

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

July 31, 1941

Summary of June Business Conditions

SOME seasonal recession in business occurs in June in most years, but on account of forward orders in industry and higher consumer purchasing power resulting chiefly from the defense program the recessions were less than usual this year. In comparison with business a year ago, activity in June continued far higher in all lines of trade and industry.

Department store sales in 79 Fifth district stores in June were 15 per cent above June 1940 sales, although the 1941 month contained one less business day, and retail sales in 41 furniture stores last month were 31 per cent above sales in June last year. Registrations of new passenger automobiles also ran far ahead of last year's June registrations. Wholesale trade in 195 firms in many lines and debits to individual accounts in 25 cities, both reflecting consumer purchasing power indirectly, rose 45 per cent and 32 per cent, respectively, in June 1941 in comparison with June 1940.

Construction work provided for in permits issued and contracts awarded in June 1941 was in very large volume. Permits in 29 Fifth district cities last month rose 27 per cent in valuation over June 1940 permits, and construction contracts awarded in the district increased 217 per

cent. In the textile field, cotton consumption by Fifth district mills in June exceeded June 1940 consumption by 45 per cent, and shipments of rayon yarn to domestic consumers rose 24 per cent in the same period. Bituminous coal production in the United States last month was 33 per cent above June 1940 production. Business failures declined in both number and liabilities from June 1940 figures. All of this increased activity raised employment levels to the highest point over a period of years, and reduced relief rolls substantially.

Agricultural prospects are fair to good in the Fifth district. The weather early in the season was very dry in most of the district, and early crops such as hay, Irish potatoes and truck suffered severely, but general rains fell in June and the first half of July, and if weather is favorable the balance of the season most of the backwardness in corn, tobacco and cotton, the three leading crops, can be made up. With higher Government payments to farmers in prospect, and advancing price tendencies evident for many farm products and live stock, cash returns from farming should be relatively good in the fall, and farmers should be in position to continue in the market for consumer goods. Available estimates of production in the Fifth district for 1941 appear on page 4.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	June 1941	May 1941	June 1940	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,807,218,000	\$1,717,276,000	\$1,367,716,000	+ 5	+ 32
Sales, 79 department stores, 5th district.....	\$ 14,464,943	\$ 16,590,561	\$ 12,590,200	- 13	+ 15
Sales, 41 furniture stores, 5th district.....	\$ 1,498,545	\$ 1,630,641	\$ 1,143,807	+ 8	+ 31
Sales, 195 wholesale firms, 5th district.....	\$ 14,423,000	\$ 14,364,000	\$ 9,962,000	+ 0	+ 45
Registrations, new autos, 5th district.....	35,804	38,966	24,135	- 8	+ 48
Number of business failures, 5th district.....	27	37	47	- 27	- 43
Liabilities in failures, 5th district.....	\$ 152,000	\$ 281,000	\$ 801,000	- 46	- 81
Value of building permits, 29 cities.....	\$ 13,533,100	\$ 14,579,982	\$ 10,664,464	+ 7	+ 27
Value of contracts awarded, 5th district.....	\$ 92,503,000	\$ 100,005,000	\$ 29,161,000	- 8	+217
Cotton consumption, 5th district (Bales).....	391,979	413,387	271,127	- 5	+ 45
Cotton price, cents per lb., end of month.....	14.82	12.89	10.64	+ 15	+ 39
Print cloths, 39 in., 80x80s, end of month.....	11.25	10.50	6.50	+ 7	+ 73
Rayon yarn shipments, U. S. (Pounds).....	38,800,000	40,200,000	31,400,000	- 3	+ 24
Rayon yarn stocks, U. S. (Pounds).....	4,300,000	5,800,000	12,800,000	- 26	- 66
Bituminous coal mined, U. S. (Tons).....	43,090,000	43,400,000	32,400,000	- 1	+ 33

BANKING STATISTICS

RESERVE BANK STATEMENT ITEMS

ITEMS	000 omitted		
	July 15 1941	June 15 1941	July 15 1940
Discounts held	\$ 0	\$ 108	\$ 158
Industrial advances	818	852	871
Government securities	119,663	121,486	122,624
Total earning assets	\$120,481	\$122,446	\$123,653
Circulation of Fed. Res. notes	321,434	309,206	230,463
Member's reserve deposits	414,644	394,524	319,933
Cash reserves	713,046	678,548	481,769
Reserve ratio	85.60	84.04	80.13

