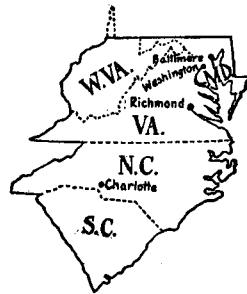


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

February 28, 1946

BUSINESS activity in the Fifth Federal Reserve District shows some signs of improvement. On the manufacturing front an improved level of cotton goods, rayon and hosiery output is noted, while the previously lagging output of bituminous coal returned to the same level as that of a year ago. Paper mills are holding output at established high levels and furniture factories have lifted their shipments above those of a year ago despite the dearth of materials. The over-all employment level appears to have stabilized with the bulk of the war plant employment already eliminated. Construction work is in considerable volume even though completed projects are few indeed. Farm labor is short and may continue that way through the current season. Farm income is showing some reduction, but so far this is mostly due to the small cotton crop. Trade levels continue to rise, giving evidence of no contraction in the volume of purchasing power.

Average daily cotton consumption in the mills of the District rose 29 per cent from December to January, and in the latter month stood at a level only 2 per cent below January, 1945. In terms of cotton goods yardage it is probable that output is now ahead of that of a year ago. The low December level of cotton consumption was due mainly to a return to pre-war practice of suspending operations for several days between Christmas and New Year's Day, but also to sporadic strikes. Mill labor has increased moderately in the last three months, part of which is of a seasonal nature. The industry is again in process of making another wage increase in the neighborhood of 10 cents an hour. This will help to improve employment levels for two-shift operations, but may not aid in adding a third shift, owing to the wage differential and lesser efficiency

for this shift when considered in the light of the close pricing policy.

Rayon output of the nation last year rose 10 per cent from the previous year, largely as a result of expanded high tenacity viscose yarn used in making tire cords. Rubber tire manufacturers generally have given indications that they intend, in time, to shift largely to the use of rayon tire cord. Present high tenacity yarn capacity doesn't appear to be large enough to satisfy the tire cord demand. This may mean a considerable expansion in capacity. The Fifth District, and particularly the Virginias, are well represented in this business.

Bituminous coal demand is still in excess of the supply, and retail yards over much of the country are on a hand-to-mouth basis. This situation may not ease much before fall, particularly if the operators and the workers have contract trouble this spring. Such longer-run developments as the turbine powered locomotive, said to require only one-fourth of the coal used in present-day locomotives, may accelerate obsolescence of equipment and adversely affect the relative growth of coal output. January daily average production of coal in the Fifth District was 8 per cent higher than in December, but the same level as that of a year ago.

Cigarette output, as measured by withdrawals for consumption, recovered in January from December levels on a national basis, but remained well below the peak established in October. December output was adversely affected by the large amount of absentees in the last week of the year. Tobacco companies are no longer using daily classified advertisements for personnel, and it is evident

