

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

June 30, 1943

Business in May 1943

THE first indications of inadequate man power for seasonal industries cropped up in this district in the early part of June. Eastern Shore Virginia farmers, confronted with insufficient labor, began digging their potatoes two weeks earlier than they normally would have done. Furthermore, digging will probably be stretched out over a longer period than normal if labor supply remains short. In Baltimore, an urgent call was broadcast for 15,000 volunteers to work in local canneries in order to keep food from spoiling. These cases may be isolated instances of inadequate preparation to cope with the problem, but it is more probable that they represent basic man-power deficiencies that will crop up in place after place to plague the harvesting of crops.

The crop condition at the turn of June, though on the whole somewhat belated, was making rapid progress in catching up. Labor requirements for several of the seasonal truck crops will be smaller than last year, for the crops are smaller. Members of the flue-cured tobacco industry advisory committee meeting in Washington, D. C., on June 9 saw no basis for anticipating a flue-cured crop above 800 million pounds. This volume of production would be 24 million pounds smaller than last year and, according to the committee, from 100 to 150 million pounds short of replacement requirements.

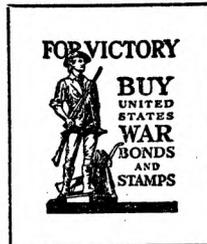
Employment information indicates that the working force is still rising in Baltimore, Maryland, Hampton Roads, Virginia, Wilmington, North Carolina, and Charleston, South Carolina, but that Washington, D. C., is probably around its maximum level. The above mentioned cities, excluding Wilmington, North Carolina, and

including Elkton, Maryland, are listed by the War Manpower Commission as areas of acute labor shortage, but housing facilities for immigrating workers is now at a point considered "practically adequate."

Construction contract awards in Fifth District states, as reported by the F. W. Dodge Company, in the first four months of this year were 44 per cent smaller than in the same period of 1942, which compares with a decline from a year ago of 38 per cent in the first three months of the year. Construction in North Carolina in this period recorded an increase of 97 per cent, but all other states show substantial losses, the largest of which, 79 per cent, came in the District of Columbia, and reflects substantial completion of the war housing program. Virginia, which accounted for 42 per cent of the district's construction in the first four months of this year, shows a decline from last year of 45 per cent. The remaining states show construction reduced between 43 and 59 per cent.

Cotton textile activity in the district as reflected by cotton consumption was slower in May than in either April or May, 1942. Actual consumption in May as well as the daily rate declined respectively 4 and 5 per cent from April and from a year ago. The principal cause of the decline appears to be lower productivity resulting from inexperienced labor, though changes in constructions arising from WPB directives no doubt have had some influence.

Bituminous coal output in May was 5 per cent smaller than in that month last year, due to a strike lasting several days. In the first five months of the year, however, the District's outturn of coal exceeded that of last year by 5 per cent. If it can be assumed that work will be maintained regularly for the remainder of the year a new high record is in prospect for this District.



BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average daily 1935-1939=100
Seasonally adjusted

	May 1943	Apr. 1943	Mar. 1943	May 1942	% Change Apr. 43	May 42
Bank Debits	185	205	186	175	- 10	+ 6
Bituminous Coal Production.....	136	146r	153r	146	- 7	- 7
Building Contracts Awarded.....	103	129	223	257	- 20	-60
Building Permits Issued.....	39	19	58	68	+105	-43
Cotton Consumption*.....	154	161	166	162	- 4	- 5
Department Store Sales.....	181	181	180	147	0	+23
Electric Power Production.....	200	191	189	183	+ 5	+ 9
Life Insurance Sales.....	114	118	109	86	- 3	+33
Wholesale Trade—5 lines.....	168	175	174	138	- 4	+22

*Not seasonally adjusted.

Some Effects of the War on Department Stores

The war has had profound effects on retail trade as reflected in department store figures from 1939 through the first four months of 1943. An analysis has been made of monthly sales reported to the Federal Reserve Bank of Richmond by approximately 75 stores in the Fifth Reserve District, of inventories reported monthly by 29 stores, and of sales and inventories broken down by departments reported by 20 stores.

The outbreak of war in Europe in September 1939 had important repercussions in the United States, but did not appreciably affect retail trade for some time, sales in the first four months of 1940 being only 6 per cent above those in the corresponding period in 1939. But about the middle of 1940 the effects of large scale buying of war materials by England and the somewhat timid beginning of our own preparation for possible involvement in the conflict began to percolate down to the public. Unemployment declined rapidly, incomes rose, and retail sales advanced sharply. The rise in sales continued steadily, and in the spring of 1941, after the passage of the Lend-Lease Bill on March 11, fears began to be felt over the possibility of retail shortages in certain lines of consumer goods. These fears led to accumulations of inventories, and stock of department stores in the Fifth District rose even faster than sales from the middle of 1941 through the third quarter of 1942. By that time so many lines of civilian goods had been largely or completely withdrawn from the market that stores were unable to replace all merchandise sold, and retail inventories began a decline which will probably continue until the war ends or the Government sees its way to release more goods for civilian use. Changes during the period under review are shown in the two tables which follow. Sales in the first four months of each year from 1939, in 29 Fifth District stores, were

1939	\$31,657,792
1940	33,537,200
1941	39,322,134
1942	52,329,881
1943	60,019,493

and stocks at selling prices on April 30 of each year totaled

1939	\$26,885,173
1940	28,238,026
1941	30,477,944
1942	48,817,178
1943	38,866,357

Sales rose during the past three years in department stores for several reasons. First, increased income enabled many people to gratify desires which they had not been able to satisfy during the long depression preceding the outbreak of war. Secondly, the withdrawal of numerous relatively expensive but exceedingly popular articles from the market shifted expenditures from these semi-luxury articles to other retail lines. The freezing of automobile tires, then of new passenger automobiles,

and finally restrictions on gasoline consumption released millions of dollars for other consumer purchases. Some of this diverted buying power went into the purchase of homes, but restrictions on civilian construction and fear of possible induction into the armed forces and of greatly increased Federal taxes held down the incurring of long-time obligations such as those involved in home buying. Thirdly, the beginning of rationing with sugar, followed by coffee, started much precautionary buying bordering closely on actual hoarding, and when shoes were suddenly rationed in February 1943 the public thought other clothing would soon be added and responded with such a wave of panic buying of every class of wearing apparel that shelves were practically cleared of many items.

