

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

October 31, 1941

Summary of September Business Conditions

THE aggregate volume of business and industry in the Fifth Federal Reserve district in September and early October expanded further, chiefly due to seasonal influences. In banking, Federal Reserve notes in actual circulation increased sharply as the demand for currency increased with the opening of additional tobacco markets and the beginning of the cotton marketing season. Member bank reserve deposits and investments in securities rose last month, and loans to business and industry at reporting member banks advanced. The Federal Reserve Bank of Richmond increased its holdings of Government securities through a redistribution of System holdings among the twelve Reserve banks.

Distribution of consumer goods showed the usual seasonal increase in September except in furniture and automobiles. Department store sales rose 11 per cent from August to September, and in the latter month were 19 per cent above September 1940 sales. There was a substantial wave of buying of taxed items at the end of September, especially in furs, jewelry, cosmetics, and certain light and heavy electrical household appliances. Furniture sales showed a normal decrease from August sales, in which month furniture stores run special sales, but September business was 9 per cent above that of September last year. Wholesale trade in September in the Fifth district exceeded August 1941 trade by 10 per cent and September 1940 trade by 49 per cent. Auto-

mobile sales dropped sharply from August sales and did not pick up seasonally after the introduction of new models, partly because of increased prices for 1942 cars and partly because of a temporarily saturated market, many buyers having anticipated their needs for new cars by purchasing 1941 models before new taxes took effect, according to some dealers' reports.

Industrially the district worked at virtual capacity levels in September. Cotton textile mills, many of them working on defense orders, consumed more cotton than in any previous September, and tobacco manufacturers set a new all time monthly record in the production of cigarettes. Bituminous coal mined in September was 18 per cent above the September 1940 tonnage. Shipyards, airplane factories, rayon yarn mills, chemical industries and lumber mills continued operations at or near record levels and construction while somewhat handicapped by priorities, showed no signs of recession.

The long drought prevented planting of fall crops and germination of seeds, and caused deterioration of late maturing crops, but on the other hand was favorable for cotton picking. Tobacco prices advanced further on auction markets, and assured tobacco growers of larger cash returns for a smaller crop in 1941 than they obtained from the 1940 crop. Cotton prices in September were also far above 1940 prices, but the 1941 yield of cotton in the Fifth district is 45 per cent less than last year's crop.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	September 1941	August 1941	September 1940	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,824,609,000	\$1,738,193,000	\$1,309,689,000	+ 5	+ 39
Sales, 79 department stores, 5th district.....	\$ 17,355,089	\$ 15,699,692	\$ 14,535,036	+ 11	+ 19
Sales, 40 furniture stores, 5th district.....	\$ 1,601,960	\$ 2,165,273	\$ 1,464,228	- 26	+ 9
Sales, 207 wholesale firms, 5th district.....	\$ 19,771,000	\$ 17,904,000	\$ 13,244,000	+ 10	+ 49
Registrations, new autos, 5th district.....	9,408	21,412	10,463	- 56	- 10
Tobacco sold in 5th district (Pounds).....	235,402,972	113,426,399	224,219,844	+108	+ 5
Average price of tobacco, per 100 lbs.....	\$ 29.18	\$ 26.66	\$ 15.87	+ 9	+ 84
Growers' receipts from tobacco, 5th district.....	\$ 68,679,635	\$ 30,243,063	\$ 35,582,505	+127	+ 93
Number of business failures, 5th district.....	25	32	37	- 22	- 32
Liabilities in failures, 5th district.....	\$ 367,000	\$ 377,000	\$ 348,000	- 3	+ 5
Value of building permits, 29 cities.....	\$ 13,876,928	\$ 12,511,101	\$ 12,163,781	+ 11	+ 14
Value of contracts awarded, 5th district.....	\$ 77,738,000	\$ 146,093,000	\$ 34,192,000	- 47	+127
Cotton consumption, 5th district (Bales).....	408,449	393,671	302,833	+ 4	+ 35
Cotton price, cents per lb., end of month.....	16.99	16.54	9.42	+ 3	+ 80
Print cloths, 39 in., 80x80s, end of month.....	10.75*	10.75*	7.00	0	+ 54
Rayon yarn shipments, U. S. (Pounds).....	37,000,000	37,300,000	30,900,000	- 1	+ 20
Rayon yarn stocks, U. S. (Pounds).....	4,900,000	4,200,000	8,300,000	+ 17	- 65
Bituminous coal mined, U. S. (Tons).....	45,464,000	45,650,000	38,650,000	- 0	+ 18

