

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

March 31, 1944

Business in February 1944

THERE was small improvement in the levels of most of the District's business indicators between January and February, but this is scarcely a sufficient basis for a statement of the probable trend. Seasonally adjusted indexes of department store sales and bank debits, however, are still in an apparent rising trend, with their rates of rise crowning over in a much slower manner than had seemed apparent in much of the year 1943. The bituminous coal production index in February, 1944, was exceeded in only one month of 1943. This index gives evidence that if the manpower supply stabilizes the year's production can be as good and possibly a little better than last year.

Cigarettes withdrawn from Fifth District warehouses for domestic consumption receded somewhat further in February from the already reduced level of January. February output was apparently affected for one or two days at the end of the month by a work stoppage at one factory in Durham, N. C. The March cigarette output will also be affected by this work stoppage, which lasted through March 17. The annual report of one of the large tobacco companies says that restrictive influences in the cigarette production outlook arise from lack of available manpower rather than tobacco shortages.

Though moderate improvement from January was

shown in the February index of cotton consumption, the trend is still downward. Wage increases up to 7½ cents an hour have been permitted by the War Labor Board for a number of the District's textile mills, but in some cases increased wages will not become effective unless price ceilings are raised. It is generally reported in the press that a 48-hour week is under consideration for the cotton textile industry by the War Production Board in view of persistent decline in production. Insofar as an actual shortage of workers is a factor in the reduced production, adoption of a 48-hour week would improve the situation. If unbalance in equipment or unprofitable selling prices is of any importance in having lowered cotton textile output, a 48-hour week might not compensate for such losses.



Cut-backs in the production of trainer aircraft seem likely to reduce employment in at least one of the District's plants, while the Morganton, N. C., plant of the National Carbon Company has started a plan for the gradual cessation of operations, the cessation to be complete by July, when the entire plant will be shut down.

The reduction in U-boat warfare has found its reflection in the District's shipyard repair work. As a result of the lowered level of repair work, many workers have left such areas as Baltimore and

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100
Seasonally Adjusted

	Feb. 1944	Jan. 1944	Dec. 1943	Feb. 1943	% Change Feb. 1944 from	
					Jan. 44	Feb. 43
Bank Debits	212	197	191	184	+ 8	+15
Bituminous Coal Production*.....	152	148	147	150	+ 3	+ 1
Building Contracts Awarded.....	122	150	151	292	-19	-58
Building Permits Issued.....	23	21	50	27	+10	-15
Cigarette Production	153	158	193	165	- 3	- 7
Cotton Consumption*	151	148	147	164	+ 2	- 8
Department Store Sales.....	210	208	187	231	+ 1	- 9
Department Store Stocks.....	176	179	166	149	- 2	+18
Life Insurance Sales.....	128	121	112	101	+ 6	+27
Wholesale Trade—Five Lines.....	181	184	173	185	- 2	- 2

*Not seasonally adjusted

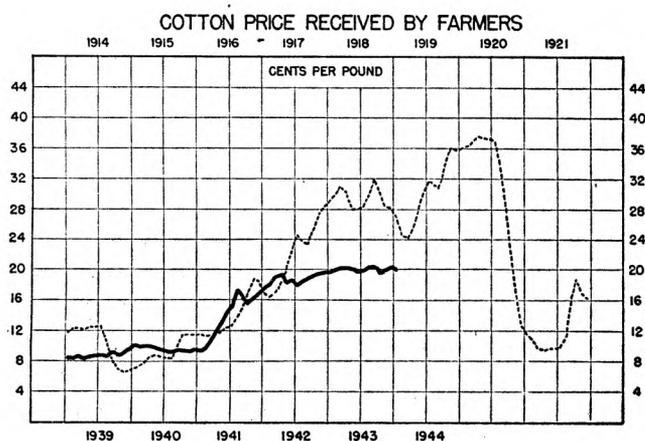
Hampton Roads and returned to their homes, when they could have been used in other yards of the areas. From two to three thousand additional workers are needed at the Norfolk Navy Yard, but despite the efforts of fifteen recruiting crews, the number on the Yard's payroll continues to drop. Deliveries of merchant ships from the District's yards in February improved notably from the January level. In February, 1944, twenty-three vessels were delivered to the Maritime Commission, compared with seventeen vessels in January.

Low temperatures on two occasions in March are not believed to have caused any important damage to fruit crops such as occurred last year. The change in the farm labor Selective Service exemption status is expected to be reflected in a smaller planted acreage of some crops and the abandonment of larger

than normal acreage before harvest. Yet, intentions point to a flue cured tobacco acreage increase of 17 per cent from last year. March rainfall seems to have damaged the potato crop considerably and has delayed preparations for spring planting. Blue mold has been observed in some tobacco beds, but in no greater extent than usually occurs.

