent, but lacked 17 per cent of equaling 1937 figures, due to very large sales in the spring and early summer of 1937.

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	Dec. 1939	Dec. 1938	% Change	12 Months 1939	12 Months 1938	% Change
Maryland	3,696	3,427	+ 8	39,389	27,331	+44
Dist. of Col.	2,116	2,143	- 1	25,637	17,944	+43
Virginia	3,830	3,766	+ 2	42,172	31,204	+35
West Virginia ...	2,147	1,767	+22	22,955	16,483	+39
No. Carolina ...	5,446	5,767	- 6	46,160	33,922	+36
So. Carolina ...	2,095	1,993	+ 5	25,100	15,748	+59
District	19,330	18,853	+ 3	201,413	142,632	+41

DEBITS TO INDIVIDUAL ACCOUNTS

CITIES	December		December 1938	% Change		Annual Totals 1939	Annual Totals 1938	% Change
	1939	November 1939		Month	Year			
Maryland								
Baltimore	\$ 433,143,000	\$ 354,795,000	\$ 384,745,000	+22	+13	\$ 4,181,609,000	\$ 3,926,328,000	+ 7
Cumberland	9,350,000	8,509,000	8,458,000	+10	+11	97,124,000	83,516,000	+10
Hagerstown	9,734,000	8,541,000	9,360,000	+14	+ 4	102,412,000	97,633,000	+ 5
Dist. of Col.								
Washington	301,770,000	263,313,000	298,121,000	+15	+ 1	3,173,685,000	2,966,804,000	+ 7
Virginia								
Danville	15,161,000	19,735,000	11,792,000	-23	+29	118,345,000	118,278,000	0
Lynchburg	16,930,000	15,121,000	16,439,000	+12	+ 3	170,287,000	170,148,000	0
Newport News	12,933,000	11,600,000	10,411,000	+11	+24	118,554,000	97,881,000	+21
Norfolk	53,812,000	52,022,000	56,963,000	+13	+ 3	588,452,000	549,644,000	+ 7
Portsmouth	5,393,000	4,578,000	5,414,000	+18	0	52,006,000	49,246,000	+ 6
Richmond	183,817,000	186,398,000	182,564,000	- 1	+ 1	1,878,864,000	1,866,125,000	+ 1
Roanoke	31,490,000	28,182,000	29,305,000	+12	+ 7	318,196,000	290,520,000	+10
West Virginia								
Charleston	59,733,000	52,200,000	54,832,000	+14	+ 9	561,194,000	542,757,000	+ 3
Huntington	20,640,000	18,024,000	18,662,000	+15	+11	197,070,000	191,678,000	+ 3
Parkersburg	15,220,000	9,480,000	10,317,000	+61	+48	117,881,000	106,973,000	+10
North Carolina								
Asheville	14,281,000	11,855,000	14,068,000	+20	+ 2	146,133,000	139,591,000	+ 5
Charlotte	75,215,000	66,978,000	65,642,000	+12	+15	738,360,000	637,201,000	+16
Durham	37,117,000	40,469,000	32,511,000	- 8	+14	382,246,000	390,426,000	- 2
Greensboro	24,271,000	22,802,000	22,092,000	+ 6	+10	234,874,000	206,528,000	+14
Raleigh	57,414,000	43,386,000	49,617,000	+32	+16	513,328,000	470,873,000	+ 9
Wilmington	12,337,000	10,997,000	11,342,000	+12	+ 9	129,745,000	125,109,000	+ 4
Winston-Salem	49,037,000	45,559,000	49,147,000	+ 8	0	486,111,000	465,338,000	+ 4
South Carolina								
Charleston	21,849,000	17,760,000	19,082,000	+23	+15	212,501,000	191,341,000	+11
Columbia	29,444,000	23,338,000	31,598,000	+ 4	- 7	325,013,000	294,721,000	+10
Greenville	22,449,000	19,711,000	22,069,000	+14	+ 2	229,312,000	206,938,000	+11
Spartanburg	13,130,000	11,226,000	10,943,000	+17	+20	122,974,000	104,893,000	+17
District Totals	\$1,530,670,000	\$1,351,579,000	\$1,425,494,000	+13	+ 7	\$15,195,276,000	\$14,295,490,000	+ 6

0 indicates a change of less than 1/2 of 1 per cent.

