

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

August 31, 1940

Summary of July Business Conditions

BUSINESS in July in the Fifth Federal Reserve district was above seasonal level on the whole. None of the leading indicators declined more than seasonally, and most of them registered better results than is expected at this time of year. In comparison with July 1939, last month showed substantial improvement in nearly all lines. Probably a considerable part of the increased activity is due either directly or indirectly to the preparedness program.

Distribution of goods to consumers continued higher than a year ago, but showed some seasonal decline from June. Department store sales dropped 9 per cent from the previous month, July usually being a relatively poor month in wearing apparel and piece goods, but averaged 14 per cent more than sales in July last year. Furniture stores also reported a 9 per cent decline in last month's sales under June sales, but gained 10 per cent over sales in July 1939. Wholesale firms in a dozen or more lines sold more than in either June this year or July last year, and registration of new passenger automobiles in July also exceeded those in either June 1940 or July 1939.

In industry, developments during July were somewhat conflicting. Textile mill activity declined slightly from the level of the preceding month, and production exceeded sales of textile products. On the other hand, rayon manufacturers shipped more yarn than they made, and further reduced already small reserve stocks. Coal mines increased output further, and production during July was 23 per cent higher than production of coal in July last year. Shipyards and airplane plants operated at

capacity, and in some plants preparations for expansion of facilities were pushed. Miscellaneous manufacturers are in general operating more nearly full time than in many months.

Construction expanded sharply in July. Building permits issued in 31 Fifth district cities rose 32 per cent above June in valuation, and were 4 per cent higher than figures for July 1939. Contract awards in the district in July nearly doubled June figures, and were 63 per cent above awards in July last year.

Storms and floods around mid-August did serious damage to some crops, the extent of which is yet undetermined. Weather in July was favorable for plant growth, and on August 1 prospects for generally satisfactory yields were good. Cotton overcame in July much of the late start, and a larger yield than in 1939 is now forecast for the Fifth district. The 1940 tobacco crop will be between 40 and 45 per cent smaller than the 1939 crop, but the reduction is due chiefly to a smaller acreage this year. Tobacco markets already open are selling tobacco at prices slightly higher than opening prices last year, which must be considered satisfactory in view of the large carry-over of tobacco from previous seasons and absence of foreign demand due to disturbed European conditions. Prospective purchasing power for fall and winter trade should be about the same in cotton growing sections as a year ago, but cash income in tobacco sections will probably be substantially smaller, in spite of Government payments to compensate partly for acreage reduction.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	July 1940	June 1940	July 1939	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,408,226,000	\$1,367,716,000	\$1,231,893,000	+ 3	+ 14
Sales, 31 department stores, 5th district.....	\$ 7,099,101	\$ 9,770,329	\$ 6,232,889	— 9	+ 14
Sales, 37 furniture stores, 5th district.....	\$ 972,989	\$ 1,074,064	\$ 883,882	— 9	+ 10
Sales, 194 wholesale firms, 5th district.....	\$ 10,041,000	\$ 9,602,000	\$ 9,117,000	+ 5	+ 10
Registrations, new autos, 5th district.....	24,724	24,135	19,962	+ 2	+ 24
Number of business failures, 5th district.....	51	47	35	+ 9	+ 46
Liabilities in failures, 5th district.....	\$ 756,000	\$ 801,000	\$ 486,000	— 6	+ 56
Value of building permits, 31 cities.....	\$ 14,127,489	\$ 10,719,466	\$ 13,635,565	+ 32	+ 4
Value of contracts awarded, 5th district.....	\$ 57,234,000	\$ 29,161,000	\$ 35,117,000	+ 96	+ 63
Cotton consumption, 5th district (Bales).....	285,912	271,127	255,264	+ 5	+ 12
Cotton price, ¢ per lb., end of month.....	10.23	10.64	9.28	— 4	+ 10
Print cloths, 39 in. 80x80s, end of month.....	6.50	6.50	.....	0	.....
Rayon shipments, U. S. (Pounds).....	32,700,000	31,400,000	32,900,000	+ 4	— 1
Rayon stocks, U. S. (Pounds).....	11,400,000	12,800,000	26,400,000	— 11	— 57
Bituminous coal mined, U. S. (Tons).....	36,080,000	32,340,000	29,391,000	+ 12	+ 23