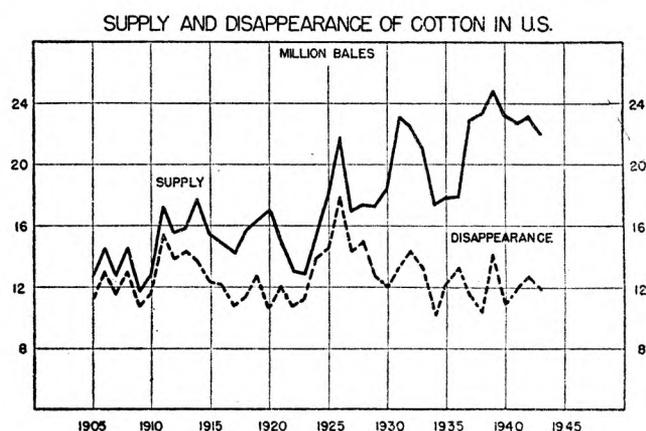
The National Association of Tobacco Distributors has gone on record favoring the establishment of a "floor" as well as a ceiling on leaf tobacco. Tobacco growers' organizations are overwhelmingly in favor of preserving the quota system, which faces suspension because of a dearth in supply. Thus it would appear that there is considerable support for continuation of a large measure of control in the growth and marketing of tobacco.

Cotton Prices in the World Wars



At the outbreak of World War I, in August, 1914, raw cotton at the farm was selling for 10.6 cents a pound and by November of that year it had fallen to 6.6 cents. In the two previous years cotton prices had ranged between 11 cents and 13 cents a pound, but the disappearance of domestically produced cotton in those two previous years also had been some half million bales larger than in the first of the war years. In fact the cotton year of 1914-15 saw the largest disappearance of domestically produced cotton that was to occur for the ensuing decade. This was because the loss in exports in the war years more than offset the gain in domestic consumption. Furthermore, it was fully 5 years following the termination of the first World War before material recovery had occurred in cotton exports.

The carryover of cotton in years prior to the 1914-15 season had generally run between $1\frac{1}{4}$ and $1\frac{3}{4}$ million bales, but as of July 31, 1915, one year after war had been in progress, the carryover amounted to 3.9 million bales, which resulted largely because of an increase in the crop that year. In the next two years the cotton carryover declined $1\frac{1}{4}$ million bales. Production and disappearance had both trended downward during these two years, but the fall in the carryover resulted from production falling more than disappearance. Cotton prices in the two crop years



1915 and 1916 rose 16.2 cents a pound, or 52 per cent of the overall rise of 30.9 cents from the low point of 6.6 cents in November, 1914, to the high point of 37.5 cents in April, 1920.

Although the carryover of cotton during the season of 1917 increased nearly a million bales, as a result of a greater decline in cotton disappearance than in the supply, prices continued to rise and by March, 1918, had increased 24.4 cents a pound, a rise equal to 79 per cent of the overall war and post-war rise of 30.9 cents. The success of the allied armies in breaking the Hindenburg Line in the spring of 1918 stayed the cotton price rise through the summer of that year and the anticipation of a successful conclusion of the war resulted in a setback in cotton prices that lasted through March, 1919. From this point until April, 1920, cotton prices at the farm rose 13.3 cents to the peak monthly level of 37.5 cents in April, 1920. The deflation that occurred in cotton prices between July, 1920, and April, 1921, brought them back to within 2.8 cents of the lowest level prevailing in 1914.

As has been characteristic of raw materials prices, the price of cotton rose and fell much more violently in this period under review than did the prices of all farm products. Cotton prices, as was previously pointed out, rose 468 per cent between November 15,

1914, and April, 1920, whereas all farm commodities rose 142 percent in the same period. The decline in cotton prices that ensued in the depression of 1921 carried them 75 percent below the 1920 peak level, while the prices of all farm commodities fell 52 percent in that depression.

In most of the period between World Wars I and II, cotton was in an unbalanced supply-demand position. Although production of cotton in the United States by the middle of the 1920's had recovered to a level that had prevailed in the four years prior to 1914, disappearance of the available supply into domestic consumption and export did not keep pace, and as a result the carryover, which amounted to only 1½ million bales on August 1, 1924, trended mainly upward to 13 million bales on August 1, 1939.

The primary cause of the upward trend in the domestic cotton carryover was the persistent downward trend in cotton exports. In the 1926-27 crop year exports of American cotton had reached the 10 million bale level that prevailed in the best prewar year 1911, and in the crop years 1931 through 1933 they had held between 8 and 9 million bales annually. In each of these years the domestic price of cotton had experienced a substantial decline, both in dollars and relative to foreign growths.

The advent of parity price concepts and adoption in 1934 of policy to implement such concepts, however, adversely affected the competitive position of American cotton in the world markets. Cotton exports in the five years before the outbreak of World War II averaged only 5,027 thousand bales compared with 7,622 thousand in the five years 1929-33, and with 8,514 thousand bales in the five years 1924-28. Thus despite a moderate upward trend in domestic consumption of cotton between wars loss of exports resulted in the total disappearance showing a downward trend following the middle 1920's. In this period between wars the total supply of cotton available for domestic consumption and export trended sharply upward. While the total world consumption of cotton outside the United States rose in a constantly increasing trend, these requirements were supplied by increased production in India, Brazil, China and to some extent in Russia.

Thus at the outbreak of World War II, the supply of American cotton available for domestic consumption and export of nearly 25 million bales was close to two full years of then existing requirements domestic and foreign. Foreign markets for American cotton quickly dried up because of a lack of shipping facilities, but domestic mills stepped up their rate of cotton usage which partly compensated for the export loss.

Domestic production of cotton has not been pushed by the War Food Administration as a needed crop of war. Cotton acreage allotments in the war years have consistently run well above the level that growers have been willing to plant. Domestic production, therefore, in the current war years has not equaled the disappearance and the carryover has been reduced about 2 million bales.

