MONTHLY REVIEW

of Financial and Business Conditions

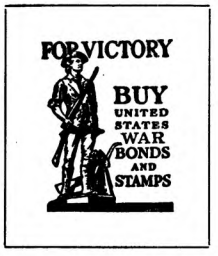
FIFTH FEDERAL

RESERVE DISTRICT

Federal Reserve Bank, Richmond 13, Va. *July 31, 1944*

THE Fifth District suffered a drought from early in May to mid-July, and crops show serious effects from the lack of moisture. While the rains came too late to overcome all damage, crops have remarkable recuperative power, and probably final yields for the 1944 season will not be reduced too substantially.

Some early and intermediate truck crops have been reduced by 50 per cent or more and while these are not important contributors to the District's overall farm income, they are important in selected areas. The drought affected the flue-cured tobacco crop in a spotty fashion. Several areas reported the crop to be in excellent condition early in July, but in the main the indications pointed to lower production than last year. The July 1 crop report indicates an expected increase of 6.5 per cent over last year in total flue-cured tobacco production of the country but the Old, Middle and Eastern North Carolina belts on this date showed moderately smaller production prospects than a year ago. The cotton crop is a dry weather crop and probably was not seriously affected by the lack of rain.In fact, the hot, dry weather checked boll weevil development.



The critical aspect of the drought is the potential reduction in much needed feedstuffs and the resultant effect on the livestock industry. Pastures are dried up over most of the District, and the hay crop has been materially lowered. Since July was half over before the drought was broken, it must be presumed to have had adverse effects on the important corn crop. The short supply of feed was already having its effect on the hog raising business with the spring pig crop down 10 per cent from last year. With feed prospects continuing to deteriorate in this region, the indicated reduction of 30 per cent in the Fall pig crop may fall short of the probable decline. While the district and the South East area as a whole have lacked rain, areas west of the Mississippi have had good weather conditions and the overall National production prospects have improved since June 1.

More than half of the increase in the farm income of the District between 1942 and 1943 was contributed by livestock and livestock products, and while an inordinate liquidation of livestock inventories this summer and fall as a result of feed shortages could further increase 1944 incomes over those of 1943, this process would seriously impair the farm income outlook in 1945. Such reduction as may occur in flue-cured tobacco production will probably be offset in part by higher prices, some of which may result from a higher ceiling and some from a higher price for lower grades of tobacco.

More workers could be used in numerous industries of this District, but the supply is not available and employment levels continue their downward trend. Shipyards in the South Atlantic area needed a minimum of 8,000 workers in July, and with scheduled ship production for the remainder of the year at a level commensurate with that in the early months of the year it is obvious that the numbers employed will have to be maintained or production will fall. Seasonal workers to harvest and pack food crops will be needed soon to the extent of 30,000 in Maryland and 14,000 in Virginia, tempered only by damage to canning crops from drought. The cotton textile industry could use a substantial number of workers as could the bituminous coal mining industry. It ap-

(Continued on page 8)

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

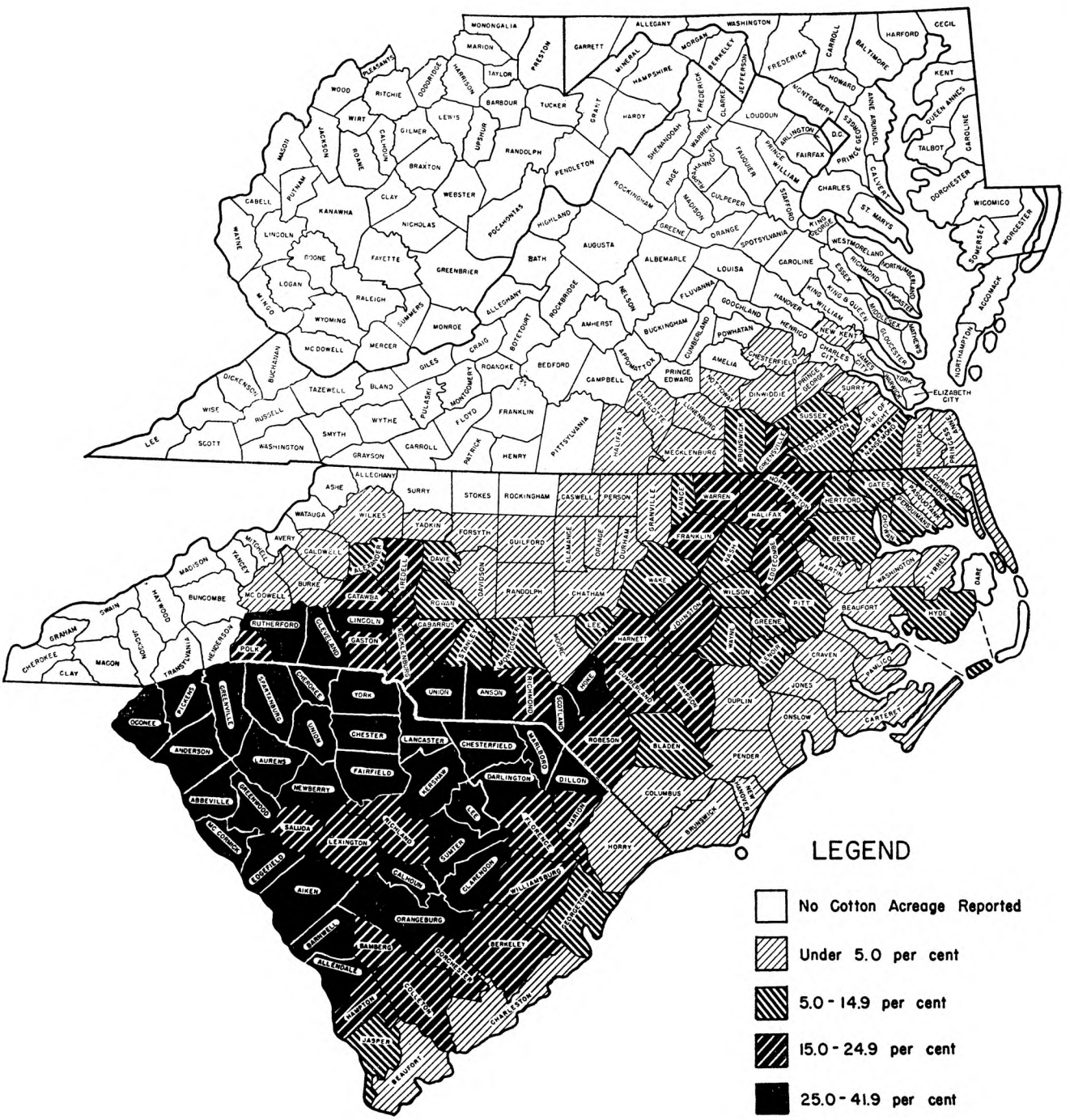
Average Daily 1935-39=100 **Seasonally Adjusted**

	June 1944	May 1944	April 1944	June 1943	% Change June 1944 from May 44	% Change June 1944 from June 43
Bank Debits	233	197	193	187	+18	+25
Bituminous Coal Production*	148	152	149	103	— 3	+44
Building Contracts Awarded	96	81	143	127	+19	—24
Building Permits Issued	52	33	23	53	+58	— 2
Cigarette Production	153	161	168	149	— 5	+ 3
Cotton Consumption*	143	144	143	161	— 1	—11
Department Store Sales	203	211	199	197	— 4	+ 3
Department Store Stocks	186p	174	170	169	+ 7	+10
Life Insurance Sales	133	131	118	116	+ 2	+15
Retail Furniture Sales	144p	136p	128p	133	+ 6	+ 8
Wholesale Trade—Five Lines	180p	180	178	177	0	+ 2

*Not seasonally adjusted

COTTON ACREAGE HARVESTED AS PER CENT OF ALL LAND USED FOR CROPS (CROPLAND HARVESTED AND FAILURE)

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES: 1939



SOURCE: U.S. CENSUS OF AGRICULTURE, 1940.

