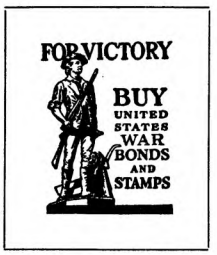
MONTHLY REVIEW

of Financial and Business Conditions

FIFTH FEDERAL RESERVE DISTRICT

Federal Reserve Bank, Richmond 13, Va. *September 30, 1944*

FULL employment has been at hand in the Fifth Federal Reserve District for more than a year, but the labor force is not as large now as it was a year ago and it is undergoing steady attrition. The U. S. Employment Service reports large numbers of job placements each month but these are largely replacements, for the total employment level gradually moves downward each month. While we do not have much data on production, the declining level of employment is bound to have had a similar effect on the outturn of goods. A number of figures that are available substantiate this statement, though the output of the District's bituminous coal mines has held at high levels and has shown no indication but that the trend is still slightly upward.



Ship production, which bulks large among the District's war industries, is in a declining trend and while little is known as to the output of aircraft in the District, some cutbacks have been effected on a national scale. The cotton textile industry output in August recovered from the July level when some mills were closed, but the improvement brought the output back only to the level that had prevailed in the second quarter of the year.

The volume of construction in the District in recent months has narrowed the losses from a year ago, but the eight months accumulated figures are 31 per cent below last year. The index of tax paid withdrawals of cigarettes on a seasonally adjusted basis rose 4 per cent from July to August, but this index has not broken out of the apparent flat trend in evidence since the turn of this year.

In the trade field, sales of department stores in August held at July levels, but this does not give any indication that the upward trend has been stayed. Wholesale sales on the other hand declined moderately further in August after adjustment for seasonal variation, while sales of furniture at retail in the same month appears to have returned to a sagging trend after having risen notably in both June and July.

Total investments of weekly reporting member banks reached their highest level this year on July 26, when holdings were $1,519 million. These investments have since fallen $22 million to $1,497 million on September 14th. Bills, certificates and notes declined $34 million in this period which loss was partly offset by an increase of $12 million in bonds. Total investments on September 14th were $215 million higher than a year earlier. Total loans of the weekly reporting banks reached their highest point this year on July 5th when they stood at $351 million. By September 14th total loans had fallen $53 million to $298 million, largely as a result of liquidation of loans for purchasing or carrying securities made to others than brokers and dealers. Demand deposits of individuals, partnerships and corporations by September 14th had recovered practically all their loss sustained between June 14th and August 19th or during the Fifth War Loan. Commercial, industrial and agricultural loans made their low point this year on July 26th. They had risen somewhat more than usual by September 14th.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

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

	Aug. 1944	July 1944	June 1944	Aug. 1943	% Change Aug. 1944 from July '44	% Change Aug. 1944 from Aug. '43
Bank Debits	212	210	233	207	+ 1	+ 2
Bituminous Coal Production*	150	144	149	152	+ 4	— 1
Building Contracts Awarded	112	102	96	122	+10	— 8
Building Permits Issued	43	39	52	81	+10	—47
Cigarette Production	166	159	153	184	+ 4	—10
Cotton Consumption*	145	127	143	147	+14	— 1
Department Store Sales	213	214	203	187	0	+14
Department Store Stocks	198	190	186	190	+ 4	+ 4
Retail Furniture Sales	116p	132	144	117	—12	— 1
Life Insurance Sales	145	137	133	131	+ 6	+11
Wholesale Trade—Five Lines	168	170	180	166	— 1	+ 1

* Not seasonally adjusted

Impact of the War on the Cotton Textile Industry of the Fifth Federal Reserve District

The preceding discussion (*Monthly Review,* August 31, 1944) of the physical structure of the cotton textile industry in the Fifth Federal Reserve District provides a background for consideration of the effect of the war on the industry in this area.

The cotton textile industry ranks as the most vital war industry in this area, with the possible exception of the shipbuilding industry. Military demands for the types of cotton goods produced in this District have been tremendous. According to the Cotton Textile Institute:

> The Army alone requires 11,000 separate cotton products. They range from shoe laces to the tires of flying fortresses, from white fabric for arctic wear to insect nets for the tropics, from fuel hoses and self-sealing gas tanks to sterilized surgical dressing for the wounded.[1]

In addition to military demands, there has been a sharp increase in cotton textile supplies during the wartime period for export under lend-lease, and even civilian demand actually met has expanded somewhat, reflecting increased uses of work clothing and industrial cotton fabrics.

In order to carry its share of the war production program, the cotton textile industry in the 5th District has strained to meet these unprecedented demands. In spite of inability to obtain new equipment, mills in this District have achieved a high level of production by intensive utilization of existing equipment through hiring thousands of additional workers and operating multiple shifts. In the 4th quarter of 1939, prior to the outbreak of war, cotton textile mills in this District employed 233,000 persons; in the 4th quarter of 1943 these identical mills employed 269,000 persons, an increase of 36,000 persons, or 15.3 per cent, over the prewar period. In addition, mills beginning operation between the 4th quarter of 1939 and the 4th quarter of 1943 boosted total employment in the latter quarter to 276,000 persons, an increase of 43,000 persons, or 18.3 per cent. This sharp increase in employment within the District accounted for 92 per cent of the total increase in employment in the U. S. cotton textile industry over the period. While this startlingly large share of the total increase attributed to the District may be partly misleading due to discrepancies between the nature of the District and U. S. figures, it is still evident that the numbers employed in the cotton textile industry of this District have increased more rapidly than in the country as a whole. The explanation for this is not readily apparent, but it may possibly be due to a more widespread conversion to multiple shift operation in this area, since equipment was already being utilized more fully than in other sections of the country. Other possible explanations are (a) that there was more surplus labor available in this area than in the Northern mill area and less competition for labor from other industries, (b) that since mills in this area were already producing the heavier weight fabrics required for military use, the expansion has been greater in this area, (c) that the more modern equipment in mills in this area enabled more intensive use than in Northern mills.

[1] Cotton Textile Institute, "What is the Truth about the Cotton Textile Situation?"

COMPARISON OF CHANGES IN EMPLOYMENT IN THE COTTON TEXTILE INDUSTRY FROM 1939 TO 1943

	Employment			
	4th Q. 1939	4th Q. 1943	Change—1939-'43 Number	%
United States	426,600	472,900	+46,300	+10.9
5th District	233,049	275,649	+42,600	+18.3
Maryland	1,443	1,962	+ 519	+36.0
Virginia	13,441	15,599	+ 2,158	+16.1
North Carolina	126,874	145,670	+18,796	+14.8
South Carolina	91,291	112,418	+21,127	+23.1
5th Dist.— % of U. S.	54.6	58.1	92.0	

However, increases in employment do not represent a complete picture of the intensive utilization of equipment in order to maximize production in this area. Additional evidence of the extent of use of equipment may be found in spindle data indicating increased spindle activity. In the 4th quarter of 1939, the quarterly average number of hours run per spindle in place in the District was 1,079; in the 4th quarter of 1943, more intensive use raised this figure to 1,416 hours per spindle, an increase of 31.2 per cent in the number of hours the average spindle in the District was operated compared to the prewar period. The increase in spindle use in the District between the indicated periods was higher than for the country as a whole; the increase in hours run per spindle in the District was 31.2 per cent as against a 27.0 per cent increase in the United States. The industry's inability to add to productive capacity by investing in new facilities is clearly shown by the decline in number of spindles in place, both in the District and the United States. Thus the problem of maximizing production was aggravated by inability to obtain new equipment, or even parts in many instances.

