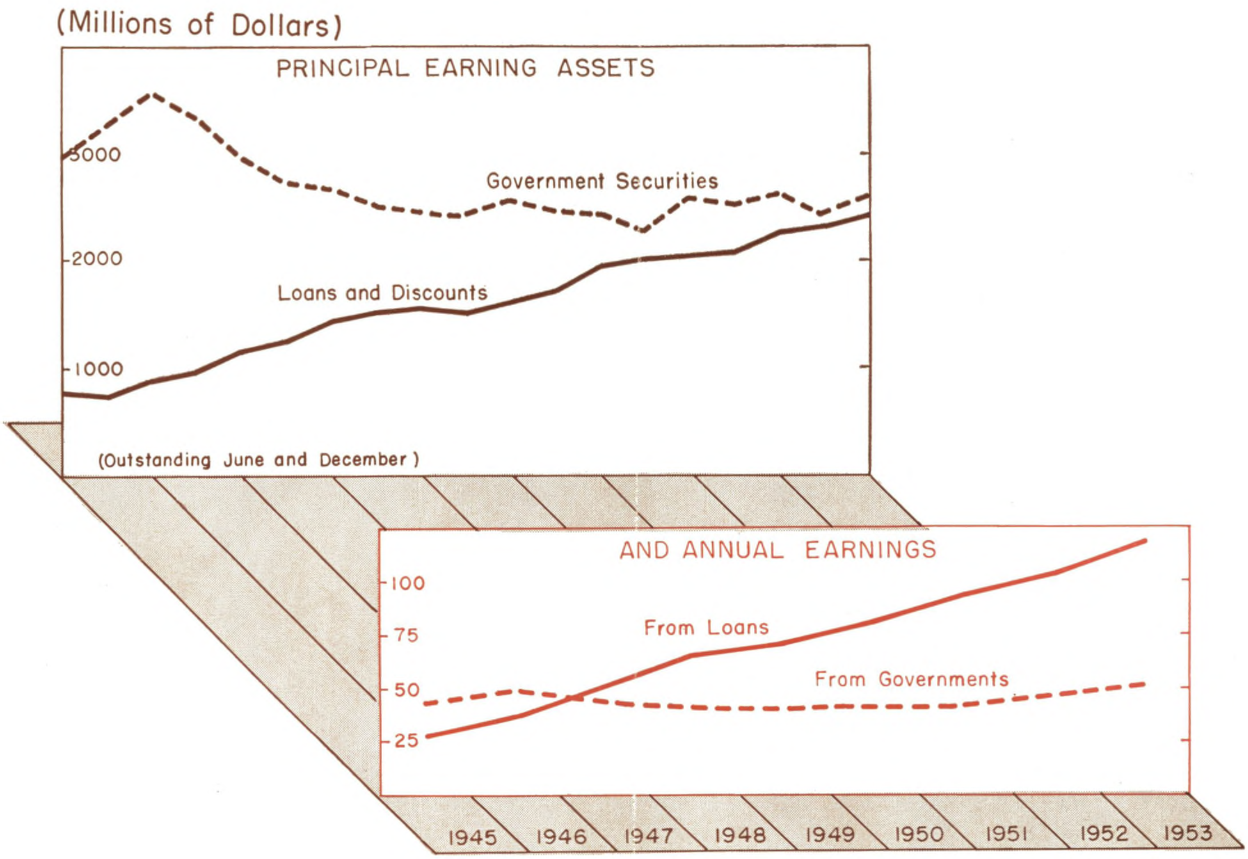
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

March 1954

FIFTH DISTRICT MEMBER BANKS

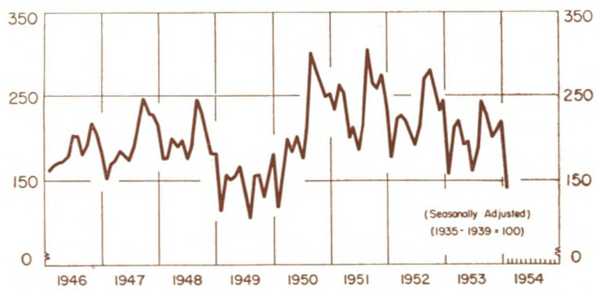


Over four-fifths of the largest gross earnings ever achieved by the District's member banks came from loans extended to customers and Government securities. As shown above, loan earnings have been growing rapidly ever since 1945 and have far outstripped earnings from Government securities. The article beginning on page 3 reviews the operating experience of the member banks over the past year.

