

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

February 28, 1942

BUY
DEFENSE
BONDS



BUY
SAVINGS
STAMPS

INVEST FOR VICTORY NOW

Summary of January Business Conditions

SINCE the beginning of 1942, trade and industry in the Fifth Federal Reserve district have been at exceptionally high levels for this season of the year. Consumer buying declined much less in January than in average years, and the same may be said of industrial activity. Most industries are working directly or indirectly on phases of defense, but even those engaged entirely in making civilian goods are running full time except plants restricted by shortages of materials under priorities. The several shipyards in the district are working day and night with ships on all the ways, and airplane factories are employing every facility to turn out planes and parts. The cotton textile industry operated at a new high level in January, and is supplying vast quantities of many types of cotton goods to the armed forces and to a strong civilian demand. Bituminous coal output rose further in January, chiefly to meet constantly expanding needs of industry and transportation, and railroad car loadings continued at unseasonably high levels. Many small industries have converted to some types of defense work, and together are producing large quantities of goods. Rayon and nylon are beginning to enter into defense use, and in addition are replacing the silk which the Government impounded for parachutes, powder bags, and the like.

Construction work continues in the district in very large volume, most of the work being wholly or partly financed with public funds. Several new army camps

are under construction, and others are being enlarged. Defense housing is being constructed at a number of points where new or expanded industrial plants have brought thousands of new workers to localities unable to absorb them with previously existing facilities. A substantial amount of new work has also been necessary on highways and bridges as part of the defense program.

Distribution of consumer goods in January was much greater than is customary at that season, due in part to increased payrolls in the district which swelled purchasing power and in part to buying of commodities against further price increases or possible rationing by Government agencies. This tendency toward forward buying was stimulated by rationing of tires and withdrawal of new automobiles from sale, and by plans for restricting sugar consumption. Sales by department and general merchandise stores reporting to the Reserve bank were 47 per cent greater in dollar value in January 1942 than in January 1941, and retail furniture sales in a selected group of stores increased 22 per cent. Unofficial reports indicate similar increases in sales of clothing, electrical equipment, and many other commodities. Automobile sales of new cars were forbidden in January, along with new auto tires, but a very brisk business in used cars with reasonably good tires was done, and dealers in tires having stocks of retreads sold them all at advanced prices over quotations in force prior to the introduction of the tire rationing plan.

BUSINESS STATISTICS—FIFTH FEDERAL RESERVE DISTRICT

	January 1942	December 1941	January 1941	% Change	
				Month	Year
Debits to individual accounts (25 cities).....	\$1,980,524,000	\$2,220,330,000	\$1,649,671,000	— 11	+ 20
Sales, 79 department stores, 5th district.....	\$ 15,278,611	\$ 30,527,927	\$ 10,413,976	— 50	+ 47
Sales, 35 furniture stores, 5th district.....	\$ 1,144,767	\$ 1,623,637	\$ 941,053	— 29	+ 22
Sales, 186 wholesale firms, 5th district.....	\$ 14,208,000	\$ 13,711,000	\$ 10,797,000	+ 4	+ 32
Registrations, new autos, 5th district.....	6,176	15,272	23,362	— 60	— 74
Tobacco sold in 5th district (Pounds).....	9,465,996	11,880,521	18,499,502	— 20	— 49
Growers' receipts from tobacco, 5th district.....	\$ 1,825,325	\$ 2,633,644	\$ 2,066,387	— 31	— 12
Average price of tobacco, 5th district.....	\$ 19.28	\$ 22.17	\$ 11.17	— 13	+ 73
Number of business failures, 5th district.....	37	28	45	+ 32	— 18
Liabilities in failures, 5th district.....	\$ 311,000	\$ 151,000	\$ 371,000	+106	— 16
Value of building permits, 29 cities.....	\$ 6,739,931	\$ 11,218,864	\$ 12,203,505	— 40	— 45
Value of contracts awarded, 5th district.....	\$ 52,030,000	\$ 64,541,000	\$ 42,567,000	— 19	+ 22
Cotton consumption, 5th district (Bales).....	444,168	420,570	391,059	+ 6	+ 14
Cotton price, cents per lb., end of month.....	19.250	18.210	10.140	+ 6	+ 90
Print cloths, 39 in., 80x80s, end of month.....	11.750*	11.250*	7.750	+ 4	+ 52
Rayon yarn shipment, U. S. (Pounds).....	41,200,000	39,300,000	35,000,000	+ 5	+ 18
Rayon yarn stocks, U. S. (Pounds).....	4,700,000	3,800,000	8,900,000	+ 24	— 47
Bituminous coal mined, U. S. (Tons).....	48,540,000	46,667,000	44,070,000	+ 4	+ 10