FEDERAL RESERVE BANK OF RICHMOND: JULY, 1944.

Cotton Production In The Fifth Federal Reserve District

In the Fifth Federal Reserve District, cotton (seed and fibre) is the second crop in importance, when measured in terms of the cash income derived from its sale. Tobacco, the most important crop, has been treated in the Monthly Review for June 30, 1944. This article will survey cotton in much the same manner as the previous one treated tobacco.

The Place of Cotton in the General Economy

Cotton is used throughout present day life. Like so many agricultural raw products, it is the material from which an almost infinite array of finished goods derive. The fibre is used in many textiles and allied products (such as cordage), as a filling or padding in such lines as furniture-making, as insulation, as an ingredient in the production of cellulose-base plastics, etc. The oil from the seeds is a very important domestic oil, for both edible and non-edible uses. It enters into the manufacture of plastics, is an ingredient of many foodstuffs, and in the industrial arts serves as a paint medium, lubricant, etc. The seed residue remaining after the oil is pressed constitutes one of the best high-protein feeds for livestock and also enters the production of many cellulose plastics. In the light of this very partial list it is clear that cotton is a commodity of no mean utility.

The production of cotton is confined to two belts, located within the temperate zones, in which the necessary long, relatively mild and frost-free growing season is found. With this one restriction its cultivation is world-girdling, as is indicated in Table 1.

TABLE 1:
ESTIMATED DISTRIBUTION OF WORLD COTTON PRODUCTION SELECTED YEARS 1930-42

Year beginning August	PRODUCTION Estimated World Total (1,000 bales)[1]	Per Cent of Total United States	India[2]	China[3]	U.S.S.R.	Egypt	Brazil	Other[4]
1930	26,230	53.1	16.4	10.0	6.1	6.5	1.5	6.4
1932	24,450	53.2	15.9	11.1	7.4	4.2	2.0	6.2
1934	23,810	40.5	16.8	13.6	7.1	6.6	5.6	9.8
1936	31,490	39.4	16.6	12.3	10.8	6.0	5.8	9.1
1938	29,100	41.1	14.5	7.9	13.1	5.9	6.8	10.7
1940	30,580	41.1	16.7	7.7	9.8	6.2	8.2	10.3
1942[5]	27,250	47.1	13.7	a	a	3.2	7.2	a

Source: United States Department of Agriculture.
[1] Bales of 478 pounds net weight.
[2] Excludes Burma.
[3] Includes Manchuria.
[4] Includes Peru, Mexico, Argentina, Uganda, and Anglo-Egyptian Sudan.
[5] Preliminary.
a Not available.

It will be noted that the total world crop of cotton, while subject to variations from year to year, appears to vary within definite limits. With respect to the distribution of the total crop, it is clear that the United States is the most important producing area, supplying between two-fifths and one-half the world's cotton. However, relative to other countries, our share of the world total has declined somewhat during the recent past; India's share has remained practically uniform; the shares of China and Egypt have declined sharply; while that of the rest of the world has been increasing.

Much of the cotton produced in most countries goes into local and household manufacture, and more (especially in the more mechanized regions) enters the domestic manufacturing industries as a raw material. In spite of the great domestic utilization vast amounts of cotton move into the channels of world trade, since many of the great cotton-consuming nations of the world are located in latitudes where cultivation of the plant is impossible. Some idea of the importance of international trade in raw cotton fibre is given in Table 2.

TABLE 2: APPROXIMATE DISTRIBUTION OF WORLD COTTON BETWEEN DOMESTIC AND FOREIGN USE SELECTED PERIODS

Period[1]	Annual Average Production 1,000 bales	Approximate Per Cent Entering World Trade	Approximate Per Cent Consumed Where Produced
1925-29	27,158	56	44
1930-34	25,828	53	47
1938	29,100	41	59

Source: United States Department of Agriculture.
[1] Production on crop-year basis (beginning with August); World Trade on calendar year basis.

During the latter Twenties, as this table shows, more than half of the world's cotton crop entered international trade. This proportion decreased during the Thirties, until, by 1938, only 41 per cent of world cotton found its way into these channels. There are at least three important reasons for this trend. In the first place, the gradual increase in cotton production in many countries, especially in Russia and the nations of South America, meant that these countries shifted from foreign to domestic sources for much of their cotton. This trend probably will persist into the long-term future. In the second place, the international disequilibria accompanying the reat Depression interrupted the normal flow of cotton, just as it did trade in many other commodities. Finally, the race for internal self-sufficiency which preceded the outbreak of World War II saw many countries, which had previously depended on foreign cotton, push the development of substitutes. There is no reason to think that these last two factors are unavoidable in the future.

Table 1 gave indication that the United States production of cotton has been decreasing in importance relative to the rest of the world. Even more striking has been the decrease in the United States' contribution of raw cotton to world trade; this is demonstrated in Table 3.

TABLE 3:
UNITED STATES EXPORTS OF COTTON, SELECTED PERIODS

Period	United States Exports 1,000 bales	Per Cent of Total Cotton in International Trade
1925-29	8,805	58
1930-34	7,672	56
1935	6,169	52
1936	5,652	43
1937	6,070	44
1938	4,577	38

Source: United States Department of Agriculture.

The downward trend in cotton exports, shown above, is the result of more than one cause. First, since the United States is the largest single exporting country in the world, it is natural that the absolute, if not the relative, effect of increasing foreign production would be most

felt here. Second, recent tariff policies of this country tended to produce retaliatory measures against our export trade. Third, the relatively high cotton prices which have resulted from the efforts of the AAA to raise the income of cotton farmers (by acreage restrictions and by high loan values have tended to give foreign cottons distinct price advantages in international markets.

In spite of the losses of foreign markets, cotton is still the most important cash crop raised in the United States when judged in terms of its contribution to cash farm income. In 1938, cotton contributed 20 per cent of the total cash income from the sale of crops (as distinguished from livestock and livestock products) in the farm market. By 1941, the proportion had risen to 23 per cent, and the income from the sale of cotton in that year amounted to slightly more than one billion dollars. Unlike incomes from the sale of livestock and livestock products, which are spread over the entire country, the farm income from cotton accrues to producers located in a relatively restricted region. If the borderline between Virginia and North Carolina is extended westward, almost all the cotton production of the United States will be found to lie south of this line and east of New Mexico.

