

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

August 31, 1944

TOTAL employment in non-agricultural establishments in the Fifth District was 30,000 smaller in May 1944 than in January 1944, but employment in manufacturing industries more than accounted for the loss. Between January and May of the current year employment in manufacturing establishments fell 51,000, while employment in other non-agricultural establishments rose 21,000. The decline in total employment probably represents a reduction in the labor force through continued withdrawals of manpower for selective service, and to the return of service men's wives and others to their homes. While some of the increase in non-agricultural employment other than manufacturing may have been accounted for by increases at governmental installations, it is more probable that shifts to permanent employment were a more dominant factor. This has occurred in spite of continuing needs for a larger number of workers in the District's shipyards and textile industries.

War contract cutbacks are becoming noticeable, though as yet these have not affected employment levels to any considerable extent, but their effects will be noted in some localities. So far any workers released as a result of contract cutbacks or terminations can readily be absorbed in other areas throughout the District. A number of communities in the District are becoming conscious of the problem of contract termination and reconversion, as well as the postwar employment problems. A considerable amount of effort is being expended on these problems in a number of areas, while the city of Anderson, S. C., and Augusta County, Va., are in process of surveying their areas regarding the postwar business and employment outlook.

Despite the fact that the production of merchant ships in the District's yards has been in a gradual downward trend for about a year, the Maritime Commission has not relaxed its efforts to secure a larger output. No contracts have been terminated; in fact, some new ones have been made. There is no intention on the part of the Maritime Commission to terminate contracts prior to the defeat of Germany, but at the present rate of war progress the time when ship contracts will be terminated may not be too distant.



Aside from the cotton textile and tobacco manufacturing industries and the wholesale trades, such indicators of business activity as have been compiled in this bank all show a continuing upward trend. It is true that current indexes of bituminous coal output have not shown any appreciable increase; nevertheless, the trend is still moderately upward. Department store sales indexes which appeared several times to be flattening out have shown evidence in recent months to be substantially in the same trend that has prevailed for the past two or three years. Cigarette production in the District appears to have stabilized at a level about halfway between that of 1942 and 1943. Cotton consumption has been in a declining trend since early in 1942. The July indexes show an unusually sharp drop from June, but this apparently is the result of vacation schedules. Lumber production, which is hardest hit by manpower shortage, is running in the neighborhood of 30 per cent smaller than a year ago.

Rains which came to a great part of the District in July and August have changed the agricultural outlook considerably, but their chief beneficial effect showed mainly

(Continued on page 11)

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100

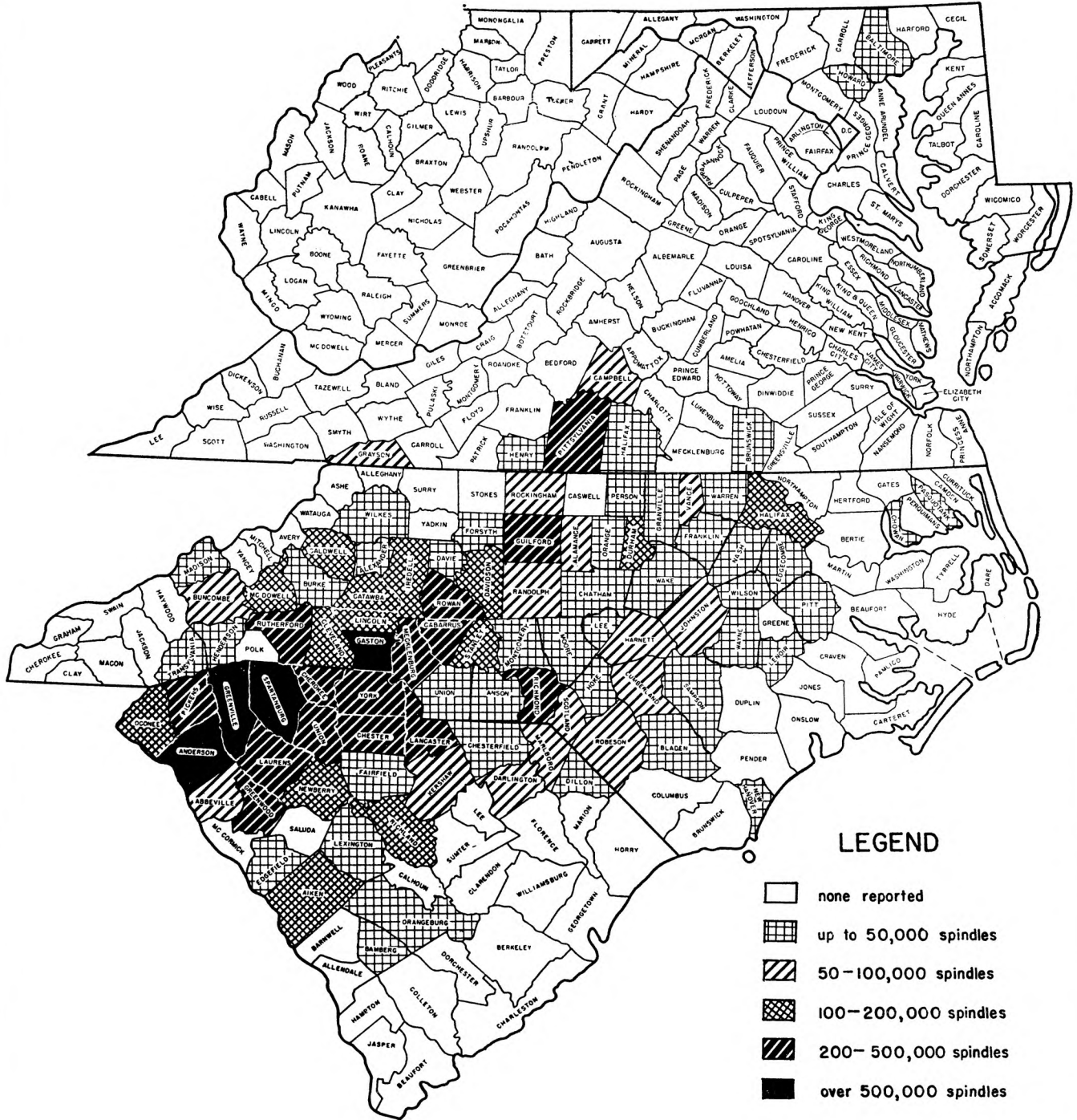
Seasonally Adjusted

	July 1944	June 1944	May 1944	July 1943	% Change	
					July 1944 from June '44	July '43
Bank Debits	210	233	197	191	-10	+10
Bituminous Coal Production*.....	144	148	152	148	-3	-3
Building Contracts Awarded	102	96	81	139	+6	-27
Building Permits Issued	39	52	33	52	-25	-25
Cigarette Production	159	153	161	174	+4	-9
Cotton Consumption*	127	143	144	138	-11	-8
Department Store Sales	213	203	211	200	+5	+7
Department Store Stocks	190	186	174	183	+2	+4
Life Insurance Sales	137	133	131	136	+3	+1
Retail Furniture Sales	132	144	136	137	-8	-4
Wholesale Trade—Five Lines	170	180	180	175	-6	-3

* Not seasonally adjusted.

