MONTHLY REVIEW

of Financial and Business Conditions

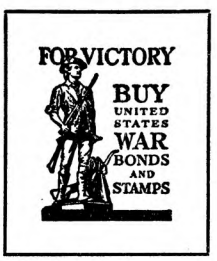
FIFTH FEDERAL RESERVE DISTRICT

Federal Reserve Bank, Richmond, Va. *January 31, 1944*

Business in December 1943

SUCH data as are in hand for December seem to confirm past observations that the trend of business in the Fifth Federal Reserve District has reached its peak and on balance is holding at that level. Average daily bituminous coal production in December recovered from the effects of the work stoppage in November and stood at a level which compares favorably with the best months of the past two years. For the year 1943 coal production in the District of 179,723,000 tons exceeded that for the year 1942 by 1,175,000 tons.

December average daily cotton consumption, on the other hand, declined 4 per cent from the November level and was 5 per cent smaller than in December 1942. Consumption of cotton by the mills of the District in 1943 was 5,175,066 bales, which was 293,515 bales, or 5.4 per cent, less than in 1942, with practically all of the decline occurring in the last half year.



Cigarette production in the Fifth District experienced a rising trend throughout the year 1943 with the December seasonally adjusted index within one point of the year's best level and 16 per cent higher than in December 1942.

The business of manufacturing furniture became increasingly difficult as the year progressed with the shortage of both labor and materials intensified in the later months. Production, which held about even in the first half of the year, declined in the latter part with December output near the year's lowest level.

Construction activity for the most part trended downward during 1943 with the index of contract awards in December 59 per cent under a year ago. Total employment in the District's manufacturing industries established its highest level in the early part of 1943 and thereafter was under steady attrition. However, the overall production from the District's manufacturing plants appears to have risen on balance into the third quarter of the year, despite some reduction in the outturn of the important textile industry. Merchant shipbuilding reached its peak in the last half of 1943 and has flattened off at that level, while figures published by the Newport News Shipbuilding and Dry Dock Company would seem to indicate a similar trend.

In the distribution field, department store sales in 1943 exceeded those of 1942 in all months, with the peak on a seasonally adjusted basis shown in November. Although December sales did not rise from November levels by the normal seasonal amount, they were the largest December sales of record for this District and 8 per cent above December 1942. Wholesale sales of five prominent lines maintained more or less of a flat level throughout 1943 with the seasonally adjusted December index one per cent lower than November, but 10 per cent above December 1942. Department store inventories declined somewhat during 1943, but by a surprisingly small amount. Thus the record level of sales was not appreciably at the expense of inventories, but was effected by the store's ability to obtain a larger quantity of goods or higher-priced merchandise.

Loans of the forty-one weekly reporting banks at the

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
Average Daily 1935-1939=100
Seasonally Adjusted

	Dec. 1943	Nov. 1943	Oct. 1943	Dec. 1942	% Change Dec. 1943 from Nov. 1943	Dec. 1942
Bank Debits	191	197	197	183	— 3	+ 4
Bituminous Coal Production*	147	124	140	132	+19	+11
Building Contracts Awarded	150	207	163	369	—28	—59
Building Permits Issued	50	50	64	49	0	+ 2
Cigarette Production	193	194	182	166	— 1	+16
Cotton Consumption*	147	153	146	154	— 4	— 5
Department Store Inventories	159e	155	165	164	+ 3	— 3
Department Store Sales	187	215	191	173	—13	+ 8
Electric Power Production	219	217	212	199	+ 1	+10
Life Insurance Sales	112	120	120	81	— 7	+38
Wholesale Trade—5 Lines	173	174	176	157	- 1	+10

*Not Seasonally Adjusted.

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close of 1943 stood at identically the same level as at the end of 1942 after having declined $48 million, or 17 per cent, during the summer. Commercial and industrial loans rose somewhat more than seasonally from the summer to the fall, and have since maintained most of the seasonal gain. They were, however, at the year end $6 million, or 4 per cent, below a year earlier. Loans on real estate held at a flat level throughout the year, while other loans for purchasing or carrying securities increased $13 million, or 118 per cent, from December 30, 1942, to December 29, 1943. During the Second War Loan Drive these loans rose from $11 to $19 million, and later returned to the $11-million level, but in the Third War Loan Drive they rose from $11 million to $50 million, and by the year end they had declined to $24 million. Total investments of the forty-one banks amounted to $984 million at the end of 1942. They reached a total of $1,393 million early in November and declined steadily to $1,305 million at the end of 1943, at which level they were $321 million, or 33 per cent, above the end of 1942.

Tendencies In Tenant Farming

The national policy throughout the history of this country has been to encourage and facilitate farm ownership by those who operate the farms. From the beginning of the country's independent existence up to 1891 the Federal Government sold good land to farmers for $.50 cents, $1.00, and $1.25 an acre. The Preemption Act in 1841 recognized the vested right of squatters who had established farms on the public domain and proclaimed their right of possession. In 1862 the Homestead Act enabled persons to acquire land for farming purposes without cost. Beginning with 1933 various Government activities to aid low-income farm families was later consolidated into the Farm Security Administration. The Bankhead-Jones Act became law in 1937 and this act established a system of tenant-purchase loans with the administration of this act given to the Farm Security Administration.

With the Government policy throughout its history designed to foster the ownership of farms by farm operators, it might be supposed that ours is a land where operator ownership would be next to universal. The facts, however, do not bear out any such supposition. For the United States as a whole, the number of farms operated rose at a rapid rate from the middle of the nineteenth century to the turn of the twentieth century. The number continued to increase for the next two decades, but the rate of increase slowed down progressively and there was an actual decline between 1920 and 1930. The number of tenants operating farms, however, increased much more rapidly than the number of farms between 1880 and 1935. In 1880, for example, only 25.6 per cent of all United States farms were operated by tenants, whereas in 1930 tenants were operating 42.4 per cent of the Nation's farms, which was the highest proportion ever attained. In 1935 tenants were operating 42.1 per cent of all farms, but by 1940, with farm prices and incomes rising and land prices relatively low, their proportion had diminished considerably to 38.7 per cent.

