MONTHLY REVIEW

of Financial and Business Conditions

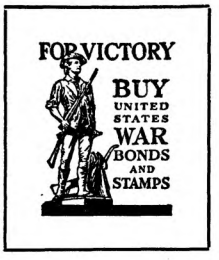
FIFTH FEDERAL RESERVE DISTRICT

Federal Reserve Bank, Richmond, Va. *October 31, 1943*

Business in September 1943

THE crop harvesting season is at its peak in the Fifth District, and in one fashion or another labor has been found to take care of the crops. Climatic conditions have favored the harvest, and the progress of picking cotton is somewhat better than a year ago in North Carolina and equal to a year ago in South Carolina. Although harvesting difficulties have been experienced in tobacco, it is being marketed faster than manufacturing companies can handle it, and a marketing holiday seems to be in the offing.

The labor situation has grown more stringent with the passing of time. Spartanburg, South Carolina, was added to the acute shortage list of areas on October 1, on which date the Fifth District had nine, or one-eighth of all acute labor shortage areas in the United States. Four additional Fifth District cities are anticipating labor shortages within six months, while eighteen cities are expected to have only a slight labor surplus at the end of six months.



Employment trends in non-agricultural industries continue to move downward in Virginia and North Carolina, but they have remained without much change for several months in the District of Columbia, West Virginia, and South Carolina. Only in Maryland is there still an upward tendency in the level of employment, and since March, 1943, this tendency has been very slight. Since the demand for workers continues large in this District, it is apparent that the downward trend in employment is due to a reduction in the available labor force of the District as a result of selective service, migration, or a return to the farms.

The two industries in the District which employ the largest number of workers are the cotton textile industry and the bituminous coal industry. Production in the bituminous coal industry has oscillated irregularly around a flat trend since the middle of 1941, with September 1942, average daily output around the upper levels reached in the past two years. Cotton textile production, as measured by average daily cotton consumption, rose steadily to a peak in April, 1942, and except for the months of February and March, 1943, has since shown a sagging tendency. Mill shutdowns in July resulted in a sharp drop to a level of 17 per cent below the April, 1942, peak, but recovery was effected in both August and September, with the latter month only 8 per cent below the same peak. Electric power production, on the other hand, which reflects activity in the shipyards, aircraft factories, and other war production establishments, was the highest of all time in August, though the increases in the past two months have become smaller.

Department store sales in September, although down 5 per cent from August on a seasonally adjusted basis, are at a level which has only been exceeded in four other months, all of which were in 1943. Wholesale trade in five lines, however, has trended generally downward since February, with hardware and shoes in September at levels below a year earlier, and with dry-goods only one per cent above last year. Although September department store inventories (seasonally adjusted) were only 6 per cent below a year ago and 20 per cent below their peak of July 1942, the declines in evidence of wholesale dry-goods and shoe sales seem likely to have an adverse effect on department store sales or to reduce inventories still further.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
Average daily 1935-1939=100
Seasonally adjusted

	Sept. 1943	Aug. 1943	July 1943	Sept. 1942	% Change Aug. 43	Sept. '43 from Sept. 1942
Bank Debits	239	207	191	198	+ 15	+ 21
Bituminous Coal Production	150	152r	148r	150	— 1	0
Building Contracts Awarded	134	122	139	326r	+ 10	— 59
Building Permits Issued	36	81	52	120	— 56	— 70
Cotton Consumption*	154	147	138	164	+ 5	— 6
Department Store Sales	196	206r	205	170	— 5	+ 15
Life Insurance Sales	138	131	136	99	+ 5	+ 39
Wholesale Trade—5 Lines	159	166	175	143	— 4	+ 11

*Not seasonally Adjusted
r—Revised

The Dairy Industry in the Fifth District: II

(NOTE: This article is intended to expand and supplement the material presented in the MONTHLY REVIEW for May 31, 1943. The reader is referred to that article for background facts omitted herein.)

An important aspect of the dairy industry is its stability relative to other agricultural enterprises. In times of prosperity dairying brings in a much smaller part of the total cash farm income than it does in times of depression. There are many reasons for this, but the most important lies in the existence of a steady demand for dairy products, plus many controls (both natural and man-made) that apply to milk production. It takes three years to raise a new dairy cow and to bring her into production. Thus, rapid expansion of the total supply of milk is impossible; also, dairy farmers realize the danger of over-expanding, since any subsequent reduction of the herds implies wasting three years per cow culled. Therefore, it is not surprising that dairy farming is one of the most highly organized of all agricultural industries.

This stability is also reflected in the proportions of total cash farm incomes received from dairying, for the states of the Fifth District, between 1939 and 1942. With the exception of Virginia, this ratio remained relatively constant or declined, showing that the dairy incomes (which had increased absolutely) had not increased as rapidly as had incomes from other agricultural sources.

THE RELATIONSHIP BETWEEN CASH FARM INCOMES FROM DAIRYING AND FROM ALL SOURCES
1939 and 1942

AREA	Cash Dairy Incomes (millions of dollars)		Per Cent of Total Cash Farm Income	
	1939	1942	1939	1942
United States	1,345.5	2,332.3	15.5	14.5
Fifth District	61.0	100.4	10.3	9.6
Maryland	18.8	29.7	26.2	24.6
Virginia	15.7	28.3	12.8	13.2
West Virginia	9.1	13.5	21.5	20.8
North Carolina	11.6	19.7	4.8	4.3
South Carolina	5.8	9.2	5.0	5.0

Source: Bureau of Agricultural Economics.

In the above table, note that Maryland and West Virginia are among the more intensive dairy states of the nation, deriving a larger proportion of agricultural income from dairying than does the total United States.

Compared with other crop and livestock enterprises of the country, dairying ranks first for the nation as a whole, and third for the Fifth District (following tobacco and cotton), when measured by cash farm income derived from marketing. Within the District, dairying leads in Maryland and West Virginia, follows tobacco in Virginia, and makes a very poor third to cotton and tobacco in the Carolinas. However, in every state of the District, dairying is the leading livestock enterprise.

