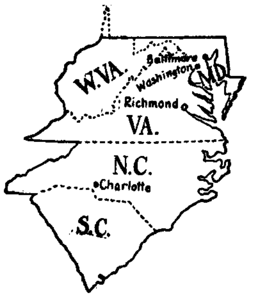
MONTHLY REVIEW

of Financial and Business Conditions

FIFTH FEDERAL



RESERVE DISTRICT

Federal Reserve Bank of Richmond, Richmond 13, Va. *July 31, 1947*

Business Conditions

IN THE latter half of June, market conditions improved materially in non-durable goods and particularly in textiles and their products. Retailers and wholesalers had reduced their purchases of textile products in April, May, and the early part of June, in most cases to bring about a desirable inventory alignment and to eliminate substandard merchandise, but in other cases reduced purchases were effected in an attempt to bring a downward adjustment in textile prices at the manufacturer's level. Retailers and wholesalers alike have considered prices of textile products too high, and for some time now trade journals have contained expressions from them to this effect. It was probably the feeling that prices were inordinately high that motivated a downward adjustment in inventories of textile products, rather than overly large inventories in the physical sense. This point, is given substantial documentation by the policy pursued by Sears Roebuck as stated by General Wood before the Congressional Committee on the Economic Report.

There was slight easing in prices of some cotton constructions in this two and a half months period but stability was the rule in most woven fabrics, while considerable easing occurred in yarn prices. Except for sales yarn concerns, however, the production and employment level in the textile industry of the District has continued at the high level of the first quarter of the year, operations being sustained by forward orders booked during that quarter. Reduced buying on the part of wholesalers and retailers in this period, therefore, had only a nominal effect on prices and a negligible effect on production. In fact, the reduction in cotton consumption in the District from May to June was not quite as much as is normal seasonally, and the adjusted index rose 1 per cent in this period.

Export demand for cotton cloth, duck, and tire fabrics in May continued to show a strong upward trend, having mounted to 147 million square yards, a gain of 7 per cent over April and 102 per cent over May 1946. The May export level was at an annual rate of 1.8 billion yards or around 17 per cent of probable domestic production.

In the meanwhile, demand for textile products at retail in the domestic market held at a level in physical units nearly equal to that of a year earlier, and has thus far shown no tendency to lessen. This demand has made it necessary for both wholesalers and retailers to re-enter the market for goods, which in turn has found reflections in increased orders of the mills of the District. Cloth output of the cotton textile industry is fairly generally sold-up through the remainder of this year and considerable contracting has been done into the second quarter of 1948 at rising prices. This means that production in the District's largest industry will be rising or holding at essentially capacity levels throughout the remainder of the year, after the retarding effects of vacation shut-downs are passed. There have been shifts in loom operations from heavy to light constructions, so that increased production measured in square yards is likely to exceed the changes shown in cotton consumption.

Actually the consequences of the improved outlook for basic textile production are more widespread, for they signify an expansion in textile fabricating industries as well. Work clothing, underwear, and other finished products have already shown an improved demand at the mill level.

Inventory adjustments at retail and wholesale levels had also occurred in hosiery, particularly in women's full-fashioned. This industry has been operating at reduced levels since April, owing both to reduced orders and to lower allocations of nylon yarns. It had been expected that a larger allotment of yarns would be available in August, but current indications are that increased nylon supplies will be further delayed beyond that month. In fact, there is some apprehension that there will be a hosiery shortage this fall accompanied by higher prices.

Employment in the mechanized furniture factories of the District has held steady through the first half year and production has shown moderate improvement. There is still a sizable amount of furniture in retail inventories that does not match quality and style of that currently being produced, and this factor is acting as a retardent on factory sales in many cases. Dealer purchases at the Summer International Home Furnishings Market in Chicago indicate a continued high level of output of dining room and bedroom furniture and an improved level of other types particularly in the medium and upper price brackets. Upholstered goods inventories of the less desirable types have been fairly well disposed of by independent retailers, and substantial new purchases of these goods have been made by these concerns. Large retailers, however, still have a problem of liquidating this type of merchandise and are not purchasing heavily. Prices of furniture, in general, are holding peak levels, and some makers are guaranteeing these prices against reduction for 60 days.

As a result of the new wage agreement, bituminous coal miners obtained a substantial increase which was immediately reflected in an increase of around 75 cents, a ton in coal prices at the mine. Some opinion has been expressed that the higher wage will induce a larger number of workers to become miners and increase the output of coal. It is doubtful, however, whether many more miners can be recruited, or whether the number of man-days of work can be expanded materially. The new agreement, however, will probably prevent organized work-stoppages through the coming winter. It does not assure a low rate of absenteeism. Thus, a tight coal supply situation is likely to prevail over the winter. A check on the District production will not be possible until regional data are reinstated.

Of particular importance at this time was an increase in building activity. In June the seasonally adjusted index of the value of building permits rose 29 per cent over that of April to record an increase of 50 per cent over June 1946. Despite the slowing down in the sales of new houses in May-June period, June figures show some sizable new residential starts. Prices of old houses in many parts of the District are on the downgrade, but no distress sales are in evidence, while prices of newly constructed houses are holding rigidly.

June also witnessed a further expansion in the seasonally adjusted index of department store sales, and a reduction in inventories. The sales index rose 5 per cent above the May level and 3 per cent above that of a year earlier. Although inventories at the beginning of June were still 11 per cent ahead of a year ago, they were 8 per cent below May on a seasonally adjusted basis.

Of the nine lines of wholesale trade listed, all but three show June levels above a year ago, and higher than May after seasonal correction. These sales of wholesalers together with those of department stores are impressive in that they indicate a sustained level of demand for a period of 6 months at the existing price level. These levels of sales, furthermore, have made it necessary to step up the rate of purchases from manufacturers and that in turn points to a further rise or stabilization of production in consumers' goods.

There has been no rush on the part of landlords to take advantage of the new rent control law which permits an increase up to 15 per cent provided a lease is signed until the end of 1948, but a smattering of increases have been recorded. It is not expected that rent increases will have much adverse effect on trade levels the remainder of this year.

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

	June 1947	May 1947	April 1947	June 1946	% Change June 1947 from May 47	% Change June 1947 from June 46
Bank Debits	286	290	270	258	— 1	+ 11
Building Contracts Awarded	270	263	296	364	+ 2	— 26
Building Permits Issued	275	213	198	183	+ 29	+ 50
Business Failures	27	14	17	5	+ 93	+440
Cigarette Production	247	207	254r	229	+ 19	+ 8
Cotton Consumption	140	139	159	145	+ 1	— 3
Department Store Sales	317	303	299	307	+ 5	+ 3
Department Store Stocks	270p	292	302	243	— 8	+ 11
Electric Power Production	......	235	235	203	.....	......
Employment—Mfg. Industries*	.....	132	133	129	.....	......
Furniture Orders	.....	243	378	454	....	.....
Furniture Shipments	.....	273	284	353	.....	.....
Furniture Unfilled Orders	......	745	976	788	......	......
Furniture Sales—Retail	300	256r	239	269	+ 17	+ 12
Gasoline Consumption	......	......	173	158	......	......
Life Insurance Sales	232	238	246	252	— 3	— 8
Wheat Flour Production	.....	118	129	103	......	......
Lumber Production	.....	159	147	172	......	......
Wholesale Trade:						
Automotive Supplies**	288	296	308	286	— 3	+ 1
Drugs	257	244	268	269	+ 5	— 4
Dry Goods	169	154	167	197	+ 10	— 14
Electrical Goods**	83	90	69	43	— 8	+ 93
Groceries	282	266	278	235	+ 6	+ 20
Hardware	124	126	114	104	— 2	+ 19
Industrial Supplies**	346	341	317	226	+ 1	+ 53
Paper and Its Products**	194	191	200	136	+ 2	+ 43
Tobacco and Its Products**	107	109	121	113	— 2	— 5

*Not seasonally adjusted
**1938-41=100

Capital Augmentation in the War Period in the Fifth Federal Reserve District

Industrial facilities put in place during the war were a significant, but not readily determinable, addition to the capital equipment of the Fifth Federal Reserve District. Including 40 facilities built and operated by the Federal Government, the total addition to the District's plant capacity in the period July 1940-August 1945 amounted to $1,472,391,000 in 893 separate facilities.

There were 721 facilities valued at $380,759,000 wholly financed by private funds; 95 facilities valued at $701,-228,000 financed wholly by public funds; and 77 facilities valued at $390,404,000 financed jointly with private and public funds, the public funds amounting to $208,-636,000, the private funds amounting to $181,768,000.