NUMBER OF SPINDLES IN PLACE

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES: JULY 1, 1943



LEGEND

- none reported
- up to 50,000 spindles
- 50-100,000 spindles
- 100-200,000 spindles
- 200-500,000 spindles
- over 500,000 spindles

SOURCE: DAVISON'S TEXTILE BLUE BOOK - 1943

FEDERAL RESERVE BANK OF RICHMOND: AUGUST 1944

The Cotton Textile Industry of the Fifth District

The status of the cotton textile industry is of vital importance to the economy of the Fifth Federal Reserve District. As an employment outlet, the cotton textile industry is the leading industry in this District. In 1939, the latest date for which census data are available, the cotton textile industry in the Fifth District employed 198,000 wage earners and paid wages approximating \$135 million; in the same year the value of products in this industry amounted to \$551 million. Since 1939, under the impetus of wartime demands, the industry has been forced to obtain maximum production, and, with new equipment not available, has done so largely by hiring thousands of additional workers and operating multiple shifts. As a result, there has been a marked expansion over the 1939 level of employment and payrolls.

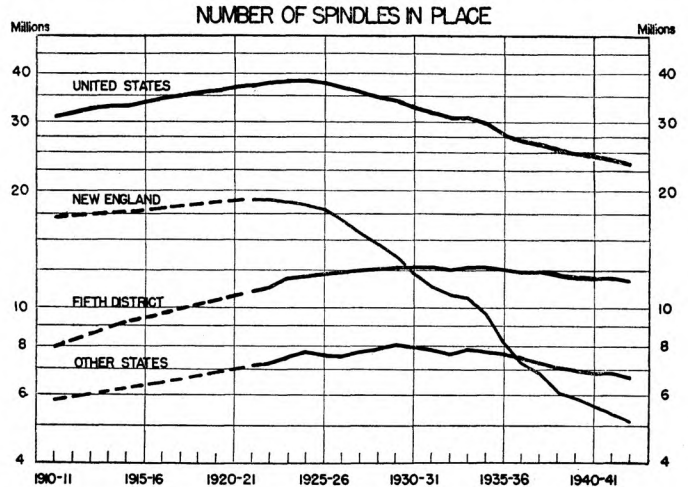
While the nature of the wartime expansion and the possible outlook for the industry are now of particular interest, it may be more useful to consider first the background of the cotton textile industry in the District. What is the background of the industry in this District? What is the history of its growth? Where is it located? What does it produce? How important is it in relation to other industries in the District, and in relation to the cotton textile industry of the United States? The following discussion attempts a brief appraisal of the answers to these questions.

GROWTH OF THE INDUSTRY

The growth of a cotton textile industry in the District traces from the very necessary industrialization of the South in the post Civil War period. Although prior to the Civil War there was some evidence of a nascent cotton textile industry, and early Census data indicate that in 1849 there were 73 mills in the states of this District with 126,500 spindles, most of this industry was destroyed in the Civil War, and the industry's real development in this area began in the decade from 1880-1890. Considerable impetus to the growth in this period was rendered by the Atlanta Exposition of 1881. Source of capital for many of the mills established, which generally speaking were very small, came from numerous local investors as well as northern commission houses. Factors promoting the growth of the industry in the Fifth District, in addition to the originating impetus of the area's industrial revolution noted above, included in approximate order of importance, (a) availability of water power, (b) availability of cheap labor, (c) lack of legal restrictions on use of labor, (d) low taxes, (e) low building costs, (f) proximity of mills to raw material.

It is not practicable to consider the growth of the cotton textile industry in this area without some reference to its relation to the remainder of the cotton textile industry in the United States. For the story of the growth of the cotton textile industry in this area, as well as in the other cotton growing states, is in part the story of the decline of the industry in New England under existent competitive conditions. That story is partially revealed in the following chart showing number of spindles in place in the United States, New England states, and Fifth District states from 1910 to date. There has been an uninterrupted

increase in the proportion of the United States' spindles located in the Fifth District; approximately half of all the spindles in the country are now located in this district.



From the above, it appears that spindles in place in the United States reached a peak of approximately 38 million spindles in the crop year 1924-25 and since then has steadily declined, except for the period from 1932-35 when the N.R.A. cotton textile code was in effect. Likewise in New England, after reaching a peak in 1923-24, spindlage in place has shown a continuous decline. Growth in spindlage in the Fifth District, however, continued long after its cessation in New England. Virtual cessation of growth in the District did not occur until 1930-31; from this date until recently there was an approximate stabilization of spindlage in the district.

Within the District, however, the cessation of growth in spindlage was not uniform among the states. In its survey of the textile industry, the U. S. Cabinet Committee points out that "substantial growth ceased in Virginia in 1924-25, in North Carolina in 1927-28 and in South Carolina in 1930-31." In support the Cabinet Committee cited the following data showing (a) the month of virtual cessation of growth and (b) the month of maximum spindlage.

TABLE I: SPINDLES IN PLACE¹

STATE	Virtual Cessation of Growth		Maximum	
	Date	Spindles	Date	Spindles
Virginia	May 1925	710,000	Feb. 1930	710,000
North Carolina	July 1927	6,210,000	Oct. 1930	6,240,000
South Carolina	Mar. 1930	5,670,000	Feb. 1935	5,850,000

¹ Report on the Condition & Problems of the Cotton Textile Industry made by the Cabinet Committee appointed by the President, 1935.

However, spindles in place do not present a complete picture of the growth of the cotton textile industry in the District, either in absolute or comparative terms. Additional evidence of growth is found in the data on cotton consumption, which is the best available measure of production, although defective in that it does not take into account changes in types of goods produced. The following chart comparing cotton consumption by mills in the Fifth District with consumption by mills in other

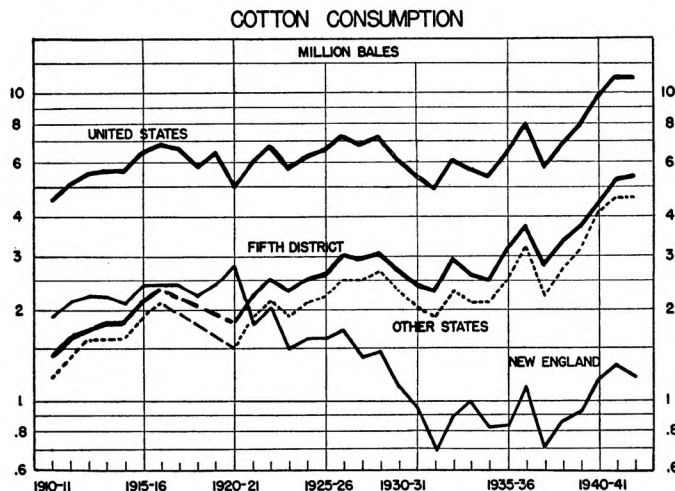
areas and in the entire United States shows several significant developments.

i. Cotton consumption by mills in the Fifth District increased from 1.4 million bales in 1911 to 3.3 million bales in 1939, prior to the outbreak of World War II, an increase over the 28-year period of 1.9 million bales, or 135.7 per cent.

ii. Since the outbreak of World War II, cotton consumption in the District increased from 3.3 million bales in 1939 to 5.3 million bales in 1943, an increase over the 4-year period of 2.0 million bales, or 60.6 per cent.

iii. In both the above periods, cotton consumption in the District increased at a faster rate than in the United States. However, in view of later data to be presented on employment, attention may be called to the sharp upturn in cotton consumption in the New England area as well as in the Fifth District under the impact of World War II.

iv. A further significant fact revealed in the chart is the sharp drop in consumption following World War I, a drop which was regained in the Fifth District and in the United States within 4 years after the close of the war, but a loss which the New England area was never able to regain.



