

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

August 31, 1946

Improvement in Business Continues

BUSINESS activity in the Fifth District is brisk and is, in the main, rising despite many unsettling factors occasioned by the resumption of price control. Trade levels both at wholesale and retail continued upward during July, and production in most lines was sustained or expanded. Producers' prices were increased on a broad front, but in many instances these increased prices according to trade comments are said to be too low to permit goods to flow freely into distribution channels. As a consequence inventories are accumulating and producers' sales have fallen off. Raw cotton and leaf tobacco prices have risen notably and a continued strong market in both is indicated. Tobacco production in the District estimated as of August 1 was 5 million pounds higher than a month earlier and 122 million pounds larger than last year's harvest. The first cotton crop estimate gives the three states of this District 65,000 bales more than was produced last year. The apple crop in the District, nearly three times larger than last year, is selling at prices lower than would otherwise obtain because of a shortage of sugar at processing plants. Farm land values are still

rising in this area. Although many job openings are not being filled, employment levels are slowly rising. Labor stoppages have been rather numerous but these have not taken much toll from the total production volume of the District. Bank loans of the weekly reporting banks have turned sharply upward since the first week in July, primarily as a result of increases in commercial, industrial and agricultural loans, but total investments, as a result of redemptions of Treasury securities, have declined \$213 million since their peak in March.

RETAIL TRADE: Department store sales on a seasonally adjusted basis continued to rise in July, having gained 1 percent over June and 21 percent over July 1945. Departmental sales reports are not yet available for July, but an indication of the character of store sales can be seen in the June figures. Sales of stores reporting departmental break-downs in June rose 21 percent over the previous year, and of the aggregate dollar increase home furnishings (notably household appliances and furniture) accounted for 51 percent of the total.

Department store sales of the Fifth Federal Reserve

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100 Seasonally Adjusted

| | | | | | % Change | |
|-----------------------------------|--------------|--------------|-------------|--------------|---------------------------|---------|
| | July 1946 | June 1946 | May 1946 | July 1945 | July 1946 from June 46 | July 45 |
| Bank Debits | 259 | 258 | 250 | 221 | 0 | + 17 |
| Bituminous Coal Production* | 147 | 154 | 69 | 134 | — 5 | + 10 |
| Building Contracts Awarded..... | 343 | 364 | 437 | 180 | — 6 | + 91 |
| Building Permits Issued | 184 | 183 | 174 | 86 | + 1 | +114 |
| Cigarette Production | 216 | 229r | 255 | 187 | — 6 | + 16 |
| Cotton Consumption* | 140 | 149 | 152 | 139 | — 6 | + 1 |
| Department Store Sales..... | 307 | 303 | 276 | 253 | + 1 | + 21 |
| Department Store Stocks | 264 | 243 | 233 | 212 | + 9 | + 25 |
| Furniture Sales—Retail | 250 | 269r | 228 | 161 | — 7 | + 55 |
| Life Insurance Sales..... | 297 | 252 | 287 | 170 | + 18 | + 75 |
| Wholesale Trade: | | | | | | |
| Automotive Supplies** | 239 | 286 | 277 | 183 | — 16 | + 31 |
| Drugs | 280 | 269 | 266 | 232 | + 4 | + 21 |
| Dry Goods | 213 | 197 | 155 | 177 | + 8 | + 20 |
| Electrical Goods** | 55 | 43 | 42 | 45 | + 28 | + 22 |
| Groceries | 246 | 235 | 240 | 190 | + 5 | + 29 |
| Hardware | 112 | 104 | 96 | 81 | + 8 | + 38 |
| Industrial Supplies** | 237 | 226 | 188 | 130 | + 5 | + 82 |
| Paper and Its Products**..... | 137 | 136 | 134 | 112 | + 1 | + 22 |
| Tobacco and Its Products**..... | 116 | 113 | 114 | 91 | + 3 | + 27 |

*Not seasonally adjusted

**1938-41=100

District in the first half of 1946 ranked fourth among the 12 Districts in the percentage increase from the 1935-1939 average and was exceeded only by the Dallas, Atlanta, and San Francisco Districts. Since the termination of the Wars, however, the Fifth District's relative position in the nation has fallen notably. In the first half of 1946 with the twelve Federal Reserve Districts ranked according to the percentage increase in department store sales from the first half of 1945, the Fifth District ranked in the eleventh position, with only the Kansas City District showing a smaller percentage gain in this period. The dispersion in the percentage increases from the first half of 1945 to the first half of 1946, however, was not too great. The New York District ranked first with an increase of 35 percent while the Kansas City District ranked twelfth with an increase of 21 percent. In the main there has been a tendency for those Federal Reserve Districts which had ranked low in their sales gains from the 1935-1939 period to improve their positions in the first half of 1946 over the same period a year earlier.

WHOLESALE TRADE: Wholesale trade levels have, in the main, also shown a rising trend. This is particularly marked in industrial supplies, hardware, and electrical goods though the two latter lines are still at low levels. Eight of the nine lines of wholesale sales after seasonal adjustment rose from June to July, and each of the nine lines were 20 percent or more higher than in July 1945. Wholesale sales of automotive supplies declined 17 percent from June to July, but in the latter month these sales were 31 percent above a year ago. It is probable that the decline from June to July was due more to a problem of supply than to a lack of demand.

COTTON TEXTILES: A wider extension of vacations in the cotton textile industry caused our index of cotton consumption to decline by a greater than seasonal proportion from June to July. This, however, is a temporary interruption of a rising trend which is substantiated by a steady increase in the industry's employment.

The resumption of price control in the industry, even though on a flexible basis, will be slow in adjustment to existing cost status, and have a tendency to concentrate selling of goods in a short period of each month and for no farther ahead than 30 days. Mills are at present reported to be holding sales until a price adjustment to cover current cotton and other costs is granted, but there seems to be some question whether the recent wage increase will be taken into account in the new price levels. The strong statistical position of raw cotton has raised the price of the commodity well above a competitive level for synthetic fibers in several important usages. It should be expected, therefore, that synthetics demand would increase as rapidly as facilities can be installed for its production. A recognized trade authority in textiles has predicted that a peak in textile output would be witnessed in the next six months, but that the set-back would be less severe than that which occurred in 1920.

Output of broad woven rayon goods in the second quarter of the current year was at the highest level since the inauguration of the series in 1943, whereas the output of broad woven cotton goods estimated for the second quarter at 2,240 million linen yards was 19 percent below its peak level of 1943. The productive efficiency in the cotton textile industry has been on the decline for several

years; and while it appears that the downtrend may have halted, there is still no evidence that it has again turned upward.

FABRICATED METAL PRODUCTS: A new series of reports compiled by the Bureau of the Census show 180 metal fabricating plants in the Fifth District to have shipped \$60,494,000 of products in May, a gain of 5.2 percent from April. These plants employed 115,061 workers, a gain of 1.6 percent from April. Plants numbering 154 in Maryland and West Virginia and North Carolina showed increases in shipments of fabricated steel products from April to May while 26 plants in Virginia showed decreased shipments in this period. Employment levels were higher in May than April in Maryland and West Virginia plants, but lower in those of Virginia and North Carolina.

BITUMINOUS COAL: Average daily production of bituminous coal in the District's mines in July was 5 percent under June, but was 10 percent ahead of July last year. June production on an average daily basis was at the peak level which was established in March 1943 and again reached in March of 1946. There has been no evidence to indicate an expansion in the number of miners employed in the District. Apparently such new hires among returned veterans are being offset by retirements of older men. The demand outlook for coal is still such as to tax the capacity output of the mines for some time to come. The Department of the Interior which now operates the coal mines, is reported to be negotiating for their return to the operators. There is considerable informed opinion to the effect that large operators will be able to assume the contracts negotiated between the Government and the United Mine Workers, but that the small operators will not be inclined to take back their property.