*Price set by OPA

BANKING STATISTICS

RESERVE BANK STATEMENT ITEMS

ITEMS	Fifth District		
	Feb. 15 1942	Jan. 15 1942	Feb. 15 1941
	000 omitted		
Discounts held	\$ 0	\$ 0	\$ 18
Industrial advances	760	764	769
Government securities	184,121	134,744	119,976
Total earning assets	134,881	135,508	120,763
Circulation of Fed. Res. notes	433,720	427,192	284,437
Members' reserve deposits	468,581	464,615	383,504
Cash reserves	823,101	822,615	615,044
Reserve ratio	85.21	85.31	83.84

SELECTED ITEMS—41 REPORTING MEMBER BANKS

ITEMS	Fifth District		
	Feb. 11 1942	Jan. 14 1942	Feb. 12 1941
	000 omitted		
Loans to business & agriculture	\$168,734	\$159,493	\$137,298
All other loans	170,534	176,979	157,472
Investments in securities	571,859	573,087	470,995
Reserve bal. with F. R. bank	299,821	293,169	256,171
Cash in vaults	28,858	30,648	27,253
Demand deposits	782,502	773,796	652,642
Time deposits	200,649	201,167	205,553
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	Jan. 31, 1942	Dec. 31, 1941	Jan. 31, 1941
Total deposits	\$221,038,752	\$223,594,129	\$223,853,725

DEBITS TO INDIVIDUAL ACCOUNTS

Fifth District

CITIES	000 omitted			% of Change	
	Jan. 1942	Dec. 1941	Jan. 1941	Month	Year
Dist. of Col.					
Washington	\$ 425,629	\$ 447,986	\$ 330,742	- 5	+29
Maryland					
Baltimore	545,894	634,652	489,747	-14	+11
Cumberland	10,668	12,075	8,694	-12	+23
Hagerstown	15,970	15,109	10,494	+ 6	+52
North Carolina					
Asheville	21,326	23,641	16,510	-10	+29
Charlotte	105,571	113,232	92,704	- 7	+14
Durham	40,319	41,661	30,627	- 3	+32
Greensboro	28,080	36,669	24,361	-23	+15
Raleigh	68,561	76,070	61,364	-10	+12
Wilmington	23,573	26,046	14,087	- 9	+67
Winston-Salem ..	57,180	59,593	44,666	- 4	+28
South Carolina					
Charleston	32,735	35,687	25,356	- 8	+29
Columbia	43,795	43,913	37,378	- 0	+17
Greenville	36,876	34,579	26,518	+ 7	+39
Spartanburg	18,105	19,359	17,288	- 6	+ 5
Virginia					
Danville	11,925	16,964	8,634	-30	+38
Lynchburg	20,226	23,476	17,751	-14	+14
Newport News ..	14,977	17,583	14,291	-15	+ 5
Norfolk	90,322	96,216	71,462	- 6	+26
Portsmouth	9,030	9,218	6,223	- 2	+45
Richmond	220,162	257,460	180,891	-14	+22
Roanoke	36,080	42,184	33,083	-14	+ 9
West Virginia					
Charleston	66,650	91,260	55,268	-27	+21
Huntington	23,709	31,379	19,492	-24	+22
Parkersburg	13,161	14,318	12,040	- 8	+ 9
District Totals ..	\$1,980,524	\$2,220,330	\$1,649,671	-11	+20

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
January 1942.....	37	962	\$ 311,000	\$ 9,916,000
December 1941	28	898	151,000	13,469,000
January 1941	45	1,124	371,000	11,888,000

