

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

August 31, 1943

Business in July 1943

FEED crop prospects are reported to be improving notably in the United States, but such is not the case in a good part of the Fifth District. Late summer drought in Maryland, Virginia, West Virginia, and in a part of North Carolina has already resulted in irreparable feed crop damage. Serious inroads have been made in soybean prospects while Maryland's tobacco crop will likely be the smallest in years.

This development will likely cause a substantial liquidation of Maryland and Virginia commercial broilers and hogs; and also require a substantial importation of feedstuff to maintain the flow of milk. Incomplete arrangements are reported to be under way for a subsidization of feed for sale to dairymen and for poultry raisers for laying hens. Such arrangements, however, are not likely to bring feed into the area in abundance, but they may be able to tide the northern part of the District over the winter.

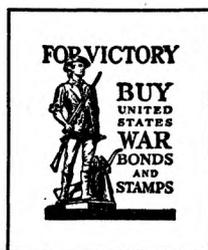
The drought had not had any adverse effect on the flue-cured tobacco crop as late as the 20th of August, but the feeling that a higher ceiling price might be forthcoming has caused many growers to hold their tobacco off the markets which are now open in the Border Belt. Through August 20 sales in this belt amounted to only 55 million pounds compared with sales of 78 million pounds in that period last year. This withholding of tobacco will require labor, later on in the season, that could be used to good purpose in the harvesting of other crops.

Shutdowns in the cotton textile industry in July, and

other production difficulties, caused a somewhat larger decline in cotton spinning operations than had been anticipated. Active spindle hours of the mills in this District in July were 5.3 per cent smaller than in June and 10.4 per cent lower than in July, 1942. This District, however, held up much better than the remainder of the United States, for active spindle hours outside the District declined 10.4 per cent from June to July and in the latter month stood 17.9 per cent below July 1942.

The District's coal miners were back in full production in July. In that month output was 11 per cent above last year and the cumulated production for the seven months was 2 per cent ahead of last year. Some of the mines are being returned to their owners, and it is as yet uncertain whether labor will continue uninterrupted production under private operation. If the miners do continue to work, the increase in their work-week from 42 to 48 hours, announced on August 18, should bring forth a new high production record for this District by a substantial margin. Operators say the price of coal must be raised 25 cents a ton to compensate for the added cost of the 48-hour week.

Greenville, South Carolina, appears to be the most prosperous spot in this District, if changes in department store sales can be considered as a criterion. In July, sales of three department stores in Greenville rose 63 per cent over that month last year to top any city in the District by a wide margin. Other cities showing substantially better than average gains were Clarksburg, West Virginia; Lynchburg, Virginia; and Winston-Salem, North Caro-



BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average daily 1935-1939=100

Seasonally adjusted

	July 1943	June 1943	May 1943	July 1942	% Change July 1943 from	
					June 43	July 42
Bank Debits	191	187	185	177	+ 2	+ 8
Bituminous Coal Production.....	153	110	136	146	+39	+ 5
Building Contracts Awarded.....	139	127	103	348	+ 9	-60
Building Permits Issued.....	52	53	39	54	- 2	- 4
Cotton Consumption*	138	161	154	162	-14	-15
Department Store Sales.....	205	184r	182r	170	+11	+21
Electric Power Production.....	213	209	200	189	+ 2	+13
Life Insurance Sales.....	136	116	114	90	+17	+51
Wholesale Trade—5 Lines.....	175	177	168	152	- 1	+15

* Not seasonally adjusted.

Revised.

lina. None of these cities could be called a war-production center, but, rather, in character they are more closely identified with agriculture. For the District as a whole,

77 stores showed an increase of 15 per cent in July sales over those last year, which is in line with the aggregate change for the seven months of the year.

Electric Power

The production of electric power in the states which are contained largely in the Fifth Federal Reserve District has approximated the growth of electricity production in the United States from 1922 through 1942. The District's electric power output rose somewhat more rapidly than that of the United States between 1922 and 1929, but was more seriously set back by the great depression and also in the recession of 1938. Since 1938, however, this District has increased its electricity output at an annual rate of 16.1 per cent compared with an annual rate of increase for the United States of 12.5 per cent.

Throughout the period from 1929 to 1942 the Fifth District's electricity production ranged between 9.1 per cent and 10.3 per cent of the total United States output. These proportions are considerably larger than the District's share of most factors in which it is a part but they are approximately the same proportion as the District's share of the country's population.

A Measure of Business

We do not have a satisfactory measure of the physical volume of production for the Fifth Federal Reserve District for want of data. Based on the relationship between United States figures of electric power production and the index of industrial production, it would appear that electric power output could serve such a purpose only in a rough way, if at all.

