

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

January 31, 1941

Annual Survey for 1940

1940 was one of the best years in the history of the Fifth Federal Reserve district in trade and industry, and was moderately good in agriculture. New records were made in several lines, and other records were closely approached. Construction work, for example, stimulated in the second half-year by much defense work, set an all time record of \$520,417,000 in contracts actually awarded, an increase of 15 per cent over the previous high of \$451,030,000 for 1928, and 38 per cent above the 1939 total. City building permits issued in 1940 were also near a record level, totaling \$127,398,101 in 31 Fifth district cities. The cotton textile industry, receiving a substantial volume of orders from the Army and Navy in addition to increased commercial requirements, consumed more cotton than in any previous year and ended 1940 with sufficient orders on hand to maintain operations several months. Rayon yarn mills again set a record for shipments to domestic consumers in 1940, and the demand was so great that reserve stocks of yarn declined to a four days' supply at the end of the year. Tobacco manufacturing exceeded that of 1939 in all lines except snuff, and cigarette production, of which the Fifth district accounts for more than 80 per cent, rose 5 per cent in 1940 over 1939. Production of

bituminous coal in Fifth district states exceeded 1939 output by 16 per cent, and was the highest for any year since 1929. Sales of new passenger automobiles rose 27 per cent in 1940 over sales in 1939, and used cars also sold unusually well. Retail trade as indicated by department store sales rose 11 per cent in 1940 from the 1939 level, and furniture stores also reported an increase of 11 per cent. Debits to individual accounts, reflecting transactions through the banks in 25 Fifth district cities, rose to \$16,841,529,000 in 1940, another 11 per cent increase over the 1939 figure. Every reporting city showed higher debits in the later year. Many of the developments mentioned required additional workers or afforded longer hours of work, and consequently employment improved so notably that shortages of men actually developed toward the end of the year in some skilled trades. In agriculture, the farm values of all principal crops except tobacco and sweet potatoes were higher for 1940 than for 1939 yields. The tobacco crop was curtailed about a third this year, which reduced the aggregate value of the crop proportionately, but part of the decline in the crop's value was made up by Government benefit payments for acreage reduction.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	December 1940	November 1940	December 1939	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,735,170,000	\$1,528,845,000	\$1,530,670,000	+ 13	+ 13
Sales, 30 department stores, 5th district.....	\$ 20,927,121	\$ 12,954,921	\$ 19,006,586	+ 62	+ 10
Sales, 39 furniture stores, 5th district.....	\$ 1,675,071	\$ 1,365,816	\$ 1,428,795	+ 23	+ 17
Sales, 178 wholesale firms, 5th district.....	\$ 9,598,000	\$ 10,425,000	\$ 8,428,000	- 8	+ 14
Registrations, new autos, 5th district.....	28,391	23,479	19,330	+ 21	+ 47
Tobacco sold in 5th district (pounds).....	35,323,912	102,320,316	83,304,996	- 65	- 58
Growers' receipts from tobacco, 5th district.....	\$ 4,786,231	\$ 14,659,107	\$ 11,068,040	- 67	- 57
Average price of tobacco, 5th district.....	\$ 13.55	\$ 14.33	\$ 13.29	- 5	+ 2
Number of business failures, 5th district.....	41	31	48	+ 32	- 15
Liabilities in failures, 5th district.....	\$ 884,000	\$ 769,000	\$ 544,000	+ 15	+ 63
Value of building permits, 31 cities.....	\$ 8,359,191	\$ 13,095,771	\$ 5,280,866	- 36	+ 58
Value of contracts awarded, 5th district.....	\$ 100,879,000	\$ 45,703,000	\$ 22,358,000	+121	+351
Cotton consumption, 5th district (bales).....	354,051	340,446	307,369	+ 4	+ 15
Cotton price, cents per lb., end of month.....	10.07	9.74	10.93	+ 3	- 8
Print cloths, 39 in., 80x80s, end of month.....	7.50	7.375	7.25	+ 2	+ 3
Rayon yarn shipments, U. S. (pounds).....	34,500,000	35,000,000	32,000,000	- 1	+ 8
Rayon yarn stocks, U. S. (pounds).....	5,300,000	6,200,000	6,400,000	- 15	- 17
Bituminous coal mined, U. S. (tons).....	40,600,000	40,012,000	38,066,000	+ 1	+ 7

RESERVE BANK COMPARISONS

Changes in the statement of the Federal Reserve Bank of Richmond between December 15, 1940, and January 15, 1941, were of no special significance. Circulation of Federal Reserve notes showed the usual decline after the holiday need for funds had passed. Government security holdings, reversing a recent trend, rose moderately during the period, while member bank reserve deposits and the Bank's cash reserves advanced further. In comparison with figures for January 15, 1940, those for January 15, 1941, show advances in all items except those making up earning assets, which declined slightly. Federal Reserve note circulation rose substantially over a year ago, probably reflecting greater activity in nearly all lines of trade and industry this year. Member bank reserve deposits and cash reserves of the Richmond bank both registered marked increases during 1940.