Continued on page 4

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100 Seasonally Adjusted

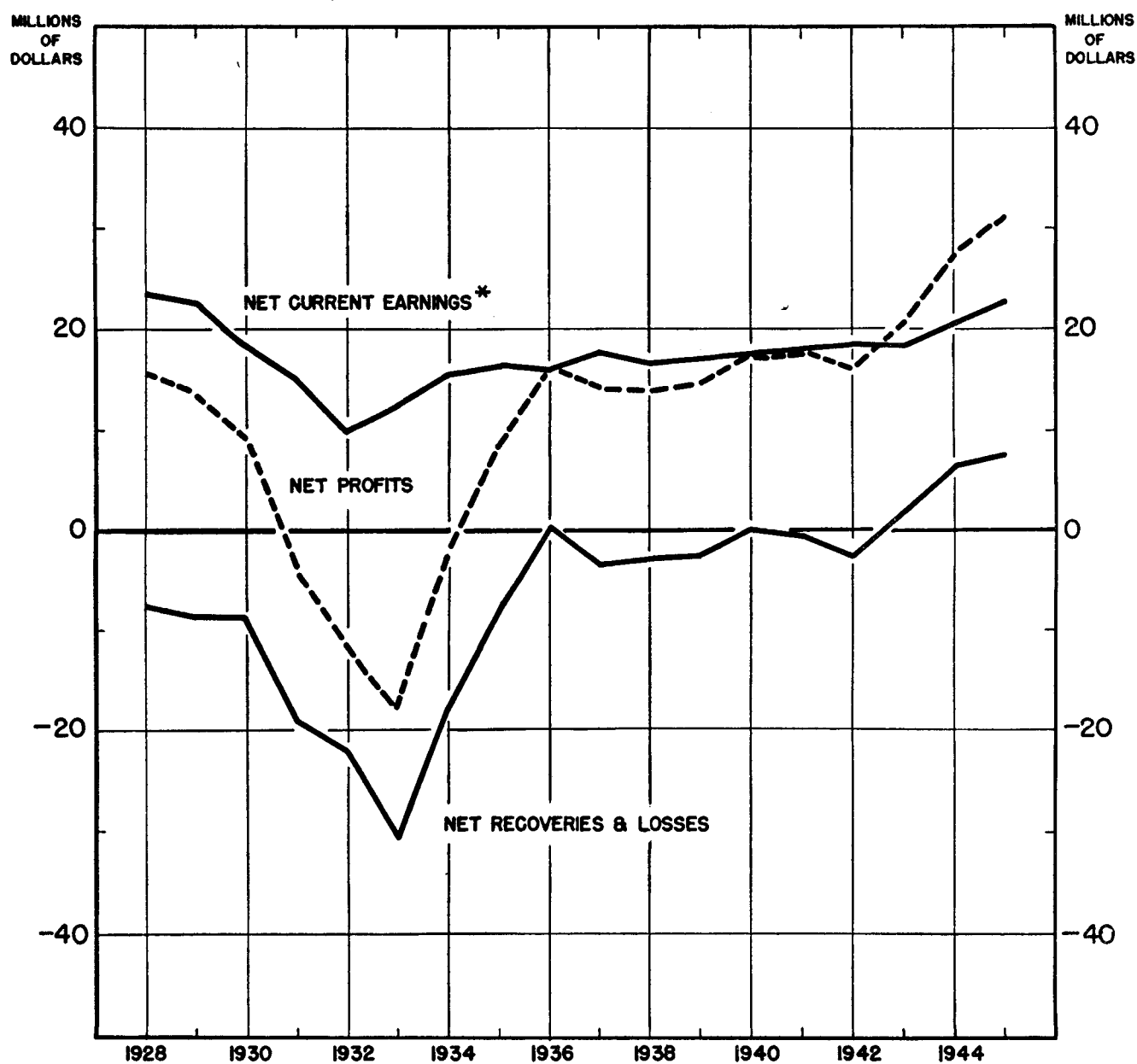
	Jan. 1946	Dec. 1945	Nov. 1945	Jan. 1945	% Change Jan. 1946 from Dec. 45 Jan. 45	
Bank Debits	228	248	237	209	- 8	+ 9
Bituminous Coal Production*.....	142	132	149	142r	+ 8	0
Building Contracts Awarded	169	144	177	103	+17	+ 64
Building Permits Issued.....	185	209	156	64	-11	+189
Cigarette Production	204	148	209	151	+38	+ 35
Cotton Consumption*	135	110	131	145	+23	- 7
Department Store Sales.....	262r	237r	251r	234r	+11	+ 12
Department Store Stocks.....	207	192	202	195	+ 8	+ 6
Wholesale Trade—Four Lines.....	243	197	210	198	+23	+ 23
Retail Furniture Sales.....	187	199	212r	157	- 6	+ 19

*Not seasonally adjusted

CHART I

EFFECT OF RECOVERIES AND LOSSES UPON NET PROFITS

(ALL MEMBER BANKS—FIFTH DISTRICT)



* AFTER TAXES, INCLUDING INCOME TAXES.

Earnings and Profits of Member Banks of the Fifth Federal Reserve District 1945

Earnings and profits of the member banks of the Fifth Federal Reserve District for the year 1945 continued the upward trend of the past several years. Interest and dividends on securities increased by \$8.8 million over the preceding year, and total current operating earnings increased by \$10.7 million. In spite of a substantial increase in operating expenses of 12.2 per cent over 1944, net current earnings rose by \$4.1 million, and net profits by \$3.5 million. Table I presents selected items from the combined earnings reports of all member banks of the District for 1945 and for the three previous years during which the increase of profits has taken place.