The question naturally arises: Where is tenant farming prevalent and what are its causes? There are four areas of the country where tenant farming is most heavily concentrated, both in actual numbers and in percentage of the total farms operated. These areas by census classifications are the West North Central, South Atlantic, East South Central, and West South Central. These areas cover the western part of the Corn Belt and all of the Southern States. Each of the areas have farm tenancy in excess of 40 per cent of all operated farms. The four areas account for 67 per cent of all the Nation's farms and 81 per cent of all tenants.

CONCENTRATION OF TENANT FARMING
April 1, 1940

	All Farm Operation		Tenants		% of Farms Operated by Tenants
	Number	% of U. S.	Number	% of U. S.	
New England	135,190	2.2	10,009	.4	7.4
Middle Atlantic	348,100	5.7	50,675	2.1	14.6
East North Central...	1,006,095	16.5	280,342	11.9	27.9
West North Central..	1,090,574	17.9	462,400	19.6	42.4
South Atlantic	1,019,451	16.7	429,799	18.2	42.4
East South Central..	1,023,349	16.8	512,602	21.7	50.1
West South Central..	964,370	15.8	506,892	21.5	52.6
Mountain	233,497	3.8	57,414	2.4	24.6
Pacific	276,173	4.6	51,138	2.2	18.5
United States ...	6,096,799	100.0	2,361,271	100.0	38.7
Fifth District .	732,111	12.0	281,340	11.9	38.4

It should be noted that the greatest proportions of farm tenancy are in the cash crop areas, where cotton, tobacco, wheat, and corn are the chief sources of cash returns. It is not quite clear why this should be the case, but these products in the main are those that experience the widest income variations between depression and prosperity, and consequently land owners must have a safe margin of financial strength to hold their land during unprofitable seasons. It is very difficult for tenants to rise to the owner class in any type of farming in which the element of risk is marked; in fact, this uncertainty of financial return from farming over any given period of time is probably one of the chief obstacles to the elimination of tenancy. Wide variability in the returns from farming which retards the operator from being an owner also creates absentee ownership whether of the direct speculative type or of the mortgage company type. This outside force prevents the land from being priced at a level in keeping with its ability to maintain service on debts acquired at higher prices which also fosters farm tenancy.

Such evidence as is available strongly indicates that farm tenancy has been one of the important factors contributing to a depletion of soil fertility and to the erosion and abandonment of much good acreage. It is not here suggested, however, that farm tenancy is any more devastating to the soil than lack of knowledge of the proper farm technique on the part of an owner, but the two probably are close companions in their adverse contribution. Land purchased for the purpose of selling at a higher price by an absentee owner is not usually rented on other than a year-to-year basis. Tenants have no incentive under the yearly arrangement (usually verbal) to improve the land or even to maintain its condition, for in so doing its sale price is enhanced, or its rental basis raised. It seems probable, also, that many of those tenants who do graduate into ownership do so at times when land prices are highest and later they revert to the tenant class when reduced prices of farm products make it too difficult to meet debt service. Farm land rented for cash is also subject to serious soil depleting practices, if used in the growth of the above mentioned cash crops, as cash renters are not as a rule interested in paying rent for soil building crops. Furthermore, if a farm rented for cash carries a mort-

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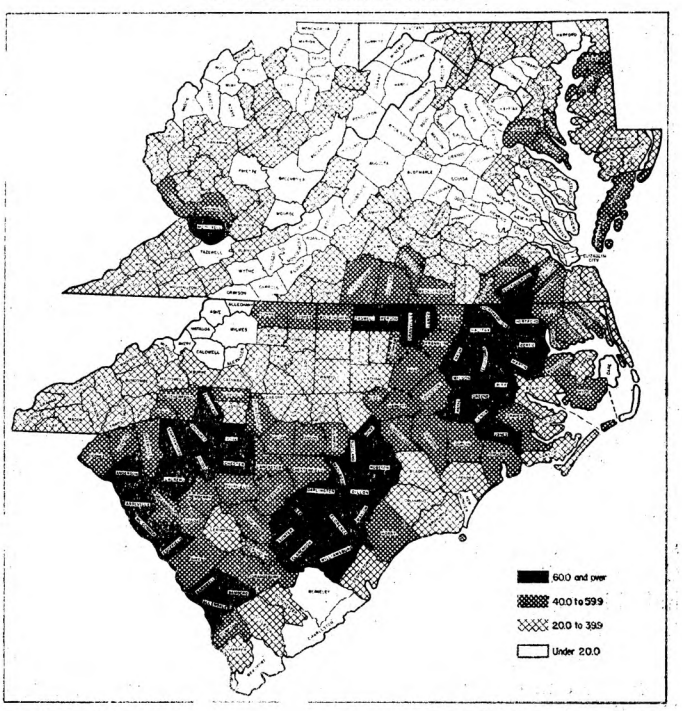
gage the soil-depleting practices may be even worse than under share-cropping. The maintenance of the productivity of these important land resources and the extension of or even the continuance of existing levels of tenant farming do not seem to be compatible.

Farm tenancy in the states of the Fifth Federal Reserve District is about the same proportion as for the entire United States, but there are notable differences between the several states. The percentage of farms operated by tenants on April 1, 1940, was 38.4 per cent for this District compared with 38.7 per cent for the United States. On the same date, however, 56.1 per cent of all the farms in South Carolina were tenant operated while only 22.7 per cent of those in West Virginia were so operated. Together, North and South Carolina in 1940 accounted for 71.3 per cent of all the farm tenants in the District, whereas only 57.6 per cent of all the farms were located in these states. Although North Carolina accounted for 43.9 per cent of all the tenant farmers in this District the proportion of tenancy in 1940, at 44.4 per cent of all operators, was considerably lower than in South Carolina. Farm tenants in Maryland and Virginia operated 26.1 per cent and 26.9 per cent, respectively, of all of the farms in those states in 1940; however, fairly high proportions of tenancy were shown in the tobacco, cotton, peanut, and truck crop areas.

