MONTHLY REVIEW

FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA OCTOBER 31, 1948

Business Conditions

THE business situation of the Fifth Federal Reserve District in September was little different from that in August. Total production declined further but trade levels improved somewhat. Commodity prices have been falling in the District in contrast to the general price trend in the nation as a whole, partly because of the relative concentration of the District on lines where demand has weakened. This has found its reflection thus far in a relatively slower pace in the trade level of the District than of the Nation but not in a loss of funds to other Districts. The slackening in production activity in important industries in the District, however, may result in a loss of funds from the District in the months ahead.

On a seasonally adjusted basis, declines in production in September as compared with August were shown in coal production, cigarette production, cotton consumption and cotton spindle hours. There was a very slight improvement in building permits and while these are notably below their peak for the year they are still at a high level.

Department store sales rose seven per cent, after adjustment for seasonal, from August to September, a considerable part of which was caused by a rise in sales of women's and misses' apparel. There was just a noticeable pick up in shipments of furniture from the factories of the District in August compared with July, the last figures we have available, but these are well below the peak levels established earlier in the year. Furniture sales at retail, however, established a new peak in September. This no doubt was influenced considerably by promotional activity prior to the reestablishment of Regulation W.

Savings as reflected in sales of life insurance were at essentially the same level in September as in most months of the year. Sales of wholesalers in September on a seasonally adjusted basis improved moderately in most lines. Dry goods, however, declined six per cent below August, and was also six per cent below the same month a year ago. Grocery and hardware sales held even with August levels.

Employment

Employment levels in Maryland in September were at the highest point of the year, largely as a result of seasonal activity in the food processing industries. Employment levels in Virginia have remained steady at levels which have prevailed thus far this year. North Carolina employment declined sharply in July, but recovered a considerable part of the loss in August. There are indications that some deterioration has taken place in September and October.

Employment levels in the iron and steel industries in Maryland moved upward in both July and August into new high ground. There was, however, no overall gain in Maryland's durable goods industries due to offsets to iron and steel increases in machinery, transportation equipment and non-ferrous metal industries. August employment in Maryland's construction industries declined slightly from the July level, contrary to the usual seasonal tendency.

August witnessed a resumption of the upward trend in employment in the cigarette industry in North Carolina, and a seasonal rise occurred in the same industry in Virginia. North Carolina furniture factories employed a larger number of workers in August than in July, while the employment in that industry in Virginia remained steady in this period.

Production

Cotton goods output failed to be sustained in September at August levels after seasonal adjustment. The level of output since September has deteriorated further, and every now and then further cut backs in production activity are announced. Thus far the market demand for products of the textile mills has not been forthcoming in a volume that would appear to justify the current levels of operation. There is still the possibility, however, that a sizeable amount of fill-in purchases may be forthcoming and prevent any further decline in operations in the next two months. The trade expects this and, based on the relationship of inventories of cotton goods to sales in department stores, it may be that the necessary volume of business may be forthcoming in the remainder of the year to sustain current production levels. The degree to which the prices of cotton goods and yarns have fallen would seem to indicate that a larger volume of purchase by both wholesalers and retailers would be a logical expectation in view of their current inventory position. It is doubtful, however, that the reduction in prices has gone far enough to stimulate a domestic consumer demand sufficient to utilize the facilities of the industry at the level that prevailed over the first five months of the year, thus offsetting the substantial loss in exports and the lack of stimulation resulting from the fact that domestic pipelines are filled.

Bituminous coal output in September in the District declined 13 per cent on a seasonally adjusted basis from

August, and was eight per cent smaller than in September 1947. In some sections of the District there are still impediments to production in the nature of labor shortages, car shortages and mine disabilities, but the main factor in a reduced output of coal in September was the slackening of demand. This factor in several mining districts has affected a considerable portion of the capacity of the industry. There has not been much tendency thus far, however, of prices of good quality of coal to decline appreciably.

Mechanization of the deep mines is still being effected as rapidly as possible, and alternative fuels are making their inroads on the coal market. It seems only a question of time, therefore, until competition on a price basis will be necessary to hold on to the present market outlets.

Furniture

Generally speaking, furniture manufacturers' inventories in this District are not excessive. Most executives who have been in the industry a long time have been cautious about accumulating inventory. There are a few exceptions, however, and there is some feeling in the industry that these firms may adopt a price cutting policy to dispose of their surplus, thus weakening the market. Most concerns in the District are operating their plants on a three day week, and few of them have any considerable backlogs of orders. Lumber costs have declined about 10 per cent on gum woods and most of the soft woods used.

Hosiery

The demand for hosiery has been on the weak side through the summer months, and September was no exception. This applies particularly in the seamless end of the business. Demand for women's full fashioneds appears to be holding up better than in other segments of the industry, but even so it is down considerably from what it was earlier in the year and prices at the manufacturer's level have weakened further. The seamless demand has been extremely dull, and has found reflection in a substantial cut in th rate of operations. In addition to this, some of the mills have built gray stocks to a level well beyond safety requirements. Even if retailers and wholesalers enter the market for seamless hosiery in a substantial way during November, it is not likely

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

	Sept. 1948	Aug. 1948	July 1948	Sept. 1947	% Change Sept. 1948 from Aug. 48	Sept. 47
Automobile Registration*	......	146	132	110	......	......
Bank Debits	368	365	329	321	+ 1	+15
Bituminous Coal Production	149	168r	164	162	—11	— 8
Building Contracts Awarded	340	337	347	285	+ 1	+19
Apartments and Hotels	......	385	159r	494	......	......
Commercial Construction Contracts	......	292	414	504	......	......
Manufacturing Construction Contracts	......	722	453	408	......	......
One and Two Family Houses	......	297	431	304	......	......
Public Works Utilities	......	243	259	185	......	......
Residential Construction Contracts	412	346r	404	368	+19	+12
Building Permits Issued	292	284	323	300	+ 3	— 3
Business Failures—No.	55	38	35	37	+45	+49
Cigarette Production	233	264	223	240	—12	— 3
Cotton Consumption	141	142	131	141	— 1	0
Department Store Sales	337	315	328	304	+ 7	+11
Department Store Stocks	297	289	308	252	+ 3	+18
Electric Power Production	......	274	260	241	......	......
Employment—Mfg. Industries*	......	136	133	133	......	......
Furniture Orders	......	264	309	182	......	......
Furniture Shipments	......	225	211	194	......	......
Furniture Unfilled Orders	......	651	584	684	......	......
Furniture Sales—Retail	308	256r	265	295	+20	+ 4
Gasoline Consumption	......	......	197	175	......	......
Life Insurance Sales	257	255	263	250	+ 1	+ 3
Wholesale Trade:						
Automotive Supplies**	397	377	364	315	+ 5	+26
Drugs	284	264	270	286	+ 8	— 1
Dry Goods	231	246	189	247	— 6	— 6
Electrical Goods**	91	88	93	73	+ 3	+25
Groceries	277	277	276	289	0	— 4
Hardware	219	218	159	153	0	+43
Industrial Supplies**	398	285	342	357	+40	+11
Paper and Its Products**	168	167	146	181	+ 1	— 7
Tobacco and Its Products**	93	87	98	104	+ 7	—11
Cotton Spindle Hours	143	146	125	143	— 2	0

*Not seasonally adjusted.
**1938-41=100.