BANKING STATISTICS

RESERVE BANK STATEMENT ITEMS

ITEMS	Fifth District		
	August 15 1940	July 15 1940	August 15 1939
	000 omitted		
Discounts held	\$ 140	\$ 158	\$ 560
Foreign loans on gold.....	0	0	87
Open market paper.....	0	0	23
Industrial advances	790	871	1,067
Government securities	122,470	122,624	137,064
Total earning assets.....	123,400	123,653	138,801
Circulation of Fed. Res. notes.....	231,824	230,463	202,007
Members' reserve deposits.....	304,162	319,933	257,993
Cash reserves	493,514	481,759	377,097
Reserve ratio	80.35	80.13	74.01

SELECTED ITEMS—41 REPORTING MEMBER BANKS

ITEMS	Fifth District		
	August 14 1940	July 17 1940	August 16 1939
	000 omitted		
Loans & discounts.....	\$274,662	\$272,357	\$245,039
Investments in securities.....	442,623	412,811	428,350
Reserve bal. with F. R. bank.....	195,192	211,504	169,489
Cash in vaults.....	23,084	21,615	18,701
Demand deposits.....	577,754	578,646	502,862
Time deposits	202,774	202,412	200,104
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS

10 Baltimore Banks

	July 31 1940	June 30 1940	July 31 1939
Total deposits	\$222,693,076	\$223,515,446	\$219,774,904

DEBITS TO INDIVIDUAL ACCOUNTS

Fifth District

CITIES	000 omitted				
	July 1940	June 1940	July 1939	% of Month	Change Year
Dist. of Col.					
Washington ..	\$ 299,105	\$ 297,719	\$ 266,293	+ 0	+12
Maryland					
Baltimore	415,299	389,042	346,938	+ 7	+20
Cumberland	9,608	9,253	8,878	+ 4	+ 8
Hagerstown	10,190	9,802	8,962	+ 4	+14
North Carolina					
Asheville	13,234	12,901	11,810	+ 3	+12
Charlotte	63,979	64,637	59,292	- 1	+ 8
Durham	30,647	31,607	29,503	- 3	+ 4
Greensboro	19,776	21,113	18,430	- 6	+ 7
Raleigh	50,205	47,932	41,713	+ 5	+20
Wilmington	11,992	11,419	10,373	+ 5	+16
Winston-Salem ..	40,162	42,824	37,257	- 6	+ 8
South Carolina					
Charleston	20,046	21,642	15,757	- 7	+27
Columbia	80,529	27,673	24,901	+10	+23
Greenville	19,301	17,946	18,298	+ 8	+ 5
Spartanburg	9,793	10,386	9,653	- 6	+ 1
Virginia					
Danville	6,948	8,289	7,380	-16	- 6
Lynchburg	15,426	14,598	15,380	+ 6	+ 0
Newport News....	13,640	12,338	9,023	+11	+51
Norfolk	58,013	53,127	48,264	+ 9	+20
Portsmouth	4,906	4,815	4,072	+ 2	+20
Richmond	155,127	149,636	143,081	+ 4	+ 8
Roanoke	28,051	28,608	25,853	- 2	+ 9
West Virginia					
Charleston	54,179	51,572	45,197	+ 5	+20
Huntington	17,422	18,136	15,440	- 4	+13
Parkersburg	10,598	10,701	10,145	- 1	+ 4
District Totals....	\$1,408,226	\$1,367,716	\$1,231,893	+ 3	+14

+0 indicates increase of less than 1/2 of 1%.

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1940	51	1,175	\$ 756,000	\$ 16,213,000
June 1940	47	1,114	801,000	13,734,000
July 1939	35	1,153	486,000	14,999,000
7 Months, 1940.....	345	8,294	4,172,000	99,694,000
7 Months, 1939.....	366	9,028	4,151,000	115,430,000

Source: Dun & Bradstreet.