By far the largest number of plants constructed in the District in the war period were financed wholly with private funds. These plants, numbering 721, went directly into production and became a permanent part of the production equipment. They involved an expansion little different in nature from that of any ordinary peacetime. The record is available for the construction of these plants because complete control of all construction was in the hands of the War Production Board, and these projects were deemed necessary to further the war effort or permissible without impeding it, and they were therefore approved and recorded. Their addition to the existing supply of capital equipment, amounted to $380,-759,000 or 26 per cent of the value of all industrial facilities developed in the war period.

The 77 facilities that were jointly financed with private and public funds constituted an addition to the existing facilities of private industry. Therefore, they were questioned at the time, primarily because of the fear that there would not be a post-war requirement for the expansion thus imposed upon the existing equipment, though it was recognized that such expansion might well be necessary to insure success in war. Dominant in this group of facilities were the shipyards at Baltimore, Norfolk, Newport News, Wilmington, N. C., Charleston, S. C., and other seaboard locations in lesser degree. Important amounts were also invested in aircraft, textiles, chemicals, and munitions; the textiles being essentially those connected with tire cords and fabrics and facilities designed to produce for specialized military needs.

It may have been presumed at the time that the new facilities could readily become a part of the permanent capital of the District as, if, and when the peacetime capacity requirements were sufficient to warrant their utilization. Thus far, progress in this respect has not been marked.

The 95 plants, financed wholly with public funds, present the greatest question concerning their adaptability to peacetime use. These plants, costing $701,-228,000, accounted for 48 per cent of the total outlay for industrial facilities in the Fifth District in the war period.

Of this $701,228,000 publicly financed facilities, 40 projects valued at $316,729,000 consisted of additions to government operated facilities such as the Norfolk and Charleston Navy Yards, the Edgewood Arsenal Naval Ordnance in the District of Columbia, and in South Charleston, W. Va., Aberdeen Proving Ground, Naval Mine Depot, Yorktown, etc. These plants will continue to be owned by the Federal Government and they are not likely to furnish income payments in the form of Government wages and salaries in peacetime anyway near their wartime use, or commensurate with their cost.

Another $161,734,000 in government investment in five individual plants consists of specialized ordnance works, the products of which are not needed in peacetime. These plants can only be adapted to peacetime production by utilization of suitable buildings. If such use is made of them their cost value would grossly overstate an equitable capitalization in peacetime pursuits.

An additional wholly government financed investment of $42,032,000 in two facilities and a joint financing of another $35,122,000 in merchant shipyard facilities are utilizable only for shipbuilding purposes. These facilities could be conceived of as an addition to the supply of capital equipment, but they are not likely to be productive until the next war or until the millennium of a great expansion in foreign and coastwise shipping evolves.

Four facilities out of the 95 wholly financed by public funds consist of aircraft and synthetic rubber, together valued at $77,626,000. The aircraft end of these investments may, in the course of time, be usable capital. For the foreseeable future, they are not needed and therefore could hardly be considered as a peacetime asset. The major part of the synthetic rubber investment is obselete from a cost of production standpoint and, without subsidy, cannot be classed as a part of the capital supply except to the extent that buildings can be utilized for other purposes.

IMPORTANCE OF CAPITAL ADDITIONS

Some idea of the importance to the District of the wartime additions to existing plant and equipment may be seen in a comparison of 814 manufacturing facilities, which excludes 39 public utility and 40 government operated plants, constructed during the five and a fraction years of record, with the number of existing plants shown in the 1939 census of manufacture.

These 814 manufacturing plants built in the Fifth District during the war compare with a total of 11,655 manufacturing plants reported by the 1939 census. This was an addition of 7.0 per cent to the number of plants existing in 1939. The largest percentage increment in number of plants occurred in West Virginia, and the smallest percentage increment occurred in the District of Columbia as the accompanying table shows:

MANUFACTURING PLANT ADDITIONS IN THE WAR PERIOD

	No. of mfg. plants in 1939 (a)	Mfg. plants added during the war (b)	Per cent added
Maryland	2,893	218	7.5
District of Columbia	497	17	3.4
Virginia	2,579	170	6.6
West Virginia	1,130	137	12.1
North Carolina	3,225	164	5.1
South Carolina	1,331	108	8.1
Total	11,655	814	7.0

(a) Active plants with products valued at $5,000 and over. Source: Sixteenth Census of the United States, 1940, Volume III.
(b) War Industrial Facilities Authorized July 1940-August 1945, Civilian Production Administration, Industrial Statistics Division, June 30, 1946.

The number of new plants and expansions does not give a wholly satisfactory measure of the importance of war plant construction because a few of the projects were very large in size, while the great bulk of them were quite small in size. For example, 32 shipyard facilities were valued at $177 million and one ordnance plant was valued at $71 million, while 277 miscellaneous plants were valued at $147 million.

The Departments of Labor and Industry in Virginia and South Carolina report figures for capital invested in manufacturing industries in their annual reports. Invested capital, however, is defined as the book value of land, buildings and equipment. These figures are net after depreciation and obsolescence, and in case of leaseholds they do not include real estate. Such figures would still not give a proper criterian on which to determine the proportionate contribution of war plants to the existing capital supply. In Virginia the 1940 value of capital investment reported for manufacturing industries was $362 million, while the value of war plant authorizations (excluding government operated facilities and public utility expansions) totaled $264 million. In South Carolina the 1940 value of capital investment for manufacturing industries was $406 million, and the war plant authorizations (excluding government and public utilities) was $38 million.

Probably the best approach to a measurement of the importance of war-built plants in relation to the pre-war capital supply is a comparison of the average annual value of war-built facilities (excluding government and public utilities) with total expenditures for manufacturing plant and equipment as reported by the census in 1939.

Plant expenditures for the United States in 1939 of $6.9 billion were moderately below the 1919-1939 average of $7.3 billion as measured by the gross national product components, (a) expenditures for producers' durable equipment and (b) non-residential construction. This would indicate that 1939 was not far from an average year.

The comparison of the average annual value of war-built facilities and plant with equipment expenditures in 1939 in the Fifth District shows war facilities ran 1.6 times higher than the 1939 expenditures. This larger rate of expenditures, however, did not apply to all states as the table shows:

EXPENDITURES FOR MANUFACTURING PLANT AND EQUIPMENT

	1939 (a)	Av. annual value of war-built plants (b)	Ratio
Maryland	27.7	55.3	2.0
District of Columbia	3.1	2.7	.9
Virginia	22.3	47.8	2.1
West Virginia	24.4	68.4	2.8
North Carolina	33.6	20.8	.6
South Carolina	12.3	7.6	.6
Total	123.4	202.6	1.6

(a) Census of Manufactures, 1939 Volume III.

(b) Total industrial facilities authorized (excluding Government operated and public utility plants) from July 1940-August 1945 divided by 5. Source: War Industrial Facilities Authorized July 1946-August 1945, Civilian Production Administration, Industrial Statistics Division, July 30, 1946.

The above treatment of the relative importance of industrial facilities put in place during the war overstates their importance in the peacetime operation of these plants. There are, for example, those 5 munitions plants previously mentioned with a total investment of $161,734,000, three shipbuildng facilities valued at $77,154,000, and four aircraft and synthetic rubber plants valued at $77,626,000. If these facilities were used at all in peacetime pursuits, it would have to be done on a capitalized value at a small fraction of their cost. If these $317 million of facilities were eliminated from the above total the wartime rate of expenditures for plant and equipment would have been 1.13 times the 1939 rate of capital expenditures instead of 1.6 times shown.

DISPOSAL OF INDUSTRIAL FACILITIES

Publicly financed war industrial facilities in the Fifth Federal Reserve District up to June 30, 1947 costing $90,584,532 have been sold for a consideration of $26,023,737, and facilities costing $7,179,000 have been leased for a minimum consideration of $2,804,860. Additional publicly financed war industrial facilities costing $63,593,407 have been declared surplus, and facilities costing $236,175,000 are to be held in stand-by condition but subject in some cases to lease in whole or in part. Eliminating $316,729,000 of Government operated and $236,175,000 of known stand-by war industrial facilities from the total public investment of $909,864,000, a figure of $356,960,000 would remain available for disposal. Up to June 30, 1947 sales or leases covered facilities costing $97,763,532, leaving facilities valued at $259,196,468 for further disposition. Of these facilities costing $259,196,468, facilities costing $63,593,407 have been declared surplus, leaving facilities costing $195,603,061 yet to be offered for sale, lease, or to be held in stand-by condition.

CHEMICAL FACILITIES

Bulking large in the total public investment in the Fifth District was the chemicals industry, (including the Navy Powder Factory at Indian Head, Maryland, and War Department Edgewood Arsenal), which accounted for $309,804,000 or 34.0 per cent of $909,864,000 of public funds expended on industrial facilities. Of this $309,804,000, twelve facilities cost $306,883,000 or 99 per cent of the total public investment in chemical facilities. These twelve plants which employed around 39,000 workers at their peak are for the most part not up for disposal.