RESERVE BANK STATEMENT ITEMS
Fifth District

ITEMS	000 omitted		
	Jan. 15 1941	Dec. 15 1940	Jan. 15 1940
Discounts held	\$ 33	\$ 47	\$ 122
Foreign loans on gold	27	41	216
Industrial advances	780	783	942
Government securities	119,976	115,900	125,583
Total earning assets	120,816	116,771	126,863
Circulation of Fed. Res. notes	274,908	278,382	221,031
Members' reserve deposits	372,450	354,012	288,976
Cash reserves	581,553	570,688	430,976
Reserve ratio	83.23	83.49	77.57

A brief review of the operations of the Federal Reserve Bank of Richmond during 1940 shows continued growth of the Bank. Total assets rose from \$632,001,031.78 on December 31, 1939, to \$774,748,010.56 on December 31, 1940. Although the number of employees at the Head Office and the two Branches was the same, 675, at the end of both 1939 and 1940, a larger volume of business was handled last year in most departments. The number of checks handled by the Transit department set an annual record at 79,938,000 items, an average of 265,575 checks per working day. These checks totaled \$15,474,834,000 in 1940, an average of \$51,411,409 per day. Currency and coin received or paid out in 1940 totaled 962,789,100 pieces, valued at \$1,567,387,500, against 869,862,878 pieces valued at \$1,386,332,900 handled in 1939. Transfers of funds to and from other Reserve Banks and Branches through the Inter-district Settlement Fund also rose substantially in 1940 in comparison with 1939. The number of member banks in the Fifth district rose from 411 to 431 during 1940. One member bank was absorbed by a non-member, but the following 31 banks joined the Reserve System:

Citizens & Southern National Bank of S. C.....	Charleston, S. C.
City National Bank of Winston-Salem.....	Winston-Salem, N. C.
Citizens-Waynesboro Bank & Trust Co.....	Waynesboro, Va.
Bank of Christiansburg.....	Christiansburg, Va.
Bank of Wadesboro.....	Wadesboro, N. C.
Bank of Monroe.....	Union, W. Va.
Bank of Quinwood.....	Quinwood, W. Va.
Farmers & Bank of Amherst.....	Amherst, Va.
Commercial National Bank.....	Kinston, N. C.
City Bank of Washington.....	Washington, D. C.
Farmers & Merchants Bank.....	Rich Creek, Va.
Shenandoah County Bank & Trust Co.....	Woodstock, Va.
Farmers & Merchants Bank.....	Blacksburg, Va.
Farmers Bank of Edinburg, Inc.....	Edinburg, Va.
South Boston Bank & Trust Co.....	South Boston, Va.
Bank of Greene, Inc.....	Stanardsville, Va.
Planters Bank of Bridgewater.....	Bridgewater, Va.
Bank of Alberta, Inc.....	Alberta, Va.
Peoples' Bank of Mt. Jackson.....	Mount Jackson, Va.
State Bank of Remington, Inc.....	Remington, Va.
Bank of Shawville, Inc.....	Shawville, Va.

STATEMENT OF SELECTED MEMBER BANKS

The accompanying table shows comparisons of statement items for 41 regularly reporting member banks as of January 15, 1941, with corresponding figures a month and a year earlier. Changes during the past month were relatively unimportant, but during the past year loans and discounts rose 13 per cent, reserve balance at the Reserve bank rose 31 per cent, and demand deposits rose 20 per cent.

SELECTED ITEMS—41 REPORTING BANKS
Fifth District

ITEMS	000 omitted		
	Jan. 15 1941	Dec. 11 1940	Jan. 10 1940
Loans & discounts	\$297,199	\$298,873	\$262,031
Investments in securities	447,111	432,527	455,811
Reserve bal. with F. R. Bank	248,518	242,985	189,559
Cash in vaults	23,961	27,828	23,762
Demand deposits	632,936	637,972	526,599
Time deposits	203,177	199,907	198,300
Money borrowed	0	0	0

DEPOSITS IN MUTUAL SAVINGS BANKS

Deposits in 10 mutual savings banks in Baltimore, which had set a record of \$222,060,975 on December 31, 1939, advanced further to \$224,288,123 on April 30, 1940, establishing a new record each month during the intervening period. After April, however, deposits turned downward and declined each month to \$222,488,398 on August 31, the low month-end figure of 1940 but still above the December 31, 1939, total. Deposits increased in September and October, dropped a little in November, and rose again to \$223,920,684 on December 31, 1940. Deposits in the 10 mutual savings banks were higher at the end of every month in 1940 than on the corresponding dates in 1939.

DEBITS TO INDIVIDUAL ACCOUNTS

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 also 13 per cent higher than December 1939 figures. The December increase over November was exactly the same as the increase between the corresponding months a year earlier. Danville and Durham reported the only decreases from November to December, but both were due to holiday closings of auction tobacco markets in the later month.

In the calendar year 1940, debits in the 25 cities rose 11 per cent over 1939 debits, every city reporting higher figures for the later year. For the second successive year, Newport News with a rise of 30 per cent in 1940 over the preceding year led all cities in percentage gain, due to the large increase in payrolls at the shipyard in that city. All three reporting cities in the Hampton Roads areas, Norfolk, Newport News and Portsmouth, reflect in their debits the great activity in shipbuilding and in the necessity for additional housing arising from a large influx of workers, and Baltimore, Charleston, S. C., Columbia, and Charleston, W. Va., also show either direct or indirect influences of the defense program.

