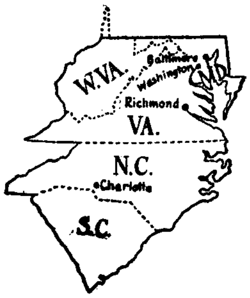
MONTHLY REVIEW

of Financial and Business Conditions



FIFTH FEDERAL RESERVE DISTRICT

Federal Reserve Bank, Richmond 13, Va. *March 31, 1946*

EMPLOYMENT levels in the principle industrial areas, on balance, were little changed in February from those in January. In some areas reduction in Government employment more than offset increases elsewhere, while in other areas offsets occurred. Gains in employment levels are indicated in a number of textile areas and these gains probably will be further augmented as a result of wage increases which are still in progress. Veterans are being rehired in the mining areas, but only gradual expansion in total numbers employed can be anticipated owing to the relatively high average age of present workers and the consequent high rate of retirement. Unemployment is increasing but has not reached significant proportions. In most areas the unemployed are mainly veterans, but a considerable number in some areas are displaced war workers who have returned to their former homes. Considerable shifting from female to male employees has occurred, and hiring specifications have been notably raised. Although strikes in the District have affected directly only a relatively small number of workers the indirect effect of strikes elsewhere has retarded the expansion of employment opportunities.

The housing situation in most industrial areas is very tight and in a number of areas it is critical. Building permits in February rose to the highest level for that month since the peak building year 1925. New residential construction, however, is still of small significance as a factor in easing the housing shortage since few of the structures can be completed for occupancy.

There appears to be no lack of purchasing power in the area as is indicated by department store sales, wholesale trade, and life insurance policies written. Department store sales in February were 19 per cent higher than in that month of 1945 compared with a January increase over a year ago of 12 per cent. Four major lines of wholesale trade sales were 26 per cent higher in February than a year ago compared with a year to year increase in January of 23 per cent. Life insurance sales in January were 46 per cent higher than a year ago and the February rise was 49 per cent.

Average daily cotton consumption in February in the District rose 1 per cent from January and still shows evidence of being in a rising trend. Higher prices on several types of cotton constructions have been authorized and the labor supply has been slowly rising. Even though increased prices did not take into account the increase of wages in progress it is probable that there will be some increase in the output of cotton goods in the aggregate, owing to expected increases in the numbers employed.

It is unusual to see a consuming industry trying to increase its costs by supporting a rise in its supplies' prices, but that is what has happened in the furniture industry. The supply of hardwood lumber for furniture manufacture is in such short supply that spokesmen for the furniture industry have advocated a rise in hardwood prices in an attempt to secure increased supplies. The consensus of trade opinion indicates that shortages of lumber will retard the production of furniture for several months ahead.

Average daily bituminous coal output rose 4 per cent from January to February and 2 per cent from February 1945 to February 1946. The miners' contract with the operators expires at the end of March, and as this goes to

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DICTRICT

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

	Feb. 1946	Jan. 1946	Dec. 1945	Feb. 1945	% Change Feb. 1946 from Jan. 46	% Change Feb. 1946 from Feb. 45
Bank Debits	250	228	248	221	+ 10	+ 13
Bituminous Coal Production*	148	142	132	145	+ 4	+ 2
Building Contracts Awarded	260	171r	144	76	+ 52	+242
Building Permits Issued	215	185	209	25	+ 16	+760
Cotton Consumption*	137	135	110	149	+ 1	— 8
Department Store Sales	283	262	237	238	+ 8	+ 19
Department Store Stocks	198	207	192	191	— 4	+ 4
Furniture Sales—Retail	219	229r	199	145	— 4	+ 51
Wholesale Trade—Four Lines	239	243	197	189	— 2	+ 26

*Not seasonally adjusted.

press no agreement has been reached on a new contract. The demand for coal is in excess of current production, partly because consumers have been stocking coal, and should work stoppages occur the supply-demand relationship will be further aggravated. Although of no short-run consequence, coal in many areas is now priced higher than fuel oil and this spread will likely be widened if wages are increased and the increase is passed on to the price of coal.

Cigarette withdrawals from bonded warehouses in the Fifth District for domestic consumption in both January and February were the largest percentages of the national total ever experienced. This would seem to indicate that the largest cigarette manufacturing companies, which are located in this District, had encroached on the markets of the smaller concerns, which are mostly outside this District, as a result of "brand" preferences developed in the past two years when smokers were forced to smoke any "brand" available. Although January and February cigarette withdrawals for domestic consumption in the nation were somewhat under the October peak they indicate little relaxation in the rate of consumption, and make it probable that the demand for flue-cured tobacco will remain at or near peak levels.

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	171r	144	177	103	+ 19	+ 66
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	192r	195r	196r	+ 8	+ 6
Electric Power Production	208	201	205	215r	+ 3	— 3
Employment—Mfg. Industries*	118	117	114	137	+ 1	— 14
Furniture Orders	224	193	176r	206	+ 16	+ 9
Furniture Shipments	244	214	141	199	+ 14	+ 23
Furniture Unfilled Orders	488	650	579	465	— 25	+ 5
Furniture Sales—Retail	229r	199	212r	157	+ 15	+ 46
Life Insurance Sales	201	149r	166r	138r	+ 35	+ 46
Wholesale Trade—Four Lines	243	197	210	198	+ 23	+ 23
Wholesale Trade—Drugs	246	250	251	216	— 2	+ 14
Wholesale Trade—Dry Goods	227	146	133	252	+ 55	— 10
Wholesale Trade—Groceries	268	215	234	208	+ 25	+ 29
Wholesale Trade—Hardware	104	82	90	97	+ 27	+ 7

*Not seasonally adjusted.

The Economic Aspects of the British Loan

The British people are confronted with a problem that is vital to their well-being and one which will have a paramount influence on shaping future economic patterns of other nations. The manner of its solution will affect the future United States economic policy, and may even be the embryo in the evolution of war or peace in the years to come. The problem can be solved in one of two practical ways: (a) the maintenance of the present trade restricting currency systems or (b) the extension by the United States of a loan to the United Kingdom and the gaining for the world of concessions necessary to multilateral foreign trade. One of these solutions can be of enormous long-run benefit to the United States and to the rest of the world, while the other can result in economic warfare which has been so often the forerunner of military warfare throughout the history of the world.

The United Kingdom supports a population of nearly 48 million people, on 94 thousand square miles of land area which contains few of the raw materials necessary to support an industrial nation. The tillable area of these 94 thousand square miles, which over-all is somewhat smaller than the State of Oregon, would come no way near supporting 48 million people, even on a starvation basis. The British people therefore must support themselves, i.e., secure foodstuffs and raw materials from overseas, by exporting their labor in the form of manufactured products, by extending their services mainly in the form of shipping, insurance and banking, and by utilizing the income they receive from overseas investments to import goods. They are furthermore faced with an immediate necessity of rebuilding their homes and factories, destroyed by war. This brings us to the problem now confronting the British people.

The British Problem

The British problem is that of maintaining a standard of living, not better than they have known before and maybe not as good as that before the war, but something well above the low levels they endured during the six years of war when living essentials were in extremely meager supply.