SELECTED ITEMS—41 REPORTING MEMBER BANKS

ITEMS	000 omitted		
	July 9 1941	June 11 1941	July 10 1940
Loans to business & agriculture	\$144,502	\$148,400	\$121,200
All other loans	167,030	161,278	149,917
Investments in securities	453,076	458,814	407,515
Reserve bal. with F. R. bank	288,614	269,162	218,375
Cash in vaults	27,877	27,929	23,103
Demand deposits	703,305	696,815	574,902
Time deposits	208,558	207,584	202,182
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS

	10 Baltimore Banks		
	June 30 1941	May 31 1941	June 30 1940
Total deposits	\$224,593,340	\$224,836,673	\$223,515,446

DEBITS TO INDIVIDUAL ACCOUNTS

CITIES	000 omitted			% of Month	Change Year
	June 1941	May 1941	June 1939		
Dist. of Col.					
Washington	\$ 359,738	\$ 358,663	\$ 297,719	+ 0	+21
Maryland					
Baltimore	559,072	493,412	389,042	+13	+44
Cumberland	11,035	9,352	9,253	+18	+19
Hagerstown	11,821	11,056	9,802	+ 7	+21
North Carolina					
Asheville	17,169	16,774	12,901	+ 2	+33
Charlotte	96,732	96,343	64,637	+ 0	+50
Durham	37,862	33,975	31,607	+11	+20
Greensboro	26,877	27,309	21,113	- 2	+27
Raleigh	60,094	51,214	47,932	+17	+25
Wilmington	19,369	17,425	11,419	+11	+70
Winston-Salem	48,783	47,254	42,824	+ 3	+14
South Carolina					
Charleston	30,603	30,494	21,642	+ 0	+41
Columbia	39,748	42,753	27,673	- 7	+44
Greenville	26,890	28,629	17,946	- 6	+50
Spartanburg	14,654	16,859	10,386	-13	+41
Virginia					
Danville	10,093	9,838	8,289	+ 3	+22
Lynchburg	17,493	16,959	14,598	+ 3	+20
Newport News	15,364	16,466	12,338	- 7	+25
Norfolk	73,862	75,720	53,127	- 2	+39
Portsmouth	6,848	6,333	4,815	+ 0	+42
Richmond	193,695	181,474	149,636	+ 7	+29
Roanoke	34,966	36,044	28,608	- 3	+22
West Virginia					
Charleston	62,293	60,093	51,572	+ 4	+21
Huntington	20,465	19,732	18,136	+ 4	+13
Parkersburg	11,692	12,605	10,701	- 7	+ 9
District Totals ..	\$1,807,218	\$1,717,276	\$1,367,716	+ 5	+32

COMMERCIAL FAILURES

Business failures in the Fifth district in June 1941 were fewer in number and lower in aggregate liabilities involved than in either May 1941 or June 1940, according to figures reported by *Dun & Bradstreet*. Statistics for several periods were as follows:

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
June 1941.....	27	970	\$ 152,000	\$ 9,449,000
May 1941.....	37	1,119	281,000	10,065,000
June 1940.....	47	1,114	801,000	13,734,000
6 Months, 1941.....	234	6,702	2,533,000	72,156,000
6 Months, 1940.....	294	7,119	3,416,000	83,481,000

EMPLOYMENT

There were no outstanding developments in employment in June and the first half of July in the Fifth Reserve district. Skilled industrial workers and trained mechanics of practically all types are fully employed, and there is relatively little unemployment among unskilled laborers. There continues to be a surplus of clerical help, however, partly due to students desiring vacation work. Seasonal lay-offs have been few this summer, and shut-downs to overhaul machinery are being made as short as possible. The following figures, compiled for the most part by the Bureau of Labor Statistics, reflect the trends of employment and payrolls in the Fifth district from May to June:

STATES	Percentage change from	
	May 1941 in number on payroll	June 1941 in amount of payroll
Maryland	+ 3.0	+ 5.6
Dist. of Columbia	- 1.0	+ 0.8
Virginia	+ 1.5	+ 3.8
West Virginia	+ 1.6	+ 1.2
North Carolina	+ 1.1	+ 0.5
South Carolina	+ 0.9	+ 0.9
District Average	+ 1.5	+ 2.4