PERCENT OF FARMS OPERATED BY TENANTS, APRIL 1, 1940
FIFTH FEDERAL RESERVE DISTRICT



The accompanying map shows the relative importance of tenant farming in the states composing the Fifth Federal Reserve District. As was true for the United States so are the largest percentages of the farms operated by tenants of the District in the cotton, tobacco, peanut, and truck farming areas. This map shows the percentage of all farms in each county which are operated by tenants in four classifications. It is significant that the shortest length of time which 1940 tenants had occupied the farms they were then operating were most heavily concentrated in those areas where the proportions of tenancy were highest, and the longest periods of occupancy in those areas where the proportions of tenancy were lowest.

Figures on tenant farming are available as far back as 1880 and for the states of this District these figures present some interesting contrasts. In all of the states of the District the total number of farms expanded 66 per cent between 1880 and about 1920, but the total land in farms over the entire period was not greatly changed. Although the total number of farm tenants in the District rose 100 per cent in this period or at a more rapid rate than the number of farms, both Maryland and Virginia showed downward trends in both the number of tenants and the percentage of all farms operated by tenants since 1900, though low tobacco incomes in 1930 and 1935 occurred concurrently with a reversal of the downtrend in Virginia.

West Virginia, which has consistently had the lowest percentage of its farms operated by tenants of any state in the District, was likewise adversely affected by the late depression. The largest percentage, 21.8 per cent, of the State's farms operated by tenants prior to World War I was in 1900, and by 1920 the proportion had fallen to 16.2 per cent, and it would appear that an important number of the State's tenant farmers purchased their land in the boom between 1900 and 1920. In the main they were able to hold on until the depression of the 1930's when tenancy established its highest level of 25.8 per cent of all farms in the year 1935. Another factor influencing the trend of tenant farming in the state is perhaps the increase of subsistence farming in the principal coal mining areas of the state during the low employment period of the depression. It is interesting to note that the largest percentage of farms operated by tenants in the state are in the largest coal mining counties, which may be due to the coal companies owning most of the land since these lands are largely rented for cash.

High farm tenancy in the Carolinas was a natural consequence of the freeing of the slaves. This was more of a problem to South Carolina at the time than to North Carolina and the earliest figures on farm tenancy seem to bear this out. As early as 1880 over 50 per cent of South Carolina's farms were operated by tenants while less than 35 per cent of North Carolina's farms were run by tenants in that year. The growth in cotton acreage and later of tobacco acreage was accompanied by marked increases in the percentage of farms operated by tenants in each state.

In South Carolina the highest proportion of tenant-operated farms was established in 1925. The same proportion held through 1930 but declined markedly during the next decade. In North Carolina the expansion of tobacco acreage through the latter 1920's found tenant farming increasing in proportion of total farms through 1930.

PERCENTAGE OF ALL FARMS OPERATED BY TENANTS

	Md.	Va.	W. Va.	N. C.	S. C.	5th Dist.	U. S.
1880....	30.9	29.5	19.1	33.5	50.3	33.7	25.6
1890....	31.0	26.9	17.7	34.1	55.3	34.5	28.4
1900....	33.6	30.7	21.8	41.4	61.1	40.1	35.3
1910....	29.5	26.5	20.5	42.3	63.0	39.7	37.0
1920....	28.9	25.6	16.2	43.5	64.5	40.5	38.1
1925....	26.4	25.2	16.3	45.2	65.1	40.2	38.6
1930....	26.5	28.1	18.6	49.2	65.1	42.9	42.4
1935....	27.2	29.5	25.8	47.2	62.2	42.1	42.1
1940....	26.1	26.9	22.7	44.4	56.1	38.4	38.7

The accompanying table shows the percentage of all farms in the states of this District which were operated

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by tenant farmers of all types from 1880 to 1940. The trends discussed above are clearly shown in the figures.

Some progress was made between 1935 and 1940 in the reduction of the proportion of farms operated by tenants in all states of the District, and in the Carolinas, where tenancy is of greatest importance, the downward trend has been in evidence since 1930. It remains to be seen whether the current speculation in land values will have the effect of inordinately lowering the tenancy level on an unsound financial and temporary basis which will later boomerang and create a worsened state of affairs. Though sufficient evidence to formulate an accurate conclusion in this regard is lacking, such information as is available does not yet seem to indicate that current land turnover is importantly involving the tenant operators.

Although tobacco growing is still a hand labor crop the cotton picking machine has reached the stage of perfection where in postwar years it may be expected to gain wide usage. Widespread acceptance of the cotton picker would seem to materially lessen the practice of tenant farming, though all areas where cotton is now grown are not of the proper terrain to accommodate a mechanical picker. In such areas the tendency may be expected to be away from the production of cotton and, in turn, tenant farming. In areas where the cotton picker will be adaptable, it would seem logical to expect an enlargement of the size of the individual farms and a tendency to reduce farm tenancy. Thus some long-run economic tendencies would seem to work toward a reduction in the level of farm tenancy but the repercussions, both economic and sociological, will remain as perplexing problems of policy.

Demand Deposits After the War

An increasing amount of attention, both by bankers and by the interested public, has recently been devoted to the problem of demand deposits in the postwar period. In the past three years there has been a tremendous increase in the total of demand deposits, and though not all communities have gained in the same proportion, the increase has nevertheless been widely distributed. The question arises, therefore, whether this process of deposit increase will continue in the postwar period, or whether deposits will remain the same or even decrease. And even more important from the point of view of the individual bank is the possibility of a shifting of deposits between communities, even if the total of deposits should remain unaffected.