Prior to the recent war, the British people were able to import products for consumption and for fabrication and still maintain a reasonable balance in their international receipts and payments. In the fifteen years from 1924 through 1938 (excluding 1933) the United Kingdom had a net average yearly favorable balance of payments of $67 million, although in the relatively depressed years immediately prior to the war (1936-38) it had an average yearly unfavorable balance of payments of $217 million. With the advent of the war, however, the balance of payments of the United Kingdom became overwhelmingly unfavorable, and from September, 1939, through June, 1945, this adverse balance had accumulated to $16,915 million and probably was over $18 billion by the end of 1945.

The question naturally arises as to how the international economic position of the United Kingdom got that way. The answer is simply that imports for civilian consumption and for fabrication into war materials had to continue during the war, while exports, which were the chief means of paying for the imports, were cut in volume 70 per cent from the pre-war level by 1944. This was a result of the conversion of export industries to the production of war materials. Furthermore, imports for consumption in this period fell 37 per cent in volume, including non-military lend-lease and mutual aid materials, whereas imports necessary to feed the war machine and not covered by lend-lease were greatly expanded. Efforts were made to offset losses in foreign exchange receipts by the sale of a substantial amount of overseas investments, but the income from these investments was also an important means of paying for necessary imports and the sales reduced this type of foreign exchange and further complicated the exchange problem, both on current account and for future years.

In the three years prior to the war, 1936-38, merchandise imports and net Government payments abroad averaged $4,304 million, of which imports accounted for 99 per cent. The manner in which payment was made for this $4,304 million is summarized in the accompanying balance sheet. It shows that exports, investments and shipping income accounted for 90 per cent of the total sources of foreign exchange receipts.

AVERAGE ANNUAL BALANCE OF PAYMENTS OF THE UNITED KINGDOM ON CURRENT ACCOUNT, 1936-1938

(million dollars)

Requirements for Foreign Exchange	Amt.	%	Foreign Exchange Receipts	Amt.	%
Merchandise imports	4,269	99	Merchandise exports	2,352	55
Net Gov't payments abroad	7	1	Net investment income	1,001	23
			Net shipping income	517	12
			Net commissions, ins., etc.	217	5
			Deficit (covered by export of bullion and capital transactions	217	5
Total	4,304	100		4,304	100

During the war period $4.5 billion of British overseas investments were sold, and others were destroyed. Foreign exchange derived from overseas investments in 1945 was estimated at $391 million, compared with an average of $1,001 million in the 1936-1938 period and with an average of $1,214 million in the five years ending in 1929. Expressed in terms of imports, investment income in 1945 contributed foreign exchange sufficient to purchase 9 per cent of that year's low quantity of imports for consumption, compared with 23 per cent in the years 1936-1938.

Exports of domestic produce, which gave the United Kingdom 55 per cent of her foreign exchange receipts in the 1936-1938 period, declined in volume to only 29 per cent of the 1938 level in 1943, but recovered to approximately 44 per cent of the 1938 level by 1945. Owing to a substantial rise in prices, however, the value of exports declined 32 per cent from 1938 to 1944 and was estimated at $1,556 million in 1945, compared with $2,303 million in 1938. Export prices, however, did not rise quite as much as import prices, and exports are more significant when expressed in terms of imports for consumption. In 1938 exports supplied the exchange to pay for 54 per cent of the imports, whereas in 1945 exports contributed only 36.5 per cent of exchange toward import payments.

Foreign exchange receipts of the United Kingdom derived by shipping, insurance, banking and other services fell during the war period as a result of decreased trade volume and from large losses in merchant ship tonnage.

Even though merchant tonnage decreased by nearly 30 per cent, and caused war-time decreases in foreign exchange receipts, higher shipping rates may improve this contribution to exchange receipts as trade levels rise.

In summary, the British people have reduced their gold holdings and foreign balances to a level not far above a minimum working balance and have lost permanently a large share of their overseas investments. Income from such investments as were still held in 1945 would pay for only a third of the value and a fourth of the quantity of imports bought before the war. Foreign exchange arising from exports and services is at an extremely low level relative to import requirements. Foreign exchange from exports and services can be expanded by a rise in trade levels, but the imports must precede the exports by a considerable period of time, while export outlets must again be developed. A means of financing these imports in the necessary volume is a pressing problem at the present time. The permanent loss of overseas investment income, furthermore, contributes that much less foreign exchange with which to buy imports, and this means that if the British pre-war living standard is to be maintained, a permanently higher level of exports sufficient to offset the loss in investment income will have to prevail in future years.

Blocked Sterling, Payments Agreements, and the Sterling Dollar Pool

The inability of the United Kingdom to make payment for its war-time imports not covered by lend-lease, and to maintain its armies in the many theatres of war, necessitated the adoption of currency arrangements inimical in peace-time to the development of a free flow of international trade on a multilateral basis. These arrangements include the blocking of sterling balances, the formation of a sterling area dollar pool, and payments agreements with countries outside the sterling area.

The bulk of British overseas purchases for consumption and overseas expenditures in maintaining armies was made in those countries termed "the sterling area," and since the British were unable by the export of gold or adequate sale of overseas investments to make payment for these goods, an amount of $13 billion of balances owned by countries in the sterling area and payments agreements countries has been built up and is held in London.

Sterling area countries include: the British Commonwealth and Dominions (except Canada); all other parts of His Britannic Majesty's dominions, including colonies and protectorates, and the independent countries of Egypt, Iraq, Iceland, and the Faroe Islands. These countries do much of their business with the United Kingdom and keep most of their reserves in London in the form of sterling balances. Before the war these sterling balances could be used to buy goods anywhere in the world, since they were freely convertible into the currencies of any other country. During the war, and at the present time, these balances are "blocked" and can only be used to purchase goods in the sterling area except by permission from the British Government. While this arrangement was essential in war-time, its continuance in peace-time is contrary to the promotion of free international trade, in that any country in the sterling area would have to buy within the area in order to utilize its balance in London.

The United Kingdom and other sterling area countries also had to buy goods outside the sterling area during the war, which had to be paid for in dollars chiefly in the United States and Canada. In order that the purchases would be of the most essential character in the prosecution of war, a dollar pool was formed wherein all the dollar exchange created by purchases or payments made in sterling area countries was pooled and allocated for use in London. This, too, was a war-time necessity, but again it constitutes a serious peace-time impediment to trade between sterling area countries and the rest of the world. British allocation of the use of dollar exchange would, in all probability, be used for purchases of raw materials in countries outside the sterling area, while the countries in the area would have little dollar exchange with which to buy manufactured products outside the area.

The United Kingdom also had to buy goods from still other countries than those of the sterling and dollar areas, and being unable to pay for the goods with exports, gold, or the sale of overseas investments, bilateral agreements were arranged whereby payment was made in sterling. The sterling could be used to buy goods in the sterling area, but any sterling balances not used to buy goods within that area had to be kept idle. Countries with which the United Kingdom had payments agreements in 1945 include seven South American countries and eleven European countries, and these, together with those of the sterling area, account for 37 per cent of the world's population. These bilateral agreements have the same restraining effect on world trade as in the case of the dollar pool, in that the imports of any country tied up in these agreements must necessarily come largely from those countries where its exports are sent. This is because of the inconvertibility of the exchange created by exports.

