MONTHLY REVIEW

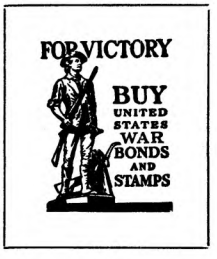
of Financial and Business Conditions

FIFTH FEDERAL RESERVE DISTRICT

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

OVERALL industrial production levels in the Fifth District appear to be maintained in the lower edge of a slowly declining range that has been in evidence for nearly a year. Agricultural production in the aggregate will be larger this year than a year ago. Income payments appear to be still rising at a moderate rate, and distribution of available goods for consumption is still expanding at a rapid rate.

Deliveries of ships to the Maritime Commission by Fifth District yards improved somewhat in October over September, but these are still considerably below what they were a year ago or earlier in the current year. Since a good part of the war time expansion in the District's production levels is attributable to this industry, any changes that take place will have an important bearing on the whole. Most of the shipyards of the District are in need of workers, but this demand arises mainly to replace those who have quit. The Maritime Commission's projected schedule of ship production for the remainder of 1944 calls for a flat trend of production slightly below the first half of 1944 but somewhat higher than in the last two or three months. Naval combat vessels' production is projected through the remainder of the year on a flat level, while landing vessels' production schedules taper off. Thus the overall ship production picture indicates a flat to slightly declining trend, and unless further cargo ship contracts are awarded, production of these by spring should be notably reduced.



Aircraft production value for the country has been trending downward since spring and production schedules point to a continuation of this trend, but the exigencies of war may make it necessary to reverse the scheduled trend.

Construction contracts awarded in this District in the first nine months of the year have amounted to $259 million. At this level construction is nearly 70 per cent less than in the same period of 1942, the high point of the war period, and only 18 per cent higher than in the first nine months of 1938, a year of severely depressed business activity. Residential building of the District has suffered more since the war peak than total construction, with contracts awarded in the first nine months of this year 83 per cent under similar months of 1942, and nearly 43 per cent below the 1938 level.

It would be reasonable to anticipate that a considerable amount of building would take place in the District as soon as materials and labor become available and the extent to which this industry recovers will temper by that amount the decline in business occasioned by cessation of war production. Public works programs designed to bridge over the reconversion gap are being designed on a broad scale in the states and many counties and municipalities. The G. I. Bill authorizing loans to buy homes will undoubtedly find reflection in some expansion of residential construction, and then there is a substantial amount of accumulated savings broadly distributed among the District's people. These, too, are likely to exert an expanding tendency on residential construction.

(Continued on page 6)

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

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

	Oct. 1944	Sept. 1944	Aug. 1944	Oct. 1943	% Change Oct. 1944 from Sept.'44	% Change Oct. 1944 from Oct.'43
Bank Debits	205	222	212	197	— 8	+ 4
Bituminous Coal Production*	143	143	151	140	0	+ 2
Building Contracts Awarded	72	121	112	163	—41	—56
Building Permits Issued	48	40	43	64	+20	—25
Cigarette Production	152	153	166	182	— 1	—16
Cotton Consumption*	142	141	145	146	+ 1	— 3
Department Store Sales	224	214	213	191	+ 5	+17
Department Store Stocks	171	181	198	165	— 6	+ 4
Retail Furniture Sales	163	150	116	133	+ 9	+23
Life Insurance Sales	146	138	145	120	+ 6	+22
Wholesale Trade—Five Lines	175	156	168	176	+12	— 1

* Not seasonally adjusted.

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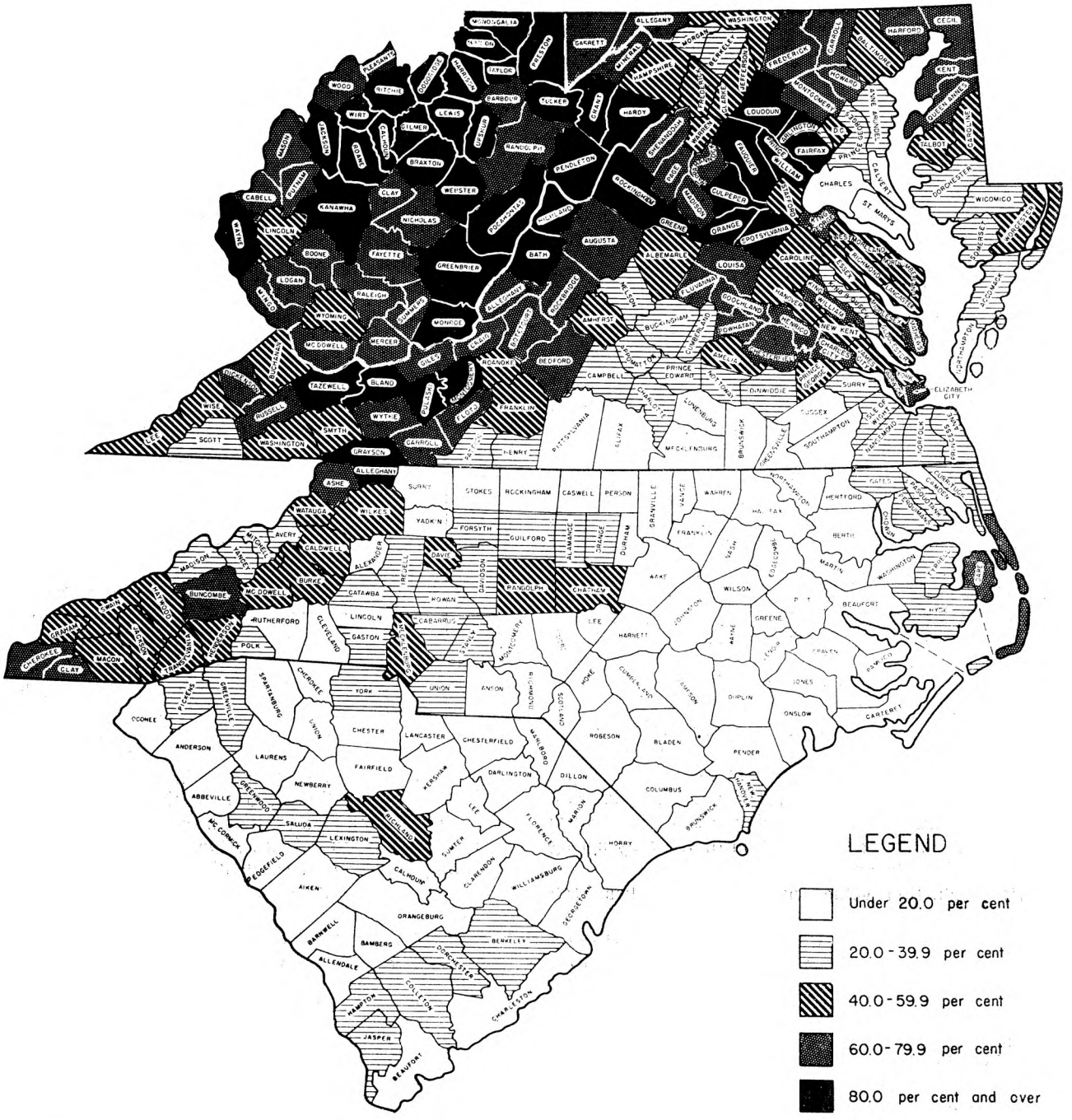
VALUE OF LIVESTOCK AND LIVESTOCK PRODUCTS SOLD OR TRADED AS PROPORTION OF VALUE OF ALL FARM PRODUCTS SOLD OR TRADED