The Alleghany Ordnance Plant near Cumberland, Maryland, has been turned over to the Navy. The Edgewood Arsenal is a fixed Army establishment and the Indian Head, Maryland, powder factory will be a permanent Navy establishment. The Radford, Virginia, and Morgantown, West Virginia, ordnance works are to be maintained in stand-by condition. The butadiene and styrene plants at Institute, West Virginia, costing $48,323,000 have been sold to Carbide and Carbon Chemicals Company for $9,350,000, while the Copolymer plant operated by U. S. Rubber Company at the same location is to be held in stand-by condition.

The New River Ordnance Plant near Pulaski, Virginia, costing $18,912,000 has been partly sold and the remainder is to be held in stand-by condition. A portion of this facility costing $4,847,000 has been sold to the Mohawk Carpet Company for $608,600 to be used as a woolen yarn spinning mill, wherein the purchasing company expects to employ about 2,000 workers. The remainder of the facility costing $14,065,000 will be maintained in stand-by condition.

The West Virginia Ordnance Works at Point Pleasant costing $33,163,000 has been declared surplus and will be disposed of piece-meal to industrial concerns. A portion of this facility which cost $5,241,000 has been sold for $222,000, the details of which are not at hand.

No details are available as to future status of the U. S. Navy powder factory, partially owned by Triumph Explosives, Inc. at Elkton, Maryland, or the Navy Ammunition Plant operated by the U. S. Rubber Company at Charlotte, North Carolina.

DISPOSAL OF OTHER FACILITIES

Through June 30, 1947 thirty-five additional industrial facilities have been sold by the War Assets Corporation or options to purchase have been exercised by the operating companies. For the most part, the plants will be producing the same type of goods for which they were designed.

Mentioned exceptions are the silica gel plant in Baltimore operated by the Davison Chemical Company which was sold to Franklin Realty and Finance Company to be used to produce prefabricated houses for veterans, copper sulphate and fertilizer; the Universal Moulded Products Plant at Bristol, Virginia, engaged during the war in making plywood glider parts, purchased by the same company to be converted to manufacturing radio cabinets, small boats, and other wood articles; the Loftis Tidewater Construction Company plant, Wilmington, North Carolina, wartime producer of floating concrete dry docks, purchased by Robertson Chemical Corporation for warehouse and storage yard; and the industrial portion of the Stark General Hospital, Charleston, South Carolina, which was purchased by the Charleston County Board of Commissioners for industrial sites. Commissioners have already attracted a pants factory and anticipate the addition of a woodworking plant and a food processing plant.

The industrial facilities which have been sold are listed in alphabetical order by cities for each state of the District, and include the cost, selling price, war operator, and purchaser.

INDUSTRIAL FACILITIES

Sold

Location	Operator	Buyer	Cost	Sale Price
Baltimore, Md.	Air Reduction Sales Co.	Same	$ 184,000	$ 86,300
Baltimore, Md.	Bendix Aviation Corp.	Same	569,884	463,257
Baltimore, Md.	Bendix Aviation Corp.	Same	2,324,763	1,626,297
Baltimore, Md.	Bethlehem-Fairchild Shipyard		402,000	15,800 (part)
Baltimore, Md.	Davison Chem. Corp.	Franklin Realty & Finance	1,640,000	166,735
Baltimore, Md.	Geis, J. R., & Co.	John C. Knipp & Sons	155,921	126,100
Baltimore, Md.	James Distillery Inc.	Same	41,700	13,750
Baltimore, Md.	Koppers Co.	Same	3,842,000	1,501,000
Baltimore, Md.	Md. Sanitary Mfg. Co.	Baltimore Castings Co.	1,966,000	619,598
Baltimore, Md.	Reid-Avery Co., Inc.	Same	436,531	277,000
Baltimore, Md.	Schenuit, Frank G., Rubber Co.	Same	61,857	58,349
Baltimore, Md.	U. S. Industrial Chem. Co.	Same	263,435	90,000
Halethorpe, Md.	Revere Copper & Brass Co.	Balt. County Commissioners	3,534	3,534 (part)
Middle River, Md.	Glenn L. Martin Co.		187,000	50,000
Riverdale, Md.	Engineering & Research Corp.	Same	116,579	116,579
Sparrows Point, Md.	Air Reduction Sales Co.	Delta Chem. Mfg. Co., Baltimore	236,000	125,000
Sparrow's Point, Md.	Bethlehem Steel Corp.	Same	1,669,724	1,669,724
Bristol, Va.	Universal Moulded Prods. Corp.	Same	988,000	627,000
Front Royal, Va.	General Chem. Co.	Same	1,532,000	1,386,000
Norfolk, Va.	Diamond Springs Ice Plant	Diamond Spgs. Refrig. Co.	159,000	59,288
Norfolk, Va.	Ford Assembly Plant	Ford Motor Co.	2,135,000	1,610,000
Peytes, Va.	Pananimas Inc.		116,000	10,000
Pulaski, Va.	Hercules Powder Co.	Mohawk Carpet Mills	4,847,000	608,600
Scottsville, Va.	U. S. Rubber Co.	Same	2,204,000	1,837,500
West Point, Va.	West Pt. Military Reserv.		84,000	21,375
	Plantation Pipe Line		4,113,000	492,940
Eleanor, W. Va.	Red House Project	RFC	9,000	10,850
Eleanor, W. Va.	Housing Project	Diamond Alkali Co.	93,000	77,768
Institute, W. Va.	Carbide & Carbon Chem. Co.		48,323,000	9,350,000
Morgantown, W. Va.	Ordnance Works Elec. Power Facilities	Monongahela Power Co., Fairmont, W. Va.	656,000	460,000
Parkersburg, W. Va.	Corning Glass Works	Same	2,138,000	699,360
Parkersburg, W. Va.	Demuth Glass Works	Same	459,000	225,000
Point Pleasant, W. Va.	W. Va. Ordnance Works		5,241,000	222,000
Charlotte, N. C.	National Carbon Co.	Same	705,255	387,537
Durham, N. C.	Wrights Automatic Mach. Co.	Same	590,365	479,496
Wilmington, N. C.	Loftis Tidewater Const. Co.	Robertson Chem. Corp.	643,000	50,000
Charleston, S. C.	Stark General Hospital	Co. Board of Comm.	1,069,484	50,000
Clemson, S. C.	Excelsior Mills	Same	378,500	350,000
			$90,584,532	$26,023,737

In addition to outright sales of 38 industrial facilities costing $90,584,532, six facilities costing $7,179,000 have been leased for a minimum consideration of $2,804,860 for the entire terms of the leases. Details follow:

INDUSTRIAL FACILITIES

Leased

Location	Operator	Lessee	Cost	Time	Price
Baltimore, Md.	Cummins, Gilbert, Co.	Same	$ 209,000	2 yrs.	$ 19,000
Baltimore, Md.	Delta Chem. Mfg. Co.	Sterling Steel Prod. Co.	25,000	5 yrs.	10,200
Baltimore, Md.	Revere Copper & Brass, Inc.	Same	776,000	2 yrs.	12,000(a)
Lansdowne, Md.	Westinghouse Elec. & Mfg. Co.	Same	2,000,000	4 yrs.	360,000
Orange, Va.	Snead & Company	Same	331,000	10 yrs.	300,000(b)
Burlington, N. C	Fairchild Eng. & Aircraft Corp.	West. Elec. Co.	3,838,000	5 yrs.	2,103,660
	TOTAL		$7,179,000		$2,804,860

(a) Minimum rental. Lease based on minimum rental of $500 monthly plus a graduated scale of rental fees based on each 100,000 lb. units of monthly production.

(b) Lease based on 1.2 per cent of net sales per month with minimum rent of $2,500 per month.

Information is somewhat fragmentary regarding those facilities financed with public funds which are to be maintained in stand-by condition. Decisions thus far are probably tentative. Some of the facilities slated for stand-by condition may be sold. Other facilities not yet considered for stand-by may be finally added to the list.

Stand-by status, however, does not mean that such facilities as are capable of being operated in peacetime production may not be leased later on. For example, the Copolymer Plant at Institute, West Virginia could be used to produce synthetic rubber with ingredients shipped in from butadiene plants in the Southwest, if demand were sufficient to justify its operation. Likewise, the Morgantown Ordnance Works could be operated under lease, if the peacetime need for nitrogen required this capacity. Too little is known of the adaptability of the remaining specialized plants to venture any guess as to their prospective peacetime use.

The eight plants tentatively considered for stand-by status are listed below together with their cost, which totals $236,175,000 or 26 per cent of the total public funds invested in industrial facilities in the Fifth District.