Sales By Departments

Twenty department stores in Richmond, Baltimore, Washington, Charlotte, Greenville, S. C. and Charleston and Huntington, W. Va., report sales and stock figures broken down by departments to the Federal Reserve Bank of Richmond. Sales for the first four months of 1943 have been compared to sales in the corresponding period in 1942, a four months' total being taken in preference to a single month in order to eliminate seasonal differences arising from the variation in the date of Easter last year and this. Analysis of these departmental data shows a number of significant changes in consumer buying.

Total sales by the twenty stores were 14 per cent greater in the 1943 than in the 1942 period, but the percentage changes varied very widely between departments, as shown in the table at the end of page three. The greatest increases were in Women's, Misses' and Girls' Clothing and Accessories, which as a whole rose 29 per cent. Sales of the same lines of merchandise in basement departments increased 27 per cent. Total sales of Women's, Misses' and Girls' Wear, both upstairs and in basements, including shoes and such accessories as furs, neckwear, millinery, gloves, etc., accounted for 52 per cent of total store sales in the 1943 period against 45 per cent in 1942. Of all women's lines, furs rose most in 1943, increasing 78 per cent. Women's and Children's shoes upstairs rose 14 per cent this year, but basement sales of shoes declined 3 per cent, a clear indication that shoe rationing brought a decided switch to better grade shoes.

Sales of Men's and Boys' Clothing rose only 2 per cent in the first four months of 1943 from that period of 1942, due to a decline of 18 per cent in the sale of Men's Suits and Overcoats. Stocks of clothing were adequate, but inductions into the armed forces, either actual or prospective, reduced the number of potential buyers. Sales of Men's Furnishings rose 16 per cent and Men's Shoes rose 17 per cent, indicating that men are about as much influenced by rationing fears as women.

Yard goods rose 41 per cent in sales in the first four months this year over last year. Silks have disappeared from department store shelves, but rayons and blended fabrics have largely replaced them. Dresses have ad-

vanced so much in price, especially print dresses for every day and casual wear, that many women are buying yard goods and patterns and either making dresses themselves or having them made by dressmakers. In Richmond it is practically impossible to find a seamstress who will accept additional work for delivery earlier than six weeks to two months. Piece goods are being hoarded to a considerable degree, many women buying material for dresses they do not contemplate having made up in the near future.

Many departments handling merchandise not so essential as wearing apparel have shown marked increases in sales, due to various influences. Umbrellas and Parasols advanced 118 per cent in sales this year as people prepared to walk more. Jewelry sales rose 36 per cent, watch sales to inductees into the armed forces, engagement rings, and articles for wedding presents leading the causes for the increase. In spite of crowded trains and buses, travel has increased sharply and Luggage sales rose 99 per cent in the period under review. The stores which have restaurants or tea rooms report a 47 per cent increase in 1943 business, due in part to many housewives entering business, to an influx of visitors in cities near army camps, and to attempts to save food ration points by eating out.

The only declines of consequence in sales this year are due to inability to obtain adequate stocks of merchandise to meet customer demands. Mechanical refrigerators and other major household appliances have not been manufactured for months, and stocks of these items which stores had on hand have either been frozen or very strictly rationed. Sales have consequently declined 80 per cent from 1942 sales. Furniture sales dropped 11 per cent in the first four months of 1943, and sales of mattresses and springs declined 26 per cent. The production of metal furniture was discontinued during 1942, and bed springs and inner spring mattresses were also withdrawn from the list of articles still being made up for civilian use. Sales of sporting goods dropped 12 per cent this year, reflecting scarcities of suitable raw materials from which to manufacture them, a decreased demand due to fewer young people with time for athletics, and transportation difficulties in reaching golf courses, tennis courts, play grounds, fishing grounds, etc. Camera and film sales declined 38 per cent as manufacturers converted their facilities to the making of army and navy photographic equipment and other precision instruments. Radio and other musical instrument sales were confined this year to stock on hand when further manufacture was discontinued last year, but phonographs and records sold 20 per cent better this year than last. The phonographs sold this year were chiefly small portable machines, containing little critical material, and many of them were bought as substitutes for small radio-phonograph combinations no longer on the market.

Inventory Position

A study of departmental inventories on April 30, 1943, in comparison with those on April 30, 1942, in twenty Fifth District department stores reflects the extent to which the Nation's industries have converted to war work or the extent to which the armed forces have taken the output of factories which did not have to change the types of goods manufactured. The scarcity of consumer

goods of almost every kind has every departmental buyer at his wit's end to keep his shelves even moderately well stocked, and the problem is rapidly becoming more difficult of solution.

The manufacture of practically all articles made of metal was either severely curtailed or entirely stopped about a year ago. Store managers had anticipated these restrictions, and had large inventories on hand when output ceased, but these reserve stocks have now been substantially lowered. Stocks of refrigerators, other major household appliances such as washing-machines, stoves, and electrical fans, mixers, irons, etc., radios, pianos and cameras have all declined more than 50 per cent since April 30, 1942, and it is only a question of time until all these items will be completely taken up by buyers. Some of them are under official priority ratings, and cannot be purchased without proof of absolute necessity.