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DEBITS TO INDIVIDUAL ACCOUNTS

CITIES Dist. of Col.	December	November	December	% Change		Annual Totals	Annual Totals	%
	1940	1940	1939	Month	Year	1940	1939	Change
Washington	\$ 339,473,000	\$ 304,470,000	\$ 301,770,000	+11	+12	\$ 3,470,046,000	\$ 3,173,685,000	+ 9
Maryland								
Baltimore	495,647,000	429,178,000	433,143,000	+15	+14	4,800,109,000	4,181,609,000	+15
Cumberland	9,383,000	8,739,000	9,350,000	+ 7	0	103,341,000	97,124,000	+ 6
Hagerstown	11,221,000	9,678,000	9,734,000	+16	+15	113,032,000	102,412,000	+10
North Carolina								
Asheville	17,914,000	14,955,000	14,281,000	+20	+25	166,202,000	146,133,000	+14
Charlotte	102,551,000	86,845,000	75,215,000	+18	+36	846,844,000	738,360,000	+15
Durham	34,996,000	38,342,000	37,117,000	- 9	- 6	412,692,000	382,246,000	+ 8
Greensboro	28,362,000	29,001,000	24,271,000	+23	+17	255,881,000	284,874,000	+ 9
Raleigh	66,073,000	48,235,000	57,414,000	+37	+15	553,687,000	513,328,000	+ 8
Wilmington	13,982,000	11,843,000	12,337,000	+18	+13	142,887,000	129,745,000	+10
Winston-Salem	54,936,000	48,359,000	49,037,000	+14	+12	518,191,000	485,111,000	+ 7
South Carolina								
Charleston	24,607,000	21,482,000	21,849,000	+15	+13	248,124,000	212,501,000	+17
Columbia	41,411,000	37,278,000	29,444,000	+11	+41	376,001,000	325,013,000	+16
Greenville	25,766,000	24,722,000	22,449,000	+ 4	+15	252,517,000	229,312,000	+10
Spartanburg	14,488,000	13,102,000	13,130,000	+11	+10	139,056,000	122,974,000	+13
Virginia								
Danville	11,603,000	15,409,000	15,161,000	-25	-23	119,536,000	118,345,000	+ 1
Lynchburg	19,035,000	16,336,000	16,930,000	+17	+12	183,894,000	170,287,000	+ 8
Newport News	14,532,000	13,023,000	12,933,000	+12	+12	154,701,000	118,554,000	+30
Norfolk	73,719,000	64,884,000	58,812,000	+14	+25	670,592,000	588,452,000	+14
Portsmouth	7,321,000	5,939,000	5,393,000	+23	+36	61,533,000	52,006,000	+18
Richmond	192,111,000	175,920,000	183,817,000	+ 9	+ 5	1,933,670,000	1,878,864,000	+ 3
Roanoke	34,121,000	32,962,000	31,490,000	+ 4	+ 8	351,278,000	318,196,000	+10
West Virginia								
Charleston	67,850,000	54,195,000	59,733,000	+25	+14	625,760,000	561,194,000	+12
Huntington	22,122,000	18,710,000	20,640,000	+18	+ 7	215,607,000	197,070,000	+ 9
Parkersburg	11,946,000	11,238,000	15,220,000	+ 6	-22	126,348,000	117,881,000	+ 7
District Totals	\$1,735,170,000	\$1,528,845,000	\$1,530,670,000	+13	+13	\$16,841,529,000	\$15,195,276,000	+11

EMPLOYMENT

Employment probably declined in the Fifth district between the middle of December and the middle of January, as is to be expected when retail outlets release extra help taken on for the holiday season and many industrial plants shut down a few days around the end of the year for taking inventories and overhauling machinery. The industrial lay-offs were all temporary, however, and continued increases in the needs for workers in shipyards, airplane plants and on numerous construction projects have increased further the number of employed persons in those lines. Generally speaking, it appears that there are practically no skilled mechanics or building tradesmen now on the unemployed list, but there are surpluses of clerical workers and unskilled help. Employment in industry in the Fifth district rose something like 5 per cent during 1940, while payrolls rose about 10 per cent, the greater increase in payrolls being partly due to longer hours of work available for certain people. The increase in workers employed in construction is probably greater than the increase in industry, but no figures on employment in construction are available.

The following figures, compiled for the most part 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. 1940 In number on payroll	to Dec. 1940 In amount of payroll
Maryland	+ 2.3	+ 4.7
Dist. of Columbia	+ 6.4	+ 8.2
Virginia	+ 1.7	+ 7.5
West Virginia	+ 0.9	+ 2.9
North Carolina	+ 1.4	+ 1.1
South Carolina	+ 2.6	+ 7.8
District Average	+ 2.1	+ 4.7

BUSINESS INSOLVENCIES

Fifth district commercial failures in the calendar year 1940, as reported by *Dun & Bradstreet*, declined 7 per cent in number but increased 16 per cent in liabilities involved in comparison with figures for 1939, compared with decreases in the United States of 8 per cent in number and 11 per cent in liabilities. The district showed increases in both number and liabilities in December 1940 over November, while the United States also increased in number of bankruptcies but decreased in total liabilities involved.

