

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

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THE transition from two wars to one finds production volumes in the Fifth Federal Reserve District mostly in a slowly declining trend. This trend is likely to continue during much of the current year primarily as a result of the merchant shipbuilding program drawing to a close, together with its repercussions on the many firms subcontracting ship parts. We do not have any good estimates on the amount of employment involved in subcontracting of ship parts in this District, but it is believed to be considerable.

There are, however, ample opportunities for all displaced shipbuilding workers to find employment elsewhere in the District; in the cotton textile and rayon manufacture; in mining of bituminous coal, or on the farms. Shipyard workers, other than machinists, however, have few skills in common with textile workers or miners and it should not be expected that many of these displaced shipyard workers would seek employment in the lower wage textile industry or gravitate to the mines unless they had formerly been so employed. Released workers in plants subcontracting ship parts, on the other hand, may seek textile employment if they are located close to a cotton mill.

Cotton mills are still short of labor needed to produce goods at plant capacity, and the types of goods made on many looms do not give maximum production with those labor supplies currently available. Army and Navy procurement of cotton textiles is not expected to decline more than 10 per cent during the remainder of the war and other demands on the industry are becoming larger. Thus, the cotton textile industry could use all displaced workers in the District during the current year if they could be

channeled into this industry.

Cotton textile output in the District still shows evidence of stabilizing around the average established over the past 9 months. If military procurement declines 10 per cent sometime this summer or fall, and the looms are permitted to make goods more in keeping with their design, it is probable that some small improvement in output will be effected. Average daily cotton consumption in April 1945 was 3 per cent smaller than in March and 2 per cent below a year ago, but about on the average of the past nine months. The wage increase granted to 12 southern textile mills by the War Labor Board is spreading rapidly throughout the industry. Numerous mills have petitioned the Board to be permitted to make similar wage increase as were ordered for the 12 firms.



Bituminous coal output in April, despite the loss of working time early in the month, showed no change from the level established in the first three months of the year. Production in April, however, was 5 per cent lower than in April 1944. Regardless of the trend of war, the bituminous coal supply is estimated to be short of requirements this year, and demands for export could put a further requirement on the industry. The output of bituminous coal in this District will do well in 1945 if it can hold at a level of 5 per cent smaller than in 1944, since it is not likely that the mining labor force will be increased this year.

Employment levels in February (the latest available) were moderately higher than in January in Maryland, Virginia, and West Virginia, but lower in North Caro-

Continued on page 12

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100 Seasonally Adjusted

	April 1945	March 1945	Feb. 1945	April 1944	% Change	
					April 1945 from March '45	April '44
Bank Debits	210	216	221	193	- 3	+ 9
Bituminous Coal Production*	139	139	139	147	0	- 5
Building Contracts Awarded	169	82	76	143	+106	+ 18
Building Permits Issued	74	45	25	23	+ 64	+222
Cigarette Production	146	152	149	168	- 4	- 13
Cotton Consumption*	140	144	149	143	- 3	- 2
Department Store Sales †	210	250	238	200	- 16	+ 5
Department Store Stocks	178	169	172	170	+ 5	+ 5
Life Insurance	154	152	146	118	+ 1	+ 31
Wholesale Trade—Four Lines	176	182	189	178	- 3	- 1
Retail Furniture Sales	121	175	145	128	- 31	- 5

* Not seasonally adjusted.

† Revised Index.

Housing in the Fifth District

If overall economic activity is to be maintained at a high level after the war, residential construction will have to play an important role. Many communities look forward to a high and sustained level of house building for some time to come. There are a number of factors which point to such a development. First of all, residential construction has been kept down to a minimum during the war period and only permitted where war production necessitated increased facilities. In addition, there will be a large accumulation of savings, most of them in very liquid form, a substantial part of which may be used to set in motion a wave of house building. Also, the decade of the Thirties witnessed a drastic decline in residential construction, so that immediately before the war we may have been at the beginning of an upward phase of a building cycle. The war, therefore, has added to a demand which might have been quite strong in any case. Finally, the postwar period may witness important developments in home building, from the point of view of comfort and general modernization; and this will induce a further increase in demand.

After the last war the conditions making for high building activity were very similar to those that will exist immediately after the present war. In the early part of the 1920's, building increased rapidly, reaching an all-time peak in 1925, when close to one million units were built. After that there was an equally rapid decline which went relatively unnoticed because of the increasing level of non-residential construction. With the depression, however, total construction dropped sharply, and in 1933 less than 100,000 residential units were built.

As with most other economic factors, housing tends to be concentrated in periods when the level of general business activity and income is high. High income makes for the ability to pay, and induces people to commit themselves for the future. The effect, of course, is to increase activity in general so that cause and effect intermingle in creating prosperity. On the other hand, a period of low income creates uncertainty, fear of any future commitment, unwillingness to undertake a program of expenditure which will be fixed and will have to be maintained for some time to come, regardless of the level of income. The economic depression is therefore accentuated. It is for this reason that building activity has in the past been subject to cyclical swings, high when general business activity was high, and low in depression periods. The building cycle has tended to have a longer duration than the general business cycle (the average length of the full cycle has been about 18 or 20 years), but its peaks and depressions have coincided with general business peaks and depressions, re-enforcing the latter and making it more difficult to reverse the general trend.

From the point of view of maintaining a high level of income and employment after the war, it will be desirable to have a high and sustained level of building activity. It should not reach speculative proportions, for in that case it is likely to spend itself too rapidly, and the high level will not be sustained. After the war, perhaps more than at any other time in the past, the chance for a sustained high level of building will be present. This will arise from the large accumulation of liquid savings with which

individuals will enter the postwar period. But there is no certainty that these savings will be spent either for housing or for other durable goods, once the first postwar flush has passed. There is the danger that a speculative boom will lead to an overall collapse, and that the subsequent economic depression will usher in the same uncertainty, the same fear of the future, and the same unwillingness to undertake any long-term commitments.

For the maintenance of a *sustained* high level of residential construction, moreover, there are two other factors that are of crucial importance. One is the distribution of income. The other is the level of building costs.

In spite of the high overall level of income in the United States, its distribution is such that a very large proportion of all families receive annual incomes that are insufficient to procure housing facilities meeting minimum standards of health and decency. In 1941, which was a year of relative prosperity induced by the war in Europe and our own defense program, 35 per cent of all families in the country had annual money incomes of less than \$1,000, and 65 per cent of all families had annual money incomes of less than \$2,000.¹ If families spend as much as 20 per cent of their income on housing, fuel, light, and refrigeration, it will be evident that the lowest third of the nation's families were unable to obtain housing facilities that were healthful and decent, and that only some of the middle third income group were able to do so. The income of the lower-income group will have to be higher if they are to obtain adequate housing facilities unassisted.

Without a substantial increase in the income of the lower-income groups, it will be possible to provide adequate housing for all only through a sharp reduction in building costs. In spite of the phenomenal increases in productivity that have occurred in most lines of production since the advent of industrialism, housing has remained an expensive undertaking. Relatively little progress has been made in this field. Costs have remained high, and housing has lagged behind most other components of the standard of living. Further reductions in costs of other consumption goods and services will make possible the use of a larger proportion of income for housing. But if adequate progress is to be achieved, cost-reducing innovations in housing will be necessary.