Table I
EARNINGS AND PROFITS OF ALL MEMBER BANKS
FIFTH FEDERAL RESERVE DISTRICT, 1942-1945

	(Thousands of dollars)			
	1942	1943	1944	1945p
Interest and dividends on securities	22,450	32,739	40,403	49,218
Total current operating earnings	68,501	74,557	83,179	93,843
Total current operating expenses	46,578	49,712	53,337	59,862
Net current operating earnings	21,923	24,845	29,842	33,981
Net recoveries or losses (—)	—2,482	2,118	6,556	8,115
Net profits before income taxes	19,441	26,963	36,398	42,096
Net profits	16,344	20,850	27,481	31,024
Number of banks	460	465	469	472

p—Preliminary

FACTORS INFLUENCING THE INCREASE

The increase in member bank profits has come about as the result of the continued working of several forces that have been felt during the past few years.

Interest and dividends on securities showed a further increase, as it has done for the past five years. This came about in spite of the decreased yields on securities held; increased holdings were sufficient to increase the total return even though the rates of return were lower.

The excess of recoveries and profits on securities sold over losses and charge-offs was \$1.6 million higher than in 1944, and contributed substantially to the net profits of the banks. The downward trend of interest rates continued with rising prices of fixed return obligations, and banks participated in the profits realized through shifts in holdings of such obligations. Chart I shows the influence of this factor in recent years. The capital losses and gains have been gains since 1943; prior to that, they had served to decrease profits for thirteen of the preceding fifteen years.

Bank operating expenses continued to lag behind gross operating earnings, allowing the increase of the latter to be more fully felt in net operating earnings and in profits.

PROSPECTS FOR FUTURE PROFITS

The question of future earnings and profits of banks rests upon many variables. No attempt is made here to predict the probable level of profits, or even to evaluate the strength of the factors affecting these profits. There are, however, considerations that should be taken into account, and these are presented.

Bank holdings of Government obligations and the rate of return on these holdings will be important determinants

in future earnings. The amount of such holdings will depend upon the interaction of the following forces:

- The volume of future net current savings will be a determinant of the volume of Government obligations acquired by non-bank holders, and thus will affect the amount available to the banks. Continued substantial purchases by savings banks and insurance companies would, by further driving yields down, tend to discourage purchases by banks.
- The future cash preferences of present and potential non-bank holders will influence their willingness to commit funds to the holding of Governments. The current acceptance of such obligations as being the equivalent of cash tends to weaken this factor, and will do so as long as this condition exists.
- Changes in the distribution of the Federal debt as to maturities and interest rates will have their effect. Refundings into short-term low-coupon issues would probably increase bank holdings since these issues are not attractive to non-bank investors. Similarly, long-term restricted issues have sufficient return to attract non-bank investors and at the same time are not eligible for bank ownership.
- The availability of alternative investment opportunities will influence the attitude of bank and non-bank investors, and will influence their relative holdings according to the form that the alternatives take. Increased opportunities for commercial loans would make Government obligations less attractive to banks, whereas the issuance of large amounts of non-Government securities would divert a portion of the non-bank security demand.
- An increase in the Federal debt might raise the dollar amount of bank holdings if they attempted to secure their share of the increase. A decrease in the debt might decrease bank holdings. In either case, however, it is likely that the change in the debt would be of secondary importance to the factors enumerated above.

The yields available on Government securities will be determined by much the same factors. The Treasury's policy, as expressed in refunding operations, and the market's reactions, as expressed in prices of existing securities, will determine the yields available to banks on replacement purchases and additions to portfolios. Table II demonstrates the course of yields of the past seven years.

Table II
YIELDS ON SECURITY HOLDINGS
MEMBER BANKS OF FIFTH FEDERAL RESERVE DISTRICT

	Per cent
1939	2.5
1940	2.4
1941	2.2
1942	1.8
1943	1.6
1944	1.5
1945	1.3-1.4*

*Note: Data for 1939-1944 were obtained by relating aggregate interest and dividends on securities to average aggregate holdings of securities from three call report dates. Figures for 1945 are estimated.

The demand for loans will have its effect upon bank earnings. Banks are naturally desirous of employing a much larger proportion of their funds in this manner, and a renewed demand for commercial loans plus the addition of loans of other types may bring an increase in bank holdings of higher-return assets, with a consequent increase in earnings. In many cases these increased earnings would be accompanied by increased expenses, as for example, consumer loans would carry an increased clerical work load with them.

