



FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA

AUGUST 31, 1948

Business Conditions

DEVELOPMENTS in the Fifth District in July show reductions in production of the major industries in retail trade and in building, but both gains and losses in different lines of wholesale trade after adjustments for seasonal variation. Employment levels in manufacturing industries held steady through June, but in several important industries working time was cut in June and this appears to have been more pronounced in both July and August.

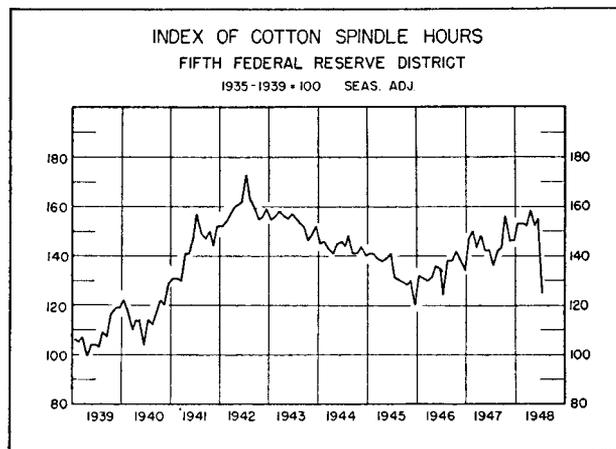
Production

Output of the District's major industries was reduced during July due in part to worker vacations and in part to lack of demand. A reduction of 5 percent in the seasonally adjusted coal output from June to July was caused both by worker vacations and by lack of freight cars at certain mines. A drop from June to July in seasonally adjusted indexes of 11 percent in cotton consumption and 19 percent in cotton spindle-hours run reflect both longer vacations than are allowed for in computing the seasonally adjusted index and reduced demand.

Vacation periods this year covered a larger portion of the cotton textile industry than heretofore and the July drop is probably somewhat exaggerated. Nevertheless, all current trade indications point to a level of activity this fall considerably below the spring levels. The accompanying chart shows graphically the extent to which mill activity was reduced in July.

Although employment in the lumber and timber industry has held quite steady thus far this year there has been some lessening of activity at sawmills, particularly those small mills which sell undried lumber. Although lumber prices have firmed of late after having shown some weakness around midyear, the market demand is for good dry lumber and the small mills without drying facilities do not face a bright outlook despite the large amount of construction unless export demands become considerably larger than they are now. No complaints have, thus far, been heard regarding car shortages for hauling lumber. This had been expected owing to the shifting of cars to move the wheat crop.

New orders booked by the reporting members of the Southern Furniture Manufacturers Association fell sharply during the first half of the year, but shipments have maintained a good level, though in the second quarter they were lower than earlier in the year. Employment levels have declined appreciably in both North



Carolina and Virginia, with the brunt of the decline coming in Virginia. Retail sales of furniture stores in the Fifth District dropped 14 percent from June to July after seasonal correction. July sales, however, were still 15 percent ahead of July last year.

Apparel industries in the District maintained production through the first half year at something better than seasonal levels. There have been a few indications that lessened activity has occurred recently in some lines such as skirts and pajamas, but the extent of this slackening is not known. It is apparent, however, that all of these industries are exercising a decidedly conservative purchasing policy and this has found its reflection in the cotton goods markets.

Cigarette production in the District fell 9 percent in July compared with June after allowances for seasonal change. The July output was 7 percent smaller than in that month last year. The employment level in cigarette manufacturing continued on a downward trend in Virginia during the first half of 1948 while that in North Carolina has flattened out after having risen for the past two years.

Trade

Department store sales, seasonally adjusted in the Fifth District, after establishing an all time peak in June declined 2 percent in July to a level 9 percent higher than July 1947 and the highest level of all time except for June. Indications based on sales in the first two weeks of August point to a further decline in the index during that month, which is in contrast with an indicated increase for the country as a whole.

The high sales levels, after seasonal correction in June and July, have permitted stores to work their inventories into a better relationship to current sales volume. It is still store policy to maintain a conservative level of inventories, but the sales experience thus far this summer will probably result in a somewhat more liberalized rate of purchase in the fall months. Anything beyond this will probably be governed by the sales reaction to a somewhat slackened employment situation.

The fall and winter trade outlook must also reckon with stiffer installment credit terms on major household appliances. These terms are about twice as stiff as current practice regarding down-payments, and affect a minority of probably 15 to 20 percent of the transactions which are currently running beyond 18 months. These new regulations on installment credit are likely to have their greatest retarding effect in sales in the furniture field.

Sales of wholesalers in the Fifth District showed mixed changes after seasonal correction from June to July as well as from July 1947 to July 1948. Dry goods sales rose 16 percent from June to July, but July sales were only 1 percent ahead of those last year. Electrical goods sales gained 21 percent in July from June and

stood 7 percent above a year ago. Sales of automotive and industrial supplies declined 16 and 13 percent respectively during the month, but held 23 and 19 percent respectively ahead of a year earlier. Grocery sales in July were 1 percent above June but failed by 4 percent of equaling the July 1947 level. Wholesale sales of paper and its products decreased 9 percent from June to July to a level 15 percent below July 1947.

Building

June established the peak month for building permits in the Fifth District thus far. July figures seasonally adjusted declined 27 percent from the June level but still remained 15 percent higher than in July a year ago and 25 percent higher than the average for the year 1947.

In the first 6 months of 1948 construction contract awards in the Fifth District amounted to \$525 million, which was \$102 million or 24 percent larger than in the first half of 1947. Of this increase of \$102 million, non-residential accounted for 66 percent, residential 20 percent and public works and utilities 14 percent. The table on page 7 shows that the gains in the first half of 1948 over the same months of 1947 were very substantial in