* Ceiling price established by OPACS.....

BANKING STATISTICS

RESERVE BANK STATEMENT ITEMS

ITEMS	000 omitted		
	Oct. 15 1941	Sept. 15 1941	Oct. 15 1940
Discounts held	\$ 0	\$ 38	\$ 40
Foreign loans on gold	0	9	22
Industrial advances	793	811	821
Government securities	134,996	119,663	123,938
Total earning assets	\$135,789	\$120,521	\$124,821
Circulation of Fed. Res. notes	390,164	360,870	256,825
Members' reserve deposits	483,451	458,036	340,160
Cash reserves	809,474	767,512	541,669
Reserve ratio	85.11	85.78	82.08

SELECTED ITEMS—41 REPORTING MEMBER BANKS

ITEMS	000 omitted		
	Oct. 15 1941	Sept. 10 1941	Oct. 16 1940
Loans to business & agriculture.....	\$161,296	\$155,587	\$131,961
All other loans	172,429	170,596	155,905
Investments in securities	518,040	505,380	455,402
Reserve bal. with F. R. bank	325,689	303,481	225,268
Cash in vaults	26,593	28,845	21,758
Demand deposits	778,491	726,655	615,758
Time deposits	211,656	210,660	203,763
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS

	9 Baltimore Banks		
	Sept. 30, 1941	Aug. 31, 1941	Sept. 30 1940
Total deposits	\$224,490,776	\$223,974,988	\$222,792,230

DEBITS TO INDIVIDUAL ACCOUNTS

CITIES	000 omitted			% of Change	
	Sept. 1941	Aug. 1941	Sept. 1940	Month	Year
Dist. of Col.					
Washington	\$ 359,671	\$ 347,499	\$ 263,524	+ 4	+36
Maryland					
Baltimore	491,249	499,706	358,270	- 2	+37
Cumberland	10,643	10,351	7,987	+ 3	+34
Hagerstown	12,164	11,833	9,044	+ 3	+34
North Carolina					
Asheville	18,753	18,026	13,624	+ 4	+38
Charlotte	94,055	89,911	63,278	+ 5	+49
Durham	66,612	53,725	42,771	+24	+56
Greensboro	25,906	26,259	19,406	- 1	+33
Raleigh	52,942	49,568	38,464	+ 7	+38
Wilmington	21,280	19,222	12,213	+11	+74
Winston-Salem ..	59,313	49,170	41,430	+21	+43
South Carolina					
Charleston	28,110	28,067	18,487	+ 0	+52
Columbia	38,835	36,448	23,092	+ 7	+38
Greenville	30,003	27,496	19,348	+ 9	+55
Spartanburg	16,460	15,527	10,255	+ 6	+61
Virginia					
Danville	17,026	9,818	10,361	+73	+64
Lynchburg	18,404	16,761	14,599	+10	+26
Newport News ..	13,492	14,214	13,515	- 5	- 0
Norfolk	73,899	74,798	53,521	- 1	+38
Portsmouth	6,647	6,937	4,766	- 4	+39
Richmond	236,403	202,956	164,069	+16	+44
Roanoke	34,601	34,925	28,184	- 1	+23
West Virginia					
Charleston	63,892	61,188	46,947	+ 4	+36
Huntington	21,594	21,351	17,236	+ 1	+25
Parkersburg	12,655	12,437	10,318	+ 2	+23
District Totals ..	\$1,824,609	\$1,738,193	\$1,309,689	+ 5	+39