EMPLOYMENT: Latest available data on employment are mostly for the month of May. Manufacturing employment levels in May were below those a year ago in most of the states of the Fifth District, but in all cases a slow upward trend is indicated. South Carolina employment in manufacturing industries was at a higher level than a year ago, and Maryland and West Virginia manufacturing employment have shown sharp recoveries from their post war low periods. Although shipyard employment is still receding at naval yards, the level at private yards is holding up better than should have been expected. This is due mainly to repair work and not to new ship construction. Aircraft factories in the District have also held a better level of employment than was reasonable to expect some months ago. There is a current demand for more workers in both manufacturing, construction, service industries, and on the farms. A large amount of new plant construction is also projected, and when these facilities can be put in place the demand for labor will be further augmented. This demand is greater than the number currently unemployed and it is apparent that labor efficiency must be increased by installation of labor saving machinery effected in order to make the labor supply fill the requirements.

COTTON: The August 1 crop estimate for the Fifth District points to a cotton crop of 1,171,000 bales or 63,000 bales larger than was harvested in 1945. This crop will be produced on 106,000 fewer acres than in 1945, with the in-

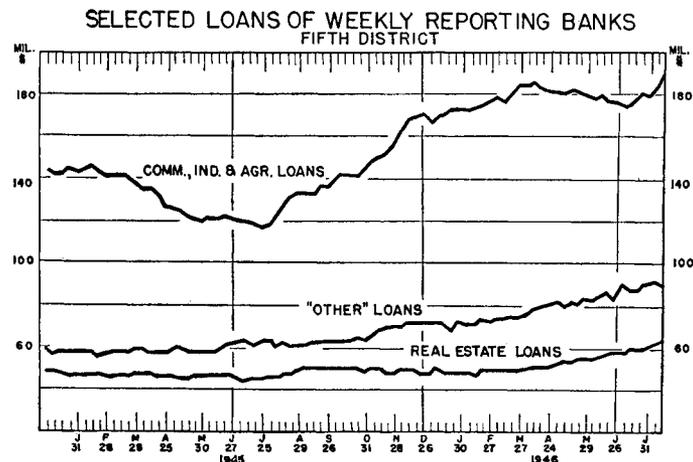
crease in production coming mainly in North Carolina due to an indicated increase in the yield per acre. Although the U. S. crop will probably fall short of domestic consumption, the total supply, production plus carryover will be sufficient to meet requirements for domestic consumption and export. It will probably be necessary, however, either for domestic mills or foreign mills using American cotton to utilize a larger proportion of the lower grades of cotton. The labor supply in general is tight in the Carolinas and the prospect does not indicate that farm labor would be plentiful. The present price for cotton would ordinarily be expected to bring forth a considerable expansion in cotton acreage next year, but with the labor supply unlikely to be materially increased, it is feared that cotton acreage might be expanded at the expense of other crops, thus nullifying long run efforts expended to secure a more balanced agricultural production.

TOBACCO: Flue-cured tobacco output in the District was estimated on August 1, at 1,157 million pounds a gain of 106 million pounds or 10 percent over the 1945 harvest. The increase in estimated production is due to an increase of 12 percent in acreage, as the yield per acre is indicated to be smaller than last year in all belts.

Tobacco prices this season so far have averaged 29 percent higher than the 1945 season's average. The outstanding feature of price changes this season in the absence of price control is a widening of the spread between high and low quality tobaccos. Under price control in past years buyers have been forced to purchase large amounts of low quality tobaccos in order to hold their season's average price below the ceiling. This had raised the poor tobacco prices and held down the good tobacco prices to where the spreads were very narrow. The high prices which were paid for low grade tobacco would have made it difficult to market this tobacco in the export trade. It is a favorable trend for tobacco growers that the prices of low quality tobacco have fallen, thus permitting the re-establishment of a foreign market for this quality, and at the same time working toward the holding in check of foreign acreage expansions. Flue-cured tobacco exports in the first five months of 1946 exceeded the same period of 1945 by nearly 21 million pounds or 9 percent. The Bureau of Agricultural Economics says factors of strength in the export outlook are the British Loan, depleted stocks abroad, and the importance of tobacco as a government revenue producer working toward allocation of adequate exchange for tobacco purchase.

BANK CREDIT: Total loans and investments of the weekly reporting member banks in the District reached their peak of \$2,262 million on March 6, and declined \$214 million to July 3, and then rose \$11 million from there to August 7. Of the decrease of \$214 million from March 6 to July 3, investments accounted for \$208 million and loans \$6 million. The increase of \$11 million from July 3 to August 7 was accounted for by an increase of \$16 million in loans and a further drop of \$5 million in investments. The decline in investments has been due to the Treasury's policy of redeeming certain maturing securities out of its cash balance. Since the

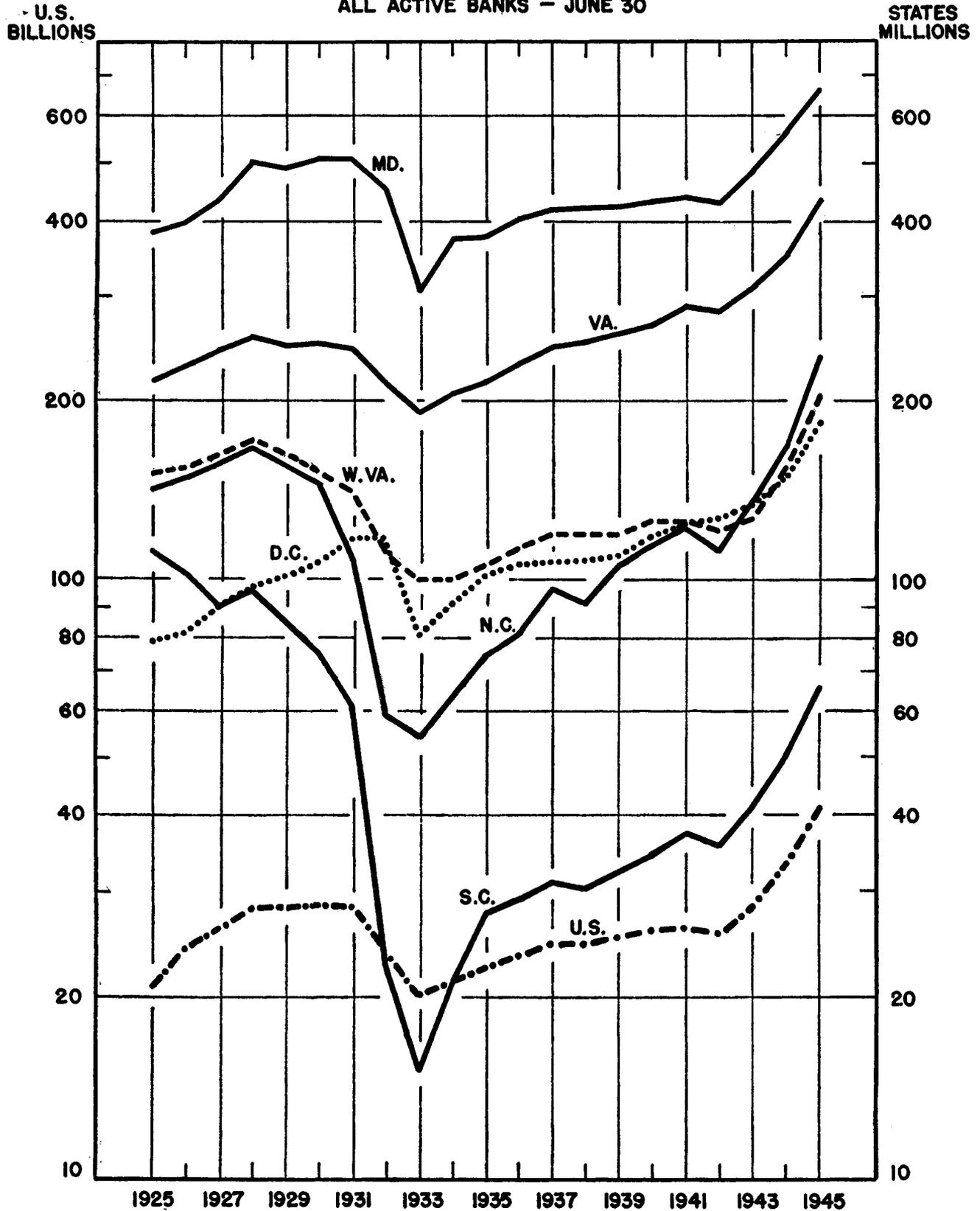
Federal Government is still showing an excess of expenditures over receipts the debt redemption program must be considered of short run duration, depending at what level the cash balance will be maintained. When the cash redemptions cease it is probable that investments of the weekly reporting banks will hold reasonably steady and that the loan volume will likely continue to expand though subject to reactionary seasonal influences in the spring.