Continued on page 7

**BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED**

	July 1948	June 1948	May 1948	July 1947	% Change July 1948 from June 48 July 47	
Automobile Registration*	.....	105	106	125	.....	.....
Bank Debits	329	327	326	285	+ 1	+ 15
Bituminous Coal Production	163	165r	189r	125	- 1	+ 30
Building Contracts Awarded	346	335	365	249	+ 3	+ 39
Apartments and Hotels	.....	305	312	205	.....	.....
Commercial Construction Contracts	.....	478	461	454	.....	.....
Manufacturing Construction Contracts	.....	246	418	379	.....	.....
One and Two Family Houses	.....	299	320	184	.....	.....
Public Works Utilities	.....	453	523	289	.....	.....
Residential Construction Contracts	404	271r	313r	212	+ 49	+ 91
Building Permits Issued	323	441	277	280	- 27	+ 15
Business Failures—No.	35	29	31	45	+ 21	- 22
Cigarette Production	224p	245r	232	242	- 9	- 7
Cotton Consumption	131	148	148	137	- 11	- 4
Cotton Spindle Hours	125	155	152	136	- 19	- 8
Department Store Sales	328	335r	313	302	- 2	+ 9
Department Store Stocks	308	304	337	272	+ 1	+ 13
Electric Power Productions	.....	256	254	235	.....	.....
Employment—Mfg. Industries*	.....	135	135r	130	.....	.....
Furniture Orders	.....	276	216	226	.....	.....
Furniture Shipments	.....	323	282	215	.....	.....
Furniture Unfilled Orders	.....	641	907	602	.....	.....
Furniture Sales—Retail	261p	299	263	224	- 13	+ 17
Gasoline Consumption	.....	.....	190	182	.....	.....
Life Insurance Sales	263	253	252	252	+ 4	+ 4
Wholesale Trade:						
Automotive Supplies**	364	431	408	295	- 16	+ 23
Drugs	270	260	253	264	+ 4	+ 2
Dry Goods	198	170	172	197	+ 16	+ 1
Electrical Goods**	93	77	89	87	+ 21	+ 7
Groceries	276	273	262	287	+ 1	- 4
Hardware	159	175	138	146	- 9	+ 9
Industrial Supplies**	342	391	387	287	- 13	+ 19
Paper and Its Products**	146	161	153	172	- 9	- 15
Tobacco and Its Products**	98	93	92	110	+ 5	- 11

*Not seasonally adjusted
**1938-41=100

State and Municipal Bond Offerings--Fifth District

In keeping with so many other indicators and results of economic activity in the first six months of this year, offerings of new issues of municipal bonds in the United States attained record proportions with a volume of \$1,599,903,001. This was an increase of \$252 million over the total in the same period of 1947 and presages the possibility that this full year's total may approximate the record volume of 1947. As typified last year's experience, offerings during the first half of this year were swelled by \$585 million of veterans' bonus bonds issued by New York, Ohio, and Illinois.

To date only nine states have authorized bonuses, ranging in total amounts from \$1.5 million in Vermont to \$400 million in New York. (The other states in which bonuses have been paid or have been authorized to be paid are Connecticut, Illinois, Massachusetts, Michigan, New Hampshire, Ohio, and Rhode Island.) The total amount paid out by these nine states, about \$1.6 billion, will be augmented by about \$1.2 billion if voters in Indiana, Iowa, Minnesota, Missouri, North Dakota, Pennsylvania, South Dakota, and Wisconsin give their approval this November to present bonus proposals. It is interesting to compare the amount of \$2.7 billion of authorized and proposed bonuses in 17 states with the total payments of \$398 million by 20 states after the First World War. In about 19 of the remaining states bonus proposals have been made but have not yet been acted upon by the legislatures. In a number of states, legislatures have rejected bonus proposals, and in Maine a plan that had been approved by the legislature was rejected

by the electorate at a referendum. It is likely, however, that the total amount of \$2.7 billion currently authorized and proposed will be exceeded by a substantial amount by the time the final tally is taken.

Whereas the national total of new municipal* issues for the first half of this year represents an increase of 19 per cent over the volume of the first half of 1947 and a 29 per cent reduction from flotations in the last six months of that year, the Fifth District total of \$78.2 million was 179 per cent and 13 per cent over the volumes of those respective periods.

With the exception of the absence of bonus bonds, the purpose-pattern of issues in this District was similar to that of the country as a whole; schools, water and sewer, and street and highway accounting for major proportions of the total issues. And as was the case throughout the country, the relatively few large individual offerings in the Fifth District were accompanied by a continued heavy flow of small issues that saw amounts as small as \$6,500 borrowed for a period of 8 years.

It will be noted in the following table that on a dollar basis school building and improvements were, for the District as a whole, the most important purpose for which debt was incurred, absorbing about 36 per cent of all borrowed funds. Improvements and extensions to water, sewer, and sanitary systems ranked next, accounting for 22 per cent of the total funds borrowed; and repairs and construction of streets, roads, and bridges required bond issues amounting to 19 per cent of the total issued in the District.

STATE AND MUNICIPAL BOND OFFERINGS

January 1-June 30, 1948

	MARYLAND			VIRGINIA			WEST VIRGINIA			NO. CAROLINA			SO. CAROLINA			FIFTH DISTRICT		
	No. of issues	Amt. \$000	Per-cent	No. of issues	Amt. \$000	Per-cent	No. of issues	Amt. \$000	Per-cent	No. of issues	Amt. \$000	Per-cent	No. of issues	Amt. \$000	Per-cent	No. of issues	Amt. \$000	Per-cent
School building and improvement	7	14,320	74.8	3	1,950	25.1	1	85	.....	18	9,336	32.0	17	2,771	14.9	45	28,377	36.3
Water, drainage, sewer and sanitary systems	8	4,715	24.6	2	1,290	16.6	1	.....	.....	27	9,893	33.9	3	1,180	6.3	40	17,078	21.9
Street, road and bridge building and improvement	2	75	.4	.....	.....	.....	1	(85	.....	14	3,029	10.4	(2	900	.....	21	15,089	19.3
Public improvement	.....	.....	.....	2	2,800	36.1	1	350	10.1	5	2,115	7.2	2	500	2.7	10	5,765	7.4
Airports	.....	.....	.....	1	74	1.0	2	1,950	56.3	1	200	.7	.....	.....	.....	4	2,224	2.8
Parks and playgrounds	.....	.....	.....	1	150	1.9	.....	.....	.....	1	20	.1	.....	.....	.....	2	170	.2
Recreation center	.....	.....	.....	.....	.....	.....	1	75	2.2	.....	.....	.....	.....	.....	1	75	.1	
Hospitals	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3	2,040	11.0	3	2,040	2.6
Electric system	.....	.....	.....	1	1,500	19.3	.....	.....	.....	7	3,954	13.6	.....	.....	.....	8	5,454	7.0
Combined public utility system	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1	230	1.2	1	230	.3
Town hall; municipal buildings	.....	.....	.....	.....	.....	.....	.....	.....	.....	2	30	.1	.....	.....	.....	2	30	.....
Cemetery	.....	.....	.....	.....	.....	.....	.....	.....	.....	1	20	.1	.....	.....	.....	1	20	.....
Memorial auditorium	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2	1,000	5.4	2	1,000	1.3
General refunding	1	45	.2	.....	.....	.....	.....	.....	.....	7	560	1.9	.....	.....	.....	8	605	.8
Total	18	19,155	100.0	10	7,764	100.0	6	3,460	100.0	83	29,157	100.0	31	18,621	100.0	148	78,157	100.0

*State issues

Source: Weekly listings in The Commercial and Financial Chronicle

The percentage breakdown shown in the table is only approximately correct inasmuch as the sums for specific purposes were not revealed in some items such as a \$1.6 million Kanawha County, West Virginia issue floated for airport, park and courthouse construction. Also there is overlapping of certain items shown in the table;

for example, public improvements may overlap any of the other items listed in the table and combined public utility system may overlap electric system.

