



FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA

NOVEMBER 30, 1948

Business Conditions

ON balance there was a weakening of business activity in the Fifth Federal Reserve District during October when compared with September on a seasonally adjusted basis, though offsets to this trend were found in the value of building permits issued, in cigarette output, in bituminous coal mined, and in fewer business failures. Trade levels for the most part pointed downward, and department store inventories rose. Further deterioration occurred in the output of cotton goods and yarns, and hosiery production failed to rise by seasonal proportions. Checks drawn against individual deposit accounts failed to rise seasonally in all states but Maryland. Planned savings in the form of new life insurance sales declined, while A to E savings bond redemptions continue to exceed new sales as the chart shows.

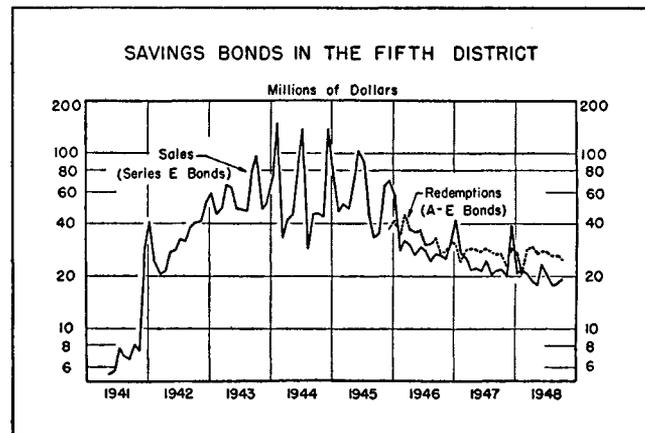
Department Store Sales

There was a 3 per cent drop in the adjusted index of department store sales from September to October, and this drop was probably mostly responsible for a 5 per cent rise in adjusted inventories in the same period, stores inventory policy being as near hand to mouth as they can make it. The October sales level, however, was still 10 per cent ahead of October, 1947, and the September to October drop does not appear to have reversed the upward trend of sales. Weekly sales figures available for two weeks of November indicate, however, that a further drop in the adjusted index would be seen in that month. This will probably mean a further rise in department store inventories, broader January clearance sales, and a let-down in wholesalers' and manufacturers' orders which are already having adverse effects on production of soft goods.

It is not intended to suggest that the dis-investment of savings bonds indicated in the accompanying chart is being spent for department store merchandise, though in some instances such as major household appliances or even clothing it may be these funds are so used. The purpose of the chart is to show that there is, and has been for some time, a sizeable addition to the purchasing power of the District over and above current income, and directly or indirectly this purchasing power has been an important factor in expanding the entire trade level including that of department store sales.

Wholesale Sales

Only two of the nine lines of wholesale trade for which statistics are available showed better than seasonal sales gains from September to October. These two were elec-



trical goods and industrial supplies. The other seven lines of wholesale sales declined from 4 to 23 per cent after seasonal correction. It should be further noted that only hardware and industrial supply sales showed substantial gains in October 1948 from October 1947; electrical goods sales were moderately higher and sales of automotive supplies were slightly higher while the other five lines showed sales from 10 to 22 per cent lower. It is interesting to note that wholesalers' sales of both dry goods and groceries were 11 and 14 per cent, respectively, lower in October than a year ago. There were some rather notable price declines in many commodities sold by these houses in this period, and these no doubt contributed to the declines.

Cotton Textiles

There was a dearth of orders booked by the cotton goods and yarn producers in October, and prices of almost all constructions and counts declined notably. Some mills say a small profit can still be made in most constructions of goods, but it is a thin one. For the time being at least the price structure seems to have stabilized and a fairly good amount of sales were made early in November. Even some export business has reappeared. It does not appear, however, that the volume will be sufficient to raise the level of production, but it may bulk large enough to prevent a further drop.

Cotton consumption in the mills of the Fifth District after seasonal correction was 4 per cent lower in October than in September, and the October level was 10 per cent under that month last year. It appears that the largest declines came in the lighter weight goods, for seasonally adjusted spindle hours run declined 6 per cent

to an October level 13 per cent under the same month last year.

Although cotton goods prices have declined substantially, they are still quite high relative to prices in general. In fact it would seem that they are still too high to stimulate purchases at retail beyond absolute necessities. It is not likely, however, that much further price reductions can be made when there is but little profit left and with cotton cost held high by government support. It is also difficult to see how another wage increase could be made under these conditions.

Construction

There was a rise of 2 per cent in the seasonally adjusted value of total construction contracts awarded in October over September in this District, but residential awards declined 16 per cent in this period. Relative to a year earlier the total construction awards were up 10 per cent, while the residential awards were down 21 per cent. The weakening in the residential end comes mainly in the one and two family house and arises from a nota-

ble slowing down in the rate of sales which in turn is accompanied by tighter credit conditions. Non-residential building, exclusive of commercial and factory structures, has been the sustaining force in total construction.

The value of building permits issued in reporting cities rose 27 per cent from September to October on a seasonally adjusted basis, but relative to a year ago the gain of 10 per cent in permits was the same as that in contract awards.

Furniture

Net sales of furniture manufacturers in this District rose nearly 3 per cent from August to September, but this was less than seasonal proportions and the adjusted index fell 3.5 per cent in this period; they continued at a level nearly 12 per cent higher than a year ago. New orders were 4 per cent below sales during September, and unfilled orders declined 5 per cent to a figure representing a little over two months' sales. The employment level in this industry in Virginia and North Carolina appears to have stabilized at levels 6 per cent and 3 per cent respectively below their spring peaks.