COAL PRODUCTION ABOVE 1938

Bituminous coal production in the United States continued high in December, 37,869,000 net tons mined exceeding output of 36,541,000 tons in December 1938 by 3.6 per cent. In the Fifth district, December production of 10,918,000 tons was 5.2 per cent above 10,381,000 tons in December 1938. Total production in 1939 was 119,226,000 tons in the district and 388,265,000 tons in the United States, compared with production of 106,566,000 tons in the district and 342,407,000 tons in the Nation in 1938. Production was higher in both the district and the United States in every month of 1939 than in 1938 except in April and May, when mines in the Appalachian region were closed pending renewal of wage contracts which expired on April 1. Hampton Roads ports shipped 20,107,806 tons of coal in the calendar year 1939, an increase of 18 per cent over 17,007,212 tons shipped in 1938. Production figures for Fifth district states in 1939 and 1938 were as follows:

SOFT COAL PRODUCTION IN TONS

STATES	Year 1939	Year 1938	% Change
West Virginia	104,722,000	93,037,000	+13
Virginia	13,100,000	12,243,000	+7
Maryland	1,404,000	1,286,000	+9
5th district	119,226,000	106,566,000	+12
United States	388,265,000	342,407,000	+13

CONSTRUCTION ACTIVE IN 1939

A seasonal decline occurred in December in permits issued and contracts awarded in the Fifth district. Building permits issued in 31 cities totaling \$5,280,866 were 41 per cent less than the total of \$8,947,654 in November 1939 and 37 per cent below the total of \$8,387,203 in December 1938. Washington, with permits aggregating \$2,420,925 in December 1939, led all Fifth district cities by a wide margin, Baltimore ranking second with only \$765,455, Norfolk third with \$242,058, Richmond fourth with \$234,413, and Greensboro fifth with \$201,794. Looking at the year's record, however, permits issued in 1939 amounting to \$119,497,614 show an increase of 35 per cent over permits valued at \$88,609,428 in 1938. Nineteen of the 31 cities show higher totals for 1939 than for 1938.

Contracts awarded for construction of all kinds in the district in December totaled \$22,358,000, decreases of 7 per cent from \$24,056,000 awarded in November 1939 and of 41 per cent from \$38,201,000 in December 1938. On the other hand, contracts awarded during the entire year totaled \$377,471,000, an increase of 16 per cent over contracts awarded in 1938 amounting to \$325,692,000. Awards were larger in all 1939 months except August, October, November and December than in the corresponding months of 1938, reaching the highest point of the year with \$46,154,000 in June. During 1939 residential construction accounted for 38 per cent of all contracts awarded, compared with 37 per cent in 1938. In the last quarter of 1938 a large volume of publicly financed projects was started, but activity of this kind was materially reduced in the fourth quarter of 1939, thus accounting for the decline in contracts awarded in October, November and December. Contract figures for Fifth district states, as reported by the *F. W. Dodge Corporation*, were as follows in 1939 and 1938:

CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

STATES	Dec. 1939	Dec. 1938	% Change	Year 1939	Year 1938	% Change
Maryland	\$ 5,088	\$11,907	- 57	\$ 80,833	\$ 72,528	+11
Dist. of Col. ...	2,851	2,893	- 1	77,175	46,437	+66
Virginia	5,085	8,410	- 40	78,502	80,645	- 3
West Virginia ..	1,132	5,888	- 81	31,482	29,630	+ 6
No. Carolina ...	6,354	6,257	+ 2	68,402	61,638	+11
So. Carolina ...	1,848	2,846	- 35	41,077	34,814	+18
5th District ..	\$22,358	\$38,201	- 41	\$377,471	\$325,692	+16