The chief inventory problem in department stores arises from scarcity rather than total absence of consumer goods, and the scarcities arise from prior claims by the Government for use of the armed forces and Lend-Lease. The modern army is such a complicated organization that almost every type of commodity is used to some extent, and these needs take precedence over

COMPARISON OF DEPARTMENTAL SALES AND STOCKS Fifth Federal Reserve District Twenty Department Stores

Departments	% Change Sales 4 Mos. 1943 comp. with 4 Mos. 42	% Change Stocks on 4-30-43 comp. with 4-30-42
Grand Total, Entire Store.....(100%)	+ 14	-21
Main Store, Upstairs.....(86%)*	+ 14	-21
Women's, Misses', Etc. Wearing Apparel (42%)*	+ 29	-18
Women's & Misses' Coats & Suits.....	+ 33	-30
Women's & Misses' Dresses.....	+ 29	+13
Blouses, Skirts, Sportswear.....	+ 29	-11
Juniors' & Girls' Wear.....	+ 34	- 7
Underware, Negligees, etc.....	+ 31	-29
Infants' Wear.....	+ 43	-38
Women's & Children's Shoes.....	+ 14	-15
Furs.....	+ 78	+ 8
Gloves (Women's & Children's).....	+ 33	-32
Women's & Children's Hosiery.....	+ 10	-25
Men's & Boys' Wear.....(8%)*	+ 2	-25
Men's Clothing.....	+ 18	-20
Men's Furnishings, Hats, Etc.....	+ 16	-26
Boys' Clothing & Furnishings.....	+ 22	-34
Men's & Boys' Shoes.....	+ 10	-23
Home Furnishings.....(20%)*	+ 15	-23
Furniture, Mattresses, Etc.....	+ 15	-29
Domestic Floor Coverings.....	+ 2	-15
Draperies, Curtains, Upholstery, Etc.....	+ 3	- 8
Refrigerators & Other Major Appliances....	- 80	-73
Linens, Domestic, Bedding.....	0	-17
Houseware (Pots, pans, etc.).....	- 8	-21
Radios.....	- 74	-76
Phonographs & Records.....	+ 20	+13
Piece Goods.....(4%)*	+ 41	-25
Small Wares.....(9%)*	+ 18	-15
Toilet Articles, Drugs, Etc.....	+ 9	-17
Jewelry & Silverware.....	+ 23	-17
Umbrellas & Parasols.....	+118	- 3
Stationery, Books & Magazines.....	+ 33	- 6
Miscellaneous.....(3%)*	+ 30	-41
Sporting Goods.....	- 12	-46
Cameras & Films.....	- 38	-72
Luggage.....	+ 99	-44
Restaurant, Fountain.....	+ 47	+60
Candy.....	+ 61	-21
Basement Store Only.....(14%)*	+ 17	-16
Women's, Misses', & Girls' Wear.....	+ 27	- 9
Men's & Boys' Wear.....	- 8	-38
Domestics, Blankets, Etc.....	+ 12	- 8
Housefurnishings.....	+ 7	-14
Shoes (Chiefly Women's & Children's).....	- 3	- 5
Small Wares.....	+ 22	-26

* Percentage of Entire Store Sales made by departments in this Group.

civilian demands. In textiles, for example, the stores must content themselves with what is left after war needs are provided for. Soldiers are hard on their clothing, and it requires more wool, cotton and leather for a man in the army than for one in civilian life. The armed forces must also keep on hand large reserves of supplies of all kinds. Stocks of yard goods declined 25 per cent during the past year, while such items as towels decreased 22 per cent, and domestic floor coverings dropped 15 per cent. Certain types of draperies, upholstery fabrics, and carpets have virtually disappeared from store shelves and cannot be replaced because manufacturers

have converted their machinery to heavy fabrics needed by the armed forces.

Considering the inventory position of the twenty stores as a whole, a decline of 21 per cent is found between April 30 last year and this. Broken down into inclusive groups of related departments, Women's, Misses' and Girls' Wear declined 18 per cent in stocks on hand. Stocks of Men's and Boys' Wear dropped 25 per cent. Home Furnishings declined 23 per cent. Piece Goods, as previously mentioned, decreased 25 per cent, and Small Wares dropped 15 per cent. Basement inventories, chiefly medium and lower priced wearing apparel, declined 16 per cent during the year.

Bituminous Coal

Although the growth in the total output of energy from mineral fuels and water power has been commensurate with the trend of industrial production in the United States, the contribution made by bituminous coal was of decreasing importance from the end of World War I to about 1938. In fact the absolute contribution of bituminous coal to the total energy supply as well as the relative contribution was on the decline in the aforementioned period.

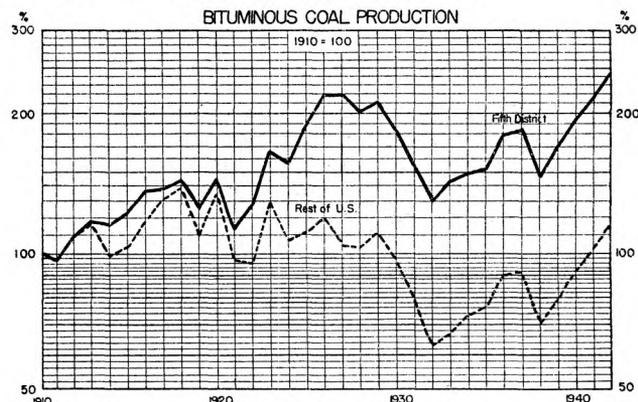
A combination of two factors was primarily responsible for the long term decline in relative importance of United States bituminous coal production in the energy supply between 1918 and 1938, the chief of which was the competition from petroleum, natural gas and water power. At the same time that this competition was undermining the bituminous coal industry's markets, coal consuming industries were reaping the benefits of marked technological advances in heating efficiency.