The expansion in bank loans, as the accompanying chart shows, has come about in commercial, industrial and agricultural loans, in loans on real estate, and in "Other" loans which are largely personal. Loans to brokers and dealers have maintained a fairly constant level for the past two years, while loans for purchasing or carrying securities to others than brokers and dealers have shown a steady decline since shortly after the Victory loan drive. From July 30, 1945 to April 10, 1946 total loans of the weekly reporting banks rose \$108 million. Of this increase \$93 million was accounted for by commercial, industrial and agricultural loans, loans on real estate and "Other" loans. Loans to others than brokers and dealers rose \$15 million, and a rise of \$3 million in loans to brokers and dealers was offset by a decline of \$3 million in loans to banks. From the 1946 loan peak on April 10, to the low point on July 3, total loans declined \$20 million. Decreases in commercial, agricultural loans of \$12 million in others than brokers and dealers for purchasing or carrying securities of \$21 million and to brokers and dealers of \$2 million, were in part offset by increased loans of \$6 million in real estate and \$9 million in "Other" loans. Although total loans of the weekly reporting banks on August 7 were \$4 million under the April 10 peak, commercial, industrial and agricultural loans were \$2 million above the spring peak and \$14 million above the July 3 low. Loans to others than brokers and dealers for purchasing or carrying securities on August 7, were \$26 million below April 10, and \$5 million below July 3. Loans on real estate on August 7 were \$10 million above April 10 and \$4 million above July 3. "Other" loans (largely personal) on August 7 were \$9 million above April 10 and at the same level as on July 3.

TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS

ALL ACTIVE BANKS - JUNE 30



Savings and Time Deposits

The substantial increase in bank deposits that has taken place in recent years has made its effects felt in time deposits as well as in demand deposits although to a lesser extent in most banks. The relationship of these increased time deposits to the incomes of depositors and their decisions as to expenditures presents a field of study that may prove very profitable to bankers in determining the use to which these deposits should be put. Obviously these uses will be influenced by the expected future level of such deposits and the availability of possible investment outlets; both of these factors will differ for each bank, but a consideration of the general influences operating upon the volume of time deposits may prove of benefit in evaluating the situation of the individual bank.

NATURE OF TIME DEPOSITS

Time deposits may be considered as funds furnished to banks by individuals and businesses for fairly permanent investment by the banks. Depositors sacrifice ready availability of their funds—or at least the legal claim to ready availability—and certain services which are commonly rendered to holders of demand deposits, and in return they receive interest payments at a contractually prescribed rate. The banks find it profitable to make these payments because of the elimination of the demand liability factor and the reduced load of servicing these accounts. The fact that the funds are not subject to immediate withdrawal except with the consent of the bank involved leads to their use for purposes outside the traditional commercial bank credit channels; long-term investments and mortgage loans have become accepted assets to be held against the greater portion of time deposits.

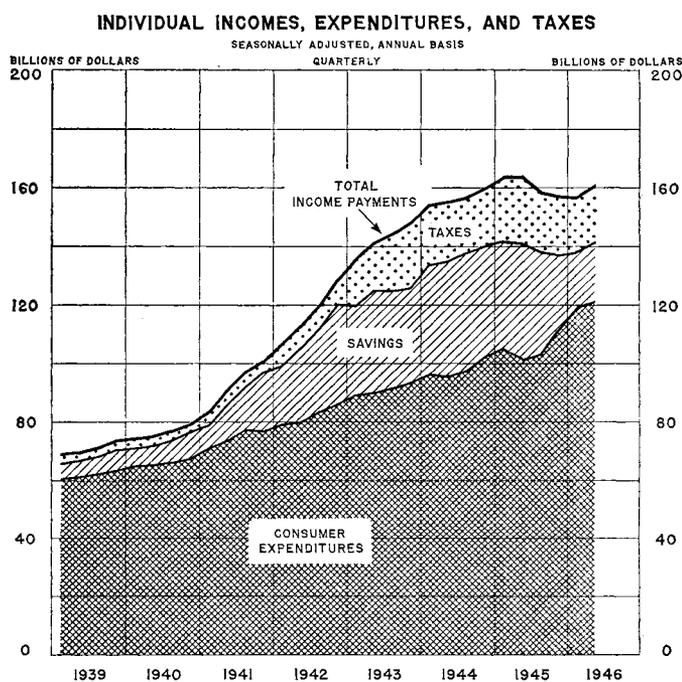
The reasons for individuals' and businesses' holding funds in this form are varied. The savings account depositor is usually pictured as the small wage-earner who is systematically laying aside a portion of his earnings against contingencies defined only vaguely as "a rainy day." In addition to this group, however, there are substantial numbers of depositors who employ time deposits for other purposes. The advent of service charges on demand deposits brought about the increased use of time deposits for transactions purposes where the number of payments to be made by check were small. Well-to-do individuals and businesses, both incorporated and unincorporated, are frequent users of time deposits for employment of funds temporarily not required and funds kept liquid for emergency use. Time deposits have for a long time served the needs of individuals accumulating funds for the purchase of durable goods of large value relative to their incomes, and during the war period the volume of deposits held for such purposes has increased due to the shortage of these goods. Finally, some part of the present volume of time deposits is being held pending the appearance of more attractive investment opportunities; individuals who feel that they have purchased as many U. S. Government obligations as they desire to hold are in some cases holding time deposits until they can obtain more advantageous investment terms.

With such a variety of motives for the holding of these deposits, it is difficult to present generalizations as to their

future volume. It is possible however to analyze more closely the circumstances that have led up to the present volume, and from this analysis to examine in a logical fashion the overall forces as well as the local factors acting upon each bank.

SAVINGS DURING THE WAR PERIOD

The past six years have witnessed a great increase in the income payments of this country, an increase that has been accompanied by higher tax rates but that has still left an increased amount of disposable income to recipients. Of this disposable income, a larger percentage has been saved than was the case in the prewar period; not only have savings kept pace with the increased income but the proportion of income saved has increased. The chart below presents a graphic picture of the changes in income and its distribution among consumption, savings, and taxes.



Department of Commerce estimates. Figures for the first and second quarters of 1946 are preliminary. Amounts indicated as "Savings" represent excess of individual incomes over consumer expenditures and taxes.

The reasons for the increased importance of savings are not difficult to comprehend. While living costs increased during the period, they did not increase so rapidly as did income and, in addition, a great many items that had formerly entered into the expenses of living were no longer available for purchase. A good portion of the additional saving may well be termed involuntary saving, based not upon a conscious desire to save but rather upon the fact that goods were not available for purchase. This resulted then in a substantial increase in savings held in liquid form looking toward the time when durable consumer goods would be available. This increase occurred in currency holdings, in demand and time deposits, and in holdings of U. S. Government bonds.