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

	Oct. 1948	Sept. 1948	Aug. 1948	Oct. 1947	% Change Oct. -1948 from Sept. 48 Oct. 47	
Automobile Registration*	.....	125	146	125	.....	.....
Bank Debits	345	370c	365	313	- 7	+ 10
Bituminous Coal Production	168	162r	168	171	+ 4	- 2
Building Contracts Awarded	348	340	337	317	+ 2	+ 10
Apartments and Hotels	.....	495	397r	475	.....	.....
Commercial Construction Contracts	.....	377	291r	276	.....	.....
Manufacturing Construction Contracts	.....	291	722	145	.....	.....
One and Two Family Houses	.....	368	301r	411	.....	.....
Public Works and Utilities	.....	299	243	218	.....	.....
Residential Construction Contracts	345	411	346	438	- 16	- 21
Building Permits Issued	372	292	284	338	+ 27	+ 10
Business Failures—No.	40	55	38	11	- 27	+264
Cigarette Production	238	233	264	252	+ 2	- 6
Cotton Consumption	135	141	142	150	- 4	- 10
Department Store Sales	328	337	315	298	- 3	+ 10
Department Store Stocks	311	297	289	281	+ 5	+ 11
Electric Power Production	.....	270	274	246	.....	.....
Employment—Mfg. Industries*	.....	136	136	134	.....	.....
Furniture Orders	292	226	264	324	+ 29	- 10
Furniture Shipments	248	217	225	227	+ 14	+ 9
Furniture Unfilled Orders	741	603	651	914	+ 23	- 19
Furniture Sales—Retail	269	307r	256	270	- 12	0
Gasoline Consumption	.....	.....	.....	179	.....	.....
Life Insurance Sales	249	257	255	257	- 3	- 3
Wholesale Trade:						
Automotive Supplies†	336	397	377	332	- 15	+ 1
Drugs‡	266	284	264	296	- 6	- 10
Dry Goods	202	231	246	228r	- 13	- 11
Electrical Goods†	107	91	88	98	+ 18	+ 9
Groceries	25	277	277	294	- 9	- 14
Hardware	168	219	218	132	- 23	+ 27
Industrial Supplies†	526	398	285	366	+ 32	+ 44
Paper and Its Products†	160	168	167	179	- 5	- 11
Tobacco and Its Products†	89	93	87	114	- 4	- 22
Cotton Spindle Hours	135	143	146	156	- 6	- 13

*Not seasonally adjusted

†1938-41=100

‡Revised, back figures available on request

Regional Income in the Fifth Federal Reserve District

The nature and trend of income payments in a given region is a significant indicant of changes in the economic structure of the region. Although regional income payments data are available for a relatively short period, nevertheless, some analysis of the changes in the regional income pattern for the Fifth Federal Reserve District may be of interest. Thus, the changes in the geographic distribution of income indicated in the income payments data since 1929 are of particular significance to the Fifth District. For example, if this region's relative gain in income payments is attributable to the short-run effect of abnormally high farm income or abnormally high government payments, the future implications for this District are of considerable import.

Changes in Income Payments, 1929-1944

During the pre-war period 1929-1940 there was a relative rise in regional income payments in the Fifth District reflecting the relatively more rapid growth of the District's population, manufacturing industries, etc., in the pre-war period of the 1930's coupled with the character of the District's industries (namely, a lower proportion of durable goods industries). This redistribution of income in favor of the District states may be illustrated in the following table which shows that (a) total income payments in the District rose in the Thirties, in contrast to the decline in the country as a whole, and (b) total income payments in the District states constituted a larger percentage of the nation's dollar income payments in 1940 than in 1929.

TABLE 1
Percentage Distribution of, and Relative Changes in Total Income Payments—United States and Fifth District 1929 and 1940

AREA	Per Cent of Total Income Payments in United States		Per Cent Change
	1929	1940	
Continental United States	100.00	100.00	- 8.2
Fifth District	5.96	7.50	+ 5.1
Maryland	1.34	1.61	+10.5
District of Columbia .....	.77	1.19	+41.8
Virginia	1.19	1.49	+14.2
West Virginia .....	.96	1.00	- 4.2
North Carolina	1.17	1.49	+17.1
South Carolina .....	.53	.72	+24.4

Source: U. S. Department of Commerce, *Survey of Current Business*, August 1945.

This changing regional pattern of income in favor of the District was continued and accelerated during the war period by developments favorable to this region's relative expansion. Again, the District's relative expansion in income payments may be illustrated by the following table which shows that (a) total income payments in the District rose relatively to the United States during the 1940-44 period, and (b) total income payments in the District states constituted a larger percentage of the nation's dollar income payments in 1944 than in 1940.

TABLE 2
Per. Cent Distribution of, and Relative Changes in Total Income Payments—United States and Fifth District 1940 and 1944

AREA	Per Cent Change (1940-44)	Total Income Payments Per Cent Distribution	
		1940	1944
Continental United States	+ 95.23	100.00	100.00
Fifth District	+105.02	7.50	7.88
Maryland	+101.80	1.61	1.67
District of Columbia	+ 67.73	1.19	1.02
Virginia	+137.08	1.49	1.81
West Virginia	+ 78.42	1.00	.92
North Carolina	+115.29	1.49	1.64
South Carolina	+123.66	.72	.82

Source: U. S. Department of Commerce, *Survey of Current Business*, August, 1945.

The developments contributing to the relatively more rapid expansion in District income payments were:

- relatively heavier military payments in the Fifth District than in other regions;
- relatively heavier gains in Federal civilian payrolls in the Fifth District (civilian payrolls include Government shipyards—e.g., Norfolk, Virginia, and Charleston, South Carolina);
- relatively heavier gains due to rising agricultural income, a more important component in the District's rising income payments than in the country as a whole.

These developments were only partially offset by the fact that war manufacturing payrolls in the District, while increasing markedly, did not keep pace with the increase in the country as a whole, principally because of the character of the manufacturing in the District already noted. Maryland was the only District state in which payrolls in war manufacturing accounted for a larger percentage of its increase in income payments than in the United States. The following table serves to indicate the sources of increased income payments in the District as compared with the United States from 1940-1944:

TABLE 3
Sources of Increased Income Payments, 1940-1944
United States and Fifth District States
Per Cent of Total Increase in Income Payments, 1940-1944
Attributable to:

	War Manufacturing Payrolls	Agricultural Income	Federal Civilian Payrolls	Military Payments
Continental United States	29.4	11.4	7.1	14.9
Maryland	37.2	5.1	8.6	15.6
District of Columbia .....	.3	.....	51.1	21.8
Virginia	8.6	11.6	18.9	31.6
West Virginia	17.0	6.6	1.5	16.4
North Carolina	8.0	23.7	6.3	23.3
South Carolina	1.9	17.4	15.7	29.5

Source: U. S. Department of Commerce, *Survey of Current Business*, August, 1945.