Of the 148 state and municipal bond issues in the

*Where the term "municipals" is used, it refers to state and local government bonds.

Fifth District during the first six months of this year there were only two state issues, accounting however, for 14 per cent of the total. South Carolina offered for sale \$10,000,000 of certificates of indebtedness covering nine-year loans for highway construction, while West Virginia issued \$1,000,000 of bonds for the same purpose. During the first six months of last year there were also only two state issues; they, however, accounted for 41 per cent of a much smaller District total.

Including both state and municipal issues, North Carolina accounted for 37 per cent of the District total, Maryland, 25 per cent; South Carolina, 24 per cent; Virginia, 10 per cent; and West Virginia, 4 per cent. With the exception of the switch between North Carolina and Maryland for first place, the foregoing percentage distribution reflects the order and relative importance of state and municipal bond issues of the five states of the Fifth Federal Reserve District for the past two years.

Although Maryland municipalities floated only 18 bond issues as compared with 83 in North Carolina, the total value of the former was only 34 per cent less than that of the latter, \$19.2 million as compared with \$29.2 million in North Carolina. Whereas only four of the 83 offerings in North Carolina amounted to as much as \$1,000,000, six of the 18 Maryland municipal issues were in the \$1,000,000-and-over class. In the other three states individual municipal issues amounting to \$1,000,000 or more totaled two in Virginia, two in South Carolina, and one in West Virginia.

Including both state and municipal issues, the average face value per bond issue for the first half of the year was \$1,064,166 in Maryland, \$776,400 in Virginia, \$600,677 in South Carolina, \$576,667 in West Virginia, and \$351,289 in North Carolina. The increase to an average value of \$528,088 for the District from \$484,972 in the last half of 1947 and \$394,613 in the first half of that year reflects the mounting backlog of municipal repairs, improvements, and new construction as well as the increasing costs of implementing the projects.

Although issues of revenue bonds in the country as a whole increased during the first half of this year, available reports indicate that the trend in the Fifth District was contrary to that of the national pattern. Listings in *The Commercial and Financial Chronicle* show that in the Fifth District during the first half of last year two revenue bond issues totaling \$751,000 were floated; for the second half of last year the figure rose to eight issues amounting to \$1,655,000, but in the first half of this year only three revenue bond issues totaling \$765,000 were floated.

It is interesting to note that the number of municipal bond issues with the initial serial maturity date more than two years from the date of issue showed a tremendous increase during the first half of this year as compared with the last half of 1947. In the last half of 1947 only seven of the 143 municipal bond issues in the Fifth District had the initial serial maturity date more than two years from the date of issue. But in the first half of this year, of the 148 municipal bond issues, 36 showed the initial serial maturity date more than two years after the date of issue.

The costs at which local governments in the Fifth District were able to float loans increased during the first half of the year. Although no attempt was made to segregate strictly comparable credits to measure accurately increased costs, the following examples of similar purpose and similar maturity issues taken from the listings of state and municipal bond offerings are indicative of the higher costs that prevailed during the first half of 1948.

<u>Purpose and Period Covered</u>	<u>Maturity</u>	<u>Net Interest Cost Range</u>
<u>School Building and Improvement</u>		
Jan.-June 1947	15 to 20 yrs.	1.285% to 2.97%
July-Dec. 1947	15 to 20 yrs.	1.57% to 2.622%
Jan.-June 1948	15 to 20 yrs.	1.86% to 3.367%
<u>Water drainage, sewer and sanitary systems</u>		
Jan.-June 1947	25 to 30 yrs.	2.045% to 2.972%
July-Dec. 1947	25 to 30 yrs.	2.225% to 2.58%
Jan.-June 1948	25 to 30 yrs.	2.42% to 2.926%
<u>Street, road, and bridge building and improvement</u>		
Jan.-June 1947	18 to 20 yrs.	1.495% to 1.93%
July-Dec. 1947	18 to 20 yrs.	1.3814% to 2.039%
Jan.-June 1948	18 to 20 yrs.	2.336% to 3.033%

Proposed Issues

Despite the record volume of new offerings of state and municipal bonds during the past year, present indications support the view that the flow of these securities into the investment market will continue at high levels. The need for expanded school facilities, for example, is one of the pressing requirements throughout the country and one, it should be noted, that is going to increase in severity. In 1947 the birth rate in the United States was 26.2 per 1,000 population, the highest birth rate on record in this country. This rate was likely the culmination of the increase that set in during the war and which by 1947 reached almost 50 per cent above the pre-war rate of slightly under 18. Last fall the United States Office of Education estimated that first grade school classes would be 9 per cent larger than those of the preceding year as a consequence of the arrival at school age of the oldest group of the 17 million war babies. The Census Bureau has estimated that first grade enrollment will go up 13 per cent this fall to reach 2,570,000 and that "mopet matriculation" will continue to rise until 1953 when some 3,750,000 children are expected to begin school. Thus, even though the birth rate tapers off, towns and counties can be certain that their present school facilities will not be adequate for the future enrollment in primary and secondary schools.

The necessity for heavy capital outlays by municipalities is not, of course, confined to the provision of school facilities; road improvements and extensions, water and sewer lines, gas and electric utilities—the list is a comprehensive and urgent one if municipal plant and services are to be restored from the war-time neglect and enlarged to meet the requirements of an increased family population.