EMPLOYMENT EXPANDS

Such changes as occurred in employment in the Fifth district in July and the first half of August denoted further demand for workers at once or in the near future, especially for labor in construction lines. Employment in coal fields is better than usual for this season, and cotton textile and rayon manufacturers continued operations last month at about the same levels as in June. Shipbuilding and airplane plants expanded further their need for skilled workers. A strike of truck drivers involving several hundred men is in progress in Richmond, but on the whole relations between employers and employees appear to be harmonious in the district at present. 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 1940 to July 1940	
	in number on payroll	in amount of payroll
Maryland	+ 1.6	- 0.1
Dist. of Columbia.....	- 2.4	- 2.1
Virginia	- 0.9	- 1.6
West Virginia.....	- 0.2	- 0.4
North Carolina.....	+ 1.1	+ 2.3
South Carolina.....	+ 1.3	+ 2.6

AUTO SALES ABOVE SEASONAL LEVEL

Automobile sales continue to show substantial advances over sales a year ago, and registrations of new passenger cars in the Fifth district in July 1940 were larger than in any other July since 1936. With the exception of April this year, last month's registrations exceeded those in any other month since June 1937, and the July 1940 figure was only exceeded 17 times in the past 187 months. Sales of used cars have not kept pace with new car sales, but on the whole the market has been satisfactory and dealers are not generally burdened with excessive stocks. New car stocks were reduced further in July as manufacturers stopped or sharply reduced production of 1940 models preparatory to the change-over to the 1941 line. *Automotive News* reports that eight manufacturers now have 1941 models on the production line. The following registration figures for new passenger cars were furnished by *R. L. Polk & Co.*, of Detroit:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	July 1940	July 1939	% Change	7 Months 1940	7 Months 1939	% Change
	Maryland	4,909	3,330	+47	31,753	23,976	+32
Dist. of Col.....	2,695	2,095	+29	17,799	16,170	+10
Virginia	5,985	3,797	+58	34,590	25,853	+34
West Virginia....	3,177	3,393*	- 6	20,487	13,939	+47
North Carolina...	5,415	4,928	+10	32,071	27,347	+17
South Carolina...	2,543	2,419	+ 5	17,738	15,330	+16
District	24,724	19,962	+24	154,438	122,615	+26

* Part of June 1939 registrations were reported in July.

CONSTRUCTION INCREASES

Both building permits issued and contracts awarded in July increased sharply over those in June, and were also above permits issued and contracts awarded in July last year. Permits issued in 31 Fifth district cities totaled \$14,127,489 in July, an increase of 32 per cent over the \$10,719,466 in June and 4 per cent above the \$13,635,565 in July 1939. Washington led in valuation with \$5,539,435 last month (Government work not included), followed by Baltimore with \$3,258,536, Winston-Salem

with \$734,000, Charleston, S. C., with \$459,485, Richmond with \$422,989, Charleston, W. Va., with \$414,170, and Norfolk with \$406,965. Contracts awarded in the district in July 1940 totaling \$57,234,000 were not only 96 per cent above June 1940 contracts and 63 per cent above those for July 1939, but were the highest amount for any month since April 1928, when the record of \$66,591,000 was set. Last month's contract awards were exceeded in only 3 months since complete district figures became available in June 1921. The high valuation of contracts last month was chiefly due to publicly financed construction, partly as a result of the preparedness program.