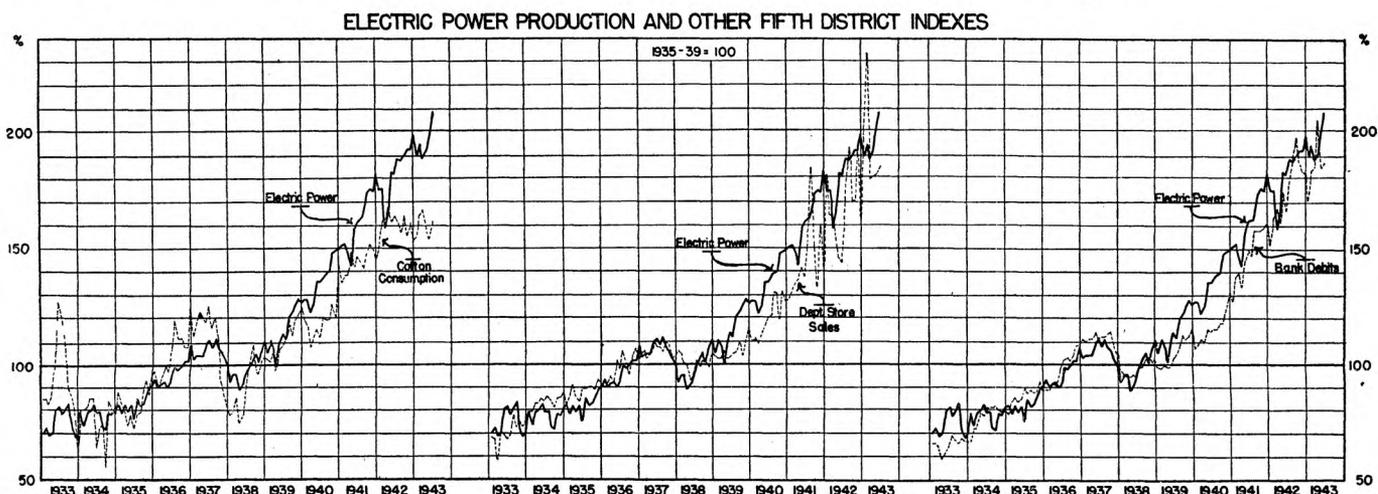
Since the Great Depression the trends of United States electric power production and industrial production have been broadly the same, which would indicate that the period of conversion of other forms of power to electricity had been largely completed and that changes in electric power production would move in a general way along with industrial production since so large a part of the electricity used is for industrial purposes.

Marked changes in the growth in the per capita use of electricity for residential and rural purposes and expansion

in the outlets of the latter, together with technological improvements in the production process, would alter, of course, the use of electric power as a measure of industrial activity, but it seems probable that the changes in residential usage would maintain a close relationship to the number of jobs which the business of an area could support. However, around 69 per cent of the kilowatt hours of electricity sold by eleven companies—which account for 77 per cent of all the current generated in the Fifth District—was to industrial and commercial establishments and around 11 per cent to residential and rural users in 1941.

Reference to the accompanying chart will show the close relationships between the seasonally adjusted index numbers of electric power production in this District with the District indexes of cotton consumption, department store sales, and bank debits. However, the similar trends shown by these three indexes and that of electric power production are scarcely sufficient to justify the idea that the latter index may have become a reasonably good indicator of the general level of industrial production in the District.

The current business indications given by electric power production show that June had reached a level never before attained in this District, and further indicated a trend which was still rising despite the leveling off in cotton consumption, coal production, and construction. No doubt the chief impetus to increased electrical energy output from the beginning of 1942 on has come from the District's aircraft factories and shipyards as well as other war industries of lesser importance. The total expansion in electricity usage by the many military installations in the District is an unknown factor, which in aggregate amount would probably not bulk large enough to distort the electricity production figures from indicating industrial production trends in a general way.



District Operations

The production of electric energy in the Fifth District is done in large part by the privately-owned public utilities. In 1940, the latest data at hand, privately owned utilities produced 95 per cent of the District's electric energy, which compares with a similar percentage of 87 per cent for the entire United States.

A running record of the District's power company operations is not available, but we have compiled such data as desired from 1937 through 1941 for eleven companies whose territory is almost wholly in this District. The kilowatt-hour output of these eleven companies has progressed somewhat more rapidly than for the District as a whole, having accounted for 77 per cent of the total in 1941 against 67 per cent in 1937.

On the basis of this eleven-company sample for 1941, the customers of the District's electric light and power industry were 85.8 per cent residential and rural; 13.8 per cent commercial and industrial; and 0.4 per cent other, which includes traction companies and public lighting. Current figures would probably show a somewhat higher proportion of residential and rural customers and a somewhat lower proportion of commercial and industrial customers, for in the period 1937-1941 the former had been increasing at a rate of 6.5 per cent per annum whereas the latter had been rising at only 3.3 per cent per annum.

Of the total kilowatt-hours of electricity sold by the eleven companies, commercial and industrial customers account for around 69 per cent; residential and rural customers 11 per cent; and other customers 20 per cent. These proportions were essentially the same in 1937 as in 1941.

Residential and rural consumers contributed 27.9 per cent to the electricity revenues of the eleven companies in 1941 and 27.4 per cent in 1937. Commercial and industrial customers contributed 59.2 per cent of the 1941 revenues from electricity sales and 60.2 per cent in 1937, while other customers accounted for 12.9 per cent of the electric revenues in 1941 and 12.4 per cent in 1937.

Based on data of the eleven companies in the Fifth District and on data compiled by the Edison Electric Institute for the United States, the average annual consumption of electricity per residential consumer in the Fifth District has run between 5 and 8 per cent higher than in the United States, while the average annual consumption of commercial and industrial consumers ran from 81 to 86 per cent higher than for the United States. The use of the eleven largest companies serving the most important areas of the District could distort the consumption per consumer somewhat, but since these eleven companies account for more than three-fourths of the total production of the District it is not likely that the distortion would materially change these comparisons.