The significance of the fact that the regional growth in income payments relative to outside areas was a continuance of trend is noted in the following comment by Schwartz in analyzing changes in income payments during the war period:

The generalization that the stimulus or wartime activity did not change the geographic distribution of

income in the United States in a way contrary to prewar developments is directly relevant and of primary significance to consideration of the probable postwar distribution. For it indicates that the war-period changes should not be "written off" as distortions and that the easy assumption of a return to the 1940 geographic income pattern after the effects of such changes have been spent very probably is not warranted. Such an assumption discounts persistent, underlying trends that have prevailed over the 16-year period 1929-44 embracing prosperity and depression, peace and war.¹

However, with regard to the past-war outlook, Schwartz warns:

The geographic distribution of total income payments for 1944, while more useful than that of 1940, obviously cannot qualify as a "model" reference point for postwar projection. In certain areas wartime forces clearly accelerated prewar income trends. Some readjustments or alteration of the 1944 geographic pattern is therefore inevitable prior to the establishment of a more "normal" peacetime pattern.²

Post-War Changes, 1945-1947

Developments thus far in the post-war period would serve to indicate that the District has for the most part held its gains in income payments relative to the country as a whole, but there has been considerable variation as to the relative gain of the various states within the District.

Available data on state income payments for the years 1944-1947 indicate that (a) total income payments in the District rose 22.7 per cent from 1944 to 1947, compared with an increase of 25.5 per cent for the country as a whole, and (b) the District's share of the nation's total income payments declined slightly over the period from 7.80 per cent in 1944 to 7.63 per cent in 1947. However, the states of the District vary considerably in terms of the relative gain in income payments in the post-war period. West Virginia and North Carolina showed increases above the national average, while the other District areas declined relatively. The following table shows the change in total income payments in the United States and the Fifth District states from 1944 to 1947.

TABLE 4

Total Income Payable in United States and Fifth District, 1944-47

	Per Cent Change 1944-47	Per Cent Distribution 1944*	1947
United States	+25.5	100.00	100.00
Fifth District	+22.7	7.80	7.63
Maryland	+15.7	1.68	1.55
District of Columbia	+19.0	1.00	.95
Virginia	+15.2	1.71	1.58
West Virginia	+42.1	.90	1.02
North Carolina	+30.9	1.66	1.72
South Carolina	+19.6	.84	.80

* Revised; figures therefore differ from those in preceding table.

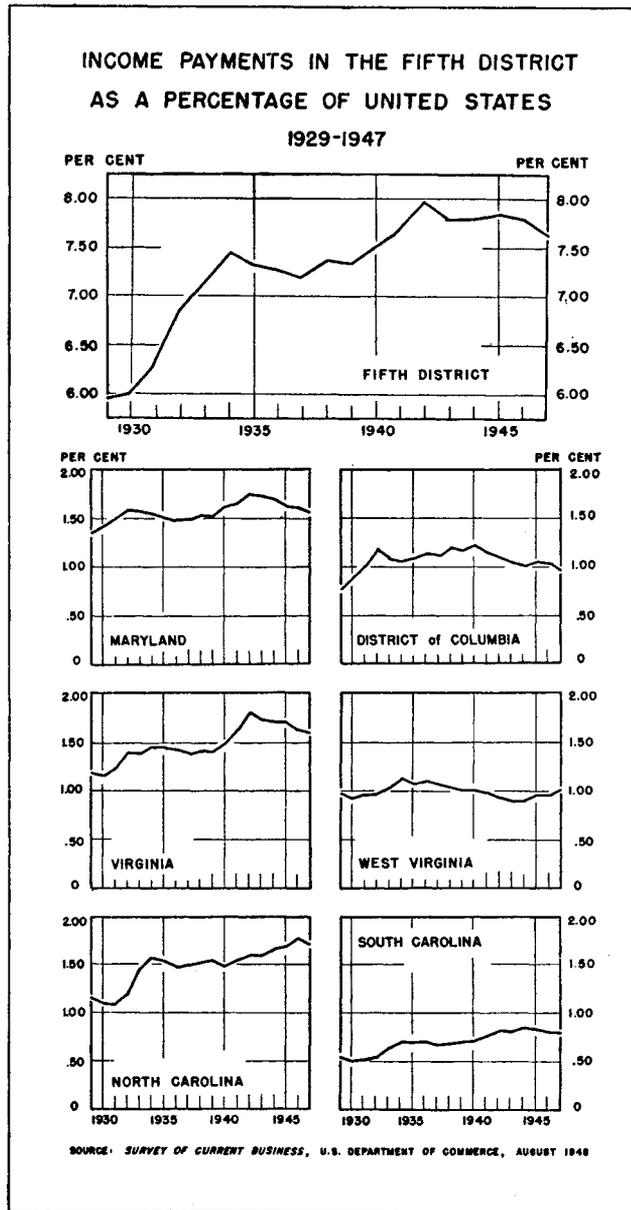
Source: Computed from U. S. Department of Commerce, *Survey of Current Business*, August, 1948.

The overall trend in District income payments relative to the United States over the entire period 1929-

¹Charles F. Schwartz, "State Income Payments in 1944," *Survey of Current Business*, U. S. Department of Commerce (Washington, August 1945), 11.

²*Ibid.*

1947 is indicated in the following chart, which shows the percentage of total United States income payments represented by the District and by the individual states in the District.



Trends in District Income

In an analysis of regional trends in income payments in the September 1948 *Survey of Current Business*, Schwartz points out that "the insufficient length and extreme heterogeneity of the period of years for which there are regional income estimates" make it difficult to generalize as to trend utilizing the entire period, 1929-1947. Instead, then, in his study he simply uses each region's percentage of total income payments in the country in the years 1929 and 1947 to indicate trend on the ground that these two years are roughly comparable in terms of stage of the cycle, and in addition cover a long period of time and are free from serious distortions of irregular random influences such as distorted the war years. Thus he notes that "both 1929 and 1947 were

prosperous peacetime years and they span a 19-year period." In testing the trend shown for a given region by this method Schwartz uses three tests—namely, (a) the degree of *pervasiveness* in region's trend, in other words whether the individual states of the region show a uniform trend in direction, (b) the *continuity* of trend, and (c) the *nature* of the trend in terms of sources. Utilizing these same tests for the changes in the District between 1929 and 1947, it appears that the direction of income trend between 1929 and 1947 in the individual states of the District has conformed with the region. As already noted the post-war period has shown considerable disparity in direction among the several states, but the over-all 1929 to 1947 relative trend is upward for the Fifth District and for the states of the District. Evidence as to continuity of trend is not quite so pronounced although the District of Columbia seems to be the only component area which deviates markedly from the trend.

Analysis of Trends by Source

As to analysis by sources, since the aggregate data on income payments in the District apparently reveal a tendency to flatten out relative to the country as a whole in the most recent post-war years, a more detailed appraisal of the District's rise in income payments during the pre-war and wartime years and in the immediate post-war period may throw some light on the trend in future outlook for income payments.