The competition between sources of energy found bituminous coal contributing around 68 per cent of the total at the turn of the current century but by 1938 this had fallen to 40 per cent. In absolute amounts bituminous coal production was in an upward trend throughout its history up to 1918. For the decade following 1918 production rose and fell above and below a flat level which was about half way between the production levels of 1914 and 1918. After 1928 and up to the outbreak of the present war bituminous coal production fell to a level which was about the same as that of 1909, and stayed in that area until 1940. Since 1940, however, production under the impetus of war has risen markedly and will probably establish a new high record in 1943 if no considerable further labor disturbance is experienced.

The improvement in the technology of fuel efficiency has also operated as a destructive effect on bituminous coal markets, in lowering the number of pounds of coal required to perform a given amount of work. For example in 1919 it required 170 pounds of coal to carry 1000 gross ton-miles of freight on American railroads, whereas in 1941 only 111 pounds or 35 per cent less was needed to do the same job. Then again in 1919 it required 3.2 pounds of coal to generate one kilowatt-hour of electricity but in 1941 only 1.3 pounds or 59 per cent less was required to perform the same task. Similarly the amount of coking coal required to a ton of pig iron fell 21 per cent in the same period while the saving in passenger-train car-miles was 20 per cent.

Fifth District Contribution

With the foregoing background of the industry in mind it is nothing short of amazing to find the production of coal in the Fifth Federal Reserve District had been rising at an annual compound rate of 1.8 per cent from 1910 on. The accompanying chart shows the trend of production in the Fifth District and that of the remainder of the United States with both series expressed as percentages of 1910 production. It, furthermore, brings into bold relief the expansion that has taken place in the District and decline that has occurred in the rest of the country, current war production excepted.



It should be noted that the Fifth District mines made their greatest inroads on the production of the remainder of the industry in the period from 1922 to 1927 and that it has maintained those gains ever since. In part, explanation for the contrary trends in the Fifth District and in the rest of the country must take into account productivity per worker and prices. Productivity per man-day in West Virginia mines (which have accounted in the main for the District's increased production) ran something better than 20 per cent higher than for the industry as a whole in that period of the 1920's when this District made its most substantial gains at the expense of the rest of the industry. The relative differential in the production per man-day in West Virginia, however, was reduced to around 10 per cent in the late 1920's and has since fallen to between 5 and 8 per cent. These figures suggest that the per man-day output variation was probably due, in the main, to a change in demand from the District as against the rest of the industry and not due to variability in labor practice.

That the change in demand occurred in the middle 1920's is attested by the facts as illustrated on the chart. Price behavior gives some evidence of its cause. From 1918 through 1923 the average value of coal per ton at the mines was essentially the same in West Virginia as in the country as a whole, except in 1920 when the West Virginia average per ton value was 16 per cent higher than for the United States as a whole. By 1924, and thereafter until 1934, West Virginia's average values per ton ran between 11 and 17 per cent under those of the United States as a whole. In 1924 the West Virginia mines were not unionized, while many of the mines outside this District, particularly in the North, were unionized. In 1924 a three year contract was arranged between operators of unionized mines and the United mine workers, but this contract continued the same wage scale as had been in effect previously, though Southern operators were paying and continued to pay a lower hourly wage rate until the signing of the 1941 contract.

There seems little doubt that this wage rate differential between Northern and Southern operators has had a great deal to do with the growth in Fifth District coal production at the expense of the remainder of the industry, though such differences as thickness of seams, amount of refuse in seams, mechanical devices, freight rate structures and proximity to markets could be contributory causes. In addition, coal consuming industries may have found it desirable to tie up with Southern operators whose mines were not unionized until recent years, thus avoiding the periodic disturbance of their coal supply due to strikes.

The contract signed between Southern operators and the United mine workers in 1941, after the National Defense Mediation Board made a recommendation against the day rate differentials of Northern and Southern mines, eliminated these wage differentials. War has intervened since the equalization of pay scales and the attendant demand placed on the industry postpones for the duration the operation of any economic shifts in markets that might be conjectured. It seems probable, however, that if the wage differential has been primarily responsible for the growth in Fifth District production, its elimination would not affect the market structure of Northern and Southern fields, but that its probable effect would be to cause Fifth District production to rise and fall more in line with the trend of the industry as a whole.

As a source of employment the bituminous mines of the Fifth District employed an average of 122,000 workers between 1918 and 1940 with the highest number employed, 136,469, in 1927 and the lowest, around 100,000, in 1932. The industry in this district in ordinary times has been overmanned, as in the remainder of the country, with West Virginia mines, for example, giving an average of only 201 days per year of employment to miners of that state between 1918 and 1940. Since 1924, however, the number of days worked in West Virginia mines has been from 13 to 44 days more each year than in the industry as a whole. In 1942 the War Labor Board has

estimated the number of days worked in the entire industry at 240 and opportunities at present exist for more than 300 days of work.

In 1940 West Virginia mines gave employment to an average of 104,735 workers, which was 85 per cent of the District's total coal miners. Virginia accounted for 14 per cent and Maryland the remainder.

The combination of enlistment, draft and better paying jobs has reduced the numbers employed in the District's coal mines below previous levels in recent years, but it has not been sufficient to cause apprehension with respect to coal production which, on a per man basis, has continued to rise throughout the war years down to the present time.

The War Labor Board says that average hourly earnings of miners in 1942 was \$1.06, which for an hourly basis ranks high among the nation's industries. While this hourly scale does not determine miner's earnings it is an important factor in determining the cost of producing coal and consequently its selling price. This wage scale, if maintained after the war, might conceivably operate to the miner's disadvantage by improving the competitive position of other sources of energy.

Production by States

West Virginia produced 156,750,000 tons of coal in 1942, which was 88 per cent of the District's total of 178,548,000 tons. West Virginia's proportion of the District's total in 1942 of 88 per cent compares with 86 per cent in 1918; 90 per cent in 1927; 90 per cent in 1933; and 89 per cent in 1937. Virginia accounted for 10 per cent of the District total in 1918 as well as in 1942, while Maryland's proportion decreased from 4 per cent in 1918 to 1 per cent in 1942.