At the beginning of the 1943-44 crop year, how-

ever, there was still an amount of domestically produced cotton on hand nearly equal to the domestic consumption of the previous year. Acreage allotments for the current year are about the same as those harvested last year, and there is no reason to believe at this time that planted acreage will be materially different from last year. Given a normal growing season the American cotton carryover will not be greatly different a year hence than at the present time.

Cotton prices at the beginning of World War II were approximately at the same levels as at the beginning of World War I. For the first two and a half years of the second World War cotton prices closely approximated the rising pattern that was set in the first World War. In the current war to date, however, cotton prices have doubled, which was about the same increase as the average of all farm prices, whereas in World War I cotton prices rose 468 percent while the average of all farm commodities was increasing 142 percent. During the first World War, despite the fact that the cotton carryover was increasing, the cotton supply was held in private hands, domestic demand was increasing rapidly and no price regulation was present to restrain the upward move. In World War II, however, the very large carryover in existence has been a persistent restraint to rising cotton prices, and only through the establishment of supports by the Government was it possible to effect the rise in cotton prices that has been recorded. Domestic cotton production is now running about the same level as disappearance, and little prospect appears for any important reduction in the large carryover in the coming year.

World cotton production has been in a downward trend since the war began, but despite this fact stocks of foreign grown cotton have risen substantially, and these stocks will act as a restraint on United States postwar exports. The very large growth in synthetic fiber production in Axis countries is expected to work against the postwar use of cotton in those countries, but the extent to which this factor will be applicable must depend in part on the availability of foreign exchange to those countries. Furthermore, it will likely take some time before the economies of many of the world nations can create a sufficient income to cover primary necessities and be in a position to trade for large volumes of textiles despite the very great need that will be present. Lend-lease policy on the other hand could eliminate the burdensome domestic carryover in a reasonably short time.

Thus the outlook for cotton prices in the immediate years ahead would seem to be largely a function of national policy. If that policy be to include cotton under a liberal lend-lease program the price might very well be maintained or rise notably if rising tendencies prevail in commodities generally. If the policy be one of support through loans, American cotton will in all probability continue to be priced out of the world market. Such a price relationship would reduce the market of the American cotton producer largely to the United States. Without further controls on domestic cotton production it is

probable that a crop of anywhere between 12 and 15 million bales would be produced yearly. Domestic consumption in normal years never exceeded 8 million bales. Therefore a price support through loans would build up loan stocks more or less continuously, which would necessitate other policies to deal with the surplus, or sooner or later require further control

of production. The purpose of this brief discussion is to indicate the position confronting the cotton growing industry in the immediate years following the war. The economic and sociological implications, at home and abroad, of the adoption of any one of numerous possible policies are reserved for more intensive study.

The Fourth War Loan in the Fifth Federal Reserve District

Investors in the Fifth Federal Reserve District, other than commercial banks, purchased \$880,996,000 of government securities offered in the Fourth War Loan, an amount 9 per cent below the \$972,374,000 purchased in the Third War Loan. Commercial bank purchases for their own account, which in the Fourth War Loan were limited to 10 per cent of their savings deposits or a maximum of \$200,000, totaled \$53,069,000, but these were not included in the quotas.

Fourth War Loan sales to non-bank investors in the Fifth District accounted for 5.27 per cent of the United States total. This District accounted for 5.13 per cent in the Third War Loan; 4.43 per cent in the Second; and 4.34 per cent in the First. This progressive increase in the District's proportion of non-bank sales is somewhat surprising, particularly in the Third and Fourth Loans. It is a matter of record that the Fifth District's income had increased considerably faster than the United States total income in the war years through 1942, but this tendency appears to have been checked around the middle of 1943. Thus the rising trend in the District's percentage of the United States purchases has been made in spite of the decline in the District's proportion of the total national income.

Strong emphasis was placed on sales to individuals, partnerships and personal trust accounts in the Fourth War Loan. It is interesting to note that sales to these investors accounted for 41.3 per cent of the District's total sales to non-bank investors, compared with 36.5 per cent in the Third War Loan, and with 35.5 per cent in the Second War Loan. Out of four major investor classes, individuals, etc., recorded the only increase in amount sold in the Fourth War Loan compared with the Third War Loan, as the accompanying table shows:

**WAR LOAN SALES OF SECURITIES BY
TYPES OF NON-BANK INVESTORS**
Fifth Federal Reserve District

	Thousand Dollars			Per Cent of United States		
	Second	Third	Fourth	Second	Third	Fourth
Individuals, etc.	212,367	354,966	363,701	6.45	6.60	6.85
Savings banks & Ins. companies....	191,999	143,964	100,172	2.83	3.48	2.94
Dealers & Brokers	41,087	24,298	18,386	7.55	2.72	4.02
Others	241,301	449,151	398,737	4.00	5.26	5.26
Total	596,754	972,379	880,996	4.43	5.13	5.27

Notable shifts in demand for the various types of securities were in evidence in the Fourth War Loan as compared with the Third War Loan. Increases of approximately one-third were shown in sales of Certificates of Indebtedness and Series E War Savings Bonds. Series F and G Savings Bonds sales increased 16 per cent, but sales of these bonds to individuals, etc., were somewhat smaller. All other issues offered in the Fourth War Loan were sold in amounts from 11 to 66 per cent lower than comparable issues in the Third War Loan. Owing to the large number of buyers covered by the sales of Series E

Savings Bonds, the increasing trend in these sales takes more current spending money out of the pockets of those most likely to cause inflation than other types of securities.