According to Census estimates, civilian population of the Fifth District has increased 0.7 per cent between April, 1940 and March, 1943. Large increases in Maryland, Virginia and the District of Columbia were offset by decreases in the other states. During the same general period milk production in the District increased about 8 per cent. However, this apparent increase in per capita milk available is offset by the large military population of the region. While exact numbers are secret, there are sufficient servicemen in the District to create a tremendous new demand for dairy products, and the latter are being imported into the District at an unusually high rate.

The Dairy Cow As An Income Generator

The total amount of cash dairy income, by states, for the Fifth District was given in the article of May 31. Here, income aspects of dairying will be examined in a different way. One of the most important dairy costs is the annual feed cost per cow. Regardless of whether the milk is destined for home-farm consumption or for sale, feed costs must be met; and, unlike labor or equipment costs, feed costs are relatively constant. Even if all the cow's feed is home-grown or gotten from pasture, *real* costs are involved, since the farmer could have sold the feed. Thus, the annual amount of cash dairy income per cow measures the intensity and efficiency of the dairy cow as a source of income.

Before comparing the states of the District on this basis, we should note the background against which such comparisons must be made. As the following table shows, the organization of dairying in the Fifth District is by no means homogeneous.

TWO ASPECTS OF DAIRY ORGANIZATION IN THE FIFTH DISTRICT
1939

AREA	Per Cent of All Cows in Herds of One or Two	Per Cent of Total Milk Consumed on Farm where produced
Maryland	10.0	14.3
Virginia	37.7	47.2
West Virginia	36.4	51.4
North Carolina	66.5	66.3
South Carolina	70.3	66.4

Source: Bureau of the Census, and Bureau of Agricultural Economics.

It is obvious that the family cow becomes increasingly important as we move south through the District; and, no matter how much the family cow contributes to welfare, it contributes little to cash income. The amount of cash dairy income per cow varies directly with the sizes of the herds and the proportion of total milk that is sold off the farm. In order that year-to-year comparisons can be made fairly, the figures for income in the following table have been reduced to dollars of equal purchasing power to the farmer.

THE TREND OF CASH DAIRY INCOME PER COW FOR THE STATES OF THE FIFTH DISTRICT
1927, 1932, 1937, and 1942

AREA	Cash Dairy Income Per Cow (in 1910-14 dollars)			
	1927	1932	1937	1942
Maryland	$81.55	$72.79	$75.25	$96.76
Virginia	31.73	27.86	32.70	43.56
West Virginia	35.35	31.40	33.39	38.16
North Carolina	26.09	22.79	25.49	36.09
South Carolina	26.54	30.84	29.46	36.79

Source: Bureau of Agricultural Economics.

In 1940, according to the Department of Agriculture, the average cost of feeding 1,205 cows producing 125-174 pounds of butterfat apiece annually (about the same range found in this District) was $46. On that basis, only in Maryland was the average cow a financial success in terms of net cash income.

According to recent investigations, in 1940 there appeared to be a very high direct relationship between cash dairy income per cow and the ratio of urban population to total population. This is logical, for the demand for bottled (fluid) milk is furnished by urban areas, and this outlet pays the highest prices to farmers. Thus, as the cities of the District grow, neighboring farmers can expect to find the profitability of their cows increasing.

The Effect of the War on Dairy Prospects in the Fifth District

For the duration, the prospects of dairying are mixed, with neither good nor bad predominating; but conditions have changed from those of the immediate pre-war years. The present condition of the dairy industry, like that of most industries, is in such a flux that it is impossible to do more than generalize about the future.

The demand for dairy products has increased throughout the District, especially when military needs are considered. Even though the civilian population has increased only slightly during the past three years, the military emphasis placed on the Southeastern states appears to have raised the effective population of the District far above its 1940 level. Also, two other factors apply which tend to increase per capita dairy consumption. The first, and perhaps most important, is the increase in non-agricultural employment and in consumer-incomes throughout the District:

INCREASES IN NON-AGRICULTURAL EMPLOYMENT AND TOTAL INCOME PAYMENTS SINCE 1939 FOR STATES OF THE FIFTH DISTRICT

AREA	Per Cent Increase in Non-Agricultural Employment (April, 1939 to April, 1943)	Per Cent Increase in Annual Income Payments* (1939 to 1940)
Maryland	61	82
District of Columbia	57	61
Virginia	51	88
West Virginia	58	56
North Carolina	23	72
South Carolina	34	87

*Income payments include salaries and wages, other labor income (pensions, compensations for injuries, relief and social security benefits), net income of proprietors (including farmers), dividends, interest, rents and royalties.

Source: Bureau of Labor Statistics, and Bureau of Foreign and Domestic Commerce.

Current evidence points to further increases in all these states, though the increases may be uneven. The increases in consumer incomes which have not been completely offset by rises in the cost of living, constitute net increases in effective purchasing power. In each of the four cities of Baltimore, Norfolk, Richmond, and Washington, between August, 1939 and June, 1943, the index of cost of living rose less than 35 per cent. This increase in consumer income, coupled with educational efforts of various agencies interested in better nutrition (the second factor mentioned above), has brought about unparalleled demands for dairy products.

However, dairy farmers are prevented from taking full advantage of high demand by the intervention of several natural and governmental forces. In the first place, the armed services and the attraction of high-paying jobs in war industries have reduced the dairy labor supply so low that many commercial dairymen have suspended operation. In the vicinity of cities such as Norfolk or Baltimore, regions of greatest milk scarcity, dairymen have been forced to sell their herds because of labor shortages. Available labor is high-priced and relatively inefficient. The same forces have reduced the amounts of labor engaged in raising feeds; also, much feed that normally goes to dairies has been diverted to more profitable uses. Thus, while feed costs have risen, smaller amounts appear forthcoming. The recent drought has darkened the outlook even further, though Federal action in releasing stored grains offers some relief. Protein feeds, such as cottonseed, are scarce because of their diversion to other uses. Restrictions on gasoline and rubber have increased costs of production and transportation, especially on mechanized farms or on farms hauling their own milk to market.