A sustained high level of house building after the war will be possible, therefore, only if the income level of the lower-income groups will be higher than it has been in the past, and if substantial reductions in housing costs are achieved. Barring public assistance, these are the only means of bringing housing up to the level of the rest of our consumption standards. And it does not matter whether the problem is looked at from the point of view of the maintenance of a high level of income and employment, or from the point of view of the well-being of the nation. An attack from either angle will have the same beneficial results.

In spite of our tremendous productive capacity, we have not yet reached the stage where income and employment should be the only criteria. Much remains to be accom-

¹ Bureau of Labor Statistics: *Spending and Saving of the Nation's Families in Wartime*, Bulletin No. 723, Table 1, page 2. Includes families of 2 or more persons and single consumers.

plished from the point of view of living standards. Housing will not only put people to work and increase income, but it will increase total output in a line which particularly needs increasing.

The rest of this article will be divided into two sections. The first section will present a picture of the nonfarm housing situation in the Fifth Federal Reserve District in 1940. All of the figures have been taken from the Census of Housing for 1940. Although some changes have occurred in the housing situation in the District since that date, the changes have not been sufficient to alter the picture to any significant extent, other than reducing the supply of housing relative to population, and other than rendering the housing stock more obsolete. The second section will attempt to estimate the nonfarm housing needs of the District in the first ten postwar years. As will be pointed out later, the estimate will be purely one of needs, not of probable developments. The actual amount of housing will depend on many factors, such as the overall level and distribution of income, the amount of economic activity in the District compared with the rest of the country, the level of building costs, the extent of migration both within the District and between the District and the rest of the country, and so on. Most of these factors cannot be measured now, with any degree of accuracy. The estimates will attempt to indicate the *need* for housing in the District, on the assumption of certain population developments, and on the assumption of full employment. Whether or not the actual supply of housing will closely approach the need for housing will depend on whether or not the other factors are favorable.

NONFARM HOUSING IN 1940

At the time of the Housing Census, April 1940, the Fifth District had 9.03 per cent of the nation's nonfarm population, but only 7.21 per cent of the nation's dwelling units.² This difference can be accounted for by several factors. First of all, the vacancy rate in the country as a whole was significantly higher than the vacancy rate in the Fifth District. In addition, the degree of urbanization was higher in the country as a whole than it was in the Fifth District, and the number of persons per rural-nonfarm dwelling unit tended to be higher than the number of persons per urban dwelling unit. Also, in the Fifth District the percentage of all dwelling units occupied by white persons was 79.2, whereas in the United States the percentage was 91.8, and overcrowding and large families were in general more prevalent among the nonwhite population. Finally, there was another factor which was of the utmost importance: the level and distribution of income. Relative to population, the level of income in the Fifth District was lower than in the country as a whole, and its distribution was such that a larger proportion of the population was in the lowest income brackets. The basic causes of all of these factors, of course, are to be found in that whole complex of forces that have made for lower income in the South than in the North and the West: relative lack of industrialization, the preponderance of a one-crop economy on farms, the racial composition of the people, and so on.

² The six counties in West Virginia that belong to the Fourth Federal Reserve District have not been segregated from the rest of the State, and have been included in the Fifth Federal Reserve District for the purposes of this article.

Tables 1 and 2 present a summary statement of some of these factors.

TABLE 1:
NONFARM DWELLING UNITS, VACANCY RATE, URBANIZATION,
RACIAL COMPOSITION, AND POPULATION PER
OCCUPIED UNIT, APRIL 1, 1940
Fifth District and United States

	Nonfarm Dwelling Units	% Vacant, for Sale or Rent	% of Occup. Units Urban White		Pop. per Occupied Unit Total White Nonwhite		
U. S. . . .	29,653,189	4.8	72.8	91.8	3.66	3.64	3.80
5th Dist. . .	2,139,530	3.5	58.5	79.2	4.02	3.97	4.21
Md.	440,977	4.6	67.4	85.5	3.84	3.76	4.35
D. C. . . .	185,128	5.4	100.0	77.0	3.82	3.55	4.73
Va.	436,947	3.4	57.7	85.5	4.05	4.02	4.15
W. Va. . . .	343,812	2.7	41.9	91.8	4.11	4.11	4.16
N. C. . . .	473,741	2.6	51.9	74.6	4.18	4.13	4.34
S. C. . . .	258,925	2.8	48.9	65.7	3.85	4.04	3.79

Source: Census of Housing, 1940, Vol. II.

TABLE 2:
PER CENT DISTRIBUTION OF FAMILIES BY WAGE OR
SALARY INCOME AND RECEIPT OF OTHER INCOME IN 1939
Fifth District and United States

	Annual Income Class in Dollars						
	1 to 499	500 to 999	1,000 to 1,499	1,500 to 1,999	2,000 to 2,999	3,000 to 4,999	5,000 and over
U. S.	15.3	20.7	20.2	16.6	16.6	8.1	2.5
5th Dist.	18.3	24.2	19.9	14.0	13.7	7.5	2.4
Maryland	11.7	19.4	21.0	16.5	18.1	9.9	3.4
Dist. of Col.	5.5	12.3	18.4	17.1	21.5	17.9	7.3
Virginia	19.4	24.6	18.4	13.3	14.1	7.7	2.5
West Virginia	17.1	22.8	25.4	15.0	12.9	5.6	1.2
North Carolina	22.1	30.4	18.8	13.0	9.8	4.6	1.3
South Carolina	30.1	30.3	16.8	9.7	8.8	3.5	0.8

Source: Census of Housing, 1940, "Population and Housing, Families."

So far, attention has been centered on the supply of housing relative to population. But a low level of income, with heavy weighting in the lowest income brackets, affects not only the stock of housing but also its condition. The accompany map and Figure 1 give some indication of the state of repair of nonfarm housing in the Fifth District, and of the degree to which the District houses lack some of the amenities of modern living.

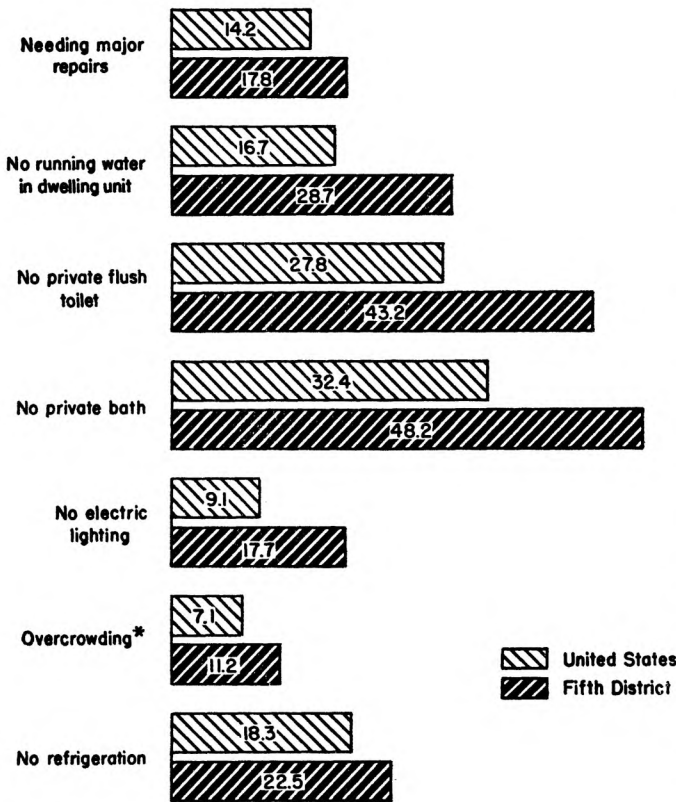
To a considerable extent, the counties where the need for major repairs was particularly large were those counties in which rural-nonfarm houses constituted a high percentage of the total. In the larger urban centers, building and sanitary codes and a higher level of income have the effect of improving housing conditions compared with rural-nonfarm areas. It is for this reason, too, that those counties with the highest percentage of repair work needed experienced, for the most part, the largest decreases in population in the war period (compare map on population change, April 1940 to November 1943, in *Monthly Review* for October 31, 1944). During the war period, population has tended to move from rural to urban areas, so that those counties whose housing was in greatest need of major repair have tended to lose population.