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
September 1941.....	25	735	\$ 367,000	\$ 9,393,000
August 1941.....	32	954	377,000	11,134,000
September 1940.....	37	976	348,000	11,397,000
9 Months, 1941.....	307	9,299	3,475,000	106,105,000
9 Months, 1940.....	424	10,398	5,233,000	124,088,000

Source: Dun & Bradstreet

EMPLOYMENT

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 August to September 1941:

STATES	Percentage change from	
	Aug. 1941 in number on payroll	Sept. 1941 in amount of payroll
Maryland	+1.6	+4.1
Dist. of Col.	+1.1	+3.4
Virginia	+1.4	+3.4
West Virginia	+1.1	-1.5
North Carolina	+0.1	+2.1
South Carolina	+1.0	+2.2
District Average	+1.3	+2.1

AUTOMOBILE REGISTRATIONS

Sales of new passenger automobiles declined sharply in September from August, and were below sales in September 1940, the first decline from the corresponding month of the preceding year since September last year. Sales last month were the lowest for any month since October 1938. At the opening of September dealers had incomplete stocks of 1941 model cars, and when 1942 models appeared the usual seasonal advance in sales failed to materialize. Some dealers report that so many buyers anticipated their needs for new cars that the 1942 models attracted relatively little attention and increased prices met stiff resistance from the public. With restricted output of cars ordered by the Government, higher prices for cars due to increased taxes and costs of manufacture, and a temporarily saturated market, the prospects for new car sales in the 1942 model year are not bright, and new car salesmen in many instances are trying to secure other work. Stocks of good used cars are quite low on many dealer lots, but the demand for used cars also has declined.

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

REGISTRATIONS OF NEW PASSENGER CARS—NUMBER

STATES	Sept.	Sept.	% Change	9 Months	9 Months	% Change
	1941	1940		1941	1940	
Maryland	1,572	1,945	- 19	48,611	36,669	+33
Dist. of Col.	753	1,146	- 34	26,541	20,525	+29
Virginia	2,994	2,611	+ 15	62,868	41,769	+51
West Virginia ..	1,013	1,232	- 18	28,611	23,788	+20
No. Carolina	1,972	2,447	- 19	55,116	38,582	+43
So. Carolina	1,104	1,082	+ 2	30,184	20,810	+45
District	9,408	10,463	- 10	251,931	182,143	+38

CONSTRUCTION

Building permits issued in 29 Fifth district cities in September 1941 totaling \$13,876,928 showed increases of 11 per cent over \$12,511,101 in August this year and 14 per cent over \$12,163,781 in September last year. Baltimore led in September 1941 permit valuation with \$5,080,902, Washington was second with \$3,942,950, Richmond third with \$1,450,925, Norfolk fourth with \$528,650, and Charlotte fifth with \$325,352.

The aggregate value of September contract awards for construction in the Fifth district is not yet available, but will exceed the September 1940 figure by a substantial margin. Figures on contract awards in August 1941, which set a Fifth district record but were not available

by states when the September 30 *Review* went to press, were reported by the *F. W. Dodge Corporation* as follows:

CONSTRUCTION CONTRACTS AWARDED

STATES	Aug. 1941	Aug. 1940	% Change
Maryland	\$ 20,034,000	\$ 10,103,000	+ 98
Dist. of Col.	10,209,000	3,114,000	+228
Virginia	44,615,000	11,695,000	+281
West Virginia	6,611,000	2,392,000	+176
North Carolina	47,585,000	15,733,000	+202
South Carolina	16,438,000	4,326,000	+280
Fifth District	\$145,492,000	\$ 47,363,000	+207