Figures collected by the *F. W. Dodge Corporation* by states for July 1940 and 1939 on contracts actually awarded in the Fifth Reserve district are as follows:

CONSTRUCTION CONTRACTS AWARDED

STATES	July 1940	July 1939	% Change
Maryland	\$ 7,951,000	\$ 6,024,000	+ 32
Dist. of Col.	6,197,000	5,871,000	+ 6
Virginia	31,728,000	8,814,000	+260
West Virginia	1,575,000	5,318,000	- 70
North Carolina	5,882,000	7,014,000	- 16
South Carolina	3,901,000	2,076,000	+ 88
Fifth District	\$57,234,000	\$35,117,000	+ 63

COAL PRODUCTION RISES FURTHER

Bituminous coal production in the United States has been unusually high since mid-winter, and output in July totaling 36,080,00 net tons was 12 per cent above 32,340,000 tons mined in June this year and 23 per cent above 29,391,000 tons in July last year. The greater demand for coal this year is chiefly due to increased industrial activity, but exports, especially to Canada, have also been a substantial factor in the gain. Total output of coal this calendar year to August 3 amounted to 260,028,000 tons, an increase of 31 per cent over 197,815,000 tons mined in the corresponding period in 1939. Shipments of coal through Hampton Roads to August 3 were 13,793,961 tons in 1940 and 10,714,559 tons in 1939, an increase this year of 29 per cent. The chief increase was in foreign cargo coal, which rose 363 per cent this year. In the Fifth district, which accounts for between 30 and 40 per cent of the bituminous coal output of the United States, production in July 1940, June 1940 and July 1939, was as follows:

SOFT COAL PRODUCTION IN TONS

REGIONS	July 1940	June 1940	July 1939
West Virginia	11,097,000	10,241,000	9,851,000
Virginia	1,165,000	1,260,000	1,153,000
Maryland	98,000	99,000	97,000
5th District	12,360,000	11,600,000	11,101,000
United States	36,080,000	32,340,000	29,391,000
% in District	34.3	35.9	37.8

TEXTILE ACTIVITY AGAIN DECLINES

For the most part, business obtained in July by cotton textile mills was disappointing, and sales were substantially below mill production, according to the best available trade data. Prices for textiles held up remarkably well, however, most constructions declining only about an eighth of a cent during the latter part of the month. The *Journal of Commerce* states that a sudden flare-up in trading on the last day of July accounted for sales of approximately 40,000,000 yards of print cloths, carded broadcloths and related items, and nearly all prices snapped back to the levels at which they started the

month. Trading in textiles on July 31 exceeded all the rest of the month, but dullness developed again in August and mill activity has been only fairly well maintained at recent levels. Sales of finished goods appear to be holding up somewhat better than unfinished cloth and yarn. A considerable volume of heavy industrial cloth was sold in early August. Consumption of cotton in July was below the June level on an average daily basis, but total consumption last month was higher because July had two additional working days.

COTTON CONSUMPTION—FIFTH DISTRICT

MONTHS	In Bales			
	No. Carolina	So. Carolina	Virginia	District
July 1940	158,028	120,829	7,055	285,912
June 1940	144,439	116,248	10,440	271,127
July 1939	143,266	100,757	11,241	255,264
7 Months, 1940	1,162,622	904,182	85,519	2,152,323
7 Months, 1939	1,066,266	805,797	78,790	1,950,853

RAYON SHIPMENTS EXCEED PRODUCTION

Manufacturers of rayon filament yarn continued operations at about capacity levels in July, and shipments to fabricators totaling 32,700,000 pounds exceeded output by 1,400,000 pounds, already low reserve stocks being reduced accordingly. Last month's shipments compared with 31,400,000 pounds in June this year and 32,900,000 pounds in July last year, while reserve stocks at the end of July 1940, totaling 11,400,000 pounds, compared with 12,800,000 pounds on hand a month earlier and 26,400,000 pounds on July 31, 1939. *Rayon Organon* reports that a new field for the use of rayon products is indicated in experimental orders placed by the Army Quartermaster Corps, one for satins to be used as linings in garments for the Air Corps and another for olive drab cloth containing 30 per cent rayon staple fiber and 70 per cent wool, to be used chiefly for shirts. It is understood that the Navy is also experimenting with rayon linings in uniforms and overcoats of enlisted men.

COTTON STATISTICS

Spot cotton prices on 10 Southern markets continued to decline steadily from the middle of July through the middle of August, and on August 16 dropped below the 10-cent line to 9.93 cents for middling upland cotton. A year earlier, on August 18, 1939, the average price was 8.95 cents.