It will be evident, from Figure 1, that the Fifth District was worse off than the country as a whole in each one of the indicators of nonfarm housing conditions. The Fifth District average figure, moreover, conceals a wide variation among the constituent States. In general, Maryland and the District of Columbia were above the national average, but in most of the indicators, the other Fifth District States were well below the average. In South Carolina, there was overcrowding in 18.1 per cent of the

Figure 1

INDICATORS OF NONFARM HOUSING CONDITIONS

PER CENT OF REPORTING UNITS



* 1.51 persons or more per room

Source: Federal Reserve Bank of Richmond

dwelling units, while 17.6 needed major repairs, 42.3 per cent had no running water, 56.9 per cent had no private flush toilet, 64.7 per cent had no private bath, 33.3 per cent had no refrigerator of any kind, and 31.2 per cent had no electric lighting.

Here again, the rural-nonfarm areas increased the percentages considerably. But even if only the urban areas are taken into consideration, the percentages remain very high. To take only five of the indicators, 30.1 per cent of the dwelling units in South Carolina had no running water, 47.8 per cent had no private flush toilet, 55.1 per cent had no private bath, 25.1 per cent had no electric lighting, and 17.5 per cent were overcrowded. It will be evident that much remains to be done if our housing supply is to be increased, and if existing houses are to be brought up to minimum standards of health and decency.

Actually, something was done in the decade of the Thirties. In that decade, the Fifth District gained, compared with the rest of the country, from the point of view of population, industrialization, and income. As a result, residential construction in the District constituted an increasing proportion of residential construction in the coun-

try as a whole. Table 3 presents the distribution of dwelling units in the District and in the United States, by the year built. It should be pointed out that this table does not constitute an altogether accurate index of residential construction over the years. In the process of industrial expansion, of deterioration of centrally-located residential sections, and of the spreading-out of cities into the suburbs, many houses have been demolished. Others have been destroyed by fire, etc. Table 3 does not take account of these factors: it presents only the percentage distribution by year built of the housing in existence in 1940. But for the years since World War I, it constitutes a fairly accurate index.

TABLE 3:
PER CENT DISTRIBUTION OF DWELLING UNITS BY YEAR BUILT
Fifth District and United States

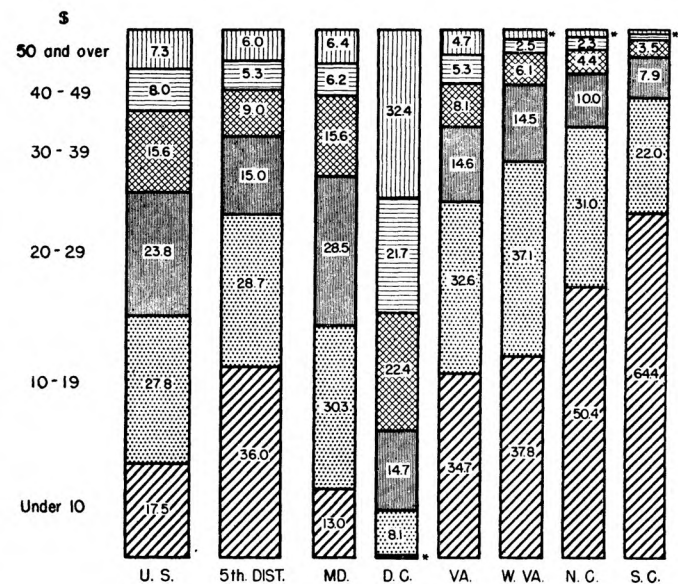
	1935-40	1930-34	1925-29	1920-24	Before 1920	Total
U. S.	9.0	6.5	14.6	11.9	58.0	100.0
5th District	13.0	7.2	12.1	12.5	55.2	100.0
Maryland	10.2	5.9	11.4	9.5	63.0	100.0
Dist. of Columbia...	14.9	6.5	16.7	9.9	52.0	100.0
Virginia	13.8	7.4	10.4	11.6	56.8	100.0
West Virginia	10.9	6.8	11.1	15.7	55.5	100.0
North Carolina ...	14.9	8.4	14.6	14.5	47.6	100.0
South Carolina ...	13.9	7.9	9.8	12.9	55.5	100.0

Source: Census of Housing, 1940, Vol. III.

In spite of the relative gains, however, the Fifth District was still hampered, compared with the country as a whole, by the very large proportion of families in the lowest income brackets. This was responsible, largely, for the high percentage of dwelling units that lacked the amenities of the modern house, as is brought out in Figure 1. In the same way, it was responsible for the very high proportion of tenant-occupied dwelling units in the lowest rent brackets. Figure 2 presents the per cent distribution of rented dwelling units, by rent classes. It will be seen that in the Fifth District, more than one-third of all rented

Figure 2

PER CENT DISTRIBUTION OF TENANT-OCCUPIED NONFARM DWELLING UNITS, BY MONTHLY RENT, 1940



* 2.0 PER CENT OR LESS
SOURCE: BUREAU OF THE CENSUS.

FEDERAL RESERVE BANK OF RICHMOND: MAY, 1945.

dwelling units were in the under-\$10 rent class, compared with less than one-fifth in the country as a whole. If the Fifth District States are taken separately, the variations stand out even more sharply. In South Carolina, almost two-thirds of all rented dwelling units were in this lowest rent class.

In general, the lower-rent dwelling units are the relatively old units that have deteriorated with age and have gradually slipped down the scale of housing values. New housing is not likely to fulfill the needs of the lowest-rent groups, even with a reduction in building costs. Nevertheless, it remains true that unless either building costs can be sharply reduced, or the lowest-bracket incomes can be fairly sharply increased, adequate housing cannot be made available for a large proportion of the population, except with some program of public assistance.

If owner-occupied homes are considered, there is very little difference between the Fifth District and the country

as a whole. Table 4 presents a summary statement of the proportion of home ownership in the District and the United States, together with the average dollar debt and the per cent that that debt constitutes of the value of the property.