SALES OF NEW AUTOMOBILES

Sales of new automobiles in the Fifth district dropped substantially in June from sales in May, but continued far ahead of June 1940 sales. Last month's decrease was partly seasonal and partly due to inability of dealers to secure all models in sufficient quantity. Aggregate sales in the first six months of 1941 were larger than in any other corresponding period on record. Higher purchasing power as a result of increased employment in defense work, anticipation of higher prices for 1942 models, and fear of inability to secure prompt deliveries in the fall or next spring, all stimulated new car buying in recent months. The demand for better cars overflowed into the used car market, and many people who do not buy new cars traded their old ones in on later model used cars. Dealers have been able to obtain enough cars to meet their needs until quite recently, but shortages are beginning to develop in some models, and occasional dealers, chiefly in middle and higher priced cars, report advanced sales sufficient to take all the new cars they expect to obtain the balance of this model years.

The following registration figures for new passenger cars were furnished by *R. L. Polk & Co.*, of Detroit:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	June		% Change	6 Months		% Change
	1941	1940		1941	1940	
Maryland	6,767	5,015	+ 35	37,148	26,844	+38
Dist. of Col.	3,612	2,996	+ 21	20,262	15,104	+34
Virginia	8,954	5,507	+ 63	43,377	28,605	+52
West Virginia ..	5,615	4,391	+ 28	21,767	17,310	+26
No. Carolina ...	7,121	3,907	+ 82	41,863	26,656	+57
So. Carolina ...	3,735	2,319	+ 61	22,954	15,195	+51
District	35,804	24,135	+ 48	187,371	129,714	+44

CONSTRUCTION PERMITS AND CONTRACTS

Construction work provided for in permits issued and contracts awarded in June in the Fifth district continued at a very high level. Building permits issued in 29 cities last month totaled \$13,533,100 in estimated valuation, an increase of 27 per cent above \$10,664,464 in permits in

June 1940. Permits in the first half of 1941 totaling \$73,789,147 exceeded those issued in the first half of 1940, valued at \$57,002,309, by 29 per cent. In June 1941 Washington led in permits with \$4,982,670, Baltimore was second with \$2,388,186, Charleston, S. C., third with \$1,076,090, Richmond fourth with \$712,044, and Norfolk fifth with \$588,585. Washington permits include no Government work, for which city permits are not required.

Contracts awarded for construction work in the district in June 1941 totaling \$92,503,000 were the third highest in valuation on record for a single month, and exceeded contracts totaling \$29,161,000 in June 1940 by 217 per cent. In the first half of 1941, contracts awarded in the district totaling \$373,513,000 not only exceeded awards in any other half year, but also exceeded awards for the entire year in 13 of the past 20 years. Much of the construction work for which contracts were awarded in the past year was a part of the defense program, but non-defense work has also been at a relatively high level in recent months.

Figures on contract awards by states for May 1941, which were not available when the June 30 Review went to press, were reported by the *F. W. Dodge Corporation* as follows:

CONSTRUCTION CONTRACTS AWARDED			
STATES	May 1941	May 1940	% Change
Maryland	\$ 15,974,000	\$ 9,746,000	+ 64
Dist. of Col.	4,934,000	10,374,000	- 52
Virginia	13,151,000	7,262,000	+ 81
West Virginia	4,669,000	3,681,000	+ 27
North Carolina	42,686,000	5,785,000	+ 638
South Carolina	18,591,000	2,491,000	+ 646
Fifth District	\$100,005,000	\$39,339,000	+ 154

COAL PRODUCTION

To meet expanding needs of industries, and in an effort to rebuild reserves which were depleted during the April shut-down of bituminous mines, soft coal mines increased daily production further in June, although total tonnage for the month was slightly less than in the longer month of May. Production of 43,090,000 net tons in the United States in June exceeded June 1940 production of 32,400,000 tons by 33 per cent, and brought tonnage for the first half of this year to 226,226,000 tons against 219,583,000 tons mined in the first half of 1940, an increase of 3 per cent this year in spite of the fact that production in April 1941 was merely nominal. Coal loaded at Hampton Roads ports from January 1 to July 12 totaled 11,455,794 tons this year against 12,645,284 tons in 1940 when there was no strike in coal fields. In the Fifth district, bituminous coal mined in June 1941, May 1941 and June 1940, was as follows:

SOFT COAL PRODUCTION IN TONS			
REGIONS	June 1941	May 1941	June 1940
West Virginia	12,965,000	13,429,000	9,961,000
Virginia	1,635,000	1,660,000	1,110,000
Maryland	151,000	135,000	91,000
5th District	14,751,000	15,224,000	11,162,000
United States	43,090,000	43,400,000	32,400,000
% in District	34.2	35.1	34.5