It is somewhat surprising to find residential consumption of electricity per customer higher in this District than in the United States. Per capita income, for example, in four states of the District in 1941 was from 21 to 51 per cent below the United States average with per capita income of the entire District about 20 per cent less.

In part, the answer to this is a smaller number of customers in the Fifth District relative to the population than is the case for the United States, which would mean that the relatively higher income groups of consumers were represented in larger part here than throughout the United States. In 1941 the average number of residential electricity users of the eleven companies was 11.2 per cent of the District's 1940 population, which compares with a percentage of 20.5 per cent for the United States.

The District's higher residential electric consumption per customer also prompts an inquiry into the relative kilowatt-hour cost in the District and the country as a whole. For the eleven companies which sell 77 per cent of the District's consumption of electric energy, the average annual cost per kilowatt-hour was fairly consistent at 7 per cent lower than kilowatt-hour costs in the United States during the years 1937 to 1941 inclusive. The lower kilowatt-hour cost of electricity in the Fifth District than in the country as a whole is apparently due to the larger consumption per customer rather than to the rate base. The cost per kilowatt-hour based on 100 kilowatts of consumption on January 1, 1941 was 3.8 cents for the United States while six of the eleven companies in this District in 1941 had higher costs per kilowatt than 3.8 cents, four had lower than that figure, and one company had 3.8 cents.

Commercial and industrial consumers of this District paid from 20 to 23 per cent less per kilowatt-hour of electricity used in the years 1937 to 1941 than such consumers paid in the United States as a whole. The lower cost per kilowatt in the District as compared with those in the United States can only in part be explained by higher consumption, for throughout the period 1937-1941 the average consumption of power per customer was between 81 and 86 per cent higher in the District than in the United States while the cost was only 20-23 per cent lower. No explanations are evident on the surface other than the number of large users and, perhaps, lower rate bases. If the latter is the case it should be a factor in promoting industrial development, but this does not mean that there may not be other areas in the United States at least as favorably or more favorably situated as to unit-power costs.

The average annual cost per kilowatt hour for the several types of service, the changes in which are quite in contrast with the trend of prices in general, are shown in the following table:

REVENUES PER KILOWATT-HOUR OF CONSUMPTION*

	Residential & Rural		Commercial and Industrial		Other	
	Cents		Cents		Cents	
	District	U.S.	District	U.S.	District	U.S.
1937	3.84	4.11	1.38	1.72	.96	1.54
1938	3.71	4.01	1.46	1.84	.95	1.56
1939	3.59	3.86	1.34	1.71	.96	1.52
1940	3.45	3.73	1.24	1.61	.92	1.52
1941	3.39	3.64	1.18	1.47	.89	1.50

*Computed from reports of 11 companies for the District, and from Edison Electric Institute data for U. S.

It is interesting to note that while the percentage change in aggregate kilowatt-hour usage of electricity by residents and rural consumers and by commercial and industrial users rose by the same percentage between 1937 and 1941, the larger part of the increase in the latter type of consumers was due to increased use per establishment, whereas in the former type of consumers the greater part of the increase was due to the growth in new customers. This is what would normally be expected. Business and industrial expansion internally results in an external expansion, and at the same time increases the number of workers required in the area as well as augmenting their earnings and in turn their electricity consumption.

Between 1937 and 1941 there was an increase in the use of electric power by the average commercial and industrial consumer of 35 per cent, which was accompanied by (and probably was responsible for) an increase in the number of commercial and industrial users of 15 per cent. In this same period the number of residential and rural users increased 33 per cent while the consumption of the average customer rose 18 per cent.

Recent Trends in Consumer Credit

One of the most important economic developments in the Fifth Reserve District in the past year was a marked reduction in credit-buying of consumer goods. It is pertinent therefore to give some thought to the causes of the trend from credit- to cash-buying, and to some of the future effects of the marked reduction in consumer instalment credit.

In August 1941, the Board of Governors of the Federal Reserve System, acting under authority of the President's Executive Order No. 8843, issued Regulation W, which required all firms granting instalment credit to take out licenses in order to continue their operations, and set up regulations on down payments and length of maturity of instalment contracts. This regulation did not change materially the credit terms used by some firms, but it did impose sharp restrictions on all firms which customarily or occasionally used credit too freely as a lure to draw business from competitors. Regulation W was sufficiently liberal in its original terms to enable instalment business to continue without serious disturbance, and consequently had relatively little effect until it was amended in May 1942.

The amendment sharply restricted the maturity of instalment contracts, raised down payment requirements, and, most important, brought open charge accounts under its provision, requiring that all charge purchases on open account be paid for by the 10th day of the second month following the purchases, under penalty of having credit on listed articles frozen until these charges were liquidated. This amendment affected instalment credit chiefly through the increase in the down payments required, but it immediately improved the ratio of collections to receivables on open charge accounts, and also caused a marked shift from credit to cash buying. The following table shows how suddenly and substantially collections as percentages of receivables increased after the amendment of May 1942 was issued.