Recent Cotton Trends in the United States

The acreage harvested in cotton in the United States increased approximately six-fold from the end of the Civil War to the mid-Twenties. The peak of 45 million acres harvested in 1926 marked the high tide of cotton cultivation in this country; since then acreage harvested has dropped to less than half that figure. The changes in cotton production and crop value over the period beginning in 1870 are partially set forth in Table 4.

TABLE 4: COTTON PRODUCTION AND VALUE, UNITED STATES, SELECTED YEARS SINCE 1870

Crop Year	Acreage Harvested	Yield	Production (lint)	Crop Value[2] Millions of dollars		
	(1,000 A.)	Lbs. per A.	1,000 bales[1]	Total	Lint	Seeds
1870	9,238	268.2	4,352	a	a	a
1890	20,937	195.5	8,653	a	a	a
1910	31,508	176.2	11,609	945	811	134
1920	34,408	186.7	13,429	1,220	1,067	153
1926	44,608	192.9	17,978	1,297	1,121	176
1930	42,444	157.1	13,932	796	659	137
1935	27,509	185.1	10,638	734	590	144
1939	23,805	237.9	11,817	648	537	111
1940	23,861	252.5	12,566	743	621	122
1941	22,236	231.9	10,744	1,143	915	228
1942	22,602	272.4	12,817	1,481	1,220	261
1943[3]	21,874	252.0	11,478	1,414	1,147	267

Source: United States Department of Agriculture.

[1] Bales of 500 pounds gross weight.
[2] Value of total production whether sold or used on farm.
[3] Preliminary.
a Not available.

After the beginning of the depression in 1929-30, cotton acreage was maintained until the beginning of the AAA program, in 1933. In that year, approximately 10 million acres were removed from cultivation; since then, acreage has been held relatively even, although it continued to decrease gradually through last year. Since the outbreak of war in Europe, the values of the crops have tended to increase.

The Pre-War Cotton Situation in the Fifth District

While cotton is important to the Fifth District, the District is not a very important cotton-producing area. In 1879, the first year for which comparable statistics are available, the District produced 16 per cent of the total United States crop. In 1937, the year of the largest cotton crop on record, the District produced only 10 per cent of the total. Thus, not only is the District responsible for a small part of the national crop, but its importance is declining. Within the District, cotton is produced in the Piedmont and Coastal Plains of North and South Carolina, and in a few of the Southeastern counties of Virginia. The accompanying map shows the relative intensities of cotton production in the counties of the District for the year 1939.[1]

It will be noted that the culture of the cotton plant is confined to the lower part of the District, with the area of most intense production located in South Carolina. While grown in most counties of North Carolina, cotton is predominant in few. In Virginia, its production is confined to a small area, nearly all of which show very low concentrations of cotton relative to other crops. Approximately half the District grows no cotton, being located beyond the zone of climatic suitability for the crop.

Within the Fifth District, recent trends in cotton production have been roughly similar to those of the country at large. If 1939, the year treated in the map, is taken as the reference-point, the general change which took place in the previous decade was one of decreasing production. Some indication of this change is given by Table 5.

TABLE 5: COTTON PRODUCTION AND CROP VALUE, FIFTH DISTRICT BY STATES, SELECTED YEARS, 1929-40

STATE & ITEM	1929	1932	1935	1938	1939	1940
Total Fifth District:						
Acreage[1]	3,779	3,010	2,361	2,180	2,038	2,142
Yield[2]	a	a	a	a	a	a
Production[3]	1,624	1,410	1,346	1,061	1,356	1,730
Crop Value[4]	156,771	57,823	94,749	56,993	76,602	103,537
Virginia:						
Acreage[1]	89	71	53	33	36	33
Yield[2]	276	230	268	364	374	364
Production[3]	51	34	30	25	28	25
Crop Value[4]	5,003	1,263	2,113	666	728	1,430
North Carolina:						
Acreage[1]	1,665	1,261	939	884	754	841
Yield[2]	213	250	291	213	294	425
Production[3]	743	669	572	388	457	739
Crop Value[4]	71,551	27,007	40,813	20,868	26,352	44,079
South Carolina:						
Acreage[1]	2,025	1,678	1,369	1,263	1,248	1,268
Yield[2]	196	204	260	248	342	374
Production[3]	830	716	744	648	871	966
Crop Value[4]	80,217	29,553	51,823	35,459	49,612	58,037

Source: United States Department of Agriculture.

[1] Thousands of Acres under Cultivation July 1.
[2] Pounds per planted acre. Based on acreage planted less acres removed to meet AAA allotments.
[3] Thousands of 500 pound gross weight bales.
[4] Thousands of dollars. Includes both lint and seed.
a Not available.

As can be seen, acreages followed a generally downward course from 1929 to 1938, at which time the trend reversed. The variations in yields were insufficient to offset the changes in acreage, so that production and acreage tended to move together. This was not the case

[1] Cotton acreage harvested is shown as a proportion of the total land used for crops in that year. "Land used for crops" is that land reported as harvested or as crop failure. It would have been better if land planted in cotton could have been used, rather than acreage harvested, but it is not felt that much violence has ben done to the relationships between the counties of the District by the use of the latter category. It is the **relative** rather than the **absolute** intensity of cotton cultivation which is under scrutiny.

with crop value. Irregular price-changes, in response to world market situations which were far removed from the District's production and to the policies of the AAA, brought about crop values which were often quite unrelated to the volume of production. On the other hand, the distribution of this crop value over the states of the District underwent a very definite trend-change. Although there was little difference in the prices received in the three states in each year, South Carolina's share of the total crop value rose from 51 per cent in 1929 to 55 per cent in 1935 and to 65 per cent in 1939. During the same period, Virginia's share fell from 3 to 1 per cent. It is apparent that, regardless of the year-to-year variations, the production of cotton in this District has gradually shifted toward South Carolina. In this connection, it must be remembered that the District is a region of decreasing importance relative to the entire Cotton Belt.

The Effects of World War II on Cotton in the Fifth District

With the onset of war, the demand for raw cotton in this country increased tremendously, as the needs for the armed forces were super-imposed on the going civilian demand, which also increased the outflow of income. In fact, by the crop-year 1941-42, United States consumption of raw cotton had risen to an annual rate of over 11 million bales, an increase of 44 per cent over 1939-40[2]. In spite of this increase in consumption, the domestic supply, even of the scarcer grades of long-staple cotton, has continued to be excessive[3]. Thus, it appears likely that the war will not remove the sizeable pre-war cotton surplus from the American scene.

On the supply side, the producers of longer-staple cotton (and the District specializes in staples over 15/16 inch) have been given priorities on sufficient fertilizer to meet their needs during the war period. With this important need filled, the only stringent barriers to regional acreage expansion have been labor and better opportunities in other crops. These must have been effective, for many producers have tended to underplant their allotments[4].