The first forecast on production of cotton was made on August 8 by the Department of Agriculture, and indicated a yield of 11,429,000 bales against 11,817,000 bales in 1939 and a 10-year average of 13,547,000 bales. In the Fifth district, Virginia and North Carolina figures are higher than last year's, and more than offset a decline in South Carolina. Figures for Fifth district states are shown on page 4. The 1940 crop got a late start, but the weather during most of July and early August was almost ideal for cotton and rapid progress was made. In the district the crop is well fruited, and weevil damage has been very slight.

On August 9, the details of the 1940 Government cotton loan were released. Rates range from 9.16 cents in west Texas and New Mexico to 9.90 cents in the Carolina mill sections for middling 15/16 inch, net weight basis. The rates are somewhat higher than those in force in 1939, and are equal to about 56 per cent of the so-called parity price.

COTTON CONSUMPTION AND ON HAND—BALES

	July 1940	July 1939	Year Ended July 31 This Year	Year Ended July 31 Last Year
Fifth district states:				
Cotton consumed	285,912	255,264	3,718,798	3,299,472
Cotton growing states:				
Cotton consumed	511,121	442,084	6,610,918	5,809,821
Cotton on hand July 31 in				
Consuming establishments...	743,226	681,681	.....	.....
Storage & compresses.....	9,044,748	11,586,232	.....	.....
United States:				
Cotton consumed	597,850	521,353	7,745,574	6,858,426
Cotton on hand July 31 in				
Consuming establishments...	973,542	862,105	.....	.....
Storage & compresses.....	9,122,178	11,620,408	.....	.....
Exports of cotton, U. S.....	120,388	106,531	6,175,349	3,326,840
Spindles active, U. S.....	21,916,700	21,939,404	.....	.....

CIGARETTE PRODUCTION DECLINES

Bureau of Internal Revenue receipts for July show production of tobacco products as follows:

	July 1940	June 1940	July 1939
Smoking & chewing tobacco, pounds	26,241,167	24,763,334	23,674,676
Cigarettes, number	15,912,640,803	17,565,041,013	14,259,801,810
Cigars, number	460,522,504	435,029,473	427,533,137
Snuff, pounds	3,091,422	2,896,537	2,571,218

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

	Net Sales July 1940 comp. with July 1939	Net Sales Jan. 1 to date comp. with same period last year	Stocks July 31, 1940 comp. with July 1939	Ratio July collections to accounts outstanding July 1
Richmond (3) ...	+ 9.6	+ 5.4	+ 4.6	- 1.8
Baltimore (8) ...	+12.3	+ 7.5	+ 3.7	- 6.8
Washington (6) ..	+16.6	+ 6.5	+ 2.4	- 5.2
Other Cities (14) ..	+13.5	+ 8.0	- 1.0	- 7.3
District (31) ..	+13.9	+ 6.9	+ 2.7	- 5.6

Same stores by states, with 24 stores added:

Virginia (12) ..	+10.9	+ 5.2	...	...
West Va. (10) ..	+12.7	+12.7	...	...
No. Carolina (8) ..	+ 5.8	+ 9.6	...	...
So. Carolina (11) ..	+ 9.2	+10.9	...	...

RETAIL FURNITURE SALES

STATES	% Change in Sales, July and 7 Months in 1940 Compared with	
	July 1939	7 Months 1939
Maryland, 9 stores.....	- 1	+17
Dist. of Col., 7 stores.....	+15	+ 8
Virginia, 10 stores.....	+13	+ 7
North Carolina, 4 stores.....	+29	+13
South Carolina, 7 stores.....	+ 9	+16
District, 37 stores.....	+10	+12
Individual Cities:		
Baltimore, 9 stores.....	- 1	+17
Richmond, 5 stores.....	+18	+ 3
Washington, 7 stores.....	+15	+ 8