The Effect on World Trade

The countries of the sterling area in the three years, 1936-1938, accounted for 29 per cent of the world's import trade and 24 per cent of the export trade, while the countries with which the United Kingdom has payments agreements in the same period accounted for 26 per cent of the world's imports and 25 per cent of the exports. Together they accounted for 55 per cent of the world's imports and 49 per cent of the exports. The sterling area and payments agreements countries are nearly as important to the United States' foreign trade as to that of the world. In 1936-1938 these countries took 49 per cent of our exports and were the source of 49 per cent of our imports.

The trade importance of the sterling area countries and those countries with which the United Kingdom has payments agreements makes it absolutely essential that these countries be placed in a position to trade freely among themselves as well as with the rest of the world, if a high level of foreign trade is to be developed in the years to come. The development of a high level of world trade is a necessary step to the achievement of economic well-being of every nation of the world, and the most satisfactory manner of attaining national economic objectives.

In the opening paragraph it was stated that one solution to the British problem could be of enormous benefit to the United States and to the rest of the world, whereas the other solution would lead to economic warfare, which so often has been the forerunner of military warfare.

The beneficial solution is the one which permits the United Kingdom access to the necessary foreign exchange to bridge over her transition period from a war economy to a peace-time economy. This, according to the negotiating experts, is accomplished in the British loan of $3 3/4 billion, for with the loan the United Kingdom will be able, and has agreed, to remove the currency restrictions which grew up during the war, within a period of one year from the date of ratification by Congress. Some British opinion has been fearful of removing these restrictions in such a short time. They are somewhat apprehensive that the size of the loan may not provide sufficient exchange to tide them over their critical period.

The alternative solution to the British problem is a maintenance of present currency and trade restrictions. Maintenance is probably an inaccurate statement, for owing to the eminent trade position of the sterling area, present controls would probably not be maintained but expanded as well as extended to areas not now covered. Many countries in the sterling area would have difficulty in breaking away from the area for the reason that these countries would have no other export markets that could assure the absorption of their surpluses. The British problem solved or evaded by acceptance of existing arrangements would exclude the United States exports from a large part of the world market, except for such products as could not be produced in the sterling area, and to the extent of our purchases in the area. The United States furthermore would find it a difficult task to organize a rival trading area, since we cannot absorb the surplus production of many countries outside the sterling area payments agreements countries, the products of these countries in most instances being complementary to our own raw materials production.

The United States' Stake in Foreign Trade

It would be a mistake to assume that our interest in the British loan is limited to the amount of trade to be evolved from the expenditure of the better portion of the funds in our domestic market. If this were the case, no particular interest or concern would need to be expressed one way or the other on its extension. In fact, during the period in which the proceeds of the loan would be expended such expenditures would add that much inflationary fuel to our economy. It is true, however, that this is unimportant, for the entire amount of the loan is small in relation to our total national expenditures and furthermore its force in any given year would be even smaller because the proceeds of the loan would be spent over a period of years when United States production will undoubtedly be rising. The amount of inflation created by the expenditure of the British loan proceeds would be of smaller long--run consequences to us than if the loan and, in turn, the agreements failed of adoption.

The present is a point in time on the world economic curve that mathematicians would call a "critical point." It is a point of change where the direction of future trends can be determined in one way or another by ratifying or rejecting the British loan. Either the world will develop on a reasonably free trade basis or it will accelerate the trend toward a national self-sufficiency basis. There is no set of factors which would work toward a maintenance of a middle-ground position. The consequences of war have set the stage for an acceleration of the national self-sufficiency trend. The acceptance or rejection of the agreements accompany the British loan, which admittedly will not solve all the problems of world trade, will determine the direction the nations of the world will take in trading with each other.

The United States' interest in the solution of these problems is substantial. As is true of other nations of the world, we are concerned with the gains that are to be realized from international specialization of labor and production facilities. Our economy has been geared to such specialized activity, and failure to maintain a high level of foreign trade in the post-war world will add to the problems confronting us concerning the utilization of our greatly augmented productive capacity. Beyond this, however, we have additional concern for international economic relations. As the principal creditor nation of the world, it is apparent that the only device by which our investments may be serviced is the medium of foreign trade. Indeed, if we expect returns from investments, it is incumbent upon us to assist in setting up the means by which payment may be made and by freeing trade channels of restrictions.

World War I brought about the change from debtor-to creditor-nation status, but did not bring the sense of responsibility that should have gone with it. Accordingly, our policies of the post-war decade did nothing to strike at the basic causes of the worldwide disequilibrium; instead, private loans were made for non-productive purposes on a haphazard basis, resulting in further maladjustments, defaulted obligations, and finally even more restrictive trade and monetary policies. The 30's brought the peacetime heights of the latter policies, followed then by attempts on our part to reduce trade barriers through negotiated trade agreements. The war interrupted this program but did not remove the reasons for continuing it; to the contrary, these reasons were intensified since our creditor position became more pronounced.

Further, to a country that is the principal exponent of freedom of enterprise and private ownership, trade and currency restrictions are by their very nature unduly burdensome. State trading agencies and bilateral trade agreements are not compatible with a system of free enterprise; rather they are conducive to the imposition of domestic restrictions that are inimical to the American way of life. The United States' added stake in multilateral foreign trade then is essentially the maintenance of the capitalistic system of freedom of individual decision and action.

If the British loan is not granted, there is but little doubt that the present systems of economic blocks and trading areas will be continued. This would make necessary the establishment of similar arrangements on the part of this country, but the importance of sterling area and payments agreements countries in our pre-war trade was sufficient to indicate that little hope could be entertained that a competing bloc could successfully fulfill the essential economic functions of foreign trade. The accompanying table shows the importance in 1937 of our exports to sterling areas and payments agreements countries.

PERCENT OF U. S. EXPORTS BY COMMODITIES—1937

	Sterling Area	Payments Agreements Countries	Both Areas
Tobacco, unmanufactured	76.6	11.4	88.0
Meat products	67.1	6.1	73.2
Fruits and nuts	43.7	26.0	69.7
Sawmill products	43.0	21.2	64.2
Agricultural machinery	30.3	28.2	58.5
Wood manufactures	29.7	21.8	51.5
Raw cotton	26.8	22.4	49.2
Electrical machinery	26.3	26.2	52.5
Autos, parts & accessories	23.6	36.5	60.1
Chemicals & products	21.6	22.7	44.3
Grains & preparations	21.5	30.5	52.0
Iron & steel, advanced mfrs.	19.8	17.8	37.6
Petroleum products	19.7	25.9	45.6
Paper manufactures	18.4	15.1	33.5
Iron & steel, semi-mfrs.	16.5	16.1	32.6
Steel mill mfrs.	12.5	18.7	31.2
Total U. S. exports	26.7	22.6	49.3

Source: Foreign Commerce & Navigation, Dept. of Commerce.