The West Virginia Department of Labor reports that in the Fiscal year ended June 30, 1942 bituminous coal mines of that state employed an average of 126,214 workers, which was 28 per cent of all the industrial workers in the State and 12.9 per cent more than in the previous year. These 126,214 workers received \$230,151,000 in that year, or 44.8 per cent more than in the previous year, and 32 per cent of total industrial wages paid in the State. West Virginia coal miners' average annual wage was \$1,823, an increase of 28.2 per cent from a year earlier. This average annual wage was exceeded by those in only three of the State's other industries, and compares with \$1,593 for all industries in the State.

The index of bituminous coal production in the Fifth District, (which since 1941 is the average daily production without seasonal correction expressed as a percentage of the 1935-39 average) established a new high record in March 1943, at a level 13 per cent higher than in that month of 1942. In May the index of average daily production stood at 135.7, a decline of 11 per cent from March and a decline of 7 per cent from a year ago. Reductions in both April and May from the March level were due to loss of production resulting from workers "staying off mine property" in the absence of a contract.

FEDERAL RESERVE BANK OF RICHMOND

(In Thousands)

ITEMS	June 16, 1943	% Change from	
		5-12-43	6-17-42
Total Gold Reserves.....	\$1,063,344	— 3	+ 25
Other Reserves	30,944	— 28	+ 197
Total Reserves	1,094,288	— 4	+ 27
Bills Discounted	25	99	— 89
Industrial Advances	421	— 14	— 32
Gov't. Securities, Total	354,426	+ 12	+ 132
Bonds	98,680	— 15	+ 4
Notes	58,387	— 12	+ 26
Certificates	111,316	+ 62	+ 5,750
Bills	91,043	+ 30	+ 584
Total Bills & Securities.....	354,872	+ 12	+ 131
Uncollected Items	146,031	+ 40	+ 26
Other Assets	12,814	— 5	+ 71
Total Assets	1,608,005	+ 2	+ 41
Fed. Res. Notes in Cir.....	879,144	+ 3	+ 75
Deposits, Total	587,746	— 4	+ 14
Members' Reserves	539,483	+ 5	+ 14
U. S. Treas. Gen. Ac.....	566	— 99	+ 11
Foreign	39,424	+ 17	+ 18
Other Deposits	8,273	— 30	0
Deferred Availability Items...	121,878	+ 40	+ 12
Other Liabilities	506	— 14	+ 16
Capital Account	18,731	+ 2	+ 15
Total Liabilities	\$1,608,005	+ 2	+ 41

41 REPORTING MEMBER BANKS—5TH DISTRICT

(In Thousands)

ITEMS	June 16, 1943	% Change From	
		5-12-43	6-17-42
Total Loans	\$ 242,480	— 8	— 23
Bus. & Agric. Loans.....	115,410	— 1	— 31
Real Estate Loans.....	50,776	— 1	— 2
All Other Loans.....	76,294	— 21	— 18
Total Security Holdings.....	\$1,232,952	+ 1	+ 96
U. S. Treas. Bills	163,139	— 9	+ 564
U. S. Treas. Certificates	242,307	+ 17	+ 1,965
U. S. Treas. Notes	126,409	— 9	+ 41
U. S. Gov. Bonds	586,521	+ 1	+ 53
Obligations Gov. Guaranteed.....	48,292	+ 3	— 7
Other Bonds, Stocks & Sec.....	66,284	— 1	— 2
Cash Items in Process of Col.....	\$ 92,803	+ 6	+ 21
Due From Banks	\$ 185,436*	+ 3*	— 31
Currency & Coin	\$ 36,225	+ 3	+ 22
Reserve with F. R. Bank.....	\$ 304,493	+ 6	0
Other Assets	\$ 60,711	0	+ 29
Total Assets	\$2,155,100	+ 1	+ 29
Total Demand Deposits.....	\$1,744,391	+ 1	+ 33
Deposits of individuals.....	1,027,859	+ 7	+ 34
Deposits of U. S. Gov.....	187,880	— 31	+ 1,113
Deposits of State & Local Gov.....	97,093	+ 5	+ 3
Deposits of Banks	403,695*	+ 3*	— 2
Certified & Officers' Checks.....	27,864	+ 66	+ 32
Total Time Deposits	\$ 229,728	+ 1	+ 10
Deposits of individuals.....	214,071	+ 1	+ 8
Other Time Deposits	15,657	0	+ 54
Liabilities for Borrowed Money.....	\$ 0	..	..
All Other Liabilities.....	\$ 70,580	+ 6	+ 45
Capital Account	\$ 109,604	+ 1	+ 5
Total Liabilities	\$2,155,100	+ 1	+ 29

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	May 31, 1943	Apr. 30, 1943	May 31, 1942
Total deposits.....	\$241,446,191	\$238,963,910	\$219,575,973

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
May 1943.....	5	281	\$ 158,000	\$ 2,550,000
April 1943.....	0	362	0	3,523,000
May 1942.....	35	955	485,000	9,839,000
5 Months 1943.....	24	1,933	369,000	23,033,000
5 Months 1942.....	161	4,819	1,491,000	50,679,000