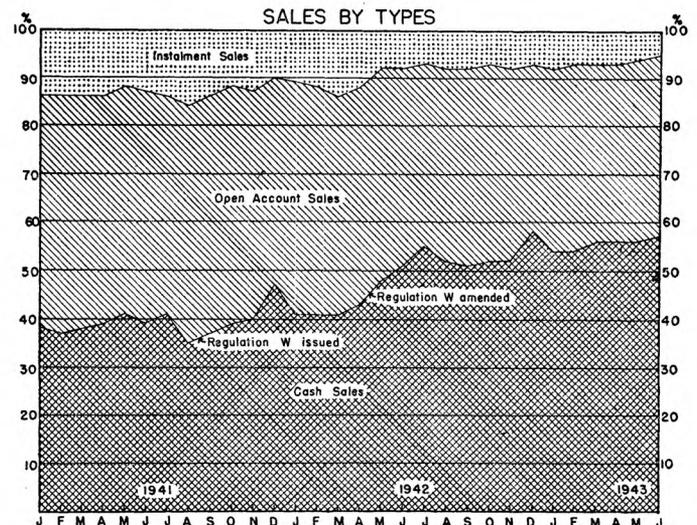
PERCENTAGE OF COLLECTIONS TO RECEIVABLES
Open Charge Accounts
25 Department Stores

MONTHS	1941	1942	1943
January	43	43	53
February	39	39	59
March	40	38	56
April	39	39	59
May	41	44	57
June	39	50	57
July	39	55	..
August	35	52	..
September	39	55	..
October	41	59	..
November	41	59	..
December	41	59	..

The freezing of accounts clause of the May 1942 amendment to Regulation W did not become effective until July 10, 1942, but its promulgation immediately caused charge account customers to begin reducing their current obligations. Collections as a percentage of outstanding receivables jumped from 39 per cent in April to 44 per cent in May; to 50 per cent in June; and to 55 per cent in July when payment for merchandise purchased in May or earlier became obligatory. From July 1942 through June 1943, collection percentages on open accounts ranged between 52 per cent and 59 per cent, averaging between 56 and 57 per cent, at which level collections appear to have been stabilized.

Although Regulation W has been important in regulating instalment credit, the chief causes for the latter's decline are the virtual disappearance from the markets of the durable goods which were generally bought on the instalment plan, and the increase in cash income which lessened the need for credit buying. Also, the increased down payments required under the May 1942 amendment to Regulation W proved a real deterrent on instalment buying, customers apparently paying much more attention to the first payment than to the amount of future payments or the length of time over which they are spread.

Partly due to restrictions on credit, but probably more directly due to increased cash incomes, buying habits of consumers have changed materially in the past two years. During 1941 and through April 1942, cash sales in a representative group of Fifth District department stores varied from 35 per cent of total sales in August 1941 to 47 per cent of total sales in December 1941 (cash sales are proportionally larger in December than in any other month), but when the amendment to Regulation W was announced in May 1942, bringing open charge accounts under control, there was an immediate shift from credit to cash buying. In April 1942 cash sales made up 43 per cent of total sales in the department stores under survey, but in May this figure rose to 48 per cent, went on to 51 per cent in June, and in July, when the amendment went into effect and many charge accounts were frozen for the moment, climbed to 55 per cent. Since then, through June 1943, the figure has fluctuated between 51 per cent in September 1942 and 58 per cent in December. Meanwhile the proportion of open charge account sales and of instalment sales to total sales declined substantially, open charge accounts dropping from 45 per cent of total sales in April 1942 to 38 per cent in June 1943, and instalment sales declining from 12 per cent to 5 per cent during the same period. The accompanying chart shows the shifts from open charge account and instalment buying to cash buying by months from January 1941 through June 1943, as reflected in sales by 25 department stores in the Fifth Federal Reserve District.



In dollar amount of credit outstanding, receivables on open charge accounts in leading department stores in the Fifth District in June 1943 were 33 per cent less than receivables in June 1942, and instalment receivables declined 48 per cent during the same period. When it is noted that total sales in Fifth District department stores increased 16 per cent in the first half of 1943 over sales in the first half of 1942, the decline in outstanding credit becomes all the more noteworthy. Seventy-one retail furniture stores in the Fifth District show the same decline in receivables, total outstandings in June 1943 being 40 per cent below receivables in June 1942, although total sales in the first half of this year were 3 per cent larger than sales in the corresponding period last year. The receivables in furniture stores are nearly all instalment accounts.

In addition to declines in consumer credit extended by department stores and furniture stores, all other sources from which credit flows to consumers show the same contraction trend. The greatest decline occurred in the automobile industry, in which there have been only a few new cars for sale since December 1941, and less demand for used cars and for service than would have been the case if restrictions had not been placed on gasoline consumption. Dealers in major household appliances are in the same boat with the automobile dealers, being unable to obtain refrigerators, washing machines, fans, irons, radios, and other durable goods, and consequently have been unable to keep receivables up by new sales while

customers liquidated old accounts. Industrial and commercial banks which make consumer instalment loans report decreased demand for credit because of the scarcity of commodities to be purchased and the increased ability of workers to meet their needs for funds from current income.

Significance of Reduced Volume of Credit

The decline in the volume of consumer credit outstanding has had and will continue to have important effects on the economy of the country. First, increased down payment requirements—and shorter periods of maturity to a lesser degree—proved helpful in holding down the demand for scarce commodities and thereby lessened pressure on prices. Second, reduced purchases on instalment contracts enabled consumers to invest more money in bonds. Third, workers were in better position to meet the terms of the pay-as-you-go tax bill when it became effective than they would have been if their incomes had been pledged on instalment contracts. And when the war is over, and it becomes desirable for people to buy manufactured goods in order to provide employment for workers, a tremendous back-log of demand will have been built up. With consumers practically free of debt, it will be possible to satisfy these demands from savings or by using their improved credit position. Further, relative freedom from debt in the post-war period will enable workers to pass more easily through the adjustment from war to a peace-time economy, with the probability of considerable unemployment for at least the conversion period.