The Loan

Negotiations between representatives of the United States and British Governments last summer resulted in an agreement which was released to the press on December 6, 1945. This agreement, subject to the approval of the British Parliament and the United States Congress, called for the extension by the United States to the United Kingdom of a line of credit of $3 3/4 billion which may be drawn upon at any time after ratification by Congress. The Financial Agreement was approved by the British House of Commons on December 13, 1945, and by the House of Lords on December 18, 1945.

The purpose of the loan is to bridge over the transition period of the United Kingdom from a war economy to a peace economy: by facilitating its overseas purchases of goods and services here and meeting post-war balance of payments deficits; by helping to maintain its reserves of gold and dollar exchange, and to assist it in assuming the obligations of multilateral trade.

The amount of the loan utilized by December 31, 1951, shall be repaid in 50 annual instalments beginning on December 31, 1951, with interest to start the next day at 2 per cent per annum, computed on the unpaid balance at the beginning of each year thereafter. Forty-nine annual instalments of principal repayments and interest shall be equal, calculated at the rate of $31,823 thousand for each billion dollars of the line of credit drawn by December 31, 1951, and the fiftieth annual instalment shall be at the rate of $31,840,736.65 for each billion dollars. Each instalment shall consist of the full amount of the interest due and the remainder of the instalment shall be the principal to be repaid in that year. The United Kingdom has the privilege of repaying the loan faster than required under the above terms.

In any year in which the United Kingdom requests the Government of the United States to waive the amount of interest due on the instalment of that year the Government of the United States will grant the waiver if:

a. the Government of the United Kingdom finds that a waiver is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves; and

b. the International Monetary Fund certifies that the income of the United Kingdom from home-produced exports plus its net income from invisible current transactions in its balance of payments was on the average over the five preceding years less than the average annual amount of United Kingdom imports during 1936-1938, fixed at £866 million, as such figure may be adjusted for changes in the price level of these imports. Any amount in excess of £43,750,000 released or paid in any year on account of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks before the effective date of this agreement shall be regarded as a capital transaction and therefore shall not be included in the above calculation of net income from invisible current transactions for that year. If waiver is requested for an interest payment prior to that due in 1955, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made.

Amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of the agreement will not be made available from the proceeds of the loan. The Government of the United Kingdom agrees not to arrange any long-term loans within the British Commonwealth between December 6, 1945, and December 31, 1951, on better terms to the lender than those given in this loan. The British Government further agrees not to request waiver of interest in any year unless the payments releases on aggregate pre-agreement sterling balances are reduced proportionately and unless interest payments on any loans which may be made within the British Commonwealth between December 6, 1945, and December 31, 1951, are also waived.

British Agreements Affecting Foreign Trade

The important provisions in the Financial Agreement are not those dealing with the terms of the loan and its manner of repayment. The important provisions, as regards the future of world trade, are those concerning the impeding factors which the United Kingdom agreed to eliminate if the loan is approved. It is true, however, that the amount of money involved in the loan makes it possible for the United Kingdom to make this agreement; otherwise, it could not be done. Furthermore, the amount of the loan will facilitate the participation of the United Kingdom in the Bretton Woods Agreements, designed to give foreign currencies that convertibility necessary to a high level of foreign trade.

The provisions of the Financial Agreement were well summarized in the Secretary of the Treasury's statement before the Senate Banking and Currency Committee on March 5, as follows:

1. Exports of goods and services from the United States to England will be paid for in dollars, or if they are paid in pounds, the sterling can be converted into dollars. This is particularly important to the American companies which in the past have experienced considerable difficulty in getting their earnings out of England. They will now be able to get dollars. That means, for all practical purposes, American business men can be just as sure of payment for their current claims in England as they were before the war.

2. Within a year, unless in exceptional cases the United States agrees to a later date, England will make all sterling arising from current trade convertible. England will thus return to the free use of sterling in international trade that she permitted before the war. For example, if Mexico and Egypt export goods to

England they will be able to use the money they get to buy goods in any country. That means they could convert the sterling into dollars and buy goods in the United States.

3. Within a year, unless in exceptional cases the United States agrees to a later date, England will dissolve the sterling area dollar pool. Each country in the sterling area will again have complete freedom to use its dollars as it wishes. For example, the money India gets for its exports to the United States and Latin America could be spent here without getting an allocation of dollars from England. That means India could use the dollars she gets to buy American machinery instead of being forced to buy English machinery.

4. The blocked sterling balances will be settled by England and the countries concerned. All payments on these balances now or later will be free for making purchases in any country, including the United States. This large debt will not be used to exclude American products from the sterling area, or to put our exporters at a disadvantage in competition with British exporters. England will not force the countries holding $13,000,000,000 in blocked sterling to buy British instead of American goods.

5. England's import controls will be administered in a manner which does not discriminate against American products. If England finds it necessary to impose a quantitative limitation on her imports this will be applied on an equal basis toward all countries. That means England will not keep out American cotton and tobacco, grains and meats, fruits and nuts, or any of our industrial products, in order to buy these same goods in other countries.

6. Within a year, unless in exceptional cases the United States agrees to a later date, England will impose no restrictions on payments and transfers for ordinary current transactions. In effect, all of the countries that have payments agreements with England will be permitted to use the proceeds of their sales to England, if they wish to buy goods in other countries. They will be allowed to use the sterling they acquire in this way to buy American products on the same basis as they are able to buy British products.

In addition, England has agreed that she will support the American proposal for an International Trade Organization to reduce trade barriers and eliminate trade discriminations. Thus, England gives wholehearted support to our policy of expanded trade, with all countries having access to world markets on fair and equal terms. The adoption of the proposed fair trade practices will complete our program for international economic cooperation. England's support of our proposal assures the success of the United Nations trade conference to be held later this year.

Conclusion

Throughout the entire course of the war much was said and written of the necessity of winning the peace into which an exhausted, war-torn world would joyfully and hopefully enter after vanquishing our brutal enemies. From pulpit and platform and countless pages came the common plea to take cognizance of the primary post-war problem—the reconstruction of the world in such a way as to secure a lasting peace. It was earnestly, and truthfully, emphasized that it was a problem that would brook no delay, that its solution would become progressively more difficult if the United Nations rested upon their laurels in the post-war period and failed to initiate endeavors designed to win the peace.

Now the time has come to implement the hopes of peace that were born of war, to alleviate the distress and suffering and to create the opportunities for the nations of the world to live together peacefully and prosperously. Every dictate of common sense, every tenet of international relations and economics bids us to activate the plans for cooperation that were drawn up even while war was still raging and to complete those plans by forging the further links necessary to reach a permanent state of peace and prosperity.