COTTON TEXTILES

In the first half of June print cloths and sheetings were very active and sales by manufacturers totaled about eight weeks' production, and twills, drills, osnaburgs and ducks

also sold freely. Army buying continued large and the Government invited bids for the first time in line with the provisions of the Lend-lease Bill. However, the imposition of price ceilings by the OPACS on print cloths, carded broadcloths, tobacco cloths, combed broadcloths, sheetings and osnaburgs caused a cessation of selling or buying toward the end of the month, and quoted prices were nominal on goods affected by the ceiling prices. With mills sold up from five to six months in many instances, the *Journal of Commerce* states that mills are faced with the necessity of paying rebates on contracts probably amounting to about 700,000,000 yards. The ceiling prices set were substantially lower than market quotations, but some adjustments of the differences were made shortly after the middle of July, ceiling prices being raised to bring them more nearly in line with advanced costs of production. Mill margins, the difference between the price of a pound of cotton and its approximate cloth equivalent, averaged 21.84 cents in June 1941 against 20.85 cents in May and 10.68 cents in June 1940. The 10-year (1930-39) average margin for June was 11.82 cents.

COTTON CONSUMPTION—FIFTH DISTRICT

		In bales			
MONTHS		No. Carolina	So. Carolina	Virginia	District
June 1941.....		215,790	156,943	19,246	391,979
May 1941.....		223,743	169,452	20,192	413,387
June 1940.....		144,439	116,248	10,440	271,127
6 Months, 1941.....		1,279,532	964,944	107,576	2,352,052
6 Months, 1940.....		1,004,860	783,394	78,471	1,866,725

RAYON YARN PRODUCTION

Shipments of rayon filament yarn to domestic consumers totaled 38,600,000 pounds in June 1941, a slightly lower figure than the record of 40,200,000 pounds shipped in the longer month of May but 23 per cent above 31,400,000 pounds shipped in June last year. For the third consecutive month shipments exceeded production, and reserve stocks of yarn dropped from 5,800,000 pounds to 4,300,000 pounds during June. *Rayon Organon* states that shipments totaled 219,500,000 pounds in the first half of 1941, an increase of 18 per cent above shipments of 186,100,000 pounds in the corresponding period last year. On June 16, one large rayon producer changed selling terms from 2% thirty days, net 31, to net 30 days, and the change was generally followed in the market. The elimination of the cash discount increased rayon prices slightly, of course, but the increase was nominal in comparison with recent upward trends of cotton, wool and silk. In contrast with these rising prices, nylon yarns were reduced on June 16 by amounts ranging from 10 cents to 30 cents per pound, according to deniers.

COTTON STATISTICS

Spot cotton prices on 10 Southern markets, which had been advancing steadily since the middle of May, dropped sharply in the first week of July as a result of the ceilings set for certain textiles by the OPACS, but the decline was temporary and on July 18 the average for middling cotton on the 10 markets was 15.48 cents, the highest price reached since April 11, 1930. On July 19, 1940, the average price was 10.31 cents, the current price showing an advance of \$25.85 per bale within the year.

On July 8, the Department of Agriculture reported the 1941 cotton acreage at 23,519,000 acres, 94.6 per cent of the area in cultivation on July 1 last year, and the smallest acreage in almost half a century. In the Fifth district, Virginia's 35,000 acres are 105 per cent of last year's acreage, but South Carolina's planting of 1,243,000 acres is only 98 per cent and North Carolina's planting of 807,000 acres is only 96 per cent of 1940 acreage. No official data on the condition of this year's crop will be available until August.

COTTON CONSUMPTION AND ON HAND—BALES

	June 1941	June 1940	Aug. 1 to June 30 This Year	June 30 Last Year
Fifth district states:				
Cotton consumed	391,979	271,127	4,002,796	3,433,200
Cotton growing states:				
Cotton consumed	742,792	489,191	7,488,516	6,111,530
Cotton on hand June 30 in				
Consuming establishments ..	1,522,775	903,285		
Storage & compresses	10,171,354	9,516,166		
United States:				
Cotton consumed	875,137	565,416	8,789,277	7,161,051
Cotton on hand June 30 in				
Consuming establishments ..	1,918,335	1,160,912		
Storage & compresses	10,570,235	9,576,683		
Exports of cotton	75,236	133,530	1,050,776	6,054,961
Spindles active, U. S.	22,991,546	21,954,616		