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES: 1939



SOURCE: CENSUS OF AGRICULTURE, 1940.

FEDERAL RESERVE BANK OF RICHMOND, AUGUST, 1944.

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Livestock in the Fifth District

There are three main reasons for the presence of livestock in any agricultural system. First, livestock often provide workstock for the farm. In regions where the terrain is very rugged or where farms are small, livestock, rather than machinery, will provide much of the farm power. Second, livestock provide an important proportion of the non-cash (home consumption) income of the average farm family. A large proportion of the poultry, pigs, or cows usually found on farms are held only to supply the family. Third, livestock may be an important source of cash farm income.

Another definite advantage of the presence of certain classes of livestock which should be mentioned is their contribution to the maintenance of soil fertility. Some livestock tend to return much of the fertilizing value of their food to the soil in the form of manure; furthermore, the crop practices usually associated with livestock enterprises are predominately soil building and soil conserving.

There are four main reasons for the absence of livestock on the farms of any region. First, the natural environment (soil, climate, insects, etc.) may be such as to discourage animal enterprises. Some writers have referred to climate as an adverse factor in the livestock industry of the South. While there may be some force in this for the deep South, there is no support from those best informed for this view, so far as the Fifth District is concerned. In any event, many of the disadvantages which have retarded the livestock industry in the South have been reduced or eliminated by the research work of public and private agencies. Second, there may be a higher value ascribed to some crop enterprises which compete directly with animal enterprises for time and capital. For example, cotton and tobacco in some localities may be thought to bring in much higher returns per unit of land and/or labor used than livestock. The farmer, even though mistaken, who thinks that cropping is more profitable than animal husbandry will turn to the former. Third, there may not be sufficient market demand to make animal enterprises worth while. Although they may be numerous in the aggregate, the animals which are kept to satisfy the needs of the farm family do not constitute intensive animal husbandry. In the absence of adequate demand for their products, livestock are kept in comparatively small numbers even where all natural conditions are favorable. Fourth, social and population factors may foster the development and continuation of intensive, quick-return enterprises rather than extensive, long-run enterprises such as sheep, dairying, or beef cattle. In much of this District, as in most of the Southeast, this is quite true. High rural densities of population and the presence of large tracts of farm land under single (and often absentee) ownership have led to the widespread presence of tenant-farming in this region. Since the usual tenure arrangements are quite insecure, the tenant tries to convert much of his capital into liquid form each year, so as to be free to move if necessary. This discourages the development of most livestock enterprises by placing a premium on cotton, tobacco, and similar quick cash crops, and on quick-maturing animals such as hogs or poultry. It has reduced the presence of the larger animals to little more than necessary workstock and has prevented the development of permanent pasture. In fact, disregarding cash animal enterprises entirely, the livestock typically present on southern tenant farms seldom produce enough to feed the farm family. It is unfortunate that statistics are not available to allow more direct examination of this important aspect of southern agriculture. Other things being equal, where there is a very high density of farm persons per unit of farm land, as in the South, labor costs will tend to be low, and the farm enterprises usually undertaken will be those requiring relatively large amounts of low-skilled labor. Until there is sufficiently heavy outmigration to more than offset the rate of natural increase, this probably will prove to be the only way in which so dense a farm population can be sustained.

It should not be thought that the same reasons for the presence or absence of livestock enterprises apply to all areas in a region such as the Fifth District. In the first place, climate and terrain vary widely within the District. In the second place, the southern portion of the District is highly rural, while the northern portion contains some of the larger urban market areas of the country. Thus, the Carolinas are quite different agriculturally from Maryland, Virginia, and West Virginia, although some parts of the former group have an agriculture not unlike parts of the latter.

The Classes of Livestock Found in the Fifth District

The last inventory count of animal populations in the United States was made in the Census of Agriculture, 1940, and Table 1 is based on it. In order to reduce dissimilar types of livestock to comparability, each class of animal has been converted from a head count into animal units.[1] On this basis, it becomes possible to compare or add them directly.

[1] Animal units are used to convert dissimilar animals into units which are common to all. In this connection, the units are based on the average consumption by each class of animal in each state of all feeds including pasture, and are based on one United States average dairy cow being valued 1.00, with each class of animal in each state expressed in proportion. The conversion thus takes into account both differences of food intake between classes of animals and differences in feeding practices in different areas. The conversion factors used in Table 1 were provided by R. D. Jennings, Agricultural Economist, United States Department of Agriculture.

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Table 1: The Distribution of the Major Classes of Livestock, United States and Fifth District; April 1, 1940.