WHOLESALE TRADE—194 FIRMS

LINES	Net Sales compared with		Stocks compared with		Ratio July collections to accounts outstanding July 1
	July 1939	June 1940	July 31 1939	June 30 1940	
Auto supplies (7).....	+ 5	- 7	..	..	65
Shoes (3).....	-17	+ 7	- 4	+21	..
Drugs (13).....	+10	+ 3	+ 1	+ 1	81
Dry goods (8).....	+ 5	- 1	+21	+21	42
Electrical goods (16)...	+17	+ 6	+ 1	- 4	69
Groceries (57).....	+ 9	+ 2	+14	+ 9	93
Hardware (16).....	+16	- 2	+12	+ 6	36
Indus. supplies (9).....	+33	+24	+26	+ 3	61
Plumbing & heating (3)...	+11	+ 9	..	..	..
Paper & products (9)...	+23	+ 7	+ 4	- 3	67
Tobacco & products (9)...	+ 9	- 8	..	..	83
Miscellaneous (44)	+17	- 1	- 4	- 0	62
District average (194) ..	+10	+ 5	+ 6	+ 7	64

Source: Bureau of the Census.

CROP FORECASTS

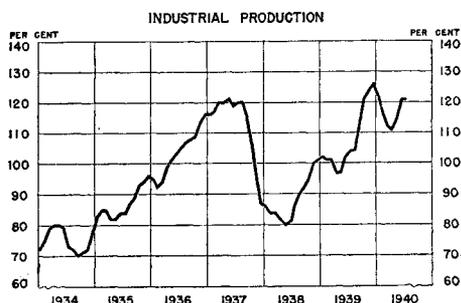
The following figures issued by the Department of Agriculture show forecasts of production based on August 1 conditions, compared with yields in 1939 and in the 10-year period 1929-1938, and percentage changes in acreage this year over or under 1939. Yield figures marked (+) were raised between July 1 and August 1, and those marked (-) were lowered.