COMPARISON OF SPINDLE DATA U. S. AND 5th DISTRICT

	5th District			
	4th Q. 1939	4th Q. 1943	Change Number	%
Spindles in Place (thous.)	12,040	11,674	— 366	— 3.0
Spindles Active (thous.)	11,310	11,568	+ 258	+ 2.3
Total Spindle Hours (millions)	12,997	16,528	+3,531	+27.2
Hours run per spindle in place ...	1,079	1,416	+ 337	+31.2
	United States			
	4th Q. 1939	4th Q. 1943	Change Number	%
Spindles in Place (thous.)	24,999	23,338	—1,661	— 6.6
Spindles Active (thous.)	22,737	22,606	— 131	— 0.6
Total Spindle Hours (millions)	25,424	30,154	+4,730	+18.6
Hours run per spindle in place ...	1,017	1,292	+ 275	+27.0

The increase in multiple shift operation that enabled the District to establish the above record as to spindle activity is indicated in the following report for South Carolina textile mills showing the change in number of shifts, hours per shift, and average hours per week during the war period to date.

CHANGES IN OPERATION OF TEXTILE MILLS IN SOUTH CAROLINA

Fiscal Year Ending June 30	Average No. of Shifts	Average Hours per Shift	Average Weekly Hours Mill Operation
1939	1.97	7.95	78.2
1940	2.15	8.01	86.5
1941	2.48	8.04	100.0
1942	2.68	8.05	108.3
1943	2.62	8.10	118.4

Source: S. C. Department of Labor.

Since a state or area breakdown of production figures in yards and pounds is not available, the tremendous increase in production of the cotton textile industry in the District is best measured by the data on cotton consumption. Cotton consumption by District mills in 1943 totaled 5,304 thousand bales, compared to 3,300 thousand bales in 1939, an increase of 2,004 thousand bales, or 60.7 per cent. While conversion of production to heavier weight fabrics (which require more cotton) for military purposes would account for a part of this increase, the sharp percentage rise still serves to indicate the step-up of production of cotton textiles in the District during the war.

COTTON CONSUMPTION IN 5th FEDERAL RESERVE DISTRICT
(figures are for crop year)
(in thousands of bales)

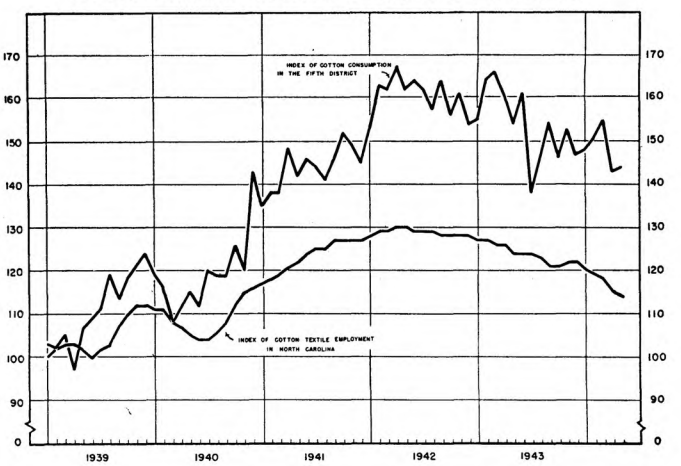
	1939	1940	1941	1942	1943
Maryland	27	32	42	56	52
Virginia	139	149	196	252	260
North Carolina	1,789	2,040	2,413	2,832	2,854
South Carolina	1,372	1,536	1,818	2,150	2,190
5th District	3,327	3,757	4,469	5,290	5,356
% Change over preceding year	+16.6	+12.9	+19.0	+18.4	+ 1.2

Source: United States Department of Commerce, bulletins on **Cotton Production and Distribution.**

The preceding partial record of the industry's production efforts as reflected in increases in employment, increased spindle activity, increased cotton consumption, etc., does not take full cognizance of the problems involved in this wartime expansion of the cotton textile industry. From an industry standpoint, these problems may be classified in two main categories, namely (a) manpower and (b) manufacturing margins.

Since the increase in production in this District has been achieved largely by putting additional numbers to work with little or no change in equipment, the problem of obtaining, and keeping, the additional numbers required has been the industry's foremost problem. While the preceding data on employment show a much higher level of employment in the 4th quarter of 1943 compared with 1939, these data do not show the month to month changes in employment which indicate a drop in employment beginning in the first quarter of 1943, corresponding to the decline in cotton textile production. An index of employment in the cotton textile industry in North Carolina is available and should serve to indicate the District experience on this score. The following chart gives a comparison of the index of cotton consumption in the District with the index of employment in the cotton textile industry of North Carolina. While the cotton consumption index fluctuates more widely, it is apparent that both indexes peaked in April 1942 and that the trend has been downward ever since.

COTTON CONSUMPTION AND EMPLOYMENT IN COTTON TEXTILES



The struggle to maintain employment at a high level has involved concomitant labor problems for cotton mills in this District, namely the necessity of using inexperienced workers and the high rate of turnover. Although production figures are not available for the District, and therefore output per manhour cannot be calculated on this basis, nevertheless a rough approximation can be made on the basis of the relation between manhours and cotton consumption. The available data for North Carolina mills given in the following table show the rise in cotton consumption per manhour through 1942, and the decline in 1943 which resulted from the loss of skilled workers to the armed services and to other industries, the high rate of turnover, increased absenteeism, etc.

COMPARISON OF OUTPUT PER MANHOUR IN N. C. COTTON MILLS

Year	Cotton Consumption (000 bales)	Estimated Total Manhours (000)	Number of Bales Consumed per 000 manhours	Index 1939=100
1939	1,944	230,932	8.4	100.0
1940	2,066	241,072	8.6	102.4
1941	2,635	289,328	9.1	108.3
1942	2,900	313,040	9.3	110.7
1943	2,791	313,976	8.9	106.0

The problem of manufacturing margins in relation to other operating costs is of necessity the crux of any discussion or consideration of the impact of the war on the cotton textile industry. There are two points of view with respect to this matter. Millmen claim that the spread between costs and prices is insufficient and has impeded production. The other point of view is that rather widely held—that the industry itself has not done its utmost to expand production, particularly of certain lines, with the thought that a case for higher prices could thus be made and the industry would be enabled to recoup losses of prewar years and to build reserves to meet the postwar competitive situation.

The textile industry's views on this matter run as follows:

i. Production costs, with specific reference to labor and raw material, have risen sharply since the outbreak of war, and are still rising.

ii. The government, through the O. P. A., limited prices received on cotton goods; price ceilings were imposed in May, 1942 when production was at its

peak and remained practically unchanged until recently.

