

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

July 31, 1943

Business in June 1943

FIFTH District business indicators were in the main moderately higher in June than in May, after adjustments for seasonal variation. Although the production of electric power, which made a new high record in May, shows evidence of continued over-all expansion in business, it is apparent that two of the District's largest industries, coal and cotton textiles, will not be able to rise much, if any, above high levels established within the past twelve months.

Trade in the District continued in June at a high level, but here, too, some branches appear to be flattening off. This is particularly true of wholesale trade and sales of furniture stores. Although department store inventories are still well above the pre-war level, measured in terms of value, they are falling rapidly and must sooner or later cause a leveling off or a decline in department store sales. There is some reason to believe that on a quantity basis the leveling off process in sales has already occurred.

Farm income in the District continues to rise in substantial amounts. During May farmers of this region received 53 per cent more cash income than in that month last year, with crops up 51 per cent and livestock and products up 54 per cent. The farm labor situation remains tight, but with cooperation among farmers, with longer hours, and with the help of townspeople, and service men in some locations, it appears that the harvest will be for the most part successfully dispatched.

Demand deposits, excluding interbank, of the 41 reporting banks were about one per cent higher on July 14

than a month earlier, but they were 43 per cent higher than a year ago, and 120 per cent higher than on July 17, 1940. These deposits will rise substantially further as banks are called on to finance a good part of the war expenditure or receive the funds disbursed in that effort. Loan outlets have not been forthcoming to employ the larger deposits, nor are they likely to develop while the war continues. Loans of the reporting banks on July 14 were 2 per cent lower than a month earlier and 22 per cent below a year ago.

The problem confronting banks in converting the funds arising from swollen deposits into earning assets is of particular interest at this time. Higher operating costs and taxes would seem to make it desirable for banks to be fully invested, yet the problem of fully investing in government securities must take into account the permanency or transiency of a bank's deposits. Deposits, which could be expected to be withdrawn at the close of the war or shortly thereafter, would require a bank to have sufficient short maturing obligations to cover probable deposit withdrawals. On the other hand, where deposits can be expected to remain with a bank more or less permanently, a bank may safely invest more fully in longer maturing obligations. The need of banks for income, and the need of the Treasury for funds, would indicate the necessity of banks' appraising the ownership of their deposits with the view of ascertaining which deposits might be expected to stay and which might be withdrawn after the close of the war.



BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average daily 1935-1939=100
Seasonally adjusted

	June 1943	May 1943	Apr. 1943	June 1942	% Change May 43	June 1943 from June 42
Bank Debits	187	185	205	167	+ 1	+12
Bituminous Coal Production.....	110	136	146r	143	-19	-23
Building Contracts Awarded.....	127	103	129	551	+23	-77
Building Permits Issued.....	53	39	19	102	+36	-48
Cotton Consumption*.....	161	154	161	164	+ 5	- 2
Department Store Sales.....	185	182	181	144	+ 2	+28
Electric Power Production.....	209	200	191	182	+ 5	+15
Life Insurance Sales.....	116	114	118	83	+ 2	+40
Wholesale Trade—5 Lines.....	177	168	175	144	+ 5	+23

r—Revised.

*Not seasonally adjusted.

The Danger of Rising Prices

When war broke out in Europe in the summer of 1939, the American economy was operating at much less than full capacity. There were approximately 9 million persons unemployed, there were surpluses of a number of raw materials, manufacturing industries were not making full use of their plants and equipment, most industries were employing only one shift, and even in the trade and service fields the amount of business handled could be increased considerably without hiring additional laborers. All of this meant that the total quantity of goods and services produced could be greatly expanded by making full use of our resources or productive capacity.

By the end of 1942, a phenomenal expansion had been achieved as compared with the end of 1939. Civilian employment had increased from about 47 million in 1939 to 51.9 million in 1942, in spite of the large increase in the armed forces. Average hours worked in manufacturing industries had increased in the same period from 38.1 per week to 44.4, and aggregate labor man hours rose about 92 per cent. Moreover there was in this period an increase in the productivity of labor, because of fuller utilization, better organization, and the shift to fields of employment where productivity was higher than average. As a result, the total value of output in 1942 corrected for changes in prices was about 50 per cent higher than in 1939. And note that this was in terms of real goods and services, which disregards the fact that the money value of the output had increased much more because of the increase in prices. The increase in our total production was sufficient to meet not merely the real cost of the war in 1942, which was about 47 per cent of our 1939 gross income, but to allow also for a considerable increase in aggregate consumption. The real cost of the war to the United Kingdom, in 1942 was substantially the same: about half of her 1938 gross income, in terms of 1938 prices. But by contrast, the increase in output was only 20 per cent of her pre-war production, and in order to meet the war cost, she had to curtail consumption and draw heavily on her past investments.†

The Causes of Rising Prices

Why, then, should prices have risen in the face of this considerable increase in output? In the first three years of war production, from August 1939 to August 1942, the over-all index of wholesale prices increased 32.3 per cent. And even more pronounced than the average increase was the rise in raw material and farm product prices: 52.2 and 73.9 per cent, respectively. One cause of rising prices, therefore, was the appearance of bottlenecks in materials and labor. As production expanded, scarcities of specific raw materials and shortages of particular skills of labor developed. The resulting price increases, moreover, soon fanned out to the rest of the economy.