Source: Dun & Bradstreet

EMPLOYMENT

The employment problem in the Fifth district is now one of bringing the men and the jobs together. Industrial plants and construction firms are employing virtually all the workers they can obtain, and there are no idle workers in these lines, but restrictions in distributive lines like automobiles and tires have thrown many men out of jobs, and since many of them are untrained in other lines it is hard to fit them into new work. Many auto salesmen have shifted into real estate and insurance, and auto mechanics can be readily turned to other mechanical tasks. Induction of men into the armed services is opening up work for numbers of older men, and women are replacing men in some lines of work. 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 December to January:

STATES	Percentage change from	
	Dec. 1941 to Jan. 1942 in number on payroll	Jan. 1942 in amount of payroll
Maryland	- 2.8	+1.0
Dist. of Columbia	-12.8	-9.3
Virginia	+ 0.6	+5.8
West Virginia	- 1.6	-5.0
North Carolina	- 2.6	+0.1
South Carolina	- 0.7	+0.9
District Average	- 2.5	-1.0

AUTOMOBILE REGISTRATIONS

In spite of the freezing of all stocks of new passenger automobiles after January 1, a number of new cars were officially registered in the Fifth district in January, and sales of good used cars were large. Tire dealers handling retreads sold out their stocks, and were swamped with orders to retread or recap tires for private owners. When restrictions on retreading were announced in February, tire dealers had orders accumulated sufficient to keep them busy for several weeks, but tires left for rebuilding had to be returned to owners unless work had already been started on them. The general public is beginning to realize the seriousness of the tire situation, and numbers of cars are being left at home by workers convenient to public transportation to and from their places of employment. Registration figures in Fifth district states for January 1942 and 1941, as reported by *R. L. Polk & Co.*, of Detroit, were as follows:

REGISTRATION OF NEW PASSENGER CARS—NUMBER

STATES	Jan. 1942	Jan. 1941	% Change
Maryland	1,249	4,169	-70
Dist. of Columbia	384	2,113	-82
Virginia	1,902	6,139	-69
West Virginia	728	2,336	-69
North Carolina	1,149	5,761	-80
South Carolina	764	2,844	-73
Fifth District	6,176	23,362	-74

BITUMINOUS COAL PRODUCTION

Production of bituminous coal in January 1942 totaled 48,540,000 net tons in the United States, of which the Fifth district mined 14,436,000 tons, or 30 per cent. Last month's production in the United States was above 46,667,000 tons mined in December, and exceeded the January 1941 output of 44,070,000 tons by 10 per cent. On a daily basis, production of 1,867,000 tons per working

day in January was 4 per cent above the December average, and 10 per cent above the average for January last year. Figures on shipments of coal through Hampton Roads ports have been discontinued by the Bituminous Coal Division, Department of the Interior, in the interest of National Defense. In the Fifth district, production of bituminous coal in January 1942, December 1941 and January 1941 was as follows:

REGIONS	Jan. 1942	Dec. 1941	Jan. 1941
West Virginia	12,567,000	11,967,000	11,194,000
Virginia	1,700,000	1,562,000	1,417,000
Maryland	169,000	164,000	157,000
Fifth District	14,436,000	13,693,000	12,768,000
United States	48,540,000	46,667,000	44,070,000
% in District	30	29	29

CONSTRUCTION

Estimated valuation of building permits issued in 29 Fifth district cities in January 1942 totaled \$6,739,931, in contrast with permits totaling \$11,218,864 issued in December 1941 and \$12,203,505 in January 1941. Difficulty in obtaining building materials for private construction work not allied to defense is playing an important part in holding down permits. Last month Washington led Fifth district cities with permits totaling \$2,694,505, Baltimore was second with \$1,072,476, Norfolk third with \$498,795, Richmond fourth with \$309,342, and Charlotte fifth with \$247,779.

Contract awards for construction of all types in the Fifth district totaled \$52,030,000 in January this year, a decline from contracts totaling \$64,541,000 let in December, but an increase of 22 per cent over awards totaling \$42,567,000 in January last year. The Fifth district ranked second among Federal Reserve districts in contracts awarded in January. Residential contracts awarded last month totaling \$13,478,000 dropped 35 per cent from awards for residential work made in January 1941 totaling \$20,645,000. The residential figures include Government financed housing projects for slum clearance and defense housing developments around new or expanded industrial plants doing defense work. Figures on contract awards by states for December and the year 1941 in comparison with corresponding figures for 1940, which were not available when the January 31 issue of the *Review* went to press, are included in the accompanying table.

CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

STATES	Dec. 1941	Dec. 1940	% Change	Year 1941	Year 1940	% Change
Maryland	\$ 10,470	\$ 19,587	- 47	\$198,571	\$122,564	+ 58
Dist. of Col. . .	3,498	5,321	- 34	84,011	64,790	+ 30
Virginia	14,647	51,682	- 72	250,272	168,893	+ 48
W. Virginia ..	1,833	3,667	- 50	53,553	35,153	+ 52
N. Carolina ..	31,335	5,330	+488	200,331	80,843	+148
S. Carolina ..	2,758	15,517	- 82	87,579	48,833	+ 79
5th District	\$ 64,541	\$101,104	- 36	\$869,317	\$521,076	+ 67

COTTON TEXTILES

Mill activity in the cotton textile field was at a very high level in January, according to the monthly survey of the *Journal of Commerce*, and efforts were made to expand operations further, but insufficiency of labor in some areas and lack of available machinery hindered such efforts. Business done in civilian lines in January was

restricted, but substantial quantities of goods were bought by or were offered to the Government. The Government took over all duck in an effort to fill a request for 200,000,000 yards, the largest single order in history, and later in the month the Government asked bids on 200,000,000 yards of osnaburgs to create a stock pile for sandbags and agricultural bags. In civilian lines goods were offered sparingly, and when offers were made the mills usually allotted small quantities to many customers. Following the upward price movement in spot cotton, textile product prices rose during January to the highest levels in about 15 years. In the Fifth district, cotton consumption set a new monthly record, and was 47 per cent of National cotton consumption. Last month's was the fourth record in consumption set in the past 12 months.

COTTON CONSUMPTION—FIFTH DISTRICT

MONTHS	In bales			
	No. Carolina	So. Carolina	Virginia	District
January 1942.....	237,947	184,145	22,076	444,168
December 1941.....	227,611	173,762	19,197	420,570
January 1941.....	212,132	161,911	17,016	391,059

RAYON YARNS

Rayon Organon reports that deliveries of rayon filament yard to domestic consumers in January 1942 amounted to 41,200,000 pounds, an increase of 5 per cent over 39,300,000 pounds shipped in December and 18 per cent above 35,000,000 pounds shipped in January 1941. At the same time reserve stocks of yarn in manufacturers' hands rose to 4,700,000 pounds on January 31 from 3,800,000 pounds on December 31, but were still below reserves totaling 8,900,000 pounds on January 31, 1941. Inventories of rayon yarn held by broad weavers amounting to 23,000,000 pounds on January 31, 1942 show decreases from 23,300,000 pounds held a month earlier and 27,100,000 pounds held a year earlier. Early in January the Nylon Division of du Pont announced that, because of the increase in Government orders for nylon yarn, it had become necessary to reduce by 20 per cent the allotment of nylon yard for the hosiery industry, effective immediately. Later the Company discontinued manufacture of nine yarn deniers which had been generally used for non-hosiery purposes. Three deniers of hosiery yarn were also withdrawn from shipping schedules in order to increase the yardage output of current available raw material.

COTTON STATISTICS

Spot cotton prices in January continued to advance, the average for 15/16-inch middling grade on 10 Southern markets rising from 18.21 cents on January 1, to 20.11 cents on January 27, and then falling to 19.25 cents on January 31. These prices show a virtual doubling of the January 31, 1941 average price of 10.14 cents. On January 5 the Commodity Credit Corporation announced that it would sell Government owned 1934 and 1937 cotton, offers to be accepted beginning January 19. The Government had 4,263,000 bales available for this program, but no announcement has been made as to the amount sold under the plan. While this cotton was being made available to the mills, growers continued to place 1941 cotton in loan stocks, and by the middle of January the C. C. C.

had made loans on 1,942,085 bales of last year's crop.

Cotton consumption in American mills in January was second only to the record of last October, and exceeded January 1941 consumption by 12 per cent. Cotton held by consuming establishments on January 31 this year showed an increase of 616,955 bales over the amount held on January 31, 1941, but cotton in storage elsewhere, including Government loan stocks, declined by 1,815,224 bales during the year, a net decrease of 1,198,269 bales from the available supply of cotton on hand a year ago. Statistics on consumption and on reserve stocks are shown in the accompanying table.