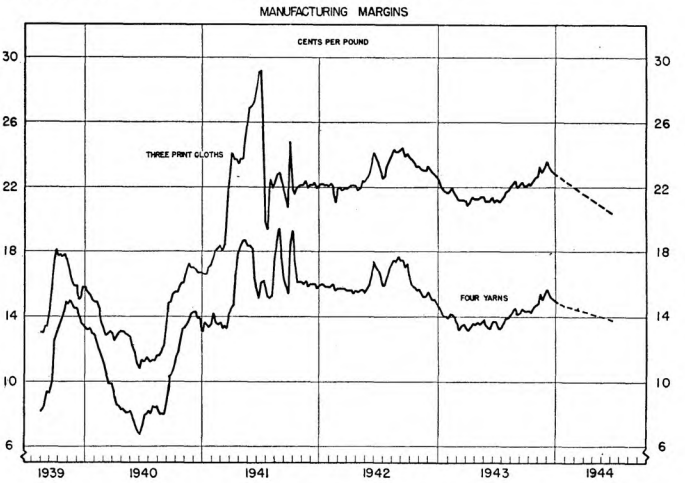
iii. With ceiling prices relatively inflexible and with production costs constantly rising, there has been a resultant squeeze on manufacturing margins which has resulted adversely for particular constructions in the larger mills and for many marginal plants.

In considering the validity of these views, it is admitted that the facts at hand do not enable a definitive study. However, it is possible to present some of the pertinent facts in the case relating to the mills in this District.

By way of background, it may be useful to cite the following discussion by Dr. H. E. Michl on the relationship between manufacturing margins and profits in the cotton textile industry.

> Profits arise from a spread between cost prices and selling prices. In the cotton manufacturing industry this spread is known as the "mill margin." This index is one of the most important to textile manufacturers and they pay close attention to it.
>
> The mill margin is defined as the difference between the cost of cotton in the cloth and the selling price of the cloth. Out of this margin must come the labor cost, cost of supplies, overhead cost, selling expense, taxes, and profit.
>
> The importance of a wide mill margin can be better appreciated by an examination of the cost of producing cotton yarn and fabrics. It will be noted that the largest cost item after cotton is labor which takes approximately 25 per cent of the sales dollar. An increase in labor costs or in any other item of expense results in an immediate decline in profits if the mill margin does not increase in the same proportion.
>
> In the long run a changing margin may have little relation to profits or losses. For example, if during a period of declining mill margins production costs are lowered as a result of greater efficiency the narrower margin may not encroach upon profits. In the same way a widening of the mill margin, if accompanied by an increase in wages and in other cost items may not mean higher profits. The mill margin therefore should not be regarded as an index of profits but rather as a *source* of profits.
>
> If the margin is wide enough to more than cover the cost of converting the raw cotton into finished products a profit will be realized. If the margin just covers the costs the company will break even. If the margin is not wide enough to cover the costs a loss will be sustained.[1]

What has happened to manufacturing margins during the war period? While the experience has, of course, varied among the different divisions of the cotton textile industry, manufacturing margins appear to be wider than in 1939, particularly in the case of finished fabrics. The following chart of average weekly manufacturing margins based on data released by the New York Cotton Exchange Service, indicates what has happened to margins in the two most important segments of the industry in this District, namely print cloths and yarns. Print cloths on which margins are computed are 27 inch, 64 by 60, 7.60; 38½ inch, 64 by 60, 5.35; 39 inch, 80 by 80, 4.00. Yarns on which the yarn margins are based are 20-2 and 30-2 warps and 10's and 22's frame cones.



However, from Dr. Michl's discussion as cited, it is apparent that mill margins considered alone do not serve as an index of profits. Rather, per unit profits are dependent on mill margins in relation to other variable per unit cost items, namely costs of labor, supplies, overhead, selling costs, and taxes, per unit of output.

Complete cost data on District mills are not available to show whether or not increases in these costs have or have not sqeezed margins to the point where many marginal mills no longer are making a profit, or other mills find certain lines unprofitable.

Of the cost items listed, labor costs are the most important. Normally, labor costs account for approximately 25 per cent of total production costs, including cost of cotton. In a study made by the Federal Trade Commission covering the years 1933 and 1934, it was reported that during those years labor cost varied from 24.08 to 26.85 per cent of total production costs for 296 selected mills combining spinning and weaving of cotton goods.

Since labor costs are the principal factor in determining the adequacy of mill margins, the following section attempts to present all available data as to what has happened to the labor costs of mills in this District. In a recent report, the National Industrial Conference Board states with regard to the rising cost of production in the cotton textile industry during the war period that "the important element in rising costs is the increase in unit labor costs which were 58 per cent higher in the last quarter of 1943 than in 1939."[1] Using mills in North and South Carolina as a sample, the following data shows that the District experience appears to corroborate this statement. Increases in gross payrolls have outrun production as measured by cotton consumption, so that labor costs per bale of cotton consumption in mills of this District have risen over 50 per cent between the fourth quarter of 1939 and the fourth quarter of 1943.

[1] **H. E. Michl, The Textile Industries,** pg. 105 ff. In this discussion Dr. Michl is pointing out the conditions necessary for the mill to realize a profit, namely that mill margins exceed other costs. If these conditions are realized magnitude of profits will then depend on the amount of production.

[1] **National Industrial Conference Board, Industry Record, "Cotton Textile Situation," August 9, 1944.**

COMPARISON OF CHANGES IN LABOR COSTS IN 5th DISTRICT COTTON TEXTILE MILLS

	North Carolina Mills			South Carolina Mills		
	4th Q. 1939	4th Q. 1943	% Change	4th Q. 1939	4th Q. 1943	% Change
Employment—numbers	126,874	145,670	+14.8	91,291	112,418	+ 23.1
Payrolls—($000)	24,828	46,835	+88.6	18,085	36,896	+104.0
Per Person Labor Cost (dollars)	196	322	+64.3	198	328	+ 65.7
Cotton Consumption (000 bales)	545	677	+24.2	388	524	+ 35.1
Consmpution per person (bales)	4.3	4.6	+ 7.0	4.3	4.7	+ 9.3
Unit Labor Cost (dollars per bale)	46	70	+52.2	46	70	+ 52.2

On the other hand, these increases in per unit labor costs may have been partly offset by decreases in other per unit costs. With the sharp rise in production in the industry, it would appear that other per unit cost items have decreased. Thus, whether mills have or have not had increases in cost items overbalancing increases in margins to the extent that the mill has run at a loss, or lost heavily on certain constructions, is a question that cannot be resolved without a more intensive cost study of the industry.

If on balance, mill margins have exceeded costs, so that per unit profits have remained stable or not greatly diminished, then mills could be expected to have earned higher total profits, since production has increased sharply. That this has been the case in the majority of mills would appear to be a fairly safe assumption. However, the actual profit experience of mills in this District during the war period is not available. The only profit data available are the net profit record of 12 of the largest mills in this District. The experience of these mills apparently indicates

i. an increase in net profits relative to 1938 and 1939, when many mills were running a deficit

ii. a slight drop in net profits for the majority of these mills from 1941 to 1942 and a sharper drop in profits between 1942 and 1943.

The following gives the net profit record of 12 mills in the District for which there is available a continuous record from 1939 through 1943. These mills represent 24 per cent of the looms and 19 per cent of the spindles in the District.