BITUMINOUS COAL MINING

Production of bituminous coal continued at a very high level in September and output of 45,464,000 net tons exceeded September 1940 output of 38,650,000 tons by 18 per cent. On a daily basis production of 1,819,000 tons in September 1941 exceeded August output of 1,756,000 tons by 4 per cent. Total production this calendar year to October 11 of 382,737,000 tons exceeded output of 348,205,000 tons in the corresponding period last year by 10 per cent. Shipments of coal through Hampton Roads ports to October 11 totaled 17,118,386 tons, a decline of 3 per cent from 17,676,862 tons to the same date last year. In the Fifth district production of coal in September 1941, August 1941 and September 1940, was as follows:

SOFT COAL PRODUCTION IN TONS

REGIONS	Sept. 1941	Aug. 1941	Sept. 1940
West Virginia	12,851,000	13,492,000	11,471,000
Virginia	1,687,000	1,675,000	1,310,000
Maryland	169,000	156,000	114,000
5th District	14,707,000	15,323,000	12,895,000
United States	45,464,000	46,026,000	39,010,000
% in District	32	33	33

COTTON TEXTILES

Cotton textile mills were very active in September and cotton consumption of 875,682 bales in the United States was the highest figure on record for that month of the year. Mills worked chiefly on forward orders, new business being small because both buyers and manufacturers preferred to await an expected readjustment of ceiling prices to bring them more nearly into agreement with raw cotton. In secondary markets, sales of finished cotton goods were large in September. Mill margins for 17 constructions of medium and coarse cloths averaged 19.93 cents for the first four weeks in September against 20.53 cents in August 1941 and 12.26 cents in September 1940.

COTTON CONSUMPTION—FIFTH DISTRICT

In bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
September 1941	224,429	164,228	19,792	408,449
August 1941	211,537	163,146	18,988	393,671
September 1940	164,788	124,872	13,173	302,833
9 Months, 1941	1,943,074	1,463,664	166,054	3,572,792
9 Months, 1940	1,487,307	1,157,029	109,830	2,754,166

RAYON YARN PRODUCTION

Rayon Organon reports shipments of rayon filament yarn to domestic consumers totaling 37,000,000 pounds in September 1941, a slight decline from 37,300,000 pounds shipped in the longer month of August but a substantial increase over shipments of 30,900,000 pounds in September 1940. In the first 9 months of 1941 ship-

ments of 333,000,000 pounds of yarn exceeded by 18 per cent shipments of 283,200,000 pounds in the same period last year. Stocks of yarn held in reserve by manufacturers rose from 4,200,000 pounds on August 31, 1941, to 4,900,000 pounds on September 30, nearly all of the slight increase being attributable to the pool yarn set aside for Government allocation to former users of silk. After remaining generally stable since September 1939, rayon yarn prices were revised in September and early October, viscose yarns advancing 1 to 5 cents per pound, acetate yarns 3 to 5 cents, and cuprammonium yarns 2 to 5 cents. These increases are moderate not only as regards the absolute amount of the increases but also as regards the relationship of rayon price increases to those that have occurred in other textile fibers. For example *Rayon Organon* states that September 1941 rayon yarn prices were 18% below average prices in 1932, while during the same period cotton prices rose 171%, wool prices 135%, and silk prices rose 97%. The inventory of rayon yarn held by broad weavers at the end of September 1941 totaled 23,400,000 pounds as compared with 24,900,000 pounds at the end of August and 24,000,000 pounds on September 30, 1940. These inventory figures have declined steadily each month from a high of 29,500,000 pounds held on June 30, 1941.

COTTON STATISTICS

After advancing steadily from the middle of August to 17.74 cents per pound on September 12, spot cotton prices for middling grade, 15/16 inch staple, on 10 Southern spot markets turned downward, and by October 17 had declined to 16.16 cents per pound. The decline was due in part to an increase in prospective yield of the 1941 crop, and in part to the refusal of Congress to pass legislation freezing Government owned cotton for the duration of the emergency. On October 18, 1940 the average cotton price on the 10 Southern markets was 9.33 cents.