DEBITS TO INDIVIDUAL ACCOUNTS

000 omitted

	May 1943	% Change From May 1942	5 Mos. 1943	% Change From 5 Mos. 1942
Washington	\$ 434,358	+ 3	\$ 2,204,463	+ 6
Maryland				
Baltimore	643,034	+ 8	3,352,049	+ 20
Cumberland	10,812	+ 11	52,009	+ 6
Frederick	9,960	+ 13	49,351*	..
Hagerstown	14,329	— 2	71,961	— 3
North Carolina				
Asheville	19,100	+ 9	99,543	+ 8
Charlotte	102,440	— 16	554,626	+ 1
Durham	48,544	— 7	248,239	+ 27
Greensboro	26,720	+ 11	151,837	+ 14
Kinston	5,149	+ 15	27,754*	..
Raleigh	45,302	+ 3	254,927	— 18
Wilmington	35,534	+ 37	176,530	+ 43
Wilson	6,846	+ 57	34,590*	..
Winston-Salem	57,188	+ 11	303,874	+ 17
South Carolina				
Charleston	37,834	+ 17	191,584	+ 22
Columbia	46,107	+ 11	252,354	+ 19
Greenville	35,752	+ 8	185,740	+ 9
Spartanburg	19,391	+ 6	100,184	+ 16
Virginia				
Charlottesville	10,907	+ 8	54,663*	..
Danville	10,648	+ 3	62,166	+ 12
Lynchburg	17,797	+ 1	92,888	0
Newport News	21,198	+ 29	106,632	+ 38
Norfolk	103,692	+ 2	533,844	+ 17
Portsmouth	12,416	+ 21	63,453	+ 33
Richmond	241,477	+ 7	1,309,249	+ 22
Roanoke	32,287	— 2	168,431	— 1
West Virginia				
Bluefield	19,256	— 11	94,870*	..
Charleston	73,471	+ 13	365,600	+ 12
Clarksburg	12,545	0	62,232*	..
Huntington	24,691	+ 7	130,987	+ 16
Parkersburg	13,665	+ 10	68,930	+ 11
District Totals	\$2,192,450	+ 5	\$11,097,100	+ 14

*Figures not included in District Totals.

CASH FARM INCOME

(000 omitted)

	April 1943	% Change from April 1942
Maryland	\$10,614	+ 47
Virginia	17,129	+ 60
West Virginia	5,168	+ 55
North Carolina	16,051	+ 31
South Carolina	10,215	+ 65
Fifth District	\$59,177	+ 49

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

	May 1943	% Change From May 1942	5 Mos. 1943	% Change From 5 Mos. 1942
West Virginia	12,697	— 5	66,922	+ 5
Virginia	1,618	— 8	8,663	+ 6
Maryland	144	— 18	760	— 12
5th District	14,459	— 5	76,345	+ 5
United States	47,855	0	250,935	+ 6
% in District.....	30	..	30	..

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
May 1943	234,765	175,796	21,676	432,237
April 1943	241,239	186,071	22,149	449,459
May 1942	241,950	188,695	22,094	452,739
5 Months 1943.....	1,199,969	912,129	109,271	2,221,369
5 Months 1942.....	1,206,290	922,449	110,330	2,239,069

COTTON CONSUMPTION AND ON HAND—BALES

	May 1943	May 1942	Aug. 1 to May 31 This Year	Aug. 1 to May 31 Last Year
Fifth District states:				
Cotton consumed	432,237	452,739	4,451,947	4,305,699
Cotton growing states:				
Cotton consumed	787,217	823,816	8,105,196	7,838,276
Cotton on hand May 31 in				
Consuming establishments	1,954,179	2,074,970		
Storage & compresses...	9,395,616	9,034,712		
United States:				
Cotton consumed	901,608	957,864	9,342,019	9,208,031
Cotton on hand May 31 in				
Consuming establishments	2,321,130	2,585,492		
Storage & compresses....	9,668,820	9,403,090		
Spindles active	22,788,058	23,117,204		

RAYON YARN DATA

	May 1943	Apr. 1943	May 1942
Rayon Yarn Shipments, Lbs.....	41,800,000	41,500,000	37,600,000
Staple Fiber Shipments, Lbs.....	12,900,000	13,200,000	12,700,000
Rayon Yarn Stocks, Lbs.....	6,700,000	6,600,000	6,900,000
Staple Fiber Stocks, Lbs.....	2,800,000	2,300,000	2,100,000

Source: Rayon Organon

BUILDING PERMIT FIGURES

	May 1943	May 1942
Maryland		
Baltimore	\$ 1,004,340	\$ 2,603,868
Cumberland	980	7,615
Frederick	50	6,580
Hagerstown	3,245	13,910
Salisbury	5,906	10,450
Virginia		
Danville	\$ 16,311	\$ 8,487
Lynchburg	10,863	5,608
Norfolk	103,895	238,385
Petersburg	0	0
Portsmouth	624,536	63,340
Richmond	53,553	348,153
Roanoke	9,655	45,574
West Virginia		
Charleston	\$ 36,444	\$ 39,054
Clarksburg	2,082	4,490
Huntington	64,030	41,690
North Carolina		
Asheville	\$ 12,908	\$ 19,698
Charlotte	10,059	38,237
Durham	7,038	7,855
Greensboro	3,300	18,825
High Point	24,108	21,650
Raleigh	26,820	8,963
Rocky Mount	4,050	2,770
Salisbury	2,925	4,831
Winston-Salem	19,957	33,210
South Carolina		
Charleston	\$ 75,090	\$ 12,930
Columbia	8,614	362,677
Greenville	5,075	11,183
Spartanburg	67,014	11,004
Dist. of Columbia		
Washington	\$ 977,366	\$ 1,485,880
District Totals	\$ 3,186,214	\$ 5,476,957
5 Months	\$18,608,594	\$39,962,857

CONSTRUCTION CONTRACTS AWARDED

STATES	April 1943	% Change from April 1942	4 Months 1943	% Change from 4 Months 1942
Maryland	\$ 6,627,000	- 69	\$ 37,067,000	-43
Dist. of Col.	3,499,000	- 87	12,555,000	-79
Virginia	10,749,000	- 67	84,323,000	-45
West Virginia	163,000	- 94	9,343,000	-59
No. Carolina	12,119,000	+194	37,630,000	+97
So. Carolina	4,123,000	+ 31	18,949,000	-46
Fifth District..	\$37,280,000	- 59	\$199,867,000	-44