Also In This Issue - - -

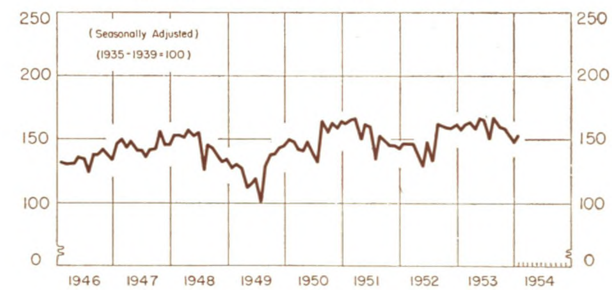
FIFTH DISTRICT TRENDS

WHOLESALE DRY GOODS



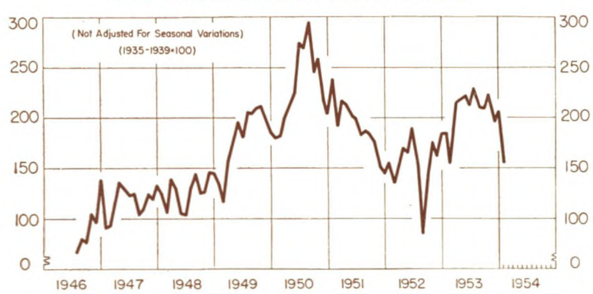
The cautious purchasing attitude of retail stores is well illustrated by wholesale dry goods sales in January. Wholesalers' sales of these goods dropped 36%, after seasonal correction, from December and were 10% lower than in January 1953. Part of the decline reflects less favorable conditions in the small rural communities.

ACTIVE COTTON SPINDLE HOURS



Average daily seasonally adjusted cotton spindle hours in the Fifth District showed moderate improvement during January with a gain of 3% over December. January figures, however, were still 3% under those a year ago. The District's performance was considerably better than for the industry as a whole.

NEW PASSENGER CAR REGISTRATIONS

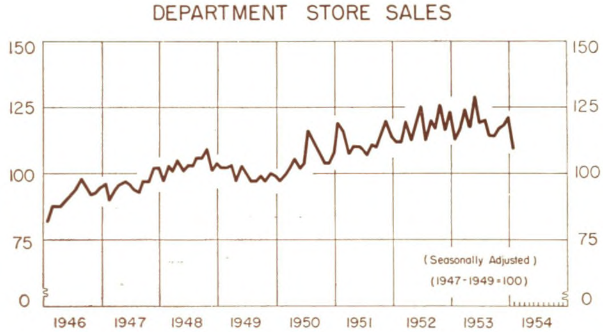


New passenger automobile registrations in the Fifth District in January 1954 totaled 26,650, a decline of 21% from December and 17% from a year ago. United States passenger car registrations in January totaled 340,788, a decline of 18% from December and 12% from January 1953.

RETAIL FURNITURE STORES NET SALES

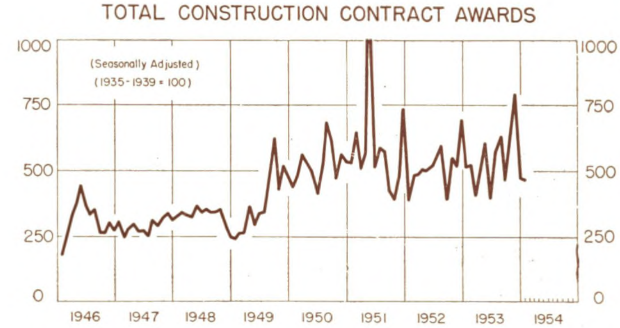
Net sales of furniture stores in the Fifth District, seasonally adjusted, declined 5% in January from December to a level 11% under January 1953. The year-to-year decline was larger than department store sales and resulted in a substantial accumulation of inventory. Furniture store inventories in January were 27% higher than a year ago.