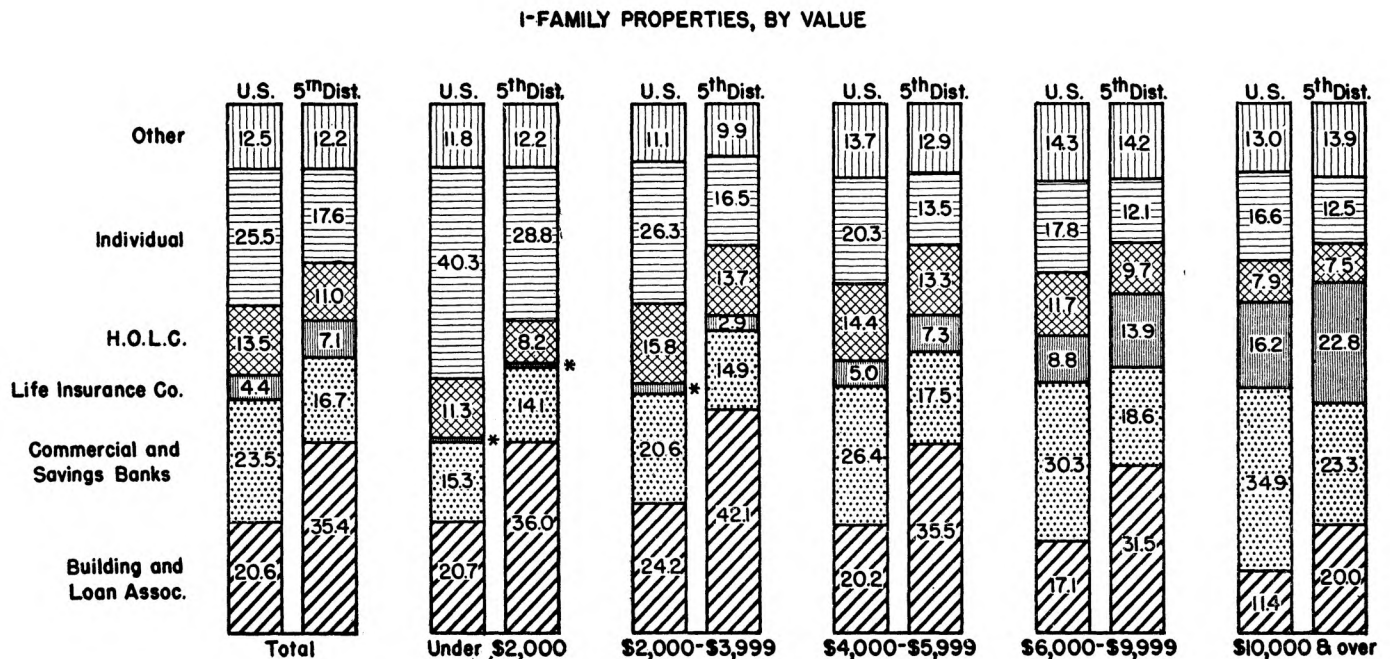
TABLE 4:
OWNER-OCCUPIED DWELLING UNITS, AVERAGE DEBT, AND DEBT AS PER CENT OF VALUE OF PROPERTY

	Fifth District and United States			Average Debt in Dollars	Debt. on 1- to 4-family Properties as % of Value of Property
	Owner-occupied Dwell'g Units as % of Total Occupied Units	White	Nonwhite		
U. S. ...	41.1	42.7	23.9	2458	52.3
5th Dist.	37.8	41.0	25.4	2464	51.3
Md. .	45.8	50.2	19.9	2446	52.5
D. C.	29.9	33.2	19.2	4555	51.4
Va. .	41.7	44.0	34.0	2469	52.2
W. Va.	35.6	37.0	18.9	1905	46.7
N. C.	37.0	40.3	27.5	1707	51.6
S. C.	27.6	30.8	21.6	1878	49.4

Source: Census of Housing, 1940, Vols. II and IV.

Figure 3

PER CENT DISTRIBUTION OF FIRST MORTGAGES HELD BY LENDING INSTITUTIONS, 1940



* 2.0 per cent or less

Source: Bureau of the Census

It will be evident that so far as owner-occupied 1- to 4-family properties are concerned, the Fifth District was, on the average, not significantly worse off than the country as a whole. The problem for the future is one of reducing building costs and of increasing incomes to the point where better housing will be within the reach of a much larger proportion of the population. Such a development would tend automatically, moreover, to increase the proportion of home ownership.

Finally, Figure 3 and Table 5 present a summary of the data on mortgage indebtedness and average interest rates, by lending institutions. It will be seen that Building and Loan Associations were relatively more important in the Fifth District than in the United States, Savings Banks relatively less important. The latter are particularly important in the Northeastern States, which are heavily populated and thus have the effect of raising the average for the country as a whole.

TABLE 5:
PER CENT DISTRIBUTION OF FIRST-MORTGAGE DEBT
AND AVERAGE INTEREST RATE, ON ONE-FAMILY PROPERTIES,
BY HOLDER OF FIRST MORTGAGE

Fifth District and United States

HOLDER OF FIRST MORTGAGE ON ONE-FAMILY PROPERTIES

	Total	B. & L. Asso.	Com. & Savs. Total	Bks. Com.	Savs. Savs.	Life Ins. Co.	HOLC	Indi- vidual	Other
PER CENT DISTRIBUTION OF FIRST MORTGAGE DEBT									
U. S. . .	100.0	17.6	27.2	13.6	13.6	7.8	13.1	20.0	14.3
5th Dist.	100.0	30.0	18.4	13.1	5.3	13.0	10.4	13.4	14.8
Maryland	100.0	35.0	18.7	10.8	7.9	10.1	9.9	15.4	10.9
D. C. . . .	100.0	38.6	17.4	15.5	1.9	12.3	3.9	12.2	15.6
Virginia	100.0	16.7	23.4	17.7	5.7	13.7	11.7	15.5	19.0
W. Va. . .	100.0	16.9	29.3	18.9	10.4	11.9	16.2	11.7	14.0
N. C. . . .	100.0	36.8	8.5	5.3	3.2	20.2	13.3	7.5	13.7
S. C. . . .	100.0	28.0	9.4	6.4	3.0	10.7	16.3	18.6	17.0
AVERAGE INTEREST RATE ON FIRST MORTGAGE									
U. S. . . .	5.55	5.92	5.61	5.66	5.56	5.41	4.50	5.82	5.53
5th Dist.	5.57	5.92	5.59	5.54	5.69	5.39	4.50	5.70	5.45
Maryland	5.59	5.94	5.54	5.49	5.60	5.26	4.50	5.62	5.40
D. C. . . .	5.47	5.72	5.24	5.22	5.36	5.21	4.50	5.44	5.28
Virginia	5.54	5.86	5.71	5.69	5.76	5.36	4.50	5.77	5.44
W. Va. . .	5.65	6.11	5.87	5.84	5.91	5.67	4.50	5.80	5.75
N. C. . . .	5.64	5.88	5.70	5.68	5.74	5.61	4.50	5.85	5.57
S. C. . . .	5.68	5.92	5.75	5.73	5.80	5.47	4.50	6.22	5.56

Source: Census of Housing, 1940, Vol. IV.

ESTIMATE OF POSTWAR HOUSING NEEDS

The following estimate of postwar housing needs in the Fifth District follows closely an estimate made by the National Housing Agency in November 1944.³ It is an estimate of housing needs rather than an estimate of probable developments after the war. There is a good deal of difference between these two concepts. Aside from actual needs, the level of house building that we shall have after the war will depend on a number of other factors: the level and distribution of income, the amount of overall employment, the level of construction costs, and the proportion of total consumer expenditure which people will devote to housing. The probable level of postwar residential construction, therefore, cannot be estimated with any degree of accuracy, since it will depend on all of these factors.

Even in the case of housing needs, however, only a very rough estimate can be made for the Fifth District. If it were possible, it would be desirable to estimate Fifth District needs on the basis of Fifth District data and prospects. This has not been possible, however. Consequently, the method used has been to estimate the needs of the District as a proportion of the total needs of the country. This procedure obviously yields only a rough estimate; but it is hoped that it can be of some value in gauging the magnitude of the postwar housing program if adequate housing is to be provided.