The principal reason for the increase in deposits in the war period has been the sale of Government securities to the banks. When securities are sold to the nonbanking public, deposits are decreased at the time of the purchase; but the subsequent expenditure of the funds by the Government increases income in the hands of the public, thus increasing deposits once more. The total of deposits therefore remains the same. But when the banks purchase securities, funds are put at the disposal of the Government, with no simultaneous drawing-down of deposits; and the subsequent expenditure creates a net addition to total income and a net addition to total deposits. The increase in deposits that has taken place in the war period can be accounted for almost entirely by such purchases of securities by the banks. The only possible limitation to such a process of deposit expansion is an insufficiency of reserves, and this can, and has, been circumvented by Federal Reserve action designed to create additional reserves and make possible further purchases of securities.

Will this process of deposit increases be continued or reversed in the postwar period? Of course no unqualified answer can be given, for the postwar level of total deposits will depend on a number of factors which will in some instances exert opposite influences, and whose potential quantitative importance cannot be known at present. But a statement of some of the more important determinants can be valuable from the point of view of the possibilities involved.

There are four principal factors which will affect the level of demand deposits in the postwar period. One of these is the flow of currency into or out of circulation. A return flow of some of the very large increase in currency circulation that has taken place in the war period would increase the total of deposits. Should the currency have been held to some extent for tax evasion purposes, a return to the banks in the form of deposits is to be expected, whether the return is made directly by present holders, or indirectly through producers and traders when such holdings are used for purchases. To the extent that some of the increase in currency circulation has been necessitated by migration to new localities where banking connections have not been established, a considerable return flow is to be expected when remigration or more or less permanent settlement takes place. As for the increase in currency circulation necessitated by increased income payments and prices, little can be said about the possible postwar return flow in the form of deposits. But it is unlikely that there will be any further increase in currency circulation on this score, even if the level of income remains high and prices rise somewhat. On balance, therefore, some return flow of currency circulation is likely and can be expected to lead to an increase in the total of demand deposits.

A second factor which will affect the level of demand deposits is bank lending. An increase in loans by the banks would lead to an increase in demand deposits for the banking system taken as a whole. It is difficult to say whether or not such a development is likely on any significant scale. The recent survey of deposit ownership carried out by the Federal Reserve System indicates that about 70 per cent of the total of demand deposits of individuals, partnerships, and corporations is owned by business concerns of all kinds, and that perhaps three-fourths of the $18 billion increase in demand deposits since the end of 1941 may have been in business accounts. For the country as a whole, it is quite probable that even reconversion needs will not necessitate an important increase in borrowing from banks. For individual communities, however, bank borrowing and resultant deposit increases will depend on investment and sales prospects, and on the needs of local concerns for additional working capital.

A third factor affecting the level of deposits is the effect of gold movements and of the level of international lending. A net inflow of gold would increase the total of deposits. Here again it is difficult to say whether such a movement is likely to take place. We can expect, after

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the war, a heavy demand for American products by foreign countries, for relief, for rehabilitation, and for long-term investment. Should Americans, as individuals or business concerns, give or lend heavily to foreign countries, current payments by means of gold, and hence deposit increases, would thereby be averted. On the other hand, to the extent that foreign needs are met by Government grants or by some form of postwar lend-lease, the expenditures would constitute a net addition to Government borrowing or a reduction in the amount of debt retirement. Thus deposits would increase to some extent, or at least the possible reduction of deposits would thereby be less. In addition, should an international currency stabilization plan be set up, it is quite likely that deposits would increase on that account, though the amount of the increase would depend both on the mechanism of the plan and on the extent of our commitment to it. Deposit increases resulting from an inflow of gold will thus depend considerably on our attitude towards foreign relief and lending, in addition to disposable stocks of gold held by foreigners.

Finally, and perhaps most important, the fourth factor affecting the level of demand deposits is the total of the public debt and changes in the ownership of the debt. An increase in the debt would in all probability lead to an increase in deposits, through purchase of additional securities by the banks. But even should the debt be reduced, there is the possibility of a net sale of Government securities beyond the amount which the Government will be in a position to redeem. In this case banks would have to increase their purchases of securities, unless the yields on these securities should be allowed to rise to the point where the public is induced to maintain their holdings, on balance. Barring such a decline in the price of Governments, the purchase of securities by the banks will increase demand deposits in the same way as purchases in the war period have. It is difficult to say how great the demand for cashing-in of securities will be. Many consumers will probably attempt to purchase durable goods denied them during the war, and will plan to use their savings bonds to this end. Many producers, in addition, will seek to convert securities into cash for renovation and expansion. Should such cashing-in of securities exceed retirement, and assuming that the prices of securities will not be allowed to decline, banks will increase their purchases and the total of demand deposits will rise.

The factors making for a decline in total deposits would be the reverse of the above. An increase in currency in circulation, a decrease in loans by the banks, an outflow of gold from the country, retirement of the debt at a faster rate than cashing-in by the public, and a net absorption of debt by the public from the banks—all of these would tend to decrease the total demand deposits. It is difficult to say with certainty whether the factors making for an increase will be more powerful than those making for a decrease, but on balance such an outcome is not unlikely.

Thus far we have dealt only with the total of demand deposits. Even should the total increase, there may still be important shiftings of deposits between communities, so that some will lose and others will gain. In the war period the rate of deposit increase has not been uniform throughout the country: the greatest relative increases have been experienced by those communities where disbursment of income, directly or indirectly connected with war activity, has been the greatest. In the postwar period, those communities which are able to maintain or increase their income levels will gain deposits. Conversely those communities which are adversely affected by cessation of war and which are unable to re-establish profitable peacetime pursuits will lose deposits.