The more immediate effects of these requirements is reflected in the latest compilation by "The Bond Buyer" of the inventory of proposed state and municipal bond

FEDERAL RESERVE BANK OF RICHMOND

FEDERAL RESERVE BANK OF RICHMOND (All Figures in Thousands)

ITEMS	August 18, 1948	Chg. in 7-14-48	Amt. From 8-13-47
Total Gold Reserves	\$1,051,512	- 14,819	+ 106,199
Other Reserves	15,973	+ 991	+ 2,964
Total Reserves	1,067,485	- 13,828	+ 109,163
Bills Discounted	22,392	+ 4,453	+ 9,211
Industrial Advances	54	- 1	+ 54
Govt. Securities, Total	1,399,591	+ 1,925	- 85,152
Bonds	481,219	+ 70,739	+ 437,289
Notes	120,640	- 6,507	+ 98,160
Certificates	333,059	+ 12,794	- 81,083
Bills	464,673	- 75,101	- 539,513
Total Bills & Securities	1,422,037	+ 6,377	- 75,887
Uncollected Items	249,918	- 3,523	+ 36,872
Other Assets	24,984	+ 2,040	+ 10,147
Total Assets	2,764,424	- 8,934	+ 80,295
Federal Reserve Notes in Cir.	\$1,631,968	+ 12,659	- 17,189
Deposits, Total	869,124	- 7,663	+ 58,999
Members' Reserves	719,102	- 23,727	+ 9,373
U. S. Treas. Gen. Acct.	129,910	+ 21,928	+ 72,803
Foreign	18,174	- 2,538	+ 4,763
Other Deposits	1,938	- 3,326	+ 332
Def. Availability Items	224,475	- 12,794	+ 35,543
Other Liabilities	623	- 185	- 303
Capital Accounts	38,234	- 951	+ 3,245
Total Liabilities	2,764,424	- 8,934	+ 80,295

51 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	August 18, 1948	Chg. in 7-14-48	Amt. From 8-13-47
Total Loans	\$ 847,347†	+ 27,541	+ 123,787
Bus. & Agri.	386,562	+ 8,385	+ 49,755
Real Estate Loans	197,559	+ 3,720	+ 43,874
All Other Loans	268,900	+ 15,518	+ 40,832
Total Security Holdings	1,705,566	+ 1,433	- 110,288
U. S. Treasury Bills	39,116	- 10,010	+ 9,686
U. S. Treasury Certificates	208,694	- 10,186	+ 9,204
U. S. Treasury Notes	84,759	+ 16,445	- 4,432
U. S. Govt. Bonds	1,240,537	+ 2,528	- 136,435
Other Bonds, Stocks & Sec.	132,460	+ 2,656	+ 11,689
Cash Items in Process of Col.	212,858	- 20,112	+ 24,673
Due from Banks	151,074*	- 25,298	- 15,226
Currency & Coin	64,335	- 4,007	+ 529
Reserve with F. R. Banks	479,146	- 13,181	- 7,979
Other Assets	47,010	- 7,948	- 4,990
Total Assets	3,507,336	- 41,572	+ 15,506
Total Demand Deposits	\$2,659,346	- 53,842	+ 17,176
Deposits of Individuals	1,980,193	- 43,169	- 41,572
Deposits of U. S. Govt.	72,358	+ 6,778	+ 27,472
Deposits of State & Local Govt.	187,615	+ 8,660	+ 15,698
Deposits of Banks	375,899*	- 9,892	+ 13,640
Certified & Officers' Checks	43,281	+ 1,101	+ 1,938
Total Time Deposits	602,444	+ 1,692	- 14,901
Deposits of Individuals	583,330	- 635	- 14,565
Other Time Deposits	19,114	+ 2,327	- 336
Liabilities for Borrowed Money	12,700	+ 8,700	+ 5,200
All Other Liabilities	18,163	+ 954	- 160
Capital Accounts	214,683	+ 924	+ 8,191
Total Liabilities	3,507,336	- 41,572	+ 15,506

*Net Figures, reciprocal balances being eliminated.

†Less losses for bad debts.

CONSTRUCTION CONTRACTS AWARDED

STATES	June 1948	% Change from June 1947	6 Mos. '48	% Change from 6 Mos. '47
Maryland	\$19,986,000	+ 6	\$158,204,000	+ 25
Dist. of Columbia	5,535,000	- 31	41,452,000	+ 4
Virginia	18,757,000	+ 2	108,644,000	+ 6
West Virginia	5,841,000	- 59	54,474,000	+ 24
North Carolina	37,185,000	+ 161	103,256,000	+ 32
South Carolina	10,525,000	+ 162	50,225,000	+ 61
Fifth District	\$97,326,000	+ 26	\$516,255,000	+ 22

Source: F. W. Dodge Corp.

COMMERCIAL FAILURES

MONTHS	Number of Failures		Total Liabilities	
	District	U.S.	District	U.S.
July 1948	11	420	\$ 195,000	\$ 13,876,000
June 1948	12	463	337,000	12,163,000
July 1947	14	299	1,360,000	37,137,000
7 Months 1948	105	2,963	\$2,724,000	\$11,214,000
7 Months 1947	60	1,931	3,521,000	132,945,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	July 1948	% Change from July 1947	7 Mos. 1948	% Change from 7 Mos. '48
District of Columbia				
Washington	\$ 745,614	+ 10	\$ 5,066,972	+ 13
Maryland				
Baltimore	964,509	+ 8	6,668,358	+ 9
Cumberland	25,037	+ 16	146,736	+ 3
Frederick	19,579	+ 10	130,216	+ 8
Hagerstown	27,471	+ 13	184,611	+ 9
North Carolina				
Asheville	51,853	+ 19	349,321	+ 14
Charlotte	239,825	+ 22	1,598,194	+ 16
Durham	107,404	+ 12	662,088	+ 3
Greensboro	75,818	+ 24	514,553	+ 20
Kinston	12,151	+ 17	81,049	0
Raleigh	121,282	+ 27	765,623	+ 15
Wilmington	36,791	+ 13	241,212	+ 3
Wilson	14,321	- 1	95,524	- 2
Winston-Salem	122,351	+ 9	831,911	+ 7
South Carolina				
Charleston	60,406	+ 20	388,338	+ 13
Columbia	87,999	+ 14	631,664	+ 11
Greenville	78,990	+ 18	548,621	+ 16
Spartanburg	41,834	+ 13	322,201	+ 18
Virginia				
Charlottesville	21,896	+ 6	149,749	+ 6
Danville	22,325	+ 2	173,173	0
Lynchburg	38,468	+ 13	264,889	+ 13
Newport News	32,467	+ 6	219,357	+ 7
Norfolk	190,311	+ 18	1,246,261	+ 14
Portsmouth	19,591	+ 7	138,248	+ 9
Richmond	481,996	+ 24	3,138,120	+ 14
Roanoke	90,085	+ 19	592,694	+ 18
West Virginia				
Bluefield	42,541	+ 30	288,597	+ 22
Charleston	134,437	+ 12	912,682	+ 13
Clarksburg	34,299	+ 22	220,548	+ 19
Huntington	62,136	+ 33	397,991	+ 21
Parkersburg	29,332	+ 6	185,313	+ 9
District Totals	\$ 4,034,119	+ 14	\$27,154,814	+ 12

COTTON CONSUMPTION AND ON HAND—BALES

	July 1948	July 1947	Aug. 1 to July 31 1948	1947
Fifth District States:				
Cotton consumed	318,905	333,271	4,739,654	4,893,549
Cotton Growing States:				
Cotton consumed	561,452	589,039	8,246,738	8,776,357
Cotton on hand July 31 in				
consuming establishments	1,182,812	1,135,292		
storage & compresses	1,292,981	850,452		
United States:				
Cotton consumed	627,393	677,780	9,346,845	10,024,811
Cotton on hand July 31 in				
consuming establishments	1,471,644	1,406,094		
storage & compresses	1,335,996	904,028		
Spindles active, U. S.	21,328,000	21,383,000		

Source: Department of Commerce.