The excess of profits and recoveries over losses and charge-offs on loans and securities has contributed to earnings and profits during the past three years, but their position in the future is open to question. The declining interest rates of this period have brought appreciation in security values, but a continuation of this trend will be dependent upon the movement of interest rates. If rates continue their downward course, further profits of such a nature may be realized; stability of rates would, to a large extent, eliminate this source of profits, while an increase of rates might well lead to net losses in the event of forced liquidation of assets.

Banks are essentially risk-taking institutions and a part of the return obtained is in compensation for these risks. If bank assets become of a riskier nature than they have been in recent years, it is to be expected that losses will increase. In the making of consumer loans, for example, a given percentage of income may well be allocated against losses; the losses actually are but another expense of conducting the lending business.

Chart I presents a history of capital losses and recoveries which demonstrates their position in the past.

It is to be expected that bank operating expenses will increase in the future. Some increases have been noted from year to year; more substantial ones are possibly in the offing. Greater activity of deposits may develop, requiring additional clerical services, and any increase in lending activities will result in increased expense. Bank wages and salaries are currently lagging behind the trend in other fields, and increases will probably be required if employees and officers are not to be lost to higher paying employers. Likewise, wage increases in other fields are being reflected in increased costs of supplies and equipment.

Recent decreases in Federal taxes will serve to increase profits after taxes. Since future changes in taxation are likely to be in a downward direction, it is likely that further increases in profits will accrue from this source.

Thus the future of earnings and profits is not readily predictable. The factors involved are subject to many variations, and their impact will not be the same for all banks; results, as expressed in earnings accounts, will differ from bank to bank and from community to community.

BANK PROFITS AND PROFITS IN OTHER FIELDS OF ENDEAVOR

Bank profits as a percentage of capital funds employed are presented in Table III, with similar data for other lines of activity.

Table III
ANNUAL RATE OF RETURN ON CAPITAL FUNDS

	5th Dist. Member Banks†	Mfg. Corps.*	Trade Corps.*	Public Utility Corps.*	Service Corps.*	Mining & Quarrying Corps.*
1931	— 2.0	— 0.9	— 3.9	2.1	— 1.8	— 2.7
1932	— 6.6	— 3.3	— 6.4	0.7	— 10.9	— 2.6
1933	— 10.5	0.7	— 0.2	0.4	— 7.0	— 2.3
1934	— 1.3	2.7	3.3	1.5	— 5.4	0.7
1935	4.9	5.6	4.3	1.5	— 4.1	0.7
1936	8.4	8.2	7.3	2.5	— 0.7	2.0
1937	7.1	7.9	6.5	3.0	0.1	3.7
1938	6.7	3.0	2.9	1.6	1.0	0.4
1939	6.8	7.1	5.9	3.2	3.0	1.9
1940	7.8	8.9	6.8	3.2	3.9	2.8
1941	7.4	12.3	10.4	4.4	5.6	4.4
1942	6.5	10.1	9.9	7.3	10.7	7.4
1943	7.8	9.9	10.1	7.2	12.7	7.2
1944	9.7	8.9	10.2	6.1	12.3	7.6
1945	10.4p					
Average 1931-44	3.8	5.8	4.8	3.2	1.4	2.2

p—Preliminary

† Member banks 1931-41—Banking and Monetary Statistics
1941-45—Member Bank Call Reports

* 1931-41—Statistics of Income
1941-44—National City Bank Sample

Continued from page 1

that the tobacco products supply-demand situation has come in balance at a level of output moderately below the peak. Cigarette prices at wholesale (before adding excise taxes) contrary to the general trend, were not increased during the war. In the face of substantially rising costs of both labor, tobacco and other materials, this has been possible as a result of the rapid rise in production. With the cigarette output no longer rising, it is probable that manufacturers will need some increase in prices.

Trade levels in the District, both wholesale and retail, are still expanding, and it appears that the rate of expansion is increasing. Department store sales in January were 13 per cent ahead of sales a year ago, but it would seem that considerable increase in price was reflected in these figures. Wholesale sales in four major lines increased 23 per cent in January over those of a year ago, with groceries up 29 per cent, drugs up 14 per cent, hardware up 7 per cent, and dry-goods down 10 per cent.