ITEM AND CLASS OF LIVESTOCK	United States	Fifth District	Maryland & D. C.	Virginia	West Virginia	North Carolina	South Carolina
Thousands of Heads:							
Horses and Mules	13,932	1,041	105	253	108	374	201
Dairy Cows	24,074	1,283	185	387	219	333	159
All Other Cattle	36,600	1,173	114	429	308	207	115
Sheep and Lambs	40,129	902	56	355	437	46	7
Hogs and Pigs	34,037	1,965	160	486	172	709	439
Chickens	337,949	24,223	3,158	6,996	3,378	7,315	3,376
Turkeys	4,362	257	52	99	32	44	31
Ducks	2,460	143	42	44	15	31	11
Thousands of Animal Units [1]							
Total	92,439	4,498	539	1,309	703	1,317	629
Horses and Mules	15,325	1,296	126	304	119	487	261
Dairy Cows	24,074	1,130	185	309	175	333	127
All Other Cattle	23,850	786	70	307	219	129	61
Sheep and Lambs	5,016	113	7.0	44	55	5.7	0.9
Hogs and Pigs	16,678	674	67	189	65	234	119
Poultry	7,495	499	84	156	70	128	60
Animal Units per Square Mile of Land in Farms [2]							
Total	55.8	48.3	82.1	51.0	50.5	44.7	35.8
Horses and Mules	9.2	13.9	19.2	11.8	8.5	16.5	14.9
Dairy Cows	14.5	12.1	28.3	12.0	12.6	11.3	7.3
All Other Cattle	14.4	8.4	10.7	11.9	15.8	4.4	3.5
Sheep and Lambs	3.0	1.2	1.1	1.7	3.9	0.2	[a]
Hogs and Pigs	10.1	7.2	10.2	7.4	4.7	7.9	6.7
Poultry	4.6	5.5	12.6	6.2	5.0	4.4	3.4
Per Cent of Total [2]							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Horses and Mules	16.6	28.8	23.4	23.2	16.9	37.0	41.5
Dairy Cows	26.0	25.1	34.3	23.6	24.9	25.3	20.2
All Other Cattle	25.8	17.5	13.0	23.5	31.2	9.8	9.7
Sheep and Lambs	5.4	2.5	1.3	3.4	7.8	0.4	0.1
Hogs and Pigs	18.0	15.0	12.4	14.4	9.2	17.8	18.9
Poultry	8.2	11.1	15.6	11.9	10.0	9.7	9.6

[1] See text footnote and related text.
[2] Computed from animal units.
Source: Census of Agriculture, 1940.
[a] Less than 0.05 A. U. per square mile.

Considered in terms of their proportionate importance to the several states, livestock seem to be distributed over the District according to several fairly clear patterns. Dairy cattle are most important in the more urbanized sections of the District, while all other cattle and sheep are concentrated in the more mountainous sections. Hogs and workstock are predominant in the cash crop areas, particularly in the Carolinas. Poultry tends to decrease in importance from North to South. The importance of farm population density as a determinant of regional agricultural patterns has been mentioned. In this connection, especially with the fairly obvious division of the District into two agriculturally dissimilar parts at the Virginia-Carolina boundary, the ratio of farm persons per square mile of the land in farms becomes quite significant as an index of the intensiveness or extensiveness of average farm enterprises. For the entire United States, this man-land ratio is 18.4; for Maryland, Virginia, and West Virginia, respectively, it is slightly more than twice as great (about 38); while for each of the Carolinas it is about three times the national average.

If attention is paid to the concentration of livestock per square mile of land in farms—in other words, to the livestock load of farm land—Maryland is by far the most intensive livestock state in the District. In Maryland over twice as much livestock is raised as in South Carolina, and over half again as much as the average for the nation. High densities are found in Maryland not only for the total but also for all but two classes of animals (sheep and cattle other than dairy cows). These wide differences in the livestock density on the land derive primarily from differences in the basic fertility of the land and from differences in agricultural practices, including import of feed. Since it has been found to be possible to improve the livestock carrying capacity of the South to a considerable degree through soil building practices, the latter is probably the more important cause operating within most of this District.

Cyclical fluctuations in numbers are found for most classes of livestock and these are caused by farmers' efforts to adjust animal numbers to changing price-cost relationships. The nature of the cycles therefore must be known and correction made for their effects before it is possible to determine whether or not gains and losses in numbers represent long run trends. This need for correction must be kept in mind in considering the changes in livestock population indicated in Table 2. Apparently the decreases in sheep grow out of shift to more profitable enterprises; on the other hand the decreases in workstock result from the increasing utilization of mechanical farm power. Increases in dairy cows are, at least in part, the result of long-run upward trends. The abrupt in-

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creases in chickens, hogs, and other cattle during the period of 1939-44 in contrast with the decreases or small increases apparent during 1933-39 suggest that these classes of livestock have probably been most influenced by the current war situation. Certainly the contrast between these two sub-periods is so sharp as to imply that the war rather than the continuation of long-term trends (which were present before and which will reassert themselves after the war) is responsible for most of the change.

TABLE 2: CHANGES IN THE LIVESTOCK POPULATIONS OF THE FIFTH DISTRICT, BY MAJOR CLASSES, SELECTED PERIODS

CLASS OF LIVESTOCK	Percentage Change[1] over 1933-39	1939-44	Period 1933-44
Horses and Mules	+ 0.6	— 2.7	— 2.1
Dairy Cows	+ 9.9	+ 6.8	+17.4
All Other Cattle	— 0.3	+17.8	+17.5
Sheep	—18.3	—17.9	—32.9
Hogs	+ 7.4	+38.8	+49.1
Chickens	— 3.6	+32.2	+27.5

Source: United States Department of Agriculture.
[1] Change in numbers on farms as of January 1.

Farm Income from Livestock Enterprises in the Fifth District

Livestock enterprises contribute to farm income in two distinct ways. *Cash* income is gained by the sale of livestock and livestock products in the farm market, while non-cash income is derived from the consumption of these same kinds of products by the farm family. For reasons to be shown later, these two categories of income are not strictly comparable. In the following discussion of these two sources of income, no deductions have been made for the *costs* of livestock production, so that all income mentioned herein represents the *gross* rather than the *net* contribution to the income of agriculture. A serious short-coming of reported statistics is the omission of the contribution of workstock. This is a non-cash item, but it is *not* "consumption" in the sense used in reporting the non-cash income from livestock.