A New Source of Investment for Life Insurance Companies Provides a New Form of Corporate Financing

The initial enabling legislation opening up a new and, to date, fast-growing method of corporate financing was written into the Virginia statutes in 1942 whereby life insurance companies were authorized to acquire and hold real estate for investment purposes. Prior to this time, life insurance companies could own real estate only for their own occupancy use and in such cases where it was acquired through fore-closure. In the latter instances it had to be sold generally within 5 years. Other states were slow to follow the lead of Virginia in this field during the war years, and it was not until 1945 that 7 other states enacted the necessary legislation to afford their life insurance companies access to investment income producing real estate. Further adoptions of such enabling legislation were widespread during 1947, and at the present time only 8 states either still prohibit the acquisition of real estate for investment purposes or have legislation sufficiently doubtful in meaning as to inhibit such holdings.

South Carolina and West Virginia are the only two states of the Fifth Federal Reserve District that do not have specific provision in their laws authorizing the acquisition of real estate for investment purposes. In the absence, however, of statute and charter limitations there is little reason for doubting the right of life insurance companies in those states to make such investments. The pertinent laws of Virginia, Maryland, and the District of Columbia restrict total holdings of real estate for investment purposes to 5% of the admitted assets of the particular companies, and in North Carolina such holdings must not exceed 4% of the admitted assets nor more than 50% of capital and surplus, whichever is less.

Considering the fact that it was not until 1946 that the largest life insurance companies were permitted, under the New York laws, to acquire real estate for long-term lease to other companies, the dollar volume of such investments has risen to an impressive level. As of December 31, 1946 total holdings of non-housing real estate of life companies amounted to only $70 million. Acquisitions during 1947 raised the amount to $122 million at year end, and an increased rate of purchases during the current year boosted the total to $321 million by July 30. This investment is distributed mainly between manufacturing concerns and commercial enterprises but covers a wide variety of activity within these fields such as manufacturing plants of numerous kinds, office buildings, department stores and retail outlets, service and repair stations, research laboratories, super markets, and warehouses.

Unfortunately, no data are available on the geographical distribution of business property leased from institutional investors, and it has not been possible to estimate the total amount of property so held in the Fifth District. The only state of the District for which any data are available is North Carolina. From the inception of its enabling legislation in 1945 through August 1948, real estate purchased for lease by North Carolina insurance companies amounted to $8.7 million, $3.7 million of which was leased to manufacturing companies and $5 million to commercial enterprises. It is likely that because Virginia first permitted life insurance companies to acquire real estate for investment purposes that its insurance companies hold a larger amount of such property than do such companies in the other states of the District. For example, at the end of 1947 two Virginia life companies held a total of over $10 million of income-producing real estate.

Nature of the Transaction

When the "purchase and lease" transaction was first started, it was confined mainly to commercial properties, particularly retail locations, with only top names being considered. Such owner-user properties were sold to tax-exempt institutions and a lease signed under which the properties were rented to the former owner on a long-term basis. This is still the general nature of such transactions, but in a number of cases, the insurance companies have acquired land and constructed buildings to the specifications of the pre-determined tenants. An example of the latter arrangement was the announcement in January 1947 that the New York Life Insurance Company had contracted to finance the post-war plant expansion program of the Continental Can Company. Under this agreement New York Life may spend as much as $10 million in constructing factories designed by Continental Can and to be rented by the latter company under a long-term lease.

The period of lease is generally related to the useful life of the building or, in the case of newly constructed properties, for a shorter period. The actual number of years for which leases are drawn ranges from 15 to 40 years, averaging probably about 25. Usually, the agreement provides the lessee with an option for renewing the lease after its initial expiration and at a sharply reduced rental. The initial rental is set at an amount generally sufficient to amortize all of the cost of the property before or by the end of the lease and includes also a "reasonable" return to the owner on the cost of his investment. The Virginia statute, for example, requires the lessee to pay an annual rental that will enable the owner to write off his investment at or before the normal termination of the lease or at or before the end of 50 years should the lease extend for a longer period. (Sec. 5258a, Virginia Code 1942 as amended.) Similarly, it is required in North Carolina that 75% of the investment be written off by the termination of the lease or at the end of 30 years, whichever is the longer. (Sec. 58-79 G.S. 1943 as amended by Chapter 386, Laws of 1945.) In some states a limit is placed on the return to the insurance company; for example, in New York the law states that the amount of rental which shall be considered income shall not be more than 4% on the investment.

Other typical provisions in the lease require the lessee to assume all costs of operating the property, including taxes and insurance, and to make any capital outlays necessary to maintain the property—this is the so-called "carefree" lease. In such cases in which the lease is to a subsidiary concern, the guaranty of the parent company is usually required in order to obviate a loss occasioned by the unwillingness of the parent company to support the subsidiary in times of financial stress.

It has been stated by one authority that the sale of property preceding the lease arrangement is usually made on the basis of the cost of the property, resulting in neither gain nor loss to the seller. However, it is likely that in view of the high level of real estate prices that has prevailed during the post-war period, many of the deals must have resulted in a profit to the selling company. Such a profit, where meeting the requirements of a capital gain, would be subject to a levy of only 25%. It may be assumed, however, that sales made in conjunction with a lease agreement are examined closely by the taxing authorities.

In view of the attention given currently to the contention that there is a shortage of equity capital and to the suggestions that have been made for making more private savings available for investment in business equities, it should be noted that the investment of life insurance funds in business properties for income purposes is a form of equity financing , though perhaps not from the point of view of the lessee. By selling his properties to an institutional investor, the owner converts fixed assets into cash and thus acquires an amount of working capital which he might otherwise have sought in the securities market or in obtaining a loan from a bank. To the extent that such financing has been engaged in in order to expand plant and equipment (see example given above with respect to the Continental Can Company), it has contributed to the current inflationary boom by swelling expenditures for goods and services that have been particularly scarce.

Resultant Position of Seller-Lessee

In general, the purchase and lease transaction as a form of investment for institutional investors and as a means of financing for commercial and industrial enterprises evolved as a result of several conditions. Among the conditioning factors are an increasing amount of institutional funds seeking permanent investment and the pinch felt by business concerns caught between high costs of capital expansion programs and concomitant needs for additional working capital. However, it might be helpful to consider separately the reasons why business firms have been willing to sell their properties and lease them back and why insurance companies have become the other party to such transactions.

A number of authorities have concurred in holding that tax considerations have been a primary factor in inducing owners to sell and become least-holders. Annual rental payments made under the lease constitute deductible operating expenses for tax purposes, and it may be that this annual deduction, including the portion paid for amortization purposes, will exceed over the long run the deductions that would otherwise have been taken in the form of depreciation and, if money had been borrowed to acquire the building, interest on debt. In this connection it might be pointed out that while the seller-lessee is, in effect, exchanging one form of taxable deduction for another, the latter, the rental payments, will not be available in the way that depreciation allowances may be—for example, for interest payments during times of financial stringency. Funds represented by the latter are an important source of equity capital to corporations, and during periods of depressed business conditions asset replacement may be negligible, enabling the company to shunt funds ordinarily used for re-investment in fixed assets into working capital purposes.[1]

It was stated above that the rental payment, including that amount for amortization, may be considered as a deductible expense for tax purposes. This has been the usual statement made in the relatively few articles written about this new method of corporate financing. However, it is interesting to note that a question has been raised whether the entire amount of the rental paid by the lessee will be permitted as a deductible expense. Writing in the August 15, 1948 issue of *The New York Times,* Mr. G. N. Nelson argued that "The sale must be outright and bona fide, and the rental provided for must be exclusively rent. Obviously if a leasehold calls for a rate of rental which yields to the lessor a margin over and above taxes, interest and other necessary expenses, plus a return on the lessor's investment, it would be contended that such excess represents a partial retirement of the lessor's investment and thus, to the disadvantage of the lessee, place in jeopardy the deductibility of rental payments."