Dairymen would be quite willing to face higher costs, if they could raise prices, increase production, or both. These seem to be impossible. The Fifth District is a dairy deficit area. In the past, continuous importations of dairy products from other areas have assisted in reducing the regional deficit, especially of manufactured products. Also, it is very difficult to expand herds rapidly without bringing in new cows; and the cost of feeding has prevented the maintenance of reserves of accessible cows anywhere in the country. Furthermore, all efforts to increase immediate production by intensive feeding soon run into diminishing returns, particularly with a scarcity of feeds. Recognizing that the same population shifts that brought new persons into the District had left surplus milk-producing capacity where those persons came from, dairymen in this area attempted to rent or purchase cattle from the regions losing in population. This was balked by the nationwide shortage of transport facilities and by the high incidence of shipping-fever among cattle moved. Thus, it has proved impossible for dairy herds in the Fifth District to provide milk for the region.

Only two expedients remained: to import milk from areas of over-supply, or to ration it in areas of scarcity. For cheese, butter and condensed milk, both have been done. For fluid milk, only the first has occurred (although some informal rationing already exists). Particularly for military use, large quantities of milk have been brought into the District from distant areas. In some cities an unknown amount of milk for civilians is now being imported from beyond normal milksheds. According to authoritative sources, it is impossible for milk moved in from long distances to equal in quality milk which is locally produced. The time involved in hauling is enough to cause deterioration.

If price controls were not in effect, the result of the above supply and demand situation would have been an immediate inflationary spiral of retail milk prices. Such an upward movement would have been quite dangerous because of the strategic place of milk in the human diet. Any sharp rise in milk prices would have been reflected as noticeable increases in the general cost of living and in the production costs of many food products. It is unlikely that dairy farmers would have profited from such a price rise, since it would have brought on a demand for higher incomes, throughout the non-agricultural economy, leaving the dairyman in a worsened position, regardless of his increased income. Thus, while dairy prices and many dairy costs are frozen at levels disadvantageous to many farmers, the over-all situation is probably better for farmers than it would be, were controls absent.

Some Long-Term Prospects For Dairying in the Fifth District

Long-term prospects for dairying in this District are good. Because of several apparently predictable factors, dairymen who have built up their herds in the recent past need not view the future too gloomily.

In the first place, all signs point to sustained or increased demand for fluid milk after the war. Wartime increases in birthrates presage a larger child population. Remembering the results of population shifts during World War I, it is safe to say that, wherever centers of wartime industry have been located, *all* of the in-migrants will not move out at the cessation of hostilities. Thus, the states of the District may have larger urban populations, and higher percentages of children, after the war than before. True, the general level of employment prevailing in post-war years will determine whether this increased population will be an asset or a liability, but this problem is being attacked and may be solved. When we add to population changes the fact that many returning men will have been accustomed to drinking more milk while in the armed services, just as have many civilians because of higher incomes, it is probable that the demands for dairy products will be such as to make expansions profitable for the industry.

Even if there is no marked change in population, but only progress toward the goal of an optimum diet for all, it is highly probable that the pre-war dairy capacity of the District would fall short of meeting all demands for milk. However, it should be noted that dairymen and milk distributors have the responsibility of developing more economical methods of production and distribution, *and of shifting some part of the resulting savings back to the consumer.*

Another factor is the possibility that wartime experiences with long-distance milk hauling may bring about an expansion of metropolitan milksheds beyond present limits. This would make dairying in the Fifth District compete more actively with the industry in other regions, for both local and distant markets. The Southeast gives promise of becoming one of the low-cost dairy regions of the country, and should have good competitive prospects.

Still another post-war prospect roots in the need that, during the reconstruction period, the United States should supply greater proportions of the world's food than it has in the past. These exports might include, among other things, large quantities of dairy products, and the nuclei of new dairy herds (to replace those destroyed by war). Such an export trade would go far toward preventing domestic over-production.

For the duration, the scarcity of feeds, labor and materials will gradually deplete dairy herds and equipment throughout the District (in fact, is already doing so). Not only will this cause widespread needs for internal reconstruction, but it will favor those dairymen who enter peacetime with relatively well conserved capital. More than that, however, such a situation will make it essential that sources of new capital be made available for the rebuilding of herds and the replacement of worn or obsolete buildings and equipment. This need for capital, and the inherent stability of the industry, should make dairying one of the best post-war outlets for investment capital. Agricultural experts seem convinced that the Southeastern region is fitted, by climate and soil, to become one of the leading livestock regions of the country. If this is so, then the improvement of pasture and the expansion of herds should provide some additional outlets for both bank- and private-capital.

The Third War Loan
Fifth Federal Reserve District

The people and the nonbanking institutions of the Fifth Federal Reserve District made a better showing in the Third War Loan Drive than in the Second War Loan Drive. Purchases of Government securities by investors other than commercial banks in the District during the Third War Loan Drive totaled $972,174,000, which was 5.13 per cent of all such sales in the United States. Fifth District nonbanking investors purchased $596,754,000 of Government securities in the Second War Loan Drive, which amount was 4.75 per cent of all sales in the United States.

The $18,943 million raised throughout the United States in the Third War Loan Drive was 50.9 per cent higher than in the Second War Loan Drive, whereas the $972 million raised in the Fifth District was 62.9 per cent higher. While quotas must necessarily be arbitrary goals, it is noteworthy that the Fifth District exceeded its Third War Loan quota by 34.1 per cent, and this quota included all of the State of West Virginia whereas the sales do not. This performance compares with an excess over quotas for the entire United States of 26.2 per cent. Third War Loan quotas for the United States were increased 87.5 per cent from those established for the Second War Loan, while Third War Loan quotas for the Fifth District (including all of West Virginia) were increased 107.1 per cent over Second War Loan quotas.