Another factor was the increase in average hourly earnings. The cost of labor per unit of output depends on how much is produced per hour as well as on what the worker gets per hour. A survey of 59 manufacturing industries, showed that, with 1929 as 100, average hourly earnings increased from 107.6 in 1939 to 126.1 in 1941, while output per man-hour increased from 132.4 to 142.7 in the same period. Unit labor cost, therefore, rose from

81.3 to 88.4, or 8.7 per cent.* The increase since 1941 has probably been substantial, partly because improved techniques of production were clustered in the early part of the war production program, partly because the decrease in unemployment and the withdrawal of young men to the armed forces has necessitated the hiring of less efficient or inexperienced labor at constant or increased wage rates.

Another factor, after the first two years or so, was the disappearance of excess capacity of both plant and equipment. So long as excess capacity of equal efficiency existed, an expansion of production meant that overhead costs per unit of product were reduced substantially. But by the spring of 1942, many industries were operating at full capacity, so that unit costs could no longer be decreased by expanding output. Hence the cost-increasing effects of other factors could no longer be absorbed in this way.

A number of factors combined were therefore exerting a direct, upward pressure on prices. Average hourly earnings of laborers continued to climb. As the armed forces absorbed more manpower, and as unemployment continued to decrease, the taking-on of less efficient, marginal labor at constant or increased wage rates meant increased per unit labor costs. Shortages had spread to the point where they had become generalized, with manpower constituting an over-all limitation on production. And less efficient (costlier) methods of production had to be resorted to, such as the addition of extra shifts, the use of substitute materials, and the use of less efficient equipment.

Of even greater significance, however, was the impact on prices of the marked increase in income. Between 1939 and 1942, the average annual salary-wage per employee in non-agricultural industries, excluding government, rose from \$1268 to \$1733, an increase of 37 per cent. Moreover since the number of wage- and salary-earners increased considerably, the increase in *aggregate* salaries and wages in private industry was of course much larger, from \$37,990 million to \$66,757 million, or 76 per cent. And if we include salaries and wages in governmental agencies (which includes cash payments but excludes subsistence to the armed forces), the increase was from \$44,236 million to \$80,293 million, or 82 per cent.

It will be evident, then, that income increased in much greater proportion than the volume of consumers' goods and services. In any war production program of considerable magnitude, this must be so. Income is earned in *both* the production of war goods and in the production of civilian goods, but only civilian goods can be purchased with that income. The greater the war production program, the greater will be the proportion of total resources devoted to the production of war goods, and hence the greater will be the discrepancy between total income earned and the volume of consumers' goods and services.

Not all of the income payments, of course, are devoted to the purchase of consumers' goods and services, for a part is used to pay taxes and a part is saved. The greater the proportion of income which is taxed and/or saved, the smaller will be the proportion which can be devoted to consumption. The "inflationary gap," then, is the dif-

†The Economist, "A Comparison with America," May 1, 1943, pp. 544-5.

*Monthly Labor Review, "Productivity and Unit Labor Cost in Manufacturing Industries," May 1942, pp. 1071-2.

ference between the amount of their current income that people will devote to consumption, and the current value of civilian consumers' goods and services forthcoming. The greater this discrepancy or gap, the greater will be the upward pressure on prices.

Even in the earlier part of the war production program, when the production of *both* consumers' goods and war goods could be increased by absorbing unemployed labor and equipment and by diverting the production of peacetime capital goods to war goods, total income increased more than did consumers' goods and there was therefore an upward pressure on prices. Once there were no more unemployed resources or convertible capital goods, the war program could be expanded only by drawing away resources from the production of consumers' goods, thus increasing the gap between the amount people had available to spend and the current value of the consumption goods output.

The Effects of Rising Prices

Why are rising prices dangerous? It should first be pointed out that the rapidity with which prices rise is an extremely important consideration. Our economic system is not a perfectly fluid one, in which increases in prices are immediately reflected in a proportionate increase in income among the various productive resources. Rather, some incomes are fixed for relatively long periods of time, and others are sluggish in increasing as prices rise. Rapidly rising prices thus entail a redistribution of income, so that the real income of some people is reduced while that of others rises. This redistribution of income, moreover, is an illogical one, for it is not based on productive contribution to the total output of the country.

In addition, a rise in prices increases the burden of the war. In one sense, the burden of the war does not depend on the level of prices: regardless of how great the increase, war production needs must be met, so that the real burden is the decrease in consumers' goods and services. But if prices rise, the money cost of the war must rise, and hence the amount of the national debt. This would render our economy very susceptible to deflationary shock, in the post-war period. The greater the rise in prices, the greater would be the burden of both service and repayment of the debt, particularly in the event of a post-war fall in prices.

A rapid rise of prices may decrease total production and, what is more important, those goods and services which are necessary for prosecuting the war. It creates uncertainty as to costs, prices, and future policies, rendering the planning of war production all the more difficult. It causes frequent and bitter wage adjustments and work stoppages which endanger the war effort.