TOBACCO MANUFACTURING

Production figures on tobacco products manufactured in the United States in June 1941, released by the Bureau of Internal Revenue, compare as follows with figures for May 1941 and June 1940:

	June 1941	May 1941	June 1940
Smoking & chewing tobacco, pounds	24,729,260	25,621,949	24,763,334
Cigarettes, number	18,498,764,920	17,858,111,310	17,565,041,013
Cigars, number	478,802,003	475,067,340	435,029,473
Snuff, pounds	2,930,255	3,609,796	2,896,537

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

Percentage increase or decrease in sales, stocks, outstanding orders and outstanding receivables in June 1941 in comparison with June 1940 figures:

	Sales	Stocks	Orders	Receivables
Richmond (5)	+ 8 (+15)	+22	+ 78	+11
Baltimore (10)	+14 (+19)	+16	+136	+12
Washington (7)	+15 (+20)	+15	+119	+13
Other Cities (12)	+17 (+15)	+12	+131	+10
Fifth District (79)*	+15 (+19)	+16	+116	+12
Same stores by States:				
Maryland (13)	+14 (+18)	..	..	..
Virginia (16)	+16 (+21)	..	..	..
West Virginia (15)	+16 (+16)	..	..	..
North Carolina (16)	+14 (+17)	..	..	..
South Carolina (12)	+23 (+21)	..	..	..

* Includes stores reporting sales only.

Note: Second figure, in parentheses, under Sales compares combined sales in 6 months of 1941 with sales in first 6 months of 1940.

RETAIL FURNITURE SALES

STATES	% Changes in Sales, June and 6 Months of 1941	
	Compared with June 1940	Compared with 6 Months 1940
Maryland (9)	+27	+22
Dist. of Col. (7)	+45	+38
Virginia (13)	+26	+28
North Carolina (5)	+27	+23
South Carolina (7)	+20	+36
District (41)	+31	+29
Individual Cities:		
Baltimore (9)	+27	+22
Richmond (5)	+ 2	+10
Washington (7)	+45	+38

WHOLESALE TRADE, 195 FIRMS

LINES	Net Sales June 1941 compared with		Stocks June 30, 1941 compared with		Ratio June collections to accounts outstanding June 1
	June 1940	May 1941	June 30 1940	May 31 1941	
Automotive supplies (9) ..	+ 67	+ 2	+15	- 4	77
Shoes (4)	+104	-17	+13	+17	61
Drugs & sundries (12) ..	+ 27	- 4	+26	+ 3	113
Dry goods (8)	+ 54	+ 4	+41	+ 8	44
Electrical goods (10) ...	+109	+22	+48	- 5	73
Groceries (63)	+ 13	- 2	+15	+ 0	94
Hardware (13)	+ 40	-12	+11	+ 6	50
Industrial supplies (9) ..	+ 57	+ 6	+23	- 2	75
Paper & products (9) ..	+ 38	- 5	+11	+ 4	78
Tobacco & products (8) ..	+ 11	-10	+ 9	- 3	86
Miscellaneous (50)	+ 50	+ 2	+30	+ 1	72
District Average (195) ..	+ 45	+ 0	+24	+ 3	72

Source: Bureau of the Census.

CROP FORECASTS

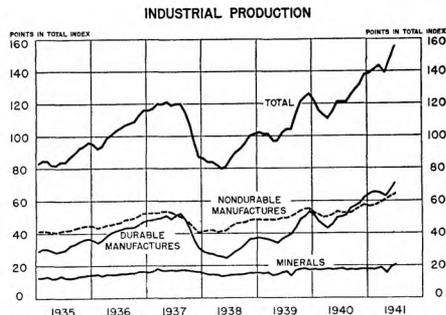
The following figures, issued by the Department of Agriculture, show forecasts of production based on July 1 conditions, compared with yields in 1940 and in the 10-year period 1930-39, and percentage changes in acreage this year over or under 1940 acreage:

	% Change Acreage	Yield 1941	Yield 1940	Yield 1930-1939
Wheat (Bushels)				
Maryland	- 2	7,220,000	7,566,000	8,342,000
Virginia	- 3	7,155,000	8,463,000	8,643,000
West Virginia	- 6	1,768,000	2,016,000	2,154,000
North Carolina	+ 8	6,830,000	6,132,000	4,807,000
South Carolina	+ 8	2,900,000	2,688,000	1,364,000
District Av.	+ 1	25,873,000	26,865,000	25,310,000
Oats (Bushels)				
Maryland	+11	1,209,000	1,120,000	1,325,000
Virginia	+25	1,942,000	1,932,000	2,116,000
West Virginia	+ 4	1,491,000	1,462,000	1,931,000
North Carolina	+ 5	6,110,000	5,952,000	4,460,000
South Carolina	+ 5	11,700,000	10,890,000	9,238,000
District	+ 7	22,452,000	21,356,000	19,070,000
Corn (Bushels)				
Maryland	- 8	16,135,000	17,535,000	16,173,000
Virginia	- 4	32,389,000	36,490,000	32,418,000
West Virginia	- 7	12,182,000	12,852,000	12,610,000
North Carolina	- 2	46,215,000	44,733,000	43,507,000
South Carolina	- 2	23,814,000	24,304,000	22,831,000
District	- 3	130,735,000	135,914,000	127,539,000
Hay (Tons)				
Maryland	+ 1	470,000	550,000	467,000
Virginia	+ 0	874,000	1,252,000	924,000
West Virginia	+ 2	701,000	833,000	642,000
North Carolina	+ 1	870,000	975,000	744,000
South Carolina	+ 8	550,000	539,000	398,000
District	+ 2	3,465,000	4,149,000	3,175,000
Irish Potatoes (Bushels)				
Maryland	- 3	2,586,000	2,898,000	2,997,000
Virginia	+ 1	6,237,000	10,412,000	10,661,000
West Virginia	0	3,300,000	3,630,000	2,844,000
North Carolina	+ 1	6,642,000	8,720,000	8,182,000
South Carolina	+ 7	2,670,000	3,192,000	2,475,000
District	+ 1	21,435,000	28,852,000	27,159,000
Sweet Potatoes (Bushels)				
Maryland	+11	1,700,000	1,485,000	1,071,000
Virginia	+ 3	3,680,000	3,875,000	4,061,000
North Carolina	+ 8	8,400,000	7,104,000	8,354,000
South Carolina	+ 3	5,525,000	5,040,000	5,401,000
District	+ 6	19,305,000	17,504,000	18,887,000
Tobacco (Pounds)				
Maryland	+ 3	33,235,000	31,920,000	26,901,000
Virginia	- 2	90,950,000	100,509,000	99,861,000
West Virginia	-10	2,170,000	2,790,000	2,985,000
North Carolina	+ 1	504,380,000	526,505,000	529,356,000
South Carolina	+ 5	80,750,000	82,215,000	85,656,000
District	+ 1	711,485,000	743,939,000	744,759,000
Peaches (Bushels)				
Maryland .....	..	440,000	470,000	348,000
Virginia .....	..	1,993,000	1,392,000	902,000
West Virginia .....	..	490,000	446,000	267,000
North Carolina .....	..	2,484,000	1,344,000	1,920,000
South Carolina .....	..	3,120,000	2,158,000	1,236,000
District .....	..	8,527,000	5,810,000	4,673,000

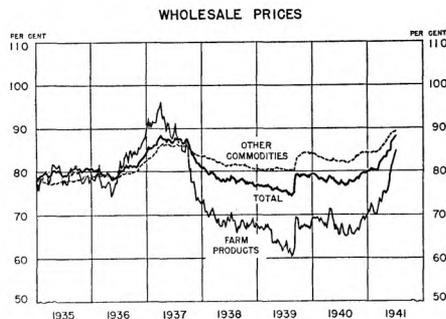
(Compiled July 21, 1941)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

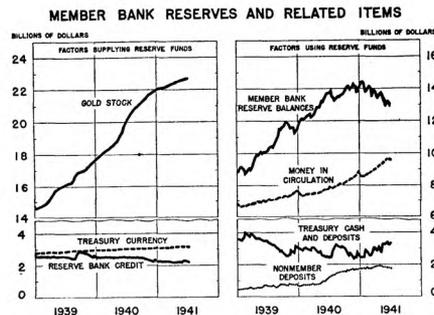
(Compiled by the Board of Governors of the Federal Reserve System)



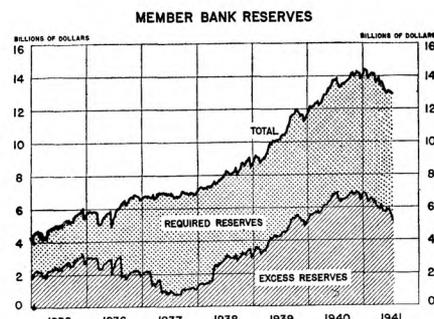
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to June 1941.