Savings intended to be of a more permanent nature, at least at the time of the decision to save, have taken the form of more permanent investment. Here again U. S. Government bonds may be included as well as other securities, dwellings, durable goods in limited amount, insurance policies, and the liquidation of debt previously outstanding. Table I presents estimates for individual saving during the years 1940-1946 and the manner in which these savings are held. It may be noted from this that

Table I
GROSS SAVING BY INDIVIDUALS IN THE UNITED STATES*
1940-1946

| | (Billions of Dollars) | | | | | | 1st Quarter 1946 |
|--|-----------------------|-------|-------|-------|-------|-------|------------------------|
| | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | |
| Gross Saving | 15.3 | 24.3 | 38.7 | 45.4 | 48.4 | 46.2 | 5.6 |
| Liquid Saving** | +3.5 | +8.5 | +21.3 | +29.1 | +32.3 | +29.6 | +2.2 |
| Currency and bank deposits | +3.0 | +4.9 | +11.4 | +15.3 | +16.9 | +19.2 | +1.5 |
| Savings & loan associations | +.2 | +.4 | +.3 | +.6 | +.8 | +1.1 | +.2 |
| Insurance & pension reserves | +2.9 | +3.8 | +4.9 | +6.9 | +8.2 | +8.8 | +1.6 |
| Securities: | | | | | | | |
| U. S. Government | +.5 | +3.6 | +9.9 | +13.8 | +15.4 | +10.4 | +.7 |
| Other | -.6 | -.7 | +.1 | 0 | -.5 | -1.2 | -.6 |
| Non-farm dwellings | +1.7 | +2.1 | +1.5 | +1.3 | +.8 | +.7 | +.1 |
| Automobiles and other durable consumer goods | +8.8 | +10.8 | +7.6 | +6.6 | +7.2 | +8.0 | +2.2 |
| Liquidation of debt, not elsewhere classified | -1.1 | -.6 | +2.9 | +1.0 | -.4 | -.8 | -.2 |

*Includes unincorporated business saving of the types specified. Does not include corporate or government saving.

**Total of increase in currency, bank deposits, and holdings of U. S. Government obligations.

Source: Adapted from Securities Exchange Commission release of June 14, 1946.

in every year through 1944 an increasing proportion of savings was held in liquid form, that is to say, was not invested in tangible goods. This trend was reversed in 1945 and estimates for the first quarter of 1946 show that not only has total saving decreased but that the role of liquid assets is becoming less important in new savings.

CHANGES IN LIQUID ASSETS HOLDINGS

Another way of viewing this same question is through the increase in liquid asset holdings that has taken place during the same years. Table II presents data on the estimated liquid asset holdings of individuals and unincorporated businesses and serves to illustrate the growth of these holdings as savers of the period have elected to hold their savings in liquid form. Holdings of each

Table II
ESTIMATED LIQUID ASSET HOLDINGS OF INDIVIDUALS*
(Billions of Dollars)

| | Dec. 1939 | Dec. 1940 | Dec. 1941 | Dec. 1942 | Dec. 1943 | Dec. 1944 | Dec. 1945 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total | 51.8 | 55.3 | 63.5 | 84.5 | 111.6 | 144.5 | 173.3 |
| Currency | 5.1 | 5.9 | 8.1 | 12.3 | 17.1 | 21.7 | 25.0 |
| Demand deposits | 11.1 | 12.5 | 15.2 | 20.7 | 25.2 | 30.0 | 34.1 |
| Time deposits | 25.6 | 26.2 | 26.2 | 27.0 | 31.3 | 38.4 | 47.5 |
| U. S. Gov. securities | 10.0 | 10.7 | 14.0 | 24.5 | 38.0 | 54.4 | 66.7 |

*Includes liquid asset holdings of unincorporated businesses.

Source: Federal Reserve Bulletin, February 1946, p. 123.

form of asset have shown almost consistent gains throughout the period. Of particular significance to banks is the change in the relative position of time deposits in the total of liquid assets. In December 1939 these deposits comprised 49 per cent of the liquid holdings of individuals and unincorporated businesses; by 1944 they had fallen in importance to 27 per cent of the total although showing an absolute increase of 65 per cent. A slight recovery of position occurred in 1945, but the fact remains

that time deposits no longer occupy their former position in the public's inventory of more or less immediately available assets.

There are various reasons for this change. Foremost among them, as is shown in the tabulation, is the greatly increased volume of U. S. Government securities held, the outgrowth of the intensive sales campaigns that were conducted during the war loans drives and the continuous pressure for periodic purchases out of income.

The increase in requirements for absolute liquidity—as represented by demand deposits and holdings of currency—was sufficiently great to cause both of these forms of holdings to outstrip time deposits in their rate of increase: individuals and businesses increased their holdings of demand deposits at a rate that was in excess of what would have been expected on the basis of their new levels of dollar transactions, and individuals increased their currency holdings at yet a greater rate. It is reasonable to believe that a part of this excessive increase was due to the desire to have funds ready for immediate purchase of scarce articles as they returned to the market and that another part represented additional precautionary balances held because of the uncertainty of the war years. If this be true, then it will possibly follow that as reconversion runs its course towards apparent stability and as goods become more abundant, holdings for these purposes will be reduced.

TIME DEPOSITS OF THE FIFTH DISTRICT

The chart on page 4 relates the behavior of time deposits of the banks of the Fifth District states to those of all banks of the country. As may be seen the rate of increase has been greater for the states of the District except Maryland than for the country as a whole during the years of the war; from December 1939 to December 1945, time deposits of all banks in the country increased by 65 per cent, while in these states they increased by 67 to 125 per cent. Maryland showed a rate of increase of 60 per cent during these same years.

The reasons for the greater rate of increase in all but one of the Fifth District states may be traced to the same factors that were operating to increase payments to residents of the states without at the same time increasing the outlets for expenditures by the same amount. It will be noted that North and South Carolina showed the greatest rate of increase, 125 and 106 per cent respectively, and it was in these same states that the rates of increase of income payments were the greatest. The improved price position of agricultural products, expanding industries, and Federal expenditures in excess of receipts served to increase the flow of income payments at a rate above that of the remainder of the country, and the unavailability of many desired consumer products left the income recipients with a substantial excess of receipts over expenditures. Their preferences as to the form of holding these savings resulted in the swollen bank deposits now evident.

Other states of the District showed a more moderate rise in time deposits, resulting from smaller increases in income payments and differences in the desires of savers as to the form in which their savings should be held. Relatively moderate as the increase may be, however, it does represent a substantial increase in the volume of time deposits held by the banks of these states, and it brings to them the problem of the proper use of the funds

involved. The factors bringing about the rise were very much the same in these states as they were in North and South Carolina except that they operated to bring about smaller changes in income payments.

The increase in the time deposits of individual banks was not uniform by any means. Variations might well have been expected due to the differences in emphasis placed upon time deposits by various banks as well as upon the differences in the composition of depositor groups and their shares in the increased income payments and savings. Some banks have taken steps designed to render time deposits less attractive to their customers through decreased interest payments, and banks have encouraged customers to purchase war bonds with their accumulated savings, thereby decreasing time deposits or diverting funds that may otherwise have become time deposits.

A study has been made of the rate of growth of time deposits in 400 member banks of this District from 1939 to 1945; a summary of the results is presented in Table III. It is interesting to note that 96 per cent of the banks showed some increase and that nearly a third of the banks fell within the group showing increases of 50 to 100 per cent. Growth of more than 150 per cent during the six years was limited to approximately one-fifth of the banks.

Table III
INCREASE IN TIME DEPOSITS OF 400 MEMBER BANKS
FIFTH FEDERAL RESERVE DISTRICT

| % Increase Dec. 1939- Dec. 1945 | No. of Banks | | Total Time Deposits Dec. 31, 1945 | Total Deposits Dec. 31, 1945 |
|---------------------------------------|-----------------|-------|---|------------------------------------|
| | No. | % | | |
| Under 0..... | 16 | 4.0 | 4,553 | 47,436 |
| 0 - 50..... | 97 | 24.3 | 236,214 | 1,455,349 |
| 50 - 100..... | 125 | 31.2 | 319,047 | 1,689,441 |
| 100 - 150..... | 80 | 20.0 | 239,177 | 1,170,856 |
| 150 - 200..... | 48 | 12.0 | 126,036 | 489,427 |
| over 200..... | 34 | 8.5 | 111,113 | 583,166 |
| | 400 | 100.0 | 1,036,140 | 5,440,675 |

There appears to be no direct relationship between the rate of growth of time deposits and the size of the bank or the rate of growth of demand deposits; there are numerous cases of both high and low rates of growth of time deposits in banks of all sizes whose demand deposits have increased at varying rates. Whereas the factors operating to increase demand deposits—particularly personal accounts—have also tended to increase time deposits, they have been subject to various modifying factors, as the desire of the bank to increase its time accounts, local pressure for war bond purchases, and local preferences for the different forms of liquid assets.