The quota for the Fifth District in the Third War Loan was set at $725 million, of which $353 million was allocated to individual, partnerships, and personal trust accounts and $372 million to corporations, associations, and other investors. Sales to individuals, partnerships, and personal trusts in the Fifth District plus the West Virginia panhandle amounted to $370 million, which was 4.8 per cent higher than the quota. Sales to corporations, associations, and other investors amounted to $652 million, which was 75.3 per cent above quota.

The states of West Virginia and Maryland stood first and second, respectively, in the entire United States in the matter of the percentage of total quota achieved. South Carolina was in 15th place; Virginia tied with Iowa and Oklahoma for 17th place; North Carolina was 20th; and the District of Columbia 45th. These mostly favorable positions among the states were primarily due to the over-quota purchases by corporations, associations, and other investors, as only West Virginia and Maryland exceeded their quotas of sales to individuals, partnerships, and personal trust accounts, while North Carolina just made the quota.

The accompanying table shows the rank among the states, the amount of sales, and the percentage of quota achieved for the several states of this District. West Virginia figures used are for the entire state, since the State's quota was not divided by Federal Reserve Districts:

THIRD WAR LOAN SALES & PER CENT OF QUOTA ACHIEVED

	Individuals, Partnerships, & Personal Trust Accounts			Corporations, Associations & Other Investors			Total		
	State Rank	Million Dollars	% of Quota Achieved	State Rank	Million Dollars	% of Quota Achieved	State Rank	Million Dollars	% of Quota Achieved
Md.	19	95	113	2	236	210	2	331	169
D. C.	43	43	86	19	60	136	45	103	109
Va.	38	68	93	9	125	158	17	194	127
W. Va.	2	64	152	3	71	209	1	135	177
N. C.	29	70	100	12	112	150	20	182	126
S. C.	39	30	92	8	48	170	15	78	128
		370	105		652	175		1,023	141

The 2 per cent Treasury bonds were in the vanguard of popularity in this District during the Third War Loan Drive. In fact it was the demand for these bonds which was primarily responsible for the District's better showing than that of the country as a whole. Sales of Treasury 2's amounted to $289,749,000, or 29.8 per cent of the total sales of the District. In the Second War Loan, Treasury 2's accounted for only 18.9 per cent of total sales. It will be interesting to observe through the trend of bank holdings in future months whether the strong demand for this type of security by the banks of this District may have given private and institutional investors added courage in their subscriptions.

Savings bond sales of the Third War Loan aggregated $214,011,000 for the three series, and together they accounted for 22.1 per cent of all Third War Loan Sales. This percentage compares with one of 23.6 per cent established for the E, F, and G Series in the Second War Loan. The Series E bonds were a larger percentage of total sales in the Third War Loan than in the Second War Loan, but lower percentages were recorded for both F and G Series.

The distribution of Fifth District sales by type of security is shown in the accompanying table for both Second and Third War Loans:

THE SECOND AND THIRD WAR LOANS IN THE FIFTH DISTRICT

	Second War Loan		Third War Loan		Ratio of Third Loan to Second Loan
	($000)	%	($000)	%	%
7/8% C. of I.	150,136	25.2	197,799	20.3	131.6
2% Treasury Bonds	112,929	18.9	289,749	29.0	256.1
2½% Treasury Bonds	108,909	18.3	133,089	13.7	122.2
Tax Savings Notes—Ser. C.	83,253	13.9	137,526	14.1	165.2
War Savings Bonds—Ser. E.	96,026	16.1	160,080	16.5	166.8
U.S. Savings Bonds—Ser. F.	14,804	2.5	17,248	1.8	116.6
U.S. Savings Bonds—Ser. G.	30,008	5.0	36,683	3.8	122.3
Unallocated	690	.1	...	..	..
Total	596,754	100.0	972,174	100.0	162.9

Performance of the States

South Carolina made the greatest percentage increase in sales of all Government obligations during the Third War Loan, in comparison with the Second War Loan, of any of the states in this District, followed in order by Maryland, North Carolina, Virginia, West Virginia, and the District of Columbia. In percentage increase of Third War Loan sales in comparison with Second War Loan sales, South Carolina led the District in sales of 7/8 per cent Certificates of Indebtedness; Tax Savings Notes, Series C; and War Savings Bonds, Series E. Maryland shows the largest percentage increase in 2 per cent Treasury bonds; Virginia the largest percentage increase in 2½ per cent Treasury bonds; and West Virginia the largest percentage increase in U. S. Savings Bonds, both F and G Series.

Of the total Fifth District sales of the Third War Loan, Maryland accounted for 34.0 per cent compared with 31.8 per cent of the Second War Loan. Other states' percentages of the District's Third War Loan total follow, with Second War Loan percentages in parentheses: District of Columbia 10.6 per cent, (13.2 per cent); Virginia 19.9 per cent, (20.2 per cent); West Virginia 8.7 per cent, (9.2 per cent); North Carolina 18.8 per cent, (18.4 per cent); and South Carolina 8.0 per cent, (7.2 per cent).

The accompanying table shows the amount of sales by type of issue for each state of the District during the Third War Loan Drive and the percentage change from similar issues sold during the Second War Loan Drive:

COMPARISON OF THIRD AND SECOND WAR LOAN SALES FOR FIFTH DISTRICT STATES—BY ISSUES

(Amounts in million dollars)

	Md.		D.C.		Va.		W. Va.		N.C.		S.C.		Fifth District	
	Amt.	% Chg.	Amt.	% Chg.	Amt.	% Chg.	Amt.	% Chg.	Amt.	% Chg.	Amt.	% Chg.	Amt.	% Chg.
7/8% C. of I.	67.7	+ 31	15.1	— 17	54.6	+ 61	11.4	+ 37	35.4	+ 18	13.6	+ 75	197.8	+ 32
2% Treas. Bonds	139.0	+217	22.1	+183	38.5	+ 91	32.6	+ 86	49.3	+149	8.2	+114	289.7	+157
2½% Treas. Bonds	58.7	+ 16	24.2	+ 12	18.8	+ 60	10.5	+ 8	15.3	+ 35	5.6	+ 46	133.1	+ 22
Tax Sav. Notes—C.	23.1	+ 63	7.8	— 12	30.3	+ 64	13.2	+ 58	36.6	+ 86	26.6	+ 96	137.6	+ 65
War Sav. Bonds—E.	30.6	+ 55	26.5	+ 85	37.7	+ 54	13.1	+ 53	34.3	+ 77	17.9	+ 89	160.1	+ 67
U.S. Sav. Bonds—F.	3.0	+ 38	1.8	— 24	4.3	+ 27	1.5	+ 47	4.4	+ 20	2.2	+ 6	17.2	+ 17
U.S. Sav. Bonds—G.	8.6	+ 19	5.3	— 6	9.6	+ 23	2.2	+ 65	7.1	+ 29	3.9	+ 55	36.7	+ 22
Total	330.7	+ 74	102.8	+ 30	193.8	+ 61	84.5	+ 54	182.4	+ 66	78.0	+ 81	972.2	+ 63