INDUSTRIAL FACILITIES TO BE MAINTAINED IN STAND-BY CONDITION

Location	Operator	Cost
Baltimore, Md.	Revere Copper & Brass	$ 3,615,000
Cumberland, Md.	Goodyear Tire & Rubber Co.	11,662,000
New River, Va.	Hercules Powder Company	14,065,000
Radford, Va.	Hercules Powder Company	70,851,000
Institute, W. Va.	U. S. Rubber Company	18,275,000
Morgantown, W. Va.	Du Pont	62,429,000
S. Charleston, W. Va.	General Mach. Ordnance Corp.	6,571,000
S. Charleston, W. Va.	Naval Ordnance Plant (U. S. Steel)	48,707,000
	TOTAL	$236,175,000

Seventeen publicly financed facilities costing a total of $63,593,407 have been declared surplus and are available for sale or lease. Prominent among these seventeen facilities is the Glenn L. Martin Number One plant at Middle River, Maryland; a portion of the West Virginia Ordnance Works at Point Pleasant, West Virginia; the Revere Copper and Brass, Inc., aluminum condenser tube and aluminum tubing plants at Baltimore, Maryland; and the National Carbon Company plant at Morganton, North Carolina. Developments have not proceeded far enough to get any line on disposal of these plants, which are listed as follows:

DECLARED SURPLUS

Location	Operator	Cost
Baltimore, Md.	Air Reduction Sales Corp.	$ 113,000
Baltimore, Md.	Carrollton Springs Pure Rye Distillery	198,000
Baltimore, Md.	Davidson Chem. Corp.	85,000
Baltimore, Md.	Koppers Co.	1,294,000
Baltimore, Md.	Revere Copper & Brass, Inc.	1,200,000
Baltimore, Md.	Revere Copper & Brass, Inc.	6,090,000
Baltimore, Md.	United Distillers of America	13,000
Fruitland, Md.	Delaney, John H., & Co.	123,000
Havre de Grace, Md.	Harford County Distillery	18,000
Middle River, Md.	Glenn L. Martin Plant No. 1	18,751,000
Belle Meade, Va.	Belle Meade Distilling Corp.	19,000
Fairmont, W. Va.	Westinghouse Elec. & Mfg. Co.	3,338,000
Pt. Pleasant, W. Va.	W. Va. Ordnance Works (Gen'l Chem. Co.)	16,872,000
Morgantown, N. C.	National Carbon Co.	6,744,000
Charleston, S. C.	Charleston Shipbuilding & Dry Dock Co.	4,255,000
Charleston, S. C.	Pittsburgh Metallurigical Co.	1,009,407
Harleyville, S. C.	Ancor Corp.	3,471,000
	TOTAL	$63,593,407

Facilities which required substantial expenditures of public funds and for which no disposal action has been taken include the following:

Location	Operator	Cost ($000)
Newport News, Va.	Newport News Shipbuilding & Dry Dock Co.	$ 21,639
Wilmington, N. C.	Newport News Shipbuilding & Dry Dock Co.	20,393
Bristol, Va.	National Fireworks	2,546
Huntington, W. Va.	Sylvania Electric Products	3,919
Belle, W. Va.	Dupont—Anhydrous Ammonia	1,360
Richmond, Va.	Dupont—Rayon	5,083
Parkersburg, W. Va.	American Viscose	2,612
Front Royal, Va.	American Viscose	8,166
Charlotte, N. C.	Navy (ammunition loading plant)	11,986
Norfolk, Va.	Norfolk Shipbuilding & Dry Dock Co.	7,550
Baltimore, Md.	Bethlehem-Fairfield Shipyard	35,122
Winston-Salem, N. C.	Carbide & Carbon (fire control equipment)	4,711
Elkton, Md.	Magnesium Corp.	6,426
	TOTAL	$131,513

The publicly financed rayon facilities are intermingled with company owned facilities and are located on company property. Under existing demand conditions, it is likely that the companies concerned will purchase these facilities when an acceptable price is arranged. The shipyard facilities which account for the large expenditures in the above group will certainly not be needed for peacetime operation. It would not be likely that the operating companies would be willing to expend more than a fraction of their cost to acquire them under the circumstances, except as real estate investment or speculations. No notion as to what may happen to the other specialized plants listed above and unlisted will be ventured here, though in numerous cases buildings could be used for various purposes.

CONCLUSION

The total industrial facilities constructed in the Fifth Federal Reserve District during the war period totaled $1,493 million or 7.0 per cent of the United States total. This is about in line with the District's proportion of the national income, retail trade, value of manufactured output, and value added by manufacture, but somewhat below similar proportions of population, manufacturing employment, or total employment.

The industrial facilities financed with private funds in the Fifth District accounted for 11.5 per cent of the total private investment in the United States, while the industrial facilities financed with public funds was only 5.7 per cent of the total public investment in the nation. The heavier use of private investment in the District relative to the national total of such investment was due to the relatively larger location of textile, chemical, and shipyard facilities in the District than in the nation. Large amounts of private funds, as well as even larger public funds, were invested in both shipyard and chemical industries in this District.

Nevertheless, when facilities comprising Government operated establishments are eliminated from the District and the nation, and when other facilities to be held in stand-by condition are eliminated from the District total, the District's proportion of the national total falls to 4.8 per cent, compared with the previously mentioned 7.0 per cent for total industrial facilities. The 4.8 per cent share of the District is somewhat understated because no figure for stand-by plants is available to eliminate from the national total.

It appears then that the amount of new capital added in the Fifth District during the war period, which is also usable as peacetime equipment, was not at an annual rate commensurate with the pre-war year 1939, and certainly not as large as the high level of operations would have justified. Since the nation's machinery industries in the war years were concentrating on the production of munitions and the equipment to make them, there was little or no equipment available for new capital for non-war purposes except where needs were urgent. Much of the machinery in the manufacturing plants of the District is in badly depreciated condition, owing to the long and continuous hours of operation during the war period. Much more of it was obsolete before the war started, but was continued in operation by the maintenance of a low wage level.

The wage structure in the District's chief industries has risen very substantially and the chances are that it will remain high relative to selling prices. It is, therefore, unlikely that obsolete, high cost plants will be able to keep in the swim by again paying low wages. This is one of the chief factors which was responsible for a flood of new plant construction in 1946, and the chief factor responsible for the unabated expenditures on new production machinery.

Under the existing conditions of an expanding physical volume of business, the disposal of war industrial facilities that are usable for peacetime pursuits has been considerably simplified, and disposals of those usable facilities which have been declared surplus has proceeded with dispatch. The economics of industrial plant location, however, has made it necessary in some cases to offer an inducement in pricing of facilities to secure a buyer when the facility did not meet the optimum plant-location conditions. A substantial number of facilities in the District remain to be declared surplus, but such plants as are usable for peacetime production are likely to be sold or leased without serious complication, barring an extended period of unemployment. Production and employment levels have been high enough that there have been no complaints from either labor or industry regarding the disposal of these war plants.

The Use of Index Numbers

3. Construction

In explaining the practical use of index numbers, those ranking high in importance in their economic significance should be given first consideration. The first index of this series had to do with the distribution of goods at retail. The measurement of retail sales is perhaps the most important part of the problem of measuring consumer expenditures. The second of the series, cotton consumption, dealt with an important segment of the physical volume of production in this District. The physical volume of production is essentially the criterion or end product of economic appraisal. This discussion, the third in the series, deals with a significant part of another important economic measure in current use, namely, Private Gross Capital Formation.

The fairly recently evolved over-all economic measure, the Gross National Product, is the measure of the total value of all goods produced in the nation and services rendered in a given period of time. Its component parts are:

1. Consumer purchases of goods and services
2. Government expenditures for goods and services
3. Private gross capital formation

No attempts have yet been made to construct these devices for measurement on a regional basis, but their elements with slight variations would be similar. We are able, however, to get good qualitative impressions of regional consumer purchases of goods and fair impressions of expenditures for services. Although expenditures by governments for goods and services are not currently available, it is possible to secure them. In the private gross capital formation component—composed of (1) residential construction, (2) non-residential construction, (3) producers' expenditures for equipment, (4) net changes in business inventories, and (5) net exports or imports—regional data would have to carry an additional item of net regional inflow or outflow of goods and services. Thus regional measures similar to the gross national product and its components must wait until the pertinent data can be collected. Meanwhile regional business appraisals must be made with such pieces of the needed measures as are available.

In theory, private gross capital formation equal to the savings of the people will maintain disposable income at a level large enough to permit the purchase of the goods previously produced at a stable price level, and thereby maintain full and expanding utilization of the factors of production. Capital formation at a smaller figure than savings is supposed to result in a smaller disposable income than previously produced values, and thereby cause falling prices and reduced production and employment. Capital formation at a larger figure than savings is supposed to cause increased production and employment and/or rising prices.

The partial measure for capital formation under review is construction. It is an important part of gross private capital formation nationally, having accounted for 40 per cent of the total from 1919-1946. It may vary in greater or lesser importance regionally depending on the economic organization of the region. Detailed analyses of construction figures, made available by the F. W. Dodge Corporation, can also reveal inferentially that portion of producers' expenditures for machinery and equipment which goes hand in hand with new plant construction.