DEPARTMENT STORE SALES



Combined effects of bad weather and increased unemployment led to a 10% drop in adjusted department store sales in January over December and a level 6% below January 1953. Instalment sales showed a contra-seasonal rise in January of 5% over December, but showed nearly twice as much loss from a year ago as total sales.

TOTAL CONSTRUCTION CONTRACT AWARDS



Total January contract awards, seasonally adjusted, in the Fifth District were even with December but down 8% from January a year ago. In 37 eastern states contract awards in January were up 7.1% from a year ago. Gains from last year were shown in commercial construction, residential, with other segments showing losses.

District Banking—1953 Was A Busy Year

ACTIVITY at member banks in the District in 1953 was at the highest level ever achieved. By year's end, new records had been set in amount of loans outstanding, in total deposits, and in gross earnings. As a whole, the member banks realized the largest net profit yet recorded.

Nevertheless, 1953 was a year of slackening rate of growth. Loans outstanding rose in 1953—but the increase was only about half as great as in the preceding year. Total deposits reached the highest level ever attained—but the year's increase was only a quarter of one per cent, a tiny fraction of 1952's growth. Demand deposits actually declined over the year, an insignificant 1.4%, but it was the first annual decline since 1949.

A higher rate of return on loans and investments and a larger amount of loans held brought the District's member banks the largest gross income of any of the postwar years. Total earnings of $209,500,000 were 10.6% higher than in 1952, a rate of increase which compares favorably with past years. Total operating expenses, however, increased at a more rapid pace than earnings so that net current earnings increased by only 7%. Further, net losses and charge-offs were more than a fifth greater than in 1952, and taxes on income were 7% higher. Net profits in 1953, therefore, were only 4.1% higher than in 1952. When compared with total capital accounts, 1953's net profit of $40,500,000 represents a rate of return of 8.0%, slightly under the 8.2% rate recorded in 1951 and 1952.

The District's member banks declared cash dividends of $16.5 million during 1953, leaving retained profits of a little over $24 million. Largely through the retention of these profits, member bank capital accounts during 1953 increased almost 6% over 1952. The ratio of average total capital accounts to average total assets of all member banks in the District rose to 7.0% as compared with 6.7% in 1952.

Earnings and Earning Assets

Total earnings of member banks in the Fifth District during 1953 were 11% more than in the previous year. All the principal categories of earnings were larger than in 1952, with the largest dollar and percentage increases occurring in earnings on loans. Loan earnings accounted for well over half the total in 1953, having risen from less than a third the total in 1945. Earnings from Government securities, on the other hand, declined over this period from almost half of total earnings to less than one-fourth.

Customers' loans and discounts contributed $118 million to total earnings of Fifth District member banks, 13% more than in 1952. A loan expansion of $140 million and an increase in the average rate of return to 4.95% from 4.82% in 1952 explain the enlarged earnings from this source.

Practically all types shared in last year's loan expansion, the exceptions being commercial and industrial loans and "other loans for purchasing or carrying securities" both of which declined over the year. More than half of the dollar increase in total loans occurred in consumer borrowings and 75% of this borrowing occurred in the first six months of 1953, the period of avid consumer credit expansion.

Almost one-fourth of the total was in loans to farmers. Here the rise was brought about almost entirely by member bank participation in the financing of CCC crop loans. Real estate loans, in the aggregate, rose $23 million, or over 16%, during the year.

District member banks' total holdings of Government securities declined $57 million, or 2.2%, during 1953. This followed the general pattern of asset holdings of member banks in the postwar years. At the close of 1945, United States Government obligations accounted for 77% and loans accounted for 19% of total loans and investments. By the close of 1953, Governments made up 47% and loans 45% of these assets.