Manufacturing employment in the District in December rose moderately from November levels, but was well below those of a year earlier. While part of this is of a seasonal nature, there is some indication that the level may have stabilized at least for the time being. Textile mills are expanding employment moderately, and if present facilities are fully manned there will be a notable expansion in employment. New textile facilities are planned which will give new employment to several thousand workers. When construction materials become available, employment levels are likely to be further augmented as a result of a large amount of projected construction.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	February 13 1946	Chg. in Amt. from 1-16-46	2-14-45
Total Gold Reserves.....	\$ 969,976	+ 8,868	+ 17,916
Other Reserves	27,269	+ 2,790	+ 9,844
Total Reserves	997,245	+ 6,078	+ 8,072
Bills Discounted	5,715	+ 806	+ 35
Industrial Advances	39	+ 7	+ 82
Gov. Securities, Total.....	1,433,975	+ 27,063	+ 287,597
Bonds	59,291	+ 59	+ 14,421
Notes	87,770	+ 3,722	+ 12,557
Certificates	491,154	+ 43,489	+ 175,311
Bills	795,760	+ 20,207	+ 139,264
Total Bills & Securities.....	1,439,729	+ 26,264	+ 287,480
Uncollected Items	150,041	+ 14,409	+ 17,783
Other Assets	50,667	+ 7,424	+ 35,061
Total Assets	2,637,682	+ 39,327	+ 332,252
Fed. Res. Notes in Cir.....	\$1,692,262	+ 20,934	+ 204,916
Deposits, Total	789,072	+ 4,528	+ 93,243
Members' Reserves	708,951	+ 28,468	+ 92,267
U. S. Treas. Gen. Acct.....	43,739	+ 28,066	+ 18,708
Foreign	33,334	+ 4,071	+ 18,193
Other Deposits	3,048	+ 55	+ 461
Def. Availability Items.....	126,732	+ 14,571	+ 27,709
Other Liabilities	551	+ 165	+ 100
Capital Accounts	29,065	+ 541	+ 6,284
Total Liabilities	2,637,682	+ 39,327	+ 332,252

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	February 13 1946	Chg. in Amt. from 1-16-46	2-14-45
Total Loans	\$ 399,955	+ 5,699	+ 94,115
Bus. & Agri. Loans.....	175,407	+ 5,154	+ 30,781
Real Estate Loans.....	49,440	+ 777	+ 3,196
All Other Loans.....	175,108	+ 1,322	+ 60,138
Total Security Holdings.....	1,846,460	+ 15,713	+ 199,172
U. S. Treasury Bills	74,242	+ 652	+ 30,426
U. S. Treasury Certificates..	420,698	+ 1,790	+ 116,654
U. S. Treasury Notes	208,135	+ 5,238	+ 96,949
U. S. Gov. Bonds	1,069,567	+ 19,867	+ 204,162
Obligations Gov. Guaranteed	149	+ 3	+ 11,663
Other Bonds, Stocks & Sec..	73,669	+ 2,225	+ 17,994
Cash Items in Process of Col.	120,014	+ 4,892	+ 23,398
Due from Banks.....	162,701*	+ 19,938	+ 2,113
Currency & Coin.....	38,733	+ 343	+ 1,200
Reserve with F. R. Bank....	338,920	+ 18,289	+ 24,524
Other Assets	75,864	+ 1,023	+ 8,431
Total Assets	2,982,647	+ 20,341	+ 353,553
Total Demand Deposits.....	\$2,379,457	+ 34,250	+ 265,534
Deposits of Individuals	1,324,400	+ 6,998	+ 133,903
Deposits of U. S. Gov.....	513,617	+ 7,686	+ 84,443
Dep. of State & Local Gov.	81,814	+ 5,869	+ 5,555
Deposits of Bank.....	431,743*	+ 28,342	+ 31,600
Certified & Officers' Checks	27,883	+ 727	+ 10,033
Total Time Deposits.....	363,959	+ 5,064	+ 62,159
Deposits of Individuals....	350,240	+ 5,068	+ 62,093
Other Time Deposits.....	13,719	+ 4	+ 66
Liabilities for Borrow'd Money	4,800	+ 3,300	+ 800
All Other Liabilities.....	99,359	+ 3,745	+ 10,976
Capital Accounts	135,072	+ 1,800	+ 14,084
Total Liabilities	2,982,647	+ 20,341	+ 353,553

*Net figures, reciprocal balances being eliminated.