There is also the danger that rising prices will increase the proportion of income people devote to consumer expenditure. When people expect prices to increase rapidly, liquid claims to future goods and services, such as actual currency, deposits, or bonds, suffer a sharp decline in value as an asset to hold for the future. There is therefore the danger of increased spending in anticipation of the price rise. This would, of course, increase the pressure on prices rather than diminish it, rendering a reversal of policy ever more difficult.

Finally, a rapid rise of prices would leave us with a price and cost structure ill adapted to the needs of a peacetime economy. It is not only the extent of the price rise which

is important, but also the distribution of that rise among the various goods, services, and cost elements. The greater the variation in prices and costs from their usual pattern, the greater will be the need for adjustment in the post-war period, and the greater will be the danger to employment and income of difficulties in such adjustment.

Closing the Gap

What can be done, then, to combat a further rise in prices? The three most important methods are taxation, bond sales to the public, and direct allocation of resources and price control. The latter endeavors to halt the *effect* of excess consumer purchasing power, whereas taxation and bond sales to the public attempt to mop up or divert that purchasing power itself.

Much of the criticism of the price and wage control program has, of late, been directed to exactly this distinction: price increases are an effect of excess consumer expenditure and prices cannot be expected to remain stable unless the cause of their increase is removed. Actually price control can have (and has had) a pronounced effect in maintaining stable prices. The reason is precisely that price increases, although initially an effect, are in turn a cause of further increases. Price increases lead to demands for wage increases, thus causing an upward wage-price spiral. The same thing is true of particular groups of prices, such as farm products. Also, the greater the rapidity of rising prices, the more likely is the development of widespread anticipatory buying. There is no specific level of prices that must inevitably be reached as a result of a given amount of excess buying power. Price control can both slow up the speed of price increases and reduce the ultimate level of prices.

But of the greatest importance is a high level of taxation and an increase in bond purchases. A curb on inflation must mean a curb on consumer expenditure. And it is precisely this effect which an increased sale of bonds to the mass of the people achieves. It is for this reason, moreover, that bond sales must be made to the people who pay for the bonds out of their income, rather than to the banks. When the public purchases bonds, there is a voluntary decision to refrain from consumer expenditure, at least to some proportion of the bond purchases. When banks purchase bonds, deposit credit is created for the government and these deposits ultimately become privately held, through the process of government disbursement of the funds. The important difference is that the bond purchases, in the latter case, do not impinge upon consumer expenditure.

Taxation likewise cuts down consumption. Moreover, highly progressive taxation is insufficient in a war economy. It is in the lower- and middle-income groups that consumer expenditure constitutes a very high proportion of income, and where the bulk of aggregate consumer expenditures are made. To be effective, therefore, a tax structure in wartime must dip down into these lower brackets.

In conclusion, it should be pointed out that whether or not price rises are curbed, there must be a decrease in civilian consumption. War production must continue regardless of the level of prices. If the needed resources are not yielded voluntarily through refraining from excessive consumption, they will have to be yielded through direct allocation of all supplies or through the forced diminution of civilian consumption caused by rising prices. Nor will

individuals have any claim to future consumption, in the form of bonds, to show for it. When consumption is voluntarily reduced, and bond purchases are increased, the claims to future consumption accrue to those who have

made the sacrifices. Similarly an increase in taxes would diminish the pressure on prices, keep the national debt from rising as rapidly as it otherwise would, and lessen the burden of post-war adjustments.

The Crop Outlook

It is of paramount importance to the welfare of the nation at this time that the food and fiber supply be adequate to dispatch the most pressing business at hand, which is winning the war.

Farmers the country over this year have been harassed in their more-than-cooperative efforts to attain those goals necessary to secure maximum production of vitally needed farm products. Labor has been scarce, machinery unobtainable in needed volume, while the weather in important areas has been poorer than average.

Then, too, the superseding of the normal functioning of markets by price fixing has created serious maladjustments, the most outstanding of which is the unbalance in the price of corn and the current value of hogs. This maladjustment alone could cause a great deal of regional upheaval in agricultural trends, stimulating hog and dairy production where feed is abundant and retarding such production where feed is insufficient to meet local needs.

Situation in the Fifth District

The overall crop production outlook in the states comprising the Fifth Federal Reserve District is poorer this year than last year, but this is mainly because the two cash crops—cotton and tobacco—weigh disproportionately heavy in the District's agriculture.

The production outlook for feed grains, which are of exceedingly great importance this year, is somewhat better but not far above the more or less steady level of production of the past decade. As of July 1st the estimated production of corn, rye, oats, barley and wheat was indicated at 4,518,460 tons, compared with the 1942 production of 4,453,402 tons. The production of hay, which has been rising notably for the past decade, is indicated at 5,180,000 tons this year compared with the 1942 out-turn of 4,773,000 tons. However, the District is normally an importer of feedstuffs, and import requirements this year will be greater than ever with larger numbers of most all types of livestock on hand to feed. There is considerable question at this time whether the necessary feed requirements from out of the District can be obtained this year.

Fruit crops in the District will be substantially smaller this year than last year as a result of the late April freeze. The peach crop, important in the Carolinas and Virginia, while termed a total failure, is indicated to be 85 per cent smaller this year than last year and the apple crop, of substantial importance to Northern Virginia and the Northeastern panhandle of West Virginia, will be about half as large as last year. The strawberry season was a poor one this year while other fruits which do not aggregate to any great importance in this District are indicated to be in substantially lower supply than last year.

