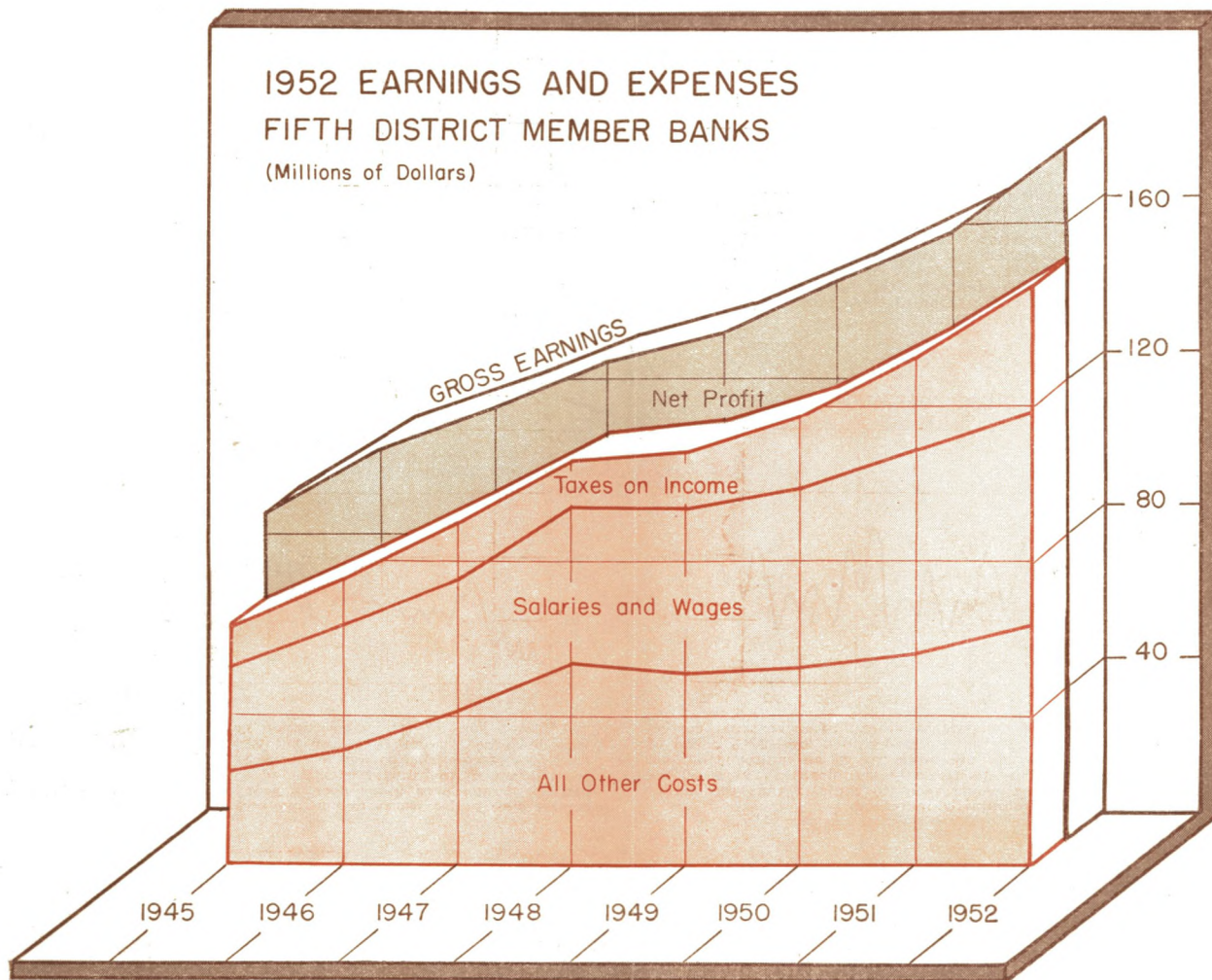




March 1953

1952 EARNINGS AND EXPENSES
FIFTH DISTRICT MEMBER BANKS
(Millions of Dollars)



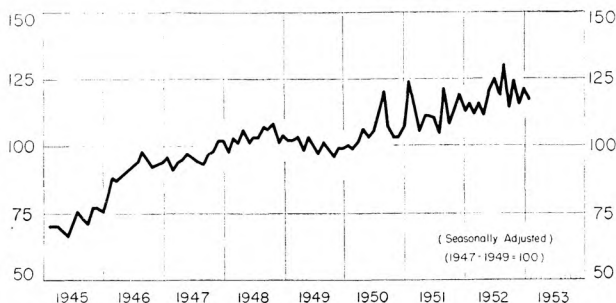
ALTHOUGH gross earnings of Fifth District member banks have more than doubled since 1945, net profits derived from these earnings have increased by less than one-third. Earnings and expenses of the District's member banks in 1952 and principal changes over the postwar years are discussed in the article beginning on Page 3.

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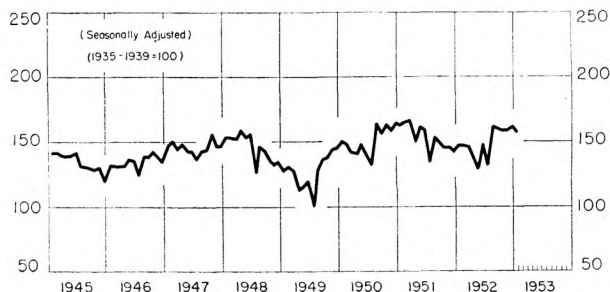
FIFTH DISTRICT TRENDS

DEPARTMENT STORE SALES



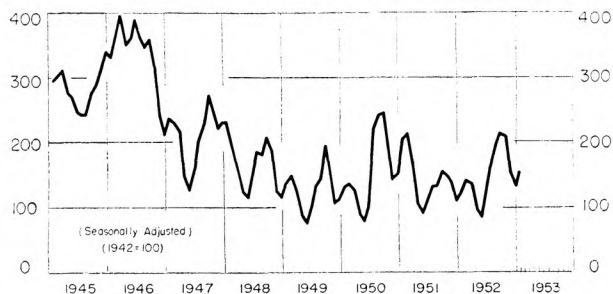
January adjusted department store sales dropped 3% from the December level but continued 1% ahead of January 1952. Department store stocks, adjusted, rose 7% from December and were 9% ahead of a year ago. The January drop in sales has in no way changed the saw-toothed rising trend of these sales that has been in evidence since Fall of 1949.

ACTIVE COTTON SPINDLE HOURS



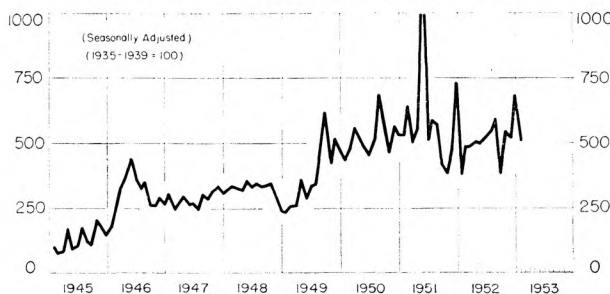
Spindle hours operations in the cotton textile industry dropped 2% on an adjusted basis from December to January, but the January level was 7% ahead of a year ago. This contrasts with a drop of 12% in adjusted cotton consumption during January to a level 1% below a year ago. As regards the operations of the industry, the spindle hour figure is the better measure of the two.