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	January 1946	% Change from January 1945
District of Columbia		
Washington	\$ 620,640	+12
Maryland		
Baltimore	807,091	+ 1
Cumberland	18,234	+27
Frederick	14,481	+26
Hagerstown	20,648	+27
North Carolina		
Asheville	37,906	+21
Charlotte	149,080	+10
Durham	79,436	+20
Greensboro	51,219	+30
Kinston	10,522	+ 6
Raleigh	65,750	+18
Wilmington	35,915	+18
Wilson	12,572	+ 7
Winston-Salem	89,566	+21
South Carolina		
Charleston	46,616	+ 6
Columbia	63,777	+17
Greenville	54,591	+29
Spartanburg	29,138	+18
Virginia		
Charlottesville	24,016	+19
Danville	23,020	+ 1
Lynchburg	28,598	+25
Newport News	24,647	+ 1
Norfolk	132,024	0
Portsmouth	17,288	+ 3
Richmond	348,340	+ 1
Roanoke	58,953	+29
West Virginia		
Bluefield	26,967	+ 5
Charleston	94,461	+17
Clarksburg	23,116	+25
Huntington	42,326	+11
Parkersburg	19,944	+ 1
District Totals	\$3,069,882	+ 8

COMMERCIAL FAILURES

MONTHS	Number of Failures District	U. S.	Total Liabilities District	U. S.
January 1946....	4	80	\$ 27,000	\$4,372,000
December 1945....	3	42	101,000	1,824,000
January 1945....	4	80	900,000	5,883,000

Source: Dun & Bradstreet

COTTON CONSUMPTION AND ON HAND—BALES

	January 1946	January 1945	Aug. 1 to Jan. 31 1946	1945
Fifth District States:				
Cotton consumed	391,667	420,432	2,134,603	2,418,556
Cotton Growing States:				
Cotton consumed	715,234	754,255	3,899,312	4,306,413
Cotton on hand Jan. 31 in consuming establishments	2,043,806	2,010,427		
storage and compresses	9,843,105	12,861,410		
United States:				
Cotton consumed	811,368	850,425	4,407,219	4,870,811
Cotton on hand Jan. 31 in consuming establishments	2,366,336	2,292,765		
storage and compresses	9,964,513	12,980,186		
Spindles active, U. S.....	21,629,882	22,260,842		

DEPOSITS IN MUTUAL SAVINGS BANKS
8 Baltimore Banks

	Jan. 31, 1946	Dec. 31, 1945	Jan. 31, 1945
Total Deposits	\$349,006,460	\$343,795,649	\$300,041,503

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
January 1946.....	212,237	162,575	16,855	391,667
December 1945.....	158,469	136,578	12,412	307,459
January 1945.....	226,947	172,983	20,502	420,432

BUILDING PERMIT FIGURES

Fifth Federal Reserve District

January 1946

	Total Valuation	
	Jan. 1946	Jan. 1945
Maryland		
Baltimore	\$ 1,693,390	\$ 532,170
Cumberland	77,045	600
Frederick	44,585	6,400
Hagerstown	398,059	2,550
Salisbury	80,707	15,387
Virginia		
Danville	491,685	9,010
Lynchburg	148,295	9,627
Norfolk	795,415	114,995
Petersburg	43,450	0
Portsmouth	101,881	410,420
Richmond	717,443	388,809
Roanoke	281,804	22,503
West Virginia		
Charleston	250,179	30,047
Clarksburg	13,650	470
Huntington	298,725	243,525
North Carolina		
Asheville	60,611	11,998
Charlotte	1,007,123	363,919
Durham	223,390	61,810
Greensboro	218,861	44,739
High Point	49,165	20,110
Raleigh	333,143	90,025
Rocky Mount	53,650	77,100
Salisbury	57,600	3,628
Winston-Salem	146,690	36,998
South Carolina		
Charleston	222,239	56,517
Columbia	327,432	41,445
Greenville	68,480	3,850
Spartanburg	171,935	21,585
District of Columbia		
Washington	1,768,956	911,340
District Totals	\$10,145,588	\$ 8,531,577

TOBACCO MANUFACTURING

	January 1946	January 1945	% Change
Smoking & Chewing tobacco			
(Thousands of lbs.)	17,046	23,838	-29
Cigarettes (Thousands)	25,225,796	20,077,012	+26
Cigars (Thousands)	468,592	379,420	+24
Snuff (Thousands of lbs.)	3,759	3,682	+2

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Jan. 1946	Jan. 1945	% Chg.
West Virginia	13,589	13,742	-1
Virginia	1,509	1,750	-14
Maryland	207	152	+36
Fifth District	15,305	15,644	-2
United States	54,100	52,760	+3
% in District	28.3	39.7	