To estimate housing needs, certain assumptions have to be made. The first of these relates to the probable number of nonfarm families in the Fifth District. From 1920 to 1940 nonfarm Fifth District families as a percentage of U. S. nonfarm families increased from 6.973 to 7.374, or .401 for the 20-year period, which is an average annual increase of .020 per cent. The assumption used for the purposes of this estimate is that the average annual increase will be half as large in the years 1940-56. There are three factors making for a larger increase in population in the Fifth District than in the country as a whole: (1) the Fifth District has tended to have a larger natural birth rate, (2) there has been net migration into the Fifth District during the war, not all of which will be lost, and (3) there has been a trend towards increased industrialization in the District. On the other hand, there are two

factors making for a smaller increase in the Fifth District, relative to the United States, than in 1920-40: (1) durable goods industries will be particularly important for some time after the war, and most of these will be produced outside of the Fifth District; and (2) reconversion and heavy goods demand in the North will induce a labor mobility which was not present in the depression Thirties. Hence, the middle assumption has been chosen: that the average annual increase will be half what it was in 1920-40. This gives a nonfarm per cent of 7.524 for the Fifth District, as compared with the United States, for the beginning of 1956.

The National Housing Agency has estimated that the number of nonfarm houses in the United States needed at the end of 1955 to take care of the increase in the number of families, the migration from farms, the reestablishment of homes by servicemen, and for undoubling of families now sharing the same dwelling unit, will be 36,795,000. Applying the above percentage, this means that the Fifth District will require 2,769,000 nonfarm houses at the end of 1955. If the vacancy rate is to reach 5 per cent (and this is necessary to insure mobility), then we shall require 2,915,000 nonfarm houses.

How much housing have we now, in 1945? To the number of nonfarm dwelling units in the District in 1940, we must add the number built since then. In the United States, 2,740,000 houses were built (excluding temporary and destroyed by fire) between 1940 and 1945. According to the National Housing Agency, the number of dwelling units completed in the six states of the Fifth District between July 1, 1940 and March 31, 1945 was 14 per cent of the number completed in the United States as a whole. We therefore get a figure of 383,600 nonfarm units built in the District between 1940 and 1945. Adding this to the 2,139,500 nonfarm units in existence in 1940, we get 2,523,100 units. This means that the net increase in the number of units needed is 391,900 (2,915,000 minus 2,523,100).

Thus far, we have not touched on replacement needs. For purposes of estimating replacement, we shall take all those nonfarm homes needing major repairs in 1940, together with those units in metropolitan districts that did not have a private bath or flush toilet in 1940. It should be pointed out that many of the latter also needed major repairs and have not been counted twice. The number of such units needing replacement in 1940 was 576,700. If replacement is to be spread over twenty years after the war, then the number of these to be replaced in 10 years, by 1955, is 288,400, assuming that replacement will be spread out evenly over the years.

What about replacement of housing which will become obsolete in the first ten years after the war? For the country as a whole, the National Housing Agency has estimated that 8.83 per cent of the total 1940 housing supply will need replacement between 1940 and 1955. Applying this percentage to the Fifth District, we get 188,800.⁴

⁴ It should be pointed out that the replacement of units that become obsolete in 1940-1955 will be on a "where-needed" basis, not on the basis of replacing identical units. In communities where there is relative economic stagnation, substandard units will not be replaced to the same extent as in those communities where there is a sharp need for housing or where there has been an influx of population. Consequently, applying the U. S. proportion to the Fifth District is not strictly accurate. Since we have assumed that the Fifth District population as a proportion of total U. S. population will increase, it would seem that replacement of housing becoming substandard will be at a somewhat higher rate in the District than in the country as a whole. On the other hand, the supply of housing in the District was newer than it was in the country as a whole (see Table 3, above). This would perhaps call for a somewhat smaller replacement rate. Balancing the two factors off against each other, it was decided to assume that the replacement rate in the District would be the same as for the country as a whole.

³ National Housing Agency: *Housing Needs, A Preliminary Estimate*, Washington, D. C., November 1944.

The above estimates can be summarized as follows:

1940 supply of dwelling units.....	2,139,500
Total number of substandard units 1940.....	576,700
50 per cent to be replaced 1946-55.....	288,400
Units becoming substandard 1940-55.....	188,800
Total substandard units to be demolished 1946-55	477,200
1940 supply, net of substandard units.....	1,662,300
Estimated number units added 1940-45 (exclud- ing temporary and destroyed).....	383,600
1946 supply	2,045,900
Destruction by fire, storm, flood ^a	14,500
1946 supply available to meet demand.....	2,031,400
Total units needed 1955.....	2,915,000
Need for construction of nonfarm units 1946-55..	883,600

^a Estimated on the basis of 5th District as a proportion of total U. S.

The final step in the estimate is to distribute the housing that will be needed in the Fifth District by the end of 1955, by rent classes. To do this, it is necessary first to estimate the distribution of income in the Fifth District. The

National Housing Agency has made an estimate of the distribution of income for the country as a whole in 1955, assuming full employment, but at 1940 prices. However, the distribution of income in the Fifth District was, in 1940, more heavily weighted in the lower income classes than was the case for the country as a whole. The estimate made by the National Housing Agency for 1955 was therefore adjusted. Assuming that Fifth District families will spend on housing the same proportion of their income as they spent in 1940, we get Table 6, which gives the distribution of total dwelling units needed in the District, by rent and by income classes. Lastly, the total number of dwelling units by rent classes was converted from a 1940 price level to a 1944 price level. It should be pointed out that no assumption is made that prices after the war will either remain at the 1944 level or fall back to the 1940 level. Since most of the basic figures used are from the *Census of Housing for 1940*, 1940 prices have been used for the estimate. These were converted to a 1944 basis only to indicate the change that would be required at the latest price level available.

TABLE 6:
ESTIMATED DISTRIBUTION OF FAMILIES AND NONFARM DWELLING UNITS,
END OF 1955, BY RENT AND INCOME CLASSES, FIFTH DISTRICT

(Number of families and dwelling units in thousands)

Annual Income in Dollars	All Families		Monthly Rental, in Dollars													
			Under 10		10 - 19		20 - 29		30 - 39		40 - 49		50 - 74		75 & Over	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 500	330	100	237	71.8	67	20.2	16	4.8	5	1.7	2	0.7	2	0.6	1	0.2
500 - 999	485	100	228	47.1	172	35.4	54	11.1	17	3.5	7	1.5	5	1.1	2	0.3
1,000 - 1,499	443	100	101	22.9	175	39.5	100	22.5	38	8.6	15	3.3	11	2.4	3	0.8
1,500 - 1,999	396	100	46	11.7	121	30.5	118	29.9	63	15.9	27	6.7	17	4.3	4	1.0
2,000 - 2,999	634	100	34	5.4	116	18.3	177	27.9	146	23.1	81	12.7	65	10.3	15	2.3
3,000 - 4,999	318	100	6	1.8	25	7.8	53	16.8	68	21.4	58	18.1	80	25.2	28	8.9
5,000 and over	163	100	2	1.0	5	3.1	10	6.4	14	8.5	19	11.5	49	30.2	64	39.3
Total Families	2,769	100	654	23.6	681	24.6	528	19.1	351	12.7	209	7.5	229	8.3	117	4.2
Total dwelling units needed, 1940 prices	2,915	100	688	23.6	717	24.6	557	19.1	370	12.7	219	7.5	242	8.3	122	4.2
Total dwelling units needed, 1944 prices	2,915	100	525	18.0	612	21.0	525	18.0	379	13.0	291	10.0	350	12.0	233	8.0

In conclusion, our estimate points to the need for almost 900,000 additional nonfarm dwelling units between now and the end of 1955, if replacement of obsolete units is to be carried out within twenty years. It cannot be over-emphasized that this is an estimate of needs, not of the probable level of residential construction. Whether or not the actual level of residential construction will approach needs depends on whether or not income and employment will be high and distributed in such a way that the income of the lower income groups will be raised, and whether or not building costs will be reduced.