The white potato crop, already harvested in the early and intermediate belts, is indicated to be 21 per cent larger this year than last year, which compares with an indicated increase for the United States of 17 per cent. Potato production prospects in Virginia indicate a crop 38 per cent larger than last year while that of North Caro-

lina is indicated 24 per cent higher. While the potato crop for the United States is not above probable consumption requirements the normal marketing mechanism in Virginia and North Carolina broke down at the turn of July, and before the government could organize a substitute arrangement considerable demoralization in prices as well as marketing prevailed. Farm prices of potatoes as of June 15th were from 27 per cent to 131 per cent higher than a year earlier, and even though prices broke notably at the turn of July the floor of \$2.25 a bushel on No. 1 potatoes established by the War Food Administration will give growers a higher price this year than last year.

Truck crops have been variable in their production trends between 1942 and 1943 with some crops in some locations indicating notable increases while the same crops in other areas indicate decreases. Considering the importance of tomatoes in the truck crop total and the favorable prospect for that crop, it would appear that in total, truck would be produced in about the same or slightly greater volume than last year. In almost every case truck crop prices are substantially higher now than last year. Although local farm labor supplies are short, by mutual assistance and with the aid of townspeople and servicemen in some areas, most truck crops have successfully gotten over the harvest stage. If labor supplies can be mobilized to complete the tomato harvest it is apparent that growers' income from truck crops will be materially larger than last year, mainly because of higher prices.

Tobacco

Tobacco stands head and shoulders above any other agricultural product as a source of cash farm income in the Fifth District and in 1942 this crop produced 317 million dollars of cash income which was 46 per cent of the District's total crop income and 30 per cent of the total cash farm income that year.

The tobacco crop will be smaller this year than last year. Total tobacco production for the District is indicated at 761,340,000 pounds, which is 47,212,000 pounds, or 5.8 per cent, smaller than the 1942 production. Flue-cured tobacco production indicated at 698,675,000 pounds is 5.8 per cent lower than production in 1942. Although acreage of this crop was expanded 6 per cent this year, the yield per acre is estimated to be 115 pounds, or 11 per cent, lower than last year.

The transplanting season was drawn out this year because of blue mold in tobacco beds, and the resulting uneven development lowered the indicated yield per acre to 928 pounds from the record high of 1,043 pounds in 1942. The July 1st estimate of production has probably not fully taken into account the loss in yield due to hornworms. It is said that these are causing more damage than ever before in the new bright belt, and this is attributed to a dearth of lead arsenate.

It is estimated by the United States Tobacco Association that flue-cured requirements this year will be between 900 and 950 million pounds. The total flue-cured

production estimated as of July 1st is 771 million pounds. Thus, if production and consumption estimates prove to be approximately correct there will be a shortage of from about 130 to 180 million pounds which will have to be met by drawing down inventories. Under such circumstances the price structure of tobacco can be expected to have a strong upward tendency. The level which the season's realized prices will be permitted to find will be largely a function of the OPA. It would seem probable, however, that the ceiling on leaf tobacco would be closely tied in with the price policy as regards cigarettes.

Cotton

In 1942 the cotton crop brought Fifth District farmers 154 million dollars of cash income, 134 million from lint and 20 million from seed. This was 22 per cent of the total crop income, and 14.6 per cent of all cash farm income that year.

Although cotton production estimates will not be available until August 8th the area under cultivation in the District on July 1st was 2,040,000 acres which was 15,000 acres, or not quite one per cent, smaller than a year earlier. With normal acreage abandonment and a yield per acre equal to that in 1942 the crop this year would be about one per cent less than last year. With normal abandonment of acreage and a yield per acre equal to that in the five years 1938-1942 inclusive, a crop of 1,296,000 bales would result, which would be 11.1 per cent below that last year. The general condition of the crop over most of the

District was quite promising as late as July 15th except for boll weevil infestation. July is the critical month in this regard and through much of the first half of the month rainy, damp, cloudy weather was prevalent—conditions ideal for the boll weevil. Calcium arsenate dusting can keep weevil activity in check, but it is understood that such material is not as plentiful as it could be, nor would there be universal usage if it were. It is, therefore, probable that acreage abandonment will be larger than normal and that the yield per acre will be considerably below that of last year.

It should not be expected that cotton prices this year will be lower than last season, but whether they will be materially higher than last season will depend on price control policies and other developments.

Peanuts and Soybeans

The acreages planted to peanuts and soybeans this year are 9 and 17 per cent respectively higher than last year. The condition of the peanut crop on July 1st this year was somewhat better than at the same time last year and subsequent weather conditions have been such as to justify expectations of a larger yield per acre this year if these conditions continue favorable. No estimates were made of the yield per acre of soybeans on July 1st, but yields of other crops which require similar growing conditions would point to a soybean yield about the same as last year which, if attained, would give a crop increase in line with the 17 per cent increase in acreage.