DEPARTMENT STORE OUTSTANDING ORDERS



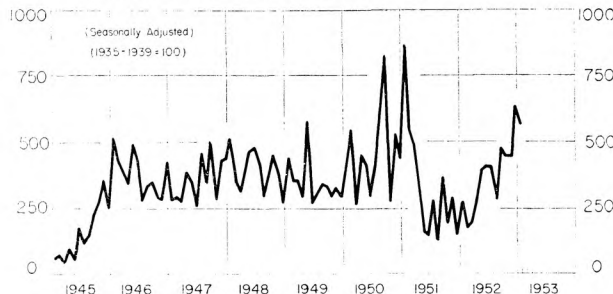
Outstanding orders of department stores, after seasonal correction, rose 18% in January over December to a level 27% ahead of January 1952. These figures are indicative of an improved outlook in the trade level and are particularly significant in view of the rise in inventories which would seem to indicate that the higher inventories were not involuntarily increased.

TOTAL CONSTRUCTION CONTRACT AWARDS



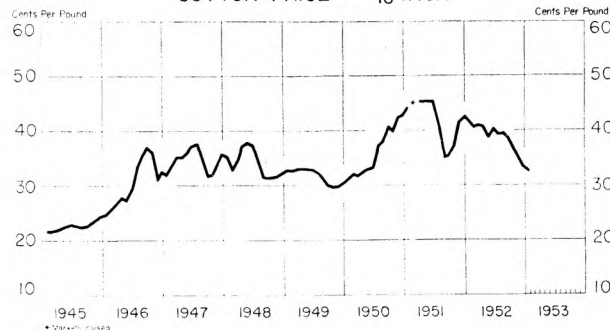
Adjusted level of total construction contract awards in January was down 26% from December but 34% ahead of January 1952. All types of construction awards dropped, after seasonal correction, from December to January with the exception of one- and two-family houses. Pronounced gains over a year ago are noted in factory, commercial, public works and utility awards.

COMMERCIAL CONSTRUCTION CONTRACTS



Continued strength in the trade level combined with relaxation of controls for commercial building has found reflection in a substantially improved level of commercial contract awards. Although the January level of commercial construction awards dropped 12% from December on a seasonally adjusted basis, awards were 103% ahead of last year and have been exceeded only a few times in the past.

COTTON PRICE - 15/16 INCH



The price of middling 15/16 inch cotton in January in ten designated markets was 32.9 cents, a drop of nearly 2% from December and a drop of nearly 28% from the peak in May 1950. The weakened cotton price situation is due primarily to a reduction in export demand, which is running substantially below last season.

Bank Earnings, 1952—Fifth District

MEMBER banks in the Fifth District, in the aggregate, earned a larger gross income in 1952 than in any of the other postwar years.

More loans and a slightly higher average rate provided a tonic for gross earnings. Similarly, though the amount of bank-held Government bonds fluctuated considerably during the year, it rose on balance, and with higher average yields on all maturities, short, medium and long, it provided almost a quarter of all bank revenue.

If one looks at the longer trend, two facts stand out: first, total dollar earnings last year were more than double the amount earned in 1945; second, net profits realized from these gross earnings were up a modest 30% above the 1945 level, or an average of 4% per year. Soaring operating costs and tax payments which exceeded the rapid expansion of gross earnings are the obvious explanation. By way of contrast, the Department of Commerce and Council of Economic Advisers place the percentage growth in member banks' net profits from 1945 to 1952 at less than one-third the estimated growth in net profits of all corporations.

In spite of the better showing in net current earnings in 1952, the ratio of net profits to capital accounts in the District, at 8.2%, was the same as in 1951 (the national average for 1952 was 7.9%). Income tax payments were the principal factor causing net profits to show a much slower growth than net current earnings in the postwar years. Net current earnings in 1952 doubled the 1945 figure—but income tax payments almost tripled in the same period. Tax payments rose from 27.5% of profits before taxes in 1945 to 44.3% in 1952.

In addition, District member banks as a whole experienced net losses and transfers to reserves in 1952, so that net current earnings were again reduced, leaving a smaller net profit than would have been the case otherwise.

Loans Provide Major Share of Earnings

Interest and discount on loans provided, as usual in recent years, more than half of their total earnings—54.9%—last year as against 55.2% in 1951.

Earnings from loans in 1952 were 12.4% greater than in 1951. Higher dollar earnings from this source resulted primarily from a \$230 million expansion in loans outstanding over the year and secondarily from a higher average return (4.81% vs. 4.58%).

In response to growing business and consumer needs as well as relaxed governmental controls, the banks expanded their loan portfolios in 1952 much more sharply than the \$100 million of net new loans in 1951. All major loan categories showed increases in amounts outstanding. Commercial, industrial, and agricultural loans, after declining moderately in the first half, increased considerably in the second. Loans to individuals in-

creased substantially, especially after the removal of Regulation W. Loans to farmers and real estate loans also contributed, but to a lesser extent, to the over-all loan expansion.

Interest on Government Bonds Rose

U. S. Government securities, as a source of income, have declined considerably in relative importance in the postwar years, in interesting contrast to loans, which have been the major source of earnings. At the close of the war, member banks in this District held over \$3.5 billion of U. S. securities and received nearly half of their total earnings from this source. At the end of 1952 they held \$1 billion less, and interest received accounted for a little less than a quarter of total earnings.

Earnings from Governments in 1952, however, exceeded amounts received in any other year since 1946 and contributed 24.8% of total earnings compared with 24.2% in 1951. The average yield in 1952 on long-term bonds was 2.68%, as against 2.57% a year earlier. The yield on Treasury bills averaged 1.75% in 1952 as compared with 1.52% in 1951, while three- to five-year issues rose from an average of 1.93% in 1951 to 2.13% last year.