Substantial decreases occurred in Fourth War Loan sales of $2\frac{1}{4}$ per cent and $2\frac{1}{2}$ per cent bonds from comparable issues offered in the Third War Loan. Decreases were particularly marked in sales to individuals. With commercial banks not permitted to own the $2\frac{1}{4}$'s and $2\frac{1}{2}$'s of the Fourth War Loan it appeared improbable to buyers that these bonds would offer an opportunity for a quick turnover profit. Thus the possibility of "free riding" the market in these issues was poorer in the Fourth War Loan than in the Third. No doubt this factor played an important part in decreasing the amount of these securities sold. The inability of commercial banks to own the $2\frac{1}{4}$'s and $2\frac{1}{2}$'s may also have found reflection in the tripling of sales of Certificates of Indebtedness to individuals. The extent to which these individual purchases were made for quick resale should be evident in the next several weeks by their appearance in bank portfolios.

The Fifth District accounted for 4.34 per cent of all securities sold in the First War Loan. This percentage has risen in each succeeding War Loan to a level of 5.27 per cent in the Fourth. Contributing notably to improvement were, in the main, rising proportions of the nation's total sales of Certificates of Indebtedness, Series E War Savings Bonds, medium-term bonds, and Tax and Savings Notes, though no one of these issues showed successively higher percentages through the four Drives. The District's proportion of all Series F and G Savings Bonds sold in the United States has been progressively downward since the First War Loan, despite the progressive increases in the dollar sales of these bonds. The District's proportion of $2\frac{1}{2}$ % bonds sold was lower in the Fourth War Loan than in any of the three previous Loans.

**WAR LOAN SALES OF GOVERNMENT SECURITIES
TO NON-BANK INVESTORS**
Fifth Federal Reserve District

	Thousand Dollars				Per Cent of United States Total			
	First	Second	Third	Fourth	First	Second	Third	Fourth
$\frac{3}{8}$ % Certificates	59,456	150,136	197,799	256,491	3.57	4.84	4.80	5.09
Bonds $1\frac{3}{4}$ % ; 2% ; $2\frac{1}{4}$ %	40,154	112,929	289,754	181,062	4.60	4.01	5.51	5.44
Bonds $2\frac{1}{2}$ %	70,153	108,908	133,289	45,245	2.47	2.89	3.53	2.36
Tax & Savings Notes	60,676	83,253	137,526	122,523	4.57	5.04	5.54	5.49
Savings Bonds, Series E	46,051	96,026	150,080	213,313	6.34	6.52	6.48	6.69
Savings Bonds, Series F & G	20,174	44,812	53,931	62,364	6.94	6.72	6.49	6.09
Total	296,664	596,754*	972,379	880,996	4.34	4.43	5.13	5.27

*Includes unallocated amount of \$690,960.

The Fifth District sales record in the Four War Loans (including Series E Bonds in the First), together with

the percentage of the District's contribution to the United States total, are shown by issues in the preceding table. Note the progressive increase in dollar sales in each War Loan of certificates and savings bonds.

The District of Columbia made the best record of any of the major political subdivisions of the Fifth District in the Fourth War Loan relative to the performance in the Third War Loan. Total sales in the District of Columbia increased 7 per cent from the Third to the Fourth Drive, but all of the States in the Fifth District recorded losses ranging from 5 to 19 per cent. The Fourth War Loan quota of the District of Columbia, moreover, was increased one per cent over that in the Third War Loan, whereas all of the State quotas in the District were reduced from 1 to 13 per cent. Relative to overall quotas, and including the sales for the entire State of West Virginia, the major subdivisions of the Fifth District in the Fourth War Loan placed in the following order among themselves. (The District rank in the Third War Loan is enclosed in parentheses): Maryland (2); North Carolina (5); West Virginia (1); Virginia (4); South Carolina (3); District of Columbia (6). Relative to quotas for sales of securities to individuals, partnerships and personal trust accounts, however, North Carolina led the District in accomplishment; whereas, relative to Series E Bond quotas, Virginia topped the Fifth District. The accompanying table shows the rank of Fifth District states and the District of Columbia among the states of the nation in the percentage of quota sold in the Fourth War Loan. Comparisons with the Third War Loan are shown where it was possible.

RANK OF FIFTH DISTRICT STATES IN THE NATION ACCORDING TO PERCENTAGE OF QUOTA SOLD

	Individuals, Partnerships & Personal Trust Accts.			Corporations, Associations, & Others		All Sales	
	Series E		Total	4th	3rd	4th	3rd
	4th	4th	3rd				
Maryland	31	16	19	6	2	3	2
Dis.t of Columbia	12	21	43	25	19	23	45
Virginia	11	18	38	14	9	13	17
West Virginia	19	17	2	9	3	7	1
No. Carolina.....	22	14	29	9	12	6	20
So. Carolina.....	25	18	39	19	8	18	15

The above table shows that each Fifth District state except West Virginia, bettered its rank in the Fourth War Loan over the Third in sales of securities to individuals, partnerships and personal trust accounts, but that North Carolina alone bettered its rank in sales to corporations, associations and other investors. In total Fourth Loan sales North Carolina's accomplishment relative to its

quota was the most marked. This state ranked sixth among the nations' 49 (counting the District of Columbia) in the Fourth War Loan, whereas its position was 20th in the Third War Loan. Improvement in rank with respect to total sales was also noted in the District of Columbia and Virginia, but the positions of the remaining states moved downward.