BUSINESS INDEXES -- FIFTH FEDERAL RESERVE DISTRICT

(1935-39=100)

	ADJUSTED						NOT ADJUSTED					
	May 1943	Apr. 1943	Mar. 1943	May 1942	1943 % change from		May 1943	Apr. 1943	Mar. 1943	May 1942	1943 % change from	
					Last Mo.	Last Year					Last Mo.	Last Year
BANK DEBITS	185	205	186	175	- 10	+ 6	174	204	191	165	- 15	+ 5
DEPT. STORE SALES	181	181	180r	147	0	+ 23	181	190	171r	147	- 5	+ 23
ELECTRIC POWER PROD.	200	191	189	183	+ 5	+ 9	196	191	201	179	+ 3	+ 9
EMPLOYMENT, MFG. ....	...	...	...	...	...	...	149	151	150	142	- 1	+ 5
LIFE INS. SALES	114	118	109	86	- 3	+ 33	116	122	115	88	- 5	+ 32
BITUMINOUS COAL PROD.	136	146r	153	146	- 7	- 7	140	149r	165	147	- 6	- 5
BUILDING CONTRACTS	103	129	223	257	- 20	- 60	112	152	247	280	- 26	- 60
BUILDING PERMITS	39	19	58	68	+105	- 43	45	24	71	76	+ 88	- 41
COTTON CONSUMPTION	154	161	166	162	- 4	- 5	163	170	182	171	- 4	- 5
EMPLOYMENT—NON-MFG.	139	140r	140	133	- 1	+ 5	137	139r	138r	131	- 1	+ 5
Bituminous Coal	98	103	100	111	- 5	- 12	96	100	102	109	- 4	- 12
Dyeing & Cleaning	135	138	138	130	- 2	+ 4	140	136	131	135	+ 3	+ 4
U. S. Exec. Serv., D. C. ....	...	...	...	...	...	...	244	247	249r	224	- 1	+ 9
Hotels	118	115	119	118	+ 3	0	125	124	124	125	+ 1	0
Laundries	159	162	162	147	- 2	+ 8	160	160	158	147	0	+ 9
Public Utilities .....	...	...	...	...	...	...	133	133	133	130	0	+ 2
Quar. & Non-Met-Min.	110	111	120	129	- 1	- 15	112	113	113	131	- 1	- 15
Retail Trade	135	137	134	121	- 1	+ 12	133	136	130	118	- 2	+ 13
Wholesale Trade	91	89	93	102	+ 2	- 11	85	85	90	95	0	- 11
FURNITURE ORDERS	258	176	157	262	+ 47	- 2	260	129	144	264	+102	- 2
FURNITURE SHIPMENTS	163	160	141	162	+ 2	+ 1	143	144	155	141	- 1	+ 1
FURN. UNFILED ORDERS	820	844	665	419	- 3	+ 96	561	496	560	286	+ 13	+ 96
WHOLESALE TR. 5 LINES	168	175	174	138	- 4	+ 22	162	171	177	134	- 5	+ 21
Drugs	193	194	195	151	- 1	+ 28	183	192	205	144	- 5	+ 27
Dry Goods	192	211	198	141	- 9	+ 36	162	175	183	119	- 7	+ 36
Groceries	169	173	174	132	- 2	+ 28	165	170	175	130	- 3	+ 27
Hardware	128	144	147	153	- 11	- 16	130	149	150	156	- 13	- 17
Shoes	214	231	185	203	- 7	+ 5	174	247	278	165	- 30	+ 5

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FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEM	July 14 1943	Change in Amt. from	
		6-16-43	7-15-42
Total Gold Reserves.....	\$1,158,620	+ 95,276	+ 260,178
Other Reserves	37,357	+ 6,413	+ 25,467
Total Reserves	\$1,195,977	+101,689	+285,645
Bills Discounted	3,125	+ 3,100	+ 3,009
Industrial Advances	408	- 13	- 359
Gov't. Securities, Total.....	313,298	- 41,128	+126,857
Bonds	97,201	- 1,479	- 3,633
Notes	48,897	+ 4,490	+ 4,360
Certificates	71,662	- 39,654	+ 60,706
Bills	95,538	+ 4,495	+ 65,424
Total Bills & Securities.....	\$ 316,831	- 38,041	+129,507
Uncollected Items	\$ 125,184	- 20,847	+ 24,051
Other Assets	\$ 12,485	- 329	+ 3,995
Total Assets	\$1,650,477	+ 42,472	+443,198
Fed. Res. Notes in Cir.....	\$ 912,389	+ 33,245	+389,937
Deposits, Total	\$ 606,438	+ 18,692	+ 29,438
Members' Reserves	519,761	- 19,722	+ 52,977
U. S. Treas. Gen. Ac.....	37,173	+ 36,307	- 36,801
Foreign	40,896	+ 1,472	+ 11,755
Other Deposits	8,608	+ 335	+ 1,507
Deferred Availability Items ..	\$ 112,583	- 9,295	+ 21,354
Other Liabilities	\$ 139	- 367	- 136
Capital Accounts	\$ 18,928	+ 197	+ 2,605
Total Liabilities	\$1,650,477	+ 42,472	+443,198