The preceding brief description of the growth of the cotton textile industry in the Fifth District may serve to provide a background for discussion of the present status of the industry. Where is it now located? What does it produce? How important is it?

IMPORTANCE

Taking these questions in inverse order, some idea of the importance of the District's cotton textile industry with regard to its position in the cotton textile industry of the entire country has already been illustrated on the basis of number of spindles as well as cotton consumption. Another measure of this District's share of the country's cotton textile industry is found in Census data on the value of cotton textile products. These data indicate that in 1939 the value of all cotton textile products in the United States totaled \$1,007 million, of which the Dis-

trict's cotton textile industry accounted for \$547 million, or 54.3 per cent.

Question still remains as to the importance of the cotton textile industry with regard to the economy of the Fifth Federal Reserve District. The following comparisons of the cotton textile industry with other leading manufacturing industries in the District show that in 1939 the cotton textile industry was the leading manufacturing industry in the District. In 1939 the cotton textile industry accounted for almost one-fourth of all the persons engaged in manufacturing establishments in the District.

TABLE II: COMPARISON OF EMPLOYMENT IN LEADING MANUFACTURING INDUSTRIES
Fifth Federal Reserve District—1939

INDUSTRY GROUP	Total Persons Engaged in Mfg. Establishments	% Fifth District
All Mfg. Industries	853,389	100.0
Cotton Textiles	206,572	24.2
Knit Goods	60,574	7.1
Sawmills	39,954	4.7
Rayon & Silk Textiles	33,662	3.9
Furniture	32,035	3.8
Steel Works & Rolling Mills ...	31,924	3.7
Cigarettes	24,940	2.9
Ship & Boat Building & Repairing	15,132	1.8
Bakery Products	16,848	2.0
Other Industries ¹	391,748	45.9

¹ The rayon industry which would normally be included among the above listed leading industries is by necessity included in the "Other Industries" since state figures have been withheld from Census data to avoid disclosure of individual establishment figures.

Source: Census data.

In addition, the cotton textile industry held the leading position among the District's manufacturing industries with regard to salaries and wages paid, cost of materials, etc., value of products, value added by manufacture. However, it is interesting to note that while the cotton textile industry accounted for 24.2 per cent of all persons engaged in manufacturing establishments in this District, salaries and wages paid totaled 17.6 per cent of the District total and value of products only amounted to 12.7 per cent.

TABLE III: POSITION OF COTTON TEXTILE INDUSTRY RELATIVE TO ALL MANUFACTURING INDUSTRIES
Fifth Federal Reserve District — 1939

(Figures in thousands of dollars)

	All Mfg. Industries	Cotton Textiles	% of Total
Total Salaries & Wages	\$ 853,381	\$150,521	17.6
Total Cost of Materials, Fuel, Supplies, etc.	2,579,494	282,599	11.0
Value of Products	4,356,725	552,342	12.7
Value Added by Mfg.	1,777,232	269,743	15.2

Source: Census data.

LOCATION

The cotton textile industry of the Fifth District is located principally in the Piedmont area of the Carolinas. While there is an important establishment at Danville, Virginia, representing over half of the cotton textile industry in the state, and a few scattered small establishments in Maryland, the bulk of the industry, both as regards the spinning and weaving divisions, is located in the Carolinas.

TABLE IV: COTTON TEXTILE INDUSTRY—FIFTH DISTRICT
July 1, 1943¹

	Spindles			Looms		
	Number (000)	Per Cent of Total		Number (000)	Per Cent of Total	
		5th Dist.	U. S.		5th Dist.	U. S.
United States	24,038	100.0	100.0	470,423	100.0	100.0
5th District	11,652	100.0	48.5	221,679	100.0	47.1
Maryland	38	.3	.2	385	.2	.1
Virginia	646	5.5	2.7	16,159	7.3	3.4
North Carolina ..	5,600	48.1	23.3	70,625	31.8	15.0
South Carolina ..	5,368	46.1	22.3	134,510	60.7	28.6

¹ Source: Spindle and loom figures are taken from Davison's *Textile Blue Book* (1943) and adjusted to exclude plants not properly classified as cotton textile mills; as adjusted, U. S. and District figures on spindles vary only 1% from U. S. Census figures for June 30, 1943.

With regard to the spinning division of the industry in this District, the above table shows that it is of about the same importance in North and South Carolina and that these states account for 94 per cent of the spindles. Within these states, however, there is a high degree of concentration of the industry in the Piedmont area bordering along the foot of the mountains, and almost one-third of all the spindles in the District are located in four counties: Gastonia, North Carolina; Spartanburg, South Carolina; Greenville, South Carolina; and Anderson, South Carolina. The map on page 2 shows the location of spindles by counties in the Fifth District.

Although the spinning division of the industry in terms of spindle capacity is about equally divided between North and South Carolina, this does not present a complete picture since the North Carolina mills produce most of the sales yarn (particularly combed yarn) while most of the South Carolina mills use the yarn for further processing into cotton fabrics, i. e., print cloths. Thus, the weaving divisions of the industry may be found to a greater extent in South Carolina, which has 61 per cent of all the looms in the District. Four counties account for 31 per cent of loom capacity in the District; in order of importance these four leading counties are Spartanburg, South Carolina; Greenville, South Carolina; Anderson, South Carolina; and Pittsylvania, Virginia.

TYPES OF PRODUCTS

Having thus located the industry, a final question by way of background is: What does the cotton textile industry in this District produce? This question is particularly significant due to the changes in production necessitated by wartime needs and government regulations.

For example, one of the larger mills in the District, which formerly manufactured fine combed fabrics, is now operating about 95 per cent on army uniform fabric, 8.2 oz. and 9 oz. sateen. However, while the data presented below do not take into account this conversion of many

mills, and therefore do not present an accurate picture of current production, nevertheless since mills are classified according to directory listings the data show a more normal division.

In the fourth quarter of 1939, available data indicate that the major divisions of the cotton textile industry in this District in terms of employment may be grouped in approximate order of importance as follows: (1) Print cloths, (2) Carded yarn, (3) Towels & toweling, (4) Colored yarn cotton goods & related fabrics, (5) Combed yarn, (6) Fine carded and combed fabrics, (7) Narrow sheetings & allied fabrics, (8) Napped fabrics, (9) Wide fabrics, (10) Pile fabrics—also drapery, upholstery fabrics and bedspreads, (11) Narrow fabrics—not over 12 inches in width, (12) Tire fabrics, (13) Duck, (14) Specialties, (15) Novelty yarns.

The following table shows the average employment during the final quarter of 1939 for these divisions of the cotton textile industry within the Fifth District. The figures were compiled from Unemployment Compensation Commission data covering all cotton mills employing eight or more persons. In some cases where mills produced more than one product, an arbitrary division was made utilizing available information on the mills concerned.