Just as the several classes of livestock are unevenly distributed over the Fifth District, the importance of their contributions to cash farm income varies from state to state. (See Table 3.) With the exception of Virginia, dairy products are the most important single source of livestock income in the states of this District. Chickens, which come first in Virginia, stand in a good second place in all the other states but West Virginia, where they come third to cattle and calves. Hogs are most important in the Carolinas than elsewhere in the District.

TABLE 3: CASH FARM INCOME FROM LIVESTOCK ENTERPRISES, FIFTH DISTRICT BY SOURCES AND STATES, AVERAGE 1935-42

Source of Livestock Cash Farm Income	Fifth District	Maryl'd	Va.	West Va.	North Caro.	South Caro.
Total (Thousands of dollars)	201,881	45,018	66,204	32,863	39,073	18,724
Per Cent of Total[1]:						
Dairy Products[2]	33.5	45.1	27.7	30.5	32.1	34.3
Chickens	30.3	31.2	33.8	24.7	31.4	23.1
Eggs	16.2	13.2	18.0	16.9	17.6	13.0
Broilers	7.3	10.8	9.2	3.5	4.7	4.0
Chickens	6.8	7.2	6.6	4.3	9.1	6.1
Cattle and Calves[2]	17.3	11.4	18.7	26.6	14.2	16.8
Hogs	12.6	7.2	11.9	7.2	19.7	23.0
Sheep, Lambs, Wool	3.1	1.0	4.0	8.8	.6	.1
Turkeys	2.7	3.1	3.5	2.0	1.7	2.2
Other[3]	.4	.8	.4	.2	.3	.4

Source: United States Department of Agriculture.
[1] Due to rounding, percentages may not add to 100.0.
[2] "Dairy Products" refer to milk, etc., sold from the dairy enterprise; the value of dairy cattle sold is included with that of beef cattle under "Cattle and Calves."
[3] Includes ducks, geese, horses, mules, and honey, but not the unreported income from workstock labor.

Although the figures in Table 3 are averages for the period 1935-42, it happens that similar figures for the single year 1940 are in close agreement. Because of this, a comparison between Tables 1 and 3 can be used as a valid basis for the conclusion that the gross cash income importance of any class of livestock may be at distinct variance with its physical importance. For instance, while poultry (chickens, turkeys, and ducks) comprise only one-tenth of the District's total animal unit, chickens and turkeys contribute about one-third of the District's total cash income from livestock. These variations in the relative importance of particular classes of animals by different criteria result from several conditions: In the first place, workstock make their greatest contribution to non-cash income; in the second place, there are wide differences in the degrees to which the several animals are used in farm family maintenance; in the third place, there may be differences in the relative gross prices received for various livestock or their products; and, in the fourth place, the cash income figures used in this connection are gross figures and do not consider the cost of livestock production; therefore, the greater apparent income importance of a class of animals relative to its physical importance may disappear after net income has been computed.

The changes over time of the purchasing power of cash farm income from livestock are given in Table 4. These incomes for selected years have been converted from actual dollars received to an index of purchasing power. This shows the relative changes in real income for the areas given, rather than the absolute amount of income.

TABLE 4: INDEX OF DEFLATED[1] CASH FARM INCOME FROM MARKETING LIVESTOCK AND LIVESTOCK PRODUCTS (1924=100) UNITED STATE AND FIFTH DISTRICT, SELECTED YEARS.

AREA	INDEX 1924	1929	1934	1939	1943[2]
United States	100	127	86	118	215
Fifth District	100	125	93	132	236
Maryland	100	126	96	135	223
Virginia	100	139	91	136	245
West Virginia	100	114	88	115	182
North Carolina	100	120	100	142	297
South Carolina	100	108	94	130	233

Source: United States Department of Agriculture.
[1] Deflated by prices paid by farmers for all commodities (1910-14=100).
[2] Preliminary.

From 1924 the District has tended to have a faster rate of increase of the real livestock income than has the nation, and the less developed livestock states within the District have shown faster rates of increase than the more mature ones. This is to be expected since there was more "room" for expansion of livestock industries in those states. Only North Carolina was able to make up early depression losses and regain its 1924 level of income by 1934, but by 1939 every District state but Virginia had exceeded the 1929 high, although the national total was still low. Between 1939 and 1943 every area shown received a tremendous increase in purchasing power as the result of wartime enhancement of cash farm income from animal industries.

The Importance of Livestock to the Farmers of the Fifth District

The importance of any enterprise to a given area is best measured by the relative proportion to which it con-

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tributes to that area's income. On a state basis, the proportion of cash farm income derived from livestock enterprises is given in Table 5. On a county basis, this same general relationship is shown in the accompanying map.

TABLE 5: THE IMPORTANCE OF LIVESTOCK AS A SOURCE OF (GROSS) CASH FARM INCOME, UNITED STATES AND FIFTH DISTRICT, 1936 AND 1943

	Cash Farm Income from Livestock[1] (Millions of Dollars)		Per Cent of Total Cash Farm Income[3]	
	1936	1943[2]	1936	1943
United States	4,715	11,349	56.4	58.9
Fifth District	171	438	30.3	36.4
Maryland	36	91	50.5	60.8
Virginia	55	142	45.9	51.7
West Virginia	30	64	72.9	79.3
North Carolina	32	100	14.3	20.0
South Carolina	17	41	15.6	20.9

Source: United States Department of Agriculture.
[1] Gross, from farm marketing of livestock and livestock products. Due to rounding, the states may not add to District total.
[2] Preliminary.
[3] Income from livestock, etc., as per cent of total gross cash income from all farm marketing.

In this table, the years 1936 and 1943 were chosen because they are terminal years for the longest comparable series of data available at this time. Although the absolute amount of cash income from livestock increased from two to three times during the period, its proportionate importance increased much less. For the three northern states of the District, livestock contributed a proportion of total cash farm income which was about equal to or in excess of the national average. In the Carolinas, on the other hand, this proportion is so low as to indicate predominant emphasis on cash crops as the major source of farm income. However, the increases in the proportion have been relatively greatest in these latter states. If the map is compared with the cotton and tobacco maps previously presented in this *Review* (June 30 and July 31, 1944), the evidence of some tendency toward mutual exclusiveness displayed in many localities by livestock, on the one hand, and cotton-tobacco, on the other, becomes more apparent, at least within the present structure of the District's agriculture.