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	July 14, 1943	Change in Amount from	
		6-16-43	7-15-42
Total Loans	\$ 237,374	- 5,106	- 66,006
Bus. & Agric. Loans.....	110,430	- 4,980	- 47,985
Real Estate Loans.....	51,328	+ 552	- 673
All Other Loans.....	75,616	- 678	- 17,348
Total Security Holdings.....	\$1,257,456	+24,504	+566,824
U. S. Treas. Bills	155,964	- 7,175	+121,199
U. S. Treas. Certificates ..	218,682	-23,625	+187,485
U. S. Treas. Notes	164,744	+38,335	+ 92,967
U. S. Gov. Bonds	607,487	+20,966	+172,542
Obligations Gov. Guaranteed	50,089	+ 1,797	- 1,714
Other Bonds, Stocks & Sec.	60,490	- 5,794	- 6,655
Cash Items in Process of Col.	\$ 97,390	+ 4,587	+ 18,336
Due From Banks	\$ 176,927*	- 8,509	- 35,424
Currency & Coin	\$ 35,965	- 260	+ 6,479
Reserve with F. R. Bank.....	\$ 293,459	-11,034	+ 6,447
Other Assets	\$ 62,535	+ 1,824	+ 15,376
Total Assets	\$2,161,106	+ 6,006	+499,138*
Total Demand Deposits.....	\$1,746,679	+ 1,491	+444,407
Deposits of individuals ..	1,029,934	+ 2,075	+233,280
Deposits of U. S. Gov.....	211,171	+23,291	+164,162
Deposits of State & Local Gov.	100,500	+ 3,407	+ 8,576
Deposits of Banks	384,478*	-20,014	+ 34,463
Certified & Officers' Checks	20,596	- 7,268	+ 3,926
Total Time Deposits.....	\$ 233,381	+ 3,653	+ 23,749
Deposits of individuals ..	217,954	+ 3,883	+ 18,171
Other Time Deposits	15,427	- 230	+ 5,578
Liabilities for Borrowed Money	\$ 3,000	+ 3,000	+ 3,000
All Other Liabilities.....	\$ 69,890	- 690	+ 23,114
Capital Account	\$ 108,156	- 1,448	+ 4,868
Total Liabilities	\$2,161,106	+ 6,006	+499,138

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	June 30, 1943	May 31, 1943	June 30, 1942
Total deposits ..	\$244,088,572	\$241,446,191	\$221,023,216

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
June 1943.....	6	265	\$ 354,000	\$ 6,076,000
May 1943.....	5	281	158,000	2,550,000
June 1942.....	19	804	882,000	9,906,000
6 Months 1943.....	30	2,198	723,000	29,109,000
6 Months 1942.....	180	5,623	2,373,000	60,585,000

DEBITS TO INDIVIDUAL ACCOUNTS

000 omitted

	June 1943	% Change from June 1942	Year 1943	% Change from 6 mos. '42
Washington	\$ 486,419	+16	\$ 2,690,882	+ 8
Maryland				
Baltimore	710,497	+19	4,062,546	+20
Cumberland	12,652	+20	64,661	+ 8
Frederick	10,983*	+12	60,334*	..
Hagerstown	15,225	+ 6	87,186	- 2
North Carolina				
Asheville	21,736	+12	121,279	+ 9
Charlotte	115,691	- 4	670,317	0
Durham	59,015	- 4	302,254	+19
Greensboro	33,875	+14	185,712	+14
Kinston	5,721*	+37	33,475*	..
Raleigh	47,275	+ 2	302,202	-15
Wilmington	38,283	+42	214,313	+43
Wilson	9,277*	+75	43,867*	..
Winston-Salem	65,006	+20	368,880	+17
South Carolina				
Charleston	39,437	+11	231,021	+20
Columbia	43,513	+13	300,867	+18
Greenville	36,190	+10	221,930	+ 9
Spartanburg	19,553	+11	119,737	+15
Virginia				
Charlottesville	12,183*	+16	66,846*	..
Danville	12,363	+ 4	74,529	+10
Lynchburg	19,926	+ 2	112,814	+ 1
Newport News	23,100	+27	129,732	+36
Norfolk	115,474	+ 7	649,318	+15
Portsmouth	13,112	+12	76,565	+29
Richmond	270,087	+15	1,579,336	+21
Roanoke	34,664	+ 1	203,095	- 1
West Virginia				
Bluefield	20,228*	+ 8	115,098*	..
Charleston	77,650	+ 8	443,250	+11
Clarksburg	13,292*	- 3	75,524*	..
Huntington	27,371	+11	158,358	+15
Parkersburg	15,185	+15	84,115	+12
District Totals	\$2,358,299	+13	\$13,455,399	+14

*Figures not included in District Totals.

CASH FARM INCOME

(000 omitted)

	May 1943	% Change from May 1942
Virginia	\$15,143	+ 67
West Virginia	16,883	+ 56
North Carolina	5,346	+ 59
South Carolina	17,990	+ 51
Fifth District	11,980	+ 35
Fifth District	\$67,342	+ 53

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	June 1943	% Change from June 1942	Year 1943	% Change from 6 mos. '42
Virginia	10,359	-22	77,281	+ 1
Maryland	1,333	-22	9,996	+ 1
5th District	124	-29	884	-15
United States	11,816	-22	88,161	0
% in District.....	34	..	285,585	0
% in District.....	34	..	31	..