Actually, District member banks' Government bond holdings were \$38 million above holdings at the end of 1951. Holdings fluctuated considerably, however, during the year—they were reduced gradually to the end of June, at which time the banks increased them

	1952	1951	% change 1951 to 1952
Earnings			
Interest and dividends on securities:			
U. S. Government	46,995	40,895	+14.9
Other	8,426	6,921	+21.7
Interest and discount on loans	104,028	92,581	+12.4
Other charges on loans ..	901	850	+ 6.0
Service charges on deposits ..	10,270	9,757	+ 5.3
Other charges, fees, etc. ..	5,486	5,281	+ 3.9
Trust department	7,282	6,972	+ 4.4
Other current earnings	6,066	5,869	+ 3.4
Total	189,455	169,125	+12.0
Expenses			
Salaries—officers	21,440	19,775	+ 8.4
Salaries and wages—other	35,222	31,336	+12.4
Directors' fees, etc.	1,462	1,315	+11.2
Interest on time deposits ..	14,955	13,321	+12.3
Taxes, other than income ..	5,327	5,160	+ 3.2
Recurring depreciation	3,601	3,277	+ 9.9
Other current expenses	30,574	27,308	+12.0
Total	112,581	101,492	+10.9
Net current earnings	76,873	67,632	+13.7
Recoveries, transfers from reserves, and profits ..	3,409	3,924	-13.1
Losses, charge-offs, and transfers to reserves ..	10,402	9,796	+ 6.2
Profits before income taxes ..	69,881	61,760	+13.1
Taxes on net income	30,930	25,691	+20.4
Net profits	38,951	36,069	+ 8.0
Cash dividends declared ..	16,252	15,500	+ 4.9
Profits retained	22,699	20,569	+10.4

Note: May not add to totals because of rounding.

Federal Reserve Bank of Richmond

nearly \$80 million (the increase consisted chiefly of 2¾% Treasury Bonds of 1958 acquired either under original allotment from the Treasury or in the market immediately thereafter). Holdings were again slowly reduced until early October, when the first issue of Tax Anticipation Bills was offered. Purchases of this and a second issue of Tax Anticipation Bills in November brought holdings of Governments to their highest level of the year, about \$2,718 million. During December these were reduced by about \$85 million.

Other securities (chiefly municipals) earned \$1½ million more for the banks in 1952 than in 1951. Holdings increased rather steadily through September, then declined slightly to year-end, for a year-to-year increase of \$24 million.

Trust department earnings and service charges on deposits in 1952 continued the steady rate of increase which they have experienced throughout the postwar years.

Operating Costs—A smaller Share of Total Earnings

Operating costs of District member banks rose \$11 million during 1952 and took 59.4% of gross earnings as compared with 63.7% in 1945. The banks have

Continued on page 12

EARNING ASSETS			
Fifth District Member Banks			
(Millions of Dollars)			
	Dec. 31	Dec. 31	% Change
	1952	1951	1951 to 1952
Loans and Discounts			
Commercial and Industrial loans	827	767	+ 7.8
Loans to farmers	55	50	+ 10.0
Loans to brokers and dealers in securities	13	15	- 13.3
Other loans for purchasing and carrying securities	102	72	+ 41.7
Real estate loans:			
On farm land	47	45	+ 4.4
On residential property	416	385	+ 8.1
On other properties	153	144	+ 6.3
Instalment loans to individuals:			
Retail automobile paper	151	116	+ 30.2
Other retail paper	61	45	+ 35.6
Repair and modernization loans	36	26	+ 38.5
Cash loans	93	75	+ 24.0
Single payment loans	277	258	+ 7.4
Loans to banks	5	2	+150.0
All other loans	61	66	- 7.6
Loans—Gross	2,299	2,065	+ 11.3
Reserves	26	24	+ 8.3
Loans—Net	2,273	2,041	+ 11.4
U. S. Government Securities			
Treasury bills	353	438	- 19.3
Treasury certificates of indebtedness	236	306	- 23.1
Treasury notes	473	426	+ 11.2
United States nonmarketable bonds	143	134	+ 6.7
Other United States bonds maturing within 5 years from date of call report	829	856	- 3.2
Other United States bonds maturing over 5 years	598	436	+ 37.1
Other securities	427	403	+ 6.0

ASSETS AND LIABILITIES¹ FIFTH DISTRICT MEMBER BANKS BY STATES December 31, 1952 (In Millions of Dollars)

	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	Fifth District	
							Dec. 31, 1952	Dec. 31, 1951
ASSETS								
Loans and Investments	1,060.0	886.4	1,501.7	561.6	890.8	433.5	5,333.9	5,040.0
Loans and discounts (including overdrafts)	403.3	366.4	681.4	208.0	449.7	164.5	2,273.3	2,041.3
U. S. Government obligations	571.1	470.7	692.7	308.3	361.5	229.4	2,633.7	2,596.1
Other securities	85.6	49.3	127.6	45.2	79.6	39.6	426.8	402.6
Reserves, Cash, and Bank Balances	357.6	324.6	528.8	191.0	350.6	162.7	1,915.3	1,908.9
Reserve with Federal Reserve Banks	174.3	180.5	221.1	81.2	135.3	59.9	852.3	855.7
Cash in vault	29.0	24.5	43.7	19.1	24.5	18.6	159.4	159.6
Balances with banks	73.3	57.2	132.6	65.8	74.0	52.1	455.1	495.1
Cash items in process of collection	81.0	62.4	131.3	25.0	116.7	32.2	448.5	398.5
Other Assets	17.5	19.5	23.5	7.8	15.2	5.5	89.1	85.4
Total Assets	1,435.1	1,230.5	2,054.0	760.4	1,256.5	601.7	7,338.3	7,034.4
LIABILITIES								
Demand Deposits	1,042.3	941.7	1,338.4	528.0	980.3	492.9	5,323.6	5,148.5
Individuals, partnerships, and corporations	802.4	819.5	965.0	386.5	695.8	371.1	4,040.3	3,911.7
U. S. Government	40.0	32.2	44.0	18.8	36.8	24.0	195.7	116.5
States and political subdivisions	91.5	.2	94.8	64.3	76.0	67.8	394.6	414.8
Banks	100.9	66.8	198.7	40.9	148.4	20.0	575.6	599.8
Certified and officers' checks, etc.	7.5	23.0	36.0	17.5	23.4	10.0	117.5	105.6
Time Deposits	294.0	206.2	555.6	169.3	175.1	72.6	1,472.9	1,384.6
Individuals, partnerships, and corporations	286.3	171.6	500.5	167.3	136.9	64.2	1,326.9	1,256.1
U. S. Government and Postal Savings	7.1	17.4	21.1	1.3	5.7	7.7	60.3	49.9
States and political subdivisions	.5	.2	33.6	.3	32.2	.6	67.3	61.0
Banks	17.1	.4	.3	.3	.3	.2	18.3	17.6
Total Deposits	1,336.3	1,147.9	1,894.0	697.3	1,153.5	565.5	6,796.5	6,533.0
Borrowings	.2	.2	3.1	1.3	.5	.5	5.1	2.4
Other Liabilities	7.9	8.2	15.3	3.4	21.2	4.9	60.8	50.0
Total Liabilities	1,344.4	1,156.1	1,912.4	701.9	1,177.1	570.5	6,862.4	6,585.4
Total Capital Accounts	90.7	74.4	141.5	58.5	79.4	31.3	475.9	448.9
Total Liabilities and Capital Accounts	1,435.1	1,230.5	2,054.0	760.4	1,256.5	601.7	7,338.3	7,034.4
Demand Deposits Adjusted	820.5	780.3	964.5	443.4	678.5	416.7	4,103.9	4,033.6
Number of Banks	73	15	204	97	55	33	477	477

¹ Preliminary.