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
December 1940	41	1,086	\$ 884,000	\$ 13,309,000
November 1940	31	1,024	769,000	16,572,000
December 1939	48	1,153	544,000	13,243,000
12 Months, 1940	536	13,619	7,389,000	163,314,000
12 Months, 1939	575	14,768	6,376,000	182,520,000

PASSENGER AUTOMOBILE SALES

Sales of new passenger automobiles in the Fifth Reserve district set a December record in 1940, and exceeded sales in December 1939 by 47 per cent. The District of Columbia and West Virginia sold more cars in December 1936 than in any other December, but Maryland, Virginia, North Carolina, South Carolina and the district as a whole established records last month. During the calendar year 1940, total sales in the Fifth district exceeded 1939 sales by 27 per cent, and lacked only 3 per cent of equaling the all-time high sales in 1929. The feature of automobile retailing in 1940 was the way in which sales held up in the second half of the year, which was explained by dealers as due in part to precautionary buying resulting from fear that new cars might not be readily available next spring and summer if the defense

program makes necessary any substantial restriction in steel available to the automobile industry and in part to increased incomes of many car buyers. The following figures, furnished by *R. L. Polk & Co.*, of Detroit, show December and annual sales by states for 1940 and 1939:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	Dec. 1940	Dec. 1939	% Change	12 Months 1940	12 Months 1939	% Change
Maryland	5,076	3,696	+ 37	51,319	39,389	+30
Dist. of Col. ...	2,622	2,116	+ 24	29,170	25,637	+14
Virginia	6,561	3,830	+ 71	59,840	42,172	+37
West Virginia ...	2,392	2,147	+ 11	31,102	22,955	+35
No. Carolina ...	8,343	5,446	+ 53	56,760	46,160	+23
So. Carolina ...	3,397	2,095	+ 62	30,432	25,100	+21
District	28,391	19,330	+ 47	256,623	201,413	+27

BITUMINOUS COAL PRODUCTION

Output of bituminous coal in the United States in December 1940 totaled 40,600,000 net tons, an increase of 7 per cent over production of 38,066,000 tons in December 1939. Last month's tonnage also exceeded that of November, the preceding month, but November contained one less working day and on a daily basis exceeded December daily output by 2.5 per cent. In the Fifth district, December production of 11,335,000 tons was 3 per cent above 10,980,000 tons in December 1939. Total production in 1940 was 142,557,000 tons in the district and 452,445,000 tons in the United States, compared with production in 1939 of 122,636,000 tons in the district and 393,065,000 tons in the nation. Output in the district was higher in all 1940 months except September, October and November than in 1939, and higher in the United States in all months but March and October. Hampton Roads ports shipped approximately 22,231,624 tons of coal in the calendar year 1940, an increase of 11 per cent over 20,107,806 tons shipped in 1939. Production figures for Fifth district states in 1940 and 1939 were as follows:

SOFT COAL PRODUCTION IN TONS

STATES	Year 1940	Year 1939	% Change
West Virginia	126,072,000	107,938,000	+17
Virginia	15,009,000	13,230,000	+13
Maryland	1,476,000	1,468,000	+ 1
5th District	142,557,000	122,636,000	+16
United States	452,445,000	393,065,000	+15

BUILDING PERMITS AND CONTRACT AWARDS

Building permits issued in 31 Fifth district cities followed the seasonal trend in December and declined from the November total, but contract award figures rose to an all-time high in December. The defense program is responsible for the high contract awards, but is playing a much smaller part in influencing building permits. The permits cover construction within the corporate limits of larger towns, while the bulk of the defense construction is located in suburban, rural or small town areas.

Permits issued in December 1940 totaled \$8,359,191, a decrease of 36 per cent from \$13,076,326 in November 1940 but an increase of 58 per cent over \$5,280,866 in December 1939. Washington led all Fifth district cities last month with \$4,137,030, Baltimore was second with \$1,173,774, Norfolk third with \$897,578, Charlotte fourth with \$308,094, and Richmond fifth with \$214,864. Examination of the annual record shows permits issued in 1940 to the amount of \$127,398,101, an increase of 6.6 per cent over \$119,497,614 in 1939. Washington led for

the year with permits totaling \$43,751,180, and this is exclusive of Federal Government work for which permits are not taken out in the District of Columbia. A table showing permits issued in each of the 31 cities in 1940 and 1939 appears elsewhere in this *Review*.

Construction contracts awarded in the Fifth district in December reached the record figure of \$100,879,000, and was the largest amount reported for any of the 12 Federal Reserve districts. A few large defense contracts for industrial buildings account for much of the total, which is 351 per cent above awards totaling \$22,358,000 in December 1939. Contract awards in the Fifth district in the calendar year 1940 amounted to \$520,417,000, an increase of 38 per cent over awards totaling \$377,471,000 in 1939.

Contract award figures by states for December are not yet available, but the following table shows awards made in November 1940 and 1939, and brings monthly figures previously published in the *Review* up-to-date to December.

CONSTRUCTION CONTRACTS AWARDED

STATES	Nov. 1940	Nov. 1939	% Change
Maryland	\$ 8,368,000	\$ 6,000,000	+ 39
Dist. of Col.	6,244,000	2,948,000	+112
Virginia	11,629,000	5,279,000	+120
West Virginia	5,661,000	1,174,000	+382
North Carolina	6,418,000	5,475,000	+ 17
South Carolina	7,383,000	3,180,000	+132
Fifth District	\$45,703,000	\$24,056,000	+ 90