This reasoning would appear to be pertinent to those cases in which the lessee is given a dual option at the expiration of the initial term of renewing the lease at a nominal rental or of purchasing the property. This is reported to be a provision, for example, in the contracts drawn up for the sale of properties by Safeway Stores, Inc. That is, it is stated that Safeways require an option to repurchase any property it sells "at the original sales price, less the amount of amortization paid to the date of cancellation." (See *Business Week,* April 17, 1948, p. 100.) Here there is the possibility that the tax authorities might regard such a transaction as a loan secured by the title to the property which has passed to the lessor for the duration of the lease. Such an interpretation might preclude the tax advantages ordinarily cited in favor of the lessee when he does not have the option of repurchase. A recent decision of the U. S. Tax Court might be cited in connection with the question of rental payments. In an agreement whereby a concern rented

[1]See Koch, **The Financing of Large Corporations, 1920-1939, National Bureau of Economic Research, 1943, pp. 27-32, 85-86.**

machinery from a manufacturer it was stipulated that the lessee would pay a yearly rental of $10,000 and have an option to purchase the machinery at the end of the lease period by paying an undisclosed sum to obtain title. It was held that the rental did not constitute a deductible expense for tax purposes and that the rental agreement was in effect a purchase of the machinery. Therefore, only the interest included in the consideration could be treated as a deduction item. (In re Judson Mills, 11 Tax Ct. No. 3.)

It would appear that the question of deductibility of rental payments is based primarily on something else again from a bona fide sale and a simple lease contract. It may be felt that some question may come to be attached to such amounts of rental payments held to represent equity in the property, but to date no substantial support is available for generalizing along such lines.

A second reason that has been advanced by some as the dominating one for many of the transactions to date is the fact that the sale of real estate releases funds in the form of badly needed cash for expansion programs or for improving working capital positions that have been pinched by steadily rising costs and expanding operations. Many sellers have explained their conversion of fixed assets into working capital by stating that funds so used are more profitable than if kept immobilized in the form of real estate.

Another major reason given for the willingness of many companies to sell their properties is closely related to the foregoing point in that it is claimed that it affords a more desirable method of raising funds for expansion and working capital than by resorting to bank loans or by issuing additional securities. Although this has undoubtedly been true for a number of individual concerns, it is difficult to generalize in this respect for all companies. Many found it difficult in the past two years to sell new stock issues on satisfactory terms and were forced to obtain external funds by borrowing. But despite the large increase in corporate debt that has occurred during the post-war period, business corporations as a whole show a slightly better equity-to-debt ratio now than they could in 1939. However, numerous individual companies have found in the sale-lease arrangement a solution of unfavorable alternatives of borrowing long-term funds which, for their particular companies, would produce an unsatisfactory capital structure, increasing considerably their short-term debt by bank borrowing, or issuing stock on unsatisfactory terms. As compared with the sale of stock, it is pointed out also that the sale-lease transaction does not dilute the stockholders' equity or introduce new voices into the management of the business.

A fourth reason or advantage ascribed to such transactions is claimed in such cases where the property sold had been subject to a mortgage. Here it is pointed out that the sale of the property wipes out that funded debt with a consequent improvement in the position of the company for future financing. Of course the equity-to-debt ratio is improved, and the company is free of the future problem of paying or refunding the debt. But in some respects the claimed improvement in the credit position of the company might be more apparent than real. For example, although the lessee is not required to show in his financial exhibits a liability for the contractual rent payment, (although such leasehold obligations must be shown in registration statement filed with the Securities Exchange Commission and a statement made of rent payments), the investor or other interested parties examining that statement should treat the rental obligation, at least in part, as the equivalent of interest as a fixed charge.

Along with the considerations of the third and fourth reasons cited for the willingness of companies to sell their properties and sign long-term leases for their continued use might be injected an unfavorable note drawn from past experience. During 1931 and 1932 many companies, particularly retail enterprises, were hard pressed or failed to meet rental obligations set at optimistic amounts during the preceding period of prosperity.[2] It is felt that this is a point that should be carefully checked at the present time, particularly in view of the fact that the rental payment contracted for during the initial term of the lease is, in most cases, very high in relation to the value of the property.

Other reasons that have been given for the participation of some sellers in such transactions are the possibility of realizing a gain on the sale which will be subject to only the capital-gains tax and the ability to write off as a leasehold improvement during the term of the lease any improvements made by the former owner to the properties and financed out of the proceeds of the sale.

From the Point of View of the Insurance Company

The active interest that has been exhibited by life insurance companies in purchasing business properties for long-term lease to the former owners is primarily a twofold one. In the first place there has been a growing need for a new source of long-term investment. The rise in life insurance ownership in the past three years represents the greatest dollar increase in a comparable period of time in the history of life insurance. As of June 30, 1948, for example, total life insurance owned had increased $17 billion over the amount owned at mid-year 1947. As a consequence, insurance assets are increasing well over $3 billion annually, and investment managers have encountered a growing problem in finding satisfactory investment outlets for new funds.

The purchase-lease transaction, however, not only affords a new source of investment, and one that is likely more permanent than a mortgage, but it provides a rate of return that exceeds that which can be obtained from the holding of high-grade securities. According to one insurance executive, life companies are obliged to earn about 2.8% net to maintain reserves for payments on life insurance and annuity contracts.[3] The average yield on triple A corporate bonds (Moody's index) has been

[2]Graham and Dodd, Security Analysis, p. 228, cite the case of the United Cigar Stores which in 1928 reported no funded debt and earnings equal to about 7 times the preferred debt. "Yet so crushing were the liabilities under its long-term leases (and to carry properties acquired by subsidiaries), that in 1932 bankruptcy was resorted to . . . "

[3]Glenn McHugh, Vice President, The Equitable Life Assurance Society of the United States, in an address to the annual convention of National Association of Building Owners and Managers, June 16, 1948, at St. Louis.

declining steadily since the early thirties, going below 3% in 1940 and to 2.5% in 1946; for the first six months of this year the average was 2.8%. As a consequence of the declining trend in bond yields, the net rate of interest earned by the life insurance companies in this country on their invested funds dropped under 3% in 1946 for the first time in the history of the business. The 1946 earning rate was 2.92%, as compared with 3.7% in 1939, and despite an upturn in bond yields during 1947 the net rate of interest earned by the life insurance companies fell to a new low last year of 2.88%. Hence the interest of life insurance companies in a medium of investment that will satisfy safety requirements and yield over 3% (limited to 4% in New York by the law which states that the amount of rental which shall be considered income shall not be more than 4% on the investment.