INTEREST EXPENSE ON TIME DEPOSITS

Of primary concern to bankers has been the increased base for interest computation that has resulted from the growth of time deposits. The downward trend of inter-

Table IV
INTEREST PAID ON TIME DEPOSITS AS A PERCENTAGE
OF TIME DEPOSITS

Member Banks of Fifth District
(Averages of operating ratios of banks)

| Deposit Classification In Millions of Dollars | Under 1 | 1-2 | 2-5 | 5-50 | Over 50 | All Banks |
|--|---------|-----|-----|---------------|---------|--------------|
| 1939 | 2.1 | 2.0 | 1.8 | 1.5 | | 1.9 |
| 1940 | 2.0 | 2.0 | 1.8 | 1.4 | | 1.8 |
| 1941 | 1.9 | 1.8 | 1.7 | 1.3 | 1.0 | 1.8 |
| 1942 | 1.8 | 1.7 | 1.4 | 1.2 | .9 | 1.6 |
| 1943 | 1.3 | 1.3 | 1.1 | .9 | .8 | 1.2 |
| 1944 | 1.1 | 1.1 | 1.1 | .9 | .8 | 1.0 |
| 1945 | 1.0 | 1.1 | 1.0 | .9 | .8 | 1.0 |

est rates on loans and yields on investments has resulted in a downward pressure on time deposit interest rates. Table IV shows the interest payments on time deposits as a percentage of average time deposits, the percentage for each group being an average of the percentages of individual banks within the group.

There are two significant facts to be derived from this table. First, that there has been a steadily downward trend in the effective rate of interest paid on time deposits and second, that larger banks have consistently shown interest expense as a smaller percentage of time deposits than have smaller banks.

The decrease for all banks has come about as the result of the steps taken by banks to reduce contractual rates in accordance with the decreased rate of return being obtained upon investments and to limit the size of time deposit accounts through decreasing or eliminating interest payments on deposits of more than a specified amount. In general, larger banks have been consistently more successful in keeping down the interest expense of time deposits than have smaller banks. This fact has been due principally to the leadership taken by the larger banks in reducing the rates offered on time deposits and upon the larger proportion of their time deposits that are held in accounts above the size at which the full rate is paid. The willingness of large depositors to leave their funds in time accounts at nominal or zero interest rates is an interesting commentary upon their motives for using these accounts; apparently the rate of return is not a major factor in their decision as to the form in which to keep these funds.

PROSPECTS FOR TIME DEPOSITS

There are two major considerations involved in the future level of time deposits: gross saving and form of holding savings. As to the first of these, the war years saw an increase in the proportion of income saved by its recipients. It is unlikely that this proportion will be maintained in the future; indeed, evidence of change is already available. Table I shows that saving for the first quarter of 1946 decreased far out of proportion to the decrease in income payments occurring after the cessation of hostilities. During the same period, retail sales of consumer goods soared to new highs. The public had definitely revised its collective concepts as to what portion of income was to be saved, and it is inevitable that yet more revisions will occur before any reasonably stable peacetime relation of savings to income will be established.

Once such a relation is established, it will be a reasonably stable factor only for a given level of income; changes in the income level will undoubtedly bring about a change in the proportion saved. It appears therefore that the volume of income payments will play a dual role in determining the amount of savings in that the level of payments will in large measure determine the proportion to be saved and will serve as the base against which that proportion will be applied.

The form of holding savings presents yet further problems in any attempt to make predictions as to the future of time deposits. It appears probable that some new savings will go into time deposits without too great consideration of the personal economic factors involved; savings accounts are an habitual methods of saving to many persons, and because of convenience and their fa-

miliarity with the method, they will continue to accumulate funds in this fashion.

The transactions use of time deposits is likely to continue unless changes occur in the service charges of banks or unless action is taken generally to limit the number of checks against time deposits to a greater degree. This use of time deposits does not contribute greatly to their volume, however; recent studies have shown that these more active accounts generally carry quite small balances.

The substantial volume of large deposits held for businesses and individuals appear to present the most probable channel of loss for time deposits. As business gets completely on a peacetime basis, the factors that led to the carrying of large near-cash reserves will be decreased and the needs for funds to be used as working capital will increase. Increased costs of raw materials and labor are raising the requirements for demand deposit balances, and deferred maintenance and replacement are taking funds from producing concerns. Similarly individuals will be more likely to decrease their liquid holdings and to commit funds to investment uses once they feel that wartime controls and rigidities are disappearing.

Probably the least predictable of all groups of deposits are those that have been accumulated for the purpose of purchasing durable consumer goods. In many cases where these deposits arose from the scarcity of such goods

and were for the purpose of purchasing them when available, the depositors now feel that the purchases should be made out of future income payments or that some other form of liquid asset should be used. The recent Liquid Assets Survey shows that a larger proportion of spending units (34 per cent) intend to use time deposits for planned expenditures rather than U. S. war bonds (11 per cent), but other indications are that just the reverse is true, as holders of both have elected to liquidate their war bonds and to maintain their time deposits intact. Some holders of time deposits have preferred to borrow against them as security rather than to draw them down for expenditures. This change of intentions and differing viewpoint as to proper order of use of assets effectively precludes drawing any conclusions as to the future of this type of deposit.

In summary, then, it may be said that the future level of time deposits for the system as a whole and for individual banks will be determined by the level of income payments and by the decisions made by savers as to the form of assets desired, that is, the proportion that should be retained in liquid form and the liquid form that is to be preferred. These decisions in turn will be dependent upon the expectations for the future of the individuals making them.

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

| | June 1946 | May 1946 | April 1946 | June 1945 | % Change June 1946 from | |
|-----------------------------------|--------------|-------------|---------------|--------------|----------------------------|---------|
| | | | | | May 46 | June 45 |
| Bank Debits | 258 | 250 | 244 | 257 | + 3 | 0 |
| Bituminous Coal Production* | 154 | 69 | 4 | 141 | +123 | + 9 |
| Building Contracts Awarded..... | 364r | 437 | 365 | 102 | - 17 | +257 |
| Building Permits Issued | 183 | 174 | 170 | 60 | + 5 | +205 |
| Cigarette Production | 229 | 255 | 244 | 210 | - 10 | + 9 |
| Cotton Consumption* | 149 | 152 | 144 | 147 | - 2 | + 1 |
| Department Store Sales..... | 303 | 276r | 276 | 235 | + 10 | + 29 |
| Department Store Stocks | 243 | 233 | 217 | 211 | + 4 | + 15 |
| Electric Power Production..... | 219 | 208 | 204 | 240 | + 5 | - 9 |
| Furniture Orders | 454 | 211 | 290 | 257 | +115 | + 77 |
| Furniture Shipments | 353 | 237 | 224 | 218 | + 49 | + 62 |
| Furniture Unfilled Orders..... | 788 | 717 | 902 | 566 | + 10 | + 39 |
| Furniture Sales—Retail | 269r | 228 | 237 | 170 | + 18 | + 58 |
| Life Insurance Sales..... | 252 | 287 | 283 | 158 | - 12 | + 59 |
| Wholesale Trade: | | | | | | |
| Automotive Supplies** | 286 | 277 | 263 | 184 | + 3 | + 55 |
| Drugs | 269 | 266 | 269 | 218 | + 1 | + 23 |
| Dry Goods | 197 | 155 | 157 | 172 | + 27 | + 15 |
| Electrical Goods** | 43 | 42 | 34 | 44 | + 2 | - 2 |
| Groceries | 235 | 240 | 235 | 183 | - 2 | + 28 |
| Hardware | 104 | 96 | 98 | 86 | + 8 | + 21 |
| Industrial Supplies** | 226 | 188 | 191 | 129 | + 20 | + 75 |
| Paper and Its Products**..... | 136 | 134 | 142 | 123 | + 1 | + 11 |
| Tobacco and Its Products**..... | 113 | 114 | 115 | 88 | - 1 | + 28 |