NET PROFITS OF 12 COTTON TEXTILE CORPORATIONS IN THE 5th FEDERAL RESERVE DISTRICT

(In thousands of dollars)

	1943	1942	1941	1940	1939	1938	1937
1.	319	439	452	341	277	242	549
2.	540	739	888	238	36	— 319	450
3.	3,719	4,422	3,162	3,743	3,312	2,338	2,164
4.	114	433	300	145	— 120	— 346	251
5.	900	1,012	1,150	870	934	98	451
6.	203	511	427	177	— 77	— 289	172
7.	302	213	762	199	45	*	*
8.	682	741	837	788	321	— 159	606
9.	2,318	2,201	2,697	— 348	791	—2,531	—2,074
10.	1,465	1,543	1,458	391	447	—1,017	1,270
11.	54	50	357	12	— 24	304	*
12.	1,167	1,069	556	402	109	371	808
Total	11,783	13,373	13,046	6,958	6,051	....	.....

* Figures not available.
Source: Moody's Industrials, 1944.

While the above discussion attempts to present a general picture of what has happened to the cotton textile industry of the 5th Federal Reserve District under the war program, nevertheless it must be recognized that different divisions of the industry have been affected in varying degree. For example, mills making combed yarn, or duck or other products for which there has been a tremendous demand for military purposes have faced different problems from those mills continuing to make fine goods, or drapery and upholstery fabrics for civilian markets. In the latter case, instead of expanding employment and production, mills have in some instances had to curtail production due to inability to obtain priority on sufficient quantity of raw material, or else these mills have converted to war products. This example is cited merely to illustrate the possible range of experience among the different segments of the industry in this District. It is outside the scope of this paper to consider these differences in detail, but it is hoped that in a later report a separate analysis may be made of the experience of each division of the industry with consideration given to the postwar problems of each particular division.

Note: In the August 31 Review, in Table 6 on Page 8, the figures 181 and 183 under Series E Bonds sold in Maryland should have read 81 and 83, respectively.

Deposit Ownership

Member Bank Demand Deposits of individuals, partnerships, and corporations on July 31, 1944, are estimated at $2,226,589 thousand, a gain of $79,477 thousand from February 29, 1944. This includes estimates of the changes in deposits of new banks admitted to membership in the interim. Of these deposits on July 31, 1944, it is estimated that business organizations owned 61.2 per cent; non-profit associations, 5.0 per cent; and individuals, 33.8 per cent. Revised figures for February 29, 1944, show business ownership of 60.9 per cent; non-profit associations, 5.2 per cent; and individuals, 33.9 per cent.

Thus, of the $2,226,589 thousand of member bank deposits of individuals, etc., on July 31, 1944, it is estimated that business concerns owned $1,362,539,000 compared with $1,306,173,000 on February 29; non-profit associations owned $110,346,000 on July 31, against $112,077,000 on February 29; while personal deposits at the end of July totaled $753,704,000, compared with $728,862,000 at the end of February. Business deposits rose 4.3 per cent between the ends of February and July; personal deposits rose 3.4 per cent; while those of non-profit associations declined 1.5 per cent.

Ownership surveys on July 31 and February 29, in each case, came shortly after the conclusion of the Fourth and Fifth War Loans and these should have affected the deposit levels in each case proportional to the amounts of securities purchased, which were $232 million greater in the Fifth War Loan than in the Fourth. Thus, in spite of an increase of $232 million in War Loan security purchases and a loss of $47 million of funds to other Districts, total demand deposits of individuals, partnerships, and corporations of all Fifth District member banks rose $79,477 thousand between the two deposit surveys.

Although certain types of business organizations lost deposits between February 29 and July 31, other types of business more than offset such losses. In dollars, business firms increased their deposits $56,366,000 between February and July, while personal deposits rose $24,872,000, and non-profit associations lost $1,731,000. This indicates a very small or insignificant shift of deposits from personal and non-profit association accounts to business accounts. Since total deposits rose $79,477,000, the increases in business and personal deposits were nearly in the same proportion to deposit holdings of these groups.

It is interesting to note that, of the four broad types of business firms covered in the deposit ownership survey, the deposits of manufacturing and mining concerns; retail and wholesale trade and firms dealing in commodities, and financial concerns more than account for the increase in business deposits with gains between February and July of more than 6 per cent each. Public utilities and all other non-financial business firms had small deposit losses in this period. Ownership and distribution of all member bank deposits of individuals, etc., as estimated for February 29, 1944, and July 31, 1944, together with changes that occurred in this period, are shown as follows:

OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS OF ALL FIFTH DISTRICT MEMBER BANKS

	Thousand dollars				Change	
	Feb. 29 1944	% of Total	July 31 1944	% of Total	Thous. $	Per Cent
Manufacturing and mining	335,205	15.6	358,162	16.1	+22,957	+6.8
Public utilities, etc.	167,271	7.8	165,110	7.4	— 2,161	—1.3
Retail and wholesale trade, etc.	431,272	20.1	457,706	20.5	+26,434	+6.1
Other non-financial business	179,452	8.4	175,407	7.9	— 4,045	—2.3
Total non-financial business	1,113,200	51.9	1,156,385	51.9	+43,185	+3.9
Financial business	192,973	9.0	206,154	9.3	+13,181	+6.8
Total business	1,306,173	60.9	1,362,539	61.2	+56,366	+4.3
Non-profit associations	112,077	5.2	110,346	5.0	— 1,731	—1.5
Personal (including farmers)	728,862	33.9	753,704	33.8	+24,842	+3.4
Total	2,147,112*	100.0	2,226,589	100.0	+79,477	+3.7

* Includes estimates for banks admitted to membership between February 29 and July 31.

Demand deposits of individuals, partnerships, and corporations increased between February 29 and July 31 in all groups of banks classified by size of deposits. In dollar amounts, the increase was probably about as evenly divided as would be likely to prevail; but on a percentage basis there were, in the main, larger increases as the size of the banks decreased, though variations from this trend can be noted in the $25-$50 million group and in the under $1 million group, as the accompanying table shows:

ESTIMATED DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS OF FIFTH DISTRICT MEMBER BANKS

Banks with deposits on July 31, of	Feb. 29 1944	July 31 1944	Increase Amount	Increase %
	(Thousand Dollars)			
Over $50 million	713,296	724,314	11,018	1.5
25 — 50 million	310,260	324,222	13,962	4.5
10 — 25 million	399,647	413,335	13,688	3.4
5 — 10 million	222,035	231,306	9,271	4.2
2 — 5 million	242,237	255,261	13,024	5.4
1 — 2 million	152,232	164,734	12,502	8.2
Under 1 million	107,405	113,417	6,012	5.6
Total	2,147,112	2,226,589	79,477	3.7

The larger increases in demand deposits of individuals, etc., as the size of banks decline is probably a reflection of the fact that the income from agriculture in the District had shown a seasonal gain, whereas income from other sources probably declined somewhat in the period covered. Furthermore, feedstuffs and other farm supplies were not purchasable in as large quantities as in the winter, while the advent of summer may have exerted a seasonal influence on holding down farmers' expenditures in July as against February.

The changes in the type of ownership of deposits in the various bank size groups show no consistent tendencies. Demand deposits of individuals, partnerships, and corporations owned by manufacturing and mining concerns show increases in all deposit size groups, except the $25-$50 million group. Percentage wise, the banks with deposits under $1 million show the largest increase in

manufacturing and mining deposits, and banks with deposits between $2 and $25 million show increases in these deposits ranging from 11 to 14 per cent, while increases in the $1 to $2 million group and the over $50 million group were considerably lower. Such changes in the five months' period are small and may be, in many instances, no more than a daily adverse clearing balance.