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina			Virginia	District
	June 1943	June 1942	% Change		
June 1943.....	246,275	183,871	20,545	450,691	
May 1943.....	234,765	175,796	21,676	432,237	
June 1942.....	246,996	189,260	21,986	458,242	
6 Months 1943.....	1,446,244	1,096,000	129,816	2,672,060	
6 Months 1942.....	1,453,286	1,111,709	132,316	2,697,311	

COTTON CONSUMPTION AND ON HAND—BALES

	June 1943	June 1942	Aug. 1 to June 30 This Year Last Year	
Fifth District states:				
Cotton consumed	450,691	458,242	4,902,638	4,763,941
Cotton growing states:				
Cotton consumed	797,152	832,488	8,902,348	8,670,764
Cotton on hand June 30 in				
Consuming establishments	1,857,090	1,935,296	.....	.....
Storage & compresses...	8,298,747	8,098,979	.....	.....
United States:				
Cotton consumed	916,789	967,523	10,258,808	10,175,554
Cotton on hand June 30 in				
Consuming establishments	2,222,391	2,443,069	.....	.....
Storage & compresses...	8,549,749	8,456,927	.....	.....
Spindles active	22,777,328	23,094,560	.....	.....

RAYON YARN DATA

	June 1943	May 1943	June 1942
Rayon Yarn Shipments, Lbs.....	39,600,000	41,800,000	39,000,000
Staple Fiber Shipments, Lbs.....	13,300,000	12,900,000	13,700,000
Rayon Yarn Stocks, Lbs.....	6,400,000	6,700,000	7,000,000
Staple Fiber Stocks, Lbs.....	2,900,000	2,800,000	2,300,000

Source: Rayon Organon

BUILDING PERMIT FIGURES

**Fifth Federal Reserve District
June 1943**

	Total Valuation	
	June 1943	June 1942
Maryland		
Baltimore	\$ 954,570	\$ 3,501,096
Cumberland	4,810	11,667
Frederick	985	6,950
Hagerstown	9,291	58,985
Salisbury	3,390	11,162
Virginia		
Danville	\$ 29,020	\$ 5,999
Lynchburg	3,805	71,210
Norfolk	117,720	445,929
Petersburg	100	6,700
Portsmouth	17,035	153,396
Richmond	110,902	65,776
Roanoke	28,460	9,539
West Virginia		
Charleston	\$ 18,790	\$ 41,498
Clarksburg	2,057	2,020
Huntington	6,300	186,895
North Carolina		
Asheville	\$ 5,679	\$ 5,090
Charlotte	14,711	210,046
Durham	138,977	114,203
Greensboro	8,280	49,567
High Point	25,712	14,573
Raleigh	68,135	1,500
Rocky Mount	525	3,210
Salisbury	1,325	6,752
Winston-Salem	21,375	43,102
South Carolina		
Charleston	\$ 167,944	\$ 133,560
Columbia	4,792	19,683
Greenville	545	84,524
Spartanburg	32,235	82,665
District of Columbia		
Washington	\$ 2,551,023	\$ 3,027,136
District Totals	\$ 4,348,493	\$ 8,373,433
6 Months	\$22,957,087	\$48,336,290

CONSTRUCTION CONTRACTS AWARDED

STATES	May 1943	% Change from May 1942	5 Mos. 1943	% Change from 5 Mos. 1942
Maryland	\$ 8,566,000	-43	\$ 45,633,000	-43
Dist. of Columbia..	1,076,000	-88	13,631,000	-80
Virginia	9,494,000	-61	93,817,000	-47
West Virginia	1,354,000	-65	10,695,000	-61
North Carolina....	3,666,000	-64	41,296,000	+41
South Carolina....	3,391,000	-52	22,340,000	-47
Fifth District ..	\$27,547,000	-60	\$227,412,000	-46

RETAIL FURNITURE SALES

STATES	Percentage Changes in June and 6 Months 1943 Compared with	
	June 1942	6 Months 1942
Maryland (5)*	-10	-25
Dist. of Columbia (7)*.....	-6	-15
Virginia (29)*	+21	+6
West Virginia (11)*.....	+21	+1
North Carolina (20)*.....	+32	+7
South Carolina (19)*.....	+19	-2
Fifth District (91)*.....	+10	-6
Individual Cities		
Baltimore, Md. (5)*.....	-10	-25
Washington, D. C. (7)*.....	-6	-15
Lynchburg, Va. (3)*.....	-6	-12
Richmond, Va. (8)*.....	+45	+9
Charleston, W. Va. (3)*.....	+8	-2
Charlotte, N. C. (5)*.....	+28	0
Winston-Salem, N. C. (3)*.....	+51	+14
Columbia, S. C. (5)*.....	+33	-8
Greenwood, S. C. (3)*.....	+48	+7

*Number of reporting firms.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in June 1943 sales compared to sales in June 1942:				
+30	+23	+16	+39	+23
Percentage change in 6 months sales, 1943, compared to 6 mos. in 1942:				
+25	+17	+8	+26	+16
Change in stocks on June 30, 1943, compared with stocks on June 30, '42:				
+2	-16	-26	-11	-18
Change in outst'd'g orders on June 30, 1943, compared with June 30, '42:				
+131	+176	+185	+262	+176
Change in total rec'v'bles on June 30, 1943, compared with June 30, '42:				
-23	-20	-35	-23	-28
Percentage of current receivables as of June 1, 1943, collected in June:				
53(43)	57(50)	57(48)	57(49)	57(49)
Percentage of instalment rec'v'bles as of June 1, 1943, collected in June:				
24(20)	30(23)	24(19)	25(17)	25(20)