Earnings in 1953 of District member banks from Governments, however, exceeded amounts received in any of the postwar years, although they contributed only 24% to total earnings. The average yield on United States Governments in 1953 was 2.01% as against 1.83% a year earlier.

EARNINGS AND EXPENSES
Fifth District Member Banks
(Dollars in thousands)

	1953[1]	1952[2]	% Change 1952 to 1953
Earnings			
Interest and dividends on securities:			
U. S. Government	50,227	46,995	+ 6.9
Other	9,124	8,432	+ 8.2
Interest and discounts on loans	117,550	104,036	+13.0
Other charges on loans	909	898	+ 1.2
Service charges on deposits	11,318	10,281	+10.1
Other charges, fees, etc.	5,928	5,489	+ 8.0
Trust department	8,071	7,280	+10.9
Other current earnings	6,375	6,056	+ 5.3
Total	209,500	189,468	+10.6
Expenses			
Salaries—officers	23,795	21,442	+11.0
Salaries and wages—other	39,161	35,225	+11.2
Directors' fees, etc.	1,607	1,462	+ 9.9
Interest on time deposits	18,128	14,955	+21.2
Interest on borrowed money	1,139	983	+15.9
Taxes, other than income	5,835	5,335	+ 9.4
Recurring depreciation	4,083	3,536	+15.5
Other current expenses	33,412	29,563	+13.0
Total	127,160	112,502	+13.0
Net current earnings	82,340	76,966	+ 7.0
Recoveries, transfers from reserves, and profits	4,819	3,372	+42.9
Losses, charge-offs, and transfers to reserves	13,595	10,492	+29.6
Profits before income taxes	73,563	69,845	+ 5.3
Taxes on net income	33,030	30,890	+ 6.9
Net profits	40,534	38,956	+ 4.1
Cash dividends declared	16,458	16,251	+ 1.3
Profits retained	24,076	22,705	+ 6.0

[1] Preliminary.
[2] Revised.
Note: May not add to totals because of rounding.

Earnings from other securities increased $692,000, or 8.2%, in 1953 and the average rate of return increased to 2.10% from 1.97% in 1952. Holdings of securities other than Governments increased $17 million during the year, the major portion of the increase occurring in the last six months of the year.

Operating Costs

Total current expenses of District member banks increased to $127 million in 1953, 13% above the previous year. They took 60.7% of gross earnings as compared with 59.4% in 1952.

All of the principal types of operating expenses were larger in 1953 than in the previous year. A striking change, however, occurred in the amount of interest paid by the member banks on their time deposits. The amount of time deposits on the books of the banks increased by about 6% and a number of banks, in keeping with other interest rate changes, especially in the first half of the year, raised the rate of interest paid their time depositors. As a result total interest paid in 1953 was $3,200,000 or 21% more than in 1952.

Salaries and wages remain the predominant operating expense of the banks. Payments to officers and employees were 11% higher in 1953 than in 1952, accounted for almost half of total operating expenses, and took 30% of the banks' gross earnings.

EARNING ASSETS
Fifth District Member Banks
(Dollars in millions)

	Dec. 31, 1953[1]	Dec. 31, 1952[2]	% Change 1952 to 1953
Loans and investments	5,431.8	5,334.1	+ 1.8
Loans and discounts:			
Commercial and industrial loans	827.3	827.7	— 0.05
Loans to farmers	87.2	54.6	+59.7
Loans to brokers and dealers in securities	26.5	13.4	+97.8
Other loans for purchasing or carrying securities	87.2	102.5	—14.9
Real estate loans:			
On farm land	50.6	47.3	+ 7.0
On residential property	428.6	416.2	+ 3.0
On other properties	159.9	152.7	+ 4.7
Instalment loans to individuals:			
Retail automobile paper	185.5	150.9	+22.9
Other retail paper	78.9	61.2	+28.9
Repair and modernization loans	49.2	35.9	+37.0
Cash loans	104.5	93.2	+12.1
Single payment loans	280.3	277.5	+ 1.0
Loans to banks	5.9	5.4	+ 9.3
All other loans	67.1	60.6	+10.7
Loans—gross	2,438.7	2,299.1	+ 6.1
Reserves	27.7	25.5	+ 8.6
Loans—net	2,411.0	2,273.5	+ 6.0
U. S. Government Securities	2,574.7	2,631.9	— 2.2
Treasury bills	251.9	353.1	—28.7
Treasury certificates of indebtedness	409.3	235.9	+73.5
Treasury notes	484.1	472.9	+ 2.4
U. S. nonmarketable bonds	140.2	141.9	— 1.2
Other U. S. bonds—5 years or less	748.4	829.0	— 9.7
Other U. S. bonds—over 5 years	540.7	599.0	— 9.7
Other securities[3]	446.1	428.7	+ 4.1