While there are many difficulties in estimating the non-cash contribution of animal industries to farm income, the proportion *value of livestock and livestock products consumed on the farm* as a percentage of *the total value of all farm products consumed on the farms* is probably the best method available. Such a presentation ignores the fact that most of the contribution of workstock is non-cash, and also involves certain technical difficulties which will not be discussed here. Table 6 shows this proportion for the Fifth District.

TABLE 6: THE IMPORTANCE OF LIVESTOCK AS A SOURCE OF NON-CASH FARM INCOME, UNITED STATES AND FIFTH DISTRICT, 1936 AND 1943

AREA	Value of Home Consumption of Livestock & Products[1] (Millions of Dollars)		Per Cent of Value of Total Home Consumption[2]	
	1936	1943[3]	1936	1943
United States	969	1,360	70.5	67.1
Fifth District[3]	136	194	64.9	63.7
Maryland	8.4	12	67.8	69.6
Virginia	35	50	64.0	62.4
West Virginia	19	25	65.5	63.9
North Carolina	50	73	64.3	63.7
South Carolina	24	34	66.4	63.4

Source: United States Department of Agriculture.
[1] Due to rounding, states may not add to District total.
[2] Of all products raised and consumed on the same farm.
[3] Preliminary.

The most striking relationship brought out by this table is the relative uniformity of the importance of livestock to total farm consumption over the several states. In spite of wide differences in patterns of agriculture, wide variations in physical numbers of animals, and wide differences in the importance of animals as a source of cash income within the District and for the District relative to the rest of the United States, there seems to be a very uniform pattern of home consumption on farms. With the one exception of West Virginia, livestock contributes a much larger proportion of non-cash than of cash farm income; but the West Virginia pattern of home consumption appears similar to those of the other states in the District.

Conclusions

In conclusion, it can be said that livestock and livestock products are of varying importance to the several states of the District, but are most important at present in the northern part. There are also distinct patterns of distribution of the different types of animals over the District. Since the early 30's, this District has shown a rather rapid increase in livestock enterprises; and the income, both cash and non-cash, from this source has become quite important to the agriculture of the District. There is no doubt that animal husbandry is an integral part of the agricultural economy of these states, though it is less important in the cotton-tobacco areas than in the others. While there is considerable room for increases in animal numbers throughout most of the District, it is hardly probable that they will materialize within the near future unless changes take place in the general social and economic structure of the region. These changes, which would need to be quite widespread and which would affect deep-rooted phases of our life, are beyond the scope of this paper.

(Continued from page 1)

Department store sales have advanced at a relatively steady rate during the past four years, in close association with changes in consumer income, and changes in sales during the war period have been about those which would have been expected on the basis of past relationship of sales and income. Prospects for department store sales in the post-war period are clouded by uncertainties and vary from store to store according to lines carried, but in general it seems fair to expect sales to hold up better in stores which in peace time sell a considerable volume of consumers' durable goods than in stores more dependent on sales of wearing apparel and other non-durable lines.

The cotton textile industry of the District is still struggling with the manpower problem and production is still in a downward trend. The lateness of the cotton crop and difficulties experienced in its harvest will also be reflected in a fewer number of farm hands available for work in the mills. However, cotton textile output in 1944 will be near the 1941 level, and not much further deterioration seems likely to result.

Commercial loans of the weekly reporting member banks rose $3 million in the four weeks to November 15, and from their seasonal low in the summer they have risen $27 million. This is the largest rise from summer to fall that has occurred in this District, with one excep-

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tion, since the war started. Loans for purchasing or carrying securities made to others than brokers and dealers declined further in the four weeks ended November 15. These loans are now nearly back to the level where they started prior to the Fifth War Loan.

Total investments of the weekly reporting member banks amounted to $1,452 million on November 15, which is $67 million lower than the peak established at the end of the Fifth War Loan and an amount nearly equal to the increase in member bank reserves. Of this decline $35 million was accounted for in reduced bill holdings, which are used for reserve purposes and to obtain currency. Note holdings fell $26 million in this period and certificates fell $14 million, while bond holdings rose $10 million.

Both demand and time deposits were at all-time high levels on November 15. Demand deposits were 19 per cent higher than a year ago and time deposits were 24 per cent higher.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Output and employment at factories and mines showed little change from September to October. Value of department store trade increased further in October and the early part of November, while commodity prices were stable.

Industrial Production

The Board's seasonally adjusted index of industrial production was 230 per cent of the 1935-39 average in October as compared with 231 in September. Output of durable manufactures continued to decline slightly, while production of nondurable goods and minerals was maintained at the level of the preceding month.

At steel mills production increased slightly in October but for the month was 7 per cent below the peak of a year ago. Production of copper and other nonferrous metals continued to decline, with output of aluminum and magnesium curtailed more than 50 per cent from the peak rates reached at the end of last year. In the machinery and transportation equipment industries activity declined slightly in October. Lumber production showed little change in October from the September rate which was 10 per cent above the pre-war level. Output of lumber and also pulpwood has been limited during the past two years because of the difficulty of recruiting labor in these industries.

Activity at cotton textile mills and at shoe factories declined in October, while output of manufactured food products increased, after allowance for the customary seasonal changes. The rise in food manufacturing was mainly at canneries and was made possible by increased farm production of fruits and vegetables. Newsprint consumption showed a greater than seasonal increase in October. Output of chemicals, rubber products, and other nondurable goods continued at about the level of the preceding month.

Output of coal and crude petroleum was maintained, while production of iron ore continued to decline seasonally.

Distribution

Department store sales increased considerably in October and were 13 per cent larger than last year, which is about the same year-to-year increase that has prevailed in recent months. In the first half of November sales rose further and exceeded by 8 per cent the exceptionally high level of a year ago.