Demand deposits in any particular community after the war will be intimately connected with the general business prosperity of that community. A high level of investment and income will materially ease the problem of management for banks taken as a whole. But the shift to peacetime production is bound to create shifts in income and deposits between particular communities, and to that extent particular banks will be affected differently, depending on their surrounding business conditions. Aside from the level of national income, there are likely to be important changes in the composition of the national product that will affect particular communities. The postwar period is likely to witness a decline in the relative importance of heavy industries and a rise in the relative importance of consumer goods industries, especially durable consumer goods. In addition, even should national income remain high, agricultural income may constitute a smaller proportion of total income than it has in the war period, once foreign demand for relief and rehabilitation has abated. Changes in the composition of total income, and shifts between communities, will be highly important to particular communities and their banks, whether or not the total of demand deposits should increase.

BUSINESS INDEXES -- FIFTH FEDERAL RESERVE DISTRICT

1935-39=100)

	ADJUSTED						NOT ADJUSTED					
	Nov. 1943	Oct. 1943	Sept. 1943	Nov. 1942	Nov. 1943 % chg from Last Mo.	Nov. 1943 % chg from Last Year	Nov. 1943	Oct. 1943	Sept. 1943	Nov. 1942	Nov. 1943 % chg. from Last Mo.	Nov. 1943 % chg. from Last Year
BANK DEBITS	197	197	239	184	0	+ 7	200	210	230	179	— 5	+12
DEPT. STORE SALES	215	191	193	187	+ 13	+ 15	252	212	208	220	+19	+15
DEPT. STORE INVENTORIES	155	165	177	161	— 6	— 4	185	190	189	192	— 3	— 4
ELECTRIC POWER PROD.	217	216	220	193	0	+ 12	214	215r	210	190	0	+13
CIGARETTE PRODUCT.—5th DIST.	194	182	174	165	+ 7	+ 18	194	186	181	158	+ 4	+23
LIFE INS. SALES	120	120	138	84	0	+ 43	122	119	122	85	+ 3	+44
BITUMINUOUS COAL PROD.	124	142	150	148	— 13	— 16	127	147	154	140	—14	— 9
BUILDING CONTRACTS	207	163	134	442	+ 27	— 53	178	152	133	381	+17	—53
BUILDING PERMITS	50	64	36	43	— 22	+ 16	44	57	38	38	—23	+16
COTTON CONSUMPTION	153	146	154	161	+ 5	— 5	161	154	162	163	+ 5	— 1
FURNITURE ORDERS	184	117	95	169	+ 57	+ 9	183	100	115	161	+83	+14
FURNITURE SHIPMENTS	142	112	116	164	+ 27	— 13	141	137	153	156	+ 3	—10
FURN. UNFILLED ORDERS	452	381	307	591	+ 19	— 24	405	371	425	509	+ 9	—20
WHOLESALE TR.—5 LINES	174	176	159	154	— 1	+ 13	176	187	181	150	— 6	+17
Drugs	193	213	205	180	— 9	+ 7	197	217	215	177	— 9	+11
Dry Goods	110	136	124	138	— 19	— 20	143	184	194	173	—22	—17
Groceries	187	186	167	154	+ 1	+ 21	187	193	185	148	— 3	+26
Hardware	113	115	105	128	— 2	— 12	117	128	122	126	— 9	— 7
Shoes	239	191	174	290	+ 25	— 18	172	205	254	200	—16	—14

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FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	January 12 1944	Change in Amount from 12-15-43	Change in Amount from 1-13-43
Total Gold Reserves	$1,143,180	+ 80,499	+162,837
Other Reserves	23,542	+ 5,562	+ 597
Total Reserves	$1,166,722	+ 86,061	+163,434
Bills Discounted	2,210	— 1,440	+ 2,003
Industrial Advances	233	— 3	— 443
Gov't Securities, Total	$ 584,909	— 30,676	+241,127
Bonds	110,902	— 18,880	— 57,718
Notes	46,000	— 9,287	— 35,316
Certificates	170,647	— 7,918	+107,712
Bills	257,360	+ 5,409	+226,449
Total Bills & Securities	$ 587,352	— 32,119	+242,687
Uncollected Items	$ 117,544	— 39,279	+ 14,941
Other Assets	$ 21,649	+ 5,332	— 2,263
Total Assets	$1,893,267	+ 19,995	+418,799
Fed. Res. Notes in Cir.	$1,137,937	+ 12,146	+358,628
Deposits, Total	$ 636,912	+ 28,471	+ 49,213
Members' Reserves	530,985	+ 8,406	+ 3,617
U. S. Treas. Gen. Acct.	48,363	+ 24,593	+ 30.148
Foreign	54,101	— 3,885	+ 22,700
Other Deposits	3,463	— 643	— 7,252
Deferred Availability Items	$ 98,933	— 20,761	+ 8,411
Other Liabilities	$ 217	— 129	— 163
Capital Accounts	$ 19,268	+ 268	+ 2,710
Total Liabilities	$1,893,267	+ 19,995	+418,799

41 REPORTING MEMBER BANKS—5TH DISTRICT

(All Figures in Thousands)