The 2¼% bonds constituted a smaller percentage of each of the Fifth District states' total non-bank sales in the Fourth War Loan than did the 2% bonds in the Third War Loan, and Fourth War Loan percentages of each state's total non-bank sales represented by 2½% bonds were lower in the Fourth than in the Third Loan. Virginia's sales of 7/8% Certificates of Indebtedness remained at 28.2 per cent of total non-bank sales in the Fourth Loan, but all other states increased their percentages of these securities. Maryland and the District of Columbia sold a larger percentage of Fourth War Loan securities in the form of Savings Notes than in the Third Loan, but similar percentages for the other states of the District were lower. All states in the District increased their proportions of total non-bank sales represented by each of the Savings Bonds E, F, and G Series.

The relative importance of the Series E, F, and G Savings Bonds in the composition of War Loan sales in the states of the Fifth District is given in the accompanying table which shows that 41.7 per cent of all Fourth War Loan sales in South Carolina were derived from purchases of these bonds, and that they were a third or more of total sales in three other states and the District of Columbia.

WAR LOAN SALES OF SERIES E, F & G SAVINGS BONDS AS A PERCENTAGE OF TOTAL SALES IN EACH STATE

	Second	Third	Fourth
Maryland	15.4	12.8	19.4
Dist. of Columbia.....	28.4	32.8	38.1
Virginia	29.7	26.6	37.4
West Virginia	19.9	19.9	32.9
No. Carolina	25.1	25.1	33.3
So. Carolina	32.6	30.6	41.7
District	23.6	22.1	31.3
United States	15.9	17.4	25.2

It should be noted that the Savings Bonds in each of the states of this District except Maryland are of considerably greater importance in the total sales of those states than in the United States as a whole. It is probably true that the lower relative importance of Savings Bonds in the entire country than in the Fifth District is due to the heavier concentration of financial and industrial organizations outside of this District whose purchases are largely marketable issues.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	March 15 1944	Chg. in 2-16-44	Amt. from 3-17-43
Total Gold Reserves.....	\$1,057,018	— 31,181	+ 30,566
Other Reserves	16,997	— 3,175	— 10,185
Total Reserves	\$1,074,015	— 34,356	+ 20,381
Bills Discounted	\$ 6,000	+ 3,870	+ 5,892
Industrial Advances	\$ 217	— 10	— 347
Govt. Securities, Total.....	\$ 651,134	+ 28,828	+ 302,336
Bonds	96,239	+ 15,900	+ 86,511
Notes	77,518	+ 15,300	+ 14,773
Certificates	190,089	+ 12,245	+ 79,152
Bills	287,288	+ 17,183	+ 244,922
Total Bills & Securities.....	\$ 657,351	+ 32,688	+ 307,881
Uncollected Items	\$ 148,122	+ 10,861	— 5,936
Other Assets	\$ 14,658	— 5,852	— 1,509
Total Assets	\$1,894,146	+ 3,341	+ 320,817
Fed. Res. Notes in Cir.....	\$1,163,465	+ 22,285	+ 352,555
Deposits, Total	\$ 586,181	— 34,054	— 25,841
Members' Reserves	523,821	— 5,428	— 46,248
U. S. Treas. Gen. Acc.....	1,037	— 25,596	+ 508
Foreign	57,750	— 570	+ 26,564
Other Deposits	3,573	— 2,460	+ 6,665
Deferred Availability Items.....	\$ 124,534	+ 14,820	— 7,516
Other Liabilities	\$ 326	+ 125	— 384
Capital Accounts	\$ 19,640	+ 165	+ 2,003
Total Liabilities	\$1,894,146	+ 3,341	+ 320,817

41 REPORTING MEMBER BANKS—5TH DISTRICT

(All Figures in Thousands)

ITEMS	March 15 1944	Chg. in 2-16-44	Amt. from 3-17-43
Total Loans	\$ 278,121	— 13,616	+ 16,936
Bus. & Agric. Loans.....	129,218	— 4,192	+ 3,012
Real Estate Loans.....	48,988	— 196	+ 2,492
All Other Loans.....	99,915	— 9,228	+ 16,416
Total Security Holdings.....	\$1,384,553	— 6,888	+ 322,396
U. S. Treas. Bills	129,414	— 2,890	+ 10,755
U. S. Treas. Certificates	244,445	+ 2,083	+ 112,551
U. S. Treas. Notes	217,260	+ 19,236	+ 86,338
U. S. Gov. Bonds	711,621	— 7,152	+ 173,128
Obligations Gov. Guaranteed..	25,637	— 17,978	— 29,040
Other Bonds, Stocks & Sec.....	56,181	— 187	— 9,826
Cash Items in Process of Col....	\$ 100,898	+ 6,767	+ 15,106
Due from Banks	\$ 127,520*	+ 22,858	+ 66,826
Currency & Coin	\$ 34,814	+ 954	+ 696
Reserve with F. R. Bank.....	\$ 278,474	+ 519	— 61,277
Other Assets	\$ 60,812	+ 928	+ 432
Total Assets	\$2,265,197	— 36,050	+ 227,463
Total Demand Deposits.....	\$1,834,198	— 45,023	+ 198,987
Deposits of Individuals	1,050,498	+ 35,874	+ 42,277
Deposits of U. S. Gov.....	334,750	— 79,011	+ 272,945
Deposits of State & Local Gov.	75,483	— 1,500	— 17,574
Deposits of Banks	346,115	— 11,928	— 97,222
Certified & Officers' Checks...	27,352	+ 11,542	— 1,439
Total Time Deposits	\$ 253,017	+ 2,414	+ 30,731
Deposits of Individuals.....	236,850	+ 2,347	+ 28,067
Other Time Deposits.....	16,167	+ 67	+ 2,664
Liabilities for Borrowed Money..	\$ 4,000	+ 4,000	+ 4,000
All Other Liabilities	\$ 62,866	+ 3,220	— 10,310
Capital Account	\$ 111,116	— 661	+ 4,055
Total Liabilities	\$2,265,197	— 36,050	+ 227,463

*Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	Feb. 29, 1944	Jan. 31, 1944	Feb. 28, 1943
Total deposits	\$263,354,813	\$261,919,096	\$234,977,978

COTTON CONSUMPTION—FIFTH DISTRICT

MONTHS	No. Carolina	So. Carolina	Virginia	District
February 1944.....	219,729	167,339	19,661	406,729
January 1944.....	224,369	169,763	19,222	413,354
February 1943.....	228,027	173,609	21,770	423,406
2 Months 1944.....	444,098	337,102	38,883	820,083
2 Months 1943.....	461,223	355,616	42,612	859,456

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	Feb. 1944	% chg. from Feb. 1943	2 Mos. 1944	% chg. from 2 Mos. '43
Dist. of Columbia				
Washington	\$ 435,915	+ 12	\$ 917,634	+ 13
Maryland				
Baltimore	747,916	+ 25	1,518,699	+ 27
Cumberland	12,621	+ 37	24,404	+ 27
Frederick	11,664	+ 28	22,743	+ 31
Hagerstown	16,601	+ 35	34,052	+ 32
North Carolina				
Asheville	21,664	+ 33	46,033	+ 24
Charlotte	114,515	+ 11	229,920	+ 5
Durham	47,298	+ 20	106,400	+ 20
Greensboro	28,887	+ 16	67,603	+ 28
Kinston	6,528	+ 38	13,977	+ 24
Raleigh	56,227	+ 32	113,630	+ 18
Wilmington	36,788	+ 15	72,073	+ 12
Wilson	7,775	+ 20	16,042	+ 17
Winston-Salem	67,094	+ 22	131,351	+ 14
South Carolina				
Charleston	42,092	+ 20	82,364	+ 12
Columbia	48,820	+ 2	97,819	— 5
Greenville	34,332	+ 6	72,513	+ 4
Spartanburg	19,741	+ 3	41,463	+ 6
Virginia				
Charlottesville	13,496	+ 52	27,168	+ 37
Danville	13,259	+ 8	27,317	+ 6
Lynchburg	19,899	+ 21	41,469	+ 19
Newport News	28,734	+ 30	54,279	+ 23
Norfolk	116,018	+ 15	232,447	+ 10
Portsmouth	15,448	+ 19	31,160	+ 14
Richmond	328,321	+ 33	638,216	+ 23
Roanoke	39,524	+ 31	77,324	+ 16
West Virginia				
Bluefield	22,020	+ 32	45,818	+ 31
Charleston	75,071	+ 26	157,582	+ 24
Clarksburg	13,751	+ 22	29,486	+ 23
Huntington	26,922	+ 12	57,483	+ 13
Parkersburg	14,300	+ 13	29,428	+ 15
District Totals	\$2,483,241	+ 21	\$5,057,897	+ 19

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
February 1944.....	2	132	\$ 18,000	\$3,108,000
January 1944.....	3	120	102,000	1,708,000
February 1943.....	4	422	62,000	4,163,000
2 Months 1944.....	5	252	\$120,000	\$4,816,000
2 Months 1943.....	15	880	160,000	9,678,000

Source: Dun & Bradstreet

COTTON CONSUMPTION AND ON HAND—BALES

	Feb. 1944	Feb. 1943	Aug. 1 to 1944	Feb. 29 1943
Fifth District States:				
Cotton consumed	406,729	423,406	2,922,838	3,089,892
Cotton Growing States:				
Cotton consumed	714,846	762,946	5,185,133	5,633,127
Cotton on hand Feb. 29 in				
Consuming establishments	2,016,475	2,130,589		
Storage & compresses..	11,304,937	12,076,423		
United States:				
Cotton consumed	811,274	879,572	5,902,170	6,502,880
Cotton on hand Feb. 29 in				
Consuming establishments	2,351,174	2,522,163		
Storage & compresses...	11,518,942	12,349,207		
Spindles active	22,513,390	22,906,562		

RAYON YARN DATA

	Feb. 1944	Jan. 1944	Feb. 1943
Rayon Yarn Shipments, Lbs.....	43,400,000	41,500,000	39,000,000
Staple Fiber Shipments, Lbs.....	13,900,000	13,700,000	12,600,000
Rayon Yarn Stocks, Lbs.....	7,400,000	7,600,000	7,100,000
Staple Fiber Stocks, Lbs.....	2,200,000	2,100,000	2,500,000