Source: I.B.M. Call Report Tabulation by class and state.

Note: May not add to total due to rounding.

Record Amount of State and Municipal Financing in 1952

WITH West Virginia leading the way with an unprecedented volume, the states and local governments of the Fifth District offered investors \$422 million of tax-exempt bonds in 1952. This was the largest volume of public financing ever undertaken in this District. It was, however, only \$13 million, or 3.1%, greater than the previous record total of the preceding year, the smallest absolute and relative increase of the postwar period. Total state and municipal bond issues in the nation also reached an all-time record with a volume of \$4.4 billion, but unlike the Fifth District total, this amount was substantially in excess of preceding records—34% above 1951 and 19% higher than the previous record set in 1950.

In looking back at District bond issues in 1952, interest centers on flotations by the State of West Virginia. Issues of the Mountain State amounting to \$148 million swelled the total of its state and municipal offerings to \$179 million, the largest amount ever issued in any state of this District in one year. The biggest single issue was \$96 million of turnpike revenue bonds with a net interest cost to the state of around 3.95%. The proceeds will be used to construct a north-south express traffic turnpike in order to provide the state's rapidly growing industries with additional specialized transportation facilities. Potentially such an expressway could create a new industrial transportation pattern extending from the Carolina Piedmont to the Great Lakes region. It has been reported, for example, that much truck traffic originating in the Carolinas and destined for the Cleveland-Toledo-Detroit area circumvents what would be the most direct route, through West Virginia, and goes northward along the seaboard, turning westward on the Pennsylvania Turnpike.

West Virginia, the only state in the Fifth District to issue World War II bonus bonds, sold a second issue, amounting to \$30 million, of an authorized maximum total issue of \$90 million of veterans' bonus bonds. The second sale carries a net interest cost to the state of 1.74% as compared with an average interest rate of 2.225% on the first issue of \$37.5 million sold in December 1951. It is understood that the second installment will be the last one under the Veterans' Bonus Amendment.

The bonus bonds are payable from "an additional cigarette tax, or an additional tax on nonintoxicating beer, or an additional charge on the sale of each bottle of wine and liquor, or an additional general consumers sales tax, or a graduated income tax, or any two or more thereof, in such amount as may be required to pay annually the interest on such bonds and the principal thereof. . . ."

Growing Popularity of Revenue Bonds

In addition to the West Virginia Turnpike bonds, there were 26 other revenue bond issues in the Fifth District during 1952 totaling \$17 million. These were all offered in West Virginia and South Carolina and financed a variety of projects including water, sewerage, and drainage installations, roads and bridges, parking facilities, and state college dormitories. Strangely enough, available records do not disclose any revenue bond issues during the past year in Maryland, Virginia, or North Carolina. All told, revenue bonds accounted for about 27% of total state and municipal issues in the District in 1952 as compared with around 21% in 1951. The trend towards increasing use of revenue bonds for financing public improvements was

STATE AND MUNICIPAL BOND OFFERINGS—1952

	Md.		Va.		W. Va.		N. C.		S. C.		5th Dist.		Per cent
	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	
School Building and Improvements	4	18,800	8	17,100	6	18,073	28	18,073	7	619	53	72,665) 19.9
	2*	11,032	---	---	---	---	---	---	---	---	2*	11,032	
Water, Sewer, and Drainage Systems	15	14,145	10	5,725	6	2,104	38	14,656	21	4,950	90	41,580) 9.9
Street, Highway and Bridge Building and Improvements	1	1,500	2	140	4	10,780	5	1,115	6	620	18	14,155	
	---	---	---	---	4*	117,000	---	---	---	---	4*	117,000) 31.1
Public Improvement	5	9,525	5	13,045	1	30	5	515	6	3,052	22	26,167	
	1*	16,005	---	---	---	---	---	---	---	---	1*	16,005) 10.0
Public Utility Systems (Excl. water systems)	---	---	1	3,000	---	---	3	509	1	2,900	5	6,409	
Hospitals	1	600	---	---	---	---	8	1,582	1	104	10	2,286) .5
Refunding	---	---	2	1,740	---	---	14	1,003	1	110	17	2,853	
Public Housing Authority	2	28,096	3	14,311	---	---	7	31,198	1	968	13	74,573) 17.7
Veterans' Bonus	---	---	---	---	1*	30,000	---	---	---	---	1*	30,000	
Miscellaneous	2	1,140	2	1,857	5	600	7	390	1	100	17	4,087) 1.6
	2*	2,500	---	---	1*	200	---	---	---	---	3*	2,700	
Total¹	20	103,343	27	56,918	28	178,787	96	69,041	44	13,423	215	421,512	100.0

* State issues.

¹ Totals will not equal the sum of the individual items as some issues are divided among more than one category.

Source: Weekly listings in "The Commercial and Financial Chronicle."

also evident nationally and was highlighted by the \$326 million Ohio Turnpike issue, the largest single issue of these bonds to reach the market.

Municipalities seem to be broadening the scope and nature of revenue bond financing. In the last few years considerable interest, and opposition, has been aroused in the use of self-liquidating bonds for municipal purchase or construction of industrial facilities which, under a lease or lease-purchase agreement, are operated by private corporations. At last count, six states had enacted specific legislation permitting this municipal-private industry hookup: Alabama, Illinois, Kentucky, Louisiana (which requires the use of general obligation bonds), Mississippi, and Tennessee. A new twist appeared in 1952 in connection with a \$1.3 million issue of 5% first mortgage industrial development revenue bonds of Florence, Alabama, consisting of the right of the holder of the municipal bonds to convert into common stock of the leasing private corporation.

The net interest cost of 3.95% cited in connection with the West Virginia Turnpikes is indicative of the attractive yields that have appeared on reoffering prices of revenue bonds. Yields on some issues substantially above levels at which recent high grade corporates have been offered have attracted considerable buying by insurance companies and other organizations normally not influenced by the tax-exemption feature. The Dow-Jones index of representative revenue bonds closed 1952 at 2.68% and, reflecting continued downward pressures on prices of these securities, had moved up to 2.77% by the end of January.

Housings Attract Broader Market

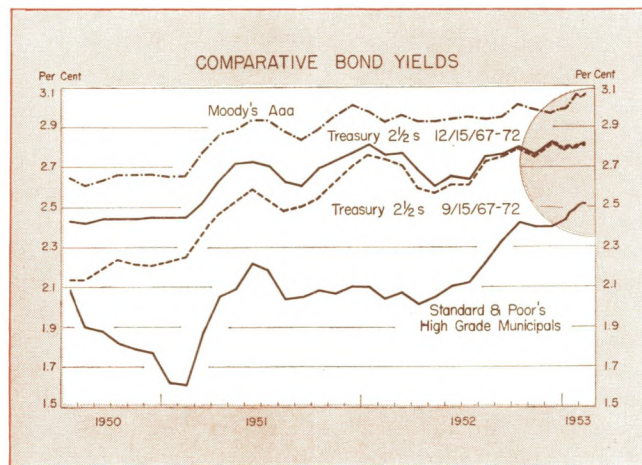
The third and fourth sales of local housing authority bonds under the 1949 amendments to the Federal Housing Act were made during 1952. The third issue in January 1952 for \$133.8 million netted the lowest average interest cost, 1.959%, of all issues to reach the market so far. The largest single borrowing in this issue was the \$25 million sold by Baltimore.