TABLE 6: CASH FARM INCOME FROM COTTON FIFTH DISTRICT BY STATES, 1939-42

ITEM & STATE	1939	Calendar Years 1940	1941[1]	1942[1]
Cash Income[2]				
Fifth District	69,482	89,549	97,975	153,782
Virginia	694	1,315	2,533	3,401
North Carolina	22,742	34,931	55,887	74,410
South Carolina	46,046	53,303	39,555	75,971
Index of Prices Paid by Farmers[3]	121	122	131	152
Deflated Cash Income[4]				
Fifth District	57,423	73,401	74,790	101,172
Virginia	574	1,078	1,934	2,238
North Carolina	18,795	28,632	42,662	48,954
South Carolina	38,055	43,691	30,195	49,981

Source: United States Department of Agriculture.

[1] Preliminary.
[2] Thousands of Dollars income from marketing cotton lint and seed.
[3] Prices paid for commodities used in production and family maintenance (1910-14=100).
[4] In Thousands of Constant Value (1910-14) Dollars. Obtained by multiplying Cash Income figure by fraction: 100/Index. Because of rounding, state figures may not exactly total to District figure.

As has been shown, the crop-year 1938 was the pivotal year in regional incomes from cotton. Table 6 shows the cash income received from the sale of cotton lint and seed, by calender years, since that time.

It is interesting to note that, while the cotton incomes of District farmers more than doubled between 1939 and 1942, rising costs of living and farming offset a part of the increase. To be exact, cash incomes rose by 122 per cent, but their purchasing power by only 76 per cent. It is not possible to show the income figures for 1943, at this time, unfortunately, but all indications point to a lower cash farm income from cotton than in the previous year. The peak demand for raw cotton appears to have passed, so that 1942 probably will remain the record year for cotton incomes during World War II.

The Future Prospects for Southern Cotton

One of the most important aspects for the future of cotton in the South is the rising trend of mechanization in cotton farming. It is possible that efforts to develop practical mechanical means of picking cotton will have succeeded by the end of the war; and the other processes involved in cotton culture are already rather highly mechanized. The elimination of high man-labor costs of cotton production would mean the shift of cotton prices to a lower level than is now possible, and could go far toward placing profitable cotton production on a competitive world-price-level. On the other hand, such developments cannot help but completely disorganize the present system of agriculture in the South, since Southern agriculture is organized around the great manpower needs of current methods of cotton production. Also, increased mechanization would mean the inevitable shift of cotton production to those sections of the South in which the terrain is relatively level and amenable to mechanical farming. This may prove detrimental to many areas in which cotton is now an important source of income.

Finally, it has been estimated[5] that the world will enter on the peace with a record or near-record carry-over of raw cotton. When this is taken in connection with the rise of synthetic fibres it is quite possible that the post-war demands for cotton in both our domestic and international trade will be much smaller than might otherwise be expected, in view of the depleted reserves of the countries more directly involved in fighting. A supported price for United States cotton for 2 years after the war, (as now written in the law) will remove any hope of successfully competing with foreign fibre; but more important, it can prevent the reduction of supply-prices, mentioned above as possible, and thereby may prevent technological and regional adjustments which should be made before Southern cotton again can become self-supporting.

[2] THE COTTON SITUATION, February, 1943, page 4.
[3] THE COTTON SITUATION, May, 1943, page 6.
[4] According to THE COTTON SITUATION, December, 1943, Table 1, the actual acreages realized in this District were the following proportions of the goals in 1943: Virginia, 88 per cent; North Carolina, 108 per cent; South Carolina, 93 per cent; District total, 98 per cent.
[5] THE COTTON SITUATION, October 1943, pages 8-10.

Department Store Trade In War Time

Last year we carried an article on "Some Effects of the War on Department Stores" in the June 30, 1943, issue of the Monthly Review. It seems appropriate to examine the same subject again, with especial reference to developments since the earlier study was written.

It was pointed out in the earlier paper that the outbreak of war in Europe in September 1939 did not appreciably affect retail trade in the United States until about the middle of 1940. But when England began large scale buying of war materials in this country, and we started preparation for possible involvement in the conflict, unemployment declined rapidly, incomes rose, and retail sales advanced sharply. People who had been living on restricted incomes for years had built up a tremendous potential demand for merchandise, and as incomes rose, they began satisfying their desires. The rise in sales continued steadily, and the trend was accentuated by the withdrawal of numerous relatively expensive but exceedingly popular articles from the open market, thereby shifting expenditures from these semi-luxury articles to other retail lines. The freezing of automobile tires, then of new passenger automobiles, and finally restrictions on gasoline consumption released millions of dollars for other consumer purchases. Some of this diverted buying power went into the purchase of homes, but restrictions on civilian construction and fear of possible induction into the armed forces and of greatly increased Federal taxes held down the incurring of long-time obligations such as those involved in home buying. Further, the beginning of rationing with sugar, followed by coffee, started much precautionary buying bordering closely on hoarding, and when shoes were suddenly rationed in February 1943 the public responded with such a wave of panic buying of every class of wearing apparel that shelves were practically cleared of many items. Fear of further rationing of clothing subsided after a few weeks, and sales declined from peak levels reached in that period but thereafter increased, keeping pace with steadily rising incomes. Efforts made by the Treasury to turn surplus purchasing power into bonds and restrictions laid on both instalment and open account credit were only partially successful in checking the unprecedented consumer buying, and people spent more and more on those commodities which were available. New records in department store sales were set each year during the period under review, as is indicated by the accompanying table which shows total sales in 29 Fifth District stores during the first five months of each year from 1939 to 1944, inclusive:

1939	$41,759,744
1940	43,732,367
1941	50,986,915
1942	65,618,955
1943	75,641,514
1944	80,509,429

Inventory Position

Shortly after the Lend-Lease Bill was passed on March 11, 1941, thereby substantially increasing the drain on the available supply of consumer goods, fears began to be felt for this and other reasons over the possibility of retail shortages of merchandise. These fears led stores to accumulate inventories, and stocks in department stores in the Fifth District rose even faster than sales from the middle of 1941 through the third quarter of 1942. By that time so many lines of civilian goods had been largely or completely withdrawn from the market that stores were unable to replace all merchandise sold, and retail inventories began a decline which continued until about the middle of 1943. The Inventory Limitation Order of WPB probably exerted some downward pressure on stocks for a time. Then a sufficient volume of substitute commodities became available to replace many of the standard lines which had been withdrawn, and stocks began to rise again. It should be said, however, that the stock figures available to us are in terms of selling prices, and therefore the rise in the past year does not necessarily indicate that units of merchandise on hand increased in proportion to the rise in value. In fact, it is certain that much of the apparent increase in stock in department stores during the past year is directly due to higher priced merchandise on hand this year. Ceiling prices have been moderately successful in holding down prices on standard brands and lines, but substitute commodities and new lines developed since ceiling prices were introduced have not been under adequate control. The following table shows the selling value of stocks in 29 Fifth District stores on May 31 of each year from 1939 to 1944, inclusive.