Railroad freight traffic was maintained at a high level during October and the early part of November.

Bank Credit

On the eve of the opening of the Sixth War Loan Drive bank deposits and currency owned by individuals, partnerships, and corporations were larger than at any previous time. Such holdings of deposits and currency have increased in recent months as the Treasury expended funds raised during the Fifth War Loan Drive.

Adjusted demand deposits of individuals, partnerships, and corporations at reporting banks in 101 cities increased by around 6 billion dollars between July 12 and November 15; this brought the total outstanding to a level about a billion dollars above that reached before the Fifth War Loan Drive. Time deposits increased by about a billion dollars. At country banks outside the leading cities it is estimated that demand and time deposits are slightly more than three billion dollars larger than they were prior to the Fifth Drive. Currency in circulation has increased by about 2.5 billion since the middle of June.

As a result of the deposit expansion, the average level of reserves required by all member banks rose sharply during the inter-drive period and are about a billion dollars greater than at the beginning of the Fifth Drive. Reserve funds to meet the increasing requirements, as well as a currency outflow, were supplied largely through substantial additions to the Government security portfolio of the Reserve Banks; holdings were increased by over 3 billion dollars between July 12 and November 15. Member bank borrowings at the Reserve Banks also increased as they had done prior to the Fifth Drive. Excess reserves, which increased during the war loan drive, declined at a fairly rapid rate immediately following the close of the drive and then fluctuated generally around a billion dollars. About three-fourths of these excess reserves are held by country banks.

At reporting banks in 101 cities, bill and certificate holdings declined by around 2¾ billion dollars during the inter-drive period reflecting sales, largely to the Reserve Banks, as member banks adjusted their reserve positions. Bond holdings were increased by around 800 million dollars.

Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in August to a level comparable to that prevailing prior to the Fifth Drive, fluctuated somewhat over the following period but began to increase early in November. Other loans for purchasing or carrying Government securities continued to decline. Loans for handling other securities, reflecting substantial flotations of new corporate issues, increased during the late fall. Commercial loans also rose.

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FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	Nov. 15 1944	Change in Amt. from 10-18-44	Change in Amt. from 11-17-43
Total Gold Reserves	$ 940,023	— 6,730	—165,222
Other Reserves	12,537	— 92	— 6,462
Total Reserves	952,560	— 6,822	—171,684
Bills Discounted	4,000	+ 3,150	+ 550
Industrial Advances	138	— 16	— 100
Gov't. Securities, Total	1,153,689	+91,072	+622,284
Bonds	57,705	+ 3,630	— 76,884
Notes	51,576	+ 4,809	— 7,586
Certificates	181,250	+21,472	+ 29,029
Bills	863,158	+61,161	+677,725
Total Bills & Securities	1,157,827	+94,206	+622,734
Uncollected Items	156,699	— 3,028	+ 27,613
Other Assets	12,539	+ 322	— 5,719
Total Assets	$2,279,625	+84,678	+472,944
Fed. Res. Notes in Cir.	$1,443,062	+50,043	+367,343
Deposits, Total	680,969	+26,009	+ 82,187
Members' Reserves	625,879	+42,538	+106,029
U. S. Treas. Gen. Acct.	4,746	—15,861	— 14,175
Foreign	47,983	+ 233	— 7,093
Other Deposits	2,361	— 901	— 2,574
Deferred Availability Items	133,397	+ 8,406	+ 20,320
Other Liabilities	603	+ 18	+ 335
Capital Accounts	21,594	+ 202	+ 2,759
Total Liabilities	2,279,625	+84,678	+472,944

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	Nov. 15 1944	Change in Amt. from 10-18-44	Change in Amt. from 11-17-43
Total Loans	$ 294,119	— 6,955	+ 7,828
Bus. & Agric. Loans	138,468	+ 3,543	+ 5,458
Real Estate Loans	49,135	+ 230	— 629
All Other Loans	106,516	—10,728	+ 2,999
Total Security Holdings	1,451,395	—22,915	+ 72,217
U. S. Treas. Bills	84,507	— 88	— 62,696
U. S. Treas. Certificates	317,124	—12,273	+ 36,545
U. S. Treas. Notes	237,396	—10,430	+ 67,088
U. S. Gov. Bonds	742,621	— 339	+ 59,923
Obligations Gov. Guaranteed	15,929	0	— 29,293
Other Bonds, Stocks & Sec.	53,818	+ 215	— 1,350
Cash Items in Process of Col.	117,377	+15,356	+ 17,376
Due from Banks	154,369*	— 1,145	— 3,943
Currency & Coin	37,095	— 732	— 427
Reserve with F. R. Bank	326,357	+24,760	+ 48,755
Other Assets	66,579	+ 866	+ 537
Total Assets	$2,447,291	+ 9,235	+142,343
Total Demand Deposits	$1,945,200	— 4,120	+ 66,477
Deposits of Individuals	1,218,433	+54,030	+172,727
Deposits of U. S. Gov.	172,282	—80,626	—161,174
Deposits of State & Local Gov.	82,446	+ 4,122	+ 7,762
Deposits of Banks	451,051	+21,100	+ 45,216
Certified & Officers' Checks	20,988	— 2,746	+ 1,946
Total Time Deposits	294,530	+ 5,777	+ 51,103
Deposits of Individuals	280,723	+ 5,692	+ 53,609
Other Time Deposits	13,807	+ 85	— 2,506
Liabilities for Borrowed Money	1,500	+ 1,500	— 1,500
All Other Liabilities	88,139	+ 5,887	+ 19,472
Capital Accounts	117,922	+ 191	+ 6,791
Total Liabilities	$2,447,291	+ 9,235	+142,343

* Net figues, reciprocal balances being eliminated.