The Atlantic Charter, Dumbarton Oaks, Bretton Woods, the San Francisco Conference—step by step the United Nations have striven to attain the desired ends, the successful attainment of which is necessary if our lifetime is to be free of another holocaust. In this paper there have been discussed the economic aspects of the financial and commercial agreement between the United States and the United Kingdom which is now before Congress for ratification. It must be clear that the embodied proposals for expansion of world trade and employment and for the removal of restrictions and barriers to international trade complement the agreements reached and ready for operation in the financial sphere. Thus, the proposed commercial agreements constitute an integral facet of the overall international program; as such they should not be considered apart from the latter, in isolation as it were. To build an organization of United Nations and not endow it with the possibilities of success by providing suitable conditions under which it is to act is to defeat the whole purpose; such a handicapped organization would be a travesty on international cooperation and a blight to the hopes of mankind.

Authorities in Great Britain have unambiguously stated the importance of the Financial Agreement to their country—its rejection by the United States would force the withdrawal of the United Kingdom from the Bretton Woods agreements. Without the support of the British, the International Bank and Fund would fall far short of achieving their present aims and objectives. We will not progress far along the road to international peace and well-being if we destroy that which has already been approved.

In transmitting the Financial Agreement to Congress for its approval, President Truman stated that ". . . the agreement now transmitted will set the course of American and British economic relations for many years to come. In so doing it will have a decisive influence on the international trade of the whole world. . . . The implementation of the financial agreement will be a great contribution to the establishment of a permanent state of peace and prosperity. We are all aware of the dangers inherent in unchecked economic rivalry and economic warfare. These dangers can be eliminated by the firm resolution of this nation and the United Kingdom to carry forward the work which has been so well begun."

Indicated Crop Acreages in 1946

Farmers in the Fifth Federal Reserve District are planning to devote almost as much acreage to 12 principal crops as was planted in 1945. However, significant shifts between crops are indicated. Cotton shows the largest contemplated increase (10 per cent) of any crop in the District. A 9 per cent increase is indicated for tobacco, and Irish potatoes are expected to increase 1 per cent. Indicated decreases for the other nine crops are as follows: Corn and tame hay, 1 per cent; sorghum, 2 per cent; peanuts, 4 per cent; sweet potatoes, 5 per cent; oats and cowpeas, 8 per cent; soybeans, 9 per cent; and barley, 14 per cent.

The total acreage in the 12 crops is expected to decline 1 per cent. For the same group of crops the total U. S. acreage is expected to be the same in 1946 as in 1945.

Although it is indicated that the total acreage of tobacco in the Fifth Federal Reserve District will increase 9 per cent, considerable variation between types is in prospect. Flue-cured types show increases in the various states in which they are grown of from 7 to 12 per cent, and the average for all flue-cured in the District is 9 per cent. The indicated increase in Maryland, Type 32, is 28 per cent. This is the largest increase over 1945 of any crop in any state of the District and if it is fully realized, the acreage of Maryland tobacco will be the highest of any year for which annual data are available. The indicated decline in burley acreage ranges from 2 per cent in Virginia to 9 per cent in West Virginia, and averages 5 per cent for the District. The other two types of tobacco grown in the District, Virginia fire-cured, Type 21, and Virginia sun-cured, Type 37, show indicated reductions of 10 per cent and 3 per cent respectively.

Increases in cotton acreage are indicated in each of the three states in the Fifth Federal Reserve District in which cotton is grown. North Carolina shows the smallest percentage gain, 7 per cent; while both Virginia and South Carolina show increases of 12 per cent. In connection with cotton, attention should be called to the fact that the USDA is prohibited by law from including cotton in the list of crops on which farmers' planting intentions are obtained. Consequently, the data used herein for cotton were taken from the private estimate of *The Journal of Commerce*.

The acreage in feed crops is generally less this year than last in the Fifth District, but slightly larger for the entire United States. From 1 to 3 per cent less corn is indicated in each of the states in this District except South Carolina, where the indicated acreage is the same is in 1945. Two per cent more tame hay is indicated in Maryland, the same acreage in Virginia, and from 1 to 2 per cent less is indicated in the other Fifth District states. Like tame hay, oat acreage this year will be larger in Maryland, the same in Virginia, and smaller in the other states. The sharpest reduction is indicated in South Carolina, where adverse weather in the Fall months and delay in getting cotton picked prevented a considerable amount of Fall seeding. Indications are that barley acreage in the different states will be from 5 to 30 per cent smaller this year than last.

Peanut acreage shows a considerable loss of emphasis in the southern part of the District. In Virginia the indicated acreage is the same as that in 1945, but in North Carolina prospects are for a reduction of 4 per cent, and in South Carolina the indications are for a 15 per cent reduction. Reductions in soybean acreage are indicated for each of the states.

Total potato acreage, it is indicated, will show a reduction of 2 per cent. Irish potatoes will increase 5 and 4 per cent respectively in South Carolina and North Carolina, will be the same in Virginia, and will decline in Maryland and West Virginia. Sweet potato acreage, on the other hand, will be the same in Maryland and Virginia, and will decline in the Carolinas.

The report for North Carolina is fairly typical of the reports for the various states in the Fifth District and for the entire United States in its treatment of obstacles with which farmers are confronted this season. According to it, farmers are confronted with problems this year as great as, if not greater than, during the war, and they hesitate to plant as much acreage with these factors facing them. The situation is very uncertain, particularly in the matter of adequacy of the supply of hired farm labor and new machinery for replacements.

In spite of uncertainties over the outlook for the supply of farm labor, the data summarized in the accompanying table reveal that there is a shift from crops with generally low labor requirements to cotton and tobacco, for which the labor requirements are quite heavy. In fact, it is estimated on the basis of average labor requirements per acre that such a cropping program as indicated for this season would require about 50 million more man-hours of labor than the cropping program in 1945. This is equivalent to an increase of about 5 per cent. The cropping pattern in West Virginia calls for 3 per cent less labor. In Virginia there is an increase of less than 1 per cent; in Maryland and North Carolina there are increases of 6 per cent, while in South Carolina an increase of 7 per cent is indicated. Practically all of the indicated increases in labor requirements are in tobacco and cotton. Consequently, the changes in cropping practices from 1945 to 1946 will have the effect of materially increasing the already pronounced peak labor requirements on those tobacco and cotton farms on which the increases occur.

Where there was enough slack in the family labor supply last season, or where there is additional family labor available this season to permit the shift to more labor-intensive crops, there would appear to be little or no increase in risk arising out of the additional emphasis being given the two leading cash crops in the District. However, such reports as are available on the outlook for hired farm labor suggest that there might be a sizeable element of additional risk involved in any widespread shift to crops requiring large amounts of labor where the successful handling of such crops will depend upon the farmers' success in hiring a considerable amount of farm labor. With prices as they are at the present time, the cropping practices indicated for 1946 would tend to result in larger cash incomes than would a repetition of 1945 acreage patterns *if labor is available in adequate amounts as needed*. On the other hand, the inability to obtain labor in adequate amounts as needed could result in many farmers suffering from some loss of income.

Of course, the acreages actually planted to the various crops in this District may turn out to be larger or smaller than those indicated in the accompanying table. Some of the factors which will possibly cause the acreages actually planted in 1946 to be larger or smaller than indicated are weather conditions, price changes, Government programs, supplies of farm machinery and repair parts, and changes in the outlook for supplies of farm labor. It is also realized that some farmers, having found out in this report and in the reports on which this report is based, what farmers generally are planning to do in 1946, may wish to revise their own plans.