VALUATION OF BUILDING PERMITS ISSUED

CITIES	1940	1939
Maryland		
Baltimore	\$ 30,388,453	\$ 16,056,079
Cumberland	690,744	811,792
Frederick	621,389	796,122
Hagerstown	566,342	905,984
Salisbury	786,880	526,310
Virginia		
Danville	717,630	811,647
Lynchburg	1,327,885	1,318,552
Norfolk	7,000,321	3,310,410
Petersburg	186,971	222,532
Portsmouth	2,430,492	515,668
Richmond	5,267,908	7,222,627
Roanoke	1,390,208	1,260,064
West Virginia		
Bluefield	739,844	475,156
Charleston	4,345,397	5,383,480
Clarksburg	822,978	819,059
Huntington	1,632,122	3,390,161
North Carolina		
Asheville	655,542	998,298
Charlotte	4,295,627	4,040,962
Durham	1,625,023	2,467,090
Greensboro	2,674,816	2,068,536
High Point	1,182,235	640,456
Raleigh	2,328,176	3,017,020
Rocky Mount	716,561	742,475
Salisbury	452,735	316,365
Winston-Salem	2,623,421	2,261,748
South Carolina		
Charleston	2,222,532	2,325,978
Columbia	2,826,973	4,310,749
Greenville	900,012	726,093
Rock Hill	393,870	623,382
Spartanburg	1,773,834	856,440
Dist. of Col.		
Washington	43,751,180	49,776,379
District Totals	\$127,398,101	\$119,497,614

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

THE RAYON INDUSTRY

Rayon Organon for January states that the sustained high activity which prevailed in the rayon filament yarn market during 1940 was without parallel in the industry's history. During the first half of the year the de-

mand for rayon yarn was at an average level of 31,000,000 pounds per month, and the adverse seasonal influence which normally appears during the second quarter period was completely absent. Shipments of yarn advanced still further in the second half of 1940, and averaged approximately 34,000,000 pounds per month. As a result of high shipments, reserve stocks never exceeded a two weeks' supply during the year, and at the end of December had been reduced to about a four days' supply. Total shipments in 1940 by domestic mills are estimated at 388,684,000 pounds of filament yarn, an increase of 8 per cent over shipments of 359,572,000 pounds in 1939. The defense program has undoubtedly accounted in part for the great advance in the rayon market, although the program's influence has been indirect. Very little fabric made of rayon has been bought for Army or Navy use, but greater consumer purchasing power resulting from defense jobs has been reflected in a sharply rising demand for textiles in civilian life. In these uses rayon has continued to gain ground on other textiles, and new uses for it have been developed during the past year. Two more or less nominal price changes were made in the rayon yarn list in 1940, but no general price changes occurred, although raw materials and labor costs advanced. The average hourly earnings of workers in the rayon industry in the first nine months of 1940 rose to 67.4 cents an hour from the average of 64.3 cents in the first nine months of 1939.

THE COTTON TEXTILE INDUSTRY

The volume of business in cotton goods in December was considerably smaller than in the preceding four months, but the usual year-end influences failed to curb activity to any appreciable extent. The *Journal of Commerce* monthly survey says that heavy Government buying continued, and that prices for the most part were strong. Ordinarily December witnesses the offering of resale lots of textiles, with a consequent depreciation of values in first hands, but second hand offerings last month were about the smallest on record. Trading in first hands continued as converters covered requirements against both defense and commercial needs. Sheetings were unusually strong and a number of shortages developed. Drills and four-leaf twills were strong, and ducks sold in such large volume to the Army that mills announced sufficient forward orders to maintain current operating schedules over most of the first half of 1941. Production of cotton goods was reported as the largest for any December on record, and closely approached the record for any month.

Consumption of cotton in Fifth district mills in 1940 was the highest on record, exceeding the 1939 figure, which was high to that year, by 8 per cent. Each of the past three years set consumption records for the district.

COTTON CONSUMPTION—FIFTH DISTRICT

MONTHS	In Bales			
	No. Carolina	So. Carolina	Virginia	District
December 1940	194,227	144,461	15,363	354,051
November 1940	188,495	137,539	14,412	340,446
December 1939	172,881	124,987	9,501	307,369
12 months, 1940	2,066,586	1,582,362	154,089	3,803,037
12 months, 1939	1,941,541	1,433,603	142,184	3,517,328

COTTON STATISTICS

Spot cotton prices were somewhat higher between the middle of December and the middle of January than a month earlier, but were lower than during the corresponding month a year ago. The rise in cotton prices last month was probably due to reduced stocks of free cotton and the high level of domestic mill activity. The average price for middling upland 15/16 inch staple on 10 Southern markets on December 13, 1940, was 9.86 cents, but rose to 10.22 cents on January 10, and then dropped to 10.06 cents on January 17, the latest date for which figures are available. On January 19, 1940, the average price was 10.87 cents.

COTTON CONSUMPTION AND ON HAND—BALES

	Dec. 1940	Dec. 1939	Aug. 1 to Dec. 31 1940	1939
Fifth district states:				
Cotton consumed	354,051	307,369	1,650,714	1,566,475
Cotton growing states:				
Cotton consumed	665,265	553,042	3,070,077	2,809,849
Cotton in hand Dec. 31 in				
Consuming establishments ..	1,535,572	1,594,808	.....	.....
Storage & compresses	14,796,369	14,529,576	.....	.....
United States:				
Cotton consumed	775,472	650,123	3,584,017	3,310,143
Cotton in hand Dec. 31 in				
Consuming establishments ..	1,833,864	1,861,406	.....	.....
Storage & compresses	15,046,513	14,579,390	.....	.....
Exports of cotton	107,375	806,720	602,763	3,134,415
Spindles active, U. S.	22,817,658	22,780,406	.....	.....