It should be noted that deposits owned by retail and wholesale trade establishments and dealers in commodities were larger on July 31 than on February 29 in all size groups of banks; but there was no general tendency noted for these increases to be larger or smaller depending on the size of the bank. Such indications as we have of retail sales and inventories, though inadequate for the purpose, would suggest that these deposits should have declined between February and July, as sales declined more in this period than inventories.

Personal deposits were higher at the end of July than at the end of February in all size groups of banks except those groups of banks with $5 to $10 million, and under $1 million of deposits. The chief increase came in those banks having deposits of $1 to $2 million, $10 to $25 million, and over $50 million. The explanation as to why so large a part of the increase in personal deposits came to those banks having demand deposits of individuals, etc., of $1 to $2 million is not readily forthcoming.

The changes that took place in the ownership of deposits by size of bank between February 29, 1944, and July 31, 1944, are shown in the accompanying table:

Changes in the Estimated Ownership of Demand Deposits of Individuals, Partnerships, and Corporations of all Fifth District Member Banks between February 29, 1944, and July 31, 1944

Banks with deposits of:	Over $50 million	$25-$50 million	$10-$25 million	$5-$10 million	$2-$5 million	$1-$2 million	Under 1 million	All Banks
				(Thousand Dollars)				
Manufacturing and mining	+ 8,045	— 2,092	+ 5,718	+ 3,847	+ 4,292	+ 854	+ 2,293	+22,957
Pubic utilities	—10,120	+ 4,737	+ 760	+ 1,468	+ 878	+ 35	+ 81	— 2,161
Trade	+ 4,263	+ 7,377	+ 3,272	+ 3,281	+ 4,676	+ 433	+ 3,132	+26,434
Other non-financial business	+ 1,309	+ 655	—12,253	+ 3,264	— 2,714	+ 1,787	+ 3,907	— 4,045
Total non-financial business	+ 3,497	+10,677	— 2,503	+11,860	+ 7,132	+ 3,109	+ 9,413	+43,185
Financial business	+ 7,471	+ 10	+ 2,215	+ 2,083	+ 2,327	— 1,312	+ 387	+13,181
Total business	+10,968	+10,687	— 288	+13,943	+ 9,459	+ 1,797	+ 9,800	+56,366
Non-profit associations	— 8,251	+ 1,120	+ 5,965	— 2,293	+ 1,694	— 166	+ 200	— 1,731
Personal	+ 8,301	+ 2,155	+ 8,011	— 2,379	+ 1,871	+10,871	— 3,988	+24,842
Total	+11,018	+13,962	+13,688	+ 9,271	+13,024	+12,502	+ 6,012	+79,477
				(Per Cent Change)				
Manufacturing and mining	+ 5.9	— 3.2	+10.6	+12.2	+13.5	+ 8.0	+39.3	+ 6.8
Public utilities	—11.9	+15.3	+ 2.8	+14.2	+10.5	+ 1.0	+ 5.5	— 1.3
Trade	+ 3.4	+13.4	+ 3.3	+ 6.0	+ 8.5	+ 1.6	+22.0	+ 6.1
Other non-financial business	+ 2.2	+ 2.6	—24.3	+15.6	—18.0	+32.1	+140.4	— 2.3
Total non-financial business	+ .9	+ 6.1	— 1.1	+10.1	+ 6.5	+ 6.6	+38.6	+ 3.9
Financial business	+11.0	.0	+ 5.4	+ 9.1	+19.2	—18.6	+34.0	+ 6.8
Total business	+ 2.3	+ 4.9	— .1	+10.0	+ 7.7	+ 3.3	+38.4	+ 4.3
Non-profit associations	—15.1	+11.1	+32.9	—21.5	+18.0	— 2.6	+ 6.6	— 1.5
Personal	+ 4.5	+ 2.6	+ 7.3	— 3.3	+ 1.7	+11.9	— 5.1	+ 3.4
Total	+ 1.5	+ 4.5	+ 3.4	+ 4.2	+ 5.4	+ 8.2	+..5.6	+ 3.7

The ownership of demand deposits of individuals, partnerships, and corporations of all member banks was computed from data received from 161 member and non-member banks and branches so scattered throughout the District that all economic and geographic areas received representation. Of these 161 banks and branches, 150 were member banks, including 2 branches, and 11 were non-member banks and branches. We were unable to secure the deposits of all non-member banks broken down by deposit size and, consequently, the estimates of deposit ownership have been made for all member banks only.

Since all non-member bank deposit figures were not available, the coverage of the banking field in the District by the survey could be determined only for member banks. The 148 member banks which classified their deposits by type of owner held 73.3 per cent of all member bank deposits on June 30, 1944, which was the latest date when figures for all member banks were available. The percentage of all member banks classified by size which were represented in the survey sample was in excess of 40 per cent for groups with deposits above $2 million, but considerably lower for the groups under $2 million, as the table shows:

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

June 30, 1944

Banks with deposits	All Member Banks		Banks Reporting Deposit Ownership		Reporting Banks as Per Cent of All Member Banks	
(million dollars)	No.	Thous. $	No.	Thous. $	No.	Amount
Over 50	9	720,680	9	720,680	100.0	100.0
25 — 50	9	313,210	9	313,210	100.0	100.0
10 — 25	28	404,189	20	286,736	71.4	70.9
5 — 10	35	220,264	18	109,290	51.4	49.6
2 — 5	80	242,395	32	102,732	40.0	42.4
1 — 2	112	153,144	29	34,316	25.9	22.4
Under 1	195	109,957	31	19,337	15.9	17.6
Total	468	2,163,839	148	1,586,301	31.6	73.3

The ability of the bank data included in the ownership survey to measure the changes of all member banks was sufficiently close to give a reasonable approximation overall, but some of the size groups showed considerably greater variability, such that some of the ownership changes may represent errors of estimate. The variations in the ownership survey sample of member banks classified by size on June 30, 1944, and identical on December 31, 1943, and June 30, 1943, from those of all member banks similarly classified are shown in the following table:

PERCENTAGE CHANGES IN DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS OF FIFTH DISTRICT MEMBER BANKS

Banks with deposits (million dollars)	December 31, 1943, to June 30, 1944		June 30, 1943, to June 30, 1944	
	All Member Banks	148 Sample Banks	All Member Banks	148 Sample Banks
Over 50	—3.2	—3.2	+ 4.2	+ 4.2
25 — 50	0.0	0.0	+ 4.1	+ 4.1
10 — 25	—0.3	—0.6	+ 3.8	+ 2.6
5 — 10	+3.7	+0.2	+12.4	+ 8.0
2 — 5	+1.0	+0.7	+11.4	+ 6.9
1 — 2	+2.0	+3.1	+24.0	+22.4
Under 1	+4.4	+7.1	+22.9	+27.9
Total	—0.4	—1.4	+ 7.7	+ 4.9

The estimates of ownership of deposits of individuals, etc., on July 31, 1944, for all member banks were derived by applying the percentages of ownership reported by the sample banks in the various sizes of accounts (over $100,000; $25,000 to $100,000, etc., and unclassified accounts) to the estimated amount of all member bank demand deposits of individuals, etc., in those accounts for each of the bank size classifications. Unclassified accounts were distributed to the several types of owners by percentages derived from trends shown between the several account sizes in the various size of bank groups. Changes in deposit ownership between February 29 and July 31 were computed by the changes in each type of owner from reports of identical banks in each period.