CONSTRUCTION CONTRACTS AWARDED

STATES	Dec. 1945	% chg. from Dec. 1944	12 Mos. '45	% chg. from 12 Mos. '44
Maryland	\$ 7,467,000	+137	\$101,725,000	+21
District of Columbia..	3,005,000	-23	41,510,000	+37
Virginia	8,506,000	+45	112,631,000	+5
West Virginia	—551,000	...	25,569,000	+5
North Carolina	11,786,000	+115	80,564,000	+74
South Carolina	3,485,000	+50	21,948,000	+1
Fifth District	\$33,698,000	+50	\$383,947,000	+22

Note: The minus figure for West Virginia is due to adjustment of data previously reported.

Source: F. W. Dodge Corporation

WHOLESALE TRADE, 207 FIRMS

LINES	Net Sales January 1946 compared with		Stock January 31, 1946 compared with		Ratio Jan. collections to acct's outstand'g Jan. 1
	Jan. 1945	Dec. 1945	Jan. 31 1945	Dec. 31 1945	
Auto Supplies (10)*	+23	-38	+15	0	125
Drugs & Sundries (10)* ..	+21	+8	153
Dry Goods (3)*	+5	+46	116
Electrical Goods (5)*	+17	-3	+17	+1	94
Groceries (76)*	+27	+30	+9	-1	184
Hardware (11)*	+30	+50	+33	-3	109
Industrial Supplies (6)* ..	+50	+72	+14	+14	136
Paper & Products (6)* ..	+12	+59	-10	0	96
Tobacco & Products (8)* ..	+30	+4	+73	-4	176
Miscellaneous (72)*	+28	+20	0	0	150
District Average (207)* ..	+26	+22	+9	0	146

Source: Department of Commerce

*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	% Change Jan. 1946 from Jan. 1945
Maryland (5)*	+46
District of Columbia (6)* ..	+39
Virginia (20)*	+51
West Virginia (10)*	+105
North Carolina (15)*	+34
South Carolina (14)*	+34
District (69)*	+47
Individual Cities	
Baltimore, Maryland (5)*	+46
Washington, D. C. (6)*	+39
Richmond, Va. (7)*	+49
Charleston, W. Va. (3)*	+118
Charlotte, N. C. (3)*	+45
Columbia, S. C. (4)*	+31

* Number of reporting stores

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in January 1946 sales from sales in January 1945:				
+18	+13	+11	+15	+12
Percentage change in stocks on Jan. 31, 1946 from those on Jan. 31, '45:				
+11	-4	+10	+2	+4
Percentage change in outstanding orders Jan. 31, 1946 from Jan. 31, '45:				
+8	+8	+19	+18	+13
Percentage change in receivables Jan. 31, 1946 from Jan. 31, 1945:				
+23	+13	0	+10	+8
Percentage of current receivables as of Jan. 1, 1946 collected in Jan.:				
49	53	48	52	50
Percentage of instalment receivables as of Jan. 1, 1946, collected in Jan.:				
24	29	24	31	26

Maryland	Dist. of Col.	Virginia	W. Va.	No. Carolina	So. Carolina
Percentage change in Jan. '46 sales from those in Jan. '45, by States:					
+13	+11	+12	+19	+13	+5

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

	Dec. 1945	Nov. 1945	Oct. 1945	Dec. 1944	% Change Dec. 1945 from	
					Nov. 45	Dec. 44
Bank Debits	248	237	222	231	+ 5	+ 7
Bituminous Coal Production*.....	132	149	90	118	-11	+ 12
Building Contracts Awarded.....	144	177	206	96	-19	+ 50
Building Permits Issued.....	209	156	160	42	+34	+398
Cigarette Production	148	209	233	155	-29	- 5
Cotton Consumption*	110	131	126	133	-16	- 17
Department Store Sales.....	237r	251r	248	221	- 6	+ 7
Department Store Stocks.....	192	202	196	188	- 5	+ 2
Electric Power Production	202	205	206	209	- 1	- 3
Employment—Mfg. Industries*	117	114	116	138	+ 3	- 15
Furniture Orders	193	176r	208r	209	+10	- 8
Furniture Shipments	214	141	131r	204	+52	+ 5
Furniture Unfilled Orders	650	579	485r	562	+12	+ 16
Life Insurance Sales.....	149r	166r	178r	120	-10	+ 24
Wholesale Trade—Four Lines.....	197	210	197	177	- 6	+ 11
Wholesale Trade—Drugs	250	251	248	223	0	+ 12
Wholesale Trade—Dry Goods	146	133	133	120	+10	+ 22
Wholesale Trade—Groceries	215	234	218	190	- 8	+ 13
Wholesale Trade—Hardware	82	90	84	105	- 9	- 22
Retail Furniture Sales.....	199	212r	193r	167	- 6	+ 19