TABLE V: EMPLOYMENT IN THE COTTON TEXTILE INDUSTRY OF THE FIFTH FEDERAL RESERVE DISTRICT BY INDUSTRY DIVISION—4th Q. 1939

	Maryland	Va.	North Carolina	South Carolina	Fifth District	% of Fifth District
All Cotton Textiles ..	1,759	13,441	126,874	91,291	233,365	100.0
Print cloths		1,141	9,784	49,561	60,488	25.9
Carded yarn		35	24,096	3,285	27,416	11.7
Towel & toweling ..		1,047	24,484	493	26,024	11.1
Colored yarn cotton goods and related fabrics		9,860	12,470	2,061	24,391	10.5
Combed yarn			21,538	696	22,234	9.5
Fine carded and combed fabrics ..			6,904	11,900	18,804	8.1
Narrow sheetings and allied fabrics			2,124	9,246	11,370	4.9
Napped fabrics			8,776	1,843	10,619	4.6
Wide fabrics			4,407	4,897	9,304	4.0
Pile fabrics—also drapery, upholstery fabrics and bedspreads	134	427	6,281	1,543	8,385	3.6
Narrow fabrics—not over 12 inches in width	520	931	1,428	1,942	4,821	2.1
Tire fabrics			2,842	1,708	4,550	1.9
Duck	1,105		1,190	1,717	4,012	1.7
Specialties				399	399	.2
Novelty yarns			548		548	.2

Source: All employment data are Unemployment Compensation Commission data covering all cotton mills employing 8 or more persons.

The preceding discussion represents an attempt to describe the physical structure of the cotton textile industry in the Fifth Federal Reserve District. The effect of the war on that structure, and the possible postwar outlook for the industry, remain for future consideration.

The Fifth War Loan

Investors in the Fifth Federal Reserve District purchased \$1,213,534,000 of Government securities during the Fifth War Loan Drive to establish a new War Loan record to date. Fifth War Loan purchases were 38 per cent larger than in the Fourth War Loan and 25 per cent larger than in the Third War Loan. Investors in the Fifth Federal Reserve District have purchased an increasing proportion of the United States total War Loan securities offered, having accounted for 5.88 per cent in the Fifth War Loan compared with 5.27 per cent in the Fourth, 5.13 per cent in the Third and 4.43 per cent in the Second. War Loan securities purchased by individuals, partnerships and personal trusts in this District of \$516,251,000 accounted for 43 per cent of all purchases compared with 41 per cent in the Fourth Loan, 37 per cent in the Third, and 36 per cent in the Second, as the accompanying table shows:

**TABLE 1: GOVERNMENT SECURITY PURCHASES
FIFTH DISTRICT
(Million Dollars)**

War Loan	Total	By Individuals, Etc.		By Others	
		Amt.	%	Amt.	%
Second	597	212	36	385	64
Third	972	355	37	617	63
Fourth	881	364	41	517	59
Fifth	1,213	516	43	697	57

USE OF BANK CREDIT

Although the securities purchased by individuals were of record levels in the Fifth War Loan, a larger proportion of bank credit was used in these purchases than in any of the previous loans. Loans made by weekly reporting member banks to others for purchasing or carrying Government securities between June 7th and July 5th rose \$89 million, an amount equal to 16.1 per cent of Fifth War Loan securities purchased by individuals. From January 12 through February 9 during the Fourth War Loan such loans on securities rose \$11 million, or an amount equal to only 3.0 per cent of all individual security purchases. It is possible that these loans are being liquidated out of income rather than by the sale of the securities, but the speed with which they have declined would indicate that some selling had taken place, as one-third of the June 7-July 5 increase had been liquidated by August 9.

The reporting member banks of this District by their purchases of Government securities during the approximate periods of the Fourth and Fifth War Loans participated indirectly in the Fifth War Loan to a larger extent than in the Fourth. Excluding the increase in bill holdings which may be used for investment of War Loan Deposits, the remaining Government security holdings of the weekly reporting member banks rose \$131 million from June 7 to July 12 compared with \$67 million between January 12 and February 16. The extension of credit by the weekly reporting member banks both on loans to others for purchasing or carrying securities and in direct security purchases, other than bills, amounted to \$214 million during the approximate period of the Fifth War Loan, or an amount equal to 18 per cent of the total War Loan purchases of \$1,214 million. In the Fourth War Loan this

credit extension totaled \$78 million, or an amount equal to 9 per cent of War Loan purchases of \$881 million.

CONTRIBUTION OF ISSUES

Certificates of indebtedness purchased in the amount of \$338,018,000, or 27.9 per cent of the total purchases of \$1,213,534,000 in the Fifth War Loan, contributed the largest share of any of the issues, as was the case in the Second and Fourth Loans. Certificates, however, did not account for quite as large a percentage of all purchases in the Fifth War Loan as in the Fourth. This was probably due to the shifting of some purchases to 1¼% notes which might have gone into certificates if this note had not been available. The 2% bonds accounted for the second largest portion of the total Fifth War Loan purchases which were bought in the amount of \$279,190,000, or 23.0 per cent of all purchases. No 2's were on sale in the Fourth War Loan, but in the Third Loan purchases of 2's accounted for 29.8 per cent of the total. The introduction of the 1¼% notes in between the 7/8 C of I's and the 2% bonds seems to have diverted purchases from both issues, but the purchases of all three accounted for 62.5 per cent of the total in the Fifth Loan, or the largest percentage of short and intermediate maturing obligations for any of the War Loans. The Treasury 2½% bonds and the Series E Savings Notes were purchased in larger amounts in the Fifth War Loan than in the Fourth, while purchases of savings bonds of the E, F, and G series were lower.

A comparison of the securities purchased in the Fifth War Loan with those of the previous four War Loans is given as follows:

**TABLE 2: WAR LOAN PURCHASES OF GOVERNMENT SECURITIES
BY NON-BANK INVESTORS—FIFTH FEDERAL RESERVE DISTRICT**

ISSUE	(Thousands of Dollars)				
	First	Second	Third	Fourth	Fifth
¾% Certificates	59,456	150,136	197,799	256,491	338,018
1¼% Treas. Notes	40,154	112,929	289,754	181,062	141,007
Bonds 1¾%, 2% & 2¼%	70,153	108,908	133,289	45,243	279,190
2½% Bonds	60,676	83,253	137,526	122,523	69,655
Tax & Savings Notes	46,051	96,026	160,080	213,313	124,599
Savings Bonds Series E**	20,174	44,812	53,931	62,364	208,429
Savings Bonds Ser. F & G					52,636
Total	296,664	596,754*	972,379	830,996	1,213,534

ISSUE	Per Cent of United States Total				
¾% Certificates	3.57	4.84	4.80	5.09	7.09
1¼% Treas. Notes	4.00	4.01	5.51	5.44	7.24
Bonds 1¾%, 2% & 2¼%	2.47	2.89	3.53	2.36	5.34
2½% Bonds	4.57	5.04	5.54	5.49	3.08
Tax & Savings Notes	7.18	6.52	6.48	6.69	4.84
Savings Bonds Series E	6.94	6.72	6.49	6.09	6.87
Savings Bonds Ser. F & G					6.43
Total	4.34	4.43	5.13	5.27	5.88

* Includes unallocated amount of \$690,000.