RETAIL FURNITURE SALES

STATES	Percentage Changes in May and 5 Months 1943 Compared with	
	May 1942	Compared with 5 Months 1942
Maryland (4)*	+ 2	-25
Dist. of Columbia (7)*	- 6	-15
Virginia (29)*	+22	- 3
West Virginia (12)*	+22	- 5
North Carolina (23)*	+46	+ 4
South Carolina (18)*	+20	- 3
Fifth District (93)*	+14	-10
INDIVIDUAL CITIES		
Baltimore, Md., (4)*	+ 2	-25
Washington, D. C., (7)*	- 6	-15
Danville, Va., (3)*	+51	-13
Lynchburg, Va., (3)*	+ 6	-13
Richmond, Va., (8)*	+35	+ 3
Charleston, W. Va., (4)*	+11	- 6
Charlotte, N. C., (5)*	+36	- 4
Winston-Salem, N. C., (3)*	+65	+ 8
Columbia, S. C., (5)*	+10	-13
Greenwood, S. C., (3)*	+ 4	+ 1

* Number of reporting firms.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in May 1943 sales compared to sales in May 1942:				
+24	+22	+ 9	+30	+18
Percentage change in 5 months sales, 1943, compared to 5 mos. in '42:				
+24	+16	+ 7	+23	+14
Change in stocks on May 31, 1943, compared with stocks on May 31, '42:				
- 5	-20	-28	-16	-22
Change in outst'd'g orders on May 31, 1943, compared with May 31, '42:				
+105	+72	+109	+174	+97
Change in total receivables on May 1, 1943, compared with May 1, 1942:				
-32	-36	-42	-35	-38
Percentage of current receivables as of May 1, 1943, collected in May:				
54(38)	53(44)	77(47)	59(42)	57(44)
Percentage of instalment rec'v'bles as of May 1, 1943, collected in May:				
24(18)	20(21)	24(18)	26(19)	26(19)

Note: 1942 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	West Va.	N. Carolina	S. Carolina
Percentage change in May 1943 sales over May 1942 sales, by States:					
+22	+ 9	+25	+15	+30	+40
Percentage change in 5 mos. sales, 1943, compared with 5 mos. in 1942:					
+16	+ 7	+22	+ 9	+23	+36

WHOLESALE TRADE, 244 FIRMS

LINES	Net Sales compared with		Stocks compared with		Ratio May collections to acct's outstanding May 1
	May 1942	Apr. 1943	May 31 1942	Apr. 30 1943	
Auto supplies (12)*	+ 19	- 20	- 30	- 4	104
Shoes (4)*	- 2	- 30	- 33	+ 46	77
Drugs & sundries (8)*	+ 17	- 5	..	..	97
Dry goods (7)*	+ 23	- 7	- 42	- 5	69
Electrical goods (10)*	+ 23	- 18	- 43	- 3	78
Groceries (77)*	+ 17	- 3	- 9	- 6	136
Hardware (14)*	- 15	- 12	- 41	+ 3	85
Industrial supplies (11)*	- 25	0	- 31	- 6	94
Paper and products (12)*	+ 4	+ 4	- 12	- 1	85
Tobacco and products (5)*	+ 22	- 2	..	..	..
Miscellaneous (84)*	- 5	- 1	- 21	- 3	99
District Average (244)*	+ 2	8	- 27	+ 2	94

Source: Department of Commerce

*Number of reporting firms

TOBACCO MANUFACTURING

	May 1943	% Change From May 1942	5 Mos. 1943	% Change From 5 Mos. 1942
Smoking & chewing tobacco (Thousands of lbs.)	20,748	-6	104,765	-9
Cigarettes (Thousands) ...	18,476,253	0	97,079,179	+9
Cigars (Thousands)	441,372	-4	2,168,450	-8
Snuff (Thousands of lbs.) ..	3,158	-2	19,118	+5

BUSINESS INDEXES -- FIFTH FEDERAL RESERVE DISTRICT

(1935-39=100)