The fourth sale was made in September at an average interest cost of 2.544%, the highest cost on any of the new housing issues. This issue reached the market at a time of great uncertainty as to further advances in money rates and reaction of investors. Dealers approached this issue with the idea of tapping a broader retail market than had prevailed for earlier housing

issues and priced their bids and reofferings accordingly. This forward-looking approach appears to have been successful in widening the demand for this issue beyond the relatively small investor group concerned primarily with tax exemption.

All told, there were 13 issues by local housing authorities in the Fifth District during 1952 for a total of \$74,573,000. These bonds accounted for 18% of the total state and municipal issues in the District and enabled housing to push ahead of water, water drainage, and sewerage as the third most important purpose of public borrowings in the District last year. West Virginia is the only state in the District that has not had any local housing bond issues.

The fifth issue of housings was sold on January 21 of this year for a total amount of \$127,215,000 at a net interest cost of 2.396%. District participation totaled \$23,755,000 consisting of the following sales: Lumberton, N. C.—\$805,000, Charleston and Columbia, S. C.—\$1,890,000 and \$4,310,000, Danville, Norfolk, and Richmond, Va.—\$1,375,000, \$7,455,000, and \$7,920,000 respectively. This offering was to finance low-cost housing projects and differed from previous issues in having uniform maturities of 30 years instead of ranging from 37-40 years.



Roads Still Main Purpose of Borrowing

As throughout the postwar period, street, highway, and bridge construction accounted for the lion's share of state and municipal long-term financing in this District last year, amounting to \$131 million, almost one-third of the total for all purposes. Had it not been for the \$96 million West Virginia turnpike issue, however, school building and improvement would have moved out of its usual second position to top all categories with its total of \$84 million. Issues for refunding purposes amounted to \$2.9 million, only 0.7% of the total.

Yields Highest in Decade

Despite the large amount of new municipal issues during the first quarter of 1952, the market was unusually firm. In fact, it improved from a 2.26% yield basis at the opening of the year (Dow-Jones average) to a 2.12% basis at the end of the second week of April. From that point, however, there was a steady decline in prices that ran yields up to 2.44% on the final price

Continued on page 12

Treasury Financing

WHEN the Treasury's current fiscal year ends on June 30 next, budget expenditures will again exceed budget receipts. Latest estimate is that the deficit will approximate \$6 billion. How the public debt will be affected by this budget deficit will depend on whether cash balances accumulated in the General Fund in the preceding fiscal year are used in the current year and what happens to surplus receipts received this month and June.

Up to March 1 (first eight months of fiscal 1953) budget expenditures have amounted to \$47,829 million, exceeding budget receipts by \$10,085 million. The Treasury met almost \$8½ billion of this deficit with increases in the public debt. The remaining \$1½ billion was covered by drawing down a portion of the cash balance built up from surpluses in the last half of fiscal 1952. A similar procedure was employed to finance a cash deficit of about \$5½ billion in the second half of calendar year 1951; the General Fund balance was drawn down and new money was realized from the sale of Tax Anticipation Bills.

Three new issues of Treasury securities have been offered to raise new money so far in fiscal year 1953. Last July an offering was made of 2¾% Treasury Bonds maturing on June 15, 1958, and \$4,245 million were sold. In that month the Treasury realized net cash of \$3,597 million from debt transactions, the receipts from the bond offering being offset primarily by net redemptions in an exchange of Certificates of Indebtedness, and net redemptions of nonmarketable debt.

In October the Treasury sold \$2,502 million of Tax Anticipation Bills for cash, but again, primarily because of net redemptions in an exchange of Treasury notes for Certificates of Indebtedness, net cash realized in the month from debt transactions was less than the amount of new bills issued. A second issue of Tax Anticipation Bills in November brought the Treasury \$2,003

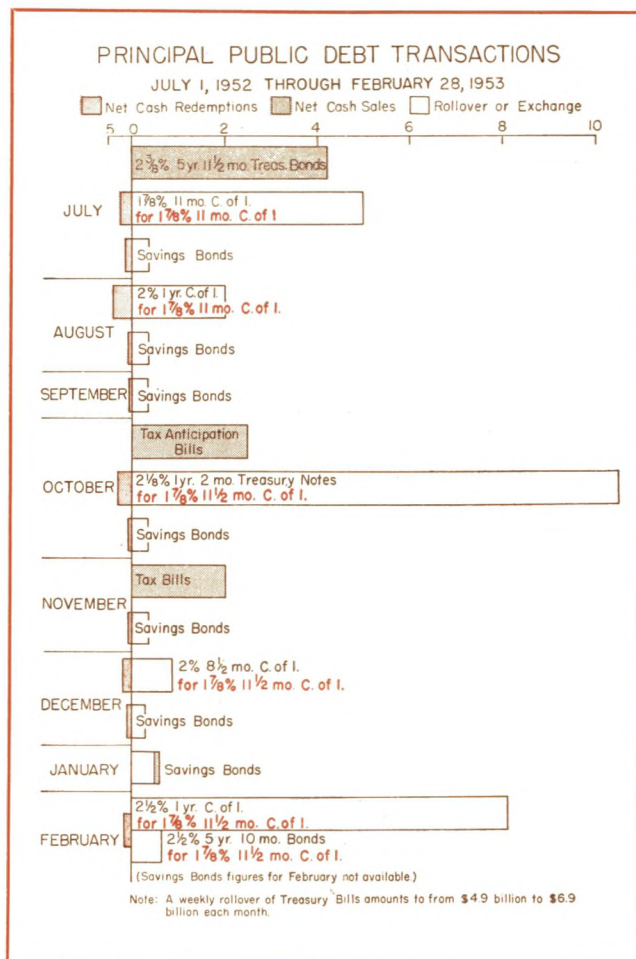
million. In total, the Treasury realized \$6,878 million from debt transactions through November 1952 (the latest published final figures). There have been no issues for cash since then, and net redemptions in two later exchanges, one in December and one in February, were small in dollar amount.

In addition to debt transactions for the purpose of raising new money, the Treasury has been faced with five major refundings thus far in fiscal year 1953, not including the weekly roll-over of 91-day Treasury Bills ranging in amount from \$1.2 to \$1.5 billion. These roll-overs, exchanges, and new issues are shown in the accompanying chart with the resulting net cash receipts or redemptions being indicated.