1939	$26,279,174
1940	27,675,781
1941	30,766,577
1942	50,217,811
1943	39,427,438
1944	44,613,852

As always happens when the demand for merchandise exceeds the available supply, outstanding orders for goods have sky-rocketed since 1940. Orders outstanding in 20 Fifth District department stores on May 31 of each year since 1940 were as follows:

1940	$ 4,167,683
1941	11,647,660
1942	19,512,871
1943	40,940,631
1944	38,738,254

While it is true that the stores do not expect to receive all the merchandise they have on order, they place orders with any one who will accept them in the hope that sufficient merchandise will be received to enable them to keep their shelves reasonably well stocked. When restrictions can be eased and civilian goods begin returning to the market, outstanding orders will probably decline very rapidly, since the stores will refrain from placing additional ones and will quite probably cancel many of those already placed. Favorable military developments in Europe and the Pacific, indicating the possibility of victory in the not too distant future, are now making store managers more careful in buying stock. If the hostilities should end rather suddenly and

catch the stores with much stock of inferior grade on hand, they would suffer serious losses in stock depreciation. A stroll through any department store will reveal much merchandise of such inferior character that it can never be sold except at give-away prices when standard grade merchandise again becomes available.

Sales by Departments

Twenty department stores in Richmond, Baltimore, Washington, Charlotte, Greenville, S. C., and Charleston and Huntington, W. Va., report sales and stock figures broken down by departments to the Federal Reserve Bank of Richmond. Sales in the first five months of 1942 have been taken as a base, 100%, and a table worked out comparing sales in the first five months of 1943 and in the like period of 1944 with the base. Analysis of these departmental data shows a number of significant changes in consumer buying.

Total sales by the twenty stores were 115 in the 1943 and 122 in the 1944 period, relative to 1942 sales as 100. However, individual department sales varied very widely from total store averages, as is shown in the accompanying table.

COMPARISON OF DEPARTMENTAL SALES AND STOCKS
Fifth Federal Reserve District
Twenty Department Stores

DEPARTMENTS	Sales Index (5 Mos. 42=100) 5 Mos. in		Stock Index (5/31/42=100) on May 31	
	1943	1944	1943	1944
Grand Total, Entire Store	115	122	78	88
Main Store, Upstairs	115	122	77	86
Women's, Misses', Etc. Wearing Apparel	128	136	84	102
Women's & Misses' Coats & Suits	129	120	76	94
Women's & Misses' Dresses	124	135	113	126
Blouses, Skirts, Sportswear	136	155	89	121
Juniors' & Girls' Wear	133	146	90	125
Underwear, Negligees, Etc.	131	149	68	98
Infants' Wear	142	173	66	111
Women's & Children's Shoes	115	120	78	99
Furs	181	144	139	91
Women's & Children's Hosiery	112	112	72	81
Men's & Boys' Wear	102	99	71	77
Men's Clothing	83	70	70	66
Men's Furnishings, Hats, Etc.	115	113	74	85
Boys' Clothing & Furnishings	122	138	64	79
Men's & Boys' Shoes	104	89	76	77
Home Furnishings	91	90	72	71
Furniture, Mattresses, Etc.	88	86	67	69
Domestic Floor Coverings	106	99	69	52
Draperies, Curtains, Upholstery, Etc.	108	128	90	86
Refrigerators & Major Appliances	19	5	23	10
Linens, Domestics, Bedding	106	106	77	87
Houseware (Pots, Pans, Etc.)	94	92	70	77
Radios	26	8	23	14
Phonographs & Records	114	105	92	128
Piece Goods	139	153	75	70
Small Wares	121	143	85	104
Toilet Articles, Drugs, Etc.	113	138	84	109
Jewelry & Silverware	124	131	84	92
Umbrellas, Parasols, Canes	204	228	107	136
Stationery, Books & Magazines	132	163	92	116
Miscellaneous	125	138	58	78
Sporting Goods	87	79	57	40
Cameras & Films	46	35	26	16
Luggage	190	142	55	66
Candy	162	204	113	192
Basement Store Only	118	122	85	105
Women's, Misses', & Girls' Wear	128	134	94	129
Men's & Boy's Wear	95	86	62	72
Domestics, Blankets, Etc.	119	119	91	98
Housefurnishings	112	138	87	89
Shoes (Chiefly Women's & Children's)	93	95	94	106
Small Wares	120	122	67	120

Generally speaking, the greatest increases in both 1943 and 1944 were in Women's, Misses' and Girls' Clothing and Accessories, which as a whole rose to 128 in 1943 and continued upward to 136 in 1944. Sales of the sames lines of merchandise in the basement increased to 128 and 134. Of all women's lines, Furs rose most in 1943, to 181, but in 1944 this department dropped to 144, the high tax placed on furs by the new tax bill having practically stopped their sale since April 1. Women's and children's shoe sales upstairs were 115 in 1943 and 120 in 1944, but basement sales of shoes were only 93 in 1943 and 95 in 1944. The contrast between the upstairs and basement figures shows the tendency toward buying better grade shoes under rationing. Sales of Men's and Boys' Clothing totaled only 102 in 1943 and dropped to 99 in 1944. The induction of so many men into the armed services accounts for this contrast with sales of women's wear. The table shows that sales of Boys' Clothing and Furnishings were much larger in both 1943 and 1944 than in 1942, and Men's Furnishings, etc., advanced moderately, but there was a decided decline in sales of Men's Suits and Overcoats, and, in 1944, in Men's Shoes.

Yard goods sales have been very large since 1942, rising to 139 in 1943 and to 153 in 1944. Silks disappeared long ago from department store shelves, but rayons and blended fabrics have largely replaced them. White goods of all kinds are extremely scarce, manufacturers believing that larger profits can be made by printing their cloth. Cotton goods are scarcer than woolens.

Some of the miscellaneous departments show interesting developments. Sales of Umbrellas, Parasols, Canes, etc., rose from the base of 100 in 1942 to 204 in 1943 and to 228 in 1944. Evidently people have prepared to walk more while automobiles and gas are rationed. Toilet Articles, etc., which rose to 113 in 1943, went to 138 in 1944, the increase in sales tax having much less effect than in Furs. Stationery and Books advanced to 132 in 1943 and went on to 163 this year, and Jewelry and Silverware sales reached 124 and 131 last year and this, respectively. Jewelry sales rose chiefly from sales of watches to service men, of identification bracelets as gifts to inductees, of engagement rings, and of wedding presents. The increase in Stationery sales was due in large part to the volume of mail going to the armed forces, and to wedding invitations and announcements. In spite of needs for space on trains and busses for soldiers and sailors, the general public is traveling in unprecedented volume, and Luggage sales soared to 190 in 1943, and stood at 142 in 1944 in spite of the increase in sales tax on luggage this year. Notwithstanding the shortage of sugar and the scarcity of good candy, sales of candy and other confections went up to 162 in 1943 and to 204 this year.