AUCTION TOBACCO MARKETING

Only a little over a third as much tobacco was auctioned in the Fifth district in December 1940 as in December 1939, due in part to a much smaller crop this crop year and in part to delayed sales last year. The average price was slightly higher last month than a year earlier, but declined from the November average price as the end of the season approached and poorer grades of tobacco came on the markets. Sales in the district from the opening of the season in the South Carolina belt last August to December 31 were only 66 per cent of sales in the corresponding period in 1939, but this season's tobacco crop was only 64 per cent of 1939's yield. Average prices this year were 9 per cent higher than 1939 prices, a small increase in view of the marked decline in production, but there was a large carryover of tobacco from 1939, and exports were practically shut off in both 1939 and 1940, which reduced demand for the 1940 crop.

STATES	Producers' Tobacco Sales, Pounds		Price per Cwt.	
	December 1940	December 1939	1940	1939
North Carolina	18,135,933	52,333,498	\$13.69	\$13.71
Virginia (Flue cured)	6,798,306	20,348,445	11.87	12.33
(Fire cured)	4,266,347	5,000,323	8.57	10.81
(Burley)	5,546,700	5,109,250	19.48	15.41
(Sun cured)	576,626	513,480	8.72	10.72
Virginia, Total	17,187,979	30,971,498	13.40	12.57
District Total, Dec. . . .	35,323,912	83,304,996	13.55	13.29
N. C. season to 12/31	484,974,920	745,915,961	17.30	15.82
Va. season to 12/31..	95,391,364	126,737,638	17.18	15.00
S. C. entire season...	74,803,580	117,217,526	14.55	14.56
Dist., season to 12/31	655,169,864	989,871,125	16.97	15.57

TOBACCO MANUFACTURING

The output of tobacco products in the United States declined seasonally in December from the November level, due to holiday closing of factories at Christmas, but exceeded output of December 1939, according to reports by the Bureau of Internal Revenue.

TOBACCO PRODUCTS MANUFACTURED

	Dec. 1940	Nov. 1940	Dec. 1939
Smoking & chewing tobacco, pounds	21,499,435	25,730,910	21,088,322
Cigarettes, number	13,814,602,886	14,347,327,020	12,802,800,103
Cigars, number	349,779,880	507,348,580	331,203,629
Snuff, pounds	3,258,973	2,865,513	2,968,418

Annual production figures for 1940 and 1939 were as follows:

	Year 1940	Year 1939	% Change
Smoking & chewing tobacco, pounds	304,320,494	302,777,328	+ 1
Cigarettes, number	180,662,787,772	172,421,537,347	+ 5
Cigars, number	5,418,408,619	5,311,393,887	+ 2
Snuff, pounds	37,875,059	38,017,336	0

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

	Net Sales Dec. 1940 comp. with Dec. 1939	Net Sales Year 1940 comp. with same period in 1939	Stocks Dec. 31, 1940 comp. with Dec. 1939		Ratio Dec. collections to accounts outstanding Dec. 1
			Dec. 1939	Nov. 1940	
Richmond (3)	+ 6.1	+ 7.8	+ 14.0	- 23.4	32.6
Baltimore (8)	+ 8.2	+ 9.7	+ 6.1	- 19.6	31.6
Washington (6)	+ 12.4	+ 10.1	+ 5.9	- 24.0	29.1
Other Cities (13)	+ 12.2	+ 11.1	+ 3.2	- 24.6	30.6
District (30)	+ 10.1	+ 9.8	+ 6.6	- 22.4	30.4

Same stores by states, with additional stores reporting sales only:

Virginia (15)	+ 10.	+ 11.
West Va. (12)	+ 4.	+ 12.
No. Carolina (10)	+ 12.	+ 11.
So. Carolina (10)	+ 14.	+ 12.
5th District (65)	+ 11.	+ 11.

RETAIL FURNITURE SALES

STATES	% Change in Sales, Dec. and Year 1940 Compared with	
	Dec. 1939	Year 1939
Maryland, 9 stores	+ 22	+ 15
Dist. of Col., 6 stores	+ 27	+ 12
Virginia, 13 stores	+ 10	+ 8
North Carolina, 5 stores	+ 6	+ 5
South Carolina, 6 stores	+ 22	+ 9
5th District, 39 stores	+ 17	+ 11
Individual Cities:		
Baltimore, 9 stores	+ 22	+ 15
Richmond, 5 stores	+ 2	+ 2
Washington, 6 stores	+ 27	+ 12

WHOLESALE TRADE, 178 FIRMS

LINES	Net Sales compared with		Stocks compared with		Ratio Dec. collections to accounts outstanding Dec. 1
	Dec. 1939	Nov. 1940	Dec. 31 1939	Nov. 30 1940	
Auto supplies (8)	+ 23	+ 4	+ 6	+ 6	62
Shoes (4)	+ 13	- 54	- 18	+ 19	62
Drugs (11)	+ 2	- 9	..	..	89
Dry goods (8)	+ 7	- 35	- 1	- 11	48
Electrical goods (13)	+ 47	+ 29	+ 23	- 7	85
Groceries (52)	+ 4	- 6	+ 1	- 1	93
Hardware (14)	+ 16	- 10	+ 3	+ 3	52
Industrial supplies (9)	+ 36	- 3	+ 22	+ 13	74
Paper & products (9)	+ 3	- 2	+ 19	+ 18	56
Tobacco & products (7)	+ 14	- 5	0	- 4	80
Miscellaneous (43)	+ 14	+ 7	+ 11	+ 1	63
District Totals (178)	+ 14	- 8	+ 3	+ 3	66

Source: Department of Commerce.