Prospective Plantings of Specified Crops in the Fifth Federal Reserve District in 1946 and Percentage Changes From 1945

CROP	Maryland		Virginia		West Virginia		North Carolina		South Carolina		Total Fifth District States	
	Indicated Acreage	Percent Change	Indicated Acreage	Percent Change	Indicated Acreage	Percent Change	Indicated Acreage	Percent Change	Indicated Acreage	Percent Change	Indicated Acreage	Percent Change
	1000 acres	Percent	1000 acres	Percent	1000 acres	Percent	1000 acres	Percent	1000 acres	Percent	1000 acres	Percent
Tobacco[1]												
Flue-cured (Type 11)	....	....	110	+ 7	....	....	315	+10	....	....	425	+ 9
(Type 12)	....	....	....	....	....	....	385	+ 9	....	....	385	+ 9
(Type 13)	....	....	....	....	....	....	92	+ 8	143	+12	235	+10
Total (Types 11-13)	....	....	110	+ 7	....	....	792	+ 9	143	+12	1,045	+ 9
Va. fire-cured (Type 21)	....	....	14	—10	....	....	....	....	....	....	14	—10
Burley (Type 31)	....	....	15	— 2	3	— 9	14	— 7	....	....	32	— 5
Maryland (Type 32)	46	+28	....	....	....	....	....	....	....	....	46	+28
Va. sun-cured (Type 37)	....	....	3	— 3	....	....	....	....	....	....	3	— 3
Total tobacco	46	+28	142	+ 4	3	— 9	806	+ 9	143	+12	1,140	+ 9
Cotton[2]	....	....	28	+12	....	....	605	+ 7	1,122	+12	1,755	+10
Corn, all	456	— 1	1,198	— 3	357	— 2	2,228	— 1	1,426	0	5,665	— 1
Oats[3]	43	+ 5	165	0	84	— 5	396	— 4	652	—13	1,340	— 8
Barley[3]	65	— 8	72	— 5	7	—22	37	—30	10	—16	191	—14
Tame hay	444	+ 2	1,418	0	785	— 1	1,269	— 2	588	— 2	4,504	— 1
Soybeans	75	— 3	149	— 8	26	—19	331	—10	25	—10	606	— 9
Peanuts	....	....	166	0	....	....	320	— 4	46	—15	532	— 4
Cowpeas	3	0	12	—29	1	0	65	—19	316	— 4	397	— 8
Sorghums	....	....	12	+20	2	0	22	— 4	28	— 7	64	— 2
Irish potatoes	19	— 7	69	0	32	— 3	80	+ 4	21	+ 5	221	+ 1
Sweet potatoes	7	0	32	0	....	....	63	— 4	56	—10	158	— 5
Total (12 crops)	1.158	+ 1	3,463	— 1	1,297	— 2	6,222	— 1	4,433	[4]	16,573	— 1

[1]Acreage harvested.
[2]Based on estimates by *The Journal of Commerce* (New York) March 13, 1946.
[3]Includes acreage planted in Fall for harvest in succeeding Spring.
[4]Total acreage decreased 0.2 per cent.

Compiled from Reports of The Crop Reporting Board, USDA, except as noted.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	March 13 1946	Change in Amt. from 2-13-46	Change in Amt. from 3-14-45
Total Gold Reserves	$1,040,729	+ 70,753	+ 14,651
Other Reserves	25,318	— 1,951	+ 11,119
Total Reserves	1,066,047	+ 68,802	+ 25,770
Bills Discounted	4,330	— 1,385	— 3,845
Industrial Advances	39	0	— 80
Gov. Securities, Total	1,384,549	— 49,426	+242,387
Bonds	59,185	— 106	— 13,366
Notes	85,799	— 1,971	+ 17,460
Certificates	421,054	— 70,100	+ 74,310
Bills	818,511	+ 22,751	+163,983
Total Bills & Securities	1,388,918	— 50,811	+238,462
Uncollected Items	161,501	+ 11,460	+ 10,522
Other Assets	45,717	— 4,950	+ 33,231
Total Assets	2,662,183	+ 24,501	+307,985
Fed. Res. Notes in Cir.	$1,684,332	— 7,930	+173,447
Deposits, Total	795,411	+ 6,339	+105,848
Members' Reserves	714,039	+ 5,088	+ 95,161
U. S. Treas. Gen. Acct.	41,427	— 2,312	+ 22,833
Foreign	32,827	— 507	— 16,246
Other Deposits	7,118	+ 4,070	+ 4,100
Def. Availability Items	152,146	+ 25,414	+ 22,145
Other Liabilities	572	+ 21	+ 79
Capital Accounts	29,722	+ 657	+ 6,466
Total Liabilities	2,662,183	+ 24,501	+307,985

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	March 13 1946	Change in Amt. from 2-13-46	Change in Amt. from 3-14-45
Total Loans	$ 404,437	+ 4,482	+106,686
Bus. & Agri. Loans	178,107	+ 2,700	+ 37,141
Real Estate Loans	51,121	+ 1,681	+ 5,158
All Other Loans	175,209	+ 101	+ 64,387
Total Security Holdings	1,853,459	+ 6,999	+215,430
U. S. Treasury Bills	58,469	— 15,773	— 38,744
U. S. Treasury Certificates	440,229	+ 19,531	+104,381
U. S. Treasury Notes	201,325	— 6,810	— 64,513
U. S. Gov. Bonds	1,078,154	+ 8,587	+210,339
Obligations Gov. Guaranteed	149	0	— 13,407
Other Bonds, Stocks & Sec.	75,133	+ 1,464	+ 17,374
Cash Items in Process of Col.	127,383	+ 7,369	+ 21,299
Due from Banks	145,791*	— 16,910	— 5,069
Currency & Coin	41,109	+ 2,376	+ 1,860
Reserve with F. R. Bank	355,697	+ 16,777	+ 38,253
Other Assets	80,931	+ 5,067	+ 12,139
Total Assets	3,008,807	+ 26,160	+390,598
Total Demand Deposits	$2,395,314	+ 15,858	+304,267
Deposits of Individuals	1,358,485	+ 34,085	+131,277
Deposits of U. S. Gov.	505,991	— 7,626	+158,241
Deposits of State & Local Gov.	81,859	+ 45	— 509
Deposits of Banks	421,565*	— 10,178	+ 11,682
Certified & Officers' Checks	27,415	— 468	+ 3,576
Total Time Deposits	367,913	+ 3,954	+ 60,435
Deposits of Individuals	353,942	+ 3,702	+ 60,118
Other Time Deposits	13,971	+ 252	+ 317
Liabilities for Borrowed Money	3,000	— 1,800	— 2,500
All Other Liabilities	104,007	+ 4,648	+ 11,580
Capital Accounts	138,572	+ 3,500	+ 16,816
Total Liabilities	3,008,807	+ 26,160	+390,598

*Net figures, reciprocal balances being eliminated.