There exist, naturally, differences of opinion on the suitability of purchase-lease transactions as a means of investment for life insurance companies. One insurance executive has expressed the opinion that the selection in such situations is against his company and that the danger in such investments in time of adverse business conditions is too great to merit such holdings to any extent. However, it would appear that at the present time the consensus favors the opinion that such transactions can be made safe enough to warrant investment status. One of the executives of The Equitable Life has pointed out that most of the large retail properties which have been sold were never on the market before; in other words, these properties are not similar to other forms of wealth which may be subject to frequent market valuations, and they are not up for sale to the average buyer.[4]

It has been contended in some quarters that these sales have enabled owners to unload old, inefficient stores at prices pushed to a peak by inflationary forces. It may be that numerous owners have attempted to dispose of properties that they felt might become financal burdens, but it is just as likely that insurance companies have turned thumbs down on the great majority of such offers. Certainly, counter-contentions stress the careful analysis and severe selectivity that is exercised by buyers in their attempt to obtain tailor-made deals to their satisfaction. For example, one of the more numerous types of real estate that has been bought by insurance companies is well located retail properties owned formerly by and leased back to tenants with prime national credit. It is felt that the possibility of failure on the part of such tenants is relatively remote, but that even in that event the insurance-company owner would have basic protection in the location and land value.

Another type of property that has been the subject of purchase-lease arrangements and which is referred to in defense of the suitability of such investments for life companies, is industrial and warehouse property. With good tenants and with sufficient alternative uses, it is contended that such properties offer a minimum of speculative elements. Should the tenants fail, and they would have paid a fairly high rent in the interim, the insurance companies feel that they would have a reasonable assurance of leasing the properties to new tenants.

Special use properties are something else again. The success of the transaction to the insurance company is dependent solely on the credit of the seller-lessee. Should the latter fail to meet the terms of the lease, the owner is confronted with the problem of finding a new tenant, with the likelihood of a considerable time lag involved as well as the possibility of having to revamp the functional design of the property. Properties of this nature, however, have been the subject of a number of purchase-lease transactions.

Similarly, although some office buildings have been bought by insurance companies for investment purposes, they suffer certain disadvantages in the feature of multiple tenancy and expense of efficient management. More pronounced speculative elements are found in deals involving unimproved or poorly improved properties. Here the prospects are purely speculative, and although no information is available on the extent to which such real estate has been purchased by life companies, it is assumed that there has been a minimum of activity in this direction.

Thus, insurance companies have acquired real estate for investment purposes because it affords a new and permanent outlet for an increasing volume of funds that might be so placed as to earn their keep and because it offers an attractive rate of return. Closely allied to these purposes and advantages is the feature of a fairly rapid return of the amount invested in each transaction. As was pointed out earlier, the lease provides for the amortization of the cost of the property by or before the termination of the initial period of the lease; in the process the insurance company comes into funds available for reinvestment in the light of existing market conditions and reappraisal of business prospects. At the end of the first lease-term the insurance company has recovered the cost of its investment and is, therefore, in a position at the outset to offer the lessee the advantage of an option to renew the lease at a greatly reduced rental. The receipt of subsequent rentals is, therefore, a return on an investment which has already been recovered and reinvested to produce a new flow of income.

Another advantage that has been attributed to the purchase of real estate for investment purposes by life insurance companies is that it affords much more direct control over the investment than is usually enjoyed. As indicated above, however, this characteristic might not be so desirable as it appears if the investment is of such a nature as to require specialized skills, and consequent extra costs, of management in maintaining or securing continuous or full tenancy. With respect to the option of renewal open to the current tenant it is obvious that a risk is incurred in the possibility that the initial lease will expire during a period of depressed business conditions and may not be renewed, leaving the owner with a non-earning asset for an indeterminable period. In the case of a long-term mortgage, in the absence of default, there is no problem of reacquiring property; in the case of the subject investment the property is owned and must be kept leased to produce a return and to avoid

[4] Op cit.

costs of holding. Even though the owner is in a position to offer a lease on very low rental terms, assuming that the original tenant has not exercised his option to renew, it may be more difficult and costly to "reinvest" the property, that is, to secure new tenants, than it would be to invest liquid funds at that particular time.

Prospects

The pattern of purchase-lease transactions has not shown material variation so far, but it is probably too early to say that it has jelled so that future deals will follow the form assumed in the initial stage of the development. Some authorities feel that in some cases the rate of return, slightly above 3%, has not been commensurate with the risk involved and that the competition engendered by the rapid entrance of insurance companies into a new field has also forced rather loose terms in other respects. It may be that future transactions will contain provisions designed to secure an adequate "coverage" of the rental payment on the part of the lessee and to safeguard working capital by certain dividend restrictions. Similarly, it is likely that what constitutes a satisfactory differential between the return on real estate held for investment and on high-grade bonds will become more clearly established.

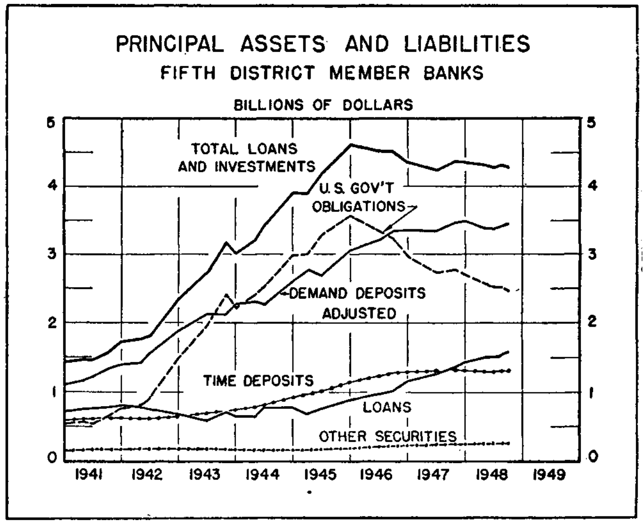
Some concern has been expressed that if the present rate of acquisitions by life insurance companies continues, the latter will secure a dominating position in the non-housing real estate field. This fear should be allayed by the fact that the statutes in most states set a definite ceiling to the amount of such investments that can be made by insurance companies by limiting the proportion of their assets that can be so held. Assuming the average of state limitations to be 4%, life insurance companies could hold about $2 billion of their total assets of $50 billion in the form under discussion. Holdings as of July 30, 1948 amounted to about 16% of this theoretical maximum. (It should be pointed out that the assumed $2 billion of possible investment is a generous estimate in view of the 3% limitation in New York.) Taken in conjunction with the preponderant share of insurance companies in the $1.8 billion of private placements of new corporate securities in 1947, it is obvious that purchases of real estate for investment purpose adds considerably to the importance of life companies in the field of corporate financing.

Finally, it might be pointed out that although life insurance companies have become the heaviest buyers of real estate for investment purposes since their entry into the field in 1946, other tax-favored and tax-exempt investors were earlier parties to such investments. The largest deal of this type, in fact, was that which involved the sale in 1945 of nearly all of the real estate and building holdings of Allied Stores Corporation, the largest department store chain in the country, to Union College for around $16 million. An earlier transaction was negotiated in 1943 with the sale by Gimbel Brothers of its properties in Philadelphia and Pittsburgh to a trustee for four schools for a total consideration of $10 million. For the most part, when colleges are the buyers, the municipalities in which the properties are located suffer a loss in tax revenues as a consequence of the institutions' tax-exempt status.

AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last Half of Aug.		Last Half of Sept.	
	$ thousands	% of U.S.	$ thousands	% of U.S.
Maryland	1,001,939	.94	1,011,593	.94
Reserve city banks	634,066	.59	644,307	.60
Country banks	367,873	.35	367,286	.34
District of Columbia	877,505	.82	887,875	.82
Reserve city banks	855,232	.80	865,291	.80
Country banks	22,273	.02	22,584	.02
Virginia	1,288,023	1.21	1,313.080	1.22
Reserve city banks	303,054	.29	309,392	.29
Country banks	984,969	.92	1,003,688	.93
West Virginia	603,043	.56	612,900	.57
North Carolina	825,090	.77	834,299	.77
Reserve city banks	379,705	.35	373,041	.34
Country banks	445,385	.42	461,258	.43
South Carolina	422,309	.40	440,692	.41
Fifth District	5,017,909	4.70	5,100,439	4.73
U. S. (millions)	106,748	100.0	107,901	100.0

*Excluding interbank demand deposits.



PRINCIPAL ASSETS AND LIABILITIES
FIFTH DISTRICT MEMBER BANKS

The Cotton Textile Situation

The cotton textile industry turned out 11,108 million linear yards of broad woven goods 12 inches and wider in the calendar year 1942. This was an all time high record and 34 per cent above the 1939 output. It was accomplished before a serious drain on manpower was felt as a result of inductions into the armed services and migrations to better paying jobs. Production of cotton goods declined in each succeeding year until 1945 to 8,721 million linear yards or 22 per cent below the peak year. This was not due to any slackening of demand but came about because of the mentioned loss of manpower.

Factors Making Post War Demand

Reduction in output during the war years made the war requirements for cotton goods an increasing proportion of the output and as a consequence the civilian market was starved of new production while inventories of these goods in all channels of distribution were badly depleted. At the end of the war there was an inordinately large domestic demand for cotton goods which can be attributed to three factors.

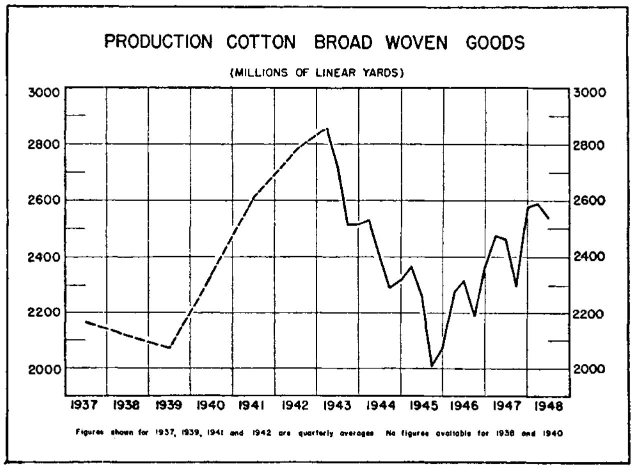
First, there were many more people gainfully employed at the end of the war than had ever before been employed in peacetime. The urge to save and the restraint on consumer purchasing was removed with the ending of the war.

Second, the stocks of these goods held by wholesalers and retailers were hardly in the nature of stocks at all, but were more like goods in transit from manufacturer to consumer, into the back door of the establishment and out through the front door. This meant that if these stocks were to be built up to where a selection was possible by the merchant in the case of wholesale distribution or the consumer in case of retail distribution, production in units would have to exceed sales at retail to accomplish this accumulation. In order to build an inventory equivalent to 60 days requirements, therefore, it would take about 14 months production at the going rate of demand, to fill 12 months requirements and at the same time build a 2 months supply, or stated another way, it would take a rate of production 16⅔ per cent above demand to accomplish the inventory accumulation of two months supply in one year's time. Then, too, there were industrial users of cotton goods which in many instances had not been producing the products requiring cottons during the war but had been producing munitions. These concerns had no cotton goods inventories at the end of the war, and they had to be accumulated in their entirety. When it seemed that the cotton textile industry was likely to fill the added requirements of inventory accumulation by the spring of 1947, there appeared an astounding demand for export. This added requirement in the year 1947 amounted to 14 per cent of the year's production.

Third, there has been an increase in the civilian population from mid-1945 to mid-1948 of 14 million, but in this period there was a substantial decline in military personnel. Even so, the largest number on record is now employed, and their earnings and savings have been such as to permit a large demand for cotton goods.

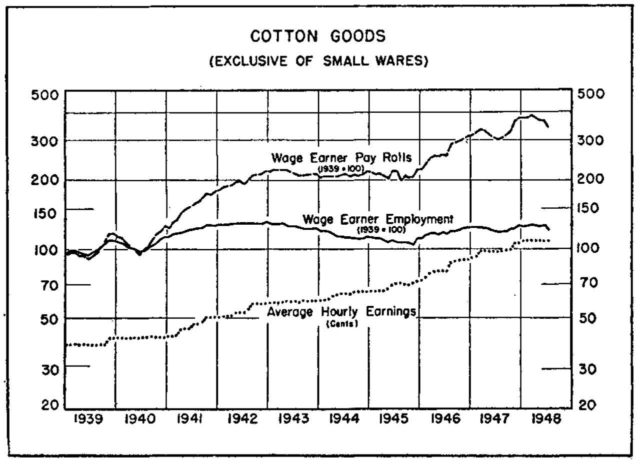
Post War Production

As pointed out earlier the dearth of manpower was the cause of a reduction in cotton goods production in 1943, 1944, and 1945 and it was similarly a retarding factor in post war production. Although there was no reconversion problem involved in the shift from war production to peacetime production of the cotton textile industry other than a readjustment of looms and some shift to the production of higher count yarns, output in 1946 increased only 5 per cent over 1945, compared with a gain of 12 per cent in the production of all non-durable goods industries in the period. Production in 1947 rose more than 7 per cent over 1946 to a level within 12 per cent of the 1942 peak; it was 18½ per cent higher than in 1939.

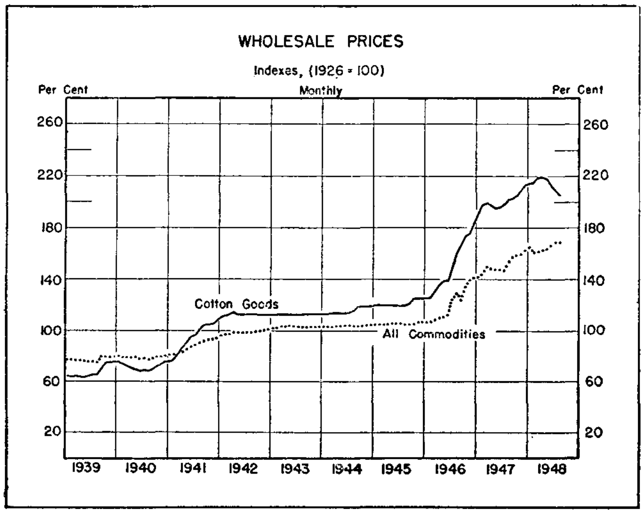


Employment and Wage Rates

Employment in the cotton goods industries was slow to recover in the early post war period. This was partly due to the liberal unemployment provision afforded returned veterans; partly due to the still wide differential in wage rates relative to the average of all manufacturing industries at the end of the war; and partly due to the continued loss of women and overage men who had entered the labor force on a temporary wartime basis. The hourly wage scale in the cotton textile industry, which was maintained through 1944 at about 60 per cent of that in all manufacturing industries, began late in 1945 to reduce the spread. By the end of that year the ratio was 72 per cent, by the end of 1946 it was 78 per cent, and by the end of 1947 it was 83 per cent. Workers were again attracted to the mills in the last half of 1946 and, except for a moderate cutback in the summer of 1947, employment in the industry continued upward to a post war peak in March of this year to a level within 4 per cent of the all time high level established in 1942.