ITEMS	January 12 1944	Change in Amount from 12-15-43	Change in Amount from 1-13-43
Total Loans	$ 276,171	+ 717	+ 6,302
Bus. & Agric. Loans	131,332	— 2,697	— 1,899
Real Estate Loans	50,167	+ 588	— 729
All Other Loans	94,672	+ 2,826	+ 8,950
Total Security Holdings	$1,291,367	— 50,710	+299,286
U. S. Treas. Bills	100,660	— 31,292	+ 3,617
U. S. Treas. Certificates	254,895	— 10,849	+126,113
U. S. Treas. Notes	168,580	— 175	+ 49,519
U. S. Gov. Bonds	674,353	+ 5	+147,610
Obligations Gov. Guaranteed	38,419	— 6,784	— 13,116
Other Bonds, Stocks & Sec.	54,460	— 1,615	— 14,457
Cash Items in Process of Col.	$ 86.391	— 12,553	+ 3,936
Due From Banks	$ 151,991*	— 6,691	— 35,459
Currency & Coin	$ 37,007	— 474	+ 2,366
Reserve with F. R. Bank	$ 287,154	+ 9,707	— 25,051
Other Assets	$ 64,776	— 891	+ 8,957
Total Assets	$2,194,857	— 60,895	+260,337
Total Demand Deposits	$1,769,352	— 63,463	+223,915
Deposits of Individuals	1,075,387	— 19,584	+169,963
Deposits of U. S. Gov.	206,272	— 23,912	+ 91,263
Deposits of State & Local Gov.	79,020	+ 3,543	— 9,010
Deposits of Banks	392,891	— 11,823	— 29,388
Certified & Officers' Checks	15,782	— 11,687	+ 1,087
Total Time Deposits	$ 248 176	+ 5,560	+ 31,081
Deposits of Individuals	231,549	+ 5.660	+ 27,677
Other Time Deposits	16,627	— 100	+ 3,404
Liabilities for Borrowed Money	$ 0	— 1,500	0
All Other Liabilities	$ 66,273	— 398	+ 352
Capital Account	$ 111,056	— 1,094	+ 4.989
Total Liabilities	$2,194,857	— 60,895	+260,337

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	Dec. 31, 1943	Nov. 30, 1943	Dec. 31, 1942
Total Deposits	$258,926,658	$256,586,779	$231,298,960

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina	S. Carolina	Virginia	District
December 1943	227,009	179,361	19,714	426,084
November 1943	230,627	176,086	20,695	427,408
December 1942	242,454	184,090	21,227	447,771
12 Months, 1943	2,789,998	2,136,682	248,386	5,175,066
12 Months, 1942	2,901,201	2,232,437	264,943	5,398,581

DEBITS TO INDIVIDUAL ACCOUNTS

000 omitted

	Dec. 1943	% Change from Dec. 1942	12 Mos. 1943	% Change from 12 mos. '42
Dist. of Columbia				
Washington	$ 517,378	+ 4	$ 5,086,702	+ 9
Maryland				
Baltimore	808,492	+10	7,351,280	+17
Cumberland	13,518	+14	124,425	+14
Frederick	12,186	+ 2	78,069	..
Hagerstown	18,625	+18	176,101	+ 7
North Carolina				
Asheville	25,580	+ 6	231,652	+10
Charlotte	123,922	—12	1,489,036	— 8
Durham	76,967	+48	702,288	+13
Greensboro	35,829	— 2	336,279	+15
Kinston	7,573	— 5	82,408	..
Raleigh	57,400	0	653,488	— 4
Wilmington	37,259	+ 7	351,409	+26
Wilson	8,909	+37	119,136	..
Winston-Salem	73,521	— 8	726,923	..
South Carolina				
Charleston	41,010	+ 2	409,638	+15
Columbia	55.850	— 1	557,856	+ 8
Greenville	38,346	— 9	407,371	+11
Spartanburg	21,719	0	226,652	+ 9
Virginia				
Charlottesville	14,482	+ 9	88,855	..
Danville	24,814	+30	204,770	+ 3
Lynchburg	24,293	+ 4	227,898	+ 6
Newport News	28,843	— 3	284,341	..
Norfolk	136,984	+ 3	1,287,833	..
Portsmouth	18,209	— 2	150,958	..
Richmond	349,618	+ 4	3,085,853	..
Roanoke	41,863	— 5	428,133	..
West Virginia				
Bluefield	27,931	+16	160,984	..
Charleston	94,270	+ 4	830,202	+11
Clarksburg	17,412	+19	104,306	..
Huntington	32,437	+ 5	299,812	+ 8
Parkersburg	16,022	+ 7	154,496	+12
District Totals	$2,801,262	+ 5	$26,419,154	..

Cumulative figures for 12 cities not comparable with 1942 data.

COMMERCIAL FAILURES

PERIODS	Number of Failures District	Number of Failures U. S.	Total Liabilities District	Total Liabilities U. S.
December 1943	2	145	$ 5,000	$ 2,055,000
November 1943	2	155	110,000	2,402,000
December 1942	18	506	192,000	6,950,000
12 Months, 1943	47	3,021	$1,105,000	$ 45,339,000
12 Months, 1942	294	9,405	4,390,000	100,763,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	Dec. 1943	Dec. 1942	Aug. 1 to Dec. 31 1943	Aug. 1 to Dec. 31 1942
Fifth District States:				
Cotton consumed	426,084	447,771	2,102,755	2,230,436
Cotton Growing States:				
Cotton consumed	749,456	810,242	3,741.050	4,073,208
Cotton on hand Dec. 31 in				
Consuming establishments	2,101,199	2,150,451	.....	.....
Storage & compresses	12,443,511	13,290,198	.....	.....
United States:				
Cotton consumed	852,016	935,870	4,271,407	4,706,523
Cotton on hand Dec. 31 in				
Consuming establishments	2,400,170	2,549,911	.....	.....
Storage & compresses	12,649,909	13,573,163	.....	.....
Spindles active	22,596,322	22,923,406	....	.....

RAYON YARN DATA

	Dec. 1943	Nov. 1943	Dec. 1942
Rayon Yarn Shipments Lbs.	43,200,000	42,900,000	41,000,000
Staple Fiber Shipments, Lbs.	14,500,000	13,900,000	13,200,000
Rayon Yarn Stocks, Lbs.	6,100,000	7,200,000	8,700,000
Staple Fiber Stocks, Lbs.	1,800,000	2,600,000	3,300,000

Source: Rayon Organon.