The index numbers of construction contracts awarded—as shown graphically on this page—do not measure the construction put in place, but precede the actual construction activity since the contract ordinarily comes before the work starts. Some types of construction such as small houses may be completed in normal times in three or four months from the time they are started. Other types of construction may require twelve months, eighteen months, or even several years to complete. Knowledge of time required to complete the various types of construction (under conditions when time schedules can be maintained) can be applied to the contract awards as a measure of demand for construction materials and construction labor, assuming the efficiency of construction labor to remain constant.

The seasonally adjusted index numbers of construction contracts awarded in the Fifth Federal Reserve District, as shown in the chart, are quite erratic in their movement from month to month, but the general trend can readily be observed over a series of months. This means that changes in trend are not readily determinable with the receipt of any given monthly index. As the chart shows, construction contract awards in the District have been at a very high level in recent months. They are higher than they have ever been before with the exception of the February-May period of 1946 and during the period of high war construction in 1941 and 1942.

We do not have the data available on savings or the remaining elements of capital formation to make assertions regarding the theoretical balance required to maintain full use of the District factors of production at steady prices. Supplemented by other measures, however, it is determinable that the volume of production and employment in the District is still very near its highest level, and of late it has shown a rising tendency. If the construction level can be maintained or expanded, much support will be given to the maintenance or expansion of both production and employment for some months yet to come.

CONSTRUCTION PROSPECT

In the pre-war years 1937-1939 construction contract awards in the Fifth Federal Reserve District averaged $344 million annually, of which non-residential buildings averaged $123 million, residential buildings averaged $127 million, and public works and utilities averaged $94 million, or 36 per cent, 37 per cent, and 27 per cent, respectively, of the total. Immigration of population to the war production areas and to the military reservations of the District caused a marked increase in construction in the period from 1940 through 1942. In 1942 construction contracts awarded in this District reached a total of $1,095 million, thus by far exceeding construction in any previous year. This figure was composed of $366 million of non-residential construction, $373 million of residential construction, and $356 million of public works and utilities, accounting respectively for 33 per cent, 34 per cent, and 33 per cent of the total.

Priorities for materials and necessary allocations of manpower in essential war pursuits reduced the volume of construction by 1944 back to a level of $315 million or slightly below the 1939 level. In this period residential construction was reduced 84 per cent, non-residential construction was reduced 64 per cent, and public works and utilities construction was reduced 66 per cent.

Nineteen forty-four was the low year in construction contract awards in the Fifth District, and while 1945 showed no improvement over 1944 until after the war had ended, the year showed a rise of nearly 25 per cent. The level of construction contracts continued a very rapid increase up to May 1946 when a series of factors combined to reverse the trend. In the months following the March to June period, the value of construction contracts awarded in 1946 remained at about the same level; the first five months of 1947 running at an annual rate of something over $800 million compared with $936 million in 1946 and with an annual average of $344 million in the three pre-war years 1937-1939. If the last seven months of 1947 should hold at the average of the first five months, construction contract awards in the Fifth District in 1947 will total about $830 million.

It is interesting to note that while total construction contract awards rose 2.7 times between the three year average, 1937-1939, and the year 1946, contract awards for manufacturing buildings in the same period increased 6.6 times; awards for one- and two-family houses rose 4.0 times; and awards for commercial buildings rose 3.4 times. Details of these and other changes are shown as follows:

CONSTRUCTION CONTRACTS AWARDED
Fifth District

	1937-39 av. (Million dollars)	1946 (Million dollars)	Ratio 1947 / 1937-39 av.
Commercial buildings	26.9	90.3	3.4
Manufacturing buildings	22.2	145.5	6.6
Educational buildings	30.7	23.1	.8
Other non-residential buildings	42.8	50.5	1.2
Total non-residential buildings	122.7	309.4	2.5
Apartments and hotels	32.2	63.8	2.0
One- and two-family houses	91.7	362.0	4.0
Other shelter	3.4	2.8	.8
Total residential	127.3	428.6	3.4
Public works and utilities	93.9	197.8	2.1
Total construction	343.9	935.8	2.7

The large rise in manufacturing buildings has double significance as regards the volume of private gross capital formation for in a majority of instances a much larger investment in machinery than in the buildings has or will accompany this rise. To a lesser extent equipment expenditures have been added to the increased value of commercial buildings, while residential building expansions stimulate expenditures for a broad list of consumers' durable and non-durable goods.

As previously noted, construction contract awards will total about $830 million in 1947, if awards in the last seven months of the year hold at the average of the first five months. Two months ago such a performance seemed unlikely, but in the light of recent developments the prospect seems less remote. It is true that building costs have risen greatly, and that this rise has had some adverse effect on the volume of construction.

Surprising as it may seem, however, the residential portion in the first five months of 1947 has fallen but 10 per cent from similar months a year ago, and those five months of last year included the very high month of March. The largest decrease in contract awards in this five-months comparison of these two years came in manufacturing buildings. Now, there has been no question this year of manufacturers' ability to mark up their selling prices and do essentially a capacity business. It does not, therefore, follow that the level of construction costs should have been a prime impediment to the construction of manufacturing buildings; but rather it seems to indicate that recession or depression apprehensions may have been more important considerations. Demand is still very strong for most of the manufactured products of the District, but there are still reasons for apprehensions regarding the continuance of that demand.

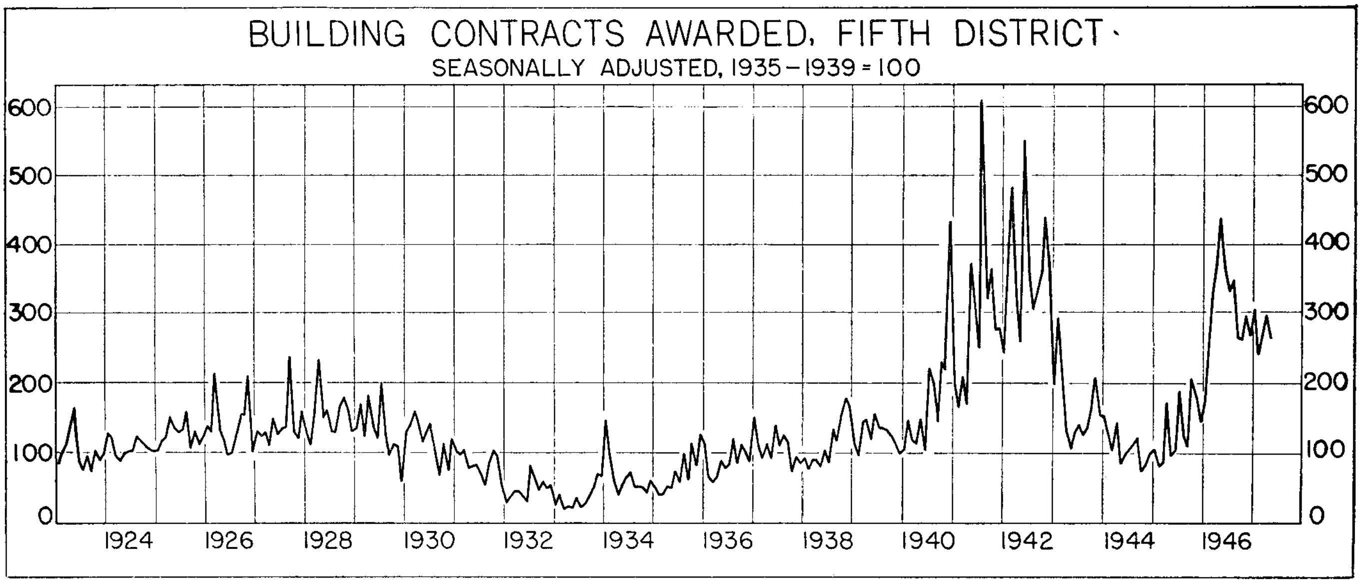
There is, for example, the demand for products of the District arising from export markets, and the very wide gap in imports and other means of payment for these exported commodities. If it became obvious that loans or gifts would be sufficient to sustain this very large volume of exports for an extended period, it is very likely that there would be a renewal of contract-awarding for manufacturing buildings in the District on a broad scale, high building costs notwithstanding.

It should be noted that speculative building of one- and two-family houses as measured by contract awards in the first five months of 1947 decreased 21 per cent from the same period of 1946, that awards for apartments and hotels rose 57 per cent. It is fairly generally true that, at current prices, speculatively built one- and two-family houses have run into sales resistance and new starts have slowed notably since April. These houses, however, are moving, but not fast enough to maintain the construction pace of 1946. It is gratifying that the rental housing so badly needed is continuing its upward trend. Occupancy of new dwelling structures is having a salutory effect on such department store items as curtains and draperies and other similar household necessities.