AGRICULTURE IN 1940

In agriculture, the year 1940 turned out better than average in the Fifth district in all crops except sweet potatoes, although the district's yield of tobacco was 36 per cent below the record production of 1939. The tobacco reduction was due chiefly to voluntary acreage restriction in cooperation with the Department of Agriculture's crop control program. All principal crops except sweet potatoes returned higher yields than in the ten-year base period 1929-1938. In comparison with 1939 yields, those for 1940 were higher for cotton, cotton seed, Irish potatoes, oats, wheat, hay and peanuts, but those for corn, tobacco, sweet potatoes and commercial apples were lower. The corn reduction was chiefly due to flood losses on bottom lands last summer. Total farm values of 1940 crops were higher for all crops except tobacco

and sweet potatoes than the 1939 values, but the decline in the aggregate value of the tobacco crop was sufficient to wipe out gains on all other crops. Except in the tobacco growing counties of the Carolinas and Virginia, purchasing power of farmers in 1940 was somewhat higher than in 1939, and even in the tobacco sections the cash income was up to the average of the past ten years. Cotton seems to have been the most profitable crop in the Fifth district last year, with record per acre yields reported by all cotton growing states in the district. Since practically all Fifth district cotton is grown in the two Carolinas, they experienced a substantial rise in purchasing power except in the counties which grow both cotton and tobacco.

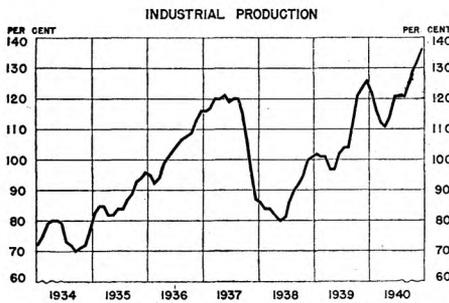
CROPS	Yrs.	Maryland	Virginia	W. Virginia	N. Carolina	S. Carolina	District	Farm Value
Corn (bus.)	1940	17,535,000	36,490,000	12,852,000	44,733,000	24,304,000	135,914,000	\$100,846,000
	1939	18,216,000	36,530,000	13,994,000	47,619,000	25,433,000	141,792,000	97,977,000
	Av. 1929-1938	15,923,000	32,255,000	12,448,000	42,517,000	22,306,000	125,449,000	.....
Cotton (bales)	1940	.....	25,000	.....	740,000	970,000	1,735,000	83,383,000
	1939	.....	13,000	.....	457,000	871,000	1,341,000	63,736,000
	Av. 1929-1938	.....	37,000	.....	658,000	820,000	1,515,000	.....
Cotton Seed (tons)	1940	.....	11,000	.....	329,000	431,000	771,000	16,964,000
	1939	.....	6,000	.....	203,000	387,000	596,000	12,956,000
	Av. 1929-1938	.....	16,000	.....	292,000	364,000	672,000	.....
Tobacco (lbs.)	1940	31,920,000	97,540,000	2,790,000	506,820,000	81,590,000	720,660,000	121,189,000
	1939	32,800,000	143,847,000	2,736,000	811,675,000	133,200,000	1,124,258,000	171,237,000
	Av. 1929-1938	26,096,000	97,395,000	3,262,000	496,101,000	81,068,000	703,922,000	.....
Irish Potatoes (bus.)	1940	2,898,000	10,412,000	3,630,000	8,720,000	3,192,000	28,852,000	19,254,000
	1939	2,375,000	6,786,000	3,040,000	8,200,000	3,108,000	23,509,000	18,596,000
	Av. 1929-1938	3,098,000	11,507,000	2,925,000	7,976,000	2,424,000	27,930,000	.....
Sweet Potatoes (bus.)	1940	1,485,000	3,875,000	.....	7,104,000	5,040,000	17,504,000	13,200,000
	1939	1,440,000	4,128,000	.....	8,624,000	6,834,000	21,026,000	13,642,000
	Av. 1929-1938	1,090,000	4,156,000	.....	8,163,000	5,220,000	18,629,000	.....
Oats (bus.)	1940	1,120,000	1,932,000	1,462,000	5,952,000	10,890,000	21,356,000	10,370,000
	1939	1,128,000	1,600,000	1,460,000	5,512,000	11,515,000	21,215,000	9,018,000
	Av. 1929-1938	1,344,000	2,197,000	2,086,000	4,228,000	8,910,000	18,765,000	.....
Wheat (bus.)	1940	7,566,000	8,463,000	2,016,000	6,132,000	2,688,000	26,865,000	22,884,000
	1939	7,352,000	7,685,000	2,102,000	5,100,000	2,415,000	24,654,000	21,021,000
	Av. 1929-1938	8,518,000	8,735,000	2,080,000	4,661,000	1,175,000	25,169,000	.....
Hay (tons)	1940	550,000	1,252,000	833,000	975,000	539,000	4,149,000	51,218,000
	1939	517,000	983,000	722,000	984,000	541,000	3,747,000	46,100,000
	Av. 1929-1938	464,000	923,000	644,000	696,000	362,000	3,089,000	.....
Peanuts (lbs.)	1940	.....	196,800,000	.....	325,125,000	14,250,000	536,175,000	18,711,000
	1939	.....	189,175,000	.....	290,700,000	11,840,000	491,715,000	17,808,000
	Av. 1929-1938	.....	146,706,000	.....	242,658,000	8,607,000	397,971,000	.....
Apples, Commercial (bus.)	1940	2,077,000	10,325,000	4,868,000	962,000	.....	18,232,000	12,142,000
	1939	2,362,000	10,800,000	5,670,000	1,120,000	.....	19,952,000	11,433,000
	Av. 1929-1938	1,922,000	10,279,000	4,622,000	935,000	.....	17,758,000	.....