COTTON CONSUMPTION—FIFTH DISTRICT

(In Bales)

MONTHS	N. Carolina	S. Carolina	Virginia	District
July 1948	168,767	135,656	14,482	318,905
June 1948	219,469	167,509	15,195	402,173
July 1947	170,366	147,653	15,252	333,271
7 Months 1948	1,514,546	1,159,298	123,841	2,797,685
7 Months 1947	1,488,741	1,192,076	128,570	2,809,387

Source: Department of Commerce.

PRICES OF UNFINISHED COTTON TEXTILES

	July 1948	June 1948	July 1947
Average, 17 constructions	79.04	81.83*	86.71
Printcloths, average (6)	86.92	89.08*	109.86
Sheetings, average (3)	63.59	67.08	74.08
Twill (1)	99.71	116.15*	79.86
Drills, average (4)	69.27	71.14*	63.47
Sateen (1)	128.15	128.15*	97.61
Duck, average (2)	63.23	63.27	62.54

*Revised, due to a substitution of constructions.

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

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	July 31, 1948	June 30, 1948	July 31, 1947
Total Deposits	\$392,484,523	\$393,465,624	\$387,125,144

BUILDING PERMIT FIGURES

	Total Valuation	
	July 1948	July 1947
Maryland		
Baltimore	\$ 5,281,080	\$ 3,791,145
Cumberland	67,625	70,120
Frederick	21,800	100,825
Hagerstown	110,235	153,780
Salisbury	67,370	172,504
Virginia		
Danville	274,861	437,250
Lynchburg	236,786	248,548
Norfolk	1,693,985	554,667
Petersburg	174,196	141,100
Portsmouth	206,815	68,290
Richmond	1,149,498	2,645,450
Roanoke	838,929	1,090,945
West Virginia		
Charleston	711,361	496,295
Clarksburg	164,876	69,640
Huntington	548,334	524,715
North Carolina		
Asheville	327,686	255,614
Charlotte	2,943,191	552,944
Durham	398,485	675,995
Greensboro	739,783	975,863
High Point	322,175	276,344
Raleigh	475,500	642,436
Rocky Mount	163,300	89,150
Salisbury	79,375	144,009
Winston-Salem	596,749	605,877
South Carolina		
Charleston	223,244	137,737
Columbia	1,452,590	716,195
Greenville	634,050	239,625
Spartanburg	152,483	111,178
District of Columbia		
Washington	3,486,160	4,451,518
District Totals	\$ 23,542,522	\$ 20,439,759
7 Months	\$173,160,827	\$119,456,537

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	July	July	% Chg.	7 Mos.	7 Mos.	% Chg.
	1948	1947		1948	1947	
West Virginia	14,643	11,282	+30	98,634	92,656	+6
Virginia	1,796	1,235	+45	10,674	11,310	-6
Maryland	155	132	+17	1,211	960	+26
Fifth District	16,594	12,649	+31	110,519	104,926	+5
United States	48,315	39,882	+21	331,553	354,299	-6
% in District	34.3	31.7		33.3	29.6	

TOBACCO MANUFACTURING

	July	% Change	7 Mos.	% Change
	1948	from July 1947	1948	from 7 Mos. '47
Smoking & chewing tobacco (Thousands of lbs.)	14,889	-19	112,575	+3
Cigarettes (Thousands)	27,520,762	-7	199,537,097	+4
Cigars (Thousands)	430,210	-2	3,194,792	+2
Snuff (Thousands of lbs.)	2,991	+11	24,310	+9

Source: Treasury Department.

RAYON YARN SHIPMENTS AND STOCKS

	July 1948	June 1948	July 1947
Rayon yarn shipments, lbs.	72,600,000	70,400,000	63,000,000
Staple fiber shipments, lbs.	22,300,000	22,400,000	18,800,000
Rayon yarn stocks, lbs.	9,400,000	9,200,000	8,700,000
Staple fiber stocks, lbs.	4,000,000	4,300,000	7,700,000

Source: Rayon Organon.

WHOLESALE TRADE, 187 FIRMS

LINES	Net Sales July 1948 compared with		Stocks July 31, 1948 compared with	
	July 1947	June 1948	July 31 1947	June 30 1948
	Auto supplies (7)*	+18	-6	+1	-1
Electrical goods (7)*	+35	+16	+38	-2
Hardware (9)*	+6	-7	+31	+9
Industrial supplies (4)*	+14	-15	+1	-6
Drugs & sundries (15)*	+9	+6	-1	-2
Dry goods (10)*	+9	+18	+27	+3
Groceries (57)*	+1	+1	+12	-2
Paper & products (5)*	-4	-8	...	...
Tobacco & products (6)*	-1	+6	+19	-3
Miscellaneous (67)*	+3	+23	+32	-3
District Average (187)*	+7	+3	+22	0

Source: Department of Commerce.

*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1947	
	July 1948	7 Mos. 1948
Maryland (5)*	+47	+12
Dist. of Columbia (6)*	+7	+4
Virginia (18)*	+6	+0
West Virginia (10)*	+21	+4
North Carolina (14)*	+20	+1
South Carolina (9)*	+21	+7
District (62)*	+21	+6
Individual Cities		
Baltimore, Md., (5)*	+47	+12
Washington, D. C., (6)*	+7	+4
Richmond, Va., (6)*	+7	+3
Lynchburg, Va., (3)*	+26	+10
Charleston, W. Va., (3)*	-10	-1
Charlotte, N. C., (4)*	+19	-4
Columbia, S. C. (3)*	+25	+10

*Number of reporting firms.