*Not seasonally adjusted

**1938-41=100

| FEDERAL RESERVE BANK OF RICHMOND | | | |
|----------------------------------|----------------|---------------------------|----------|
| (All Figures in Thousands) | | | |
| ITEMS | August 14 1946 | Chg. in Amt. from 7-17-46 | 8-15-45 |
| Total Gold Reserves..... | \$ 942,907 | +25,052 | + 91,392 |
| Other Reserves | 18,948 | + 1,625 | + 6,034 |
| Total Reserves | 961,855 | +26,677 | + 97,426 |
| Bills Discounted | 27,250 | +19,660 | + 10,723 |
| Industrial Advances | 0 | 0 | 81 |
| Gov. Securities, Total..... | 1,476,363 | +10,100 | + 29,959 |
| Bonds | 46,063 | — 21 | 23,841 |
| Notes | 36,324 | — 17 | 70,353 |
| Certificates | 473,970 | — 5,956 | + 89,435 |
| Bills | 920,006 | +16,094 | + 34,718 |
| Total Bills & Securities..... | 1,503,613 | +29,760 | + 40,601 |
| Uncollected Items | 199,782 | +10,163 | + 55,676 |
| Other Assets | 25,153 | — 1,758 | + 11,970 |
| Total Assets | 2,690,403 | +64,842 | +205,673 |
| Fed. Res. Notes in Cir..... | \$1,685,016 | +23,874 | + 88,491 |
| Deposits, Total | 794,553 | +29,612 | + 56,274 |
| Members' Reserves | 725,782 | +28,748 | + 61,911 |
| U. S. Treas. Gen. Acct..... | 29,212 | —11,455 | + 3,478 |
| Foreign | 34,026 | + 9,496 | +10,110 |
| Other Deposits | 5,533 | + 2,823 | + 995 |
| Def. Availability Items..... | 178,271 | +10,833 | + 54,473 |
| Other Liabilities | 579 | + 133 | + 50 |
| Capital Accounts | 31,984 | + 390 | + 6,885 |
| Total Liabilities | 2,690,403 | +64,842 | +205,673 |

| 41 REPORTING MEMBER BANKS—5th DISTRICT | | | |
|--|----------------|---------------------------|----------|
| (All Figures in Thousands) | | | |
| ITEMS | August 14 1946 | Chg. in Amt. from 7-17-46 | 8-15-45 |
| Total Loans | \$ 418,469 | +15,368 | + 97,714 |
| Bus. & Agri. Loans..... | 192,397 | +11,044 | + 64,634 |
| Real Estate Loans..... | 63,937 | + 3,575 | + 15,771 |
| All Other Loans..... | 162,135 | + 749 | + 17,309 |
| Total Security Holdings..... | 1,650,995 | —10,981 | —123,621 |
| U. S. Treasury Bills | 32,369 | + 5,982 | — 48,881 |
| U. S. Treasury Certificates | 378,063 | —12,470 | + 41,533 |
| U. S. Treasury Notes | 131,980 | — 5,962 | —167,212 |
| U. S. Gov. Bonds | 1,023,682 | + 1,899 | + 32,494 |
| Obligations Gov. Guaranteed..... | 136 | 0 | + 6 |
| Other Bonds, Stocks & Sec..... | 84,765 | — 430 | + 18,439 |
| Cash Items in Process of Col..... | 143,260 | + 9,325 | + 44,868 |
| Due from Banks | 136,426* | +12,751 | — 26,375 |
| Currency & Coin | 39,912 | + 1,409 | + 1,618 |
| Reserve with F. R. Bank..... | 352,097 | +12,112 | + 20,568 |
| Other Assets | 76,713 | + 45 | + 6,882 |
| Total Assets | 2,817,872 | +40,029 | + 21,454 |
| Total Demand Deposits..... | \$2,166,946 | +21,391 | — 50,001 |
| Deposits of Individuals..... | 1,434,563 | +36,221 | +198,048 |
| Deposits of U. S. Gov..... | 224,322 | —20,614 | —237,915 |
| Deposits of State & Local Gov..... | 92,806 | — 2,454 | + 16,288 |
| Deposits of Banks | 382,283* | + 3,106 | — 36,582 |
| Certified & Officers' Checks..... | 32,972 | + 5,132 | + 10,160 |
| Total Time Deposits..... | 391,266 | + 3,108 | + 51,734 |
| Deposits of Individuals..... | 374,748 | + 3,067 | + 48,837 |
| Other Time Deposits..... | 16,518 | + 41 | + 2,897 |
| Liabilities for Borrowed Money.. | 19,500 | +18,000 | + 2,700 |
| All Other Liabilities..... | 95,936 | — 3,094 | — 1,386 |
| Capital Accounts | 144,224 | + 624 | + 18,407 |
| Total Liabilities | 2,817,872 | +40,029 | + 21,454 |

*Net figures, reciprocal balances being eliminated.

| COMMERCIAL FAILURES | | | | |
|---------------------|-----------------|-------|-------------------|--------------|
| MONTHS | Number Failures | | Total Liabilities | |
| | District | U. S. | District | U. S. |
| July 1946 | 1 | 76 | \$ 8,000 | \$ 3,434,000 |
| June 1946 | 2 | 69 | 22,000 | 3,006,000 |
| July 1945 | 2 | 72 | 9,000 | 3,659,000 |
| 7 Months 1946..... | 12 | 574 | 119,000 | 25,657,000 |
| 7 Months 1945..... | 14 | 526 | 1,384,000 | 21,365,000 |

Source: Dun & Bradstreet

| DEBITS TO INDIVIDUAL ACCOUNTS | | | | |
|-------------------------------|-------------|-------------------------|--------------|--------------------------|
| (000 omitted) | | | | |
| | July 1946 | % Change from July 1945 | 7 mos. 1946 | % Change from 7 mos. '45 |
| District of Columbia | | | | |
| Washington | \$ 603,663 | + 6 | \$ 4,284,588 | + 9 |
| Maryland | | | | |
| Baltimore | 823,193 | + 9 | 5,654,627 | 0 |
| Cumberland | 21,594 | +37 | 130,167 | +27 |
| Frederick | 15,741 | +37 | 100,986 | +19 |
| Hagerstown | 22,903 | +34 | 147,392 | +23 |
| North Carolina | | | | |
| Asheville | 40,996 | +43 | 257,617 | +31 |
| Charlotte | 184,332 | +45 | 1,129,759 | +18 |
| Durham | 90,165 | +29 | 586,626 | +33 |
| Greensboro | 52,238 | +34 | 359,284 | +25 |
| Kinston | 9,383 | +41 | 68,470 | +30 |
| Raleigh | 76,150 | +33 | 500,762 | +22 |
| Wilmington | 29,943 | — 9 | 218,469 | —13 |
| Wilson | 12,683 | +37 | 75,745 | +10 |
| Winston-Salem | 98,081 | +56 | 613,304 | +35 |
| South Carolina | | | | |
| Charleston | 44,112 | +17 | 335,307 | +14 |
| Columbia | 71,973 | +34 | 479,007 | +27 |
| Greenville | 60,451 | +54 | 376,223 | +32 |
| Spartanburg | 33,726 | +42 | 218,618 | +34 |
| Virginia | | | | |
| Charlottesville | 21,939 | + 7 | 154,638 | + 9 |
| Danville | 20,415 | +27 | 139,863 | +18 |
| Lynchburg | 30,647 | +32 | 201,355 | +28 |
| Newport News | 23,710 | + 7 | 158,157 | — 6 |
| Norfolk | 138,997 | +19 | 930,104 | + 8 |
| Portsmouth | 17,125 | + 5 | 117,792 | — 1 |
| Richmond | 369,128 | +13 | 2,404,205 | + 4 |
| Roanoke | 66,038 | +54 | 419,721 | +34 |
| West Virginia | | | | |
| Bluefield | 31,743 | +40 | 188,627 | +10 |
| Charleston | 112,905 | +25 | 696,728 | +12 |
| Clarksburg | 23,887 | +33 | 153,406 | +28 |
| Huntington | 45,753 | +19 | 283,941 | + 6 |
| Parkersburg | 22,991 | +23 | 140,770 | + 3 |
| District Totals | \$3,206,605 | +18 | \$21,526,258 | +10 |