COTTON CONSUMPTION AND ON HAND—BALES

	Jan. 1942	Jan. 1941	Aug. 1 to Jan. 31 This Year Last Year	
Fifth district states:				
Cotton consumed	444,168	391,059	2,521,875	2,043,348
Cotton on hand Jan. 31 in				
Consuming establishments ...	1,121,614	850,842		
Storage & compresses	1,186,790	1,307,512		
Cotton growing states:				
Cotton consumed	804,745	718,566	4,575,890	3,784,276
Cotton on hand Jan. 31 in				
Consuming establishments ...	2,034,095	1,553,605		
Storage & compresses	12,466,638	14,372,133		
United States:				
Cotton consumed	945,909	844,839	5,386,363	4,423,446
Cotton on hand Jan. 31 in				
Consuming establishments ...	2,495,186	1,878,231		
Storage & compresses	12,857,321	14,672,545		
Spindles active	23,077,352	22,829,220		
Cotton seed at mills (Tons)....	1,037,426	1,075,973		

TOBACCO MARKETING

All flue-cured, or bright, tobacco markets in the Fifth district finished sales before the Christmas holidays and did not open in January, but Virginia markets in the fire-cured, burley and sun-cured belts were open and sold 9,465,996 pounds of growers' tobacco for a total of \$1,825,325, an average price of \$19.28 per hundred pounds against an average price of \$10.84 per hundred realized for the same types of tobacco in January 1941 sales. In 1941 some flue-cured tobacco was sold in both North Carolina and Virginia in January. Complete sales figures covering the Carolinas and Virginia for the 1941-1942 and 1940-1941 seasons will be included in the *Review* next month.

STATES	Producers' Tobacco Sales, Pounds		Price per Cwt.	
	January 1942	January 1941	1942	1941
No. Carolina .....	...	2,505,808	..	\$13.59
Virginia (Flue-cured)....	...	1,801,786	..	10.41
(Fire-cured) ..	6,330,500	9,401,243	\$15.93	9.66
(Burley)	1,995,722	2,737,731	30.72	15.93
(Sun-cured) ..	1,139,774	2,052,934	17.88	9.45
District Total	9,465,996	18,499,502	19.28	11.17

TOBACCO MANUFACTURING

Tobacco manufacturing in January was at near-record levels, and cigarette factories located in the Fifth district set a new record by making 16,650,984,000 cigarettes, 85 per cent of total production in the United States. Cigar

production last month declined seasonally from December production, and the output of smoking and chewing tobacco in January this year was less than in January 1941, but all other figures were higher for January 1942 than for either December 1941 or January 1941. Cigarette output last month was 20 per cent greater than in January a year ago. Production figures as released by the Bureau of Internal Revenue follow:

	Jan. 1942	Dec. 1941	Jan. 1941
Smoking & chewing tobacco, pounds	24,055,265	20,994,506	25,536,138
Cigarettes, number	19,502,624,610	16,200,694,020	16,286,811,310
Cigars, number	458,277,423	474,912,920	403,166,320
Snuff, pounds	3,882,351	3,320,502	3,422,102

RETAIL AND WHOLESALE TRADE

DEPARTMENT STORE TRADE

	Percentage increase or decrease in sales, stocks, outstanding orders and outstanding receivables in Jan. 1942 in comparison with Jan. 1941 figures:			
	Sales	Stocks	Orders	Receivables
Richmond (5)	+37	+32	+124	+22
Baltimore (10)	+44	+33	+154	+11
Washington (7)	+53	+33	+118	+16
Other Cities (12)	+41	+29	+58	+12
Fifth District (79)*	+47	+32	+128	+15
Same stores by states,				
Maryland (13)	+44	..	..	..
Virginia (16)	+42	..	..	..
West Virginia (15)	+41	..	..	..
North Carolina (16)	+31	..	..	..
South Carolina (12)	+60	..	..	..

* Includes stores reporting sales only.

RETAIL FURNITURE SALES

STATES	% Changes in Sales, January 1942 Compared with January 1941	
	Jan. 1942	Jan. 1941
Maryland (7)	+23	+37
Dist. of Col. (5)	+28	+28
Virginia (13)	-12	-4
North Carolina (5)	-4	+22
South Carolina (5) .....	..	..
5th District (35) .....	..	..
Individual Cities:		
Baltimore (7)	+23	+26
Richmond (5)	+26	+37
Washington (5)	+37	..