* Not seasonally adjusted.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Output at factories declined further in January and the early part of February owing to work stoppages. Production and employment in most nonmanufacturing lines, however, continued to advance and the value of retail trade was maintained considerably above last year's level.

INDUSTRIAL PRODUCTION

Wage disputes sharply reduced output in the iron and steel and electrical machinery industries during January and the early part of February. These decreases were offset in part by increased output in most other manufacturing lines and in mining. The Board's index of total industrial production was at a level of 159 per cent of the 1935-39 average in January, as compared with 164 in December.

Steel mill operations, which averaged 83 per cent of capacity in the first three weeks of January, dropped to around 6 per cent during the succeeding four weeks. Since settlement of the wage dispute in the steel industry, output has recovered sharply and during the last week of February operations were scheduled at 59 per cent of capacity.

Activity in machinery industries declined about 5 per cent in January, mainly because of work stoppages in plants of leading electrical equipment producers after January 15. Output of most other types of machinery continued to increase. Activity in the automobile industry rose in January, even though plants of the leading producer remained closed by a labor-management dispute. About twice as many automobiles and trucks were assembled in January as in December. Passenger car assemblies were at an annual rate of 700,000 cars which, however, was only about one-fifth of the 1941 rate.

Lumber production rose considerably in January and there were substantial increases in output of most other building materials from previous low levels. Production gains were also recorded in January at textile and paper mills, at printing and publishing establishments, and in the furniture, tobacco, chemical, and rubber products industries.

Output of minerals rose 5 per cent in January, reflecting large increases in output of anthracite and bituminous coal and a small gain in production of crude petroleum. Coal production in January and the first part of February was at a rate about 8 per cent above a year ago.

EMPLOYMENT

Employment at trade establishments in January showed a much smaller decline than is usual after the Christmas season and employment in most other industries continued to advance. Construction employment in January was double the level in the same month last year, and, following large increases since last autumn, employment in the trade, finance, service, and miscellaneous industries was substantially larger than a year ago. Employment at factories was about one-fifth lower than at the beginning of 1945 as reductions in munitions employment was only partly offset by increases in other employment. Unemployment rose somewhat further by the middle of January to a level of 2,300,000 persons.

DISTRIBUTION

Value of department store sales in January was 15 per cent above last year and in the first half of February the increase was larger. Retail sales at stores selling furniture, building materials, and other durable goods were from 25 to 40 per cent above a year ago in January and the total value of retail trade since the first of the year has been about one-fifth higher than during the same period last year.

Railroad freight traffic was reduced from the middle of January to the middle of February owing mainly to the work stoppage in the steel industry. Shipments of agricultural commodities, coal, and general merchandise, however, remained at high levels.

COMMODITY PRICES

Federal price policies were modified in the middle of

February to permit increases in ceilings made necessary by Federally approved wage-rate advances and sellers now may ask for immediate price relief rather than waiting six months. Accompanying this action steel prices were raised by 8 to 9 per cent. Ceiling prices for a number of other manufactured products, including certain foods, cotton goods, paper, and lumber, have also been increased in recent weeks.

BANK CREDIT

Treasury deposits increased by more than one billion dollars in the five weeks ending February 20, reflecting large Treasury tax receipts, reduced expenditures, and sales of savings bonds and tax savings notes in excess of securities redeemed. Deposits, other than Government

and interbank, showed little change during this period, in contrast to developments in former post-drive periods when funds were shifted rapidly from Treasury balances to accounts of businesses and individuals. Bank loans made for purchasing and carrying Government securities were further reduced, while commercial, industrial, and agricultural loans continued to increase.

Banks continued to increase their holdings of Government securities, purchasing bonds in the market and Treasury certificates from the Federal Reserve Banks. Nonreporting banks drew upon their balances with city correspondents to increase their loans and investments. City banks met this and other drains in part by selling bills to the Reserve Banks.