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in July 1948 sales, compared with sales in July 1947:				
+16	+13	+6	+16	+12
Percentage change in 7 months sales 1948, compared with 7 months in '47:				
+9	+2	+5	+10	+6
Percentage changes in stocks on July 31, '48, compared with July 31, '47:				
-8	+12	+10	+18	+9
Percentage chg. in outstanding orders July 31, '48 from July 31, '47:				
-20	-16	-5	-16	-12
Percentage chg. in receivables July 31, 1948, from those on July 31, '47:				
+40	+22	+21	+27	+25
Percentage of current receivables as of July 1, '48, collected in July:				
31	45	46	50	42
Percentage of instalment receivables as of July 1, '48, collected in July:				
17	20	21	23	21

Maryland	Dist. of Col.	Virginia	W. Virginia	No. Carolina	So. Carolina
Percentage change in July 1948 sales from July 1947 sales, by states:					
+13	+6	+16	+23	+15	+9
Percentage change in 7 mos. 1948 sales from 7 months 1947 sales:					
+2	+5	+9	+16	+7	+5

issues for the Fifth District. The District volume shown in the following table as of July 1, 1948 represents an increase of 47 per cent over the amount of planned issues at the same date last year. This is an impressive rise in view of the large volume of bonds marketed during the year ended June 30, 1948 and indicates that the prospect of a continuing large supply of new issues will continue to be a, if not the, dominant factor in the municipal bond market in this District. A comparison of the two tables shows that the total of the proposed issues is almost 5 times as large as the amount of new state and municipal bonds issued in this District during the first half of this year.

**INVENTORY OF PROPOSED
STATE AND MUNICIPAL BOND ISSUES**
(Amounts in thousands)

	Total		State & State Agencies		Municipal	
	7-1-48	7-1-47	7-1-48	7-1-47	7-1-48	7-1-47
	Maryland	153,850	129,507	1,085	2,000	152,765	127,507
Virginia	54,695	15,625	.....	.....	54,695	15,625
West Virginia	106,383	54,386	97,000	50,000	9,383	4,386
North Carolina	53,372	43,393	15,000	15,000	38,372	34,393
South Carolina	10,706	8,972	5,000	.....	5,706	8,972
Fifth District	379,006	257,883	118,085	67,000	260,921	190,883

Source: The Bond Buyer

Despite the fact that Maryland has accounted for about 44 per cent of the total state and municipal bonds issued in the District during the past two years, its share of the proposed issues amounts to 41 per cent and is comprised almost entirely of offerings of local governmental units. Reflecting perhaps the relatively small amount of new state and municipal bonds issued in West Virginia

during the past two years, this State accounts for 28 per cent of the estimated proposed issues for the District and as is shown in the table, an overwhelming proportion of the planned issues will be originated by the State itself. Virginia and North Carolina each plan to issue about 14 per cent of the District total, with the entire amount of the Virginia issues to be made by towns and other subdivisions. On the basis of the estimates shown the bond issues of South Carolina and her political subdivisions will amount to about 3 per cent of the District total and will be divided almost equally between the state and municipalities. It might be noted that although only \$5 million of proposed State and State Agency bonds are shown in the table for South Carolina, that state offered for sale during July \$10 million of bonds to be dated August 15, 1948.

**Holdings of State and Municipal Bonds
by Individuals**

As a consequence of the curtailment of new state and municipal bond issues during the defense and war periods and the maturing of part of the outstanding issues, a decline in total holdings of these securities in the United States began in the last half of 1940 and continued up to June 30, 1946. Increased new issues after that date raised holdings on June 30, 1947, 6 per cent over those of a year earlier but left the total still 17 per cent under the peak amount held on June 30, 1940. The latest available data on holdings of all categories of investors is shown in the following table.

**DISTRIBUTION OF OWNERSHIP IN THE UNITED STATES
OF STATE AND MUNICIPAL BONDS**

JUNE 30
(Billions of dollars)

	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
Individuals*	\$ 6.8	\$ 6.8	\$ 6.9	\$ 7.1	\$ 7.5	\$ 7.6	\$ 7.9	\$ 8.2	\$ 8.5	\$ 8.7	\$ 8.8
Commercial banks	5.0	4.1	3.8	3.5	3.5	3.6	3.7	3.6	3.2	2.8	2.8
U.S., State & local govts.	2.9	2.9	3.4	4.0	4.4	4.6	4.6	4.3	4.1	4.1	4.0
Insurance Companies	1.1	1.2	1.4	1.6	1.7	2.2	2.2	2.2	2.0	1.9	1.8
Corporations & assoc.	0.7	0.7	0.8	1.0	1.1	1.1	1.1	1.2	1.3	1.1	1.1
Mutual savings banks	0.1	0.1	0.1	0.2	0.2	0.4	0.5	0.6	0.6	0.7	0.8
Total†	16.6	15.7	16.4	17.3	18.5	19.5	20.0	20.0	19.8	19.3	19.3

*Including unincorporated businesses and trust accounts.

†Sum of details does not necessarily equal totals, due to rounding.

Source: Annual Report of Secretary of Treasury, June 30, 1947.

Because of the advantage afforded by tax exemption to persons in the higher income brackets, holdings of state and local government bonds have been heavily concentrated in the hands of individuals. In 1937, for example, such holdings amounted to almost \$9 billion, about 45 per cent of the total of such securities then outstanding. As shown in the preceding table, however, the total amount owned by individuals began to decline in 1938 and fell off steadily each year until 1947 when approximately the same amount was held as in the preceding year—although that amount was 41 per cent of the total outstanding on June 30, 1947, as compared with 43 per cent a year earlier. Although the proportion of the total held by individuals turned upward to 41 per cent in 1943 from 39 per cent in the previous year and continued to

rise slightly to 43 per cent in 1946, it is interesting to note that at that time absolute as well as relative individual holdings were substantially lower than they were in the earliest year shown in the table. In view of the large increases in income tax rates during this period it might have been expected that the tax-exemption feature would have led to increased holdings by individuals. But as pointed out in a study made by the Federal Reserve Bank of New York (*Monthly Review*, December, 1947) the “very high level of taxation in recent years has greatly reduced the potential accumulation of savings by individuals in the upper income brackets, and thus has apparently reduced this most important single market for municipal securities, although it has strengthened the incentive to invest in tax-exempt securities.”

It will be interesting to note when the information becomes available the effect on individual holdings of the sharp rise in the index of municipal bond yields that occurred during the period from September 1947 to February 1948. Under the income tax rates of the Revenue Act of 1948 a taxable bond must yield 3.14 per cent to provide an individual with a taxable income of from \$8,000 to \$10,000, a return equivalent to that on tax exempt bonds with an interest yield of 2.20 per cent. The advantage of tax exemption becomes more pronounced, of course, as we move into the higher income brackets; if the individual just assumed to be holding a municipal bond yielding 2.20 per cent were in the taxable income bracket of \$50,000-60,000, a taxable bond would have to yield 6.47 per cent to provide him with an equivalent return, all other things assumed equal (as compared with about 7.66 before the tax reduction effective as of January 1, 1948).