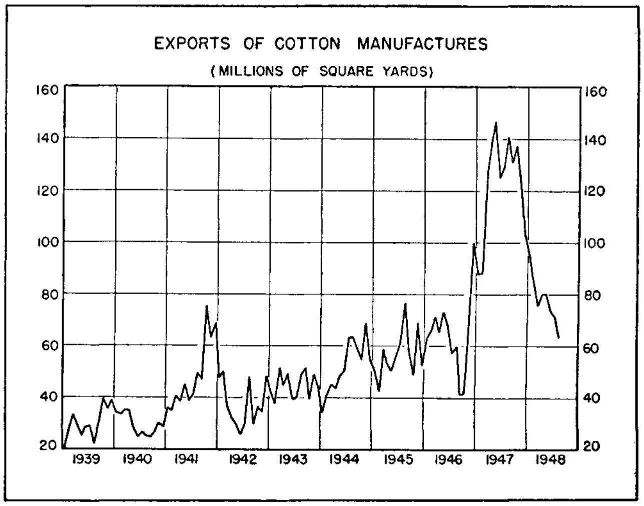
Thus the loss of considerable part of a trained labor force and the necessity of retraining a new one in a tight labor market retarded the production of cotton goods in both 1946 and 1947. As an indication of the strength of demand in relation to the output in those years, wholesale prices of cotton goods rose 83 per cent from August 1945 to April 1947. This rise was exceeded by only 10 out of 45 of the sub groups reported by the Bureau of Labor Statistics from August 1945 to their respective peaks, and compares with a gain of 53 per cent in the average prices of all commodities.



Current Demand Factors

The inordinate rise in prices has had its effect in toning down the domestic demand to some extent, and export demand has halved what it was last year for want of purchasing media. Together these have been instrumental in changing wholesale and retail inventory policy from one of accumulation to one of reduction. Thus at the present time production has overtaken shipments and finished stocks at the manufacturers levels are rising in some cases.

The best indications available in the retail trade statistics would seem to indicate that sales in dollar terms have leveled off. This probably means that there has been some reduction in unit sales. Such reductions as have occurred in prices of cotton goods this spring and summer when translated into lower prices of finished products may aid in a small way to sustain demand for apparel and household uses. Productive activity of those industries using cotton goods as a raw material such as automobiles, tires, other rubber goods, and what not, are in the main showing production trends no better than flat. Industrial consumers are exercising a cautious purchasing policy, for the most part a 60-day coverage. With no gain in operations of these industries and with no likelihood of a further accumulation of inventories by them, the best demand outlook from this quarter over the next several months would be no better than steady.



Effect on Production

Under the assumption that industrial usage of cotton goods would be sustained in the next several months at essentially the same rate shown thus far this year, and that apparel and household textile sales at retail would be sustained at rates that have been prevailing recently, the outlook for production of cotton goods in the last half of 1948 and perhaps the first quarter of 1949 is indicated to be 5 to 10 per cent lower than in the first half of 1948 and from about even to 5 per cent below the last half of 1947. If the last half year production should run 5 per cent below the first half the 1948 year's total output would be about 2 per cent ahead of the 1947 output. If the last half year output should fall 10 per cent below that of the first half the 1948 production would be 2 per cent below that of 1947.

Inventories of cotton goods in the hands of converters and cutters are always of questionable consideration in the appraisal of their probable takings from the cotton mills, and the same can be said of the inventories of wholesalers and retailers with respect to their demands placed on the converters and cutters.

Market information reflecting the opinion of goods manufacturers or their selling agents has it that all of the above mill outlets for goods have been reducing their inventories in the last several months, and that in order to meet the current demand these sources will soon have to place orders in volume with the mills.

Thus far in October there has been no evidence of a wave of buying at the mill level, but there has been what may be called a fair volume of fill-in business or purchase for near-by delivery. Furthermore with a large cotton crop now coming to market and the prospect that cotton prices will be held at support levels, plus the fact that mill capacity is not likely to be approached over the remainder of the year or in the first quarter of 1949, it would seem probable that a much larger amount of spot purchases of cotton goods would be seen in this period than at any time since the war began.

All factors taken together indicate that ultimate domestic consumption of cotton goods is likely to be well sustained at levels that have been current for several months. The continued diminution of exports and a readjustment of inventories in converter and cutter hands, as well as at wholesale and retail level in adjustment to the above factors, is good evidence that either cotton goods production will be cut back or that mills will accumulate a burdensome stock of goods. There is evidence that some of both has already occurred.

Business Conditions

Continued from page 2

that there will be much improvement in production since this demand can be met from gray stock.

Trade

Department store sales in the Fifth District in September rose seven per cent on a seasonally adjusted basis over August, and stood 11 per cent higher than in the same month last year. Department store stocks rose three per cent from August to September after seasonal adjustment, and in the latter month were 18 per cent higher than a year ago. Gains in sales were made over August in all states of the District except West Virginia. The chief cause of the September rise was a substantial increase in sales of women's and misses' ready-to-wear apparel. This may be a reflection of the acceptance of the long skirt this year whereas last year there was considerable resistance to it.

Despite the promotional activity of stores in anticipating Regulation W, there does not appear to have been much response to the easier credit terms on major household appliances. Department store sales in September returned to the advanced level of June in all states of the Fifth Federal Reserve District. Sales in most lines of wholesale trade rose in September, but in most cases the trend of sales gives more evidence of flattening off than of rising, automotive supplies and hardware to the contrary notwithstanding. Sales of gasoline have been on an upward trend in the Fifth District thus far this year. The rise has been more pronounced in South Carolina and West Virginia than in the other states of the District. North Carolina even shows some evidence of flattening out the trend. It is presumed that sales of gasoline would also indicate a rising trend of sales in general of filling stations.