	Cotton (Bales)		Yield 1939	Yield 1929-1938
	% Change Acreage	Yield 1940		
Virginia	- 6	20,000	13,000	37,000
North Carolina	+ 9	588,000	457,000	658,000
South Carolina	+ 1	840,000	871,000	820,000
Fifth District	+ 4	1,448,000	1,341,000	1,515,000
Wheat (Bushels)				
Maryland	+ 4	7,448,000	7,352,000	8,518,000
Virginia	+ 4	8,354,000	7,511,000	8,735,000
West Virginia	- 6	1,906,000	2,102,000	2,080,000
North Carolina	+ 5	6,021,000+	5,100,000	4,661,000
South Carolina	0	2,625,000	2,415,000	1,175,000
Fifth District	+ 3	26,434,000+	24,480,000	25,169,000
Corn (Bushels)				
Maryland	+ 1	16,863,000-	18,216,000	15,923,000
Virginia	- 2	35,114,000+	36,530,000	32,255,000
West Virginia	- 1	12,879,000-	13,994,000	12,448,000
North Carolina	- 1	43,938,000-	48,087,000	42,517,000
South Carolina	+ 2	24,152,000+	25,433,000	22,306,000
Fifth District	- 0	132,946,000+	142,260,000	125,449,000
Oats (Bushels)				
Maryland	+15	1,015,000	1,128,000	1,344,000
Virginia	+ 5	1,932,000+	1,600,000	2,197,000
West Virginia	-10	1,386,000-	1,460,000	2,086,000
North Carolina	- 1	6,000,000+	5,692,000	4,228,000
South Carolina	- 1	10,570,000	11,515,000	8,910,000
Fifth District	- 2	21,003,000+	21,335,000	18,765,000
Hay (Tons)				
Maryland	+ 2	570,000-	518,000	464,000
Virginia	+ 3	1,173,000	983,000	923,000
West Virginia	+ 1	820,000	718,000	644,000
North Carolina	+ 7	1,000,000-	991,000	696,000
South Carolina	+ 5	483,000-	541,000	362,000
Fifth District	+ 4	4,051,000-	3,751,000	3,080,000
Irish Potatoes (Bushels)				
Maryland	+ 4	2,782,000-	2,375,000	3,098,000
Virginia	0	10,452,000+	6,786,000	11,597,000
West Virginia	0	3,200,000	3,040,000	2,925,000
North Carolina	- 1	8,748,000-	8,200,000	7,976,000
South Carolina	0	3,192,000	3,108,000	2,424,000
Fifth District	0	28,374,000+	23,509,000	27,930,000
Sweet Potatoes (Bushels)				
Maryland	+11	1,350,000	1,440,000	1,090,000
Virginia	- 3	3,875,000+	4,128,000	4,155,000
North Carolina	- 5	6,935,000-	8,624,000	8,163,000
South Carolina	- 1	5,280,000-	6,834,000	5,220,000
Fifth District	- 3	17,440,000-	21,026,000	18,629,000
Tobacco (Pounds)				
Maryland	- 1	26,460,000+	29,796,000	26,036,000
Virginia	-33	94,035,000+	143,847,000	97,395,000
West Virginia	- 6	2,635,000	2,736,000	3,262,000
North Carolina	-41	430,823,000-	811,675,000	496,101,000
South Carolina	-40	73,960,000-	133,200,000	81,068,000
Fifth District	-38	627,913,000-	1,121,254,000	703,922,000
Apples, Commercial (Bushels)				
Maryland .....	..	2,222,000	2,362,000	1,922,000
Virginia .....	..	10,150,000	10,800,000	10,279,000
West Virginia .....	..	4,309,000	5,670,000	4,622,000
North Carolina .....	..	945,000	1,120,000	935,000
Fifth District .....	..	17,636,000	19,952,000	17,758,000
Peanuts (Pounds)				
Virginia	+ 5	194,350,000	189,175,000	146,706,000
North Carolina	+ 5	304,750,000	290,700,000	242,658,000
South Carolina	+15	14,000,000	11,840,000	8,697,000
Fifth District	+ 5	513,100,000	491,715,000	397,971,000
Pasture Condition, August 1				
Maryland .....	..	70-	77	66
Virginia .....	..	92+	87	74
West Virginia .....	..	88-	85	71
North Carolina .....	..	77-	84	76
South Carolina .....	..	65-	78	69

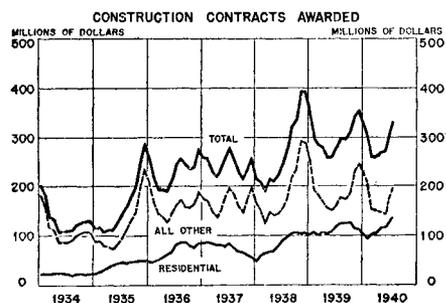
(Compiled August 21, 1940)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

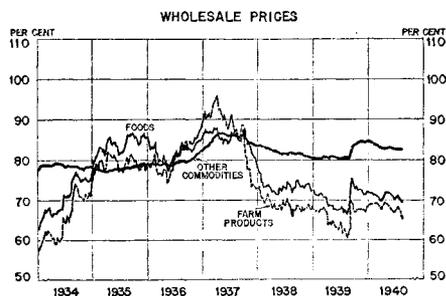
(Compiled by the Board of Governors of the Federal Reserve System)



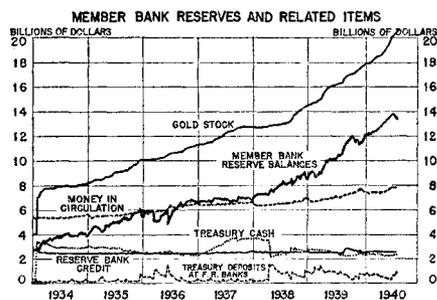
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average=100. By months, January 1934 to July 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June and July and estimate for August.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to August 10, 1940.



Wednesday figures, January 3, 1934, to August 7, 1940.