The amount of construction put in place since the end of the war, though substantial, has come no way near satisfying the needs of increased urban population. New families formed in the District, as the marriage statistics show, exceeded the 1942 wartime peak in 1946 and has totaled more than a million since 1941. Little headway has been made in eliminating the "doubled-up" occupancies which have been widespread for several years.

Particular note should also be taken of the expansion taking place in contracts awarded for public works and utilities. If these awards hold at the average monthly rate shown in the first five months of this year they will total about $243 million in 1947, a gain about a fourth over 1946. If the expansion for 1947 over 1946 continues at the rate that prevailed in the first five months they will total about $310 million or 57 per cent above 1946. There is urgent need for the expansion of school facilities, and there is much state and local government plant that has been outgrown, and much long-deferred replacement. Most municipalities are badly in need of new streets and facilities to handle an enormously increased traffic volume.

The construction industry is on the threshold of a great volume of business. This business could be delayed or abandoned if the costs of construction are not kept in reasonable relationship to prices in general. Construction expenditures account for an important part of capital formation which in turn is a necessary balance wheel in maintaining equilibrium in the economy of a region or the nation. The index numbers of construction contract awards give a running monthly record of the progress being made in the industry in the Fifth Federal Reserve District.



Banking

Total loans and investments of weekly reporting member banks* in the Fifth District declined by $16 million in the four-week period ended July 16. The $23 million decrease in security portfolios was only partially offset by an increase in loans amounting to $7 million, resulting in a continuation of the downward trend in earning assets.

The increase in loans brought the total to $701 million, nearly equaling the March high of $703 million for the member banks included in the revised reporting series. Commercial, industrial, and agricultural loans had a net decrease of $1 million during the four weeks, reaching a low since January of $326 million on July 9 and recovering to $328 million on July 16. Loans for the purpose of purchasing or carrying securities remained constant at $61 million, while loans to banks increased by $2 million to $4 million. Real estate loans showed a substantial gain, standing at $149 million on July 16 as compared with $144 million on June 18, and other loans increased by $1 million to $159 million.

The decline in securities held came in certificates of indebtedness and non-Governments, the latter falling $2 million to $121 million. Treasury bill holdings remained constant while holdings of notes and United States Government bonds increased. The table below presents holdings for the period.

HOLDINGS OF UNITED STATES GOVERNMENT OBLIGATIONS WEEKLY REPORTING MEMBER BANKS*

Fifth District

(Millions of dollars)

Date		Bills	C. of I	Notes	Bonds**	Total
June	18	17	247	81	1,363	1,708
	25	22	228	81	1,364	1,695
July	2	19	217	81	1,366	1,683
	9	24	211	80	1,372	1,687
	16	17	206	87	1,377	1,687

*New series.

**Includes obligations guaranteed by the United States.

Reserves of Fifth District member banks increased by $22 million during the four weeks ended July 16, due principally to substantial inflows of funds on commercial and industrial account during the closing days of June. Withdrawals of funds by the Treasury and losses of funds to circulation offset these inflows during the weeks ending June 25 and July 2 and brought about an expansion of Federal Reserve credit during the second week, but a reversal of these forces allowed for a subsequent contraction of Reserve Bank credit and still provided for an increase in reserve funds. The table that follows summarizes the factors for the period.

FACTORS AFFECTING MEMBER BANK RESERVES

Fifth District

Factors increasing (+) or decreasing (—) reserves:	Changes for 4 weeks ended July 16, 1947 (Millions of dollars)
Reserve bank credit extended locally	+ 5
Commercial and financial transactions	+79
Treasury transactions	—59
Currency transactions	— 3
Other factors	— *
Net change in reserve balances	+22

*Less than $500,000.

A further decline occurred in June in the total deposits of Fifth District member banks as measured by average daily total deposits. This, taken with an increase in the total held by member banks of the country as a whole, resulted in a decrease in the proportion of the total held by the banks of this District. Dollar losses occurred in the District of Columbia and in every state except Maryland, which showed a small gain over the last half of May.

*New series. See description that follows in this section.

REVISION OF WEEKLY REPORTING MEMBER BANK SERIES

Commencing April 2, the coverage of the Fifth District weekly reporting member bank series has been increased by the addition of 13 banks, including one bank with statewide branches, and the obtaining of systemwide reports for two banks which had formerly reported figures for selected offices. This has greatly increased the representativeness of the series both through the extended coverage and through the elimination of artificialities arising from the partial reports formerly obtained from two banks with numerous branches. At the same time, it has made impossible the compilation of some city totals formerly available, in that branches located in these cities are no longer reported separately but are incorporated into the reports of the parent bank.

The addition of three banks in Baltimore resulted in inclusion in the series of all member banks in that city, while the 7 added in Washington provided coverage of 14 out of 16 members there. One additional bank each was obtained in Norfolk, Virginia, and Charleston, West Virginia, giving 100 per cent coverage of member banks in those two cities.

For the District as a whole, the weekly reporting member banks hold 61 per cent of total deposits of all member banks and about 44 per cent of the deposits of all commercial banks. Substantially all banks in the larger cities of the District are included. The table below gives the proportion of deposits covered by the series.

PROPORTION OF TOTAL MEMBER BANK DEPOSITS HELD BY WEEKLY REPORTING MEMBER BANKS

June 25, 1947

	Percentage
Baltimore, Md.	100.0
Washington, D. C.	96.2
Richmond, Va.	97.8
Lynchburg, Va.	92.0
Norfolk, Va.	100.0
Roanoke, Va.	82.9
Charleston, West Va.	100.0
Huntington, West Va.	100.0
Charlotte, N. C.	100.0*
Winston-Salem, N. C.	97.5†
Charleston, S. C.	100.0†
Columbia, S. C.	100.0*
Fifth District	60.6

*Including branches of out-of-town banks, figures for which are included in reports of the head offices.

†Including banks whose reports include figures for out-of-town branches.

Actual reported figures for the new series are available since April 2, while estimates have been prepared from July 3, 1946, through March 26, 1947. These figures will be published in the August 31 issue of the *Monthly Review.*

ASSETS AND LIABILITIES OF MEMBER BANKS
Fifth Federal Reserve District
June 25, 1947
Preliminary
(Millions of Dollars)

ITEMS	Reserve city member banks	Other member banks	All member banks	Chg. from May 28, '47 all member banks
Assets				
1. Loans and investments	1,936	2,306	4,242	—32
a. Loans and discounts	530	720	1,250	+18
b. U. S. Gov't obligations	1,311	1,435	2,746	—51
c. Other securities	95	151	246	+ 2
2. Reserves, cash, and bank balances	675	700	1,375	+32
a. Reserves with F. R. bank	385	314	699	—12
b. Cash in vault*	44	84	128	+ 4
c. Demand balances with banks in U.S.	96	231	327	+17
d. Other bank balances*	1	3	4	— 1
e. Cash items in process of collection	149	68	217	+24
3. Other assets*	39	34	73	— 6
4. Total assets	2,650	3,040	5,690	— 6
Liabilities and Capital				
5. Gross demand deposits	2,022	1,962	3,984	—11
a. Deposits of banks	272	85	357	—14
b. War loan accounts	15	19	34	—43
c. Other demand deposits	1,735	1,858	3,593	+46
6. Time deposits	448	862	1,310	0
7. TOTAL DEPOSITS	2,470	2,824	5,294	—11
8. Borrowings from F. R. bank	6	6	12	+ 4
9. Other liabilities*	12	13	25	— 2
10. Total capital accounts*	161	198	359	+ 3
11. Total liabilities and capital accounts	2,649	3,041	5,690	— 6

*Estimated.
Details may not add to total due to rounding.

AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last half of May		Last half of June	
	$ thousands	% of U.S.	$ thousands	% of U.S.
Maryland	989,798	.96	998,661	.96
Reserve City Banks	629,767	.61	641,976	.62
Country Banks	360,031	.35	356,685	.34
District of Columbia	933,278	.90	920,518	.89
Reserve City Banks	912,403	.88	899,479	.87
Country Banks	20,875	.02	21,039	.02
Virginia	1,264,587	1.22	1,258,887	1.21
Reserve City Banks	287,319	.28	290,604	.28
Country Banks	977,268	.94	968,283	.93
West Virginia	542,979	.53	541,006	.52
North Carolina	804,822	.78	793,555	.77
Reserve City Banks	365,254	.35	360,271	.35
Country Banks	439,568	.43	433,284	.42
South Carolina	412,773	.40	411,725	.40
Fifth District	4,948,237	4.79	4,924,352	4,75
U. S. (Millions)	103,284	100.0	103,729	100.0

*Excluding interbank demand deposits.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	July 16 1947	Chg. in Amt. from 6-18-47	Chg. in Amt. from 7-17-46
Total Gold Reserves	$ 991,855	+ 73,703	+ 74,000
Other Reserves	12,638	— 18	— 4,685
Total Reserves	1,004,493	+ 73,685	+ 69,315
Bills Discounted	9,528	+ 400	+ 1,938
Industrial Advances	0	0	0
Gov. Securities, Total	1,434,007	+ 13,668	— 32,256
Bonds	44,131	— 709	— 1,953
Notes	22,458	— 308	— 13,883
Certificates	402,536	+ 26,362	— 77,390
Bills	964,882	— 11,677	+ 60,970
Total Bills & Securities	1,443,535	+ 14,068	— 30,318
Uncollected Items	238,319	— 37,549	+ 48,700
Other Assets	16,549	+ 818	— 10,362
Total Assets	2,702,896	+ 51,022	+ 77,335
Fed. Res. Notes in Cir.	$1,651,674	— 2,640	— 9,468
Deposits, Total	810,429	+ 81,182	+ 45,488
Members' Reserves	734,114	+ 22,155	+ 37,080
U. S. Treas. Gen. Acc.	53,121	+ 52,604	+ 12,454
Foreign	20,712	+ 5,987	— 3,818
Other Deposits	2,482	+ 436	— 228
Def. Availability Items	204,769	— 27,641	+ 37,331
Other Liabilities	554	— 208	+ 108
Capital Accounts	35,470	+ 329	+ 3,876
Total Liabilities	2,702,896	+ 51,022	+ 77,335

CONDITION OF REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

	July 16 1947	Chg. in Amt. from 6-18-47	Chg. in Amt. from 7-17-46
Total Loans	$ 700,701	+ 6,895	+134,432
Bus. & Agri.	327,526	— 1,005	+ 94,138
Real Estate Loans	148,844	+ 4,879	+ 51,171
All Other Loans	224,331	+ 3,021	— 10,877
Total Security Holdings	1,808,079	— 22,684	—403,836
U. S. Treasury Bills	17,004	+ 360	— 20,503
U. S. Treasury Certificates	205,904	— 41,263	—289,436
U. S. Treasury Notes	87,330	+ 6,284	—104,033
U. S. Gov. Bonds	1,376,952	+ 13,888	— 2,656
Other Bonds, Stocks & Sec.	120,889	— 1,953	+ 12,792
Cash Items in Process of Col.	195,112	+ 5,894	+ 37,125
Due from Banks	160,214*	— 7,943	— 16,809
Currency & Coin	60,930	— 1,720	+ 8,429
Reserve with F. R. Bank	495,438	+ 19,892	+ 34,182
Other Assets	49,560	— 520	+ 2,154
Total Assets	$3,470,034	— 186	—204,323
Total Demand Deposits	$2,622,928	— 4,096	—245,187
Deposits of Individuals	2,018,730	+ 10,251	+ 88,630
Deposits of U. S. Gov.	29,022	+ 1,710	—299,642
Deposits of State & Local Gov.	170,714	— 15,959	+ 10,508
Deposits of Banks	365,596*	+ 15,555	— 46,414
Certified & Officers' Checks	38,866	— 15,653	+ 1,731
Total Time Deposits	618,161	+ 1,742	+ 19,930
Deposits of Individuals	598,712	+ 2,120	+ 19,786
Other Time Deposits	19,449	— 378	+ 144
Liabilities for Borrowed Money	6,200	+ 1,440	+ 4,700
All Other Liabilities	16,826	+ 1,169	+ 5,002
Capital Accounts	205,919	— 441	+ 11,232
Total Liabilities	$3,470,034	— 186	—204,323

*Net figures, reciprocal balances being eliminated.

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	June 30, 1947	May 31, 1947	June 30, 1946
Total Deposits	$387,270,578	$385,215,236	$368,295,921

COMMERCIAL FAILURES

MONTHS	Number Failures District	Number Failures U. S.	Total Liabilities District	Total Liabilities U. S.
June 1947	11	283	$ 264,000	$18,982,000
May 1947	7	378	291,000	17,326,000
June 1946	2	69	22,000	3,006,000
6 Months 1947	46	1,632	$2,161,000	$95,808,000
6 Months 1946	11	500	111,000	22,223,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	June 1947	% Chg. from June 1946	6 Mos. 1947	% Chg. from 6 Mos. '46
District of Columbia				
Washington	$ 642,447	— 2	$ 3,813,919	+ 4
Maryland				
Baltimore	872,417	+ 6	5,201,384	+ 8
Cumberland	20,915	+ 3	121,460	+12
Frederick	17,413	+18	103,095	+21
Hagerstown	23,397	+ 6	144,679	+16
North Carolina				
Asheville	43,831	+16	262,055	+21
Charlotte	189,227	+12	1,179,020	+25
Durham	95,107	+ 5	547,843	+10
Greensboro	61,261	+19	368,437	+20
Kinston	9,788	+ 4	70,519	+19
Raleigh	86,879	+11	568,018	+34
Wilmington	33,022	+ 9	201,505	+ 7
Wilson	11,519	+ 4	82,970	+32
Winston-Salem	108,838	+21	662,477	+29
South Carolina				
Charleston	50,760	0	294,400	+ 1
Columbia	80,282	+ 7	490,018	+20
Greenville	71,743	+24	405,282	+28
Spartanburg	36,995	+17	235,907	+28
Virginia				
Charlottesville	19,559	— 7	120,878	— 9
Danville	23,346	+18	152,107	+27
Lynchburg	33,743	+11	199,579	+17
Newport News	30,937	+37	173,989	+29
Norfolk	164,736	+23	932,349	+18
Portsmouth	17,881	+ 4	108,362	+ 8
Richmond	401,498	+18	2,361,090	+15
Roanoke	70,584	+11	428,304	+21
West Virginia				
Bluefield	36,505	+32	203,258	+30
Charleston	114,237	+13	690,704	+18
Clarksburg	26,655	+23	157,494	+22
Huntington	47,359	+18	281,265	+18
Parkersburg	23,391	+13	141,897	+20
District Totals	$3,466,272	+ 9	$20,704,264	+13

COTTON CONSUMPTION AND ON HAND—BALES

	June 1947	June 1946	Aug. 1 to June 30 1947	Aug. 1 to June 30 1946
Fifth District States:				
Cotton consumed	367,263	381,453	4,522,458	4,088,816
Cotton Growing States:				
Cotton consumed	637,732	693,951	8,204,341	7,430,193
Cotton on hand June 30 in				
consuming establishments	1,381,000	1,873,919		
storage & compresses	1,166,281	5,246,529		
United States:				
Cotton consumed	728,251	792,317	9,357,815	8,433,604
Cotton on hand June 30 in				
consuming establishments	1,677,014	2,281,248		
storage & compresses	1,229,817	5,379,624		
Spindles active, U. S.	21,324,316	21,323,076		

COTTON CONSUMPTION—FIFTH DISTRICT

(In Bales)

MONTHS	N. Carolina	S. Carolina	Va.	Md.	District
June 1947	190,108	157,363	17,424	2,368	367,263
May 1947	207,663	166,675	18,467	2,551	395,356
June 1946	205,473	155,055	17,517	3,408	381,453
6 Months 1947	1,318,719	1,037,727	113,318	18,413	2,488,177
6 Months 1946	1,262,750	947,109	102,727	20,229	2,332,815

PRICES OF UNFINISHED COTTON TEXTILES

	June 1947	May 1947	June 1946
Average, 17 constructions	83.34	83.54	50.72
Printcloths, average (6)	106.82	104.71	54.90
Sheetings, average (3)	73.65	76.79	45.67
Twill (1)	79.86	79.86	51.94
Drills, average (4)	63.07	64.76	46.85
Sateen (1)	97.61	97.61	66.58
Ducks, average (2)	62.54	62.54	44.92

Note: The above prices are those for the approximate quantities of cloth obtainable from a pound of cotton with adjustments for salable waste.