VALUATION OF BUILDING PERMITS ISSUED

CITIES	1939	1938
Maryland		
Baltimore	\$ 16,056,079	\$ 16,291,320
Cumberland	811,792	333,714
Frederick	796,122	349,637
Hagerstown	905,984	432,701
Salisbury	526,310	478,541
Virginia		
Danville	811,647	638,144
Lynchburg	1,318,552	1,037,782
Norfolk	3,310,410	4,581,111
Petersburg	222,532	308,108
Portsmouth	515,668	543,189
Richmond	7,222,627	4,524,045
Roanoke	1,260,064	1,104,865
West Virginia		
Bluefield	475,156	466,725
Charleston	5,383,480	2,956,660
Clarksburg	819,059	381,975
Huntington	3,390,161	1,362,664
North Carolina		
Asheville	998,298	769,748
Charlotte	4,040,962	2,807,582
Durham	2,467,090	2,954,914
Greensboro	2,068,536	1,866,048
High Point	640,456	1,074,828
Raleigh	3,017,020	3,848,382
Rocky Mount	742,475	789,203
Salisbury	316,365	495,470
Winston-Salem	2,261,748	2,394,364
South Carolina		
Charleston	2,825,978	2,148,495
Columbia	4,310,749	1,714,236
Greenville	726,093	1,019,953
Rock Hill	623,382	1,051,101
Spartanburg	856,440	705,965
Dist. of Col.		
Washington	49,776,379	29,177,948
District Totals	\$119,497,614	\$ 88,609,428

Note: Valuation figures for Washington do not include Federal buildings.

1939 RAYON SHIPMENTS SET RECORD

Rayon Organon for January states that the rayon market during 1939 was maintained at the highest level in the history of the industry. Shipments during the first half of the year were well maintained, but did not appreciably reduce reserve stocks of yarn in producers' hands. Shortly after midyear, the market entered a period of sustained activity, and shipments exceeded production by so much that reserve stocks of yarn declined from 32,600,000 pounds on June 30 to 6,800,000 pounds at the end of the year. Shipments during the last half of 1939 reached a new all-time high level for any consecutive six-month period in the 28 years of the rayon industry's commercial operation. Reasons listed for this marked rise in demand for rayon are the general improvement in business, a normal seasonal increase in yarn demand, the initial impetus given to textile activity at the outbreak of the war, increased consumer purchasing power, and expanding retail sales, and finally a wave of buying by fabricators in anticipation of rising costs of rayon production with consequent higher yarn prices. Further, extensive replacement of silk by rayon occurred in 1939, especially in underwear, dresses and hosiery; increased use of rayon was made in

brushed-type knitted garments for women's wear; and greater use in automobile tires and other industrial products was noted. Production figures are not yet available for 1939, but shipments of 356,000,000 pounds of rayon during the year not only exceeded 1938 shipments of 274,100,000 pounds by 30 per cent, but were 20 per cent above the previous record shipments of 297,000,000 pounds in 1936.

COTTON CONSUMPTION SET RECORD IN 1939

Activity at cotton textile mills continued at a very high rate in the first half of December but slackened somewhat toward the end of the month and in early January. Cloth woven by the mills was in excess of shipments, and in the first half of January there were some recessions in cloth prices. Yarn, however, continued firm and in better demand than cloth. Mill margins dropped in December, averaging 13.6 cents against 14.9 cents in November, but were substantially above the average of 10.7 cents in December 1938. On a daily basis, cotton consumption in Fifth district mills in December was about equal to November figures. Due to holiday closings, however, total consumption in December was 10 per cent less than in the preceding month, but exceeded December 1938 consumption by 15 per cent. Total consumption in Fifth district mills in 1939 was 22 per cent above 1938 consumption, and set a new record, exceeding the previous high of 3,513,067 bales used in 1937 by 4,261 bales.

COTTON CONSUMPTION—FIFTH DISTRICT

MONTHS	In Bales			
	No. Carolina	So. Carolina	Virginia	District
December 1939	172,881	124,987	9,501	307,369
November 1939	191,192	136,222	13,682	341,096
December 1938	145,327	112,245	9,078	266,650
12 months, 1939	1,941,541	1,433,603	142,184	3,517,328
12 months, 1938	1,542,706	1,196,000	137,224	2,875,930

A report on spindle activity in December, released by the Bureau of the Census on January 19, shows South Carolina in second place with an average of 366 hours of operation per spindle in place, and North Carolina averaging 330 hours, both above the National average of 322 hours. Virginia with 223 hours dropped behind the National average. South Carolina led in total spindle hours of operation in December with 2,037,897,258 hours, while North Carolina was second with 1,920,251,812 hours, the two states, with the addition of 142,827,710 hours for Virginia, accounting for 51 per cent of the United States total of 8,039,846,023 hours of operation.