[1] Preliminary. [2] Revised.
[3] Includes U. S. guaranteed obligations.
Note: May not add to totals because of rounding.

ASSETS AND LIABILITIES[1]
FIFTH DISTRICT MEMBER BANKS BY STATES
December 31, 1953
(Millions of Dollars)

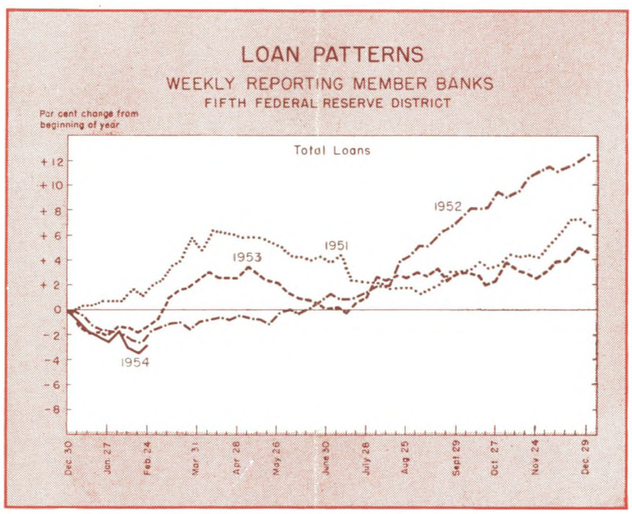
							Fifth District	
ASSETS	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	Dec. 31, 1953	Dec. 31, 1952[2]
Loans and Investments	1,056.7	892.0	1,549.7	590.4	914.3	428.7	5,431.8	5,334.1
Loans and discounts (including overdrafts)	431.1	390.2	734.1	224.1	459.4	172.0	2,411.0	2,273.5
U. S. Government obligations (direct and guaranteed)	527.6	453.9	685.0	322.2	370.4	218.3	2,577.5	2,633.5
Other securities	97.9	47.9	130.6	44.1	84.4	38.4	443.3	427.0
Reserves, cash, and bank balances	353.6	317.4	493.6	189.6	330.2	170.9	1,855.4	1,915.3
Reserves with Federal Reserve Bank	182.8	182.0	198.8	79.9	122.3	68.2	834.0	852.3
Cash in vault	24.8	19.8	40.3	16.8	23.5	15.0	140.2	159.4
Balances with banks	75.4	58.8	130.6	68.0	73.9	58.3	465.0	455.1
Cash items in process of collection	70.6	56.8	123.9	24.9	110.6	29.4	416.1	448.5
Other Assets	18.4	21.6	26.5	8.5	15.7	6.2	96.9	88.8
Total Assets	1,428.7	1,231.0	2,069.9	788.5	1,260.2	605.8	7,384.1	7,338.2
LIABILITIES								
Demand Deposits	1,025.7	930.5	1,298.5	544.2	958.9	493.6	5,251.4	5,324.2
Individuals, partnerships and corporations	783.9	806.2	944.4	394.3	687.4	361.7	3,977.9	4,041.0
U. S. Government	43.9	30.8	36.8	18.5	26.2	23.4	179.5	195.7
States and political subdivisions	98.2	.2	90.8	67.1	64.3	79.0	399.6	394.6
Banks	93.4	74.4	192.8	42.8	157.7	18.4	579.5	575.6
Certified and officers' checks, etc.	6.4	19.0	33.6	21.4	23.1	11.3	114.8	117.4
Time Deposits	298.7	214.3	603.1	177.8	193.0	74.1	1,561.0	1,472.2
Individuals, partnerships and corporations	289.8	182.2	541.1	176.0	144.0	64.9	1,398.0	1,326.2
U. S. Government and postal savings	7.3	15.6	21.7	1.5	5.6	8.3	60.0	60.3
States and political subdivisions	1.6	———	39.9	.2	42.7	.6	84.8	67.3
Banks	.02	16.4	.4	.2	.7	.3	18.1	18.3
Total Deposits	1,324.4	1,144.7	1,901.7	722.0	1,151.9	567.7	6,812.4	6,796.5
Borrowings	.6	.4	2.0	.3	———	———	3.3	5.1
Other Liabilities	8.4	7.9	16.9	3.8	22.5	5.0	64.5	60.8
Total Liabilities	1,333.4	1,153.1	1,920.6	726.1	1,174.4	572.7	6,880.2	6,862.4
Total Capital Accounts	95.3	78.0	149.3	62.5	85.8	33.1	503.9	475.8
Total Liabilities and Capital Accounts	1,428.7	1,231.0	2,069.9	788.5	1,260.2	605.8	7,384.1	7,338.2
Demand Deposits Adjusted	817.9	768.6	944.9	457.9	664.3	422.6	4,076.2	4,104.4
Number of Banks	72	15	204	98	55	33	477	477