The last two lines of Table 6 indicate the rental distribution of the total supply of housing at the end of 1955, both in 1940 and 1944 prices. It will be seen that even at

the high income level assumed for the purpose of the table, a substantial proportion of the dwelling units will fall into the low-rent groups. The largest part of this demand for lowest-rent housing may have to be met by older housing that has deteriorated in value. But if housing conditions in general are to be improved, and if slums are to be cleared away, some part of the lowest-rent units will have to be supplied by new residential construction. Without public assistance, building costs will have to be reduced substantially if such a housing program is to be achieved. The level of building costs and the level and distribution of income after the war are, therefore, the two factors that will be of crucial importance in the housing picture.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	May 16 1945	Change in Amt. from 4-11-45	5-11-44
Total Gold Reserves	\$ 936,934	+ 4,100	-160,551
Other Reserves	13,034	- 1,441	145
Total Reserves	949,968	+ 2,659	-160,696
Bills Discounted	14,205	+ 7,205	+ 17,750
Industrial Advances	94	- 16	95
Gov. Securities, Total	1,252,481	+22,337	+569,294
Bonds	71,540	- 663	- 24,234
Notes	64,015	+ 324	- 12,918
Certificates	354,361	+18,257	+153,205
Bills	762,565	+ 4,419	+453,241
Total Bills & Securities	1,266,780	+29,526	+576,949
Uncollected Items	140,203	+ 8,705	+ 21,004
Other Assets	12,673	+ 124	- 3,126
Total Assets	\$2,369,624	+41,014	+434,131
Fed. Res. Notes in Cir.	\$1,519,840	+14,433	+324,717
Deposits, Total	701,240	+12,301	+ 92,442
Members' Reserves	646,662	+31,417	+127,948
U. S. Treas. Gen. Acct.	381	-16,413	- 22,777
Foreign	46,125	- 1,548	- 14,515
Other Deposits	8,072	- 1,155	+ 1,786
Def. Availability Items	123,840	+13,781	+ 12,657
Other Liabilities	563	- 6	+ 250
Capital Accounts	24,141	+ 505	+ 4,065
Total Liabilities	\$2,369,624	+41,014	+434,131

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	May 16 1945	Change in Amt. from 4-11-45	5-11-44
Total Loans	\$ 281,316	- 6,589	+ 20,151
Bus. & Agri. Loans	123,065	-11,957	+ 7,250
Real Estate Loans	45,455	- 1,403	- 3,142
All Other Loans	112,796	+ 6,771	+ 16,043
Total Security Holdings	1,600,649	- 5,294	+293,133
U. S. Treasury Bills	83,636	- 5,289	+ 9,054
U. S. Treas. Certificates	322,103	- 2,857	+ 82,302
U. S. Treas. Notes	248,774	- 8,721	+ 10,829
U. S. Gov. Bonds	876,694	+13,184	+196,930
Obligations Gov. Guaranteed	9,290	- 3,322	- 9,153
Other Bonds, Stocks & Sec.	60,152	+ 1,711	+ 3,171
Cash Items in Process of Col.	110,785	+11,941	+ 13,597
Due from Banks	150,004*	-5,324	+ 17,374
Currency & Coin	36,835	- 1,169	- 97
Reserve with F. R. Bank	325,997	+ 2,907	+ 50,144
Other Assets	71,334	+18,298	+ 10,077
Total Assets	\$2,576,920	+14,770	+404,379
Total Demand Deposits	\$2,007,391	- 6,230	+295,855
Deposits of Individuals	1,288,797	+67,960	+204,785
Deposits of U. S. Gov.	203,471	-86,978	+ 8,620
Deposits of State & Local Gov.	93,080	+ 7,246	+ 6,576
Deposits of Banks	401,390	+ 2,895	+ 73,744
Certified & Officers' Checks	20,653	+ 2,647	+ 2,130
Total Time Deposits	321,005	+ 6,672	+ 58,990
Deposits of Individuals	307,353	+ 6,670	+ 61,150
Other Time Deposits	13,652	+ 2	- 2,160
Liabilities for Borrowed Money	14,000	+ 6,500	+ 12,500
All Other Liabilities	110,106	+ 7,005	+ 26,982
Capital Accounts	124,418	+ 823	+ 10,052
Total Liabilities	\$2,576,920	+14,770	+404,379

* Net figures, reciprocal balances being eliminated.

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	April 30, 1945	March 31, 1945	April 30, 1944
Total Deposits	\$312,239,112	\$307,608,959	\$269,982,177

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
April 1945...	203,297	156,710	17,745	377,752
March 1945...	225,838	173,060	19,929	418,827
April 1944...	206,408	158,656	18,915	383,979
4 Months 1945...	864,242	658,946	78,025	1,601,213
4 Months 1944...	894,608	682,202	73,394	1,655,204

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	April 1945	% chg. from April 1944	4 Mos. 1945	% chg. from 4 Mos. 1944
Dist. of Columbia				
Washington	\$ 500,826	+ 6	\$ 2,109,143	+10
Maryland				
Baltimore	745,963	+ 8	3,030,199	+ 2
Cumberland	14,776	+23	55,572	+13
Frederick	11,900	- 1	47,806	+ 1
Hagerstown	16,971	- 1	66,420	- 5
North Carolina				
Asheville	23,864	+11	108,517	+19
Charlotte	140,087	+28	535,691	+14
Durham	55,666	- 2	234,841	+ 5
Greensboro	34,384	+10	157,401	+15
Kinston	6,657	+12	30,923	+18
Raleigh	45,753	+ 2	214,607	0
Wilmington	34,681	- 1	145,768	0
Wilson	8,609	+34	39,197	+32
Winston-Salem	55,957	+ 8	252,858	+ 2
South Carolina				
Charleston	41,446	+14	168,862	+ 5
Columbia	50,065	+ 7	207,326	+ 6
Greenville	36,761	+ 3	159,797	+ 7
Spartanburg	21,840	+15	90,722	+10
Virginia				
Charlottesville	18,724	+33	77,024	+38
Danville	13,773	+12	67,088	+27
Lynchburg	20,467	+ 2	85,641	+ 3
Newport News	21,708	-12	91,654	-17
Norfolk	111,578	- 4	478,771	0
Portsmouth	16,724	+11	66,891	+ 6
Richmond	300,114	+11	1,308,748	+ 7
Roanoke	41,742	+10	173,713	+10
West Virginia				
Bluefield	23,201	+ 8	95,515	+ 6
Charleston	80,025	+ 5	326,163	+ 3
Clarksburg	15,908	+13	64,793	+10
Huntington	36,040	+27	148,693	+27
Parkersburg	18,396	+27	73,639	+18
District Totals	\$2,564,606	+ 8	\$10,713,988	+ 6