During the remainder of calendar year 1953, the Treasury will be faced with \$30.9 billion of maturing securities plus \$17.2 billion of bonds which may be called for payment in June. Secretary Humphrey has already called for payment on June 15, 1953, \$725 million 2% Treasury Bonds maturing June 15, 1955. Further, approximately \$70 billion of 91-day bills will have to be refinanced on a weekly basis during the year. In addition to this tremendous refinancing job facing the Treasury, budget estimates for fiscal year 1954 call for

an over-all deficit of \$9.9 billion, and the need for financing this deficit will arise primarily in the first six months of the fiscal year—from July through December. Because of the Mills Plan, the Treasury is expected to realize net receipts in the last half of the fiscal year and may well attempt to tap accumulating corporate tax reserves before calendar year and by again issuing Tax Anticipation Bills.

The first major debt transaction under the new administration appeared to indicate a Treasury desire to tailor Treasury offerings to market demands. The optional exchange into either a short-term certificate (one year) or an intermediate-term bond (5 years, 10



months), plus a more attractive rate of return, made the February exchange operation very successful from the viewpoint of attrition—only about $1\frac{1}{2}\%$ of the maturing issue of $1\frac{7}{8}\%$ C. of I.'s were presented for cash redemption. Excluding the Federal Reserve System's exchange of \$3.7 billion of the maturing certificates for a like amount of the new $2\frac{1}{4}\%$ C. of I.'s, 85% of the remaining holdings were exchanged for the new one year certificates, about 12% were exchanged for the 5 year, 10 month bonds, while about 3% were presented for redemption.

Acceptance of Higher Rates

Recent financing implies Treasury recognition of the desirability of more attractive rates on its offerings in order to meet its refunding requirements without unduly large attrition. In August the Certificate rate was upped to 2% from the $1\frac{7}{8}\%$. In October a 14 month note was offered at $2\frac{1}{8}\%$ and in December an eight and a half month certificate bore a 2% rate. The February refinancing offered a $2\frac{1}{4}\%$ one year Certificate of Indebtedness in exchange for a $1\frac{7}{8}\%$, 11½ month Certificate, and its success echoes the market's approval of the terms offered. That the market demands such rates under current monetary conditions is indicated by the history of bill offerings (open to competitive bidding on a discount basis) during the past year. The average bill rate rose from 1.688% in January 1952 to 2.126% in December, whereas in 1951 it averaged 1.552%. The average rate on four- to six-month prime commercial paper was 2.33% for 1952 having risen from 1.45% for 1950 and 2.17% for 1951.

Savings Bonds in the Public Debt

In January 1953 the Treasury realized net cash receipts from transactions in savings bonds of all series combined for the first month in over two years. Redemptions of savings bonds (including accrued discount) which reached a post-Korean peak of \$653 million in January 1951, had fallen to \$435 million by Jan-

uary 1953. Total sales, on the other hand, aggregated \$504 million in January of this year in contrast with sales of \$475 million in January 1951. Sales in January 1953 were 14% above the \$441 million sold in January a year ago, while redemptions were 12% below the January 1952 level of \$493 million.

Despite the fact that 1952 was the first year that substantial amounts of Series E bonds matured, total redemptions of this series amounting to \$4,098 million were only slightly more than 1% above redemptions in 1951. To make the comparison more meaningful, redemptions, exclusive of accrued discount, amounting to \$2,928 million in 1952 were almost one-sixth less than the \$3,504 million in 1951. Since these bonds began maturing in May 1951, \$4,853 million have matured, but only \$1,207 million, less than a fourth of the maturing bonds, have been redeemed. Interestingly, more than three-fourths are being retained by their owners under the automatic extension privilege, which provides for continuing increase in cash value at a 3% annual rate, compounded semi-annually.

In 1952, redemptions of all series of savings bonds, excluding Series E, were almost double the amount of sales—\$976 million of redemptions as compared with \$586 million of sales. This is only a slightly better record than in 1951 when redemptions totaled \$1,615 million, over double the \$771 million of sales.

The cash value of outstanding savings bonds of all series at the end of January 1953 exceeded \$58 billion, more than one-fifth of the total public debt. Over \$35 billion of this amount was in the form of Series E bonds held by individuals. Since these securities may in general be redeemed at the option of the owner, Treasury debt management policy must continually take into consideration the fact that net redemptions of savings bonds necessitates refinancing in addition to that it currently planned. The improvement in the terms of savings bonds after May 1, 1952, has undoubtedly contributed toward improvement of sales relative to redemptions.



Business Conditions and Prospects

BUSINESS volume in the Fifth Federal Reserve District was maintained at near-record proportions as 1953 began. For both seasonal and psychological reasons some receding would have been both logical and expectable, and that is exactly what happened. January adjusted indicators generally were lower than in December, but, interestingly, many gains were recorded over a year earlier.

Durable goods industries, other than lumber, which had felt the effects of materials restrictions for a year or more, have responded favorably to an improved supply situation. Defense-related industries continue to maintain near peak levels, although the Savannah River Atomic Energy Project has passed its peak and a declining employment trend is expected. Non-durable goods employment is at peak levels and will probably maintain those levels until late Spring when a seasonal decline usually sets in. The outlook for non-durable goods output is considered favorable in most quarters, despite the setback which occurred in January.

The construction industry in general continued to be a source of strength in the District's economy and, in spite of the fact that January failed to maintain December's level, new awards were 34% ahead of a year earlier. Commercial, factory, and public works construction exhibited the greatest strength.

Trade levels in January receded moderately from December in most lines, although automotive trade continued to expand. Department store sales (adjusted) declined 3% from December, and furniture store sales 11%. In the department stores, January sales were still 1% ahead of a year ago, while those of furniture stores were 3% ahead. Wholesalers' sales were generally lower in January than in December after seasonal adjustment, and mixed tendencies were shown in changes over a year ago, with drugs, groceries, and paper showing gains and other lines showing losses.

Bituminous coal mining continued as a weak spot in the District's economy. January output was 21% below a year ago, partly due to reduced export requirements and partly to unseasonably high average temperatures which reduced heating requirements generally.

On the banking scene, loans and discounts of member banks reversed the sharply rising trend of the last quarter of 1952 and dropped \$29 million (1.3%) during January. The decline was much greater than that of January 1952, but these loans were still \$230 million (11.4%) higher than a year ago. Demand deposits, excluding interbank, dropped \$148 million (3.2%) from December 31 to January 28 but were still \$228 million (5.2%) higher than a year earlier. Time deposits increased \$14 million (1%) during January and stood nearly 6% ahead of a year ago. Bank borrowings from the Federal Reserve Bank and others on

January 28 amounted to \$96 million, a gain of \$53 million or 126% over a year ago. Bank debits (adjusted) during January rose to an all-time high, 3% above December and 3% ahead of a year ago.