** Not included in First War Loan or Victory Fund Drive, but December 1942 sales added for comparability.

TYPE OF PURCHASER

Purchases of Government securities by individuals, partnerships, and personal trust accounts have become increasingly important in each of the War Loan Drives in the proportion of total purchases in the District, as well as in the proportion of all such purchases in the United States. In the proportion of total purchases in the Fifth

District purchases by individuals, partnerships and personal trust accounts have risen steadily from 35.6 per cent of the total in the Second War Loan to 42.5 per cent in the Fifth War Loan. These purchases by individuals, etc., in the Fifth Federal Reserve District have also shown a steadily rising proportion of the total of such purchases throughout the United States and its possessions. In the Second War Loan individual security purchases in the Fifth District accounted for 6.45 per cent of the country's total and the proportion has risen without interruption in each succeeding War Loan to 8.13 per cent in the Fifth, as the accompanying table shows:

TABLE 3: PERCENTAGE OF WAR LOAN PURCHASES BY INDIVIDUALS, PARTNERSHIPS & PERSONAL TRUSTS IN THE FIFTH FEDERAL RESERVE DISTRICT

War Loan	% of Total Fifth District Purchases	% of Individual Purchases in United States
Second	35.6	6.45
Third	36.5	6.60
Fourth	41.3	6.85
Fifth	42.5	8.13

Of the War Loan security purchases by individuals, partnerships and personal trusts, there has been a tendency for the non-marketable securities to decrease in importance and for the marketable issues to increase in importance. This tendency was reversed in the Fourth War Loan when the 2¼ and 2½ per cent bonds were not permitted for bank ownership before September 15, 1946 and February 1, 1954, respectively, but the trend was again in evidence in the Fifth War Loan when no restrictions were placed on bank ownership of the marketable bonds. Purchases of Savings bonds E, F and G series have shown progressively lower proportions of total individual purchases in each of the war loans, save the Fourth, when marketability of marketable issues was restricted. Thus, the increasing proportion of the securities purchased by individuals would appear to be due to the larger buyers rather than to the small purchaser. Series E Savings Bonds, which are specially adapted to purchase by individuals with incomes of less than \$5,000, have been running a substantially smaller percentage of total sales than the aggregate of incomes under \$5,000 to the District's total income, and yet no glaring evidence exists of widespread inflationary pressure, despite the existing potential. This is a tribute to good sense on the part of the people and to reasonably effective price control which could result only with a fair rationing of scarce commodities.

Fifth War Loan security purchases by insurance companies, Federal agencies and trust funds, and states and local Governments were notably larger than in the Fourth War Loan, while those of savings banks and dealers and brokers were smaller. Together these purchasers accounted for 22.1 per cent of all Fifth War Loan purchases, compared with 21.8 per cent in the Fourth War Loan. All other non-banking corporations and investors bought \$429,363,000 of Fifth War Loan securities to account for 35.4 per cent of the total. In the Fourth War Loan these investors took \$325,080,000, or 36.9 per cent of the total.

Total sales by type of purchaser are shown in the accompanying table for the Fourth and Fifth War Loans:

TABLE 4: WAR LOAN SECURITY PURCHASES IN THE FIFTH FEDERAL RESERVE DISTRICT BY TYPE OF PURCHASER

	(Amounts in Million Dollars)				Per Cent Change
	Fourth War Loan		Fifth War Loan		
	Amt.	%	Amt.	%	
Individuals, etc. ...	364	41.3	516	42.5	+ 41.9
Savings banks	47	5.3	45	3.7	- 3.5
Insurance companies	54	6.1	65	5.4	+ 21.0
Dealers & brokers ..	18	2.1	15	1.3	- 17.3
Federal agencies & trust funds	6	.7	20	1.6	+205.3
State & local gov'ts	67	7.6	123	10.2	+ 83.3
All other non-banking corporations & investors	325	36.9	430	35.4	+ 32.1
Total	881	100.0	1,214	100.0	+ 37.7

ATTAINMENT OF QUOTAS

In the Fifth War Loan investors in the states of Maryland, Virginia, West Virginia, North Carolina, South Carolina, and the District of Columbia had a quota to purchase \$779 million of Government securities, which was a 13.9 per cent larger quota than for the Fourth War Loan. Of this Fifth War Loan quota of \$779 million, \$394 million was allotted to individuals, partnerships and personal trust accounts; \$210 million of which was to be raised through the sale of Series E Savings Bonds, and \$184 million from other securities. The \$394 million quota for individuals, etc., was 7.4 per cent larger than that in the Fourth War Loan. Corporations and all other investors were expected to raise \$385 million in the Fifth War Loan, an amount 21.4 per cent larger than the Fourth War Loan quota. The changes in overall quotas from the Fourth to the Fifth War Loans came chiefly in Maryland, North Carolina, and the District of Columbia, though notably state changes were made in the quotas for different types of investors, as the accompanying table shows:

TABLE 5: COMPARISON OF FOURTH & FIFTH WAR LOAN QUOTAS
(Amounts in million dollars)

	All Investors		Individuals, Etc.		E Bonds		Corps. & Other	
	5th War Loan	% change from Fourth	5th War Loan	% change from Fourth	5th War Loan	% change from Fourth	5th War Loan	% change from Fourth
Md. ...	228	+19.4	104	+11.8	49	0	124	+26.5
D. C. ...	107	+12.6	61	+15.1	34	+13.3	46	+26.5
Va. ...	157	+9.8	81	+3.8	46	-2.1	76	+16.9
W. Va.*	81	+8.0	47	+17.5	24	0	34	-2.9
D. C. ...	107	+12.6	61	+15.1	34	+13.3	46	+9.5
S. C. ...	58	+7.4	30	-9.1	18	-14.3	28	+33.3
Total	779	+13.9	394	+7.4	210	-2.3	385	+21.4
U. S. 16,000		+14.3	6,000	+9.1	3,000	0	10,000	+17.6

* Entire State.

In percentage of total War Loan sales to quotas, the lowest rank of any Fifth District state in the Fifth War Loan was 17th, and 23rd in the Fourth Loan. The relatively high ranks of these states, however, are mainly due to the over-quota purchases of corporations and other investors, for the ranks in individual purchases relative to quotas were farther down the scale. It should be noted that in all investor classifications in both Fourth and Fifth War Loans, with but one exception, the percentage of quota sales was higher for the combined states of the Fifth District than for the United States as a whole, as the accompanying table shows:

TABLE 6: PERCENTAGE OF QUOTA ACHIEVED IN THE FOURTH AND FIFTH WAR LOANS

	All Investors		Individuals, Etc.		Series E Bonds		Corps. & Other	
	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Md.	147	185	104	196	181	183	187	176
D. C.	116	142	97	93	115	110	140	207
Va.	129	140	102	113	116	117	162	170
W. Va.*	136	195	103	143	107	104	173	267
N. C.	137	159	107	116	103	100	173	199
S. C.	122	144	102	112	100	119	152	178
Total	134	163	103	136	102	103	170	191
U. S.	120	129	97	106	106	101	134	143

* Entire State.

As was previously mentioned, the states of the Fifth District in the main have ranked high among the states of the nation in the percentage of War Loan quotas attained, although the attainment of Series E Savings Bond quotas was not so impressive. The position of each of the Fifth District states and the District of Columbia among the states of the nation is shown in the accompanying table for the Fourth and Fifth War Loans:

TABLE 7: RANKS OF FIFTH DISTRICT STATES IN ACHIEVEMENT OF FOURTH AND FIFTH WAR LOAN QUOTAS

	All Investors		Individuals, Etc.		Series E Bonds		Corp. & Other	
	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Md.	3	3	16	2	31	49	6	11
D. C.	23	14	21	40	12	17	25	3
Va.	13	17	18	22	11	13	14	14
W. Va.*	7	1	17	9	19	30	9	1
N. C.	6	9	14	21	22	39	9	6
S. C.	18	13	18	24	25	10	19	10

* Entire State.