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	October 13 1943	Change in Amt. from 9-15-43	Change in Amt. from 10-14-42
Total Gold Reserves	$1,170,602	— 96,635	+175,582
Other Reserves	21,298	— 3,970	+ 6,845
Total Reserves	$1,191,900	—100,605	+182,427
Bills Discounted	6,425	+ 4,765	+ 6,239
Industrial Advances	292	— 28	— 485
Gov't Securities, Total	$ 447,604	+ 76,671	+195,858
Bonds	131,012	+ 32,183	+ 6,429
Notes	59,035	+ 14,315	+ 2,651
Certificates	118,015	+ 6,251	+ 87,446
Bills	139,542	+ 23,922	+ 99,332
Total Bills & Securities	$ 454,321	+ 81,408	+201,612
Uncollected Items	$ 120,661	— 60,065	— 14,916
Other Assets	$ 19,868	+ 7,453	+ 6,459
Total Assets	$1,786,750	— 71,809	+375,582
Federal Res. Notes in Circulation	$1,032,011	+ 34,141	+345,723
Deposits, Total	$ 632,696	— 46,773	+ 52,556
Members' Reserves	543,743	— 71,913	+ 21,067
U. S. Treas. Gen. Ac.	33,325	+ 32,749	+ 18,607
Foreign	49,134	+ 3,026	+ 16,453
Other Deposits	6,494	— 10,635	— 3,571
Deferred Availability Items	$ 102,638	— 59,310	— 25,212
Other Liabilities	$ 339	+ 63	— 112
Capital Accounts	$ 19,066	+ 70	+ 2,627
Total Liabilities	$1,786,750	— 71,809	+375,582

41 REPORTING MEMBER BANKS—5TH DISTRICT

(All Figures in Thousands)

ITEMS	October 13 1943	Change in Amt. from 9-15-43	Change in Amt. from 10-14-42
Total Loans	$ 312,940	+ 49,561	+ 14,402
Bus. & Agric. Loans	137,154	+ 12,238	— 22,419
Real Estate Loans	49,790	— 142	— 1,479
All Other Loans	125,996	+ 37,465	+ 38,300
Total Security Holdings	$1,340,792	+ 55,655	+508,756
U. S. Treas. Bills	178,190	+ 19,937	+101,642
U. S. Treas. Certificates	240,294	+ 20,807	+151,500
U. S. Treas. Notes	166,584	— 1,228	+ 72,081
U. S. Gov. Bonds	654,576	+ 17,248	+215,496
Obligations Gov. Guaranteed	45,202	+ 292	— 18,780
Other Bonds, Stocks & Sec.	55,946	— 1,401	— 13,183
Cash Items in Process of Col.	$ 95,353	— 32,267	— 12,723
Due From Banks	$ 175,788*	— 21,625	— 35,437
Currency & Coin	$ 38,281	— 182	+ 4,561
Reserve with F. R. Bank	$ 298,713	— 38,680	— 9,947
Other Assets	$ 61,986	— 3,232	+ 10,965
Total Assets	$2,323,853	+ 9,230	+480,577
Total Demand Deposits	$1,904,447	+ 7,189	+446,118
Deposits of Individuals, etc.	1,004,722	— 52,602	+123,893
Deposits of U. S. Gov.	391,836	+101,054	+361,946
Deposits of State & Local Gov.	75,557	— 28,389	— 13,993
Deposits of Bank	413,860*	— 1,090	— 24,966
Certified & Officers' Checks	18,472	— 11,784	— 762
Total Time Deposits	$ 240,822	— 174	+ 21,914
Deposits of Individuals	224,158	— 310	+ 17,555
Other Time Deposits	16,664	+ 136	+ 4,359
Liabilities for Borrowed Money	$ 6,000	+ 5,000	+ 6,000
All Other Liabilities	$ 62,548	— 3,764	+ 1,281
Capital Account	$ 110,036	+ 979	+ 5,264
Total Liabilities	$2,323,853	+ 9,230	+480,577

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	Sept. 30, 1943	Aug. 31, 1943	Sept. 30, 1942
Total Deposits	$251,879,043	$251,056,546	$225,881,379

COMMERCIAL FAILURES

PERIODS	Number of Failures District	Number of Failures U. S.	Total Liabilities District	Total Liabilities U. S.
September 1943	5	124	$ 22,000	$ 1,488,000
August 1943	6	227	115,000	2,905,000
September 1942	17	556	315,000	5,473,000
9 Months, 1943	43	2,552	$ 990,000	$37,097,000
9 Months, 1942	240	7,641	3,552,000	81,387,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