BUSINESS INDEXES -- FIFTH FEDERAL RESERVE DISTRICT

(1935-39=100)

	ADJUSTED						NOT ADJUSTED					
	June 1943	May 1943	Apr. 1943	June 1942	June 1943 % change from		June 1943	May 1943	Apr. 1943	June 1942	June 1943 % change from	
					Last Mo.	Last Year					Last Mo.	Last Year
BANK DEBITS	187	185	205	167	+ 1	+ 12	192	174	204	170	+ 10	+ 13
DEPT. STORE SALES	184r	182r	181	144	+ 1	+ 28	175	181	190	137	- 3	+ 28
ELECTRIC POWER PROD.	209	200	191	182	+ 5	+ 15	200	196	191	174	+ 2	+ 15
EMPLOYMENT, MFG. .....	...	...	...	...	...	...	149p	149	151	142	0	+ 5
LIFE INS. SALES	116	114	118	83	+ 2	+ 40	118	116	122	85	+ 2	+ 39
BITUMINOUS COAL PROD.	110	136	146r	143	- 19	- 23	114	140	149r	147	- 19	- 22
BUILDING CONTRACTS	127	103	129	554	+ 23	- 77	150	112	152	658r	+ 34	- 77
BUILDING PERMITS	53	39	19	102	+ 36	- 48	61	45	24	117	+ 36	- 48
COTTON CONSUMPTION	161	154	161	164	+ 5	- 2	170	163	170	173	+ 4	- 2
EMPLOYMENT—NON-MFG.	139	139	140r	134	0	+ 4	137	137	139r	132	0	+ 4
Bituminous Coal	96	98	103	112	- 2	- 14	95	96	100	110	- 1	- 14
Dyeing & Cleaning.....	128	135	138	126	- 5	+ 2	139	140	136	136	- 1	+ 2
U. S. Exec. Serv., D. C.....	...	...	...	...	...	...	244	244	247r	235	0	+ 4
Hotels	127	118	115	122	+ 8	+ 4	127	125	124	122	+ 2	+ 4
Laundries	159	159	162	149	0	+ 7	164	160	160	153	+ 3	+ 7
Public Utilities .....	...	...	...	...	...	...	133	133	133	133	0	0
Quar. & Non-Met-Min.....	108	110	111	120	- 2	- 10	115	112	113	127	+ 3	- 9
Retail Trade	136	135	137	119	+ 1	+ 14	133	133	136	117	0	+ 14
Wholesale Trade	92	91	89	100	+ 1	- 8	86	85	85	94	+ 1	- 9
FURNITURE ORDERS	148p	258	176	129	- 43	+ 15	131	260	129	114	- 50	+ 15
FURNITURE SHIPMENTS	195p	163	160	180	+ 20	+ 8	146	143	144	135	+ 2	+ 8
FURN. UNFILLED ORDERS	566p	820	844	263	- 31	+115	521	561	496	242	- 7	+115
WHOLESALE TR. 5 LINES	177	168	175	144	+ 5	+ 23	170	162	171	139	+ 5	+ 22
Drugs	198	193	194	161	+ 3	+ 23	184	183	192	150	+ 1	+ 23
Dry Goods	207	192	211	143	+ 8	+ 45	157	162	175	108	- 3	+ 45
Groceries	173	169	173	138	+ 2	+ 25	177	165	170	141	+ 7	+ 26
Hardware	133	128	144	143	+ 4	- 7	124	130	149	134	- 5	- 7
Shoes	401	214	231	296	+ 87	+ 35	207	174	247	153	+ 19	+ 35

r—Revised

p—Preliminary

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	August 18 1943	Change in Amount from	
		7-14-43	8-12-42
Total Gold Reserves.....	\$1,140,906	- 17,714	+266,021
Other Reserves	29,995	- 7,362	+ 17,550
Total Reserves	\$1,170,901	- 25,076	+283,571
Bills Discounted	1,280	- 1,845	+ 1,214
Industrial Advances	375	- 33	- 445
Gov't Securities, Total.....	\$ 327,632	+ 14,334	+122,336
Bonds	96,197	- 1,004	- 3,648
Notes	47,168	- 1,729	+ 3,024
Certificates	71,182	- 480	+ 51,608
Bills	113,085	+ 17,547	+ 71,352
Total Bills & Securities.....	\$ 329,287	+ 12,456	+123,105
Uncollected Items	\$ 123,700	- 1,484	+ 31,856
Other Assets	\$ 13,773	+ 1,288	+ 5,240
Total Assets	\$1,637,661	- 12,816	+443,772
Fed. Res. Notes in Cir.....	\$ 951,413	+ 39,024	+389,125
Deposits, Total	\$ 562,429	- 44,009	+ 29,211
Members' Reserves	512,209	- 7,552	+22,803
U. S. Treas. Gen. Acc.	565	- 36,608	- 5,774
Foreign	43,214	+ 2,318	+ 13,187
Other Deposits	6,441	- 2,167	- 1,005
Deferred Availability Items....	\$ 104,602	- 7,981	+ 22,978
Other Liabilities	\$ 222	+ 83	- 122
Capital Accounts	\$ 18,995	+ 67	+ 2,580
Total Liabilities	\$1,637,661	- 12,816	+443,772