If the information were available, it would be interesting also to determine the extent to which individual investors in the high income brackets do take advantage of such conditions as just indicated. In a study made in 1938 (C. H. Chatters, "Distribution of Tax-Exempt Securities," *Tax Exemptions*, Tax Policy League, Inc., 1938) it was pointed out that only 18 per cent of the total amount of state and municipal bonds outstanding in that year was held by individuals with net incomes in excess of \$15,000. It would seem that some owners of municipals in that class must have enjoyed a very favorable position inasmuch as they were evidently relatively free of competition for such securities by the other persons in their income groups. In other words, with the price for these securities set by the marginal buyer all supra-marginal investors benefited to the extent of the differential between the price of the security and the value to them of the tax exemption. In view of the increased volume of new issues and the price decline of state and municipal bonds since the spring of 1946 it might be expected that individual holdings of these securities would begin to reflect the greater differential just mentioned.

Commercial Bank Holdings

Referring to the preceding table of ownership of state and municipal bonds it will be seen that commercial banks are the only group of investors to have increased their holdings of these securities over the period shown. Whereas all commercial banks in the country owned almost 15 per cent of the state and municipal bonds outstanding on June 30, 1937, their holdings of \$5 billion on June 30, 1947 comprised 30 per cent of the total outstanding. The rise in the proportion held by this class of investors was particularly rapid after 1943 as a consequence of the increase in their dollar holdings while the total amount outstanding was contracting. It should be pointed out that the growth of bank investment in state and local government bonds has differed somewhat by class of bank, being relatively greatest during the past decade at country member banks.

The following table shows that country member banks

maintain a larger proportion of their investments in state and municipal bonds than do all member banks, including central reserve city and reserve city member banks. During the war the ratios declined in all classes of banks, but in 1946 the trend was reversed and continued upward through the first quarter of this year, the latest date for which the information is available. It will be noted, however, that the ratios are far below what they were in 1940.

	Banks—U. S. All Member	Banks—U. S. Country Member	5th District Member Banks
1940	13.8	20.8	10.2
1941	12.1	18.4	8.7
1942	6.9	11.0	5.1
1943	4.6	6.9	3.5
1944	3.9	5.2	2.6
1945	3.9	4.6	2.2
1946	5.1	5.7	2.9
1947	6.4	7.7	3.7
1948 (April 12)	7.1	8.4	4.1

All years as of December 31, except 1948.
Source: Member Bank Call Reports.

The experience of member banks in the Fifth District with respect to holdings of state and municipal bonds and their ratio to total investments has followed the same pattern during and since the war as that described for the country as a whole. As is apparent in the preceding table, holdings of these securities by Fifth District member banks have regularly constituted a much smaller proportion of their total investments than has been the case in member banks throughout the country, reaching the lowest point in 1945 when at the end of that year the ratio was only 2.2 as compared with 3.9 for all member banks in the United States. Since then it appears that the ratio has increased slightly more for the member banks of this District than it has in all member banks.

An analysis of yields on tax-exempt and taxable bonds indicates that the progressive pattern of Federal income tax rates makes state and local government securities especially attractive to banks with income under \$50,000 but with some income in the \$25,000-50,000 bracket. In conjunction with the current yield differentials between tax-exempt bonds and alternative security investments this suggests a continuation of the rising trend of state and municipal bond holdings by commercial banks.

Other Ownership

Among the other investor groups, aggregate holdings of state and municipal bonds increased annually in the period 1937-1941. During the war, however, investment and trust funds of state and local governments were used to purchase Federal Government securities, and their holdings of state and municipal bonds fell off \$1.7 billion up to June 30, 1946. Mutual savings banks, which had been reducing their holdings during the five years preceding the war, were joined as sellers by insurance companies in 1942. The negligible advantage of tax exemption to these investors was greatly offset by the large profits to be realized in selling their holdings in a market reflecting the greatly curtailed volume of new issues.

Although it was reported in various comments on the municipal market that the sharp price drop in the last quarter of 1947 and the inverse movement of yields on state and municipal bonds over the 2 per cent mark for the first time since May 1943, as measured by the *Bond Buyer* index, had brought back life insurance companies as important buyers of these securities, published data show no material increase in such purchases by this group of investors until February of this year. According to the information published by the Institute of Life Insurance, a smaller volume of such securities was acquired during the last half of 1947 by life insurance companies than was the case during the first six months of that year. As of December 31, 1947 this group of investors held only \$21 million more of state and municipal bonds than on that date a year previous. Recorded monthly acquisitions of such bonds have been running higher this year so far, and total holdings of life insurance companies have increased, as of April 30, to \$637 million, \$23 million more than at the close of 1947. Data for 1948, however, are not strictly comparable with pre-

ceding years inasmuch as there are included for the first time the investments of the accident and health departments of the life insurance companies.

From February through May of this year municipal prices rose sharply and moved out of the buying range of such investors as life insurance companies and public trust and pension funds that had shown an interest in these securities as they reached the 2.50 basis mark. Since early June, however, prices of state and municipal bonds have given ground as unsold balances of new issues in the hands of dealers rose and the latter attempted to move their inventories. As measured by the Dow-Jones index, yields on representative state and city issues moved up from 2.16 at the end of May to 2.30 at the start of the last week in July. Should there be a further downward adjustment in municipal prices during the course of this year, as many dealers appear to anticipate, activity on the demand side of the municipal market by life insurance companies is likely to become more pronounced.

Business Conditions

Continued from page 2

educational buildings and in other non-residential construction. In fact the increases in these two categories accounted for 58 percent of the \$102 million increase.

Residential building contract awards were \$21 million or 12 percent larger in the first half of 1948 than in the same period of 1947; public works and utility contract awards were up \$14 million or 11 percent; while non-residential contract awards rose \$67 million or 58 percent. The figures for the first half of 1948 are shown herewith together with the change from the same period of 1947 in both amount and percentage.