In the War Loan record of the states in this District it should be noted that while all states have shown a generally upward trend in their dollar purchases of War Loan securities, the relative contributions of the states have changed only slightly. Maryland has held the lead of the District states in each War Loan, contributing somewhat more than a third of all purchases in the District. Virginia held second place in all War Loans except the Fifth when North Carolina went from third to second place. All other states have maintained the same relative District positions in all War Loans, as the accompanying table shows:

TABLE 8: WAR LOAN PURCHASES OF GOVERNMENT SECURITIES BY NON-BANK INVESTORS FIFTH FEDERAL RESERVE DISTRICT (Thousands of Dollars)

	Second	Third	Fourth	Fifth
Maryland	189,694	330,678	280,170	421,797
Dist. of Columbia	78,888	102,811	110,014	152,017
Virginia	120,530	193,819	184,857	220,343
West Virginia	54,747	94,463	68,239	100,698
North Carolina	109,854	182,473	171,971	235,256
South Carolina	43,041	78,135	65,745	83,333
Fifth District	596,754	972,379	880,996	1,213,534
	Per Cent of Fifth District Total			
Maryland	31.8	34.0	31.8	34.7
Dist. of Columbia	13.2	10.6	12.5	12.5
Virginia	20.2	19.9	21.0	18.2
West Virginia	9.2	8.7	7.7	8.3
North Carolina	18.4	18.8	19.5	19.4
South Carolina	7.2	8.0	7.5	6.9
Fifth District	100.0	100.0	100.0	100.0

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	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	186	174	170	169	+ 7	+10
Electric Power Production	219	212	199	209	+ 3	+ 5
Employment—Mfg. Industries	139r	141r	142	150	- 1	- 7
Furniture Orders	292	171	188	148	+71	+97
Furniture Shipments	193	174	149	195	+11	- 1
Furniture Unfilled Orders	562	599	734	566	- 6	- 1
Life Insurance Sales	133	131	118	116	+ 2	+15
Retail Furniture Sales	144	136	128	133	+ 6	+ 8
Wholesale Trade—Five Lines	180	180	178	177	0	+ 2
Wholesale Trade—Drugs	225	210	210	198	+ 7	+14
Wholesale Trade—Dry Goods	160	175	170	207	- 9	-23
Wholesale Trade—Groceries	191	190	187	173	+ 1	+10
Wholesale Trade—Hardware	100	104	110	133	- 4	-25

* Not seasonally adjusted.

FEDERAL RESERVE BANK OF RICHMOND			
(All Figures in Thousands)			
ITEMS	Aug. 16 1944	Change in 7-12-44	Amt. from 8-18-43
Total Gold Reserves	\$1,054,942	-24,143	- 85,964
Other Reserves	14,280	- 2,339	- 15,715
Total Reserves	1,069,222	-26,482	-101,679
Bills Discounted	2,259	+ 884	+ 979
Industrial Advances	174	- 14	- 201
Gov't. Securities, Total	785,560	+24,716	+457,928
Bonds	85,300	-10,908	- 10,897
Notes	73,092	- 4,881	+ 25,924
Certificates	222,864	+ 136	+151,682
Bills	404,304	+40,641	+291,219
Total Bills & Securities	787,993	+25,586	+458,706
Uncollected Items	127,847	- 1,063	+ 4,147
Other Assets	14,615	- 4,076	+ 842
Total Assets	1,999,677	- 6,035	+362,016
Fed. Res. Notes in Cir.	\$1,264,750	+30,936	+313,337
Deposits, Total	605,690	-34,999	+ 43,261
Members' Reserves	525,074	-22,552	+ 12,865
U. S. Treas. Gen. Acct.	20,716	-10,068	+ 20,151
Foreign	56,267	- 2,059	+ 13,053
Other Deposits	3,633	- 320	- 2,808
Deferred Availability Items	107,965	- 2,481	+ 3,363
Other Liabilities	397	+ 127	+ 175
Capital Accounts	20,875	+ 382	+ 1,880
Total Liabilities	1,999,677	- 6,035	+362,016

41 REPORTING MEMBER BANKS—5th DISTRICT			
(All Figures in Thousands)			
ITEMS	Aug. 16 1944	Change in 7-12-44	Amt. from 8-18-43
Total Loans	\$ 316,764	-32,270	+ 83,238
Bus. & Agric. Loans	115,902	+ 2,720	+ 4,465
Real Estate Loans	50,881	+ 116	+ 951
All Other Loans	149,981	-35,106	+ 77,822
Total Security Loans	1,517,472	+37,744	+232,472
U. S. Treas. Bills	115,159	+ 50	- 30,880
U. S. Treas. Certificates	333,373	+15,840	+107,195
U. S. Treas. Notes	254,994	+ 1,169	+ 89,824
U. S. Gov. Bonds	742,703	+21,403	+ 98,422
Obligations, Gov. Guaranteed	16,293	+ 17	- 28,558
Other Bonds, Stocks & Sec.	54,950	- 735	- 3,531
Cash Items in Process of Col.	90,369	- 7,332	+ 1,625
Due from Banks	172,129*	-21,038	+ 16,061
Currency and Coin	33,965	- 3,371	+ 1,384
Reserve with F. R. Bank	272,731	-18,379	-10,808
Other Assets	63,934	+ 1,494	- 123
Total Assets	\$2,467,634	-43,152	+321,081
Total Demand Deposits	\$2,003,217	-53,826	+281,814
Deposits of Individuals	1,083,481	+27,801	+ 36,025
Deposits of U. S. Gov.	460,586	-80,342	+295,310
Deposits of State & Local Gov.	84,935	+10,798	- 15,393
Deposits of Banks	358,721	- 5,974	- 30,862
Certified & Officers' Checks	15,494	- 6,109	- 3,266
Total Time Deposits	274,384	+ 6,902	+ 34,087
Deposits of Individuals	260,679	+ 6,795	+ 37,136
Other Time Deposits	13,705	+ 107	- 3,049
Liabilities for Borrowed Money	0	0	- 750
All Other Liabilities	74,773	+ 3,519	- 937
Capital Accounts	115,260	+ 253	+ 6,867
Total Liabilities	\$2,467,634	-43,152	+321,081

* Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANKS DEPOSITS			
9 Baltimore Banks			
	July 31, 1944	June 30, 1944	July 31, 1943
Total Deposits	\$278,658,754	\$275,742,108	\$247,236,141

COTTON CONSUMPTION—FIFTH DISTRICT			
In Bales			
MONTH	No. Carolina	So. Carolina	Virginia
July 1944	190,904	147,133	16,467
June 1944	218,589	164,128	17,690
July 1943	212,851	167,125	20,254
7 Months 1944	1,529,635	1,165,686	132,749
7 Months 1943	1,660,263	1,263,315	150,070