Pre-War

From the standpoint of sources of income, the District's rise in income payments in the period 1929-40 is attributable mainly to three sources: (1) rise in government payrolls; (2) rise in manufacturing payrolls; (3) ancillary rise in income from tertiary industry, trade and service. This is clearly evident in the following table which shows that the above three sources accounted for 88.8 per cent of the net increase in District income payments between 1929 and 1940.

TABLE 5
Sources of Changes in Total Income Payments
Fifth Federal Reserve District, 1929-1940

	Per Cent of Total Increase
Gross Wages, Salaries, and Proprietors' Income	
Government*	44.7
Manufacturing	28.3
Trade	11.5
Service	4.8
Agriculture	— 8.1
Mining	—
Construction	1.3
Transportation	—10.5
Power and Gas	.8
Communication	.4
Finance	— 1.6
Miscellaneous	2.8
Total	74.4
Deduct: Social Insurance	4.6
Net Wages, Salaries, and Proprietor's Incomes	69.8
Property Income	— 1.0
Other Income [†]	31.2
Total Income Payments	100.0

*Includes pay of armed forces located in the United States (excluding contributions to family-allowance payments and voluntary allotments of military personnel) allocated to the state where the payroll was disbursed.

†Includes direct relief, work relief, pensions, compensation for injuries, social insurance benefits, mustering-out payments to veterans, family-allowance payments and voluntary allotments to dependents of military personnel (allocated to state of dependent's residence).

Source: U. S. Department of Commerce.

Thus, at the close of the period in 1940, the District had gained relative to the United States in the above sources of income; namely, government payrolls, manufacturing payrolls, and trade and service. These gains as well as the corresponding relative growth in other tertiary industries are reflected in the following table which shows the District's percentage of United States income payments by source for 1929 and 1940.

Table 6
Sources of Fifth District Income Payments as Per Cent of
United States, 1929 and 1940

	Per Cent of United States	
	1929	1940
Gross Wages, Salaries, and Proprietors' Income		
Government*	9.90	12.80
Manufacturing	4.86	6.52
Trade	5.34	6.25
Service	6.38	7.59
Agriculture	8.15	9.18
Mining	11.37	14.01
Construction	5.03	8.95
Transportation	7.37	7.12
Power and Gas	7.13	7.29
Communication	4.50	5.45
Finance	4.49	5.71
Miscellaneous	5.70	7.07
Total	6.24	7.09
Deduct: Social Insurance	9.88	7.39
Net Wages, Salaries, and Proprietors' Income	6.23	7.79
Property Income	4.80	6.40
Other Income [†]	6.11	6.49
Total Income Payments	5.97	7.50

*Includes pay of the armed forces located in the United States (excluding contributions to family-allowance payments and voluntary allotments of military personnel) allocated to the state where the payroll was disbursed.

†Includes direct relief, work relief, pensions, compensation for injuries, social insurance benefits, mustering-out payments to veterans, family-allowance payments and voluntary allotments to dependents of military personnel (allocated to state of dependent's residence).

Source: U. S. Department of Commerce.

From the above then, it appears that the District's gains in the 1929-1940 period represent more or less permanent additions to the District's economy, principally a growth in peacetime government commensurate with the increased services demanded in a complex industrial state, a growth in manufacturing as previously noted, and a growth in the tertiary industries which normally accompanies the latter.

Wartime

In analyzing in more detail the sources of the District's relative increase in income payments during the war and immediate post-war period, however, the more transient character of this addition to the District's economy is clearly visible. During the war period 1940-44, the principal sources contributing to the District's gain in income payments were again (1) rise in Government payrolls, (2) rise in manufacturing payrolls; and (3) rise in trade and service. In addition, agriculture contributed heavily to the District's increase in the 1940-1944 period.

Table 7
Sources of Increase in Total Income Payments—Fifth District
1940-1944

	Per Cent of Total Increase
Gross Wages, Salaries, and Proprietors' Income	
Government*	29.1
Manufacturing	22.5
Trade	7.6
Service	4.7
Agriculture	11.8
Mining	3.2
Construction	.6
Transportation	5.3
Power and Gas	.2
Communication	.5
Finance	.7
Miscellaneous	2.1
Total	88.4
Deduct: Social Insurance	1.2
Net Wages, Salaries, and Proprietors' Income	87.2
Property Income	4.0
Other Income†	8.8
Total Income Payments	100.0

*Includes pay of the armed forces located in the United States (excluding contributions to family-allowance payments and voluntary allotments of military personnel) allocated to the state where the payroll was disbursed.

†Includes direct relief, work relief, pensions, compensations for injuries, social insurance benefits, mustering-out payments to veterans, family-allowance payments and voluntary allotments to dependents of military personnel (allocated to state of dependent's residence).

Source: U. S. Department of Commerce.

But in appraising these changes again in connection with the United States growth in income payments from the same sources, it appears that the District's *relative* gain was concentrated in government payrolls; government payrolls in the Fifth District increased from 12.80 per cent of total U. S. income payments in this category in 1940 to 15.43 per cent in 1944.

Further consideration of this relative gain in government payrolls in the District indicates that the District is peculiarly vulnerable in terms of future relative growth in income payments to the contraction or expansion of government payrolls. Thus, if Government payrolls are excluded from income payments both in the United States and the District for the years 1940 and 1944, it appears that the remaining income payments in the District did *not* keep pace with the nation.

Table 8
Comparison of Total Income Payments Excluding Government Payrolls
United States and Fifth District, 1940-1944

	1940	1944	Per Cent Change
	(million dollars)		
United States	69,373	131,454	+89.5
Fifth District	4,861.0	9,099.6	+87.2

Source: U. S. Department of Commerce.

At the same time, while as indicated, manufacturing payrolls in the District rose sharply and contributed to the District's increase in income payments during the war period, they did *not* add to the relative gain; manufacturing payrolls in the District declined from 6.52 per cent of United States manufacturing payrolls in 1940 to 5.47 per cent in 1944. Thus, the pre-war relative gain in manufacturing in the District in the Thirties was not continued during the war period. Explanation for this may logically be found in the character of the District economy relative to the United States; the primacy of the non-durables in the District economy undoubtedly contributed to the apparent relative rise in manufacturing

in the District in the Thirties, since during this period durables were relatively depressed; in contrast, during the war period the relatively sharper growth in durables reversed this trend.

Post-War

The transient character of the District wartime gain in income payments and its particular dependence on the expansion or contraction of Government payrolls is again clearly evidenced in the post-war period. Sharp curtailment of military payments as well as a contraction of Federal civilian payrolls resulted in a drop in total Government income payments in the Fifth District of 13 per cent between 1944 and 1947. Thus, the relatively smaller gain in income payments in the District as compared to the United States in the period 1944-1947 is attributable primarily to the drop in Government payrolls. The following table shows the change in income payments between 1944 and 1947 for the District by industrial source.