The third forecast on the 1941 cotton crop, issued on October 8 by the Department of Agriculture, raised the estimate from 10,710,000 bales as of September 1 to 11,061,000 bales on October 1, an increase of 351,000 bales, or 3 per cent. In the Fifth district, prospective yields increased 14,000 bales in North Carolina and 1,000 bales in Virginia, but decreased 11,000 bales in South Carolina. Production figures in Fifth district states are on page 4.

COTTON CONSUMPTION AND ON HAND—BALES

	Sept. 1941	Sept. 1940	Aug. 1 to Sept. 30 This Year	Aug. 1 to Sept. 30 Last Year
Fifth district states:				
Cotton consumed	408,449	302,833	802,120	601,529
Cotton growing states:				
Cotton consumed	744,693	548,879	1,484,963	1,110,013
Cotton on hand Sept. 30 in				
Consuming establishments ..	1,285,746	607,194	.....	.....
Storage & compresses	11,128,940	10,631,450	.....	.....
United States:				
Cotton consumed	875,682	638,235	1,749,795	1,289,123
Cotton on hand Sept. 30 in				
Consuming establishments ..	1,636,521	784,116	.....	.....
Storage & compresses	11,523,702	10,747,398	.....	.....
Exports of cotton	189,215	90,555	267,731	155,980
Spindles active	22,963,944	22,281,476	.....	.....

AUCTION TOBACCO MARKETING

Additional tobacco markets in North Carolina and flue-cured markets in Virginia opened in September, and sales in the Fifth district exceeded September 1940 sales by nearly 5 per cent. Prices this year are much higher than last year, the September average exceeding the September 1940 average by 84 per cent. The 1941 crop is expected to turn out 13 per cent below the 1940 yield, but even with this reduction the aggregate receipts received for this year's crop should exceed 1940 receipts by 40 per cent or more. Sales in September, all of flue-cured type tobacco, were as follows:

STATES	Producers' Tobacco Sales, Pounds		Price per Cwt.	
	September 1941	September 1940	1941	1940
So. Carolina	18,740,881	41,193,905	\$23.09	\$13.08
No. Carolina	197,172,013	175,372,553	29.41	16.32
Virginia	19,490,078	7,653,386	32.66	20.59
District Total	235,402,972	224,219,844	\$29.18	\$15.87
Season through ...	348,829,371	276,907,401	28.36	16.34

TOBACCO MANUFACTURING

Cigarette production in September set a new monthly record, and other tobacco products were turned out in large volume. Bureau of Internal Revenue receipts for September indicate production of tobacco products as follows in the United States:

	Sept. 1941	Aug. 1941	Sept. 1940
Smoking & chewing tobacco, pounds	26,561,000	24,489,824	25,879,985
Cigarettes, number	18,760,571,160	17,776,522,190	14,889,814,717
Cigars, number	506,070,675	491,027,685	475,725,260
Snuff, pounds	3,194,316	2,971,991	2,848,874

RETAIL AND WHOLESALE TRADE

Department Store Trade

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

	Sales		Stocks		Orders		Receivables	
	1941	1940	1941	1940	1941	1940	1941	1940
Richmond (5)	+20	(+17)	+36	..	+62	..	+17	..
Baltimore (10)	+20	(+22)	+34	..	+82	..	+15	..
Washington (7)	+17	(+22)	+31	..	+85	..	+16	..
Other Cities (12)	+23	(+19)	+26	..	+113	..	+15	..
Fifth District (79)*	+19	(+22)	+32	..	+81	..	+16	..
Same stores by States:								
Maryland (13)	+20	(+22)	..	..	..	..	..	..
Virginia (16)	+22	(+23)	..	..	..	..	..	..
West Virginia (15)	+18	(+20)	..	..	..	..	..	..
North Carolina (16)	+17	(+19)	..	..	..	..	..	..
South Carolina (12)	+35	(+28)	..	..	..	..	..	..