COTTON PRICES AND EXPORTS RISE

Spot cotton prices on 10 Southern markets, which had risen to an average of 10.92 cents for middling grade on December 15, averaged 10.93 cents on December 29, the highest figure of the year, but in the next two weeks a decline occurred to 10.81 cents on January 12. On January 13, 1939, the average price was 8.49 cents. Apparently the chief influence tending to raise cotton prices in November and December was a desire to take advantage of export subsidy rates before they were substantially reduced or abolished. Exports of cotton in December

totalled 806,720 bales, more than double 368,043 bales shipped abroad in December 1938, and total exports since August 1, 1939, of 3,143,395 bales compare with 1,902,367 bales exported in the last 5 months of 1938.

COTTON CONSUMPTION AND ON HAND—BALES

	Dec. 1939	Dec. 1938	Aug. 1 to Dec. 31 1939	Dec. 31 1938
Fifth district states:				
Cotton consumed	307,369	266,650	1,566,475	1,348,619
Cotton growing states:				
Cotton consumed	555,756	480,220	2,811,574	2,370,944
Cotton on hand Dec. 31 in				
Consuming establishments ..	1,593,624	1,482,737	.....	.....
Storage & compresses	14,531,828	15,280,678	.....	.....
United States:				
Cotton consumed	652,695	565,627	3,311,702	2,798,708
Cotton on hand Dec. 31 in				
Consuming establishments ..	1,859,664	1,700,877	.....	.....
Storage & compresses	14,581,642	15,339,729	.....	.....
Exports of cotton	806,720	368,043	3,143,395	1,902,367
Spindles active, U. S.	22,777,936	22,432,648	.....	.....

TOBACCO PRICES DECLINE IN DECEMBER

Auction sales of tobacco in the Fifth district in December totaling 78,350,037 pounds were unusually large for that month, but selling of the 1939 crop was delayed by the market shut-down from September 13 to October 10. The better grades of tobacco having been sold earlier, prices in December showed the customary season-end decline. Sales this season prior to December 31 reflected the very large production for 1939, and totaled nearly 45 per cent more than sales in 1938 prior to December 31, but the effect of the large crop on prices was also shown by a reduction of 31 per cent in the average paid in 1939 from the 1938 price.

STATES	Producers' Tobacco Sales, Pounds		Price per Cwt.	
	December 1939	December 1938	1939	1938
No. Carolina	47,396,442	13,555,897	\$13.71	\$16.82
N. C. season to 12/31 ..	740,954,145	498,445,541	15.84	22.97
Virginia (Flue cured) ..	20,333,687	6,847,356	12.33	15.90
(Fire cured) ..	5,000,323	4,326,893	10.81	10.13
(Burley) ..	5,109,250	4,516,608	15.41	17.25
(Sun cured) ..	510,335	575,914	10.52	10.92
Virginia, Total	30,953,595	16,266,771	12.56	14.56
Va. season to 12/31 ..	126,710,735	95,908,044	15.00	21.28
So. Carolina, Season ..	117,217,526	86,670,522	14.56	22.24
District, December	78,350,037	29,822,668	13.26	15.59
District, Season to 12/31	884,882,406	681,024,107	15.58	22.64

TOBACCO MANUFACTURING DECLINES

Production of tobacco products declined further in December, chiefly due to holidays at Christmas. Production figures for December 1939 and 1938 were given by the Bureau of Internal Revenue as follows:

TOBACCO PRODUCTS MANUFACTURED

	Dec. 1939	Dec. 1938	% Change
Smoking & chewing tobacco, pounds	21,088,322	23,728,246	-11
Cigarettes, number	12,802,800,103	12,655,993,013	+1
Cigars, number	331,203,629	333,981,623	-1
Snuff, pounds	2,968,418	3,398,232	-13

Total production of tobacco products in 1939 and 1938 was as follows:

	Year 1939	Year 1938	% Change
Smoking & chewing tobacco, pounds	302,777,328	305,926,710	-1
Cigarettes, number	172,421,537,347	163,758,508,313	+5
Cigars, number	5,311,393,887	5,138,742,434	+3
Snuff, pounds	38,917,336	37,333,930	+2