COMMERCIAL FAILURES

MONTHS	Number Failures District	Number Failures U. S.	Total Liabilities District	Total Liabilities U. S.
February 1946	2	92	$ 26,000	$2,983,000
January 1946	4	80	27,000	4,372,000
February 1945	1	66	1,000	1,557,000
2 Months 1946	6	172	$ 53,000	$7,355,000
2 Months 1945	5	146	901,000	7,440,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	Feb. 1946	% chg. from Feb. 1945	2 Mos. 1946	% chg. from 2 Mos. 1945
District of Columbia				
Washington	$ 537,525	+ 5	$1,158,165	+ 9
Maryland				
Baltimore	747,664	+ 7	1,554,755	+ 4
Cumberland	15,902	+24	34,136	+26
Frederick	11,985	+ 2	26,466	+14
Hagerstown	17,850	+21	38,498	+24
North Carolina				
Asheville	33,171	+38	71,077	+29
Charlotte	135,343	+16	284,423	+13
Durham	75,635	+45	155,071	+31
Greensboro	47,349	+16	98,568	+23
Kinston	8,927	+38	19,449	+19
Raleigh	56,949	+18	123,699	+18
Wilmington	28,282	— 9	62,197	—14
Wilson	8,616	— 4	21,188	+ 2
Winston-Salem	79,957	+43	169,523	+30
South Carolina				
Charleston	44,054	+18	90,670	+12
Columbia	57,794	+22	121,571	+19
Greenville	45,372	+19	99,963	+24
Spartanburg	30,128	+52	59,266	+33
Virginia				
Charlottesville	21,923	+17	45,939	+18
Danville	17,579	+20	40,599	+ 7
Lynchburg	23,640	+23	52,238	+24
Newport News	21,092	+ 6	45,739	+ 3
Norfolk	129,142	+26	261,166	+11
Portsmouth	15,416	+ 6	32,704	+ 1
Richmond	306,314	0	654,654	— 1
Roanoke	49,037	+25	107,990	+27
West Virginia				
Bluefield	25,594	+17	52,561	+11
Charleston	89,294	+20	183,755	+18
Clarksburg	19,327	+35	42,443	+30
Huntington	36,748	+ 5	79,074	+ 8
Parkersburg	16,549	+ 2	36,493	0
District Totals	$2,754,158	+11	$5,824,040	+ 9

COTTON CONSUMPTION AND ON HAND—BALES

	February 1946	February 1945	Aug. 1 to Feb. 28 1946	Aug. 1 to Feb. 28 1945
Fifth District States:				
Cotton consumed	353,605	384,882	2,488,208	2,803,438
Cotton Growing States:				
Cotton consumed	657,086	690,642	4,556,398	4,997,055
Cotton on hand Feb. 28 in				
consuming establishments	2,056,676	1,983,309		
storage and compresses	9,286,272	12,296,071		
United States:				
Cotton consumed	746,994	781,149	5,154,213	5,651,960
Cotton on hand Feb. 28 in				
consuming establishments	2,373,930	2,277,851		
storage and compresses	9,418,209	12,401,385		
Spindles active, U. S.	21,628,796	22,219,696		

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
February 1946	192,215	145,684	15,706	353,605
January 1946	212,237	162,575	16,855	391,667
February 1945	208,323	156,710	19,849	384,882
2 Months 1946	404,452	308,259	32,561	745,272
2 Months 1945	435,270	329,693	40,351	805,314

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	Feb. 28, 1946	Jan. 31, 1946	Feb. 28, 1945
Total Deposits	$352,324,161	$349,006,460	$304,230,621

BUILDING PERMIT FIGURES

	Total Valuation February 1946	February 1945
Maryland		
Baltimore	$ 3,630,010	$ 182,335
Cumberland	65,400	2,460
Frederick	42,632	6,240
Hagerstown	176,250	10,265
Salisbury	310,209	2,745
Virginia		
Danville	186,320	24,199
Lynchburg	176,008	10,605
Norfolk	215,690	107,085
Petersburg	14,150	0
Portsmouth	263,720	52,410
Richmond	1,323,971	189,170
Roanoke	1,164,344	43,187
West Virginia		
Charleston	200,409	63,318
Clarksburg	83,145	7,455
Huntington	445,135	39,590
North Carolina		
Asheville	83,687	26,835
Charlotte	963,489	115,967
Durham	865,550	20,679
Greensboro	316,389	17,680
High Point	225,390	5,506
Raleigh	297,395	1,600
Rocky Mount	359,800	1,250
Salisbury	124,820	900
Winston-Salem	227,652	73,258
South Carolina		
Charleston	152,713	69,340
Columbia	242,385	15,905
Greenville	45,220	3,645
Spartanburg	121,090	23,310
District of Columbia		
Washington	2,657,140	598,243
District Totals	$14,980,113	$ 1,715,182
2 Months	$25,125,701	$ 5,246,759

CONSTRUCTION CONTRACTS AWARDED

STATES	January 1946	January 1945	% Change
Maryland	$ 7,096,000	$ 5,487,000	+ 29
District of Columbia	3,734,000	2,713,000	+ 38
Virginia	7,527,000	8,573,000	— 12
West Virginia	6,028,000	1,176,000	+413
North Carolina	8,084,000	3,010,000	+169
South Carolina	4,096,000	1,357,000	+202
Fifth District	$36,565,000	$22,316,000	+ 64

Source: F. W. Dodge Corporation

AUCTION TOBACCO MARKETING

STATES	Season Producers' Sales, Lbs. 1945-46	1944-45	Price per hundred 1945-46	1944-45
So. Carolina (Flue-cured)	124,191,116	115,992,147	$43.94	$43.08
No. Carolina (Flue-cured)	773,606,716	720,474,345	44.11	43.30
(Burley)	14,010,639	11,312,031	38.49	48.94
(Total)	787,617,355	731,786,376	44.01	43.39
Virginia (Flue-cured)	137,649,532	124,612,338	44.71	43.36
(Fire-cured)	11,148,045	13,337,015	32.35	24.96
(Burley)	17,968,252	15,858,546	40.13	43.31
(Sun-cured)	2,231,652	3,047,938	33.77	31.48
(Total)	168,997,481	156,855,837	43.26	41.56
District Total, All Types	1,080,805,952	1,004,634,360	43.89	43.07
Total Flue-cured	1,035,447,364	961,078,830	44.17	43.28
Total Fire-cured	11,148,045	13,337,015	32.35	24.96
Total Burley	31,978,891	27,170,577	39.41	45.65
Total Sun-cured	2,231,652	3,047,938	33.77	31.48

TOBACCO MANUFACTURING

	February 1946	% Change from Feb. 1945	2 Mos. 1946	% Change from 2 Mos. '45
Smoking & chewing tobacco (Thousands of lbs.)	14,607	—31	31,653	—30
Cigarettes (Thousands)	23,636,651	+42	48,862,446	+33
Cigars (Thousands)	455,024	+17	923,616	+20
Snuff (Thousands of lbs.)	3,170	—18	6,929	— 9