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BUILDING PERMIT FIGURES

Fifth Federal Reserve District

December 1943 and 1942
and
Annual Valuation, 1943 and 1942

	Dec. Valuation Figures 1943	Dec. Valuation Figures 1942	Annual Valuation Figures 1943	Annual Valuation Figures 1942
Maryland				
Baltimore	$1,076,640	$ 574,730	$12,787,743	$20,313,583
Cumberland	1,050	5,475	304,773	166,085
Frederick	2,652	1,715	36,157	83,215
Hagerstown	68,967	15,825	445,968	844,623
Salisbury	4,830	4,121	84,584	373,791
Virginia				
Danville	5,755	2,664	105,337	317,332
Lynchburg	5,226	7,042	74,301	413,344
Norfolk	102,928	826,399	2,973,978	8,172,783
Petersburg	60,000	0	64,740	74,572
Portsmouth	31,905	4,325	3,419,488	1,346,292
Richmond	55,958	46,152	1,375,567	3,153,564
Roanoke	7,465	7,683	153,943	520,004
West Virginia				
Charleston	14,235	8,757	280,932	682 836
Clarksburg	175	300	25,621	98,836
Huntington	190	923	196,223	873,950
North Carolina				
Asheville	4,410	1,675	130,475	135,960
Charlotte	30,400	9,571	274,811	1,188,770
Durham	32,030	6,825	455,928	1,451,693
Greensboro	8,178	4,189	125,839	634,544
High Point	14,321	10,075	274,384	369,647
Raleigh	465	1,570	182,539	628,612
Rocky Mount	200	650	16,565	112,265
Salisbury	585	1,975	54 052	149,779
Winston-Salem	29,598	44,953	343,754	894,527
South Carolina				
Charleston	102,358	490,380	1,224,004	1,824,866
Columbia	20,035	3,615	223,288	1,354,458
Greenville	11,350	5,150	128,529	756,034
Spartanburg	8,575	13,681	284,547	568,154
Dist. of Columbia				
Washington	921,452	480,388	19,278,051	30,994,700
District Totals	$2,621,933	$2,580,808	$45,326,121	$78,498,819

CONSTRUCTION CONTRACTS AWARDED

STATES	Nov. 1943	% chg. from Nov. 1942	11 Mos. 1943	% chg. from 11 Mos. '42
Maryland	$ 9,529,000	— 50	$ 97,735,000	—54
Dist. of Col.	4,669,000	+ 21	30,929,000	—70
Virginia	14,847,000	— 14	162,483,000	—56
West Virginia	353,000	— 97	16,674,000	—74
No. Carolina	7,550,000	— 81	86,138,000	—44
So. Carolina	6,862,000	+222	49,202,000	—51
Fifth District	$43,810,000	— 53	$443,161,000	—56

TOBACCO MANUFACTURING

	Dec. 1943	% Change from Dec. 1942	12 Mos. 1943	% Change from 12 Mos. '42
Smoking — chewing tobacco (Thousands of lbs.)	21,980	+ 9	259,588	— 7
Cigarettes (Thousands)	22,799,081	+16	257,737,351	+ 9
Cigars (Thousands)	403,858	—41	5,161,241	—17
Snuff (Thousands of lbs.)	3,849	— 3	46,047	+12

AUCTION TOBACCO MARKETING

STATES	Producers' Tobacco Sales, Lbs. Dec. 1943	Dec. 1942	Price per hundred 1943	1942
No. Carolina (Flue-cured)	13,710,026	2,697,762	$38.53	$35.71
(Burley)	3,919,720	3,431,440	49.44	41.16
No. Carolina, Total	17,629,746	6,129,202	40.76	38.76
Virginia (Flue-cured)	9,740,020	1,345,222	39.21	35.50
(Fire-cured)	1,302,438	2,896,506	26.69	16.61
(Burley)	6,899,772	5,105,355	48.83	43.89
(Sun-cured)	165,226	430,520	39.92	18.95
Virginia, Total	18,107,456	9,777,603	41.98	33.56
District Total, December	35,737,202	15,906,805	41.38	35.56
N. C. season to 12-31	528,889,243	556,413,042	40.76	39.49
Virginia season to 12-31	109,580.025	99,262,078	41.55	41.19
S. C. entire season	77,588,742	87,385,846	38.86	37.37
District, season to 12-31	716,058,010	743,060,966	40.68	39.47

Note: Season sales include figures for markets closed prior to December.

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Dec. 1943	% change from Dec. 1942	12 Mos. 1943	% change from 12 Mos. '42
West Virginia	13,836	+ 4	158,356	+ 1
Virginia	1,756	+11	19,620	— 1
Maryland	144	+20	1,747	— 8
5th District	15,736	+ 5	179,723	+ 1
United States	52,600	+ 6	589,000	+ 2
% in District	30	..	31	..

RETAIL FURNITURE SALES

STATES	Percentage Changes in Dec. and 12 Months 1943 Compared with December 1942	Compared with 12 Mos. 1942
Maryland (5)*	—23	—20
Dist. of Columbia (4)*	— 3	—13
Virginia (27)*	— 8	— 1
West Virginia (11)*	— 2	+ 4
North Carolina (19)*	— 6	+ 6
South Carolina (14)*	—11	— 5
Fifth District (80)*	—10	— 7
Individual Cities		
Baltimore, Md. (5)*	—23	—20
Washington, D. C. (4)*	— 3	—13
Danville, Va. (3)*	+22	+11
Lynchburg, Va. (3)*	—11	—11
Richmond, Va. (7)*	—10	+ 9
Charleston, W. Va. (4)*	—18	— 1
Charlotte, N. C. (5)*	—19	— 1
Winston-Salem, N. C. (3)*	+11	+15
Columbia, S. C. (4)	—11	— 3

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Dec. 1943 sales, compared with sales in Dec. 1942:	+ 6	+ 3	— 2	+ 16	+ 3
Percentage change in 12 months' sales, compared with 12 mos. in 1942:	+ 20	+ 10	+ 5	+ 25	+ 11
Change in stocks on Dec. 31, 1943, from stocks on Dec. 31, 1942:	+ 1	+ 6	— 6	+ 3	0
Change in outstand'g orders Dec. 31, 1943, from orders on Dec. 31, '42:	+ 54	+ 53	+108	+108	+ 79
Change in receivables, Dec. 1, 1943 compared with December 1, 1942:	+ 4	— 2	— 16	0	— 8
Percentage of current receivables as of Dec. 1, 1943, collected in Dec.:	58(63)	54(55)	60(58)	60(60)	57(58)
Percentage of instalment rec'v'bles as of Dec. 1, 1943, collected in Dec.:	35(33)	36(32)	25(21)	36(27)	29(24)

Note: 1942 collection percentages in parentheses.