* Includes stores reporting sales only.

Note:—Second figure under Sales, in parentheses, compares combined sales in 9 months of 1941 with sales in first 9 months of 1940.

RETAIL FURNITURE SALES

STATES	% Change in Sales, Sept. and 9 Months of 1941	
	Compared with Sept. 1940	Compared with 9 Months 1940
Maryland (9)	+15	+27
Dist. of Col. (7)	+21	+37
Virginia (13)	-3	+24
North Carolina (5)	-22	+24
South Carolina (6)	+0	+40
District (40)	+9	+30
Individual Cities:		
Baltimore (9)	+15	+27
Richmond (5)	-19	+9
Washington (7)	+21	+37

WHOLESALE TRADE, 207 FIRMS

LINES	Net Sales September 1941 compared with		Stocks Sept. 30, 1941 compared with		Ratio Sept. collections to accounts outstanding Sept. 1
	Sept. 1940	Aug. 1941	Sept. 30 1940	Aug. 31 1941	
Automotive supplies (10)	+65	+7	+10	+5	77
Shoes (5)	+63	+12	+8	-21	46
Drugs & sundries (15) ..	+37	+13	+26	+9	90
Dry goods (8)	+33	+4	+24	-5	44
Electrical goods (18) ..	+100	+28	+51	-9	73
Groceries (64)	+29	+8	+25	+5	103
Hardware (14)	+35	+4	+9	-0	52
Industrial supplies (8) ..	+75	-2	+17	-11	108
Paper & products (10) ..	+48	+4	+19	+2	72
Tobacco & products (7) ..	+35	-3	+13	+1	91
Miscellaneous (48)	+52	+10	+44	+2	76
Dist. Average (207) ..	+49	+10	+26	-3	72

Source: Bureau of the Census.

CROP FORECASTS

The drought throughout the Fifth district continued through September and the first half of October, and late crops for the most part deteriorated further. The planting of fall crops has been delayed by hard ground, coupled with insufficient moisture to sprout seeds, and pasture grasses died so much earlier than usual that farmers were forced to begin feeding stock ahead of the normal date. The following figures show forecasts of production made by the Department of Agriculture on the basis of October 1 condition. Yield figures marked (+) were raised between September 1 and October 1, and those marked (-) were lowered.

Cotton (Bales)

	% Change Acreage	Yield 1941	Yield 1940	Yield 1930-1939
Virginia	+6	23,000+	25,000	33,000
North Carolina	-4	530,000+	739,000	629,000
South Carolina	-2	400,000-	966,000	824,000
Fifth District	-3	953,000+	1,730,000	1,486,000

Corn (Bushels)

Maryland	-8	16,596,000	17,535,000	16,173,000
Virginia	-4	33,050,000+	36,490,000	32,418,000
West Virginia	-7	12,626,000+	12,852,000	12,610,000
North Carolina	-2	47,400,000	44,733,000	43,507,000
South Carolina	-2	22,964,000	24,304,000	22,831,000
Fifth District	-3	132,636,000+	135,914,000	127,539,000

Hay (Tons)

Maryland	+1	465,000-	550,000	467,000
Virginia	0	995,000+	1,252,000	924,000
West Virginia	+2	812,000	833,000	642,000
North Carolina	+1	1,021,000+	975,000	744,000
South Carolina	+8	621,000+	539,000	398,000
Fifth District	+2	3,914,000+	4,149,000	3,175,000

Tobacco (Pounds)

Maryland	+3	29,325,000-	31,920,000	26,901,000
Virginia	-2	84,933,000-	100,509,000	99,861,000
West Virginia	-10	2,240,000	2,790,000	2,985,000
North Carolina	+1	464,560,000+	526,505,000	529,356,000
South Carolina	+5	64,800,000-	82,215,000	85,656,000
Fifth District	+1	645,658,000-	743,939,000	744,759,000

Irish Potatoes (Bushels)