Table 9
Change in Income Payments by Industrial Source, 1944-47
Fifth Federal Reserve District
(Millions of Dollars)

	1944	1947	Per Cent Change
Total Income Payments—U.S.	148,086.0	185,107.5	+25.00
Total Income Payments—5th Dist.	11,789.7	14,478.2	+22.80
Gross Wages & Salaries in:			
Government	2,612.2	2,266.1	-13.24
Manufacturing	2,324.3	2,809.8	+20.88
Trade & service	1,412.0	2,243.5	+58.88
Agriculture	153.2	199.3	+30.09
All Other Income Payments	5,288.0	6,959.5	+31.60

Source: U. S. Department of Agriculture.

Thus it appears that the primary source of the absolute increase in District income payments during post-war years was attributable to the gain in manufacturing and in trade and service payrolls. This gain is illustrated in the following table, which shows the percentage of the District's increase in income payments by industrial source from 1944 through 1946 and from 1944 through 1947.

Table 10
Sources of Increase in Total Income Payments—Fifth District
1944-1946 and 1944-1947

	Per Cent of Total Increase	
	1944- 1946	1944- 1947
Gross Wages, Salaries, and Proprietors' Income		
Government*	— 29.8	— 12.8
Manufacturing	— 1.0	18.1
Trade	29.4	
Service	9.8	30.9
Agriculture	2.3	1.7
Mining	1.4	n.a.
Construction	6.5	n.a.
Transportation	2.2	n.a.
Power and Gas	1.2	n.a.
Communication	1.9	n.a.
Finance	4.8	n.a.
Miscellaneous	.2	n.a.
Total	28.9	n.a.
Deduct: Social Insurance	.3	n.a.
Net Wages, Salaries, and Proprietors' Income	28.6	n.a.
Property Income	13.2	n.a.
Other Income†	13.4	n.a.
Total Income Payments	100.00	100.00

*Includes pay of the armed forces located in the United States (excluding contributions to family-allowance payments and voluntary allotments of military personnel) allocated to the state where the payroll was disbursed.

†Includes direct relief, pensions, compensation for injuries, social insurance benefits, mustering-out payments to veterans, family-allowance payments and voluntary allotments to dependents of military personnel (allocated to state of dependent's residence).

Source: U. S. Department of Commerce.

Further analysis of the sources of District income payments indicate that the drop in government payrolls was cushioned in the immediate post-war period by the relative gain in manufacturing payrolls, reflecting the lesser roll of heavy industry in the economy of the District. In the post-war period then the District was able to reconvert to full production in a relatively short period of time, and the continued high demand for non-durables has further sustained the District income from this source. In connection with the following table it may be noted that the District is gradually returning to its pre-war share of total income in government and in manufacturing.

Table 11
Sources of Fifth District Income Payments as Per Cent of United States
1940, 1944, 1946, and 1947

	Per Cent of United States			
	1940	1944	1946	1947
Gross Wages, Salaries, and Proprietors' Income				
Government*	12.80	15.70	14.62	13.59
Manufacturing	6.52	5.45	6.40	6.59
Trade	6.25	6.72	6.67	6.96
Service	7.59	7.60	7.53	7.40
Agriculture	9.18	7.31	7.40	6.99
Mining	14.01	17.05	16.64	n.a.
Construction	8.95	8.07	7.63	n.a.
Transportation	7.12	7.25	7.06	n.a.
Power and Gas	7.29	7.17	7.29	n.a.
Communication	5.45	6.55	6.23	n.a.
Finance	5.71	5.76	6.04	n.a.
Miscellaneous	7.07	7.02	7.81	n.a.
Total	7.09	8.02	8.08	n.a.
Deduct: Social Insurance	7.39	8.63	9.27	n.a.
Net Wages, Salaries, and Proprietors' Income	7.79	8.01	8.07	n.a.
Property Income	6.40	6.19	6.53	n.a.
Other Income†	6.49	8.88	8.09	n.a.
Total Income Payments	7.50	7.96	7.85	n.a.

*Includes pay of the armed forces located in the United States (excluding contributions to family-allowance payments and voluntary allotments of military personnel) allocated to the state where the payroll was disbursed.

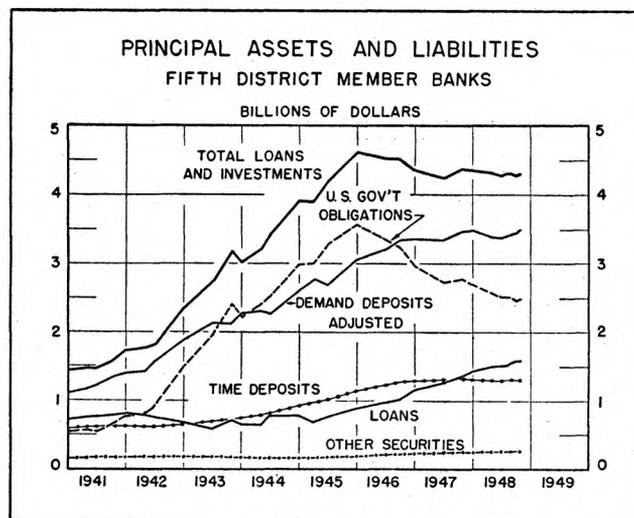
†Includes direct relief, work relief, pensions, compensation for injuries, social insurance benefits, mustering-out payments to veterans, family-allowance payments and voluntary allotments to dependents of military personnel (allocated to state of dependent's residence).

Source: U. S. Department of Commerce.

AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last Half of Sept.		Last Half of Oct.	
	\$ thousands	% of U.S.	\$ thousands	% of U.S.
Maryland	1,011,593	.94	1,024,171	.94
Reserve city banks	644,307	.60	655,413	.60
Country banks	367,286	.34	368,758	.34
District of Columbia	887,875	.82	874,586	.81
Reserve city banks	865,291	.80	852,926	.79
Country banks	22,584	.02	21,660	.02
Virginia	1,313,080	1.22	1,326,959	1.22
Reserve city banks	309,392	.29	310,713	.28
Country banks	1,003,688	.93	1,016,246	.94
West Virginia	612,900	.57	617,864	.57
North Carolina	834,299	.77	854,880	.79
Reserve city banks	373,041	.34	379,967	.35
Country banks	461,258	.43	474,913	.44
South Carolina	440,692	.41	442,700	.41
Fifth District	5,100,439	4.73	5,141,160	4.74
U. S. (millions)	107,901	100.0	108,410	100.0

*Excluding interbank demand deposits.