FEDERAL RESERVE BANK OF RICHMOND
(All Figures in Thousands)

ITEMS	October 13, 1948	Chg. in Amt. From 9-15-48	10-15-47
Total Gold Reserves	$1,089,557	— 15,803	—150,655
Other Reserves	16,239	+ 295	+ 2,310
Total Reserves	1,105,796	— 15,508	—148,345
Bills Discounted	30,272	+ 15,150	+ 24,421
Industrial Advances	50	+ 5	+ 30
Govt. Securities, Total	1,513,385	+136,244	+208,395
Bonds	632,292	+ 83,217	+585,503
Notes	59,235	— 56,846	+ 26,356
Certificates	403,333	+ 89,839	— 66,010
Bills	418,525	+ 20,034	—337,454
Total Bills & Securities	1,543,707	+151,400	+232,846
Uncollected Items	254,589	— 55,740	— 43,678
Other Assets	31,763	+ 6,361	+ 14,560
Total Assets	2,935,855	+ 86,513	+ 55,383
Federal Reserve Notes in Cir.	$1,694,776	+ 15,619	— 38,028
Deposits, Total	943,030	+ 87,374	+ 97,508
Members' Reserves	839,797	+ 48,561	+ 78,742
U. S. Treas. Gen. Acct.	80,385	+ 38,200	+ 11,921
Foreign	17,513	— 1,097	+ 4,562
Other Deposits	5,335	+ 1,710	+ 2,283
Def. Availability Items	256,497	— 18,066	— 8,541
Other Liabilities	902	+ 274	— 40
Capital Accounts	40,650	+ 1,312	+ 4,484
Total Liabilities	2,935,855	+ 86,513	+ 55,383

51 REPORTING MEMBER BANKS—5th DISTRICT
(All Figures in Thousands)

ITEMS	October 13, 1948	Chg. in Amt. From 9-15-48	10-15-47
Total Loans	$ 873,071**	+ 2,352	+113,655
Bus. & Agri.	414,741	+ 8,857	+ 56,565
Real Estate Loans	200,434	— 197	+ 39,929
All Other Loans	263,622	— 6,281	+ 22,887
Total Security Holdings	1,670,765	— 24,031	—193,666
U. S. Treasury Bills	60,892	+ 16,766	+ 20,046
U. S. Treasury Certificates	206,788	+ 4,015	+ 373
U. S. Treasury Notes	66,130	— 25,786	— 36,376
U. S. Govt. Bonds	1,206,288	— 16,740	—184,470
Other Bonds, Stocks & Sec.	130,667	— 2,286	+ 6,761
Cash Items in Process of Col.	281,493	+ 14,289	+ 18,564
Due from Banks	189,847*	+ 2,257	— 16,286
Currency & Coin	71,642	+ 5,681	+ 7,270
Reserve with F. R. Banks	543,967	+ 18,199	+ 36,663
Other Assets	46,705	— 833	— 4,942
Total Assets	3,677,490	+ 17,914	— 38,742
Total Demand Deposits	$2,824,795	+ 5,615	— 44,205
Deposits of Individuals	2,111,299	+ 24,207	+ 2,120
Deposits of U. S. Govt.	59,721	— 1,006	+ 18
Deposits of State & Local Govt.	183,864	+ 9,763	+ 6,635
Deposits of Banks	434,568*	— 15,493	— 39,464
Certified & Officer's Checks	35,343	— 11,856	— 13,514
Total Time Deposits	601,632	+ 649	— 17,539
Deposits of Individuals	580,669	+ 93	— 18,580
Other Time Deposits	20,963	+ 556	+ 1,041
Liabilities for Borrowed Money	16,350	+ 12,650	+ 14,150
All Other Liabilities	17166	— 2,923	+ 109
Capital Accounts	217,547	+ 1,923	+ 8,743
Total Liabilities	3,677,490	+ 17,914	— 38,742

*Net Figures, reciprocal balances being eliminated.
**Less losses for bad debts.

CONSTRUCTION CONTRACTS AWARDED

STATES	August 1948	% Change from Aug. 1947	8 Mos. '48	% Change from 8 Mos. '47
Maryland	$32,555,000	+ 6	$224,611,000	+27
Dist. of Columbia	4,902,000	—19	55,224,000	+ 8
Virgina	19,251,000	+14	144,401,000	+ 9
West Virginia	4,742,000	+54	67,226,000	+28
North Carolina	14,454,000	+30	133,419,000	+28
South Carolina	4,953,000	—11	61,831,000	+45
Fifth District	$80,857,000	+10	$686,712,000	+23

Source: F. W. Dodge Corp.

COMMERCIAL FAILURES

MONTHS	Number of Failures District	U.S.	Total Liabilities District	U.S.
September 1948	22	398	$ 511,000	$ 20,703,000
August 1948	17	439	283,000	21,442,000
September 1947	15	292	305,000	10,034,000
9 Months 1948	144	3,800	$3,518,000	$153,359,000
9 Months 1947	86	2,510	3,991,000	157,882,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS
(000 omitted)

	September 1948	% Chg. from Sept. 1947	9 Mos. 1948	% Chg. from 9 Mos. '47
Dist. of Columbia				
Washington	$ 716,813	+ 7	$ 6,473,648	+12
Maryland				
Baltimore	965,795	+ 9	8,584,167	+10
Cumberland	22,402	+ 1	191,637	+ 3
Frederick	20,812	+ 7	169,122	+ 8
Hagerstown	27,061	+ 8	237,921	+ 9
North Carolina				
Asheville	52,636	+10	450,578	+14
Charlotte	251,934	+20	2,105,222	+19
Durham	186,755	+27	1,000,968	+10
Greensboro	75,098	+23	659,209	+19
Kinston	40,982	+37	145,427	+15
Raleigh	137,014	+33	1,014,656	+18
Wilmington	36,607	+ 7	315,241	+ 5
Wilson	57,327	+46	175,793	+14
Winston-Salem	143,553	+18	1,106,996	+10
South Carolina				
Charleston	61,581	+18	508,657	+14
Columbia	94,963	+15	815,425	+12
Greenville	78,763	+ 9	701,562	+15
Spartanburg	48,499	+10	416,031	+17
Virginia				
Charlottesville	22,278	— 2	194,058	+ 5
Danville	49,647	+61	247,735	+10
Lynchburg	37,284	+ 4	335,773	+11
Newport News	30,819	+ 2	282,732	+ 7
Norfolk	178,853	+ 5	1,604,489	+13
Portsmouth	21,529	+19	177,502	+ 9
Richmond	534,286	+14	4,201,060	+17
Roanoke	85,220	+ 7	752,188	+15
West Virginia				
Bluefield	50,665	+34	385,699	+25
Charleston	137,200	+11	1,180,877	+12
Clarksburg	32,733	+11	285,923	+18
Huntington	61,662	+23	516,007	+22
Parkersburg	28,251	+12	239,595	+ 9
District Totals	$ 4,289,022	+13	$35,475,898	+13

COTTON CONSUMPTION AND ON HAND—BALES

	Sept. 1948	Sept. 1947	Aug. 1 to Sept. 30 1948	1947
Fifth District States:				
Cotton consumed	373,640	375,069	744,376	734,195
Cotton Growing States:				
Cotton consumed	656,056	639,781	1,301,270	1,270,170
Cotton on hand Sept. 30 in				
consuming establishments	1,040,114	932,003		
storage & compresses	4,072,470	2,537,390		
United States:				
Cotton consumed	739,139	728,606	1,467,871	1,441,470
Cotton on hand Sept. 30 in				
consuming establishments	1,282,404	1,139,357		
storage & compresses	4,140,319	2,588,052		
Spindles active, U. S.	21,302,000	21,459,000		

Source: Department of Commerce.