DEPOSITS IN MUTUAL SAVINGS BANKS

9 Baltimore Banks

	Oct. 31, 1944	Sept. 30, 1944	Oct. 31, 1943
Total Deposits	$291,932,451	$285,299,323	$254,780,900

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
October 1944	214,597	163,951	18,602	397,150
September 1944	208,975	166,467	18,291	393,733
October 1943	218,846	168,506	20,011	407,363
10 Months 1944	2,179,183	1,672,479	188,775	4,040,437
10 Months 1943	2,333,910	1,781,404	207,983	4,323,297

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	October 1944	% chg. from Oct. 1943	10 Mos. 1944	% chg. from 10 Mos. 1943
Dist. of Columbia				
Washington	$ 472,846	+ 0	$ 4,826,908	+ 5
Maryland				
Baltimore	728,085	— 0	7,577,177	+ 8
Cumberland	13,827	+11	131,815	+ 3
Frederick	14,068	+23	122,567	+16
Hagerstown	16,810	+ 1	170,356	+11
North Carolina				
Asheville	24,049	+ 7	238,644	+15
Charlotte	132,805	+18	1,270,961	+12
Durham	101,787	+ 6	721,868	+14
Greensboro	32,506	+ 3	340,634	+ 7
Kinston	23,438	+11	103,267	+ 7
Raleigh	55,571	+ 7	541,638	+ 4
Wilmington	41,837	+ 7	378,297	+ 2
Wilson	33,651	+12	133,487	+ 4
Winston-Salem	78,601	— 3	651,592	— 4
South Carolina				
Charleston	37,974	—14	389,079	— 1
Columbia	50,465	+ 0	494,414	+ 0
Greenville	43,723	+ 8	376,690	+ 0
Spartanburg	25,144	— 4	218,215	+ 6
Virginia				
Charlottesville	17,187	+24	152,878	+28
Danville	33,339	+ 6	167,278	+ 8
Lynchburg	20,897	+ 3	210,048	+ 8
Newport News	22,249	— 9	258,150	+ 1
Norfolk	118,714	+ 3	1,200,051	+ 0
Portsmouth	15,359	—39	157,426	— 3
Richmond	381,263	+ 7	3,287,128	+10
Roanoke	43,195	+12	412,896	+12
West Virginia				
Bluefield	22,751	— 5	234,389	+16
Charleston	78,582	+ 5	817,372	+ 9
Clarksburg	16,064	+16	152,935	+17
Huntington	34,288	+27	309,151	+16
Parkersburg	17,449	+29	162,491	+14
District Totals	$2,748,524	+ 3	$26,209,802	+ 7

COMMERCIAL FAILURES

PERIODS	Number of Failures District	Number of Failures U. S.	Total Liabilities District	Total Liabilities U. S.
October 1944	0	74	0	$ 3,819,000
September 1944	0	75	0	4,065,000
October 1943	0	169	0	3,785,000
10 Months 1944	12	1,054	$752,000	$26,848,000
10 Months 1943	43	2,921	990,000	40,882,000

Source: Dun & Bradstreet

COTTON CONSUMPTION AND ON HAND—BALES

	Oct. 1944	Oct. 1943	Aug. 1 to Oct. 31 1944	Aug. 1 to Oct. 31 1943
Fifth District States:				
Cotton consumed	397,150	407,363	1,212,367	1,249,649
Cotton Growing States:				
Cotton consumed	701,609	740,656	2,147,145	2,237,769
Cotton on hand Oct. 31 in				
Consum'g establishments	1,749,688	1,937,652		
Storage & compresses	11,842,936	12,069,661		
United States:				
Cotton consumed	795,379	846,993	2,429,955	2,562,335
Cotton on hand Oct. 31 in				
Consum'g establishments	1,976,720	2,206,448		
Storage & compresses	11,991,770	12,273,785		
Spindles Active, U. S.	22,228,138	22,599,574		

RAYON YARN DATA

	Oct. 1944	Sept. 1944	Oct. 1943
Rayon Yarn Shipments, Lbs.	46,900,000	44,800,000	43,900,000
Staple Fiber Shipments, Lbs.	14,400,000	13,000,000	13,900,000
Rayon Yarn Stocks, Lbs.	6,700,000	7,700,000	7,600,000
Staple Fiber Stocks, Lbs.	2,700,000	3,000,000	2,500,000

Source: Rayon Organon.

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BUILDING PERMIT FIGURES
Fifth Federal Reserve District

	Total Valuation Oct. 1944	Oct. 1943
Maryland		
Baltimore	$ 473,185	$ 2,010,936
Cumberland	5,257	260,756
Frederick	15,975	1,635
Hagerstown	4,930	14,365
Salisbury	22,370	5,450
Virginia		
Danville	$ 11,090	$ 5,733
Lynchburg	16,002	5,008
Norfolk	159,625	430,970
Petersburg	3,325	0
Portsmouth	97,565	136,084
Richmond	83,344	84,426
Roanoke	78,322	12,900
West Virginia		
Charleston	$ 37,774	$ 31,862
Clarksburg	4,990	1,730
Huntington	65,775	11,872
North Carolina		
Asheville	$ 14,685	$ 25,912
Charlotte	27,659	22,762
Durham	10,585	9,070
Greensboro	36,005	18,372
High Point	26,373	20,351
Raleigh	182,025	6,593
Rocky Mount	200	1,500
Salisbury	450	7,090
Winston-Salem	124,985	16,167
South Carolina		
Charleston	$ 30,069	$ 57,515
Columbia	12,587	3,290
Greenville	7,200	650
Spartanburg	68,460	14,480
District of Columbia		
Washington	$ 1,461,415	$ 904,160
District Totals	$ 3,082,227	$ 4,121,639
10 Months	$25,596,152	$39,578,569

CONSTRUCTION CONTRACTS AWARDED

STATES	September 1944	% chg. from Sept. 1943	9 Mos. 1944	% chg. from 9 Mos. 1943
Maryland	$ 6,768,000	— 25	$ 72,215,000	— 3
Dist. of Columbia	1,990,000	— 4	20,293,000	—17
Virginia	9,078,000	+ 1	90,302,000	—33
West Virginia	6,489,000	+901	20,346,000	+36
North Carolina	3,839,000	— 59	36,254,000	—52
South Carolina	1,242,000	— 51	18,521,000	—53
Fifth District	$29,406,000	— 10	$257,931,000	—29

Source: F. W. Dodge Corp.