Construction

Total construction contract awards in the Fifth District during January were 26% lower than December (seasonally adjusted), although 34% ahead of January 1952. Whether this decline in awards is evidence of an impending down-drift in the construction boom is a moot point, but the fact is that the December figure was the second highest on record. All types of construction showed seasonally adjusted declines from December to January with the exception of one- and two-family houses, which showed a gain of 16%. However, relative to a year ago, one- and two-family housing was the only type of construction which was down, the drop amounting to 15%.

Commercial construction, which had been widely expected to show marked expansion, is following true to prediction. Although adjusted January figures were 12% below December, commercial construction was 103% ahead of a year ago and at a point exceeded by only a few months in past history.

Awards for new factories in the District during January, though 27% lower than adjusted December levels, were 339% higher than a year ago.

Contract awards for public works and utilities in January (adjusted) dropped 12% from December, but ran 63% ahead of a year ago. Although irregular in movement, there has been a continuous upward trend in this type of construction in the District since 1944. Expansion of the electric utilities should continue for some time, and the growth in housing and delayed municipal needs augurs well for a further expansion.

Residential construction contract awards dropped 26% from December to January, on a seasonally adjusted basis, and were 4% under January 1952. Although many analysts believe that a lessening in this type of activity is likely, the fact is that it continues at very high levels.

Textiles

Cotton consumption during January made a fairly poor showing, down 12% (adjusted) from December and 1% below a year ago, although this is hardly a good indication of the textile market at the present time. Nearby and spot goods have been in strong demand, particularly in print cloth, broad cloth, and denim, and forward coverage on some of these has been made throughout the entire year. The industry is fairly well sold up on these types through the second quarter, and there is some evidence of retail demand expanding.

The decline in the price of raw cotton has had little adverse effect on forward coverage since prices quoted

Federal Reserve Bank of Richmond

appear to have adjusted to lower cotton prices. Spot and nearby goods command a premium over forward business, indicating a fairly strong current demand in the face of weakening staple.

Industrial goods, particularly those required by the automotive trade, have improved markedly. Business for the yarn spinners has improved considerably, with the knitters supplying the bulk of the demand. From these facts there is more than a hint that the cotton textile industry will improve over its January level and continue at a higher level during the second quarter.

Style trends apparently are still favorable to cotton, but this has not applied equally to the rayon and acetate industries. As a consequence, some cutbacks have been noted in rayon production.

The volume of business in the District's knitting mills is back to a level similar to 1950 and early 1951, while that of the apparel industry is at an all-time high level. In the over-all, it is expected that the textile industry will be a source of strength, rather than weakness, in the District's economy during the first half.

Trade

Department store sales in January declined 3% from December's high level and were but 1% ahead of sales a year ago. January was an unseasonably warm month in this area, and this found adverse sales reflection in

such departments as men's clothing and women's and misses' coats and suits. On the other hand, substantial gains over a year earlier were achieved in the hard goods lines—in radios, television sets, major household appliances, and floor coverings. These gains were no doubt responsible for the 10% increase in instalment sales (adjusted basis) from December to January, and 26% above a year ago.

The declining trend in furniture store sales, in evidence for several months, continued in January, with adjusted sales down 11% from December. January sales, however, were 3% higher than in January 1952, and it is interesting to note that cash sales in these stores rose after seasonal correction in January and were considerably ahead of a year ago. Credit sales, adjusted, declined 15% from December to a level even with January last year.

New passenger automobile sales in December, the latest figures available, showed a gain of 14% over November and 27% over a year earlier. Trucks in the same months rose 3% from the previous month and 13% from a year earlier. Trade reports indicate that January sales will run ahead of last year. Since sales of consumer durables and automobiles weigh heavily in determining business attitudes toward prospects for coming months, these favorable tendencies in the District seem to match the optimistic views and trends on the national scene.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	January 1953	January 1952
Dist. of Columbia		
Washington	\$ 1,055,092	\$ 1,258,178
Maryland		
Baltimore	1,390,724	1,267,730
Cumberland	23,730	27,019
Frederick	23,445	22,485
Hagerstown	38,069	36,541
North Carolina		
Asheville	68,303	68,995
Charlotte	382,187	360,721
Durham	114,117	109,594
Greensboro	123,489	112,774
Kinston	23,643	21,519
Raleigh	232,124	174,436
Wilmington	50,010	48,129
Wilson	20,719	21,752
Winston-Salem	190,893	170,873
South Carolina		
Charleston	91,146	85,421
Columbia	161,572	144,531
Greenville	117,038	109,169
Spartanburg	72,910	74,442
Virginia		
Charlottesville	28,023	27,769
Danville	45,925	39,238
Lynchburg	52,143	47,875
Newport News	59,719	48,267
Norfolk	257,764	245,237
Portsmouth	31,356	28,433
Richmond	624,066	539,238
Roanoke	127,527	117,537
West Virginia		
Bluefield	49,647	53,400
Charleston	191,647	204,461
Clarksburg	42,023	50,729
Huntington	82,300	79,367
Parkersburg	31,955	31,228
District Totals	\$ 5,801,841	\$ 5,677,298

50 REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Feb. 11, 1953	Change in Amount From	
		Jan. 14, 1953	Feb. 13, 1952
Total Loans	\$1,339,799**	+ 6,413	+162,515
Bus. & Agric.	612,003	+ 3,463	+ 40,095
Real Estate Loans	260,435	- 784	+ 19,226
All Other Loans	467,361	+ 15,675	+103,775
Total Security Holdings	1,813,064	- 89,194	- 52,797
U. S. Treasury Bills	227,038	- 41,453	- 66,511
U. S. Treasury Certificates	142,726	- 15,575	- 42,104
U. S. Treasury Notes	236,260	- 2,753	- 2,127
U. S. Treasury Bonds	931,472	- 30,220	+ 51,795
Other Bonds, Stocks & Secur.	225,568	+ 817	+ 6,150
Cash Items in Process of Col. ..	293,924	- 6,056	+ 13,066
Due From Banks	179,292*	- 13,994	- 24,105
Currency and Coin	77,326	- 5,769	- 2,253
Reserve with F. R. Banks	532,057	+ 12,973	+ 50,716
Other Assets	58,246	+ 2,365	+ 1,409
Total Assets	4,343,708	- 93,252	+153,546
Total Demand Deposits	3,335,757	- 95,533	+ 96,922
Deposits of Individuals	2,471,350	- 36,669	+ 41,020
Deposits of U. S. Government	145,533	+ 29,427	+ 64,315
Deposits of State & Local Gov.	137,692	+ 19,973	+ 2,119
Deposits of Banks	471,671*	- 55,536	- 15,727
Certified & Officers' Checks	59,511	- 2,703	+ 4,695
Total Time Deposits	660,045	+ 2,077	+ 22,024
Deposits of Individuals	532,037	+ 2,197	+ 20,517
Other Time Deposits	77,958	- 120	+ 1,507
Liabilities for Borrowed Money	38,100	- 11,500	+ 14,500
All Other Liabilities	43,133	+ 5,523	+ 7,776
Capital Accounts	266,668	+ 1,201	+ 12,324
Total Liabilities	\$4,343,708	- 93,252	+153,546

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	1952		1953		% Chg.—	
	Jan. 1953	Dec. 1952	Jan. 1953	Dec. 1952	Latest Mo. Prev. Mo.	Yr. Ago.
Automobile Registration*	184	156	156	142	+14	+27
Bank Debits	467	454	453	438	+3	+3
Bituminous Coal Production	129	133	163	158	-3	-21
Construction Contracts	511	693r	381	366	-26	+34
Business Failures—No.	43	53	39	39	-19	+10
Cigarette Production	258	258	257	257	+5	+17
Cotton Spindle Hours	157	161	147	147	-2	+7
Department Store Sales**	117p	121r	116	116	-3	+1
Electric Power Production	405	358	358	358	+2	+14
Manufacturing Employment*	159	153	153	153	0	+3
Retail Furniture: Net Sales	194p	217	188	188	-11	+3
Life Insurance Sales	337	333	323	323	-12	+4

* Not seasonally adjusted.