RETAIL AND WHOLESALE TRADE

AGRICULTURE IN 1939

DEPARTMENT STORE TRADE

	Net Sales		Stocks		Ratio Dec. collections to accounts outstanding Dec. 1
	Dec. 1939 comp. with December 1938	Year 1939 comp. with same period in 1938	Dec. 31, 1939	comp. with Dec. 1938	
Richmond (3)	+ 4.5	+ 4.1	+ 2.6	-28.5	33.6
Baltimore (8)	+ 6.5	+ 4.1	+ 0.2	-21.8	34.7
Washington (6) ..	+ 1.7	+ 4.5	+ 6.0	-25.0	28.6
Other Cities (14) .	+ 6.3	+ 5.3	+13.0	-25.2	31.2
District (31) ...	+ 4.1	+ 4.4	+ 4.2	-24.4	31.4
Same stores by states, with 26 stores added:					
Virginia (13)	+ 4.5	+ 4.4	...	...	...
West Virginia (10)	+ 6.9	+ 4.7	...	...	...
North Carolina (9)	+ 4.6	+ 5.2	...	...	...
South Carolina (11)	+ 6.1	+ 9.6	...	...	...

RETAIL FURNITURE SALES

STATES	% Change in Sales, December and Year 1939	
	Compared with Dec. 1938	Compared with Year 1938
Maryland, 10 stores	+17.3	+10.3
Dist. of Col., 7 stores	+ 3.1	+ 5.9
Virginia, 10 stores	+ 2.7	+ 5.9
North Carolina, 3 stores	+33.0	+20.8
South Carolina, 7 stores	+12.2	+24.6
5th District, 38 stores*	+13.0	+10.0
Individual Cities:		
Baltimore, 10 stores	+17.3	+10.3
Columbia, 3 stores	+13.8	+ 2.4
Richmond, 5 stores	+ 1.9	+ 1.0
Washington, 7 stores	+ 3.1	+ 5.9

* Contains 1 store in West Va.

WHOLESALE TRADE, 169 FIRMS

LINES	Net Sales		Stocks		Ratio Dec. collections to accounts outstanding Dec. 1
	December 1939 compared with Dec. 1938	Nov. 1939	Dec. 31, 1939	Nov. 30, 1939	
Auto supplies (6)	+ 9	-12	..	..	61
Shoes (4)	-16	-57	+34	+43	58
Drugs (9)	+ 4	+ 4	+ 3	+ 1	96
Dry goods (7)	-10	-44	+ 7	-11	47
Electrical goods (4) ...	+36	- 6	+15	- 3	93
Groceries (56)	+ 3	- 7	+12	- 3	92
Hardware (18)	+ 6	-19	+10	+ 2	47
Indus. supplies (13) ...	+24	-18	+13	- 1	61
Plumbing & heating (5)	+ 9	-18	+14	+15	57
Paper & products (7) ..	+10	- 1	..	..	59
Tobacco & products (6)	+ 3	-10	..	..	83
Miscellaneous (34)	+ 8	- 3	0	- 4	73
5th Dist. Totals (169)	+ 6	-13	+10	+ 3	66

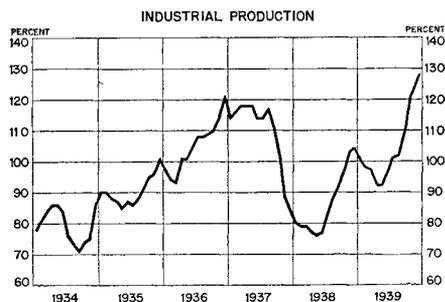
The year 1939 turned out well for agriculture in the Fifth district, both because of larger yields and better prices than were gotten in 1938. Yields were larger for corn, cotton, cotton seed, tobacco, sweet potatoes, oats, peanuts and apples, the only important crops showing reductions being Irish potatoes, wheat and hay. The average season prices received by farmers were higher in 1939 than in 1938 for most crops, and where prices were lower the declines were offset by higher production figures. Therefore, cash receipts in 1939 were substantially above 1938, receipts, even tobacco, in which the average price declined drastically, showing a larger dollar return because of a 44 per cent rise in production. Actual cash receipt figures are not available, but the farm values of Fifth district crops grown in 1939 show the following percentage changes over 1938 values: corn +15%, cotton +34%, cotton seed +25%, tobacco +1%, Irish potatoes +6%, sweet potatoes +11%, oats +1%, wheat +6%, hay +2%, peanuts +23%, and apples -13%. Apples is the only major crop having a lower total value than in the preceding year, and this is chiefly due to inability to export the usual part of the crop to England and Continental Europe. Cotton and cotton seed registered the greatest increases in value in 1939, and the Carolinas, in which practically all Fifth district cotton is grown, show the influence of increased purchasing power on the part of farmers. For example, South Carolina led the district in percentage increases of automobile sales and in department store sales last year in comparison with the preceding year.