Of what use are these surveys to the banks? Probably the most important part of these surveys of who owns the bank deposits is to give the individual banker a better understanding of his own deposits from the point of view of the probable movement of funds in and out of his institution. Banks can compare their deposits and changes by owners with those of the District to ascertain if they are conforming to the broad pattern, both as to level and trend of ownership. If variations exist between the individual bank and the trends shown by all banks, reasons for the divergences should be studied by the banker. The summary of the surveys, such as the one here presented, shows how deposit ownership is changing, and should be closely scrutinized by bankers for the purpoe of comparing the trend in deposit ownership in the rank and file of banks with their own. In studying the character of ownership of his deposits, the question will arise in the banker's mind as to what plans certain depositors or types of depositors have for their funds. Knowledge of these plans will give the banker a clearer idea how long he can hold these funds and thereby make possible the most profitable use of them.

These surveys are largely factual presentations. They cannot give the bases of the movement of funds in and out of any individual community, but they do show the District trends in evidence and, in so far as is possible, attempt to cite economic tendencies which have a bearing on the movements.

Deposits of banks in the Fifth Federal Reserve District have risen most in the war period in the agricultural areas, and where war plants have been located. The reason for the largest rise in the agricultural areas has been the rising prices of farm products and some expansion in farm production, whilst at the same time many of the goods on which these farm incomes would normally have been spent outside this District were not available. Thus the recipients of the increased incomes have more or less been forced to save.

Prices of the basic agricultural products will be supported by law at present lending rates in relation to parity for at least two years after the termination of the war if sufficient funds are appropriated for this purpose. This should be a factor tending to hold deposits in the country banks of the District even though access to the purchase of durable goods becomes available in the meantime.

Banks located in areas where war production is dominant will probably lose those deposits of non-resident workers, and find a steady attrition in those of residents arising from purchases of durable goods. Some of the businesses formed in these areas may fold up, and have their deposits withdrawn. Other concerns doing a regional business which have opened up regional bank accounts may find it expedient to move such accounts back to the home office.

Many factors governing the staying quality of a given deposit or group of deposits can be determined by the individual banker. It will pay off in earning power to seek such information, for full utilization of the funds for the period which they are likely to be held is the material with which dividends are paid and capital augmented.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	Sept. 13 1944	Change in Amt. from 8-16-44	Change in Amt. from 9-15-43
Total Gold Reserves	$1,124,310	+ 69,368	—142,927
Other Reserves	13,197	— 1,083	— 12,071
Total Reserves	1,137,507	+ 68,285	—154,998
Bills Discounted	2,655	+ 396	+ 995
Industrial Advances	168	— 6	— 152
Gov't Securities, Total	794,996	+ 9,436	+424,063
Bonds	83,494	— 1,806	— 15,335
Notes	70,931	— 2,161	+ 26,211
Certificates	225,407	+ 2,543	+113,643
Bills	415,164	+ 10,860	+299,544
Total Bills and Securities	797,819	+ 9,826	+424,906
Uncollected Items	163,764	+ 35,917	— 16,962
Other Assets	13,716	— 899	+ 1,301
Total Assets	2,112,806	+113,129	+254,247
Fed. Res. Notes in Cir.	$1,320,805	+ 56,055	+322,935
Deposits, Total	625,991	+ 20,301	— 53,478
Members' Reserves	558,381	+ 33,307	— 57,275
U. S. Treas. Gen. Acct.	8,030	— 12,686	+ 7,454
Foreign	55,138	— 1,129	+ 9,030
Other Deposits	4,442	+ 809	— 12,687
Deferred Availability Items	144,535	+ 36,570	— 17,413
Other Liabilities	372	— 25	+ 96
Capital Accounts	21,103	+ 228	+ 2,107
Total Liabilities	2,112,806	+113,129	+254,247

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	Sept. 13 1944	Change in Amt. from 8-16-44	Change in Amt. from 9-15-43
Total Loans	$ 298,574	— 18,190	+ 35,195
Bus. and Agric. Loans	121,676	+ 5,774	— 3,240
Real Estate Loans	50,834	— 47	+ 902
All Other Loans	126,064	— 23,917	+ 37,533
Total Security Holdings	1,497,433	— 20,039	+212,296
U. S. Treas. Bills	106,943	— 8,216	— 51,310
U. S. Treas. Certificates	319,942	— 13,431	+100,455
U. S. Treas. Notes	254,295	— 699	+ 86,483
U. S. Gov. Bonds	745,104	+ 2,401	+107,776
Obligations Gov. Guaranteed	15,931	— 362	— 28,979
Other Bonds, Stocks and Sec.	55,218	+ 268	— 2,129
Cash Items in Process of Col..	116,146	+ 25,507	— 11,474
Due from Banks	166,124	— 6,005	— 31,289
Currency and Coin	37,027	+ 3,062	— 1,436
Reserve with F. R. Bank	289,747	+ 17,016	— 47,646
Other Assets	66,730	+ 2,796	+ 1,512
Total Assets	2,471,781	+ 4,147	+157,158
Total Demand Deposits	$1,997,446	— 5,771	+100,188
Deposits of Individuals	1,161,490	+ 78,009	+104,166
Deposits of U. S. Gov.	346,990	—113,596	+ 56,208
Deposits of State & Local Gov.	78,778	— 6,157	— 25,168
Deposits of Banks	392,691	+ 33,970	— 22,259
Certified & Officers' Checks	17,497	+ 2,003	— 12,759
Total Time Deposits	280,523	+ 6,139	+ 39,527
Deposits of Individuals	266,817	+ 6,138	+ 42,349
Other Time Deposits	13,706	+ 1	— 2,822
Liabilities for Borrowed Money	0	0	— 1,000
All Other Liabilities	78,037	+ 3,264	+ 11,725
Capital Accounts	115,775	+ 515	+ 6,718
Total Liabilities	2,471,781	+ 4,147	+157,158

* Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANKS DEPOSITS

9 Baltimore Banks

	August 31, 1944	July 30, 1944	August 31, 1943
Total Deposits	$282,429,254	$278,658,754	$251,056,546

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
August 1944	225,976	176,375	19,133	421,484
July 1944	190,904	147,133	16,467	354,504
August 1943	223,322	170,027	19,060	412,409
8 Months 1944	1,755,611	1,342,061	151,882	3,249,554
8 Months 1943	1,883,585	1,443,342	169,130	3,486,057