WHOLESALE TRADE, 218 FIRMS

LINES	Net Sales February 1946 compared with Feb. 1945	Jan. 1946	Stock February 28, 1946 compared with Feb. 28 1945	Jan. 31 1946	Ratio Feb. collections to acc'ts outstand'g Feb. 1
Auto Supplies (10)*	+45	+39	+22	+ 2	187
Drugs (10)*	+17	—11	+11	+ 7	131
Dry Goods (7)*	+ 7	—11	+28	+ 5	108
Electrical Goods (4)*	+23	—15	+14	+ 3	87
Groceries (74)*	+28	—12	+ 9	+ 3	165
Hardware (13)*	+42	— 7	+27	— 2	102
Industrial Supplies (6)*	+ 2	—21	+15	— 2	87
Paper & Products (6)*	+18	— 9	—14	— 9	93
Tobacco & Products (8)*	+27	+ 3	+39	— 5	141
Miscellaneous (80)*	+ 6	— 3	— 7	+ 5	127
District Average (218)*	+18	— 7	+10	+ 2	129

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

FINAL DEPARTMENT STORE FIGURES

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Feb. 1946 sales, compared with sales in Feb. 1945:	+24	+11	+19	+19	+17
Percentage change in 2 mos. sales 1946, compared with 2 mos. in 1945:	+20	+11	+14	+13	+14
Percentage change in stocks on Feb. 28, '46, compared with Feb. 28, '45:	+ 2	— 3	+12	+ 5	+ 4
Percentage change in outstanding orders Feb. 28, '46 from Feb. 28, '45:	+31	+17	+12	+28	+17
Percentage change in receivables Feb. 28, '46 from those on Feb. 28, '45:	+22	+17	+ 5	+12	+12
Percentage of current receivables as of Feb. 1, 1946 collected in Feb.:	51	55	51	58	53
Percentage of instalment receivables as of Feb. 1, 1946, collected in Feb.:	22	29	23	35	25

	Maryland	Dist. of Col.	Virginia	W. Virginia	N. Carolina	S. Carolina
Percentage change in Feb. 1946 sales from Feb. 1945 sales, by states:	+11	+19	+19	+21	+25	+8
Percentage change in 2 mos. 1946 sales from 2 mos. 1945 sales:	+11	+14	+16	+20	+19	+6

RETAIL FURNITURE SALES

STATES	Percentage Changes in February and 2 Mos. 1946 Compared with February 1945	Compared with 2 Months 1945
Maryland (5)*	+46	+46
Dist. of Columbia (7)*	+65	+53
Virginia (24)*	+52	+51
West Virginia (10)*	+51	+74
North Carolina (15)*	+46	+40
South Carolina (13)*	+49	+41
District (74)*	+52	+50
Individual Cities		
Baltimore, Md. (5)*	+46	+46
Washington, D. C. (7)*	+65	+53
Lynchburg, Va. (3)*	+63	+70
Richmond, Va. (7)*	+60	+55
Charleston, W. Va. (3)*	+66	+88
Charlotte, N. C. (4)*	+84	+62
Columbia, S. C. (4)*	+53	+42

*Number of reporting stores.

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Feb. 1946	Feb. 1945	% Change	2 Mos. 1946	2 Mos. 1945	% Change
West Virginia	12,927	12,784	+ 1	26,516	26,526	0
Virginia	1,530	1,612	— 5	3,039	3,362	—10
Maryland	197	133	+48	404	285	+42
Fifth District	14,654	14,529	+ 1	29,957	30,173	— 1
United States	49,960	48,150	+ 4	104,060	100,910	+ 3
% in District	29.3	30.2		28.8	29.9	

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Production and employment at factories declined in February but advanced in the first three weeks of March, reflecting mainly the influence of the steel strike. The value of retail trade reached new record levels. Wholesale prices of a number of commodities increased.

Industrial Production

Output of durable goods declined considerably further in February, while production of nondurable goods and minerals continued to increase. Production of steel, automobiles, and machinery has advanced sharply since the settlement of wage disputes in these industries, and the Board's index of industrial production, which declined from 160 in January to 154 per cent of the 1935-39 average in February, will show a considerable rise in March.

Steel mill operations in February were at an average rate of 19 per cent of capacity as compared with 50 per cent in January. Output at steel mills has increased rapidly since the middle of February, and during the week ending March 23 is scheduled at 89 per cent of capacity—the highest rate since V-J day. In February production of nonferrous metals, machinery, and transportation equipment also declined, reflecting chiefly the direct or indirect effects of work stoppages. Lumber production, after advancing in January, showed little change in February. Plate glass production increased sharply to the highest level since November 1941.

Production of most nondurable goods continued to advance in February, partly reflecting increases in working forces. Output at textile mills rose further and was at a rate slightly above the level of a year ago. Activity in the meat packing industry increased sharply in February following settlement of the wage dispute at major plants and was 20 per cent higher than a year ago. Flour production likewise showed a substantial gain for the month. In March a Federal program was instituted to reduce domestic consumption of wheat in order to increase exports for relief purposes. Output of automobile tires in February rose to the highest rate on record.

Output of coal was maintained at exceptionally high levels in February and early March. Crude petroleum production showed a gain in February, but declined in March.

Employment

Employment continued to advance from the middle of January to the middle of February in most lines of activity except at manufacturing plants closed by industrial disputes. After February 15, with the settlement of the steel strike, there were large increases in employment in the durable goods industries and by the middle of March employment in private nonagricultural establishments is estimated to be about 2½ million larger than last September, after allowing for seasonal changes. Unemployment increased from January to February by about 400,000 to a level of 2,700,000 persons.

Distribution

Department store sales in February, after allowance for seasonal changes, were the largest on record by a considerable margin, and in the first half of March sales continued to show marked increases over a year ago. Total retail trade in February was probably close to one-fourth higher than in the same month last year.

Shipments of most classes of railroad freight increased from the middle of February to the middle of March and almost the same number of cars were being loaded in the first two weeks of March as during the same period last year, when shipments of war products were at peak levels.

Commodity Prices

The general level of wholesale commodity prices advanced one per cent from the middle of February to the middle of March, reflecting increases in most groups of agricultural and industrial products. Since last September wholesale prices have advanced 3.3 per cent, according to the Bureau of Labor Statistics' index. Price control regulations permit manufacturers and distributors to pass on to consumers only part of the recent advances granted in maximum wholesale prices.

Bank Credit

Retirement of 2.8 billion dollars of United States Government obligations during March was reflected in a decline of about the same amount in Treasury balances during the four weeks ending March 20. Holdings of Government securities by both Federal Reserve Banks and member banks declined, accompanying reductions in Treasury deposits at these banks. Deposits, other than those of the Treasury, at member banks showed little change. Member banks required and excess reserves also changed little during the period. Member banks increased their borrowings at the Reserve Banks to over 700 million dollars on March 13, but reduced them somewhat in the following week.

Commercial and industrial loans at member banks in leading cities continued to increase between the middle of February and the middle of March. Loans on Government securities to brokers and dealers fluctuated considerably in connection with the Treasury retirement and refunding operations, while those to others continued to show a slow decline.