DEBITS TO INDIVIDUAL ACCOUNTS				
(000 omitted)				
Dist. of Columbia	July 1944	% chg. from July 1943	7 Mos. 1944	% chg. from 7 Mos. '43
Washington	\$ 485,029	+ 4	\$ 3,426,204	+ 8
Maryland				
Baltimore	767,228	+ 6	5,394,111	+13
Cumberland	14,193	+ 6	90,854	+16
Frederick	12,384	+13	84,240	+18
Hagerstown	15,816	- 9	120,029	+15
North Carolina				
Asheville	24,886	+21	164,992	+16
Charlotte	113,855	+ 5	871,324	+12
Durham	73,826	+29	430,727	+20
Greensboro	30,553	+ 2	241,128	+12
Kinston	6,262	+20	44,819	+16
Raleigh	51,578	-12	391,397	+ 8
Wilmington	35,521	- 6	258,952	+ 3
Wilson	7,319	-22	58,916	+11
Winston-Salem	68,139	+ 2	438,077	0
South Carolina				
Charleston	36,984	- 7	277,435	+ 2
Columbia	59,154	+24	350,651	+ 1
Greenville	36,192	- 4	259,365	0
Spartanburg	20,886	+13	146,661	+ 6
Virginia				
Charlottesville	15,947	+19	102,349	+28
Danville	14,182	+ 9	97,175	+11
Lynchburg	20,548	+ 1	147,841	+11
Newport News	23,675	0	184,636	+14
Norfolk	115,672	-10	850,784	+ 2
Portsmouth	16,427	+ 1	111,577	+ 4
Richmond	295,128	+ 5	2,204,590	+15
Roanoke	39,565	+ 6	285,834	+14
West Virginia				
Bluefield	23,293	+19	163,040	+21
Charleston	88,803	+20	586,256	+13
Clarksburg	15,932	+12	105,657	+18
Huntington	32,601	+22	209,333	+13
Parkersburg	16,306	+10	111,623	+13
District Totals	\$2,577,884	+ 5	\$18,210,577	+11

COMMERCIAL FAILURES				
PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1944	1	91	\$365,000	\$ 3,559,000
June 1944	2	110	12,000	1,854,000
July 1943	2	203	130,000	3,595,000
7 Months 1944	11	828	695,000	17,910,000
7 Months 1943	32	2,401	853,000	32,704,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES				
	July 1944	July 1943	Aug. 1 to July 31 1944	July 31 1943
Fifth District States:				
Cotton consumed	354,504	400,230	4,930,825	5,304,084
Cotton Growing States:				
Cotton consumed	644,984	740,170	8,737,813	9,639,957
Cotton on hand July 31 in				
Consuming establishments	1,576,327	1,770,366		
Storage & compresses	8,073,254	7,445,537		
United States:				
Cotton consumed	724,167	839,868	9,942,070	11,100,082
Cotton on hand July 31 in				
Consuming establishments	1,873,187	2,115,323		
Storage & compresses	8,245,641	7,676,629		
Spindles, active, U. S.	22,289,904	22,667,376		

RAYON YARN DATA			
	July 1944	June 1944	July 1943
Rayon Yarn Shipments, Lbs.	41,600,000	43,900,000	40,000,000
Staple Fiber Shipments, Lbs.	13,400,000	14,300,000	13,200,000
Rayon Yarn Stocks, Lbs.	6,500,000	7,300,000	6,400,000
Staple Fiber Stocks, Lbs.	3,100,000	2,600,000	3,200,000

Source: Rayon Organon.

BUILDING PERMIT FIGURES
Fifth Federal Reserve District

	Total Valuation	
	July 1944	July 1943
Maryland		
Baltimore	\$ 636,782	\$ 799,842
Cumberland	16,973	410
Frederick	5,250	965
Hagerstown	6,380	102,590
Salisbury	25,861	4,425
Virginia		
Danville	\$ 20,029	\$ 2,848
Lynchburg	26,275	3,709
Norfolk	73,280	70,440
Petersburg	3,475	0
Portsmouth	16,447	69,130
Richmond	180,662	71,216
Roanoke	26,459	12,222
West Virginia		
Charleston	\$ 43,892	\$ 18,920
Clarksburg	2,255	1,349
Huntington	9,885	5,475
North Carolina		
Asheville	\$ 5,876	\$ 9,188
Charlotte	143,600	27,498
Durham	24,858	7,370
Greensboro	8,805	4,721
High Point	35,015	31,776
Raleigh	14,050	3,985
Rocky Mount	950	700
Salisbury	7,580	3,907
Winston-Salem	236,501	48,458
South Carolina		
Charleston	\$ 29,814	\$ 11,168
Columbia	18,745	6,476
Greenville	5,975	16,450
Spartanburg	72,395	10,730
District of Columbia		
Washington	\$ 1,137,020	\$ 2,440,849
District Totals	\$ 2,835,089	\$ 3,786,817
7 Months	\$16,346,649	\$26,743,904

CONSTRUCTION CONTRACTS AWARDED

STATES	June	% chg. from	6 Mos.	% chg. from
	1944	June 1943	1944	6 Mos. '43
Maryland	\$ 7,089,000	+ 73	\$ 41,267,000	-17
Dist. of Columbia ..	2,385,000	- 43	13,910,000	-22
Virginia	9,070,000	+ 12	64,741,000	-36
West Virginia	3,653,000	+929	12,075,000	+ 9
North Carolina ..	3,459,000	- 77	28,685,000	-49
South Carolina ..	2,297,000	- 57	14,444,000	-48
Fifth District ..	\$27,903,000	- 25	\$175,122,000	-34

Source: F. W. Dodge Corp.

TOBACCO MANUFACTURING

	July	% chg. from	7 Mos.	% chg. from
	1944	July 1943	1944	7 Mos. '43
Smoking & chewing tobacco (Thousands of lbs.)	18,781	- 8	131,599	- 9
Cigarettes (Thousands) ...	20,277,736	-11	138,782,868	- 1
Cigars (Thousands)	10,817	+ 5	2,332,548	-13
Snuff (Thousands of lbs.) ..	2,557	-26	24,375	- 5

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	July	July	%	7 Mos.	7 Mos.	%
	1944	1943	Change	1944	1943	Change
West Virginia	13,182	14,275	- 8	96,918	91,123	+ 6
Virginia	1,513	1,835	-18	11,522	11,442	+ 1
Maryland	159	171	- 7	1,177	1,100	+ 7
5th District	14,854	16,281	- 9	109,617	103,665	+ 6
United States	48,930	52,207	- 6	367,150	336,278	+ 9
% in District	30.4	31.2		29.9	30.8	

RETAIL FURNITURE SALES

STATES	Percentage Changes in July and 7 Months 1944 Compared with July 1943 and 7 Months 1943	
	July 1944	7 Months 1944
Maryland (5)*	-12	- 4
Dist. of Columbia (5)*	-19	+ 1
Virginia (24)*	- 5	0
West Virginia (11)*	+ 5	+ 5
North Carolina (22)*	+ 5	+ 8
South Carolina (14)*	- 2	- 8
Fifth District (81)*	- 6	0
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	-12	- 4
Washington, D. C. (5)*	-19	+ 1
Lynchburg, Va. (3)*	- 5	+ 3
Richmond, Va. (7)*	- 1	+ 2
Charleston, W. Va. (3)*	-17	- 8
Charlotte, N. C. (5)*	- 2	+ 3
Winston-Salem, N. C. (3)* ..	+ 9	+11
Columbia, S. C. (4)*	-13	- 4