** 1947-1949=100. Back figures available on request.

BUILDING PERMIT FIGURES

	January 1953	January 1952
Maryland		
Baltimore	\$ 5,249,825	\$ 3,812,555
Cumberland	16,950	10,950
Frederick	92,450	356,782
Hagerstown	49,115	106,170
Salisbury	80,180	63,294
Virginia		
Danville	724,926	242,742
Lynchburg	339,641	142,794
Newport News	116,015	216,624
Norfolk	943,340	1,488,385
Petersburg	60,500	143,304
Portsmouth	276,385	4,091,860
Richmond	944,485	1,123,485
Roanoke	608,798	637,704
Staunton	55,500	139,400
West Virginia		
Charleston	334,302	174,350
Clarksburg	94,500	83,885
Huntington	220,665	125,471
North Carolina		
Asheville	123,893	142,662
Charlotte	4,560,776	3,353,077
Durham	1,279,376	400,077
Greensboro	1,212,914	825,454
High Point	591,355	257,260
Raleigh	1,437,060	2,239,327
Rocky Mount	183,379	326,321
Salisbury	63,975	85,600
Winston-Salem	500,621	531,043
South Carolina		
Charleston	200,225	133,598
Columbia	530,345	643,010
Greenville	619,500	756,487
Spartanburg	93,315	125,489
Dist. of Columbia		
Washington	2,925,067	3,494,060
District Totals	\$24,545,873	\$26,273,720

WHOLESALE TRADE

LINES	Sales in Jan. 1953 compared with		Stocks on Jan. 31, 1953 compared with	
	Jan. 1952	Dec. 1952	Jan. 31, 1952	Dec. 31, 1952
Auto supplies (18)	-17	-9	+3	0
Electrical goods (3)	-10	-20	-5	+10
Hardware (12)	-8	+11	+2	-2
Industrial supplies (6)	-11	-5	-2	+10
Drugs and sundries (13)	+19	+27	+1	0
Dry goods (15)	-5	-12	+3	+11
Groceries (56)	-1	+6	0	+3
Paper and products (5)	+1	+6	---	---
Tobacco products (11)	+5	-15	+23	+13
Miscellaneous (109)	+3	-6	-15	-23
District Totals (248)	+3	-1	-5	-9

Number of reporting firms in parentheses.
Source: Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals	
Sales, Jan. '53 vs Jan. '52	-1.0	+5.3	0.0	+6.7	+3.2	
Sales, 12 Mos. ending Jan. 31, '53 vs 12 Mos. ending Jan. 31, '52	+4.5	+4.2	-0.1	+6.8	+5.5	
Stocks, Jan. 31, '53 vs '52	+0.9	+6.3	+6.8	+6.4	+6.1	
Outstanding orders Jan. 31, '53 vs '52	+23.3	+30.2	+32.0	+4.9	+26.2	
Open account receivables Jan. 1 collected in Jan. '53	34.3	46.9	41.9	41.7	41.7	
Installment receivables Jan. 1 collected in Jan. '53	11.4	13.3	13.6	16.3	13.3	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Jan. '53 vs Jan. '52	+5.1	0.0	+3.5	+4.9	+7.3	-0.3

RETAIL FURNITURE SALES

Percentage comparison of sales in period named with sales in same period in 1952

	January 1953
STATES	
Maryland (6)	+12
Dist. of Col. (7)	-9
Virginia (13)	+5
West Virginia (10)	+14
North Carolina (12)	+13
South Carolina (5)	-4
District (58)	+3
INDIVIDUAL CITIES	
Baltimore, Md. (6)	+12
Washington, D. C. (7)	-9
Richmond, Va. (6)	-3
Charleston, W. Va. (3)	+46

Number of reporting firms in parentheses.

Bank Earnings, 1952—Fifth District

Continued from page 4

been able to show as net current earnings an increasing share of gross earnings in the seven-year period.

Salary and wage payments in 1952, at \$57 million, continued the several-year uptrend and accounted for just over half (50.3%) of all expense payments. In 1940 total salary and wage payments of \$17 million represented less than 40% of total expenses, while in 1945 they totaled \$27 million and were about 45% of total expenses.

Interest paid on time deposits in 1952 was \$1½ million above 1951 but took about the same proportion of total expenses—a proportion, incidentally, which has shown a significant decline over the years, from 15.4% in 1940 to 7.9% in 1952.

Dividends Declined Relative to Total Earnings

These member banks paid out in dividends 42% of their net in 1952, in dollar amount the highest ever

distributed but a smaller share of total earnings than in any other postwar year. In 1945, dividends were 10½% of total earnings. By 1947 this percentage had dropped to 9½% and last year to 8½%. When related to total capital accounts, dividend payments in 1952 did not compare unfavorably with 1945 and the postwar years; the 1952 ratio was 3.41% while the 1945 figure was 3.35%. This was accounted for by a much slower growth in capital accounts than in gross earnings and in dividend payments.

The banks retained in their capital accounts (in 1952) over \$2 million more of net profits than in 1951, and the amount was equal to 58% of all net profits. As a result, retained earnings ranked first among the factors which left capital accounts at year-end 6% above the previous January. Since total deposits increased only 4% over the year, the ratio of capital to deposits rose slightly, from 6.9% in 1951 to 7.0% in 1952.

Record Amount of State and Municipal Financing in 1952

Continued from page 6

quotations of 1952. This deterioration was a consequence in general of a tightened money market and in particular of the continued heavy flow of new offerings of state and municipal bonds that produced the record amount of \$4.4 billion for the year.

Opening 1953 with \$267 million of state and municipal bonds listed in the Daily Bond Buyer's Visible Sup-

ply of issues scheduled for sale in January, the market continued to decline, reaching 2.62% at the end of the second week of February. This is the highest yield since July 1940 when a figure of 2.65% was recorded. With a still heavy supply of bonds due in the market within the next 30 days, many dealers feel that the price decline has not yet run its course.