| COTTON CONSUMPTION AND ON HAND—BALES | | | | |
|--------------------------------------|------------|------------|------------------------|-----------|
| | July 1946 | July 1945 | Aug. 1 to July 31 1946 | 1945 |
| Fifth District States: | | | | |
| Cotton consumed | 346,925 | 330,930 | 4,404,580 | 4,728,229 |
| Cotton Growing States: | | | | |
| Cotton consumed | 643,394 | 600,184 | 8,076,993 | 8,455,038 |
| Cotton on hand July 31 in | | | | |
| consuming establishments | 1,857,856 | 1,650,373 | | |
| storage and compresses.. | 4,342,393 | 8,273,114 | | |
| United States: | | | | |
| Cotton consumed | 729,958 | 672,973 | 9,166,060 | 9,567,932 |
| Cotton on hand July 31 in | | | | |
| consuming establishments | 2,282,118 | 1,963,512 | | |
| storage and compresses.. | 4,464,546 | 8,375,199 | | |
| Spindles active, U. S..... | 21,985,298 | 22,029,282 | | |

| COTTON CONSUMPTION—FIFTH DISTRICT | | | | |
|-----------------------------------|--------------|--------------|----------|-----------|
| In Bales | | | | |
| MONTHS | No. Carolina | So. Carolina | Virginia | District |
| July 1946 | 188,207 | 141,815 | 16,903 | 346,925 |
| June 1946 | 205,593 | 155,307 | 17,517 | 378,417 |
| July 1945 | 180,787 | 133,618 | 16,525 | 330,930 |
| 7 Months 1946..... | 1,453,338 | 1,089,176 | 119,630 | 2,662,144 |
| 7 Months 1945..... | 1,478,397 | 1,119,514 | 132,194 | 2,730,105 |

| DEPOSITS IN MUTUAL SAVINGS BANKS | | | |
|----------------------------------|---------------|---------------|---------------|
| 8 Baltimore Banks | | | |
| | July 31, 1946 | June 30, 1946 | July 31, 1945 |
| Total Deposits | \$370,895,368 | \$368,295,921 | \$323,972,657 |

BUILDING PERMIT FIGURES

| | Total Valuation | |
|-----------------------------|-----------------|--------------|
| | July 1946 | July 1945 |
| Maryland | | |
| Baltimore | \$ 2,239,210 | \$ 536,070 |
| Cumberland | 30,930 | 27,490 |
| Frederick | 86,615 | 14,800 |
| Hagerstown | 123,390 | 16,490 |
| Salisbury | 156,947 | 51,923 |
| Virginia | | |
| Danville | 88,350 | 64,655 |
| Lynchburg | 118,522 | 64,314 |
| Norfolk | 564,810 | 1,054,030 |
| Petersburg | 18,050 | 25,800 |
| Portsmouth | 74,560 | 61,610 |
| Richmond | 1,217,263 | 336,917 |
| Roanoke | 303,845 | 144,589 |
| West Virginia | | |
| Charleston | 213,595 | 102,666 |
| Clarksburg | 28,810 | 12,622 |
| Huntington | 216,130 | 232,676 |
| North Carolina | | |
| Asheville | 130,830 | 46,056 |
| Charlotte | 601,064 | 257,317 |
| Durham | 227,040 | 99,739 |
| Greensboro | 196,772 | 170,515 |
| High Point | 322,738 | 35,371 |
| Raleigh | 389,490 | 253,180 |
| Rocky Mount | 108,550 | 8,000 |
| Salisbury | 56,630 | 37,275 |
| Winston-Salem | 230,999 | 182,461 |
| South Carolina | | |
| Charleston | 228,889 | 40,631 |
| Columbia | 113,570 | 68,300 |
| Greenville | 271,075 | 35,780 |
| Spartanburg | 129,515 | 33,135 |
| District of Columbia | | |
| Washington | 4,960,250 | 2,271,375 |
| District Totals | \$ 13,448,439 | \$ 6,285,787 |
| 7 Months | \$109,263,661 | \$30,939,818 |

CONSTRUCTION CONTRACTS AWARDED

| STATES | June 1946 | % Change | |
|-------------------------|---------------|---------------|-----------------------------|
| | | from June '45 | 6 mos. 1946 from 6 mos. '45 |
| Maryland | \$ 49,789,000 | +574 | \$170,019,000 +309 |
| District of Columbia .. | 4,290,000 | +74 | 37,162,000 +99 |
| Virginia | 33,529,000 | +406 | 115,086,000 +95 |
| West Virginia | 4,599,000 | +100 | 42,969,000 +347 |
| North Carolina | 10,057,000 | +9 | 83,000,000 +206 |
| South Carolina | 7,998,000 | +353 | 63,569,000 +696 |
| Fifth District | \$110,262,000 | +270 | \$511,805,000 +212 |

Source: F. W. Dodge Corp.

RAYON YARN DATA

| | July 1946 | June 1946 | July 1945 |
|----------------------------------|------------|------------|------------|
| Rayon Yarn Shipments, Lbs..... | 51,800,000 | 51,800,000 | 47,900,000 |
| Staple Fiber Shipments, Lbs..... | 15,600,000 | 14,100,000 | 13,600,000 |
| Rayon Yarn Stocks, Lbs..... | 8,000,000 | 7,300,000 | 6,000,000 |
| Staple Fiber Stocks, Lbs..... | 2,200,000 | 1,800,000 | 3,700,000 |

Source: Rayon Organon.

TOBACCO MANUFACTURING

| | July 1946 | % Change | |
|---|------------|----------------|-----------------------------|
| | | from July 1945 | 7 mos. 1946 from 7 mos. '45 |
| Smoking & chewing tobacco (Thousands of lbs.).... | 18,193 | -15 | 118,508 -25 |
| Cigarettes (Thousands) .. | 25,439,977 | +17 | 182,487,368 +107 |
| Cigars (Thousands) | 439,396 | +25 | 3,277,286 +20 |
| Snuff (Thousands of lbs.) | 2,755 | -14 | 22,868 -12 |

WHOLESALE TRADE—227 FIRMS

| LINES | Net Sales July 1946 compared with | | Stock compared with | | Ratio July collections to acc'ts outstand'g July 1 |
|--------------------------|-----------------------------------|-----------|---------------------|--------------|--|
| | July 1945 | June 1946 | July 31 1945 | June 30 1946 | |
| | Auto Supplies (9)*..... | +54 | -3 | +27 | |
| Drugs & Sundries (13)*.. | +19 | +11 | +12 | -2 | 134 |
| Dry Goods (8)*..... | +57 | +14 | +175 | +2 | 94 |
| Electrical Goods (4)*... | +113 | +26 | +38 | +2 | 117 |
| Groceries (76)*..... | +30 | +8 | +25 | 0 | 171 |
| Hardware (14)*..... | +79 | +13 | +41 | -1 | 113 |
| Industrial Sup. (5)*.... | +60 | +6 | +11 | 0 | 117 |
| Paper & Products (8)*.. | +36 | +6 | -18 | -6 | 102 |
| Tobacco Products (8)*.. | +34 | +7 | +71 | +6 | 157 |
| Miscellaneous (82)*.... | +23 | +19 | +24 | -10 | 126 |
| District Avg. (227)*.. | +36 | +13 | +37 | -2 | 127 |

Source: Department of Commerce
*Number of reporting firms.