FEDERAL RESERVE BANK OF RICHMOND

FEDERAL RESERVE BANK OF RICHMOND (All Figures in Thousands)			
ITEMS	Nov. 17, 1948	Chg. in Amt. From 10-13-48	11-12-47
Total Gold Reserves	\$1,079,445	- 10,112	-146,999
Other Reserves	17,232	+ 998	+ 3,813
Total Reserves	1,096,677	- 9,119	-143,186
Bills Discounted	13,714	- 16,558	- 11,518
Industrial Advances	38	- 12	+ 8
Govt. Securities, Total	1,489,151	- 24,234	+147,078
Bonds	724,535	+ 92,243	+ 673,294
Notes	51,838	- 7,397	- 15,575
Certificates	391,861	- 11,472	-101,927
Bills	320,917	- 97,608	-408,714
Total Bill & Securities	1,502,903	- 40,804	+ 135,568
Uncollected Items	313,976	+ 59,387	+ 72,442
Other Assets	36,838	+ 5,075	+ 21,137
Total Assets	2,950,394	+ 14,539	+ 85,961
Federal Reserve Notes in Cir.	\$1,677,246	- 17,530	- 63,179
Deposits, Total	957,354	+ 14,224	+ 96,801
Members' Reserves	839,290	- 507	+ 99,041
U. S. Treas. Gen. Acct.	93,227	+ 12,842	+ 5,406
Foreign	22,663	+ 5,150	+ 4,327
Other Deposits	2,174	+ 3,161	+ 161
Def. Availability Items	275,070	+ 18,573	+ 48,035
Other Liabilities	607	- 295	+ 421
Capital Accounts	40,117	- 533	+ 4,725
Total Liabilities	2,950,394	+ 14,539	+ 85,961

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

ITEMS	Nov. 17, 1948	Chg. in Amt. From 10-13-48	11-12-47
Total Loans	\$ 874,507**	+ 1,436	+100,785
Bus. & Agri.	414,543	- 193	+ 44,000
Real Estate Loans	203,257	- 2,823	+ 38,455
All Other Loans	262,490	- 1,132	+ 24,113
Total Security Holdings	1,662,314	- 8,451	-196,123
U. S. Treasury Bills	72,705	+ 11,813	+ 39,053
U. S. Treasury Certificates	203,372	+ 3,416	+ 6,804
U. S. Treasury Notes	61,139	- 4,991	- 39,268
U. S. Govt. Bonds	1,196,124	- 10,164	-209,660
Other Bonds, Stocks & Sec.	128,974	- 1,693	+ 6,948
Cash Items in Process of Col.	257,696	- 23,797	- 12,468
Due from Banks	161,453*	- 28,394	- 19,518
Currency & coin	67,023	- 4,619	- 4,864
Reserve with F. R. Banks	541,325	- 2,642	+ 50,365
Other Assets	49,491	+ 2,786	- 5,163
Total Assets	3,613,809	- 63,681	- 86,986
Total Demand Deposits	\$2,783,120	- 41,675	- 46,747
Deposits of Individuals	2,060,443	- 50,856	- 50,008
Deposits of U. S. Govt.	59,304	- 417	+ 11,981
Deposits of State & Local Govt.	171,607	- 12,257	+ 5,023
Deposits of Banks	438,245*	+ 3,677	+ 8,300
Certified & Officer's Checks	53,521	+ 18,178	+ 4,603
Total Time Deposits	594,482	- 7,150	- 23,162
Deposits of Individuals	573,817	- 6,852	- 23,904
Other Time Deposits	20,665	- 298	+ 742
Liabilities for Borrowed Money	1,200	- 15,150	- 21,300
All Other Liabilities	16,343	- 823	- 4,418
Capital Accounts	218,664	+ 1,117	+ 8,641
Total Liabilities	3,613,809	- 63,681	- 86,986

*Net Figures, reciprocal balances being eliminated.

**Less losses for bad debts.

CONSTRUCTION CONTRACTS AWARDED

STATES	Sept. 1948	% Change from Sept. 1947	9 Mos. '48	% Change from 9 Mos. '47
Maryland	\$36,689,000	+ 78	\$261,300,000	+ 32
Dist. of Columbia	2,319,000	- 73	57,543,000	+ 4
Virginia	13,626,000	- 25	158,027,000	+ 5
West Virginia	10,284,000	+149	77,890,000	+ 36
North Carolina	12,643,000	- 4	146,062,000	+ 25
South Carolina	7,063,000	+ 56	68,894,000	+ 46
Fifth District	\$82,624,000	+ 19	\$769,216,000	+ 22

Source: F. W. Dodge Corp.

COMMERCIAL FAILURES

MONTHS	Number of Failures		Total Liabilities	
	Dist.	U. S.	District	U. S.
October 1948	19	461	\$ 435,000	\$101,060,000
September 1948	22	398	511,000	20,703,000
October 1947	5	336	91,000	21,322,000
10 Months 1948	163	4,261	\$3,953,000	\$254,419,000
10 Months 1947	91	2,846	4,082,000	179,204,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

	(000 omitted)			
	Oct. 1948	% Change from Oct. 1947	10 Mos. 1948	% Change from Oct. 1947
Dist. of Columbia				
Washington	\$ 751,680	+ 4	\$ 7,225,328	+ 11
Maryland				
Baltimore	1,115,590	+ 12	9,699,757	+ 10
Cumberland	20,993	- 8	212,630	+ 2
Frederick	19,561	+ 2	188,683	+ 7
Hagerstown	26,744	- 1	264,665	+ 8
North Carolina				
Asheville	51,787	+ 2	502,365	+ 12
Charlotte	251,579	+ 9	2,356,801	+ 18
Durham	170,751	- 5	1,171,719	+ 7
Greensboro	79,608	+ 12	738,817	+ 18
Kinston	35,081	- 8	180,508	+ 10
Raleigh	118,763	- 4	1,133,419	+ 15
Wilmington	33,964	- 2	349,205	+ 4
Wilson	58,104	- 14	233,897	+ 6
Winston-Salem	150,383	+ 2	1,257,379	+ 9
South Carolina				
Charleston	62,372	+ 18	571,029	+ 14
Columbia	97,615	+ 1	913,040	+ 11
Greenville	85,453	+ 3	787,015	+ 14
Spartanburg	51,331	- 2	467,362	+ 14
Virginia				
Charlottesville	22,967	+ 1	217,025	+ 4
Danville	66,271	+ 21	314,006	+ 12
Lynchburg	37,244	- 7	373,017	+ 9
Newport News	32,412	+ 3	315,144	+ 6
Norfolk	190,169	+ 5	1,794,658	+ 12
Portsmouth	19,506	- 1	197,008	+ 8
Richmond	551,819	+ 10	4,752,879	+ 16
Roanoke	93,748	+ 11	845,936	+ 14
West Virginia				
Bluefield	49,877	+ 14	435,576	+ 23
Charleston	144,239	+ 11	1,325,116	+ 12
Clarksburg	32,967	0	318,890	+ 16
Huntington	62,843	+ 8	578,850	+ 20
Parkersburg	27,606	- 2	267,201	+ 8
District Totals	\$ 4,513,027	+ 7	\$39,988,925	+ 12