Declines in sales in 1943 and 1944 from 1942 levels were due to scarcity of merchandise rather than to lessened demand. The manufacture of practically all metal articles was stopped about two years ago, and some other lines have been taken over in large part by the Government for use by the armed forces. In Furniture and Mattresses, manufacture of certain types of goods was discontinued. Further, the demand for furniture is naturally below normal because with so many husbands in the Army and Navy fewer couples are setting up housekeeping than would be the case under peace time conditions. Furniture sales were consequently only 88 in 1943 in comparison with 100 in 1942, and dropped to 86 in

1944. Refrigerator and other major household appliance sales were 19 in 1943 and only 5 in 1944, all of these articles having virtually disappeared from the market. Radio sales have of course fallen almost to the vanishing point, being reported at 26 in 1943 and 8 in 1944. Sales of sporting goods were 87 in 1943 and 79 in 1944, the absence of so many young men having curtailed all sports, and sporting goods of many kinds being scarce. Cameras and Films have gone to war, and only a trickle of either reaches the civilian population. Sales therefore declined from 100 in 1942 to 46 in 1943 and to 35 in 1944.

Earlier in this paper we showed that inventories declined in 1943 from 1942, but recovered part of the loss in 1944. Stocks in the twenty stores for which departmental data are available were 78 in 1943 and 88 in 1944, with 1942 stocks rated at 100. The changes in individual departments varied widely from the entire store average, depending in some cases upon ability of the buyers to find substitutes for items entirely withdrawn from civilian use or substantially restricted in distribution. The table on page 7 shows in index number form how departmental stocks on May 31, 1943 and May 31, 1944, compared with stocks on hand on May 31, 1942. The 1942 stocks are rated at 100.

Note: It should be kept in mind that 1942 stocks, generally speaking, were at an all-time high in selling value, and 1944 stocks, although lower in value than those of 1942, are higher in value than stocks in any other year.

(Continued from page 1)

pears, however, that few of these needs can be filled, and as a consequence the overall level of production will probably continue to inch downward.

All Fifth District states and the District of Columbia had exceeded the goals set in the Fifth War Loan by July 10. Maryland and North Carolina passed their respective goals on June 28; Virginia on July 3; District of Columbia on July 5; West Virginia on July 7; and South Carolina on July 10. No state, however, had reached its quota for War Savings Bonds, Series E, by July 12. Total War Loan sales in the Fifth District to July 12 amounted to $1,093 million compared with final sales for the Fourth War Loan of $881 million, $972 million for the Third; and $597 million for the Second.

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

	May 1944	Apr. 1944	Mar. 1944	May 1943	% Change May 1944 from Apr. 44	% Change May 1944 from May 43
Bank Debts	197	193r	202	185	+ 2	+ 6
Bituminous Coal Production*	152	149	145	139	+ 2	+ 9
Building Contracts Awarded	81	143	100	103	—43	—21
Bulding Permits Issued	33	23	21	39	+43	—15
Cigarette Production	161	168	167	146	— 4	+10
Cotton Consumption*	144	143	155	154	+ 1	— 7
Department Store Sales	211	199r	212	182	+ 6	+16
Department Store Stocks	174	170	172	154	+ 2	+13
Electric Power Production	212	199	199	200	+ 7	+ 6
Employment—Mfg. Industries*	139p	142p	144p	150	— 2	— 7
Furniture Orders	170p	188	168	258	—10	—34
Furniture Shipments	173p	149	157	163	+16	+ 6
Furniture Unfilled Orders	598p	734	526	820	—19	—27
Life Insurance Sales	131	118	131	114	+11	+15
Retail Furniture Sales	136p	128p	123	142	+ 6	— 4
Wholesale Trade—Five Lines	180	178	180	168	+ 1	+ 7
Wholesale Trade—Drugs	210	210	204	193	0	+ 9
Wholesale Trade—Dry Goods	175	170	155	192	+ 3	— 9
Wholesale Trade—Groceries	190	187	190	169	+ 2	+12
Wholesale Trade—Hardware	104	110	118	128	— 5	—19

* Not seasonally adjusted.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	July 12 1944	Change in Amt. From 6-14-44	Change in Amt. From 7-14-43
Total Gold Reserves	$1,079,085	+ 8,918	— 79,535
Other Reserves	16,619	+ 3,068	— 20,738
Total Reserves	1,095,704	+11,986	—100,273
Bills Discounted	1,375	— 1,580	— 1,750
Industrial Advances	188	0	— 220
Gov't. Securities, Total	760,844	+ 6,128	+447,546
Bonds	96,208	+ 1,577	— 993
Notes	77,973	+ 254	+ 29,076
Certificates	223,000	+ 8,464	+151,338
Bills	363,663	— 4,167	+268,125
Total Bills & Securities	762,407	+ 4,548	+445,576
Uncollected Items	128,910	—21,581	+ 3,726
Other Assets	18,691	+ 2,994	+ 6,206
Total Assets	2,005,712	— 2,053	+355,235
Fed. Res. Notes in Cir.	1,233,814	+10,869	+321,425
Deposits, Total	640,689	+ 5,582	+ 34,251
Members' Reserves	547,626	+ 4,324	+ 27,865
U. S. Treas. Gen. Acc.	30,784	+11,314	— 6,389
Foreign	58,326	— 1,110	+ 17,430
Other Deposits	3,953	— 8,946	— 4,655
Deferred Availability Items	110,446	—18,546	— 2,137
Other Liabilities	270	— 203	+ 131
Capital Accounts	20,493	+ 245	+ 1,565
Total Liabilities	2,005,712	— 2,053	+355,235

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	July 12 1944	Change in Amt. From 6-14-44	Change in Amt. From 7-14-43
Total Loans	$ 349,034	+ 91,549	+111,660
Bus. & Agric. Loans	113,182	— 885	+ 2,752
Real Estate Loans	50,765	+ 1,998	— 563
All Other Loans	185,087	+ 90,436	+109,471
Total Security Holdings	1,479,728	+172,236	+222,272
U. S. Treas. Bills	115,109	+ 48,252	— 40,855
U. S. Treas. Certificates	317,533	+ 71,490	+ 98,851
U. S. Treas. Notes	253,825	+ 15,882	+ 89,081
U. S. Gov. Bonds	721,300	+ 36,360	+113,813
Obligations Gov. Guaranteed	16,276	+ 1,649	— 33,813
Other Bonds, Stocks & Sec.	55,685	— 1,397	— 4,805
Cash Items in Process of Col.	97,971	— 7,266	+ 581
Due from Banks	193,167*	+ 36,207	+ 16,240
Currency & Coin	37,336	— 116	+ 1,371
Reserve with F. R. Bank	291,110	+ 8,482	— 2,349
Other Assets	62,440	— 914	— 95
Total Assets	$2,510,786	+300,178	+349,680
Total Demand Deposits	$2,057,043	+310,631	+310,364
Deposits of Individuals	1,055,680	—108,784	+ 25,746
Deposits of U. S. Gov.	540,928	+409,160	+329,757
Deposits of State & Local Gov.	74,137	— 5,365	— 26,363
Deposits of Banks	364,695	+ 15,898	— 19,783
Certified & Officers' Checks	21,603	— 278	+ 1,007
Total Time Deposits	267,482	— 531	+ 34,101
Deposits of Individuals	253,884	+ 1,555	+ 35,930
Other Time Deposits	13,598	— 2,086	— 1,829
Liabilities for Borrowed Money	0	0	— 3,000
All Other Liabilities	71,254	— 9,966	+ 1,364
Capital Accounts	115,007	+ 44	+ 6,851
Total Liabilities	$2,510,608	+300,178	+348,680

* Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	June 30, 1944	May 31, 1944	June 30, 1943
Total Deposits	$275,742,108	$273,220,852	$244,088,572

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina	S. Carolina	Virginia	District
June 1944	218,589	164,128	17,690	400,407
May 1944	225,210	172,483	20,198	417,891
June 1943	246,159	183,871	20,545	450,575
6 Months 1944	1,338,731	1,018,553	116,282	2,473,566
6 Months 1943	1,447,412	1,096,190	129,816	2,673,418

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	June 1944	% change from June 1943	6 Mos. 1944	% chg. from 6 Mos.'43
Dist. of Columbia				
Washington	$ 549,715	+13	$ 2,941,175	+ 9
Maryland				
Baltimore	910,492	+28	4,626,883	+14
Cumberland	15,241	+20	76,661	+19
Frederick	13,466	+23	71,856	+19
Hagerstown	18,147	+19	104,213	+20
North Carolina				
Asheville	28,083	+29	140,106	+16
Charlotte	175,185	+51	757,469	+13
Durham	73,594	+25	356,901	+18
Greensboro	41,021	+21	210,575	+13
Kinston	6,681	+17	38,557	+15
Raleigh	77,818	+65	339,819	+12
Wilmington	40,838	+ 7	223,431	+ 4
Wilson	15,676	+69	51,597	+18
Winston-Salem	66,539	+ 1	369,938	— 1
South Carolina				
Charleston	43,293	+10	240,451	+ 4
Columbia	49,557	+ 2	291,497	— 3
Greenville	39,681	+10	223,173	+ 1
Spartanburg	23,235	+19	125,775	+ 5
Virginia				
Charlottesville	15,961	+31	86,402	+29
Danville	16,393	+33	82,993	+11
Lynchburg	24,015	+21	127,293	+13
Newport News	27,921	+13	160,961	+16
Norfolk	134,781	+ 7	735,112	+ 4
Portsmouth	17,049	+ 9	95,150	+ 4
Richmond	386,889	+38	1,909,462	+17
Roanoke	49590	+36	246,269	+15
West Virginia				
Bluefield	26,599	+31	139,747	+21
Charleston	98,219	+26	497,453	+12
Clarksburg	16,401	+23	89,725	+19
Huntington	31,978	+17	176,732	+12
Parkersburg	17,268	+14	95,317	+13
District Totals	$3,051,326	+24	$15,632,693	+12

COMMERCIAL FAILURES

	Number of Failures District	Number of Failures U. S.	Total Liabilities District	Total Liabilities U. S.
June 1944	2	110	$ 12,000	$ 1,854,000
May 1944	2	148	11,000	2,697,000
June 1943	6	265	354,000	6,076,000
6 Months 1944	10	737	330,000	14,351,000
6 Months 1943	30	2,198	723,000	29,109,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	June 1944	June 1943	Aug. 1 to June 30 1944	Aug. 1 to June 30 1943
Fifth District States:				
Cotton consumed	400,407	450,575	4,576,321	4,903,854
Cotton Growing States:				
Cotton consumed	706,149	797,138	8,092,829	8,899,787
Cotton on hand June 30 in consuming establishments	1,680,840	1,856,881	.....	.....
Storage & compresses	8,675,247	8,299,316	.....	.....
United States:				
Cotton consumed	805,735	918,433	9,217,903	10,260,214
Cotton on hand June 30 in consuming establishments	1,984,910	2,219,286	.....	.....
Storage & compresses	8,855,931	8,550,318	.....	.....
Spindles active, U. S.	22,373,494	22,769,238	.....	.....

RAYON YARN DATA

	June 1944	May 1944	June 1943
Rayon Yarn Shipments, Lbs.	44,400,000	45,400,000	39,600,000
Staple Fiber Shipments, Lbs.	14,400,000	14,600,000	13,300,000
Rayon Yarn Stocks, Lbs.	7,900,000	8,100,000	6,500,000
Staple Fiber Stocks, Lbs.	2,300,000	2,500,000	2,900,000

Source: Rayon Organon.

BUILDING PERMIT FIGURES
Fifth Federal Reserve District
June 1944

	Total Valuation June 1944	June 1943
Maryland		
Baltimore	$ 768,558	$ 954,570
Cumberland	14,325	4,810
Frederick	6,035	985
Hagerstown	41,450	9,291
Salisbury	20,274	3,390
Virginia		
Danville	$ 5,994	$ 29,020
Lynchburg	7,844	3,805
Norfolk	237,440	117,720
Petersburg	500	100
Portsmouth	62,105	17,035
Richmond	538,799	110,902
Roanoke	25,511	28,460
West Virginia		
Charleston	$ 65,274	$ 18,790
Clarksburg	3,841	2,057
Huntington	14,330	6,300
North Carolina		
Asheville	$ 15,248	$ 5,679
Charlotte	95,704	14,711
Durham	4,880	138,977
Greensboro	15,245	8,280
High Point	41,189	25,712
Raleigh	45,825	68,135
Rocky Mount	64,350	525
Salisbury	2,032	1,325
Winston-Salem	136,096	21,375
South Carolina		
Charleston	$ 58,352	$ 167,944
Columbia	13,455	4,792
Greenville	250	545
Spartanburg	11,458	32,235
District of Columbia		
Washington	$ 1,959,034	$ 2,551,023
District Totals	$ 4,275,398	$ 4,348,493
6 Months	$13,511,560	$22,957,087

CONSTRUCTION CONTRACTS AWARDED

STATES	May 1944	% chg. from May 1943	5 Mos. 1944	% chg. from 5 Mos. 1943
Maryland	$ 3,053,000	—64	$ 34,228,000	—25
Dist. of Columbia	1,922,000	+79	11,525,000	—15
Virginia	10,144,000	+ 7	55,671,000	—41
West Virginia	2,280,000	+69	8,422,000	—21
North Carolina	3,300,000	—10	25,226,000	—39
South Carolina	932,000	—73	12,147,000	—46
Fifth District	$21,631,000	—21	$147,219,000	—35

Source: F. W. Dodge Corp.