Maryland	-3	2,294,000-	2,898,000	2,997,000
Virginia	+1	6,776,000	10,412,000	10,661,000
West Virginia	0	3,630,000	3,630,000	2,844,000
North Carolina	+1	6,885,000+	8,720,000	3,182,000
South Carolina	+7	2,730,000	3,192,000	2,475,000
Fifth District	+1	22,315,000-	28,852,000	27,159,000

Sweet Potatoes (Bushels)

Maryland	+11	1,400,000-	1,485,000	1,071,000
Virginia	+3	3,264,000-	3,875,000	4,061,000
North Carolina	+8	7,200,000-	7,104,000	8,354,000
South Carolina	+3	4,745,000-	5,040,000	5,401,000
Fifth District	+6	16,609,000-	17,504,000	18,837,000

Peanuts (Pounds)

Virginia	-6	153,750,000-	216,000,000	149,865,000
North Carolina	-5	269,640,000-	371,000,000	249,288,000
South Carolina	-30	13,650,000	23,250,000	9,041,000
Fifth District	-7	437,040,000-	610,250,000	408,194,000

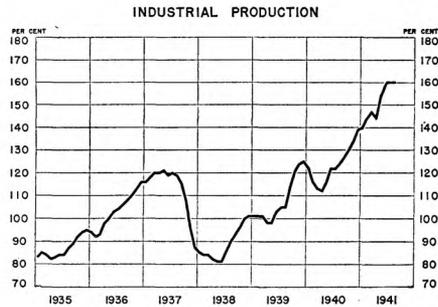
Apples, Commercial (Bushels)

Maryland .....	..	2,160,000-	2,077,000	1,996,000
Virginia .....	..	11,682,000-	10,660,000	10,366,000
West Virginia .....	..	4,867,000-	4,868,000	4,796,000
North Carolina .....	..	1,435,000+	962,000	966,000
Fifth District .....	..	20,144,000-	18,567,000	18,124,000

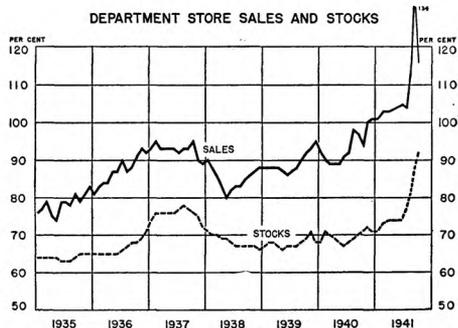
(Compiled October 21, 1941)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

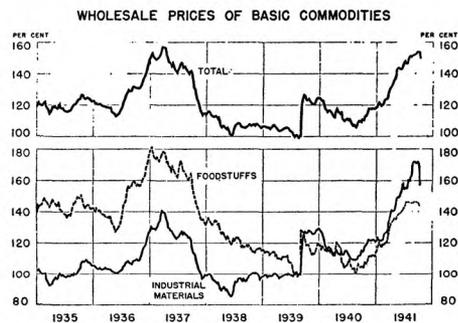
(Compiled by the Board of Governors of the Federal Reserve System)



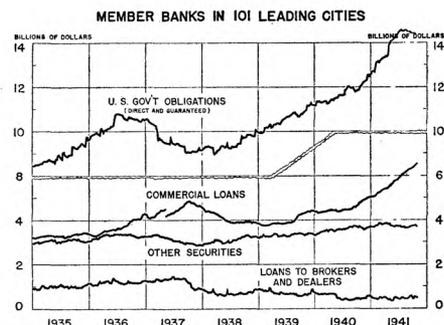
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-1939 average=100. By months, January 1935 to September 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variations, 1923-1925 average=100. By months, January 1935 to September 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to October 16, 1941.



Wednesday figures, January 2, 1935 to October 8, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.