[1] Preliminary.
[2] Revised.
Note: May not add to totals because of rounding.

Bank Lending—The Pace Is Slower In '54

Loans at member banks in the Fifth District declined in January of this year by a larger amount than in any other January of the postwar years. And figures provided by fifty weekly reporting banks indicate that this decline continued through mid-February. This year's decline, though perhaps not significant in itself, has attracted attention, primarily because other signs have indicated a moderate slackening of business activity. Industrial production, for example, has declined in each month from August through January, unemployment has risen slightly in each month since October, and the January rise was considerably above that in 1951 and 1952.

Through January, the decline in total bank loans was greater in other sections of the country than in the Fifth District. During the first three weeks in February, however, loans fell more rapidly here and brought the net decline since January 1 to 3.4% as compared with the national average of 2.9%.



The chart on this page presents the patterns of loan behavior at the weekly reporting banks in the District for the past three years. Current changes become more meaningful if viewed in the light of past behavior. It is seen that, compared with 1952 and 1953, the decline thus far this year in total loans outstanding has been below "usual." The early months of 1951 are not comparable with later years because the economic influences of the Korean War and particularly of the Chinese Communists' aggression were still being strongly felt.

Loans to consumers make up almost one-third of all the loans made by the District's weekly reporting banks. Consumers borrow to buy, and if for some reason they reduce their borrowing, they reduce their total spending. The behavior of consumer credit, of which banks' consumer loans are an important part, is, therefore, an important indicator of broader economic developments.

Consumer borrowing from member banks in the District thus far in 1954 has been in marked contrast to their borrowing over the past few years. Repayments on past borrowings were considerably greater than new loans made so that the amount outstanding on the books of the banks declined rather sharply. By mid-February of last year, consumer loans had increased by 1½% over the first of the year. In the similar period this year, they declined by 4%. This unusual decline in consumer credit has been accompanied by larger-than-usual declines in such credit at other types of lending institutions.

Nearly half of all loans extended by the District's weekly reporting banks are for commercial, industrial, or agricultural purposes. The total of these business loans outstanding declined over the first seven weeks of this year, but by a smaller amount than in the similar period in 1953. This year's decline, however, was the second largest in the postwar years.

Retail merchants, commodity dealers, sales finance companies, and processors of food, liquor, and tobacco products—these types of business firms reduced their bank indebtedness by substantial amounts through February 17, 1954, as they did in the comparable period in 1953. All other types of manufacturing and mining firms, considered as a whole, added to their bank loans this year, but not sufficiently to offset the repayments made by other classes of borrowers. Public utilities also borrowed new money this year—considerably more than they added to their bank loans in the similar period last year.