CROPS	Yrs.	Maryland	Virginia	W. Virginia	N. Carolina	S. Carolina	District	Farm Value
Corn (bus.)	1939	18,216,000	36,530,000	13,994,000	48,087,000	25,433,000	142,260,000	\$ 96,419,000
	1938	18,537,000	34,775,000	12,640,000	46,398,000	26,767,000	139,117,000	83,746,000
	Av. 1928-1937	15,617,000	32,225,000	12,384,000	41,355,000	21,335,000	122,916,000	.....
Cotton (bales)	1939	.....	12,000	.....	455,000	870,000	1,337,000	62,159,000
	1938	.....	12,000	.....	388,000	648,000	1,048,000	46,328,000
	Av. 1928-1937	.....	40,000	.....	702,000	827,000	1,569,000	.....
Cotton Seed (tons)	1939	.....	5,000	.....	202,000	386,000	593,000	13,367,000
	1938	.....	6,000	.....	172,000	288,000	466,000	10,668,000
	Av. 1928-1937	.....	18,000	.....	312,000	367,000	697,000	.....
Tobacco (lbs)	1939	29,796,000	138,232,000	2,175,000	773,810,000	130,200,000	1,074,213,000	165,925,000
	1938	29,250,000	98,906,000	2,415,000	516,850,000	98,800,000	746,221,000	163,700,000
	Av. 1928-1937	25,217,000	98,075,000	3,400,000	493,927,000	79,624,000	700,243,000	.....
Irish Potatoes (bus.)	1939	2,375,000	6,786,000	3,040,000	8,200,000	3,108,000	23,509,000	18,535,000
	1938	2,990,000	10,428,000	2,720,000	8,690,000	2,760,000	27,538,000	17,526,000
	Av. 1928-1937	3,257,000	12,352,000	3,109,000	8,028,000	2,476,000	29,222,000	.....
Sweet Potatoes (bus.)	1939	1,440,000	4,128,000	.....	8,624,000	6,824,000	21,026,000	13,964,000
	1938	1,040,000	3,570,000	.....	8,748,000	6,468,000	19,826,000	12,616,000
	Av. 1928-1937	1,156,000	4,285,000	.....	7,896,000	4,965,000	18,302,000	.....
Oats (bus.)	1939	1,128,000	1,600,000	1,460,000	5,692,000	11,515,000	21,395,000	8,903,000
	1938	1,312,000	1,978,000	1,806,000	5,566,000	10,648,000	21,310,000	8,775,000
	Av. 1928-1937	1,364,000	2,287,000	2,218,000	3,906,000	8,488,000	18,263,000	.....
Wheat (bus.)	1939	7,352,000	7,511,000	2,102,000	5,190,000	2,415,000	24,480,000	20,939,000
	1938	9,420,000	8,526,000	2,340,000	5,440,000	1,771,000	27,497,000	19,678,000
	Av. 1928-1937	8,419,000	8,764,000	1,983,000	4,496,000	1,054,000	24,716,000	.....
Hay (tons)	1939	518,000	983,000	718,000	991,000	541,000	3,751,000	45,234,000
	1938	558,000	1,146,000	802,000	958,000	470,000	3,934,000	44,349,000
	Av. 1928-1937	464,000	916,000	645,000	654,000	338,000	3,017,000	.....
Peanuts (lbs.)	1939	.....	189,175,000	.....	290,700,000	11,840,000	491,715,000	17,505,000
	1938	.....	146,010,000	.....	249,075,000	7,800,000	402,885,000	14,195,000
	Av. 1928-1937	.....	148,630,000	.....	238,750,000	8,517,000	395,897,000	.....
Apples, Commercial (bus.)	1939	1,700,000	7,500,000	4,000,000	580,000	.....	13,780,000	8,411,000
	1938	1,419,000	7,268,000	3,227,000	480,000	.....	12,394,000	9,710,000
	Av. 1928-1937	1,331,000	8,153,000	3,576,000	657,000	.....	13,717,000	.....