* Number of Stores.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in July 1944 sales, compared with sales in July 1943:				
+ 6	- 2	- 2	+ 8	+ 1
Change in 7 mos.' sales in 1944, compared with 7 mos.' sales in 1943:				
+13	+ 4	+ 1	+15	+ 5
Change in stocks on July 31, 1944, from stocks on July 31, 1943:				
+ 3	+ 1	+ 3	+20	+ 4
Change in outstand'g orders July 31, 1944, from orders on July 31, 1943:				
-20	- 8	-13	+16	-12
Change in total receivables on July 31, 1944, compared with July 31, '43:				
+ 5	+ 5	+ 4	+ 3	+ 4
Percentage of current receivables as of July 1, 1944, collected in July:				
53(57)	56(58)	51(59)	55(57)	54(58)
Percentage of instalment receivables as of July 1, 1944, collected in July:				
25(25)	28(30)	22(24)	26(27)	24(26)

Note: 1943 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	W. Va.	No. Caro.	So. Caro.
Percentage change in July 1944 sales from July 1943 sales, by States:					
- 2	- 2	+ 8	+14	+ 9	+ 7
Percent'ge chg. in 7 mos.' sales in '44, compared with 7 mos.' sales in '43:					
+ 4	+ 1	+13	+11	+11	+10

WHOLESALE TRADE, 266 FIRMS

LINES	Net Sales		Stock		Ratio July collections to accounts outstand'g July 1
	July 1944	June 1944	July 31, 1944	June 30, 1944	
Auto supplies (17)*	+ 9	- 1	+10	+ 2	98
Drugs & sundries (10)*	+ 1	- 2	122
Dry goods (9)*	- 8	- 2	-15	-22	80
Electrical goods (13)* ..	-15	- 8	+ 7	+ 4	82
Groceries (83)*	- 1	- 9	+11	- 5	141
Hardware (14)*	+ 4	- 5	+19	- 6	95
Industrial supplies (8)* ..	- 2	-20	+ 8	- 1	94
Paper & products (9)* ..	- 9	-16	-14	- 7	90
Tobacco & products (12)* ..	-12	-15	- 4	- 4	49
Miscellaneous (91)*	0	- 1	- 2	- 4	15
District Average(266)* ..	- 3	- 6	+ 2	- 5	106

Source: Department of Commerce.

* Number of reporting firms.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial production and employment declined slightly further in July. Wholesale commodity prices generally continued to show little change, while the cost of living increased somewhat.

INDUSTRIAL PRODUCTION

Output at factories and mines continued to decline slightly in July and the Board's seasonally adjusted index was 233 per cent of the 1935-39 average as compared with 235 in June. The decrease in industrial production largely reflected small declines in a number of industries due to continued minor readjustments in the munitions program and to manpower shortages.

Output of steel and of nonferrous metals declined further in July to levels respectively 8 per cent and 20 per cent below the high levels of last autumn. A small decrease in activity in transportation equipment industries reflected partly the indirect effects of manpower shortages in foundries and continued readjustments in the shipbuilding and aircraft industries. In August a cutback in aircraft production was announced which was expected to result in the immediate release of 20,000 aircraft workers and the gradual release of 100,000 more during the balance of this year.

Production of manufactured dairy products and meats, after allowance for seasonal change, was maintained in July while output of other food products declined slightly. Cotton consumption showed little change from the rate of the last two months. Activity in the rubber products industry continued to decline slightly in July and supplies of heavy truck and bus tires available for civilians during the third quarter were substantially below estimated needs. Output of chemicals likewise continued to decline slightly.

Crude petroleum output and metal mining were maintained in large volume during July. Coal production dropped 5 per cent from the level of the preceding month, but for the year through August 12 was approximately 8 per cent above the corresponding period of last year, reflecting uninterrupted operations, longer working hours, and a great expansion of strip mining.

So far this year the value of construction contracts awarded, as reported by the F. W. Dodge Corporation for 37 states, has fluctuated around 160 million dollars a month—the lowest level since early 1935.

DISTRIBUTION

Department store sales declined considerably less than is usual in July, and have continued in August at a higher level than a year ago.

Freight carloadings continued to rise in July and were maintained at a high level during the first two weeks in August. There were considerable increases in shipments of grain, forest products, and miscellaneous freight, offset partly by a small decrease in coal shipments.

AGRICULTURE

Dry weather during July in the east central area has reduced somewhat national prospects for corn, hay, and potatoes. Aggregate crop production, however, is likely to exceed last year by 5 per cent, reflecting chiefly a record wheat crop 35 per cent larger than last year.

Total production of all feed grains is estimated at 112 million tons compared with 115 million tons produced in 1943. While hay production, except in the drought areas, has been large, it will provide a smaller supply per animal unit than has been available in any of the last 6 years.

Crop prospects for most fruits and vegetables, except potatoes, are better than last year. Tobacco production is indicated as being above average and cotton yields may be good as dry weather has held the boll weevil in check.

BANK CREDIT

In the five weeks following the close of the Fifth War Loan Drive, loans by banks for purchasing and carrying U. S. Government securities declined sharply; calls on war loan deposits and subsequent Treasury expenditures increased adjusted demand deposits and consequently required reserves; the rapid outflow of currency into circulation was renewed; and excess reserves declined.

In the five weeks from July 12 through August 16 loans to brokers and dealers for purchasing and carrying Government securities declined 500 million dollars to about the pre-drive level. Loans to others for purchasing and carrying Government securities declined about the same amount, but are still considerably larger than before the drive. Commercial loans continued to show little change.

Treasury war-loan balances at all depositories declined in the five-week period by 2.7 billion dollars. At weekly reporting banks, Government deposits fell by 2.2 billion during the same period and adjusted demand deposits increased by 1.4 billions. Time deposits continued the steady increase that has been in progress for more than a year.

Following a slackened rate of outflow during the war loan drive, currency renewed its rapid outflow and in the next few weeks increased at a rate of about 500 million dollars a month. The resulting drain on bank reserves and the increase in required reserves were met in part by purchases of Government securities by the Reserve Banks and in part by a decline in excess reserves.

Weekly average excess reserves of all member banks declined about 300 million dollars from their peak during the war loan drive and amounted close to 1.1 billion dollars in mid-August. The rate of decline was about the same at reserve city and at country banks.

(Continued from page 1)

in tobacco. Flue-cured tobacco production, which was indicated at 736 million pounds on July 1st, improved 19 per cent during the month of July, and from the condition indicated on August 1st, an outturn of 881 million pounds was anticipated. Tobacco prices on the Border Belt are holding close to ceiling levels and if this season's average prices can hold at these levels in the other belts, a crop of 881 million pounds would be valued at around \$380 million, or about \$90 million more than last year's crop. The difference in the crop estimates between July 1 and August 1 would indicate that the July rains were worth about \$40 million to the flue-cured tobacco growers of this District.

The nation's cotton crop is estimated to be smaller this year than last year. Cotton production in the Fifth District, however, is indicated to be 12 per cent above last year. Cotton prices will run somewhat higher than a year ago and a somewhat larger return from the crop will be experienced. Although late corn, hay, and pastures have improved from the beneficial rainfall, these crops are indicated to be smaller than last year, and it appears that supplementary supplies from other areas will not be forthcoming. This is expected to result in a smaller production of meat animals and perhaps of dairy products.