Loans on real estate are the third largest category of loans on the books of the weekly reporting banks. They account for over one-sixth of the total. In 1953 the amount of these loans outstanding experienced very little change—they increased moderately in November and stayed at the new level for the remainder of the year. Through the first seven weeks of 1954, they have continued at about this same level.

These three categories of loans—consumer, real estate, and commercial, industrial, and agricultural—make up 93% of all the loans of the weekly reporting banks. Within the remaining 7%, loans for purchasing or carrying securities comprise the largest single category. Over the first four weeks of 1954, these loans experienced moderate increases. The increases, however, were offset by subsequent declines in amount outstanding so that, for the period as a whole, these loans showed a net decline of 4.8%. Last year they had declined by twice this percentage through mid-February.

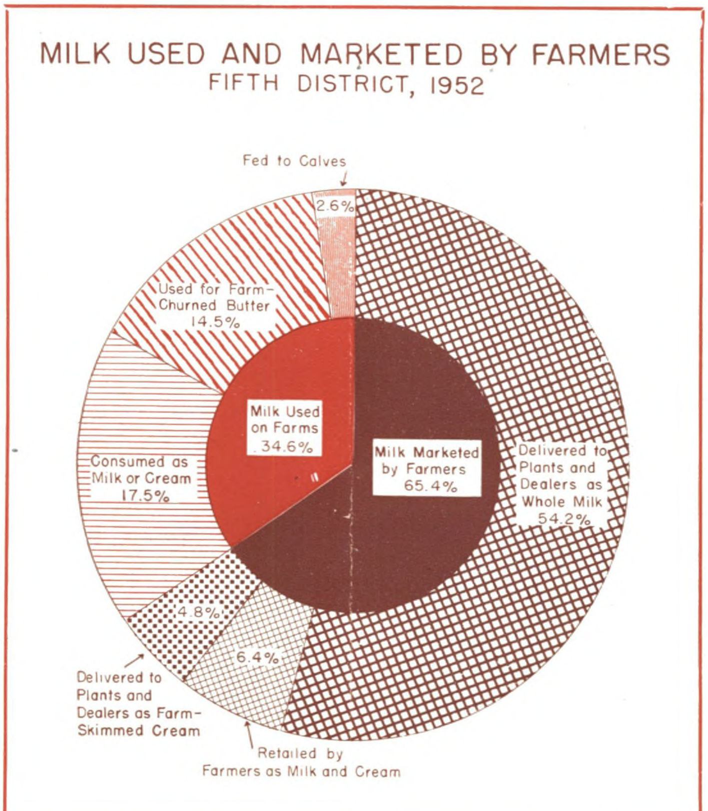
A "Summary of Changes in Bank Loans" is prepared weekly by the Research Department, Federal Reserve Bank of Richmond. Copies may be obtained upon request at no charge.

District Dairy Progress Reviewed

The Fifth Federal Reserve District can hardly claim to be, as the Biblical phrase had it, a "land of milk and honey," but its dairying industry has developed rapidly within the past decade. Grade A dairy farms dot the countryside—where a generation ago no commercial livestock was produced—and contribute handsomely to communities which formerly were thought of only in terms of tobacco or cotton culture.

Though the cream separator still plays a part in the dairy economy of the District, the growth of urban areas and improvements in transportation and farming methods have provided such a strong market that the dairy industry has not only grown but shifted more and more to Grade A production. Total milk marketings by Fifth District farmers increased a fancy 47% between 1942 and 1952, while the national gain was a mere 2%.

Milk produced on Fifth District farms is estimated at 6.5 billion pounds for 1953. And if one has a "statistical complex" he can break down this incomprehensible figure into such statistical situations as these: Here's milk enough to fill 190,000 four-thousand-gallon refrigerated tank trucks; if these trucks were traveling as a convoy on the open highway, spaced 100 yards apart, each day's convoy would be 34 miles long; and this annual milk output would provide each man, woman, and child in the District 198 quarts of milk per year, or slightly more than two glasses per day—an impressive picture until it is noted that this per capita production figure would still be 44% below the national average.