COTTON CONSUMPTION AND ON HAND—BALES

	Oct. 1948	Oct. 1947	Aug. 1 to Oct. 31 1948	1947
Fifth District States:				
Cotton consumed	355,562	412,195	1,099,938	1,146,390
Cotton Growing States:				
Cotton consumed	621,915	727,130	1,923,185	1,997,300
Cotton on hand Oct. 31 in consuming establishments..	1,254,780	1,270,193		
storage & compresses.....	7,266,885	5,033,991		
United States:				
Cotton consumed	695,887	828,576	2,163,758	2,270,046
Cotton on hand Oct. 31 in consuming establishments..	1,468,500	1,478,112		
storage & compresses.....	7,325,729	5,098,757		
Spindles active, U. S.....	21,157,000	21,550,000		

Source: Department of Commerce.

COTTON CONSUMPTION—FIFTH DISTRICT

	(In Bales)			
	N. Carolina	S. Carolina	Virginia	District
October 1948	186,346	153,126	16,090	355,562
September 1948	199,705	158,607	15,328	373,640
October 1947	222,488	171,025	18,682	412,195
10 Months 1948	2,097,956	1,627,622	172,045	3,897,623
10 Months 1947	2,095,478	1,678,290	182,009	3,955,777

Source: Department of Commerce.

PRICES OF UNFINISHED COTON TEXTILES

	Oct. 1948	Sept. 1948	Oct. 1947
Average, 17 constructions.....	68.32	72.48	92.32
Printcloths, average (6).....	73.82	80.66	122.32
Sheetings, average (3).....	59.65	61.00	74.35
Twill (1).....	75.88	85.70	97.67
Drills, average (4).....	61.86	64.75	66.20
Sateen (1).....	95.64	100.23	126.25
Duck, average (2).....	60.30	60.11	61.84

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		
	Oct. 31, 1948	Sept. 30, 1948	Oct. 31, 1947
Total Deposits	\$393,025,958	\$392,826,257	\$390,772,905

BUILDING PERMIT FIGURES

	Total Valuation	
	Oct. 1948	Oct. 1947
Maryland		
Baltimore	\$ 7,542,555	\$ 5,798,262
Cumberland	83,685	62,665
Frederick	113,805	76,350
Hagerstown	42,630	202,350
Salisbury	162,062	150,745
Virginia		
Danville	209,119	326,201
Lynchburg	553,300	210,133
Norfolk	827,360	1,636,868
Petersburg	165,531	106,285
Portsmouth	87,504	77,104
Richmond	1,252,787	1,259,536
Roanoke	420,298	593,692
West Virginia		
Charleston	339,854	533,129
Clarksburg	59,650	106,350
Huntington	567,020	552,216
North Carolina		
Asheville	382,384	201,084
Charlotte	794,124	807,695
Durham	313,148	380,185
Greensboro	1,578,993	1,151,935
High Point	162,028	269,565
Raleigh	316,877	469,590
Rocky Mount	90,400	98,650
Salisbury	49,875	72,200
Winston-Salem	521,872	532,649
South Carolina		
Charleston	1,211,809	189,532
Columbia	225,275	492,965
Greenville	312,750	161,100
Spartanburg	673,830	130,095
Dist. of Columbia		
Washington	5,062,622	5,270,791
District Totals	\$ 24,123,147	\$ 21,919,950
10 Months	\$240,043,060	\$185,448,791

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Oct.		% Chg.	10 Mos.		% Chg.
	1948	1947		1948	1947	
West Virginia	15,210	15,563	- 2	137,628	144,025	- 4
Virginia	1,529	2,060	-26	16,242	16,092	+ 1
Maryland	84	140	-40	1,314	1,676	-22
Fifth District	16,823	17,763	- 5	155,184	161,793	- 4
United States	55,480	57,301	- 3	485,921	513,192	- 5
% in District	30.3	31.0		31.9	31.5	

TOBACCO MANUFACTURING

	Oct.		% Chg. from Oct. 1947	10 Mos.		% Chg. from 10 Mos. '47
	1948	1947		1948	1947	
Smoking & chewing tobacco (Thousands of lbs.)	20,304	— 7		170,296	0	
Cigarettes (Thousands)	31,335,306	— 6		294,795,508	+ 4	
Cigars (Thousands)	529,971	-10		4,774,847	+ 2	
Snuff (Thousands of lbs.)	3,512	-16		34,763	+ 3	

Source: Treasury Department.

AUCTION TOBACCO MARKETING

	Producers' tobacco sales, lbs.		Price per cwt.	
	October 1948	October 1947	1948	1947
	South Carolina	1,769,212	14,296,714	\$47.15	$37.22
North Carolina	223,897,423	312,121,224	52.84	44.08
Virginia	62,084,478	57,830,923	50.57	41.15
District	287,751,113	384,248,861	52.31	43.38
Season through	875,893,564	890,749,932	51.06	42.69

RAYON YARN SHIPMENTS AND STOCKS

	Oct. 1948	Sept. 1948	Oct. 1947
Rayon yarn shipments, lbs.	71,900,000	69,900,000	63,400,000
Staple fiber shipments, lbs.	22,500,000	22,000,000	21,100,000
Rayon yarn stocks, lbs.	10,100,000	9,900,000	8,100,000
Staple fiber stocks, lbs.	4,800,000	4,800,000	6,500,000

Source: Rayon Organon.