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	August 1944	% chg. from August 1943	8 Mos. 1944	% chg. from 8 Mos. 1943
Dist. of Columbia				
Washington	$ 460,890	+ 6	$ 3,887,094	+ 8
Maryland				
Baltimore	734,800	+ 7	6,128,911	+12
Cumberland	13,141	+ 4	103,995	+15
Frederick	11,794	+16	96,034	+18
Hagerstown	15,785	+ 6	135,814	+14
North Carolina				
Asheville	24,436	+23	189,428	+17
Charlotte	119,313	+ 3	990,637	+11
Durham	91,782	+11	522,509	+18
Greensboro	31,756	+18	272,884	+13
Kinston	10,851	— 3	55,670	+11
Raleigh	49,781	+ 6	441,178	+ 8
Wilmington	38,590	0	297,542	+ 2
Wilson	9,153	—29	68,069	+ 3
Winston-Salem	65,323	— 6	503,400	— 1
South Carolina				
Charleston	55,767	0	313,202	+ 2
Columbia	45,129	+10	395,780	+ 2
Greenville	32,940	+ 1	292,305	0
Spartanburg	23,649	+30	170,310	+ 9
Virginia				
Charlottesville	16,616	+42	118,965	+29
Danville	16,800	+21	113,975	+12
Lynchburg	19,208	+ 5	167,049	+10
Newport News	21,167	—12	205,803	+10
Norfolk	113,994	— 1	964,778	+ 2
Portsmouth	15,466	+10	127,043	+ 4
Richmond	327,575	+ 6	2,532,165	+14
Roanoke	39,136	+14	324,970	+14
West Virginia				
Bluefield	23,488	+10	186,528	+20
Charleston	76,720	+ 4	662,976	+12
Clarksburg	15,033	+16	120,690	+18
Huntington	33,167	+29	242,500	+15
Parkersburg	16,785	+17	128,408	+13
District Totals	$2,550,035	+ 6	$20,760,612	+10

COMMERCIAL FAILURES

PERIODS	Number of Failures District	Number of Failures U. S.	Total Liabilities District	Total Liabilities U. S.
August 1944	1	77	$ 57,000	$ 1,054,000
July 1944	1	91	365,000	3,559,000
August 1943	6	227	115,000	2,905,000
8 Months 1944	12	905	$752,000	$18,964,000
8 Months 1943	38	2,628	968,000	35,609,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	August 1944	August 1943
Fifth District States:		
Cotton consumed	421,484	412,409
Cotton Growing States:		
Coton consumed	742,384	737,159
Cotton on hand August 31 in		
Consuming establishments	1,439,656	1,611,478
Storage and Compresses	7,768,816	7,806,458
United States:		
Cotton consumed	841,490	843,187
Cotton on hand August 31 in		
Consuming establishments	1,710,225	1,928,263
Storage and Compresses	7,936,944	8,027,415
Spindles, U. S.	22,240,676	22,635,336

RAYON YARN DATA

	August 1944	July 1944	August 1943
Rayon Yarn Shipments, Lbs	44,800,000	40,900,000	41,400,000
Staple Fiber Shipments, Lbs.	13,600,000	13,600,000	13,800,000
Rayon Yarn Stocks, Lbs.	6,700,000	6,700,000	6,500,000
Staple Fiber Stocks, Lbs.	2,700,000	3,000,000	3,500,000

Source: Rayon Organon.

BUILDING PERMIT FIGURES
Fifth Federal Reserve District

	Total Valuation August 1944	August 1943
Maryland		
Baltimore	$ 308,292	$ 603,885
Cumberland	2,113	2,100
Frederick	3,850	1,580
Hagerstown	6,590	93,113
Salisbury	13,378	7,886
Virginia		
Danville	$ 11,738	$ 6,195
Lynchburg	10,945	3,759
Norfolk	120,665	148,920
Petersburg	1,000	290
Portsmouth	224,765	34,293
Richmond	127,582	55,296
Roanoke	20,615	10,127
West Virginia		
Charleston	$ 41,085	$ 29,668
Clarksburg	11,373	2,605
Huntington	18,335	59,600
North Carolina		
Asheville	$ 14,610	$ 15,696
Charlotte	75,651	62,303
Durham	227,489	23,710
Greensboro	66.233	15,945
High Point	26,270	19,080
Raleigh	10,550	6,794
Rocky Mount	1,150	550
Salisbury	775	6,790
Winston-Salem	171,672	19,350
South Carolina		
Charleston	$ 18,086	$ 539,752
Columbia	23,785	9,327
Greenville	14,450	24,135
Spartanburg	17,940	13,815
District of Columbia		
Washington	$ 1,562,504	$ 4,183,587
District Totals	$ 3,153,491	$ 6,000,151
8 Months	$19,500,140	$32,744,055

CONSTRUCTION CONTRACTS AWARDED

STATES	July 1944	% chg. from July 1943	7 Mos. 1944	% chg. from 7 Mos. '43
Maryland	$10,786,000	+ 1	$ 52,053,000	—14
Dist. of Columbia	2,757,000	+162	16,667,000	—12
Virginia	8,144,000	— 35	72,885,000	—36
West Virginia	1,122,000	— 36	13,198,000	+ 3
North Carolina	2,478,000	— 43	31,163,000	—49
South Carolina	1,163,000	— 79	15,607,000	—53
Fifth District	$26,450,000	— 26	$201,573,000	—33

Source: F. W. Dodge Corp.

TOBACCO MANUFACTURING

	Aug. 1944	% chg. from Aug. '43	8 Mos. 1944	% chg. from 8 Mos.'43
Smoking & chewing tobacco (Thousands of lbs.	23,646	+6	155,245	— 7
Cigarettes (Thousands)	22,304,683	—6	161,087,551	— 2
Cigars (Thousands)	418,204	—2	2,750,753	—12
Snuff (Thousands of lbs.)	3,325	—6	27,700	— 5

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	August 1944	August 1943	% Change	8 Mos. 1944	8 Mos. 1943	% Change
West Virginia	14,900	14,441	+3	111,948	105,564	+6
Virginia	1,690	1,720	—2	13,151	13,162	—0
Maryland	174	167	+4	1,354	1,267	+7
5th District	16,764	16,328	+3	126,453	119,993	+5
United States	54,220	52,432	+3	420,755	388,710	+8
% in District	30.9	31.1		30.1	30.9	

RETAIL FURNITURE SALES

STATES	Percentage Changes in August and 8 Months 1944 Compared with August 1943	Compared with 8 Months 1943
Maryland (5)*	+ 7	— 2
Dist. of Columbia (6)*	— 6	— 1
Virginia (25)*	+ 7	+ 2
West Virginia (11)*	+ 5	+ 5
North Carolina (21)*	+ 5	+ 8
South Carolina (14)*	+22	— 5
Fifth District (82)*	+ 5	+ 1
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	+ 7	— 2
Washington, D. C. (6)*	— 6	— 1
Lynchburg, Va. (3)*	+11	+ 4
Richmond, Va. (7)*	+17	+ 4
Charleston, W. Va. (3)*	+10	— 6
Charlotte, N. C. (5)*	+ 6	+ 3
Winston-Salem, N. C. (5)*	+ 6	+10
Columbia, S. C. (4)*	+ 2	— 3

* Number of Stores.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Aug. 1944 sales, compared with sales in Aug. 1943:	+22	+13	+14	+19	+17
Change in 8 mos.' sales in 1944, compared with 8 mos.' sales in 1943:	+14	+ 5	+ 2	+16	+ 7
Change in stocks on August 31, 1944, from stocks on August 31, 1943:	+ 2	+ 5	+ 2	+18	+ 5
Change in outstand'g orders Aug. 31, 1944, from orders on Aug. 31, 1943:	— 4	+ 2	—10	— 1	— 5
Change in total receivables on Aug. 31, '44, compared with Aug. 31, '43:	+12	+12	+ 4	+ 7	+ 8
Percentage of current receivables as of Aug. 1, 1944, collected in Aug.:	57	58	59	58	58
Percentage of instalment receivables as of Aug. 1, '44, collected in Aug.:	37	30	26	30	28