COTTON CONSUMPTION—FIFTH DISTRICT
(In Bales)

	N. Carolina	S. Carolina	Virginia	District
September 1948	199,705	158,607	15,328	373,640
August 1948	197,359	156,591	16,786	370,736
September 1947	199,202	158,706	17,161	375,069
9 Months 1948	1,911,610	1,474,496	155,955	3,542,061
9 Months 1947	1,872,990	1,507,265	163,327	3,543,582

Source: Department of Commerce

PRICES OF UNFINISHED COTTON TEXTILES

	Sept. 1948	Aug. 1948	Sept. 1947
Average, 17 constructions	72.48	77.06	91.27
Printcloths, average (6)	80.66	85.40	118.96
Sheetings, average (3)	61.00	62.99	74.83
Twill (1)	85.70	91.51	97.67
Drills, average (4)	64.75	67.77	66.53
Sateen (1)	100.23	121.96	124.41
Duck, average (2)	60.11	62.04	62.54

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

Source: Department of Agriculture.

DEPOSITS IN MUTUAL SAVINGS BANKS
8 Baltimore Banks

	Sept. 30, 1948	Aug. 31, 1948	Sept. 30, 1947
Total Deposits	$392,826,257	$392,133,804	$389,479,711

BUILDING PERMIT FIGURES

	Total Valuation Sept. 1948	Sept. 1947
Maryland		
Baltimore	$ 4,371,240	$ 6,088,340
Cumberland	136,800	298,650
Frederick	108,540	53,625
Hagerstown	281,375	115,210
Salisbury	196,296	161,198
Virginia		
Danville	124,114	178,430
Lynchburg	482,256	224,480
Norfolk	641,590	1,378,060
Petersburg	124,323	416,800
Portsmouth	145,720	113,315
Richmond	4,170,542	1,083,586
Roanoke	303,253	2,023,852
West Virginia		
Charleston	902,945	840,310
Clarksburg	81,175	91,738
Huntington	507,505	433,725
North Carolina		
Asheville	382,396	195,132
Charlotte	1,457,707	856,460
Durham	579,330	456,740
Greensboro	559,484	981,522
High Point	266,320	328,958
Raleigh	461,030	263,355
Rocky Mount	78,500	144,100
Salisbury	69,095	87,850
Winston-Salem	505,480	781,359
South Carolina		
Charleston	607,125	120,925
Columbia	310,520	218,010
Greenville	299,400	166,980
Spartanburg	147,144	110,330
Dist. of Columbia		
Washington	3,586,137	4,228,768
District Totals	$ 21,887,342	$ 22,441,808
9 Months	$215,919,913	$163,528,841

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Sept. 1948	Sept. 1947	% Chg.	9 Mos. 1948	9 Mos. 1947	% Chg.
West Virginia	13,794	14,620	— 6	121,565	128,339	— 5
Virginia	1,457	1,800	—19	14,629	14,119	+ 4
Maryland	101	155	—35	1,217	1,535	—21
Fifth District	15,352	16,575	— 7	137,411	143,993	— 5
United States	50,540	52,381	— 4	434,591	454,203	— 4
% in District	30.4	31.6		31.6	31.7	

TOBACCO MANUFACTURING

	Sept. 1948	% Chg. from Sept. 1947	9 Mos. 1948	% Chg. from 9 Mos. '47
Smoking & Chewing tobacco (Thousands of lbs.)	19,439	— 6	149,992	+ 1
Cigarettes (Thousands)	29,856,504	+ 2	263,460,202	+ 5
Cigars (Thousands)	544,856	+13	4,244,876	+ 4
Snuff (Thousands of lbs.)	3,718	— 7	31,251	+ 6

Source: Treasury Department.

AUCTION TOBACCO MARKETING

	Producers' tobacco sales, lbs. Sept. 1948	Sept. 1947	Price per cwt. 1948	1947
South Carolina	30,705,544	71,677,459	$44.43	$39.87
North Carolina	296,825,012	316,221,911	49.55	41.48
Virginia	36,536,634	11,213,044	54.54	44.11
District	364,067,190	399,112,414	$49.62	$41.26
Season through	588,142,451	506,580,319	50.45	42.17

RAYON YARN SHIPMENTS AND STOCKS

	Sept. 1948	Aug. 1948	Sept. 1947
Rayon yarn shipments, lbs.	68,300,000	71,900,000	60,100,000
Staple fiber shipments, lbs.	21,300,000	22,100,000	20,400,000
Rayon yarn stocks, lbs.	10,600,000	10,200,000	8,000,000
Staple fiber stocks, lbs.	4,800,000	4,700,000	6,400,000

Source: Rayon Organon.

WHOLESALE TRADE, 188 FIRMS

LINES	Net Sales Sept. 1948 compared with Sept. 1947	Aug. 1948	Stocks Sept. 30, 1948 compared with Sept. 30 1947	Aug. 31 1948
Auto supplies (6)*	— 4	+ 4	— 3	— 1
Electrical goods (6)*	+30	+ 7	+32	+ 2
Hardware (11)*	+26	+12	+48	+ 5
Industrial supplies (4)*	+24	+30	— 3	+ 1
Drugs & sundries (9)*	+ 9	+20	0	— 2
Dry goods (13)*	+ 5	+ 2	+24	—11
Groceries (57)*	+ 2	+ 3	0	+ 5
Paper & products (6)*	0	— 2	....	....
Tobacco & products (6)*	+ 6	+ 8	+16	+12
Miscellaneous (70)*	+ 3	+ 2	+18	— 8
District Average (188)*	+ 7	+ 5	+21	— 3

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

REPORT ON RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1947 Sept. 1948	9 Mos. 1948
Maryland (5)*	+18	+16
Dist. of Columbia (6)*	+ 5	+ 5
Virginia (18)*	— 9	— 1
West Virginia (10)*	—17	+ 2
North Carolina (13)*	+ 5	— 2
South Carolina (10)*	+ 9	+ 8
District (62)*	+ 4	+ 6
Individual Cities		
Baltimore, Md., (5)*	+18	+16
Washington, D. C., (6)*	+ 5	+ 5
Richmond, Va., (6)*	+ 5	— 1
Lynchburg, Va., (3)*	—19	+ 3
Charleston, W. Va., (3)*	—25	— 3
Charlotte, N. C., (4)*	+ 3	— 3
Columbia, S. C., (3)*	+ 3	+ 8

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage chg. in Sept. 1948 sales compared with sales in Sept. '47:	+26	+ 9	+ 5	+11	+10
Percentage chg. in 9 months sales 1948 compared with 9 months in '47:	+11	+ 3	+ 5	+10	+ 7
Percentage chg. in stocks on Sept. 30, '48 compared with Sept. 30, '47:	— 3	+11	+20	+25	+14
Percentage chg. in outstand'g orders Sept. 30, '48 from Sept. 30, '47:	—21	—20	—26	—33	—24
Percentage chg. in receivables Sept. 30, '48 from those on Sept. 30, '47:	+35	+25	+23	+23	+26
Percentage of current receivables as of Sept. 1, '48 collected in Sept.:	....	50	48	50	45
Percentage of instalment receivables as of Sept. 1, '48 collected in Sept.:	....	24	23	23	23

	Maryland	Dist. of Col.	Virginia	W. Virginia	N. Carolina	S. Carolina
Percentage change in Sept. 1948 sales from Sept. 1947, by states:	+ 8	+ 5	+19	+12	+12	+13
Percentage change in 9 months 1948 sales from 9 months 1947 sales:	+ 3	+ 5	+11	+15	+ 8	+ 7