DEPARTMENT STORE TRADE

| Richmond | Baltimore | Washington | Other Cities | District |
|--|-----------|------------|--------------|----------|
| Percentage change in July 1946 sales, compared with sales in July 1945: | | | | |
| +36 | +24 | +19 | +30 | +24 |
| Percentage change in 7 mos. sales 1946, compared with 7 mos. in 1945: | | | | |
| +29 | +22 | +20 | +25 | +22 |
| Percentage change in stocks on July 31, '46, compared with July 31, '45: | | | | |
| +30 | +16 | +15 | +25 | +19 |
| Percentage chg. in outstanding orders July 31, '46 from July 31, '45: | | | | |
| +69 | +38 | +39 | +70 | +44 |
| Percentage chg. in receivables July 31, '46, from those on July 31, '45: | | | | |
| +59 | +45 | +41 | +40 | +45 |
| Percentage of current receivables as of July 1 collected in July: | | | | |
| 49 | 50 | 49 | 56 | 50 |
| Percentage of instalment receivables as of July 1 collected in July: | | | | |
| 29 | 27 | 26 | 35 | 27 |

| Maryland | Dist. of Col. | Virginia | W. Virginia | N. Carolina | S. Carolina |
|--|---------------|----------|-------------|-------------|-------------|
| Percentage change in July 1946 sales from July 1945 sales by States: | | | | | |
| +24 | +19 | +31 | +32 | +34 | +12 |
| Percentage change in 7 mos. sales 1946 from 7 mos. sales 1945: | | | | | |
| +22 | +20 | +24 | +28 | +30 | +14 |

RETAIL FURNITURE SALES

| STATES | Percentage Changes in July and 7 Mos. 1946 Compared with | |
|------------------------------|--|---------------|
| | July 1945 | 7 Months 1945 |
| Maryland (5)*..... | +50 | +47 |
| Dist. of Columbia (6)*..... | +50 | +59 |
| Virginia (21)*..... | +64 | +58 |
| West Virginia (10)*..... | +103 | +59 |
| North Carolina (14)*..... | +64 | +52 |
| South Carolina (13)*..... | +62 | +50 |
| Fifth District (69)*..... | +61 | +54 |
| Individual Cities | | |
| Baltimore, Maryland (5)*... | +50 | +47 |
| Washington, D. C. (6)*..... | +50 | +59 |
| Lynchburg, Va. (3)*..... | +80 | +76 |
| Richmond, Va. (7)*..... | +76 | +67 |
| Charleston, W. Va. (3)*..... | +100 | +66 |
| Charlotte, N. C. (4)*..... | +85 | +69 |
| Columbia, S. C. (3)*..... | +97 | +64 |

*Number of reporting stores

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

| REGIONS | July 1946 | July 1945 | % Chg. | 7 mos. 1946 | 7 mos. 1945 | % Chg. |
|---------------------|-----------|-----------|--------|-------------|-------------|--------|
| West Virginia | 13,133 | 12,486 | +5 | 67,781 | 92,331 | -27 |
| Virginia | 1,566 | 1,424 | +10 | 8,308 | 10,991 | -24 |
| Maryland | 225 | 140 | +61 | 1,066 | 1,005 | +6 |
| Fifth District | 14,924 | 14,050 | +6 | 77,155 | 104,327 | -26 |
| United States | 50,800 | 47,217 | +8 | 285,866 | 344,642 | -17 |
| % in District.... | 29.4 | 29.8 | | 27.0 | 30.3 | |

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial production increased somewhat further in July, after a sharp advance in June. Prices of commodities rose rapidly in July and continued to advance, although at a more moderate rate, in the first three weeks of August.

INDUSTRIAL PRODUCTION

Industrial production advanced from 171 per cent of the 1935-39 average in June to 174 in July, according to the Board's seasonally adjusted index. Output of durable goods and of minerals generally increased while output of nondurable manufactures as a group showed little change, with increases in some lines offset by declines in others.

Production at steel mills in July rose about one-sixth and in August has increased somewhat further, with output of ingots increasing to about 90 per cent of capacity. Activity in the machinery and transportation equipment industries continued to advance in July. Production in the nonferrous metal industries rose again but was still about 7 per cent below the January level. Output of stone, clay, and glass products continued to increase and the July index, at 197, was well above the previous high in March, with an increase in production of glass containers accounting for most of the July advance. Lumber production showed a decline, owing in large part to vacations for lumber workers on the Pacific Coast in the early part of July. Activity in the furniture industry remained at about the June rate.

In the nondurable industries, production at textile mills declined, owing to worker vacations during the first week in July, while output of manufactured food products increased considerably. Meatpacking rose sharply to the highest level since February and there were increases also in the output of flour, bakery goods, and dairy products. Sugar meltings declined. Output of paperboard and paper boxes declined from recent high levels while newsprint consumption showed a further advance. Activity in the chemical and rubber industries showed little change.

Mineral production rose to a new high 46 per cent above the 1935-39 average. Increases in the output of anthracite, copper ore, and iron ore accounted for most of the July rise in production of minerals.

CONSTRUCTION

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in July, but was still more than twice the prewar average. The drop reflected a continued decline in residential awards to a level about two-fifths below the May peak. Non-residential building awards increased slightly in July, after a small decline in June.

EMPLOYMENT

Nonagricultural employment continued to rise in July, with major gains in the construction and manufacturing industries and some decrease in government employment. Total unemployment decreased to about 2.3 million in July, the lowest of the year.

DISTRIBUTION

Value of department store sales declined less than seasonally from June to July and the Board's adjusted index rose to 278 per cent of the 1935-39 average as compared with an average of 254 for the first six months of the year. In the first three weeks of August sales continued at a high level. As a result of large receipts of merchandise, value of department store stocks continued to increase in July but relative to sales was still lower than before the war. Unfilled orders were at an exceptionally high level.

Loadings of railroad freight increased further in July as shipments of livestock and grains and of ore and coke rose sharply and shipments of other classes of freight showed little change.

COMMODITY PRICES

Commodity prices, which had advanced sharply in July, rose somewhat further in the first three weeks of August. There were increases in prices of textiles, housefurnishings, and fuels as well as in some farm products and foods. Grains, however, declined and corn future contracts were still substantially below cash quotations, reflecting the continued prospect of a large harvest. With the renewal of price control at the end of July, ceiling prices were re-established but in many cases at higher levels than prevailed on June 30. Announcement was made that ceilings would not be re-established at this time on most grains or on dairy products but would be on livestock and meats and on cottonseed and soybeans and their products.

BANK CREDIT

The Treasury retired for cash 3.3 billion dollars of Government securities during July and early August; war loan balances at commercial banks were reduced by approximately the same amount. As most of the securities were held by banks, retirement operations had little effect on deposits of businesses and individuals. Drains on bank reserves resulting from redemption of securities held by the Reserve Banks were met by System purchases of Government securities and by reductions in Treasury deposits. Need for reserve funds resulted also from an increase in nonmember balances at the Reserve Banks, reflecting the deposit of the first instalment of the British loan, and from some outflow of currency into circulation. Changes in required and excess reserves, on the average, were negligible.

As a result of the Treasury debt retirement operations as well as security sales to the Reserve Banks in connection with reserve adjustment Government security holdings at banks in 101 leading cities were reduced by an additional two billion dollars during the seven weeks ended August 14. Total loans for purchasing or carrying Government securities declined further to a level comparable to that which prevailed prior to the Victory Loan Drive. Commercial loans, both in New York City and outside, increased substantially over the period.