Source: Rayon Organon

BUILDING PERMIT FIGURES

Fifth Federal Reserve District

February 1944

	Total Valuation	
	February 1944	February 1943
Maryland		
Baltimore	\$ 258,102	\$ 396,228
Cumberland	26,945	1,450
Frederick	3,300	16,850
Hagerstown	100,550	89,050
Salisbury	9,756	5,139
Virginia		
Danville	\$ 3,765	\$ 8,422
Lynchburg	2,395	6,829
Norfolk	41,975	239,380
Petersburg	4,200	3,200
Portsmouth	13,276	5,715
Richmond	71,960	225,801
Roanoke	4,963	9,834
West Virginia		
Charleston	\$ 27,594	\$ 11,177
Clarksburg	460	185
Huntington	5,460	2,190
North Carolina		
Asheville	\$ 10,848	\$ 2,946
Charlotte	33,103	30,261
Durham	10,640	6,943
Greensboro	5,178	20,289
High Point	17,739	7,577
Raleigh	46,999	260
Rocky Mount	2,500	975
Salisbury	27,630	11,140
Winston-Salem	15,993	64,165
South Carolina		
Charleston	\$ 25,398	\$ 49,102
Columbia	6,217	6,680
Greenville	1,925	33,749
Spartanburg	179,245	9,942
District of Columbia		
Washington	\$ 603,860	\$ 572,701
District Totals	\$1,561,976	\$1,838,180

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Feb. 1944	Feb. 1943	% Change	2 Mos. 1944	2 Mos. 1943	% Change
West Virginia	13,788	13,047	+ 6	27,552	25,354	+ 9
Virginia	1,749	1,660	+ 5	3,530	3,262	+ 8
Maryland	159	155	+ 3	316	287	+ 10
5th District	15,696	14,862	+ 6	31,398	28,903	+ 9
United States	52,740	49,131	+ 7	106,540	96,935	+ 10
% in District	30	30	..	29	30	..

RETAIL FURNITURE SALES

Percentage Changes in Feb. and 2 Months 1944

STATES	Compared with February 1943	Compared with 2 Months 1943
Maryland (5)*	- 7	- 2
Dist. of Columbia (6)*	-12	-11
Virginia (28)*	- 2	- 1
West Virginia (12)*	- 2	- 3
North Carolina (22)*	+ 7	+ 7
South Carolina (14)*	- 6	- 7
Fifth District (87)*	- 4	- 3
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	- 7	- 2
Washington, D. C. (6)*	-12	-11
Lynchburg, Va. (3)*	+14	+16
Richmond, Va. (8)*	- 9	- 2
Charleston, W. Va. (4)*	-11	-16
Charlotte, N. C. (4)*	- 7	- 9
Winston-Salem, N. C. (3)*	+19	+15
Columbia, S. C. (4)*	- 1	0

*Number of stores.

CONSTRUCTION CONTRACTS AWARDED

STATES	Jan. 1944	Jan. 1943	% Change
Maryland	\$10,912,000	\$ 7,247,000	+51
Dist. of Columbia	2,178,000	2,980,000	-27
Virginia	9,609,000	17,139,000	-44
West Virginia	1,026,000	576,000	+78
North Carolina	3,297,000	8,731,000	-62
South Carolina	5,407,000	5,654,000	- 4
Fifth District	\$32,429,000	\$42,327,000	-23

Source: F. W. Dodge Corporation

TOBACCO MANUFACTURING

	Feb. 1944	% chg. from Feb. 1943	2 Mos. 1944	% chg. from 2 Mos. '43
Smoking & chewing tobacco (Thousands of lbs.)	17,833	- 5	37,991	- 6
Cigarettes (Thousands)	17,424,672	- 1	37,539,810	- 1
Cigars (Thousands)	388,955	- 5	755,874	-11
Snuff (Thousands of lbs.)	3,507	-12	7,289	- 4

AUCTION TOBACCO MARKETING

STATES	Season Producers' Sales, Lbs.		Price per hundred	
	1943-44	1942-43	1943	1942
So. Carolina (Flue-cured)	77,588,742	87,385,846	\$38.86	\$37.37
No. Carolina (Flue-cured)	524,975,305	552,981,602	40.69	39.83
(Burley)	7,421,312	4,725,974	49.03	42.26
(Total)	532,396,617	557,707,576	40.81	39.85
Virginia (Flue-cured)	101,776,663	90,829,697	41.25	41.92
(Fire-cured)	9,369,944	13,230,765	28.01	17.52
(Burley)	11,452,214	7,858,468	43.39	43.86
(Sun-cured)	2,089,583	2,406,990	34.51	22.70
(Total)	124,688,404	114,325,920	40.80	38.82
District Total, All Types	784,673,763	759,419,342	\$40.60	\$39.41
Total Flue-cured	704,340,710	731,197,145	40.57	39.80
Total Fire-cured	9,369,944	13,230,765	28.01	17.52
Total Burley	18,873,526	12,584,442	48.64	43.26
Total Sun-cured	2,089,583	2,406,990	34.51	22.70

WHOLESALE TRADE, 216 FIRMS

LINES	Net Sales Feb. 1944 compared with		Stocks Feb. 29, 1944 compared with		Ratio Feb. collections to acct's outstand'g Feb. 1
	Feb. 1943	Jan. 1944	Feb. 28 1943	Jan. 31 1944	
Auto supplies (13)*	+ 2	-12	- 7	- 1	105
Shoes (3)*	- 2	- 1	-20	-10	..
Drugs & sundries (9)*	+11	- 8	110
Dry goods (6)*	+15	+ 5	-16	- 2	89
Electrical goods (9)*	+37	+ 5	- 6	+ 3	108
Groceries (67)*	+11	- 4	+24	+ 1	143
Hardware (12)*	+ 5	+ 5	+12	+ 5	93
Industrial supplies (9)*	+12	+21	- 3	+ 7	92
Paper & products (10)*	- 2	- 8	- 6	0	90
Tobacco & products (5)*	- 6	+11
Miscellaneous (78)*	+ 8	+ 2	+ 8	+ 4	124
District Average (216)*	+ 2	0	+ 2	+ 1	112