000 omitted

	Sept. 1943	% Change from Sept. 1942	9 Mos. 1943	% Change from 9 Mos. '42
Dist. of Columbia				
Washington	$ 515,011	+ 27	$ 4,109,015	+ 10
Maryland				
Baltimore	817,632	+ 26	6,294,161	+ 19
Cumberland	13,667	+ 32	104,403	+ 14
Frederick	13,009	+ 29	94,456	..
Hagerstown	17,639	+ 20	137,090	+ 4
North Carolina				
Asheville	25,652	+ 24	187,414	+ 10
Charlotte	128,875	— 9	1,023,812	— 5
Durham	91,989	+ 3	534,366	+ 9
Greensboro	44,555	+ 44	287,083	+ 17
Kinston	25,589	+ 5	75,521	..
Raleigh	60,000	+ 43	467,671	— 6
Wilmington	41,694	+ 27	332,822	+ 36
Wilson	32,500	— 14	98,629	..
Winston-Salem	87,157	+ 34	596,030	
South Carolina				
Charleston	42,354	+ 19	349,066	+ 18
Columbia	54,372	0	444,018	+ 10
Greenville	43,644	+ 26	335,814	+ 16
Spartanburg	22,909	+ 16	179,222	+ 12
Virginia				
Charlottesville	13,226	+ 13	105,134	..
Danville	22,120	— 9	123,588	+ 5
Lynchburg	23,076	+ 23	174,378	+ 5
Newport News	44,039	+110	230,759	..
Norfolk	133,700	+ 18	1,082,553	..
Portsmouth	15,840	+ 21	137,705	..
Richmond	395,684	+ 28	2,618,450	..
Roanoke	43,155	+ 26	329,055	
West Virginia				
Bluefield	22,219	+ 22	178,141	..
Charleston	85,857	+ 29	676,727	+ 13
Clarksburg	14,308	+ 12	116,928	..
Huntington	28,150	+ 14	239,099	+ 10
Parkersburg	15,793	+ 18	129,087	+ 14
District Totals	$2,935,415	+ 22	$21,792,197	..

Cumulative figures for 12 cities not comparable with 1942 data.

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina	S. Carolina	Virginia	District
September 1943	231,479	179,556	18,842	429,877
August 1943	222,975	170,027	19,054	412,056
September 1942	243,576	192,449	22,229	458,254
9 Months, 1943	2,113,549	2,612,729	187,966	3,914,244
9 Months, 1942	2,183,556	1,681,105	200,014	4,064,675

COTTON CONSUMPTION AND ON HAND—BALES

	Sept. 1943	Sept. 1942	Aug. 1 to Sept. 30 1943	Aug. 1 to Sept. 30 1942
Fifth District States:				
Cotton consumed	429,877	458,254	841,933	896,530
Cotton Growing States:				
Cotton consumed	759,860	829,640	1,496,442	1,633,010
Cotton on hand Sept. 30 in				
Consuming establishments	1,648,126	1,407,352	.....	.....
Storage & compresses	10,219,373	9,414,461	.....	.....
United States:				
Cotton consumed	872,109	959,732	1,714,369	1,884,647
Cotton on hand Sept. 30 in				
Consuming establishments	1,930,298	1,786,153	.....	.....
Storage & compresses	10,432,611	9,713,415	.....	.....
Spindles active	22,631,338	22,988,254		

RAYON YARN DATA

	Sept. '43	August '43	Sept. '42
Rayon Yarn Shipments, Lbs.	40,400,000	41,400,000	38,400,000
Staple Fiber Shipments, Lbs.	13,700,000	13,800,000	12,500,000
Rayon Yarn Stocks, Lbs.	7,900,000	6,500,000	8,000,000
Staple Fiber Stocks, Lbs.	2,800,000	3,500,000	4,300,000

Source: Rayon Organon

BUILDING PERMIT FIGURES

Fifth Federal Reserve District

September 1943

	Total Valuation September 1943	September 1942
Maryland		
Baltimore	$ 723,894	$ 4,671,260
Cumberland	2,670	3,425
Frederick	3,700	10,100
Hagerstown	20,497	159,340
Salisbury	3,370	7,795
Virginia		
Danville	$ 8,466	$ 12,166
Lynchburg	6,921	20,502
Norfolk	85,990	330,185
Petersburg	250	972
Portsmouth	2,975	22,916
Richmond	445,172	315,700
Roanoke	13,351	8,701
West Virginia		
Charleston	$ 33,957	$ 23,341
Clarksburg	2,155	18,640
Huntington	11,285	38,475
North Carolina		
Asheville	$ 17,127	$ 8,632
Charlotte	9,448	12,995
Durham	1,660	248,920
Greensboro	16,120	9,010
High Point	41,955	18,356
Raleigh	3,577	1,165
Rocky Mount	1,125	1,950
Salisbury	2,320	56,640
Winston-Salem	21,005	81,076
South Carolina		
Charleston	$ 23,160	$ 18,325
Columbia	4,736	5,094
Greenville	4,450	8,500
Spartanburg	11,010	43,435
Dist. of Columbia		
Washington	$ 1,190,529	$ 2,831,885
District Totals	$ 2,712,875	$ 8,989,501
9 Months	$35,456,930	$70,504,992

CONSTRUCTION CONTRACTS AWARDED

STATES	Aug. 1943	% Change From Aug. 1942	8 Mos. 1943	% Change From 8 Mos. '42
Maryland	$ 4,824,000	−44	$ 65,210,000	−51
Dist. of Columbia	3,392,000	−56	22,250,000	−78
Virginia	10,923,000	+66	125,406,000	−58
West Virginia	1,432,000	−80	14,240,000	−71
No. Carolina	5,075,000	−81	65,676,000	−22
So. Carolina	3,508,000	−80	36,658,000	−56
Fifth District	$29,154,000	−60	$329,440,000	−56

TOBACCO MANUFACTURING

	Sept. 1943	% Change from Sept. 1942	9 Mos. 1943	% Change from 9 Mos. 42
Smoking & chewing tobacco (Thousands of lbs.)	22,462	− 7	187,242	−11
Cigarettes (Thousands)	22,573,046	+ 4	187,106,510	+ 8
Cigars (Thousands)	424,896	−18	3,895,581	−12
Snuff (Thousands of lbs.)	3,333	+ 8	35,468	+16

AUCTION TOBACCO MARKETING

STATES	Producers Tobacco Sales, Lbs. Sept. 1943	Sept. 1942	Price per hundred 1943	1942
South Carolina	29,132,133	27,054,905	$36.15	$35.29
North Carolina	184,748,604	234,173,372	39.31	37.76
Virginia	14,919,428	16,572,148	40.00	40.23
Total	228,800,165	277,800,425	$38.95	$37.67
Season through	367,337,448	432,198,877	$39.25	$37.74

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Sept. 1943	% Change from Sept. 1942	9 Mos. 1943	% Change from 9 Mos. '42
West Virginia	14,024	+ 3	120,393	+ 3
Virginia	1,763	+ 2	15,416	+ 3
Maryland	149	+ 2	1,347	−10
5th District	15,936	+ 3	137,156	+ 3
United States	51,840	+ 4	441,665	+ 2
% in District	31	..	31	..