TOBACCO MANUFACTURING

	June 1944	% change from June 1943	6 Mos. 1944	% chg. from 6 Mos.'43
Smoking and chewing tobacco (Thousands of lbs.)	19,724	— 2	112,818	—10
Cigarettes (Thousands)	21,165,978	+ 1	118,505,132	0
Cigars (Thousands)	384,171	—15	2,321,731	—13
Snuff (Thousands of lbs.)	3,626	+15	21,818	— 2

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	June 1944	June 1943	% Change	6 Mos. 1944	6 Mos. 1943	% Change
West Virginia	14,055	9,706	+45	84,184	76,848	+10
Virginia	1,666	1,200	+39	10,156	9,607	+ 6
Maryland	169	127	+33	1,021	929	+10
5th District	15,890	11,033	+44	95,361	87,384	+ 9
United States	53,395	34,385	+55	319,520	284,071	+12
% in District	29.8	32.1		29.8	30.8	

RETAIL FURNITURE SALES

STATES	Percentage Changes in June and 6 Months 1944 Compared with June 1943	Compared with 6 Months 1943
Maryland (5)*	+ 2	0
Dist. of Columbia (5)*	+18	+ 4
Virginia (24)*	+ 9	+ 2
West Virginia (11)*	+10	— 1
North Carolina (22)*	+15	+ 7
South Carolina (13)*	+ 3	—11
Fifth District (80)*	+10	+ 1
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	+ 2	0
Washington, D. C. ((5)*	+18	+ 4
Lynchburg, Va. (3)*	+14	+ 5
Richmond, Va. (7)*	— 2	+ 2
Charleston, W. Va. (4)*	— 4	—13
Charlotte, N. C. (5)*	0	+ 3
Winston-Salem, N. C. (3)*	+14	+12
Columbia, S. C. (4)*	+16	— 2

* Number of Stores.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in June 1944 sales, compared with sales in June 1943:				
+ 6	+ 1	+ 1	+ 7	+ 2
Change in 6 mos.' sales in 1944, compared with 6 mos.' sales in 1943:				
+14	+ 5	+ 1	+16	+ 6
Change in stocks on June 30, 1944, from stocks on June 30, 1943:				
+ 7	+ 8	+ 8	+25	+ 9
Change in outstand'g orders June 30, 1944, from orders on June 30, 1943:				
— 9	— 9	—19	+ 5	—14
Change in total receivables on June 30, '44, compared with June 30, '43:				
+ 5	+ 6	+ 3	+ 3	+ 4
Percentage of current receivables as of June 1, 1944, collected in June:				
53(51)	58(57)	52(59)	54(57)	55(57)
Percentage of instalment receivables as of June 1, 1944, collected in June:				
23(24)	29(30)	24(24)	25(24)	26(25)

Note: 1943 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	West Va.	N. Caro.	S. Caro.
Percentage change in June 1944 sales from June 1943 sales, by States:					
+1	+1	+ 6	+ 6	+ 5	+ 2
Percentage chg. in 6 mos.' sales in 1944, compared with 6 mos.' in 1943:					
+5	+1	+14	+10	+12	+10

WHOLESALE TRADE, 259 FIRMS

LINES	Net Sales June 1944 compared with June 1943	May 1944	Stock June 30, 1944 compared with June 30 1943	May 31 1944	Ratio June collections to accts. outstand'g June 1
Auto supplies (15)*	+ 5	+ 4	+ 2	+ 1	100
Drugs & sundries (12)*	+ 8	+ 2	+ 5	— 5	118
Dry goods (7)*	— 4	—21	+ 5	+ 3	72
Electrical goods (12)*	—10	+11	—30	— 4	51
Groceries (80)*	+ 9	+ 1	+21	— 4	153
Hardware (11)*	— 8	—15	+17	+ 1	94
Paper & products (10)*	— 2	— 2	— 7	+ 1	102
Industrial suppplies (8)*	+16	— 3	+ 6	— 1	106
Tobacco & products (11)*	0	— 7	+ 3	—10	153
Miscellaneous (93)*	+ 6	0	— 8	— 7	98
District Average (259)*	+ 4	— 2	+ 1	— 4	98

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

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Employment and production at factories continued to decline slightly in June; output of minerals was maintained in record volume. Retail trade and commodity prices showed little change in June and the early part of July.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in June as compared with 237 in May and 243 in the first quarter.

Steel production declined 4 per cent from the rate in May, reflecting partly manpower shortages. Output of nonferrous metals dropped 8 per cent, largely owing to the continued planned curtailment of aluminum and magnesium production. The lifting on July 15 of some of the restrictions on use of these metals was the initial step in a program to prepare for limited reconversion to peacetime output. Activity in the machinery and transportation equipment industries in June was maintained at the level of the preceding month. Increasing emphasis was reported on output of heavy artillery and artillery shells and of tanks. Lumber production continued to decline and was approximately 10 per cent below June 1943.

Production of nondurable goods was maintained in June. Meat-packing activity declined further from the exceptionally high level in the first quarter, but output of most other food products continued to rise seasonally. Refinery output of gasoline advanced further and reached the earlier record level of December 1941. Activity in cotton textile mills and in the chemical and rubber industries showed little change in June.

Mine production of metals and coal was maintained in large volume and crude petroleum production continued to rise to new record levels.

DISTRIBUTION

Department store sales declined more than seasonally in June, following a considerable increase in May, and the Board's index was 175 per cent of the 1935-39 average as compared with 183 in May and an average of 177 in the first four months of this year. Value of sales in the first half of 1944 was 7 per cent greater than in the first half of 1943. In the early part of July sales were 9 per cent larger than a year ago.

Railroad freight carloadings showed little change in June and the first three weeks of July after allowance for seasonal movements.

COMMODITY PRICES

Legislation extending Federal price controls for one year was enacted June 30; certain restrictive provisions were relaxed, especially those relating to prices of cotton products. Prices of most commodities in wholesale and retail markets have recently shown little change.

AGRICULTURE

Well over a billion bushels of wheat and almost 3 billion bushels of corn were in prospect on July 1. This is an improvement over June 1 prospects and aggregate crop production in 1944 may be about the same as in 1943 and larger than any year prior to 1942.

The number of chickens raised this year was 19 per cent smaller than last year; the spring pig crop was 24 per cent smaller and the fall crop may be a third smaller than in 1943. Marketings of cattle, however, have been normal in relationship to the numbers and unless marketings are increased during the rest of this year no material reduction of the large numbers of cattle on farms will occur.

BANK CREDIT

As payments for securities purchased during the Fifth Drive transferred funds from private deposits to reserve-exempt Government accounts, the average level of required reserves at all member banks declined by close to 1¼ billion dollars. Reserve balances were reduced by about 800 million dollars and excess reserves rose by around 400 million. Reserve funds were absorbed through declines in Reserve Bank holdings of Government securities, by a moderate increase in currency, and by temporary increases in Treasury deposits at the Reserve Banks. Over the four weeks ending July 12, money in circulation rose by 230 million dollars, which is a smaller rate of growth than prevailed in recent months, reflecting the influence of the war loan drive.

During the Fifth Drive, between June 14 and July 12, Government security holdings at reporting member banks in 101 leading cities increased by 4.7 billion dollars. Additions to bank holdings resulted from purchases of securities from investors who were adjusting their positions prior to subscriptions during the drive, from increased purchases of Treasury bills, and from subscriptions to new securities in limited amounts.

Loans for purchasing and carrying Government securities increased by 1.8 billion dollars over the Fifth War Loan, an increase larger than that of any other drive. Of the total amount advanced by banks in 101 cities, loans to brokers and dealers accounted for 500 million and loans to others for 1.3 billion.

Accompanying purchases of securities during the Fifth Drive, adjusted demand deposits declined by 4.7 billion dollars at banks in 101 cities. Government deposits at these same banks increased by 10.5 billion dollars. The difference reflected the effect of the increase in bank loans and investments.