BUILDING PERMIT FIGURES

	Total Valuation June 1947	Total Valuation June 1946
Maryland		
Baltimore	$ 6,584,045	$ 5,318,630
Cumberland	91,500	38,100
Frederick	294,625	23,900
Hagerstown	115,545	79,550
Salisbury	280,658	126,401
Virginia		
Danville	650,919	124,355
Lynchburg	433,298	268,321
Norfolk	572,560	661,355
Petersburg	128,900	41,000
Portsmouth	119,255	44,925
Richmond	912,032	1,195,844
Roanoke	679,547	252,792
West Virginia		
Charleston	354,645	297,346
Clarksburg	84,325	51,910
Huntington	369,425	168,910
North Carolina		
Asheville	914,456	84,192
Charlotte	982,090	761,338
Durham	381,900	907,400
Greensboro	690,890	154,390
High Point	134,110	182,585
Raleigh	777,469	237,665
Rocky Mount	82,800	111,825
Salisbury	107,225	332,780
Winston-Salem	310,610	224,809
South Carolina		
Charleston	260,586	93,947
Columbia	194,575	405,450
Greenville	69,450	44,400
Spartanburg	287,595	103,225
Dist. of Columbia		
Washington	5,611,074	2,644,425
District Totals	$22,476,109	$14,981,720
6 Months	$99,316,778	$95,815,272

CONSTRUCTION CONTRACTS AWARDED

STATES	May 1947	% Chg. from May 1946	5 Mos. '47	% Chg. from 5 Mos. '46
Maryland	$29,696,000	—21	$107,642,000	—10
Dist. of Columbia	3,872,000	—72	31,914,000	— 3
Virginia	10,172,000	—62	84,044,000	+ 3
West Virginia	4,542,000	—32	29,438,000	—22
No. Carolina	14,396,000	+ 6	64,248,000	—13
So. Carolina	7,940,000	—59	27,212,000	—51
Fifth District	$70,618,000	—40	$344,498,000	—14

Source: F. W. Dodge Corp.

RAYON YARN DATA

	June 1947	May 1947	June 1946
Rayon Yarn Shipments, Lbs.	53,800,000	59,500,000	51,800,000
Staple Fiber Shipments, Lbs.	15,400,000	18,400,000	14,000,000
Rayon Yarn Stocks, Lbs.	8,400,000	8,500,000	7,100,000
Staple Fiber Stocks, Lbs.	6,100,000	3,800,000	1,900,000

Source: Rayon Organon

TOBACCO MANUFACTURING

	June 1947	% Chg. from June 1946	6 Mos. 1947	% Chg. from 6 Mos. '46
Smoking & Chewing tobacco (Thousands of lbs)	15,523	—14	91,236	—8
Cigarettes (Thousands)	29,096,665	+10	162,782,310	+4
Cigars (Thousands)	432,527	— 4	2,705,856	—5
Snuff (Thousands of lbs.)	3,269	+ 6	19,639	—2

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in June 1947 sales, compared with sales in June '46:	+ 2	+ 8	— 3	— 3	+ 2
Percentage chg. in 6 months' sales '47, compared with 6 mos. in '46:	+13	+ 7	+ 2	+ 5	+ 6
Percentage chg. in stocks on June 30, '47, compared with June 30, '46:	+17	+ 2	+11	+21	+10
Percentage chg. in outstanding orders June 30, '47 from June 30, '46:	—66	—56	—61	—47	—60
Percentage chg. in receivables June 30, '47 from those on June 30, '46:	+54	+33	+28	+27	+33
Percentage of current receivables as of June 1, 1947 collected in June:	37	46	43	51	44
Percentage of instalment receivables as of June 1, '47, collected in June:	23	28	23	30	25

	Maryland	Dist. of Col.	Virginia	W. Virginia	N. Carolina	S. Carolina
Percentage chg. in June '47 sales from June '46 sales, by states:	+8	—3	+ 1	+3	—1	+4
Percentage chg. in 6 months' sales 1947 from 6 months' 1946 sales:	+7	+2	+10	+7	+9	+5

WHOLESALE TRADE, 202 FIRMS

LINES	Net Sales June 1947 compared with June 1946	Net Sales June 1947 compared with May 1947	Stock June 30, 1947 compared with June 30 1946	Stock June 30, 1947 compared with May 31 1947	Ratio June collections to acc'ts outstand'g June 1
Auto supplies (8)*	+13	—14	+105	+2	78
Drugs & sundries (13)*	+ 8	— 4	+ 16	0	120
Dry goods (6)*	—10	— 7	+ 63	+8	78
Electrical goods (6)*	+65	— 1	+132	+2	101
Groceries (63)*	+24	+ 1	+ 45	—3	160
Hardware (9)*	+26	—18	+122	+4	101
Industrial supplies (4)*	+53	— 6	+ 68	—5	105
Paper & products (7)*	+38	— 4	...	.	108
Tobacco & products (13)*	0	— 4	+ 19	—5	144
Miscellaneous (73)*	+33	— 5	+ 42	+9	95
Dist. Avg. (202)*	+22	— 5	+ 49	+3	109

Source: Department of Commerce.

*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	Percentage Chgs. in June and 6 Mos. 1947 Compared with June 1946	Compared with 6 Mos. '46
Maryland (5)*	+34	+17
District of Columbia (6)*	— 9	— 5
Virginia (20)*	+ 8	+13
West Virginia (10)*	+13	+11
North Carolina (16)*	+ 8	+21
South Carolina (9)*	+10	+ 8
Fifth District (66)*	+12	+10
INDIVIDUAL CITIES		
Baltimore, Md., (5)*	+34	+17
Washington, D. C., (6)*	— 9	— 5
Lynchburg, Va., (3)*	+14	+14
Richmond, Va., (6)*	+ 1	+15
Charleston, W. Va., (3)*	—16	—10
Charlotte, N. C., (4)*	+ 7	+21
Columbia, S. C., (3)*	+ 5	0

*Number of reporting stores.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

Industrial production declined somewhat further in June and the early part of July. Value of retail trade continued to show little change, after allowance for seasonal changes. Prices of commodities traded in the organized markets generally advanced and prices of coal and iron and steel were increased.

Industrial Production

Total output of manufactures and minerals, as measured by the Board's seasonally adjusted index, which reached a postwar peak of 190 per cent of the 1935-39 average in March, had declined to 183 by June and a further reduction is indicated in July.

Durable goods production continued to decline slightly in June, reflecting mainly further small reductions in demand for various metals and metal products and building materials. Automobile passenger car production, however, which has been limited by the available supply of steel sheets, increased in June. In July the rate of automobile production was reduced again, reflecting partly a temporary curtailment in supplies of steel. Production of steel was curtailed in the early part of July as a result partly of uncertainties surrounding the signing of a new wage contract in the bituminous coal industry, but at the end of July steel operations again were scheduled at a rate of 94 per cent of capacity.

Contraction in nondurable goods production continued in June, reflecting chiefly earlier declines in domestic demands for these goods as well as some slackening in export demands. Further reductions in output in the textile industry accounted for most of the decline in June, but there were also decreases in activity in most other nondurable goods lines except meat-packing, petroleum refining, and newsprint consumption.

Production of minerals decreased somewhat in June as a decline in production of bituminous coal more than offset gains in output of anthracite and crude petroleum.

Employment

Employment in most types of nonagricultural establishments continued to show little change in June, after allowance for seasonal changes. Further reductions in employment in the textile and rubber industries were offset by increased employment in automobile plants and in some non-manufacturing lines.

Construction

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined 10 per cent from May to June, reflecting chiefly a further decrease in awards for most types of private construction. Awards for public construction, following increases in earlier months of the year, showed little change. New dwelling units started, according to preliminary estimates of the Bureau of Labor Statistics, continued to increase in June and amounted to 75,000 units as compared with 65,000 in June 1946.

Distribution

Department store sales in June and the first three weeks of July showed about the usual seasonal decline and were 6 per cent greater than in the same period last year. The Board's seasonally adjusted index of sales was about 290 per cent of the 1935-39 average in May and June as compared with 270 during the first four months of the year. Value of sales at most other retail stores, after allowance for seasonal changes, has been slightly lower in recent months than during the first quarter of the year.

Despite a marked expansion in grain shipments in June and the early part of July, total loadings of railroad revenue freight declined considerably, reflecting the temporary curtailment in coal shipments in this period and a further decline in shipments of manufactured goods.

Commodity Prices

Prices of commodities traded in the organized markets generally advanced somewhat in June and the early part of July. Prices of coal, pig iron, and various steel products were also increased in this period. Wholesale prices of chemicals and some other products were reduced. Toward the end of the month prices of wheat and cotton declined considerably.

Retail prices of foods increased somewhat in June and the consumers' price index of the Bureau of Labor Statistics, at 157 per cent of the 1935-39 average, was slightly above the March peak.

Treasury Finance and Bank Credit

On July 2, the Federal Open Market Committee of the Federal Reserve System directed the Federal Reserve Banks to terminate the policy of buying all bills offered at the fixed rate of 3/8 per cent and to terminate the repurchase option privilege on Treasury bills; the new policy applied to bills issued on or after July 10. The average rates bid on the weekly bill offerings rose to .74 per cent for the issue of July 24.

Additions to monetary gold stock during June and the first three weeks of July, together with a return flow of currency from circulation during July following a seasonal increase prior to July 4, resulted in a growth in member bank reserve balances. Required reserves increased, reflecting a further growth in deposits at member banks.

Commercial and industrial loans at banks in leading cities outside New York increased somewhat between early June and mid-July, following a decline which had been in progress since early April. Real estate and consumer loans continued to increase. Government security holdings at banks in leading cities increased by over 600 million dollars between June 4 and July 16 with most of the additions at New York city banks.