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	August 18 1943	Change in Amount from	
		7-14-43	8-12-42
Total Loans	\$ 233,526	+ 3,848	- 65,412
Bus. & Agric. Loans.....	111,437	- 1,007	- 46,160
Real Estate Loans.....	49,930	- 1,398	- 1,978
All Other Loans.....	72,159	- 3,457	- 17,274
Total Security Holdings.....	\$1,285,000	+ 27,544	+559,093
U. S. Treas Bills	146,039	- 9,925	+ 94,219
U. S. Treas Certificates	226,178	+ 7,496	+193,192
U. S. Treas. Notes	165,170	+ 426	+ 96,254
U. S. Gov. Bonds	644,281	+ 36,794	+201,244
Obligations Gov. Guaranteed	44,851	+ 5,238	- 16,692
Other Bonds, Stocks & Sec...	58,481	- 2,009	- 9,124
Cash Items in Process of Col...	\$ 89,014	- 8,376	+ 11,028
Due from Banks.....	\$ 156,068*	- 20,859	- 60,602
Currency & Coin.....	\$ 35,349	- 616	+ 3,945
Reserve with F. R. Bank.....	\$ 283,539	- 9,920	- 16,068
Other Assets	\$ 64,057	+ 1,522	+ 15,421
Total Assets	\$2,146,553	- 14,553	+447,405
Total Demand Deposits.....	\$1,721,403	- 25,276	+390,395
Deposits of individuals.....	1,047,456	+ 17,522	+229,860
Deposits of U. S. Gov.....	165,276	- 45,895	+126,833
Deposits of State & Local Gov.	100,328	- 172	+ 3,574
Deposits of Banks.....	389,583*	+ 5,105	+ 25,225
Certified & Officers' Checks..	18,760	- 1,836	+ 4,903
Total Time Deposits.....	\$ 240,297	+ 6,916	+ 27,899
Deposits of individuals.....	223,543	+ 5,589	+ 20,915
Other Time Deposits.....	16,754	+ 1,327	+ 6,984
Liabilities for Borrowed Money	\$ 750	- 2,250	+ 750
All Other Liabilities.....	\$ 75,710	+ 5,820	+ 23,508
Capital Account	\$ 108,393	+ 237	+ 4,853
Total Liabilities	\$2,146,553	- 14,553	+447,405

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	July 31, 1943	June 30, 1943	July 31, 1942
Total Deposits	\$247,236,141	\$244,088,572	\$222,076,549

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1943.....	2	203	130,000	3,595,000
June 1943.....	6	265	354,000	6,076,000
July 1942.....	22	764	582,000	8,548,000
7 Months 1943.....	32	2,401	853,000	32,704,000
7 Months 1942.....	202	6,387	2,955,000	69,133,000

DEBITS TO INDIVIDUAL ACCOUNTS

000 omitted

	July 1943	% Change from July 1942	7 Mos. 1943	% Change from 7 Mos. '42
Washington	\$ 467,573	+ 10	\$ 3,158,455	+ 8
Maryland				
Baltimore	725,879	+ 13	4,788,425	+ 19
Cumberland	13,447	+ 18	78,108	+ 10
Frederick	10,917	+ 22	71,251	..
Hagerstown	17,318	+ 12	104,504	0
North Carolina				
Asheville	20,558	+ 5	141,837	+ 8
Charlotte	108,474	- 15	778,791	- 3
Durham	57,098	- 9	359,352	+ 14
Greensboro	29,869	+ 12	215,581	+ 14
Kinston	5,240	+ 24	38,715	..
Raleigh	58,568	+ 4	360,770	- 13
Wilmington	37,651	+ 27	252,464	+ 40
Wilson	9,436	+ 49	53,303	..
Winston-Salem	66,534	- 6	435,414	+ 13
South Carolina				
Charleston	39,931	+ 14	270,952	+ 19
Columbia	47,819	+ 8	348,686	+ 17
Greenville	37,644	+ 16	259,574	+ 10
Spartanburg	18,407	+ 9	138,144	+ 14
Virginia				
Charlottesville	13,347	+ 30	80,193	..
Danville	13,040	+ 14	87,569	+ 11
Lynchburg	20,261	+ 10	133,075	+ 2
Newport News	23,750	+ 13	153,482	+ 32
Norfolk	128,027	+ 9	777,345	+ 14
Portsmouth	16,209	+ 26	92,774	+ 28
Richmond	281,426	+ 12	1,860,762	+ 19
Roanoke	37,367	+ 6	240,462	0
West Virginia				
Bluefield	19,528	- 10	134,626	..
Charleston	74,065	+ 9	517,315	+ 11
Clarksburg	14,164	+ 6	89,688	..
Huntington	26,652	+ 2	185,010	+ 13
Parkersburg	14,801	+ 23	98,916	+ 14
District Totals	\$2,455,000	+ 9	\$16,805,543	+ 13

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	In Bales			
	No. Carolina	So. Carolina	Virginia	District
July 1943.....	212,851	167,146	20,254	400,251
Jne 1943.....	246,275	183,871	20,545	450,691
July 1942.....	254,263	193,955	22,616	470,834
7 Months 1943.....	1,659,095	1,263,146	150,070	3,072,311
7 Months 1942.....	1,707,549	1,205,664	154,932	3,168,145

COTTON CONSUMPTION AND ON HAND—BALES

	July		Aug. 1 to July 31	
	1943	1942	This Year	Last Year
Fifth District states:				
Cotton consumed	400,251	470,834	5,302,889	5,234,775
Cotton growing states:				
Cotton consumed	739,666	855,291	9,642,014	9,526,055
Cotton on hand July 31 in				
Consuming establishments	1,772,241	1,772,558	.....	.....
Storage & compresses....	7,473,089	7,316,459	.....	.....
United States:				
Cotton consumed	839,705	994,552	11,098,513	11,170,106
Cotton on hand July 31 in				
Consuming establishments	2,117,343	2,251,549	.....	.....
Storage & compresses....	7,704,181	7,648,742	.....	.....
Spindles active	22,654,790	23,109,576	.....	.....