	ADJUSTED						NOT ADJUSTED					
	Apr. 1943	Mar. 1943	Feb. 1943	April 1943 % Change from			Apr. 1943	Mar. 1943	Feb. 1943	April 1943 % Change from		
				Apr. 1942	Last Mo.	Last Year				Apr. 1942	Last Mo.	Last Year
BANK DEBITS	205	186	184	162	+ 10	+ 27	204	191	161	162	+ 7	+ 26
DEPT. STORE SALES	181	180r	234	156	+ 1	+ 16	190	171r	161	155	+ 11	+ 23
ELECTRIC POWER PROD.	191	189	195	166	+ 1	+ 15	191	201	184	169	- 5	+ 13
EMPLOYMENT, MFG. .....	...	...	...	...	...	...	151	150	150	141	+ 1	+ 7
Maryland .....	...	...	...	...	...	...	198	196	198	178	+ 1	+ 11
Dist. of Col. ....	...	...	...	...	...	...	111	112	112	107	- 1	+ 4
Virginia .....	...	...	...	...	...	...	166	165	166	148	0	+ 12
West Virginia.....	...	...	...	...	...	...	122	120	120	123	+ 2	- 1
North Carolina.....	...	...	...	...	...	...	137	136	134	131	+ 1	+ 5
South Carolina.....	...	...	...	...	...	...	133	134	134	127	- 1	+ 5
LIFE INS. SALES	118	109	101	85	+ 8	+ 39	122	115	94	88	+ 6	+ 39
BITUMINOUS COAL PROD.	146r	153r	149r	159r	- 5	- 3	149r	165	143	152	- 10	- 2
BUILDING CONTRACTS	129	223	292	316	- 42	- 59	152	247	243	370	- 38	- 59
BUILDING PERMITS	19	58	27	123	- 67	- 85	24	71	26	154	- 66	- 84
COTTON CONSUMPTION	161	166	164	167	- 3	- 4	170	182	160	177	- 7	- 4
EMPLOYMENT--NON-MFG.	140r	140	141	130	0	+ 8	139	138	137	129	+ 1	+ 8
Bituminous Coal	103	100	102	112	+ 3	- 8	100	102	103	108	- 2	- 7
Dyeing & Cleaning.....	138	138	140	129	0	+ 7	136	131	129	128	+ 4	+ 6
U. S. Exec. Service, D. C.....	...	...	...	...	...	...	247	249r	251	217	- 1	+ 14
Hotels	115	119	122	115	3	0	124	124	123	124	0	0
Laundries	162	162	160	142	0	+ 14	160	158	155	141	+ 1	+ 13
Public Utilities.....	...	...	...	...	...	...	133	133	131	130	0	+ 2
Quar. & Non-Met-Min.....	111	120	130	132	- 8	- 16	113	113	116	134	0	- 16
Retail Trade	137	134	138	118	+ 2	+ 16	136	130	128	117	+ 5	+ 16
Wholesale Trade	89	93	91	100	- 4	- 11	85	90	90	96	- 6	- 11
FURNITURE ORDERS	176p	155r	163r	184	+ 14	- 4	129p	143r	146r	135	- 10	- 4
FURNITURE SHIPMENTS	160p	141r	149	145	+ 13	+ 10	144p	155r	138	131	- 7	+ 10
FURN. UNFILED ORDERS	844p	665r	633r	275	+ 27	+207	496p	560r	601r	162	- 11	+206
WHOLESALE TRADE 5 LINES	175	174	185	142	+ 1	+ 23	171	177	164	142	- 3	+ 20
Drugs	194	195	187	157	- 1	+ 24	192	205	181	155	- 6	+ 24
Dry Goods	211	198	202	158	+ 7	+ 34	175	183	164	131	- 4	+ 34
Groceries	173	174	187	140	- 1	+ 24	170	175	165	138	- 3	+ 23
Hardware	144	147	160	154	- 2	- 7	149	150	134	160	- 1	- 7
Shoes	231	185	201	184	+ 25	+ 26	247	278	232	197	- 11	+ 25

p—Preliminary. r—Revised.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial activity and retail trade were maintained in large volume during May and the early part of June. Retail prices, particularly foods, increased further in May.

PRODUCTION

Total volume of industrial production, as measured by the Board's seasonally adjusted index, remained in May at the level reached in April. Activity in munitions industries continued to rise, while production of some industrial materials and foods declined slightly. Aircraft factories established a new record in producing 7,000 planes in May.

In most nondurable goods industries there were small increases or little change in activity. Meat production, however, reached a record high level for May reflecting a sharp advance in hog slaughtering. Seasonally adjusted output of other manufactured foods continued to decline. Newsprint consumption showed little change, and publishers' stocks declined further to a 50-day supply on May 31. Consumption for the first five months of 1943 was only 5 per cent below the same period in 1941, whereas a reduction of 10 per cent had been planned.

The temporary stoppage of work in the coal mines at the beginning of May brought production of bituminous coal and anthracite down somewhat for the month. Iron ore shipments on the Great Lakes continued to lag in May behind the corresponding month of 1942.

The value of contracts awarded for construction continued to decline in May, according to reports of the F. W. Dodge Corporation. Total awards were about 65 per cent smaller than in May a year ago.

DISTRIBUTION

During May the value of sales at department stores decreased more than seasonally. The Board's adjusted index declined 5 per cent. Sales, however, were 15 per cent above a year ago, and during the first five months of 1943 showed an increase of 13 per cent over last year. In general, the greatest percentage increases in sales have occurred in the Western and Southern sections of the country where increases in income payments have been sharper than elsewhere.

Freight-car loadings advanced seasonally in May but declined sharply in the first week in June, as coal shipments dropped 75 per cent from their previous level, and then recovered in the second week of June as coal production was resumed.

COMMODITY PRICES

Prices of farm products, particularly fruits and vegetables, advanced during May and the early part of June, while wholesale prices of most other commodities showed little change.

Retail food prices showed further advances from the middle of April to the middle of May. On June 10 maximum prices for butter were reduced by 10 per cent and on the 21st of the month retail prices of meats were similarly reduced, with Federal subsidy payments being made to processors.

AGRICULTURE

Prospects for major crops, according to the Department of Agriculture, declined during May while output of livestock products continued in large volume, as compared with earlier years. Indications are that average of crops may not be much below last year but that yields per acre will be reduced from the unusually high level of last season.

BANK CREDIT

Excess reserves at all member banks declined from 2 billion dollars in early May to 1.5 billion in the latter part of the month and remained at that general level through the first half of June. As the Treasury expended funds out of war loan accounts which require no reserves, the volume of deposits subject to reserve requirements increased and the level of required reserves rose by 600 million dollars in the four weeks ending June 16, while continued growth of money in circulation resulted in a drain on bank reserves of 400 million dollars. These reserve needs were met in part by Treasury expenditures from balances at the Reserve Banks and in part by Federal Reserve purchases of Treasury bills. Reserve Banks continued to reduce their holdings of Treasury bonds and notes in response to a market demand for these issues.

During the four weeks ending June 16, Treasury bill holdings at member banks in 101 leading cities fluctuated widely, reflecting primarily sales and repurchases on option account by New York City banks in adjusting their reserve positions. Holdings of bonds and notes declined somewhat while certificate holdings increased. Loans to brokers and dealers in securities declined sharply during the period, as repayments were made on funds advanced for purchasing or carrying Government securities during the April War Loan Drive. Commercial loans continued to decline.

Government security prices advanced during May following the close of the Second War Loan Drive, but in the early part of June there were small declines.