Volume of industrial output was steady during July and the first half of August, after a rapid expansion in May and June. Employment continued to increase. Reflecting mainly awards for national defense projects, construction contracts rose to the highest level in ten years. Prices of basic commodities declined somewhat further.

PRODUCTION

In July the Board's revised index of industrial production stood at 121 per cent of the 1935-39 average, according to the preliminary data. This is the same as in June and 17 points above the level prevailing a year ago before the outbreak of war. In most lines activity was maintained at the levels reached in June or increased further.

Steel production in July was at about 85 per cent of capacity and in the first half of August there was an increase to about 90 per cent. Production of pig iron and coke and output of nonferrous metals were also in large volume. In the machinery, shipbuilding, and aircraft industries, where new orders had been large during the first half of the year and a considerable backlog of unfilled orders had accumulated, activity was maintained at high levels in July, although ordinarily there are declines at this season. Lumber production declined sharply early in July but has subsequently increased accompanying a considerable rise in new orders.

In the automobile industry output declined sharply in July and the first half of August as plants were closed to prepare for the shift to new model production. The decline was greater than at this season in other recent years, reflecting the fact that production had been at high levels during the first half of 1940 and large stocks had accumulated. These stocks were reduced considerably in July as production was curtailed and retail sales continued large.

Textile production increased considerably further in July, reflecting chiefly a marked rise in activity at woolen mills where output is still below the levels of a year ago. Production of cotton and rayon textiles was maintained in July and was in larger volume than last summer, while activity at silk mills increased somewhat from the exceptionally low level reached in June. Shoe production increased seasonally, while output of manufactured foods, which in June had been unusually large for that time of year, showed less than the customary increase in July.

Coal production has risen further and shipments of iron ore down the Lakes have continued at near-capacity rates. Petroleum production has been curtailed sharply, however, reflecting partly a continued high level of stocks of petroleum products.

Value of new construction work undertaken increased sharply in July, owing mainly to a further rise in public construction, and was at the highest level in the past decade, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Awards for both residential and nonresidential private building increased somewhat, although some decline is usual at this season.

Increases were most pronounced in the Atlantic, Gulf, and Pacific Coast States, reflecting awards of additional contracts for naval air station and shipyard construction. In the central portions of the country there were generally small increases, although in some areas awards were lower.

DISTRIBUTION

Distribution of commodities to consumers was sustained in July at about the levels prevailing in the first half of the year. Sales at department stores declined more than seasonally, while sales at variety stores showed little change, although a decline is usual in July.

Total freight-car loadings increased seasonally in July. Shipments of grain showed a considerable rise and loadings of coal and coke continued to advance, while shipments of miscellaneous freight, which include most manufactured products, declined by somewhat more than the usual seasonal amount.

COMMODITY PRICES

Prices of basic commodities declined somewhat further from the middle of July to the middle of August, with decreases chiefly in prices of commodities influenced by foreign supplies, such as lead, rubber, cocoa, and coffee. Prices of steel scrap and zinc, on the other hand, advanced somewhat in this period.

AGRICULTURE

Prospects for most crops showed little change in July, according to the Department of Agriculture. Production this year is expected to approximate the 1929-38 average and, considering carryovers, supplies of most crops will be large. Conditions for wheat and oats improved during July, while the corn crop showed some deterioration. A cotton crop of 11,429,000 bales was indicated for this season as compared with 11,817,000 bales last season.

BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities increased substantially during the five weeks ended August 14, owing mainly to purchases of direct and guaranteed securities newly issued by the United States Government. Sale of these securities caused a large increase in Treasury balances with the Federal Reserve Banks. As a result of this temporary development, excess reserves declined by \$450,000,000 in this period despite an increase of over \$500,000,000 in monetary gold stock.

GOVERNMENT SECURITY MARKET

Prices of United States Government securities were relatively steady during July and the early part of August but declined slightly around the middle of August accompanying news of intensification of European warfare. The yield on the 1960-65 bonds increased to 2.39 per cent on August 14 compared with 2.34 per cent on July 1 and 2.26 per cent on April 2 at the year's peak in prices.