	Maryland	Dist. of Col.	Virginia	W. Va.	No. Caro.	So. Caro.
Percentage change in Aug. 1944 sales from Aug. 1943 sales by States:	+12	+14	+24	+26	+14	+20
Percent'ge chg. in 8 mos.' sales in '44, compared with 8 mos.' sales in '43:	+ 5	+ 2	+15	+13	+12	+11

WHOLESALE TRADE, 269 FIRMS

LINES	Net Sales Aug. 1944 compared with Aug. 1943	July 1944	Stock Aug. 31, 1944 compared with Aug. 31 1943	July 31 1944	Ratio Aug. collections to accounts outstand'g Aug. 1
Auto supplies (15)*	+37	+33	+ 8	— 4	89
Drugs & sundries (10)*	+9	+ 9	+18	0	131
Dry goods (8)*	+ 9	+26	+ 3	—10	74
Electrical goods (19)*	+ 7	+25	— 7	— 9	77
Groceries (84)*	+ 8	+ 9	+17	+ 1	154
Hardware (17)*	+15	+10	+23	— 1	93
Industrial supplies (9)*	+ 9	+10	+14	— 4	117
Paper & products (8)*	— 3	+15	—18	— 6	90
Tobacco & products(10)*	+ 1	+20	— 9	— 4	169
Miscellaneous (89)*	— 3	+ 1	— 8	— 6	102
DistrictAverage(269)*	+ 5	+10	+ 3	— 4	103

Source: Department of Commerce.

* Number of reporting firms.

AUCTION TOBACCO MARKETING

STATES	Producers' Tobacco Sales, Lbs. August 1944	August 1943	Price per hundred 1944	1943
South Carolina	55,025,456	46,459,869	$43.46	$40.57
North Carolina	53,394,620	92,077,414	43.68	39.34
Total	108,420,076	138,537,283	$43.57	$39.75

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial output and employment showed little change in August. Retail trade was at a new high level for the month. There was a small further rise in retail commodity prices.

INDUSTRIAL PRODUCTION

Output at factories and mines was 232 per cent of the 1935-39 average in August as compared with 231 for July, according to the Board's seasonally adjusted index of industrial production. Steel production was maintained, while output of nonferrous metals continued to decline. Overall, activity in the metal fabricating industries continued at the level of the preceding month. There were large increases in output of heavy trucks, tanks, and some other critical ordnance items in August; aircraft production showed little change; while shipbuilding declined.

Output increased in the shoe, woolen and worsted, and paper industries in August following a drop in July which reflected chiefly the curtailment of operations around the Fourth. Output of manufactured foods, after allowance for seasonal changes, declined in August, largely reflecting decreases in output of meats, dairy products, and sugar products. Distilleries were shifted for the month of August from production of industrial alcohol for war purposes and output of about 50,000,000 proof gallons of beverage spirits was reported. Production of other nondurable goods was maintained at the level of the preceding month.

Minerals output in August rose 2 per cent from July, reflecting increases in coal and crude petroleum. Crude petroleum production was at a rate 11 per cent above the same month last year.

DISTRIBUTION

Value of department store sales, according to the Board's seasonally adjusted index, was larger in August and the first half of September than in the first half of 1944 and averaged 12 per cent above the corresponding period of last year. In the third quarter the index at 90 per cent above the 1935-39 average has been at the highest level on record.

Carloadings of railroad freight were maintained in large volume in August. During the first three weeks in September loadings were slightly less than during the same period a year ago, owing to decreases in all classes of freight except merchandise in less than carload lots and miscellaneous shipments.

COMMODITY PRICES

Wholesale prices of farm products and foods showed small seasonal decreases from the middle of August to the middle of September. Maximum prices of such industrial goods as cotton fabrics, cement, and bricks were increased.

Retail prices of food and other cost of living items increased slightly in August and the average of all items was 2 per cent higher than a year ago, according to the Bureau of Labor Statistics index.

AGRICULTURE

Crop prospects improved during August and the early part of September and harvests of most major crops are expected to be larger than last season. Marketings of livestock products, which were at a record level earlier this year and 15 per cent higher than during the first six months of 1943, have declined in July and August to about the same level as that prevailing last year.

BANK CREDIT

Bank deposits of businesses and individuals, as well as currency in circulation, have increased since the end of the Fifth War Loan Drive. This increase in the money holdings of businesses and individuals is largely a reflection of the expenditures made by the Treasury from its war-loan accounts built up during the drive. Adjusted demand and time deposits at member banks in leading cities increased by nearly 4 billion dollars between the close of the drive and mid-September, or by over three-quarters of the amount of reduction in such funds during the drive. Deposits at non-reporting banks probably increased by nearly 2 billion dollars. Treasury war loan accounts at banks declined by nearly 8 billion dollars.

In the same period loans and investments at weekly reporting member banks in 101 leading cities declined by 2.2 billion dollars. Loans to brokers and dealers for purchasing and carrying Government securities declined to a level approximately equal to that of the pre-drive period. There was, however, a temporary increase in such borrowings in late August and early September presumably associated with market transactions stemming from the Treasury offer to exchange certificates maturing on September 1 and notes maturing on September 15 for new issues. Loans to others for purchasing and carrying securities declined steadily, but on September 13 were still well above the pre-drive level. Government security holdings showed a net decline of 800 million dollars over the period, reflecting mainly substantial bill sales by reporting banks partially offset by some increase in bond holdings.

As the result of the increase in deposits of businesses and individuals, the average level of required reserves at all member banks rose by about a billion dollars between the close of the Fifth Drive and mid-September. In addition, a billion dollar increase in money in circulation and some further decrease in gold stock served to absorb reserve funds. Member bank needs for reserves due to these factors were met largely through an increase of 1.7 billion dollars in the Government security portfolio of the Federal Reserve Banks and there was also a slight increase in Reserve Bank discounts. Excess reserves declined from an average level of 1.4 billion at the close of the drive to somewhat less than a billion by early September.

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	% Change July 1944 from June '43
Bank Debits	210	233	197	191	—10	+10
Bituminous Coal Production*	144	149r	148r	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	214	203	211	200	+ 5	+ 7
Department Store Stocks	190	186	174	183	+ 2	+ 4
Electric Power Production	214	219	212	213	— 2	0
Employment—Mfg. Industries*	138	139r	141	151	— 1	— 9
Furniture Orders	85	287r	171	92	—70	— 8
Furniture Shipments	123	193	174	136	—36	—10
Furniture Unfilled Orders	345	561r	599	314	—39	+10
Retail Furniture Sales	132p	144	136	137	— 8	— 4
Life Insurance Sales	137	133	131	136	+ 3	+ 1
Wholesale Trade—Five Lines	170	180	180	175	— 6	— 3
Wholesale Trade—Drugs	225	225	210	200	0	+13
Wholesale Trade—Dry Goods	165	160	175	215	+ 3	—23
Wholesale Trade—Groceries	177	191	190	172	— 7	+ 3
Wholesale Trade—Hardware	100	100	104	139	0	—28

*Not seasonally adjusted.