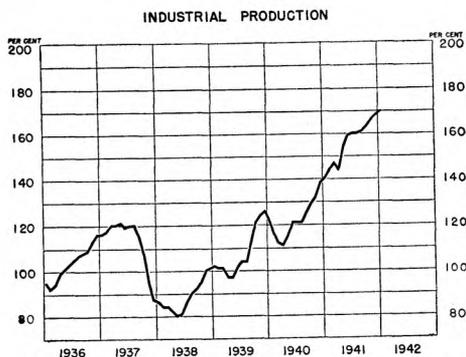
WHOLESALE TRADE, 186 FIRMS

LINES	Net Sales		Stocks		Ratio Jan. collections to accounts outstanding Jan. 1
	January 1942 compared with		Jan. 31, 1942 compared with		
	Jan. 1941	Dec. 1941	Jan. 31 1941	Dec. 31 1941	
Auto supplies (7) ...	+60	+2	..	..	75
Shoes (4)	-9	+44	+45	+30	54
Drugs (7)	+4	+7	..	..	122
Dry Goods (8)	+53	+38	+72	+22	51
Electrical goods (8)....	+40	-24	+46	+1	71
Groceries (57)	+32	+7	+29	+2	113
Hardware (13)	+40	+24	-2	-6	58
Indus. supplies (6)....	+36	+5	+9	+3	85
Paper & products (10)..	+37	+5	+5	-3	73
Tobacco & products (8).	+24	-18	+5	-12	96
Miscellaneous (58)	+42	+1	+39	+1	78
District Average (186)	+32	+4	+32	+7	76

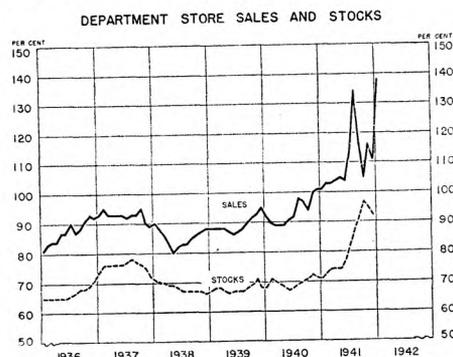
(Compiled February 23, 1942)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

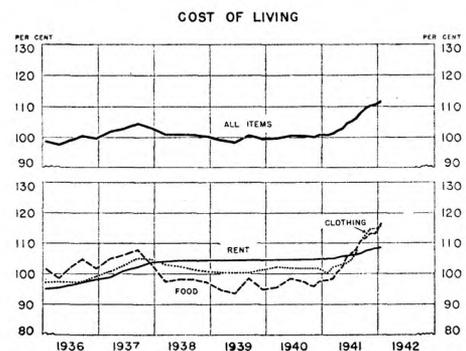
(Compiled by the Board of Governors of the Federal Reserve System)



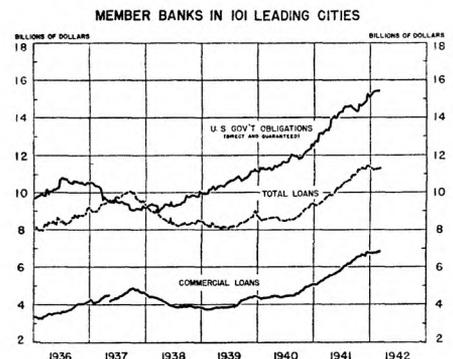
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for January 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-24 average=100. Latest figures show Jan. 1942 sales and Dec. 1941 stocks.



Bureau of Labor Statistics' indexes, 1935-39 average=100. Fifth of month figures. Last month in each calendar quarter through Sept. 1940, monthly thereafter. Latest figures shown are for Jan. 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures for Feb. 11, 1942.

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

PRODUCTION

Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the F. W. Dodge Corporation. Declines were reported in all classes of construction; the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

DISTRIBUTION

In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

COMMODITY PRICES

Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules—approximately 100 in number—remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

BANK CREDIT

Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of Government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Member bank reserves have shown little change in recent weeks, and excess reserves have continued close to 3½ billion dollars.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short-term securities, which had risen in January, were steady.