Source: Department of Commerce

*Number of reporting firms

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
Average Daily 1935-39=100—Seasonally Adjusted

	Jan. 1944	Dec. 1943	Nov. 1943	Jan. 1943	% Change Jan. 1944 from	
					Dec. 43	Jan. 43
Bank Debits	197	191	197	171	+ 3	+15
Bituminous Coal Production*.....	148	147	124	136	+ 1	+ 9
Building Contracts Awarded.....	150	151r	207	196	- 1	-23
Building Permits Issued.....	21	50	50	124	-58	-83
Cigarette Production	158	193	194	160	-18	- 1
Cotton Consumption*.....	148	147	153	155	+ 1	- 5
Department Store Sales.....	208	187	215	186	+11	+12
Department Store Stocks.....	179	166	155	169	+ 8	+ 6
Electric Power Production.....	204	219	217	190	- 7	+ 7
Employment—Mfg. Industries*	147p	150	150	151	- 2	- 3
Furniture Orders	208	217	184	275	- 4	-24
Furniture Shipments	209	200	142	178	+ 5	+17
Furniture Unfilled Orders	440	499	452	600	-12	-27
Life Insurance Sales.....	121	112	120	90	+ 8	+34
Wholesale Trade—Five Lines.....	183	173	174	171	+ 6	+ 7
Wholesale Trade—Drugs	201	196	193	181	+ 3	+11
Wholesale Trade—Dry Goods	193	109	110	224	+77	-14
Wholesale Trade—Groceries	191	185	187	172	+ 3	+11
Wholesale Trade—Hardware	110	113	113	125	- 3	-12
Wholesale Trade—Shoes	239	239	239	230	0	+ 4

*Not seasonally adjusted

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial activity was maintained at a high level in February and the early part of March. Commodity prices and retail sales showed little change.

Industrial Production

Output at factories and mines was at about the same rate in February as in January and the Board's seasonally adjusted index advanced 1 point to 243 per cent of the 1935-39 average.

Steel production continued to advance in February and in the first three weeks of March. Output of nonferrous metals showed little change as curtailment of aluminum production offset increases in output of other metals. Magnesium production was ordered curtailed, beginning in March, by approximately 3,000,000 pounds per month or 7 per cent of January output. Activity in the machinery, transportation equipment and other durable goods industries showed little change from January to February.

Output of textile products was maintained at the January level and production of most manufactured food products declined less than is usual at this season. Butter and cheese production continued to increase seasonally in February. The volume of hogs slaughtered under Federal inspection declined 6 per cent from the exceptionally high January level; a much larger decline is usual in this month. Chemical production continued to decline as output of small arms ammunition and explosives was further curtailed.

Fuel production rose slightly in February to a level 10 per cent above the same month last year. Output of bituminous coal and crude petroleum was maintained at a high level, and anthracite coal production increased 19 per cent as a result of a seven-day work week in effect for the month of February.

Distribution

Total retail sales in February continued about as large as in January and exceeded somewhat the volume of a year ago. At department stores sales in February were about 10 per cent smaller than last year when there was a buying wave in clothing. During the first three weeks of March department store sales exceeded the volume of a year ago, reflecting in part the earlier date of Easter this year.

Freight carloading, after allowance for seasonal changes, were maintained during February and the first two weeks in March in the unusually large volume reached in December and January.

Commodity Prices

Prices of cotton and livestock increased somewhat from the middle of February to the middle of March while most other wholesale commodity prices showed little change.

Retail food prices declined 1 per cent from mid-January to mid-February owing chiefly to seasonal decreases in prices of eggs and citrus fruit. Retail prices of most other goods and services advanced slightly.

Bank Credit

During the latter part of February and the first half of March the average level of excess reserves at all member banks fluctuated around one billion dollars. Member bank reserve requirements increased by about 400 million dollars as the result of private deposit expansion which, in turn, was the result of Treasury disbursements from war loan accounts which require no reserves. Money in circulation increased 400 millions and the gold stock declined by 130 millions. Funds to meet these demands were supplied by additions to Reserve Bank security holdings and a temporary decline in Treasury deposits at the Reserve Banks. In the four weeks ended March 15, Government security holdings of the Federal Reserve Banks rose by 720 million dollars, reflecting mainly substantial increases in bill holdings under repurchase option; note and certificate holdings also increased.

At reporting member banks in 101 leading cities Government security holdings declined by 540 million dollars during the four weeks ended March 15. Holdings of notes rose by 1.5 billion dollars while bonds and guaranteed obligations declined as the result of an exchange of maturing and redeemable issues for a new 1½ per cent note issue. Holdings of bills also declined, reflecting principally sales to the Reserve Banks. Loans to brokers, dealers, and others for purchasing or carrying Government securities, which had increased moderately during the Fourth War Loan Drive, fell by 340 million dollars in the following four weeks. Commercial loans also declined somewhat.

Adjusted demand deposits rose by 1.9 billion dollars during the four weeks ending March 15, representing a gain of more than half of the funds withdrawn from such accounts during the drive. Government deposits at these banks fell by 2.6 billion dollars in the month following the drive.