Bureau of Labor Statistics' indexes, 1926=100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending July 12, 1941.



Wednesday figures, January 4, 1939 to July 9, 1941.



Wednesday figures, January 2, 1935 to July 9, 1941. Required and excess reserves, but not the total, are partly estimated.

Industrial production increased further in June, continuing the rapid advance that began about a year ago. Commodity prices, both in retail and in wholesale markets, rose considerably between the early part of June and the third week of July.

PRODUCTION

Reflecting the continued advance in industrial activity at a time when output ordinarily declines, the Board's adjusted index advanced from 150 per cent of the 1935-1939 average in May to 156 in June and preliminary estimates indicate a further rise in July. The current level compares with 104 before the start of the European war and 111 in the spring of 1940, when the current advance in industrial activity began.

Further increases in output were reported in June for a considerable number of industries, particularly those associated closely with the defense program, and there were no important declines. As in other recent months, activity in the aircraft, shipbuilding, machinery, and railroad equipment industries rose sharply. Automobile production was maintained at the high level of May, owing mostly to unusually large retail sales. Output of iron and steel and nonferrous metals, already close to capacity, did not show an increase to correspond with the rise in output of finished metal products and official statements indicated growing concern over shortages of numerous materials. Steel ingot production remained close to 99 per cent of capacity during June, but the rate in the middle of July was slightly lower. For the year to date output of steel has averaged 98 per cent of the rated capacity as of December 1940.

Output of textiles and most other nondurable manufactures in June continued at recent advanced levels, which in some instances represent capacity production. Output of chemicals continued to increase rapidly. Also, there was a sharp rise in rubber consumption, reflecting continued heavy demand for rubber products and the fact that June was the last month before curtailment of rubber consumption by industry was to go into effect and was the month to be used in apportioning July consumption among various manufacturers.

Mineral production increased in June, with a marked rise in output of anthracite, some further increase in output of bituminous coal, and a continued advance in crude petroleum production to a new high level.

Value of construction contract awards in June continued at the high level reached in May and was nearly two-thirds above a year ago, according to figures of the F. W. Dodge Corporation. Awards for public construction again increased sharply, reflecting continued expansion in the volume of defense construction projects. Private residential building contracts declined somewhat more than seasonally, following an increase in May.

DISTRIBUTION

Sales of general merchandise showed little change from May to June. Department store sales decreased more than seasonally, while rural retail and variety store sales remained at the May level, although a decline is usual at this time of the year. In the early part of July sales at department stores rose somewhat and were 24 per cent higher than a year ago.

Loadings of revenue freight increased further in June, reflecting continued expansion in shipments of coal and miscellaneous merchandise, and by the end of the month were in larger volume than at any time during the seasonal peak last autumn.

COMMODITY PRICES

Wholesale prices of most groups of commodities continued to advance from the early part of June to the middle of July. Prices of foodstuffs showed large increases and there were substantial advances in prices of a number of industrial raw materials and finished products. Following earlier marked advances, prices of hides and cotton gray goods were reduced by Governmental action. Retail prices for foods and many other commodities have been rising and in June the cost of living was about 4 per cent higher than 4 months earlier. Preliminary figures indicate further advances in July.

BANK CREDIT

Holdings of United States Government securities by member banks in 101 leading cities increased further during June and early July, reflecting in part new offerings by the Treasury. Commercial loans continued to rise sharply.

Notwithstanding the greater volume of bank loans and investments, deposits of city banks declined somewhat over the period, reflecting mainly a growing demand for currency and a building up of Treasury deposits at the Reserve Banks. These developments also resulted in a decrease in the volume of excess reserves, which amounted to about \$5,300,000,000 on July 16, compared with \$6,900,000,000 a year earlier.

UNITED STATES GOVERNMENT SECURITY PRICES

United States Government securities advanced further during the latter part of June. Partially tax-exempt 1960-65 bonds on June 26 were at an all-time peak, on a 2.02 yield basis. Since that time they have declined slightly. Taxable bonds generally continued to advance to successive new high levels. Yields on Treasury notes showed little change during the latter part of June and the first half of July.