RAYON YARN DATA

	July 1943	June 1943	July 1942
Rayon Yarn Shipments, Lbs.....	39,700,000	39,600,000	39,900,000
Staple Fiber Shipments, Lbs.....	12,500,000	13,300,000	12,600,000
Rayon Yarn Stocks, Lbs.....	6,100,000	6,500,000	6,500,000
Staple Fiber Stocks, Lbs.....	3,200,000	2,900,000	3,100,000

Source: Rayon Organon

BUILDING PERMIT FIGURES Fifth Federal Reserve District July 1943		
	Total Valuation	
	July 1943	July 1942
Maryland		
Baltimore	\$ 799,842	\$ 1,528,620
Cumberland	410	4,050
Frederick	965	1,635
Hagerstown	102,590	136,465
Salisbury	4,425	5,869
Virginia		
Danville	\$ 2,848	\$ 9,062
Lynchburg	3,709	7,335
Norfolk	70,440	106,993
Petersburg	0	0
Portsmouth	69,130	63,558
Richmond	71,216	148,673
Roanoke	12,222	15,082
West Virginia		
Charleston	\$ 18,920	\$ 16,937
Clarksburg	1,349	3,440
Huntington	5,475	45,347
North Carolina		
Asheville	\$ 9,188	\$ 4,580
Charlotte	27,498	56,480
Durham	7,370	73,700
Greensboro	4,721	3,841
High Point	31,776	10,858
Raleigh	3,985	2,995
Rocky Mount	700	3,735
Salisbury	3,907	6,553
Winston-Salem	48,458	86,701
South Carolina		
Charleston	\$ 11,168	\$ 12,184
Columbia	6,476	72,973
Greenville	16,450	23,800
Spartanburg	10,730	24,303
Dist. of Columbia		
Washington	\$ 2,440,840	\$ 1,485,482
District Totals	\$ 3,786,817	\$ 3,961,251
7 Months	\$26,743,904	\$52,297,541

CONSTRUCTION CONTRACTS AWARDED				
STATES	June 1943	% Change From June 1942	6 Mos. 1943	% Change From 6 Mos. '42
Dist. of Columbia ..	4,174,000	-36	17,805,000	-76
Virginia	8,114,000	-88	101,931,000	-59
West Virginia	355,000	-98	11,049,000	-74
North Carolina	14,964,000	-42	56,260,000	+ 2
South Carolina	5,296,000	-67	27,636,000	-52
Fifth District ..	\$36,961,000	-77	\$264,372,000	-55

TOBACCO MANUFACTURING				
	July 1943	% Change from July 1942	7 Mos. 1943	% Change from 7 Mos. 1942
Cigarettes (Thousands) ..	22,878,101	+10	140,851,553	+ 8
Cigars (Thousands)	427,231	-16	3,045,322	-10
Snuff (Thousands of lbs.)	6,340	+98	28,607	+16

SOFT COAL PRODUCTION IN THOUSANDS OF TONS				
REGIONS	July 1943	% Change From July 1942	7 Mos. 1943	% Change From 7 Mos. 1942
Virginia	1,851	+ 8	11,847	+ 2
Maryland	157	- 3	1,041	-13
5th District	16,892	+11	105,053	+ 2
United States ..	52,540	+10	338,125	+ 1
% in District ..	32	..	31	..

STATES	Percentage Changes in July and 7 Mos. 1943 Compared with July 1942	
	July 1942	7 Mos. 1942
Maryland (6)*	- 8	-20
Dist. of Columbia (7)*	- 6	-13
Virginia (27)*	+28	+ 6
West Virginia (12)*	+27	+ 3
North Carolina (20)*	+32	+10
South Carolina (18)*	+19	+ 1
Fifth District (90)*	+10	- 5
Individual Cities		
Baltimore, Md. (6)*	- 8	-20
Washington, D. C. (7)*	- 6	-13
Lynchburg, Va. (3)*	+18	- 8
Richmond, Va. (8)*	+27	+12
Charleston, W. Va. (4)*	+27	0
Charlotte, N. C. (5)*	+27	+ 4
Winston-Salem, N. C. (3)*	+63	+20
Columbia, S. C. (5)*	+34	- 2
Greenwood, S. C. (3)*	+36	+11

*Number reporting firms.