WHOLESALE TRADE, 195 FIRMS

LINES	Net Sales October 1948 compared with		Stocks October 31, 1948 compared with	
	Oct. 1947	Sept. 1948	Oct. 31 1947	Sept. 30 1948
Auto supplies (6)*	- 9	-12	- 1	- 1
Electrical goods (5)*	+ 7	+10	+44	+ 5
Hardware (11)*	+12	- 6	+22	- 5
Industrial supplies (6)*	+14	+38	+ 9	+10
Dry goods & sundries (10)*	- 8	- 9	- 3	- 2
Dry goods (14)*	-10	-13	+24	- 9
Groceries (57)*	-14	- 5	+ 4	+ 7
Paper & products (4)*	-10	+ 7	....	....
Tobacco & products (7)*	- 3	- 6	+35	+ 4
Miscellaneous (75)*	- 5	- 6	+24	+ 4
District Average (195)*	- 5	- 5	+17	- 1

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	
	Oct. 1948	10 Mos. 1948
Maryland (5)*	+ 3	+14
Dist. of Columbia (6)*	+ 3	+ 5
Virginia (18)*	-11	- 2
West Virginia (9)*	-21	- 1
North Carolina (14)*	- 3	+ 2
South Carolina (10)*	-15	+ 5
District (62)*	- 4	+ 6
Individual Cities		
Baltimore, Md., (5)*	+ 3	+14
Washington, D. C., (6)*	+ 3	+ 5
Richmond, Va., (6)*	-10	- 2
Lynchburg, Va., (3)*	-22	0
Charleston, W. Va., (3)*	-25	- 6
Charlotte, N. C., (4)*	-29	- 6
Columbia, S. C., (3)*	+30	+10

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage chg. in Oct. 1948 sales compared with sales in Oct. 1947:	+ 1	+ 9	+10	+14	+ 9
Percentage chg. in 10 months sales 1948 compared with 10 mos. in 1947:	+10	+ 4	+ 5	+11	+ 7
Percentage chg. in stocks on Oct. 31, '48 compared with Oct. 31, '47:	- 5	+ 7	+17	+10	+ 9
Percentage chg. in outstanding orders Oct. 31, '48 from Oct. 31, '47:	-35	-15	-21	-33	-22
Percentage chg. in receivables Oct. 31, '48 from those on Oct. 31, '47:	+27	+33	+30	+21	+27
Percentage of current receivables as of Oct. 1, '48 collected in Oct.:	....	49	47	52	44
Percentage of instalment receivables as of Oct. 31, '48 collected in Oct.:	....	23	23	25	24

	Maryland	Dist. of Col.	Virginia	W. Va.	N. Carolina	S. Carolina
Percentage chg. in Oct. 1948 sales from Oct. 1947 sales, by States:	+ 9	+10	+ 5	+20	+10	+14
Percentage chg. in 10 months 1948 sales from 10 months 1947 sales:	+ 4	+ 5	+10	+16	+ 8	+ 8

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial output and employment were maintained in September at August levels. Value of department store sales in September and the early part of October showed about the usual seasonal increase. Prices of foods declined from earlier record levels, while prices of most other commodities showed little change.

Industrial Production

The Board's seasonally adjusted index of industrial production was maintained in September at 191 per cent of the 1935-39 average. Manufacturing output showed a small gain, while minerals production declined 3 per cent.

Steel mill activity in September was at a rate of 96 per cent of capacity as compared with 93 per cent in August. Output of electric steel reached a new record level. In the third week of October total steel production was scheduled at a rate of 99 per cent of capacity. Activity at most metal fabricating plants showed little change in September. Automobile production was curtailed further but increased sharply in the last week of September, reflecting mainly settlement of strikes at suppliers' plants. Output of lumber and stone, clay and glass products declined somewhat in September.

Production of nondurable goods rose slightly in September and was at a level close to the June rate. Cotton consumption and production of paperboard and rubber products showed small further gains from the reduced summer levels. Food production was in larger volume in September, reflecting increased meat production and a recovery in canning operations from the sharply curtailed rate in August. Output of petroleum products was reduced somewhat in September mainly because of labor disputes at refineries in California.

Production of minerals declined in September, reflecting chiefly the reduced output of crude petroleum on the West Coast. In the early part of October petroleum output recovered to the August rate. Coal production declined somewhat in September and the first half of October and was below year-ago levels, reflecting some reduction in demand, mainly for export.

Construction

Contracts awarded for construction, reported by the F. W. Dodge Corporation, declined further in September reflecting mainly seasonal decreases in most types of awards. The number of new houses started, according to Department of Labor preliminary estimates, declined from 83,000 in August to 81,000 in September. Last year the number of new units started was 86,000 in August and 94,000 in September.

Distribution

Value of department store sales in September and the early part of October was maintained close to the advanced level prevailing since last May, after allowance is made for the usual seasonal changes.

Railroad freight carloadings showed less than the

usual seasonal rise in September and the early part of October, and shipments of most classes of freight during this period were in smaller volume than in the same period a year ago.

Commodity Prices

The general level of wholesale commodity prices declined 3 per cent from the middle of September to the first week of October, reflecting chiefly sharp decreases in prices of livestock products. During the subsequent two weeks prices of these products increased somewhat. Spot prices for corn dropped sharply in September and the first three weeks of October and were moderately below the support level for the new crop. Wholesale prices of textiles, leather, lumber, and coal declined somewhat, while further marked advances were reported in prices of various metal products.

Retail food prices in mid-October were estimated to be about 5 per cent below the record high reached in July, while consumer prices of most other groups of items advanced somewhat further in this period.

Bank Credit

Required reserves of all member banks were increased by about 2 billion dollars in the latter part of September as a result of the action of the Board of Governors in increasing reserve requirements against net demand and time deposits. The increase in required reserves necessitated substantial sales of Government securities by banks to the Federal Reserve in the latter part of September, but the increase was about equal to the volume of reserve funds that had been supplied to banks in the period June through September by gold inflow and net sales of Government securities to the Federal Reserve Banks by nonbank investors.

Federal Reserve support purchases of long-term Government securities from insurance companies and other nonbank investors continued large during the first three weeks of October. Banks used the reserve funds supplied them by Federal Reserve transactions with nonbank investors to purchase short-term securities from the Reserve Banks. Total holdings of Government securities at the Reserve Banks declined somewhat.

Business loans showed further rapid growth at banks in leading cities during September and the first half of October. Real estate and consumer loans also continued to rise. During the first half of October, banks in leading cities added somewhat to their holdings of Government securities, following reductions in late September to meet higher reserve requirements.

Interest Rates and Security Markets

Yields on short-term Government securities rose slightly in late September and early October. Prices of high-grade corporate and municipal bonds were relatively stable during the first three weeks of October, and common stock prices rose somewhat, following moderate declines in September.