RETAIL FURNITURE SALES

STATES	Percentage Changes in Sept. and 9 Months 1943 Compared with September 1942	Compared with 9 Mos. 1942
Maryland (6)*	−17	−22
Dist. of Columbia (5)*	−17	−15
Virginia (29)*	− 2	+ 2
West Virginia (11)*	+19	+ 4
North Carolina (19)*	+ 8	+11
South Carolina (18)*	−15	− 2
Fifth District (87)*	− 6	− 6
Indicidual Cities		
Baltimore, Md. (5)*	−17	−22
Washington, D. C. (5)*	−17	−15
Danville, Va. (3)*	+20	+14
Lynchburg, Va. (3)*	−15	− 9
Richmond, Va. (8)*	+ 3	+10
Charleston, W. Va. (4)*	+11	+ 1
Charlotte, N. C. (5)*	− 9	+ 4
Winston-Salem, N. C. (3)*	+ 9	+20
Columbia, S. C. (5)*	− 9	− 1
Greenwood, S. C. (3)*	−24	+ 5

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Sept. 1943 sales compared with sales in Sept. 1942:	+ 20	+ 10	+ 9	+ 30	+ 12
Percentage change in 9 mos.' sales, compared with 9 months in 1942:	+ 23	+ 14	+ 7	+ 27	+ 14
Change in stocks on Sept. 30, '43, compared with stocks on Sept. 30, '42:	+ 9	0	− 13	− 3	− 5
Change in outst'd'g orders, Sept. 30, '43 compared with Sept. 30, '42:	+ 94	+137	+127	+163	+126
Change in receivables, September 1, 1943 compared with Sept. 1, 1942:	− 14	− 17	− 33	− 14	− 24
Percentage of current receivables as of Sept. 1, '43, collected in Sept.:	57(51)	58(56)	61(55)	58(52)	59(54)
Percentage of instalment rece'v'bles as of Sept. 1, '43, collected in Sept.:	31(23)	34(27)	26(20)	31(21)	29(22)

Note: 1942 collection percentages in parentheses.

	Maryland	Dist. of Col.	Virginia	West Va.	No. Carolina	So. Carolina
Percentage change in Sept. 1943 sales from Sept. 1942 sales, by States:	+10	+ 9	+17	+11	+23	+24
Percentage change in 9 months' sales, 1943, compared to 9 mos. in 1942:	+14	+ 7	+21	+13	+25	+32

WHOLESALE TRADE, 228 FIRMS

LINES	Net Sales Sept. 1943 compared with Sept. 1942	Aug. 1943	Stocks Sept. 30, 1943 compared with Sept. 30 1942	Aug. 31 1943	Ratio Sept. collections to acc'ts outstand'g Sept. 1
Auto supplies (11)*	+ 18	− 10	− 16	− 5	98
Shoes (3)*	− 7	− 9	− 40	−19	..
Drugs & sundries (10)*	+ 9	+ 6	..	..	114
Dry goods (6)*	− 3	+ 13	− 47	−18	70
Electrical goods (11)*	− 24	− 3	− 38	− 3	73
Groceries (73)*	+ 15	+ 5	− 4	+ 7	145
Hardware (14)*	− 10	− 2	− 31	+ 1	87
Industrial supplies (10)*	− 18	− 8	− 18	− 1	79
Paper & products (9)*	+ 25	+ 7	− 9	+ 3	83
Tobacco & products (5)*	+ 6	− 1	..	..	..
Miscellaneous (76)*	+ 7	+ 7	- 3	- 2	104
District Average (228)*	0	+ 2	- 22	- 3	96

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 activity showed little change in September and in the first half of October. Distribution of commodities continued in large volume and prices remained steady.

INDUSTRIAL PRODUCTION—Physical volume of industrial production as measured by the Board's seasonally adjusted index, as recently revised, was 243 per cent of the 1935-39 average in September, compared with 242 in August and 239 in July.

There were increases in output in the iron and steel and transportation equipment industries while activity in other durable goods industries showed little change or declined slightly. Open hearth and Bessemer steel production exceeded its previous peak level, reached in March of this year, and output of pig iron likewise established a new record. In the machinery industry as a whole activity was maintained at the level of recent months although there was some further curtailment of output of machine tools and machine tool accessories.

Total output of nondurable manufactures continued at the August level. Cotton consumption, which had been declining since May, rose 6 per cent from August to September, but was 9 per cent below the high level of a year ago. Shoe production was maintained at the level of recent months and was slightly larger than a year ago. The output of manufactured food products rose seasonally.

Petroleum refining continued to rise in September and was at a rate about double the 1935-39 average. The Board's index of this industry is substantially higher than the old index because greater weight is given to aviation gasoline and other special war products. Output in the chemical industry as a whole declined in August, as some further expansion in industrial chemicals was more than offset in the total by reductions elsewhere, reflecting readjustment of the war program. Newsprint consumption rose less than is usual at this season, in the face of increasing supply difficulties, and a further 5 per cent cut in permitted consumption of newsprint was ordered, beginning October 1.

Crude petroleum production continued to rise in September, reflecting further improvement of transportation facilities for petroleum products. Output of crude petroleum in August and September exceeded the earlier peak levels reached in December 1941 and January 1942. Coal production continued at a high level.

In September the value of construction contracts awarded in 37 Eastern states was at about the same low level as in July, according to reports of the F. W. Dodge Corporation, and was considerably smaller than in August when there was a temporary increase because one exceptionally large contract was placed in that month.