DEPARTMENT STORE TRADE					
	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in July 1943 sales compared to sales in July 1942:	+ 22	+ 17	+ 5	+ 40	+ 15
Percentage change in 7 mos. sales, 1943, compared to 7 mos. in 1942:	+ 25	+ 17	+ 8	+ 27	+ 15
Change in stocks on July 31, 1943, compared with stocks on July 31, 1942:	+ 5	- 14	- 26	- 2	- 15
Change in outstanding orders on July 31, '43, compared with July 31, '42:	+ 86	+180	+201	+167	+173
Change in total receivables on July 31, 1943, compared with July 31, '42:	- 17	- 14	- 33	- 15	- 24
Percentage of current receivables as of July 1, 1943, collected in July:	54(50)	58(58)	59(56)	57(54)	58(55)
Percentage of instalment rec'v'bles as of July 1, 1943, collected in July:	25(22)	30(24)	24(19)	27(18)	26(20)

Note: 1942 collection percentages in parentheses.

	Maryland	Dist. of Col.	Virginia	W. Va.	N. Carolina	S. Carolina
Percentage change in July 1943 sales over July 1942 sales, by States:	+17	+ 5	+21	+23	+36	+34
Percentage change in 7 mos. sales, 1943, compared with 7 mos. in 1942:	+17	+ 8	+23	+12	+27	+37

LINES	Net Sales July 1943 compared with		Stocks July 31, 1943 compared with		Ratio July collections to acc'ts outstand'g July 1
	July 1942	June 1943	July 31 1942	June 30 1943	
	Auto supplies (11)*	+ 59	+ 21	- 28		- 7	109
Shoes (3)*	+ 10	+ 19	- 45	-15	..
Drugs & sundries (8)*	+ 9	+ 4	..	..	112
Dry Goods (7)*	+ 18	+ 2	- 48	- 7	67
Electrical goods (11)*	- 2	- 8	- 35	- 4	82
Groceries (77)*	+ 11	+ 1	- 9	- 4	48
Hardware (13)*	+ 2	+ 3	- 42	0	81
Industrial supplies (9)*	- 18	- 8	- 25	0	82
Paper & products (10)*	- 1	- 11	- 13	+ 3	82
Tobacco & products (6)*	+ 13	- 2	..	..	..
Miscellaneous (83)*	+ 1	- 4	- 7	- 4	108
District Average (238)* ..	+ 8	+ 1	- 28	- 5	100

Source: Department of Commerce.
*Number of reporting firms.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial production advanced to a new high level in July following a slight decline in June, both of the changes reflecting chiefly fluctuations in coal production. Maximum food prices were reduced recently with a consequent slight decline in cost of living in July. Retail sales continued in large volume.

Industrial Production

Industrial activity increased in July, reflecting a large rise in mineral production. Output at coal mines advanced sharply from the reduced level in June, production of crude petroleum increased, and iron ore shipments reached the highest monthly rate on record.

In manufacturing industries, output of most durable products and chemicals continued to increase in July, reflecting chiefly a further rise in production of munitions. At meat packing plants and cigarette factories production was also larger in July. Output of leather and textile products had shown small decreases in June and further declines occurred in July. Activity in most other non-durable goods industries showed little change from June to July.

The decline in the value of construction contracts awarded continued during July, according to reports of the F. W. Dodge Corporation. Most of the decline is accounted for by a drop in awards for publicly-financed industrial facilities and for public works and utilities.

Distribution

Value of retail sales declined less than seasonally in July and continued substantially larger than a year ago. During the first six months of this year sales had averaged about 12 per cent larger than in the corresponding period of 1942 and in July the increase was somewhat greater. The higher level of sales this year as compared with last year reflects for the most part price increases. In the first half of August sales at department stores increased by about the usual seasonal amount.

Freight carloadings rose sharply in July and were maintained at a high level during the first half of August. Total loadings were 10 per cent higher than the previous month owing to the largest volume of coal transported in many years and shipments of grain and livestock showed a considerable increase over June.

Commodity Prices

The general level of wholesale commodity prices showed little change in July and the early part of August.

The cost of living declined somewhat from June 15 to July 15, according to Bureau of Labor Statistics data. Food prices declined by 2 per cent as a result of reductions in maximum prices for meats and seasonal declines in prices of fresh vegetables from earlier high levels.

Agriculture

General crop prospects improved somewhat during July according to Department of Agriculture reports. Forecasts for the corn and wheat crops were raised 6 per cent. Production expected for corn and other feed grains, however, is 10 per cent less than last year and for wheat is 15 per cent less than the large crop of 1942. Milk production in July was as large as the same period a year ago, while output of most other livestock products was greater.

Bank Credit

The average level of excess reserves at all member banks, which had been about 1.5 billion dollars in mid-July, declined to 1.2 billion in the latter part of the month and continued at that level during the first two weeks of August. There was some further decrease of excess reserves at reserve city banks, but most of the decline occurred at country banks, where there had previously been little change. Two factors were principally responsible for the decline in excess reserves: an increase in deposits subject to reserve requirements, as funds expended by the Treasury from war loan accounts returned to the banks in other accounts; and a growth of over 500 million dollars in money in circulation. During the four weeks ending August 18 additional reserve funds were supplied to member banks by an increase of 580 million dollars in Reserve Bank holdings of Government securities, principally Treasury bills bought with option to repurchase.

During the four weeks ending August 11, member banks in 101 leading cities increased their holdings of Government securities other than Treasury bills by almost 800 million dollars. Of this amount, 570 million represented allotments to banks of new certificates of indebtedness issued in early August. Bill holdings declined as member banks made sales to adjust their reserve positions. Commercial loans increased somewhat over the four week period, but other loans declined.