	Maryland	Dist. of Col.	Virginia	West. Va.	N. Carolina	S. Carolina
Percentage change in Dec. 1943 sales from Dec. 1942 sales, by States:	+ 3	— 2	+ 8	+ 9	+ 9	+11
Percentage change in 12 mos.' sales, 1943, compared with 12 mos. in '42:	+10	+ 5	+18	+12	+21	+25

WHOLESALE TRADE, 204 FIRMS

LINES	Net Sales Dec. 1943 compared with Dec. 1942	Net Sales Dec. 1943 compared with Nov. 1943	Stocks Dec. 31, 1943 compared with Dec. 31 1942	Stocks Dec. 31, 1943 compared with Nov. 30 1943	Ratio Dec. collections to acc'ts outstand'g Dec. 1
Auto Supplies (13)*	— 6	— 1	— 11	0	104
Drugs & sundries (8)*	+26	+ 5	..	..	108
Dry Goods (6)*	— 6	—33	— 25	+25	83
Electrical goods (9)*	— 5	— 7	— 45	—10	76
Groceries (61)*	+ 8	— 4	+ 7	— 1	157
Hardware (11)*	+11	—12	0	+ 8	98
Industrial supplies (8)*	+40	— 1	— 10	+ 2	99
Paper & products (9)*	+10	— 4	— 11	+ 7	90
Tobacco & products (5)*	— 7	— 2	..	..	..
Miscellaneous (74)*	0	— 1	+ 9	+12	126
District Average (204)*	+ 4	— 6	— 6	+ 7	107

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

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SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial activity declined slightly in December from the record levels reached in preceding months. Prices of commodities at retail showed little change and distribution was maintained in large volume.

Industrial Production

The Board's seasonally adjusted index of industrial production, which had been at 247 per cent of the 1935-39 average in October and November, declined to 245 in December, reflecting largely decreases in output of steel and chemicals.

Steel production dropped 6 per cent in December to the same rate as in December 1942. Output for the year, however, totaled 88.9 million tons, which was 2.8 million tons larger than the year before. Activity in the transportation equipment and machinery industries was maintained in December at a high level. The number of aircraft accepted during the month was slightly larger than in November and was at approximately the average monthly rate scheduled for 1944. The average weight of planes to be produced, however, will continue to increase. Deliveries of merchant vessels in December were the largest on record, bringing the total for the year to 19,238,626 deadweight tons, as compared with 8,089,732 tons in 1942. Lumber production in the last two months of 1943 was above the level of a year ago in contrast to the first 10 months of 1943 when output averaged 10 per cent below the same period in 1942.

Activity in the chemical industry declined 5 per cent in December, reflecting a large reduction in output of small arms ammunition in accordance with plans of the armed forces. Cotton consumption declined further in December to a level 13 per cent below December 1942. Newsprint consumption declined seasonally. Further restrictions on its use, as well as on the use of printing paper in books and magazines, were made effective January 1, 1944, owing to inadequate supplies of pulpwood. Output in the petroleum refining and rubber products industries increased further.

Crude petroleum production showed little change in December and output of coal was restored to a high level. Bituminous coal production for the year exceeded 1942 output by 1.6 per cent. Iron ore production continued to decline seasonally in December and output for the year was approximately 4 per cent below 1942.

The value of construction contracts awarded in December, according to reports of the F. W. Dodge Corporation, was greater than in recent months, reflecting mainly increased Federal awards for manufacturing and other nonresidential buildings.

Distribution

December department store sales were slightly larger than a year ago and combined with November sales were 11 per cent larger than in the corresponding months last year. For the year 1943 total value of sales reached a new peak—about 12 per cent larger than 1942 and 55 per cent larger than 1939. Sales during the first two weeks of January were about the same as last year.

Railway freight traffic in December and the first part of January was unusually heavy for this season. For 1943 total freight carloadings were about the same as in 1942. Shipments of grain and livestock averaged about 20 per cent above 1942, while loadings of ore, forest products, and less-than-carload-lot freight averaged 8 per cent lower.

Commodity Prices

Wholesale prices of agricultural and industrial commodities showed little change from the middle of December to the middle of January and the general index of the Bureau of Labor Statistics remained at 103 per cent of the 1926 average.

Retail food prices declined slightly from mid-November to mid-December, while other groups of cost-of-living items increased and the total index advanced .2 to 124.4 per cent of the 1935-39 average.

Bank Credit

During the latter part of December and the first two weeks of January excess reserves at all member banks were maintained at an average level close to 1.1 billion dollars. Purchases of Government securities by the Federal Reserve Banks offset the effect on reserves of increases in nonmember deposits at the Reserve Banks and the increase in currency in circulation. The System portfolio of Government securities increased by 900 million dollars in the five weeks ending January 19. After allowance for expected seasonal movements, currency in circulation increased less in December than in November but there was little post-Christmas return flow.

Loans and investments of reporting member banks in 101 leading cities, which had been decreasing steadily since late October, declined by an additional 620 million dollars during the five weeks ended January 19. A large part of the decline reflected sales of Government securities, principally Treasury bills, to the Federal Reserve Banks. Holdings of United States Government securities were reduced by 370 million dollars. Total loans declined by 230 million dollars, representing reductions in loans to banks, in commercial and industrial loans, and in "other" loans, mainly instalment credit. Adjusted demand deposits, which had increased sharply from the middle of October to the middle of December, declined somewhat over the year-end, but increased again in the first half of January. United States Government deposits at banks continued to decline.

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