DISTRIBUTION—Department store sales increased less than seasonally in September, following an unusually large volume of sales in July and August, and the Board's seasonally adjusted index declined from 142 to 131. During the first half of October sales showed a gain over September although usually there is some decline at this season.

Railroad freight traffic in September and the first part of October was maintained at the high level of previous months. Coal shipments exceeded the record movement of last July and loadings of grain and livestock were 10 per cent higher than a year ago.

COMMODITY PRICES—Prices of grains advanced from the middle of September to the middle of October. Livestock prices were slightly lower, reflecting partly the establishment of Federal maximum prices for live hogs and sharply increased marketings of cattle. Wholesale prices of most other commodities continued to show little change.

AGRICULTURE—Crop prospects showed little change during September, according to official reports. There was a further small improvement in prospects for the corn and potato crops, while the previous forecast for cotton production was lowered slightly. Aggregate crop production is expected to be 7 per cent below the peak volume of last season but higher than in any other previous year.

BANK CREDIT—During the five weeks ending October 13, Government security holdings at reporting banks in 101 leading cities increased by about 2.5 billion dollars reflecting substantial open-market purchases during the Drive, and also, some purchases of bills on subscription from the Treasury. Loans showed a net increase of 2.2 billion dollars over the same period. Over two-thirds of the total amount represented loans to brokers, dealers, and customers for purchasing or carrying securities; in the last week of the period there were some declines, however, as repayments were made on the liquidation of the securities. Commercial loans, which have been increasing steadily since June, rose further by 540 million over the five weeks.

Holdings of Government securities by the Federal Reserve System showed little change from the end of September to the third statement date of October, but there were some shifts among the kinds of securities held. Treasury bills held under option declined by 200 million dollars between September 30 and October 20, while holdings of certificates of indebtedness and of Treasury bills outside of the option accounts increased by about 200 million. Total holdings of United States Government securities by the Reserve System on October 20 were 8.9 billion dollars.

BUSINESS INDEXES -- FIFTH FEDERAL RESERVE DISTRICT

(1935-39=100)

	ADJUSTED						NOT ADJUSTED					
					Aug. 1943 % change from						Aug. 1943 % change from	
	Aug. 1943	July 1943	June 1943	Aug. 1942	Last Mo.	Last Year	Aug. 1943	July 1943	June 1943	Aug. 1942	Last Mo.	Last Year
BANK DEBITS	207	191	187	191	+ 8	+ 8	188	191	192	173	— 2	+ 9
DEPT. STORE SALES	206r	205	184r	194	0	+ 6	156r	144	175	147	+ 8	+ 6
ELECTRIC POWER PROD.	215	213	209	188	+ 1	+ 14	212	206	200	186	+ 3	+ 14
EMPLOYMENT, MFG.	...	...	...	...			149	148	149	145	+ 1	+ 3
Maryland	...	...	...	...	..	..	206	202	198	193	+ 2	+ 7
District of Col.	...	...	...	...	..	..	112	114	113	109	— 2	+ 3
Virginia	...	...	...	...	..	..	155	156	159	155	— 1	0
West Virginia	...	...	...	...	..	..	127	123	123	118	+ 3	+ 8
North Carolina	...	...	...	...	..	..	131	133	134	132	— 2	— 1
South Carolina	...	...	...	...	..	..	131	131	131	131	0	0
LIFE INS. SALES	131	136	116	86	— 4	+ 52	125	128	118	82	— 2	+ 52
BITUMINOUS COAL PROD.	151	148r	103r	140r	+ 2	+ 8	157	158r	107r	146r	- 1	+ 8
BUILDING CONTRACTS	122	139	127	306r	— 12	— 60	119	146	150	299r	— 19	- 60
BUILDING PERMITS	81	52	53	125	+ 56	-- 35	84	53	61	129	+ 58	— 35
COTTON CONSUMPTION	147	138	161	157	+ 7	— 6	155	151	170	165	+ 3	— 6
EMPLOYMENT—NON-MFG.	138	140	139	137	— 1	+ 1	134	136	137	133	— 1	+ 1
Bituminous Coal	96	98	96	112	— 2	— 14	94	95	95	109	— 1	— 14
Dyeing & Cleaning	127	128	128	124	— 1	+ 2	131	136	139	127	— 4	+ 3
U. S. Exec. Serv., D. C.	...	...	...	...	..	..	241	242	242r	240	0	0
Hotels	136	132	127	130	+ 3	+ 5	126	126	127	120	0	+ 5
Laundries	147	158	159	147	— 7	0	152	165	164	152	— 8	0
Public Utilities	...	...	...	...	..	..	135	136	133	136	— 1	— 1
Quar. & Non-Met-Min.	110	109	108	113	+ 1	— 3	115	114	115	119	+ 1	— 3
Retail Trade	135	137	136	123	— 1	+ 10	126	130	133	115	— 3	+ 10
Wholesale Trade	91	93	92	108	— 2	— 16	91	86	86	107	+ 6	— 15
FURNITURE ORDERS	133	92	148	183	+ 45	— 27	158	140	131	217	+ 13	— 27
FURNITURE SHIPMENTS	120	136	195	114	— 12	+ 5	148	148r	146	141	0	+ 5
FUN. UNFILLED ORDERS	354	314	566	218	+ 13	+ 62	477	483	521	294	1	+ 62
WHOLESALE TR. 5 LINES	166	175	177	147	— 5	+ 13	173	173	170	154	0	+ 12
Drugs	214	200	198	181	+ 7	+ 18	202	191	184	171	+ 6	+ 18
Dry Goods	141	215	207	143	— 34	— 1	172	160	157	174	+ 8	— 1
Groceries	170	172	173	144	— 1	+ 18	175	178	177	149	— 2	+ 17
Hardware	123	139	133	142	— 12	— 13	124	128	124	143	— 3	— 13
Shoes	175	284	401	154	— 38	+ 14	278	247	207	245	+ 13	+ 13

r—Revised