Industrial activity continued at a high rate in September and the first half of October. Further advances in the output of defense products were accompanied by curtailment in some lines of civilian goods, particularly automobiles, rubber, and silk. Prices of industrial products increased further but agricultural prices declined after the middle of September, and on October 16 dropped sharply in response to international developments.

PRODUCTION

Industrial output increased by about the usual seasonal amount in September and the Board's adjusted index remained at 160 per cent of the 1935-1939 average, the same as in July and August. Continued increases in activity were reported in the machinery, aircraft, and shipbuilding industries. At steel mills activity in September and the first half of October was maintained at about 97 per cent of capacity. Output and deliveries of nonferrous metals likewise remained at about capacity levels, while lumber production declined somewhat from the high August rate. Automobile production increased less than seasonally in September, following the changeover to new models, and, according to preliminary estimates, output in September was considerably below the maximum quota that had been authorized by the Government.

In the textile industry activity declined somewhat in September, reflecting mainly a further sharp reduction at silk mills. Activity at wool mills rose to a new high level, while at cotton mills there was little change from a rate slightly below the peak reached last May. Shoe production continued in large volume, and output of manufactured food products was maintained near the peak August level. Output of chemicals likewise continued at earlier high rates, but at rubber plants activity was considerably below the level of last summer owing to curtailment programs ordered by the Government.

Coal production, which during the summer months had been unusually large, increased less than seasonally in September, owing in part to temporary work stoppages at some bituminous and anthracite mines. Crude petroleum production advanced to record levels in September and the first half of October, and output of metals and shipments of iron ore down the Lakes continued at about capacity.

Value of construction contract awards declined in September, according to figures of the F. W. Dodge Corporation, reflecting chiefly decreases in awards for public projects which had been exceptionally large in August. Awards for private residential building also declined, while contracts for other private work increased somewhat further. Total awards in September, as in August, were 80 per cent larger than in the corresponding period last year. This higher level reflected mainly a greater amount of public construction, which was nearly three times as large as a year ago, compared with an increase of about 10 per cent for private construction.

On October 9, the Supply Priorities and Allocations Board announced that, effective immediately, no public or private construction projects which use critical materials could be started during the emergency unless these projects were either necessary for direct national defense or essential to the health and safety of the nation.

DISTRIBUTION

Distribution of general merchandise showed less than the customary seasonal rise in September, following an unusually large volume of sales in August. During the past three months sales have been larger than in the corresponding period of any previous year. In the first half of October sales at department stores declined from the peak reached in late September when there were considerable consumer purchases, particularly of articles subject to higher taxes on October 1.

Loadings of revenue freight in September increased less than seasonally, particularly those of miscellaneous freight, which have been high in recent months, and loadings of coal, which were curtailed during part of the month by work stoppages at some mines. Shipments of forest products declined considerably from the high August level.

COMMODITY PRICES

Prices of industrial products continued to advance in September and the first half of October and Federal price ceilings were announced for additional commodities, including leading types of lumber, coke, wastepaper, paperboard, acetic acid, alcohols, and carded cotton yarns. In some cases these ceilings were below previously existing market quotations. Price advances were permitted, however, for some other commodities under Federal control. Prices of cotton and of foodstuffs increased further in the first half of September, but subsequently declined, owing partly to seasonal influences. On Thursday, October 16, prices of these commodities dropped sharply.

BANK CREDIT

Commercial loans at member banks continued to rise during September and the first half of October, reflecting in part defense demands. Increases were substantial both in New York and in other leading cities. Holdings of United States Government obligations decreased, mainly at banks in leading cities outside of New York. Excess reserves of member banks showed little change in this period.

UNITED STATES GOVERNMENT SECURITY MARKET

Following a slight decline in the first half of September, prices of long-term Treasury partially tax-exempt bonds increased during the latter half of September and in the first part of October. The yield on the 2- $\frac{3}{4}$ per cent bonds of 1960-65 reached a new record low of 2.01 per cent in October. Prices of taxable bonds moved within a relatively narrow range during the period with yields slightly above previous low levels.