Note: 1942 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	W. Va.	N. Carolina	S. Carolina
Percentage change in June 1943 sales over June 1942 sales, by States:					
+23	+16	+29	+19	+41	+49
Percentage change in 6 mos. sales, 1943, compared with 6 mos. in '42:					
+17	+8	+23	+10	+26	+38

WHOLESALE TRADE, 242 FIRMS

LINES	Net Sales June 1943 compared with		Stocks June 30, 1943 compared with		Ratio June collections to acc'ts outstand'g June 1
	June 1942	May 1943	June 30 1942	May 31 1943	
	Auto supplies (14)*.....	+24	-12	-23		+1	91
Shoes (4)*	+26	+19	-34	+8	86
Drugs & sundries (10)*.....	+19	0	..	..	106
Dry goods (7)*.....	+40	-3	-47	-4	68
Electrical goods (18)*.....	-19	+9	-41	0	76
Groceries (74)*.....	+18	+7	-6	-2	146
Hardware (11)*.....	+3	-5	-45	0	89
Industrial supplies (10)*..	-10	+1	-21	-1	82
Paper & products (9)*.....	+2	+3	-16	-2	82
Tobacco & products (5)*..	+20	+8	..	..	..
Miscellaneous (80)*.....	+5	+3	-6	-1	110
District Average (242)*..	+10	+4	-27	0	97

Source: Department of Commerce

*Number of reporting firms

TOBACCO MANUFACTURING

	June 1943	% Change From June '42	6 Mos. 1943	% Chang From 6 Mos. '42
Smoking & chewing tobacco (Thousands of lbs.)	20,097	-18	124,862	-11
Cigarettes (Thousands) ..	20,894,273	+4	117,973,452	+8
Cigars (Thousands)	449,641	-16	2,618,091	-9
Snuff (Thousands of lbs.)	3,149	-2	22,267	+3

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Manufacturing activity was maintained at a high level in June while mineral production declined reflecting mainly reduced output of coal. In the early part of July coal production was resumed in large volume. The value of retail trade continued large.

Industrial Production

The Board's seasonally adjusted index of total industrial production declined slightly in June from the high level of other recent months. Activity continued to increase at plants producing war products in the chemical, rubber, and transportation equipment industries. These increases were more than offset by a sharp drop in coal production and a temporary reduction in output of coke, pig iron, and steel.

Finished aircraft production, in terms of airframe weight, was 3 per cent higher in June than in May. Delivery of supplies for the Army ground forces rose 1 per cent over May. Tonnage of cargo vessels delivered from merchant shipyards was not up to the record May level; it was, however, higher than in any other month.

In industries manufacturing nondurable goods output as a whole showed little change from May to June. Activity at cotton mills declined—consumption of 917,000 bales of cotton was 50,000 less than in June 1942.

Output at coal mines in June was 30 per cent below May due to the work stoppages, but early in July both anthracite and bituminous coal production recovered to above the levels prevailing a year ago. Crude petroleum production was maintained in June and moved upward in July partly in anticipation of the completion of the pipeline from Texas to the East Coast. Lake shipments of iron ore in June were 6 per cent below the same month last year due to unfavorable weather conditions.

The volume of construction contracts awarded in June was about the same as in May. The value of awards in June was at the lowest level for this month since 1936, according to the F. W. Dodge Corporation.

Distribution

Value of consumer nondurable goods sold at retail was in near-record volume in June and the early part of July, while sales of durable goods, many of which are becoming increasingly scarce, were generally below previous peak levels.

Car loadings of revenue freight declined in June, reflecting the drop in coal shipments. Loadings of grain showed the usual increase at this season and the movement of most other commodities was maintained in large volume.

Commodity Prices

Wholesale prices of most commodities showed little change in the early part of July, following a decline during June of 1 per cent in the general index. This decline reflected chiefly reductions ordered in maximum prices of butter and meat and seasonal decreases in prices of fresh fruits and vegetables.

Agriculture

Aggregate crop production this year is expected to be 10 per cent smaller than last year but 5 per cent above the average of the preceding 5 years, according to the July 1 official report. Of the major crops, production prospects for grains are the lowest compared with last season, while there are indications of considerably larger harvests for dry beans and peas, flaxseed, and potatoes. Output of livestock products has continued in larger volume than a year ago.

Bank Credit

During June and the first three weeks of July there was an increase of about 1.4 billion dollars in Reserve Bank holdings of United States Government securities. Continued currency overflow, and increase in required reserves due to the growth of deposits, were reflected in the increased demand for Reserve Bank credit. The expansion in Reserve Bank credit was in the form of Treasury bills sold by member banks to the Federal Reserve Banks under options to repurchase. Holdings of bills showed wide fluctuations during the period as member banks adjusted their reserve positions through sales and repurchases. A large part of the Treasury bills came from New York City banks where excess reserves continued to be low. Total loans and investments of New York City banks have declined recently. Other reporting member banks have shown a continued growth in deposits and U. S. Government securities.

The quarterly report of customer rates at commercial banks for the middle of June showed a further rise in rates charged on loans by large banks throughout the country.