TOBACCO MANUFACTURING

	Oct. 1944	% change from Oct. 1943	10 Mos. 1944	% change from 10 Mos.'43
Smoking and chewing tobacco (Thousands of lbs.)	25,123	+ 1	200,446	— 7
Cigarettes (Thousands)	19,770,793	—16	200,879,658	— 5
Cigars (Thousands)	411,894	— 5	3,554,139	—11
Snuff (Thousands of lbs)	3,670	+ 7	34,627	— 4

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Oct. 1944	Oct. 1943	% Change	10 Mos. 1944	10 Mos. 1943	% Change
West Virginia	13,534	13,356	+1	138,746	132,970	+4
Virginia	1,623	1,540	+5	16,328	16,402	0
Maryland	147	147	0	1,652	1,572	+5
5th District	15,304	15,043	+2	156,726	150,944	+4
United States	51,500	49,303	+4	522,610	494,126	+6
% in District	29.7	30.5	...	30.0	30.5	...

RETAIL FURNITURE SALES

STATES	Percentage Changes in Oct. and 10 Mos. 1944 Compared with Oct. 1943	Compared with 10 Months 1943
Maryland (5)*	+ 4	— 1
Dist. of Columbia (6)*	0	— 4
Virginia (25)*	+18	+ 4
West Virginia (10)*	+20	+ 8
North Carolina (20)*	+35	+11
South Carolina (14)*	+13	— 2
Fifth District (80)*	+13	+ 2
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	+ 4	— 1
Washington, D. C. (6)*	0	— 4
Lynchburg, Va. (3)*	+27	+ 9
Richmond, Va. (7)*	+ 9	+ 5
Charleston, W. Va. (3)*	— 2	— 6
Charlotte, N. C. (5)*	+30	+ 7
Columbia, S. C. (4)*	— 2	— 1

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Oct. 1944 sales, compared with sales in Oct. 1943:				
+17	+10	+12	+15	+13
Change in 10 mos.' sales in 1944, compared with 10 mos.' sales in 1943:				
+15	+ 6	+ 4	+16	+ 8
Change in stocks on October 31, 1944, from stocks on October 31, 1943:				
+ 1	+ 4	+ 1	+19	+ 4
Change in outstand'g orders Oct. 31, 1944, from orders on Oct. 31, 1943:				
+ 4	+ 3	+ 2	+ 9	+ 3
Change in total receivables on October 31, 1944, from October 31, 1943:				
+11	+11	+ 7	+ 8	+ 9
Percentage of current receivables as of Oct. 1, 1944, collected in Oct.:				
61	59	56	62	59
Percentage of instalment receivables as of Oct. 1, 1944, collected in Oct.:				
39	39	29	37	33

Maryland	Dist. of Col.	Virginia	W. Va.	No. Caro	So. Caro.
Percentage change in Oct. 1944 sales from Oct. 1943 sales, by States:					
+10	+12	+19	+14	+19	+11
Percentage change in 10 mos.' sales in '44, compared with 10 mos. in '43:					
+ 6	+ 4	+15	+14	+14	+11

WHOLESALE TRADE, 246 FIRMS

LINES	Net Sales Oct. 1944 compared with Oct. 1943	Net Sales Oct. 1944 compared with Sept. 1944	Stock Oct. 31, 1944 compared with Oct. 31 1943	Stock Oct. 31, 1944 compared with Sept. 30 1944	Ratio Oct. collections to accounts outstand'g Oct. 1
Auto supplies (12)*	+19	— 2	+23	+12	89
Drugs & sundries (11)*	+ 4	+ 3	+24	+ 8	136
Dry goods (7)*	0	+ 4	+ 8	— 7	86
Electrical goods (11)*	+10	+ 1	— 1	— 2	84
Groceries (78)*	+ 1	+ 5	+ 4	+ 3	169
Hardware (16)*	+10	+10	+13	0	105
Industrial supplies (9)*	+23	+ 7	+ 9	0	108
Paper & products (7)*	+ 7	+11	— 9	+ 7	110
Tobacco & products (9)*	— 3	— 3	—14	— 4	147
Miscellaneous (86)*	+ 7	— 1	— 7	—11	108
District Average (246)*	+ 5	+ 2	+ 5	— 1	112

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

AUCTION TOBACCO MARKETING

	Producers' Tobacco Sales, Lbs. October 1944	October 1943	Price per Hund. 1944	1943
South Carolina	4,428,280	1,996,740	$40.91	$38.84
North Carolina	215,078,571	141,777,002	41.64	42.17
Virginia	44,781,947	38,473,956	41.36	40.65
Fifth District	264,288,798	182,247,698	$41.58	$41.81
Season through	653,810,369	552,143,992	42.73	40.09

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BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

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

	Sept. 1944	Aug. 1944	July 1944	Sept. 1943	% Change Sept. 1944 from Aug.'44	% Change Sept. 1944 from Sept.'43
Bank Debits	222	212	210	239	+ 5	— 7
Bituminous Coal Production*	143	151	144	150	— 5	— 5
Building Contracts Awarded	121	112	102	134	+ 8	—10
Building Permits Issued	40	43	39	36	— 7	+11
Cigarette Production	153	166	159	174	- 8	—12
Cotton Consumption*	141	145	127	154	- 3	— 8
Department Store Sales	214	213	214	193	0	+11
Department Store Stocks	181	198	190	177	— 9	+ 2
Electric Power Production	217	220	214	220	— 1	— 1
Employment—Mfg. Industries*	139	141	139	151	- 1	— 8
Furniture Orders	115	126r	87	95	— 9	+21
Furniture Shipments	110	130r	123	116	—15	— 5
Furniture Unfilled Orders	334	347r	345	307	— 4	+ 9
Retail Furniture Sales	151	116r	132	135	+30	+12
Life Insurance Sales	138	145	137	138	— 5	0
Wholesale Trade—Five Lines	156	168	170	159	— 7	— 2
Wholesale Trade—Drugs	225	228	225	205	— 1	+10
Wholesale Trade—Dry Goods	96	118	165	124	—19	—23
Wholesale Trade—Groceries	168	180	177	167	— 7	+ 1
Wholesale Trade—Hardware	81	93	100	105	—13	—23

* Not seasonally adjusted.

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