COMMERCIAL FAILURES

PERIODS	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
April 1945.....	2	90	\$ 65,000	\$ 980,000
March 1945.....	2	85	293,000	3,880,000
April 1944.....	0	131	0	3,524,000
4 Months 1945.....	9	321	\$1,259,000	\$12,300,000
4 Months 1944.....	6	479	307,000	9,800,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	April 1945	April 1944	Aug. 1 to 1945	Apr. 30 1944
Fifth District States:				
Cotton consumed	377,752	383,979		
Cotton Growing States:				
Cotton consumed	678,300	680,918	6,439,141	6,656,671
Cotton on hand April 30 in				
Consuming establishments	1,872,111	1,899,349		
Storage & compresses	10,941,791	10,062,783		
United States:				
Cotton consumed	769,678	775,617	7,286,111	7,581,333
Cotton on hand April 30 in				
Consuming establishments	2,187,916	2,221,530		
Storage & compresses	11,025,514	10,272,200		
Spindles Active, U. S.	22,232,168	22,569,588		

RAYON YARN DATA

	April 1945	March 1945	April 1944
Rayon Yarn Shipments, Lbs.	50,100,000	53,000,000	43,200,000
Staple Fiber Shipments, Lbs.	13,900,000	13,700,000	11,300,000
Rayon Yarn Stocks, Lbs.	6,300,000	5,700,000	7,800,000
Staple Fiber Stocks, Lbs.	2,700,000	3,500,000	1,800,000

Source: Rayon Organon.

BUILDING PERMIT FIGURES
 Fifth Federal Reserve District
 April 1945

	Total Valuation	
	April 1945	April 1944
Maryland		
Baltimore	\$ 1,005,190	\$ 354,816
Cumberland	900	3,310
Frederick	8,515	760
Hagerstown	29,349	51,685
Salisbury	29,834	19,366
Virginia		
Danville	20,944	19,222
Lynchburg	11,000	9,542
Norfolk	340,610	143,085
Petersburg	2,955	4,650
Portsmouth	38,880	11,505
Richmond	1,183,422	159,486
Roanoke	63,869	24,614
West Virginia		
Charleston	92,200	34,735
Clarksburg	4,185	9,825
Huntington	127,540	13,600
North Carolina		
Asheville	18,843	74,858
Charlotte	128,216	30,723
Durham	45,665	14,862
Greensboro	128,770	36,324
High Point	36,208	25,106
Raleigh	1,185	10,250
Rocky Mount	16,500	4,250
Salisbury	12,953	1,555
Winston-Salem	247,156	33,732
South Carolina		
Charleston	263,991	31,669
Columbia	29,395	7,380
Greenville	23,450	3,650
Spartanburg	47,780	27,745
District of Columbia		
Washington	2,695,403	866,405
District Totals	\$ 6,654,908	\$2,028,710
4 Months	\$15,760,184	\$6,556,340

WHOLESALE TRADE, 243 FIRMS

LINES	Net Sales April 1945 compared with		Stock April 30, 1945 compared with		Ratio April collections to accounts outstand'g April 1
	April 1944	March 1945	April 30 1944	March 31 1945	
Auto Supplies (13)*	+20	+10	+24	+ 2	112
Drugs & Sundries (12)* ..	+10	- 5	- 5	+ 3	122
Dry Goods (7)*	-22	-19	-33	+ 7	88
Electrical Goods (8)*	+ 2	-20	+ 8	+ 1	100
Groceries (80)*	- 4	- 9	- 7	+ 1	142
Hardware (14)*	+ 9	-11	- 8	- 2	105
Industrial Supplies (7)* ..	+ 6	- 2	+ 8	+ 5	115
Paper & Products (8)*	+21	-13	-21	0	94
Tobacco & Products (11)* ..	-13	-11	-36	-11	140
Miscellaneous (83)*	+ 8	- 2	-16	+ 5	132
District Average (243)*.	+ 1	- 8	-11	+ 2	118

Source: Department of Commerce.

* Number of reporting firms.

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	April 1945	April 1944	% Change	4 Mos. 1945	4 Mos. 1944	% Change
West Virginia	12,390	13,270	- 7	52,505	55,245	- 5
Virginia	1,324	1,585	-16	6,313	6,896	- 8
Maryland	146	160	- 9	605	698	-13
5th District	13,860	15,015	- 8	59,423	62,839	- 5
United States	43,350	49,510	-12	196,320	211,309	- 7
% in District	32.0	30.3		30.3	29.7	

RETAIL FURNITURE SALES

STATES	Percentage Changes in April and 4 Mos. 1945 Compared with	
	April 1944	4 Mos. 1944
Maryland (5)*	+ 8	+17
District of Columbia (6)*	0	+ 4
Virginia (23)*	+13	-16
West Virginia (10)*	+26	-17
North Carolina (21)*	+11	+25
South Carolina (14)*	+ 5	+14
Fifth District (79)*	+ 9	+15
INDIVIDUAL CITIES		
Baltimore, Md. (5)*	+ 8	+17
Washington, D. C. (6)*	0	+ 4
Lynchburg, Va. (3)*	+24	+18
Richmond, Va. (7)*	+14	+16
Charleston, W. Va. (3)*	+28	+18
Charlotte, N. C. (5)*	- 4	+15
Columbia, S. C. (4)*	- 5	+13

* Number of reporting firms.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District	
Percentage change in Apr. 1945 sales, compared with sales in Apr. '44:	- 1	- 2	- 2	- 3	- 2
Percentage change in 4 months' sales 1945, compared with 4 mos. 1944:	+15	+12	+13	+18	+13
Percentage change in stocks on Apr. 30, '45, compared with Apr. 30, '44:	+ 3	+ 5	+ 5	- 2	+ 4
Perctg. chg. in outstand'g orders Apr. 30, '45, from orders Apr. 30, '44:	+44	+69	+43	+56	+52
Pcg. chg. in total receivables Apr. 30, '45 from receivables Apr. 30, '44:	+14	+10	+ 7	+ 9	+ 9
Percentage of current receivables as of April 1 collected in April:	51	54	52	56	53
Percentage of instalment receivables as of April 1 collected in April:	22	28	23	33	25

Maryland	Dist. of Col.	Virginia	W. Va.	No. Caro.	So. Caro.	
Percentage change in April 1945 sales from April 1944 sales, by States:	- 1	- 2	- 2	+ 2	- 7	-10
Percentage change in 4 months' sales, 1945, compared with 1944:	+12	+13	+16	+22	+17	+13

CONSTRUCTION CONTRACTS AWARDED

STATES	Mar. 1945	% chg. from Mar. 1944	3 Mos. 1945	% chg. from 3 Mos. 1944
Maryland	\$ 3,003,000	-17	\$11,089,000	-51
District of Columbia	3,601,000	- 8	9,248,000	+49
Virginia	8,535,000	-26	22,922,000	-26
West Virginia	1,516,000	-49	3,048,000	-45
North Carolina	4,600,000	+20	10,434,000	+ 3
South Carolina	1,058,000	-27	3,513,000	-61
Fifth District	\$22,313,000	-18	\$60,254,000	-29

Source: F. W. Dodge Corporation.

TOBACCO MANUFACTURING

	April 1945	% Change from Apr. 1944	4 Mos. 1945	% Change from 4 Mos. '44
Smoking and chewing to- bacco (Thousands of Lbs.)	21,516	+27	89,558	+23
Cigarettes (Thousands)	17,090,105	- 9	72,519,084	- 5
Cigars (Thousands)	388,436	+ 7	1,574,006	+ 2
Snuff (Thousands of lbs.) ..	3,696	+19	15,307	+ 6

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Output and employment at factories declined somewhat in April. Department store sales showed a marked decline and wholesale commodity prices continued to advance slightly.