(Compiled January 22, 1941)

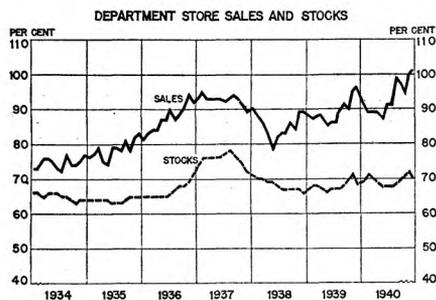
SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

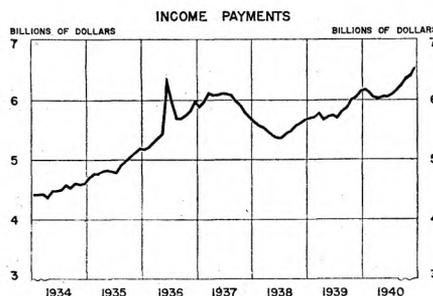
Industrial activity continued at a high rate in December and the first half of January and distribution of commodities to consumers was maintained in large volume. There was some increase in wholesale commodity prices.



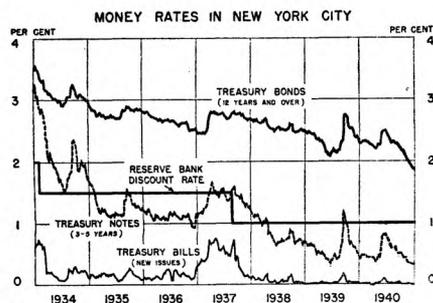
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to December 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to December 1940.



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to December 1940.



For weeks ending January 6, 1934, to January 4, 1941.

PRODUCTION

Volume of industrial production showed little change from November to December, although usually there is a decline at this season, and consequently the Board's adjusted index rose further by four points to 136 per cent of the 1935-39 average. Steel ingot production was sustained at about 96 per cent of capacity. New orders for steel continued large, according to trade reports, and were equal to or slightly greater than production; consequently the volume of unfilled orders remained at about the peak level reached in November. In the first half of January steel output increased to around 98 per cent of capacity. Activity in the machinery, aircraft, and shipbuilding industries continued to increase sharply and working forces were expanded further. In these lines and in some others, such as wool textiles, unfilled orders are exceptionally large, owing in the main to the defense program.

Automobile production declined somewhat more than seasonally in December following an unusually large volume of output in November and October. Retail sales of new cars during the last quarter of 1940 were about one-fourth greater than in the corresponding period last year and used car sales also were large. In the nonferrous metals industries activity increased further in December and output of lumber and cement showed less than the usual seasonal decline.

Textile production, which in November had exceeded the previous record levels reached a year ago, continued at this high rate in December, not showing the usual seasonal decrease. At cotton and rayon mills, activity increased somewhat further and at wool textile mills output was sustained at peak rates. In the shoe industry, where output had been in reduced volume during the first ten months of the year, there was less than the usual seasonal decline in November and December and, on a seasonally adjusted basis, production was close to earlier peak levels.

At mines bituminous coal production declined less than seasonally and anthracite production increased. Output of crude petroleum showed a reduction in December owing mainly to the fact that wells in Texas were closed for ten days as compared with nine days in November. Output of metals continued in large volume.

Value of construction contract awards, as reported by the F. W. Dodge Corporation, increased contraseasonally in December, reflecting further sharp increases in awards for defense construction and private nonresidential building. Contracts for private residential building declined by somewhat less than the usual seasonal amount.

DISTRIBUTION

Distribution of commodities to consumers increased more than seasonally in December. Department and variety store sales showed the customary sharp expansion during the Christmas season and sales at mail-order houses rose more than is usual at this time of year.

Freight-car loadings showed a seasonal decline from November to December. Shipments of forest products and miscellaneous freight decreased less than seasonally, while ore loadings, which had been unusually large in November, declined sharply.

WHOLESALE COMMODITY PRICES

Basic commodity prices generally increased from the middle of December to the middle of January, following little change during the preceding four weeks. Currently these prices are substantially above the level prevailing last summer. Increases in the past month were most marked for foodstuffs, especially hogs, pork, lard, and cottonseed oil, but there were advances also in a number of industrial materials, particularly pig iron, cotton, cotton goods, paint materials, and hides. Steel scrap prices, after increasing during most of the period, subsequently declined and lumber prices also decreased somewhat from the sharply advanced peak reached in November.

BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities continued to increase substantially during the six weeks ending January 8, reflecting principally increases in holdings of United States Government obligations at New York City banks. Commercial loans rose somewhat further while loans to New York security brokers and dealers, which had increased in December, subsequently declined somewhat.

Excess reserves, after declining during the first half of December, have since increased to about \$6,900,000,000. The increase reflected reductions in Treasury deposits with the Reserve Banks, a continued inflow of gold, and since Christmas a seasonal return flow of currency from circulation.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government securities reacted somewhat after reaching record high levels early in December. Bonds of 1960-65 showed on January 8 a net decline of about 2 3/8 points from the all-time peak of December 10 but subsequently fluctuated somewhat above this level. The yield on this issue, which was 2.03 per cent at the peak in prices, was 2.16 per cent on January 14.