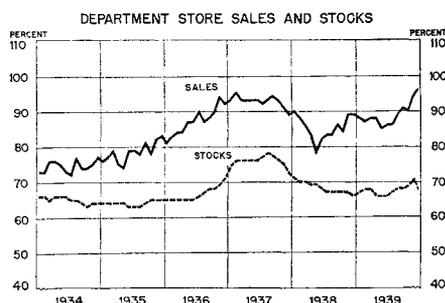
(Compiled January 20, 1940)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

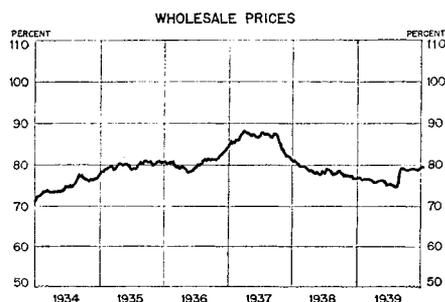
(Compiled by the Board of Governors of the Federal Reserve System)



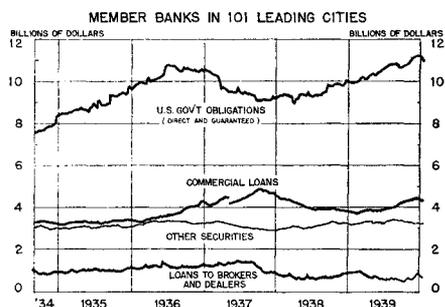
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to December 1939.



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



Index compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending January 13, 1940.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to January 10, 1940. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

Industrial activity, after a rapid rise in recent months, declined less than seasonally in December. In the first half of January activity did not show the usual seasonal increase. Distribution of commodities to consumers was maintained in large volume.

PRODUCTION

Industrial output decreased in December, but by a smaller amount than is usual at this season, with the consequence that the Board's index, which allows for usual seasonal variations, advanced further from 124 to 128 per cent of the 1923-1925 average. As in other recent months, the rise in the index continued to reflect mainly increased activity in industries producing durable goods. Automobile production rose sharply in December owing to the reopening of plants of one large producer which had been closed for almost two months. Plate glass production also increased. At steel mills activity was maintained near the high level that prevailed in October and November; fourth quarter production of steel ingots was greater than in any other three-month period on record. Output of zinc and deliveries of tin continued to increase in December, and lumber production declined less than seasonally.

In the nondurable goods industries, where production had been at high levels throughout the autumn, changes in output in December were largely seasonal in character. At woolen textile mills, however, there was a considerable reduction in activity, and activity at silk mills declined to a low level, reflecting in part continued high prices of raw silk. Output of crude petroleum continued at a high rate in December, while coal production was reduced, following a large volume of output in the two preceding months.

In the first half of January steel ingot production was at a somewhat lower level than in December, while automobile assemblies were maintained at about the same high rate as in the previous month.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December, owing to the inclusion in the December figures of a large amount for a dam under construction by the Tennessee Valley Authority. Contracts for private building, both residential and nonresidential, declined seasonally.

EMPLOYMENT

According to reports from leading industrial States, factory employment decreased less than seasonally in December and pay rolls showed a further advance.

DISTRIBUTION

Distribution of commodities to consumers increased further in December. Sales at variety stores showed about the usual sharp rise and sales at department stores and mail-order houses increased more than seasonally.

Freight-car loadings declined by more than the usual seasonal amount from November to December, reflecting chiefly a further reduction in coal shipments and a decrease in loadings of ore, which had been at a high level in the previous month.

COMMODITY PRICES

Prices of wheat, which had advanced sharply early in December and continued at the higher level during the rest of the month, declined considerably in the first half of January. Smaller decreases occurred in some other commodities, including hides, tin, and zinc. Prices of most other basic commodities, such as cotton, wool, lead, and steel scrap, showed little change.

GOVERNMENT SECURITY MARKET

Prices of United States Government securities continued to advance during December and were steady during the first two weeks of January.

BANK CREDIT

Total loans and investments of reporting member banks in 101 leading cities declined in the four weeks ending January 10, following an increase during the first half of December. These changes reflected largely a temporary rise and a subsequent decline in loans to security brokers and dealers in connection with the Government's flotation of a new issue of bonds. Total holdings of United States Government obligations at city banks showed little net change during the period.

As a result chiefly of further increases in gold stock as well as the post-holiday return of currency from circulation, excess reserves of member banks increased sharply in the four weeks ending January 10.