**CONSTRUCTION CONTRACT AWARDS
FIFTH DISTRICT**

(Thousand dollars)

	Jan. June 1948	Increase from Jan.-June 1947	
		Amount	Percent
Commercial buildings	50,969	12,843	34
Manufacturing buildings	35,773	-4,358	-11
Educational buildings	47,449	28,447	150
Other non-residential buildings	50,315	30,607	155
Total non-residential	184,506	67,539	58
Apartments and hotels	59,124	13,149	29
One and two family houses	137,070	7,825	6
Other shelter	711	16	2
Total residential	196,905	20,990	12
Public works and utilities	143,447	13,814	11
Total construction	524,858	102,343	24

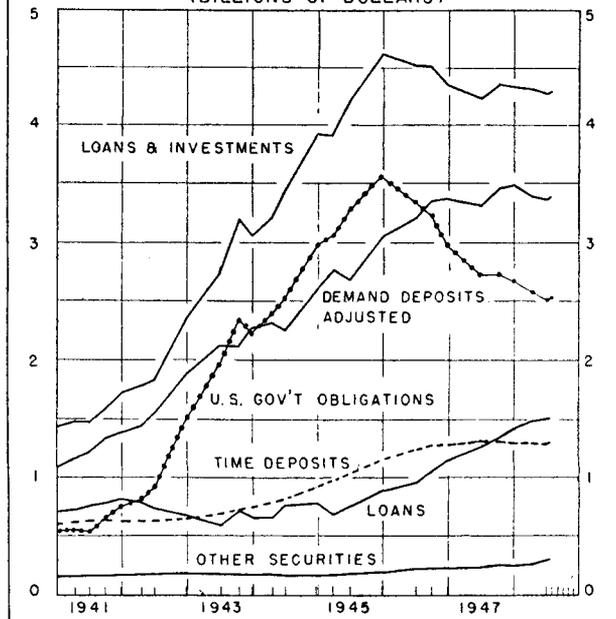
**AVERAGE DAILY TOTAL DEPOSITS* OF
MEMBER BANKS**

	Last half of June		Last half of July	
	\$ thousands	% of U.S.	\$ thousands	% of U.S.
Maryland	998,169	.94	1,003,565	.94
Reserve city banks	635,073	.60	636,854	.60
Country banks	363,096	.34	366,711	.34
District of Columbia	902,628	.85	881,107	.83
Reserve city banks	880,590	.83	858,914	.81
Country banks	22,038	.02	22,193	.02
Virginia	1,266,748	1.19	1,279,308	1.20
Reserve city banks	301,390	.28	303,337	.28
Country banks	965,358	.91	975,971	.92
W. Virginia	586,829	.55	602,279	.56
No. Carolina	813,287	.76	821,400	.77
Reserve city banks	378,752	.35	380,687	.36
Country banks	434,535	.41	440,713	.41
So. Carolina	420,158	.40	418,781	.39
Fifth District	4,987,819	4.69	5,006,440	4.69
U. S. (millions)	106,322	100.0	106,671	100.0

*Excluding interbank demand deposits

**PRINCIPAL ASSETS AND LIABILITIES
FIFTH DISTRICT MEMBER BANKS**

(BILLIONS OF DOLLARS)



NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial output declined somewhat in July and regained part of the loss in August. Unusually favorable weather in July resulted in a further marked gain in crop prospects. Prices of basic commodities generally decreased somewhat further from mid-July to the latter part of August, reaching the lowest levels since the end of August 1947. The general wholesale price level showed little change and was 10 per cent higher than a year ago.

Industrial Production

The Board's seasonally adjusted index of industrial production declined 5 points in July to a level of 187 per cent of the 1935-39 average. This decline reflected in large part the effects of employee vacations, especially in certain nondurable industries. Preliminary information for the first part of August indicates a somewhat higher rate of total production than in July.

Output of durable goods showed a slight decrease in July. Production of iron and steel declined 3 per cent, but recovered during August to about the June rate. Activity in the automobile industry showed a substantial further gain in July as assembly of passenger cars and trucks reached a new postwar peak rate. Lumber production increased more than seasonally in July. Output of most other durable goods declined somewhat.

Production of nondurable goods declined about 4 per cent in July, mainly because of reduced activity in the textile and paper industries. Cotton consumption declined 18 per cent from June to July as compared with a decrease of 11 per cent during the same period last year. Pork production was reduced more than seasonally in July while beef production was maintained. Activity in most other nondurable goods industries showed little change.

Minerals production declined 3 per cent in July mainly because of reduced output of bituminous coal. Total coal production for the month, however, was about one-fifth above the rate in July 1947. Crude petroleum production continued at an exceptionally high rate in July and rose further in the early part of August.

Construction

Value of new construction put in place, according to joint estimates of the Departments of Commerce and Labor, rose further in July to a new record of over 1,700 million dollars, an increase of 100 million from June. The number of new houses started in July was estimated at 94,000, 2,000 units fewer than in June, but 13,000 more than the number started in July 1947.

Distribution

Department store sales in July and August showed chiefly seasonal changes. Value of sales in the first half of August was substantially larger than in the corresponding period last year when sales were temporarily limited by unfavorable weather. Also, sales in recent weeks appear to have been stimulated by prospective restrictions in terms resulting from the reimposition of instalment credit regulations on September 20.

Shipments of railroad revenue freight were maintained in July at about the June rate. Loadings of coal were reduced further, while shipments of grain and forest products continued to show marked gains. Loadings of coal and most other classes of freight were in somewhat larger volume in the first half of August.

Commodity Prices

Prices of most basic commodities decreased further from the middle of July to the latter part of August. Cotton and grains reached Federal price support levels. Nonferrous metal prices, however, were raised sharply. Wholesale prices of meats were generally maintained at the advanced levels reached in mid-July and some additional increases occurred in prices of other manufactured products.

The consumers' price index rose further by 1.2 per cent from mid-June to mid-July, reflecting chiefly higher retail prices for foods and automobiles, and increased transportation fares.

Agriculture

During July and August weather conditions continued to be unusually favorable for crop development. The August 1 official forecast of cotton was 15.2 million bales, more than a fourth larger than last year's crop. The outlook for grains showed further marked improvement and total production of these and other principal crops was indicated to be 12 per cent larger than last year.

Marketings of livestock and products in August continued below the same period a year ago, reflecting mainly the reduced number of meat animals on farms.

Bank Credit

Support purchases of Treasury bonds and certificates by the Federal Reserve System were large in July and the first three weeks of August. These additions to the portfolios of the Reserve Banks were in excess of reductions in holdings of bills as a result of Treasury cash retirement and market sales, and total System holdings of Government securities increased somewhat. A further increase in gold stock also added to bank reserves.

Commercial and industrial loans increased substantially at banks in leading cities during July and the first three weeks of August. Real estate and consumer loans rose further. Government security holdings expanded somewhat over the period; bill and note holdings were increased and certificate and bond holdings reduced.

Interest Rates and Security Markets

In August the Treasury announced a rate of $1\frac{1}{4}$ per cent on the October issue of one-year certificates and yields on outstanding short- and medium-term Government securities rose. The Federal Reserve Banks increased discount rates from $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. Some increases also occurred in other short-term money market rates and in rates on commercial bank loans.

Prices of corporate bonds declined further in the first three weeks of August. Common stock prices fluctuated near the reduced level reached in the third week of July.