Industrial Production

Industrial production, which had advanced earlier this year, declined in April to the same general level that prevailed during the last half of 1944. The Board's seasonally adjusted index was 231 per cent of the 1935-39 average as compared with 235 in the first quarter.

Activity in the machinery and transportation equipment industries declined about 3 per cent in April, reflecting curtailed munitions production; the largest part of the decrease was accounted for by a further reduction in operations at shipyards. As a result of the decline in shipbuilding during the last 12 months, activity in the transportation equipment industries in April was 10 per cent below a year ago.

Steel production was maintained at the March level as a decline in output at open hearth furnaces was offset by a further rise in steel produced in electric furnaces. Production of nonferrous metals, which had increased somewhat during the first quarter of this year, showed little change in April. Output of stone, clay, and glass products was maintained at the first quarter level, while lumber production continued to decline.

Production of textiles and manufactured food products declined slightly in April and was at the level of a year ago. Cotton consumption showed a decrease of 5 per cent from March but rayon shipments rose further to a record level. Activity at meatpacking establishments, which had shown little change during the first quarter after allowing for seasonal fluctuations, declined 10 per cent in April. Output of rubber products decreased as the shortage of carbon black continued to limit production despite measures to stretch available supplies. Production of most other nondurable goods showed little change.

Bituminous coal production recovered in the latter part of April from a substantial decline earlier in the month due to work interruptions accompanying contract negotiations. Output for the month was 8 per cent below that of March and in the first two weeks of May continued at this lower rate. Anthracite production in April was 14 per cent higher than in the preceding month but declined sharply in May prior to agreement on a new wage contract on May 19. Output of crude petroleum has been maintained at record levels and iron ore production has shown an exceptionally large increase this Spring due to early opening of the navigation season on the Great Lakes.

Distribution

Department store sales declined sharply in April and the Board's seasonally adjusted index was 181 per cent of the 1935-39 average as compared with an average of 211 in the

first quarter and with 172 in April 1944. Sales in the first half of May were only slightly larger than in the corresponding period a year ago. Owing to unseasonably warm weather and expectations of shortages, much Spring shopping, which would usually be done in April and May, occurred this year in February and March. In mid-April many stores were closed immediately following the death of President Roosevelt. Also, in particular cities part of the recent decrease in sales appears to have been associated with actual or anticipated income declines resulting from cutbacks in war production.

Freight carloadings of most manufactured products were maintained at a high level in April and the early part of May and were above the same period a year ago. Shipments of coal and lumber, however, were in smaller volume, reflecting reductions in output of these commodities.

Commodity Prices

Wholesale prices of farm products advanced in April and then showed little change in the first 3 weeks of May. Maximum prices for coal, steel products, and various other industrial commodities have been raised somewhat in recent weeks.

Retail price changes for foods and other commodities apparently have continued to be small in April and the early part of May.

Bank Credit

During the four weeks ended May 16 total deposit and currency holdings of businesses and individuals increased by nearly 3 billion dollars. Increases of about 300 million in currency and of over 400 million in reserves required to be held against expanding deposits at member banks resulted in an increased demand for reserve funds by member banks. This demand was supplied largely by an increase of about 500 millions of dollars in Reserve Bank holdings of Government securities, mostly bills and certificates, and in part by a temporary decline in Treasury deposits at the Reserve Banks. Excess reserves rose slightly to around a billion dollars.

In the 5 months between war loan drives, December 20 to May 16, reporting banks in 101 cities reduced their holdings of short-term Government securities by around 2.3 billion dollars in order to maintain adequate reserve balances. But during the same period bond holdings of these banks were increased by 1.6 billion dollars.

Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in early April to a level comparable with that reached before the Sixth War Loan Drive, rose substantially during the three weeks immediately preceding the Seventh War Loan Drive. Commercial loans declined during the interdrive period, reaching a level about 500 million dollars lower than that prevailing just before the Sixth War Loan Drive.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT						
Average Daily 1935-39=100				Seasonally Adjusted		
	Mar. 1945	Feb. 1945	Jan. 1945	Mar. 1944	% Change Mar. 1945 from	
					Feb. '45	Mar. '44
Bank Debits	216	221	209	202	- 2	+ 7
Bituminous Coal Production*	139	139	142r	147	0	- 5
Building Contracts Awarded	82	76	103	100	+ 8	- 18
Building Permits Issued	45	25	64	21	+80	+114
Cigarette Production	152	149	151	167	+ 2	- 9
Cotton Consumption*	144	149	151	155	- 3	- 7
Department Store Sales	250	238	232	212	+ 5	+ 18
Department Store Stocks	169	172	178	172	- 2	- 2
Electric Power Production	209	215r	215r	199	- 3	+ 5
Employment—Mfg. Industries*	136	137	137	144	- 1	- 6
Life Insurance	152	146	140	131	+ 4	+ 16
Wholesale Trade—Four Lines	182	189	198	180	- 4	+ 1
Wholesale Trade—Drugs	217	217	216	204	0	+ 6
Wholesale Trade—Dry Goods	186	215	252	155	-13	+ 20
Wholesale Trade—Groceries	190	197	208	190	- 4	0
Wholesale Trade—Hardware	104	109	97	118	- 5	- 12
Retail Furniture Sales	175	145	157	123	+21	+ 42

* Not seasonally adjusted.

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lina. Relative to a year ago, however, total employment in non-agricultural industries was down 86 thousand, of which Maryland accounted for 49 thousand and North Carolina 19 thousand. These changes are no doubt a reflection of the reduced activity in merchant shipyards. More employment opportunities are available in Hagerstown where the production of Army cargo planes is in process and on which capacity operations are expected to continue for some time. There will be a larger labor requirement at Radford when the doubled capacity of the Ordnance Works is completed in the fall. Construction and permanent workers will be needed at Front Royal and Parkersburg when additions to present facilities costing \$6 million are completed.

The weather in late April and early May has not been such that an increase in total farm production should be anticipated, but it has been good on pasture and hay crops and should result in increased milk production. By the middle of May a large part of the tobacco crop had been reset in the Border, Eastern Carolina and Middle belts, and stands were reported good. Blue mold, however, has been prevalent in Old belt beds and the supply of plants may be inadequate to plant intended acreages. Tobacco plants in Eastern Carolina have been plentiful, however, and may be used to supplement Old belt short-

ages but it appears the Old belt crop will be about two weeks later than usual this year.

Unfavorable weather and a growing labor shortage have combined to give an estimated cotton acreage in the District this year nearly 200,000 acres less than a year ago. Planting is about two weeks late and boll weevils appear to be more numerous than they have for many years. Small grain crops have been retarded by the adverse change in the growing season during the first half of May and production outlook is lowered. The early potato crop in North Carolina looks about a third larger than last year, but late blight has hit this crop in parts of South Carolina and reduced production prospects.

Department Store sales, which had been rising at an accelerated rate since last summer, at least temporarily stayed the trend in April 1945 when, on a seasonally adjusted basis and with compensations made for the early Easter trade, the sales index declined 16 per cent from the peak month of March. The April sales index, however, was still 5 per cent ahead of last year. Store inventories, though holding up on a total dollar basis, are badly depleted in spots and the smaller year to year increase in sales noted in April may be due in part to this factor.