Milk Production Up 14% in Decade

Milk production in the District increased rather sharply between 1942 and 1952—latest decade for which data on both milk production and utilization are available. In the five-state area, production totaled nearly 6.2 billion pounds in 1952—an increase of 14% over 1942. During the same period, national production declined 3%. Virginia is the largest producer of milk in the District, with 31% of the total. Other District states' shares of total production, in order of their importance, are: North Carolina 26%, Maryland 21%, West Virginia 13%, and South Carolina 9%.

Since there was but a negligible increase in the number of milk cows on Fifth District farms, the increase in milk production reflects a 14% gain in average production per cow. For the country as a whole, the 3% reduction in milk production reflects the 14% drop in numbers of milk cows as against an increase of 12% in average production per cow.

In Virginia, while milk cows decreased 1%, average production per cow increased 18%—more than in any other state in the District—and total milk production increased 17%. In North Carolina an increase of 4% in numbers and 11% in production per cow boosted milk production 15%.

Maryland had a 15% increase, both in the number of milk cows and in production per cow. As a consequence, Maryland led other District states with a 33% increase in milk output from 1942 to 1952.

Utilization of milk on the farms where produced has decreased sharply, not only in actual quantity but also as a proportion of all milk produced. Between 1942 and 1952 the quantity of milk consumed by farm households on producing farms dropped 22% while milk fed to calves increased 29%.

Sharp Increase in Milk Marketings

A considerably larger share of total milk production now enters trade channels in the Fifth District than was formerly the case—65% in 1952 compared with 51% in 1942, and all District states shared in this increase. In Maryland the proportion rose from 86% to 91%. This compares with increases from 54% to 69% in Virginia, 49% to 59% in West Virginia, 31% to 51% in North Carolina, and 35% to

44% in South Carolina.

Fifth District farmers marketed 47% more milk in 1952 than in 1942, despite the fact that production during this period increased only 14%. There has been a reduction of 26% in the whole-milk equivalent of farm-skimmed cream delivered to plants and dealers and a reduction of 18% in the amount of milk and cream retailed by farmers.

Despite decreasing sales in the above-noted forms, an impressive increase of 78% occurred in the amount of whole milk delivered to plants and dealers. In North Carolina the increase was 154%. Virginia, with an 86% increase, also exceeded the District gain, while the other District states showed increases of from 51% to 55%. For the country as a whole, the corresponding increase was 30%.

While dairying has made rapid strides during the past ten years, the same is also true of other lines of agricultural and nonagricultural production. In 1952 dairying accounted for 10.7% of the total cash receipts from farm marketings in the District. This compares with a 9.9% share ten years earlier and an average of 10.6% during the period 1935-39. Relative to other sources of farm income, dairy products are more important in Maryland than in any other District state and now account for 27% of the total cash receipts from farm marketings. The corresponding percentages are 19% in West Virginia, 14% in Virginia, 6% in North Carolina, and 5% in South Carolina.

Fluid Consumption Leads in District

No attempt is here made to determine the extent, if any, to which this five-state area is a net importer or a net exporter of whole milk and manufactured dairy products. However, there is evidence that most of the milk sold by Fifth District dairymen is for fluid consumption. Assuming that whole milk and cream moving into and out of the District roughly offset one another, manufactured dairy products account for the equivalent of about 28% of the milk sold by farmers, or slightly less than the corresponding 30% in 1942. Approximately 72% of the milk would, therefore, appear to be used for fluid purposes. For the nation, manufactured dairy products accounted for about 52% of the total milk marketed in 1952, while in 1942 the corresponding share was about 63%. In big butter and cheese states like Minnesota, Wisconsin, and Iowa, manufactured dairy products currently account for 75% to 85% of the milk sold.

From these comparisons it is not surprising that "surplus" production of manufactured dairy products is likely to have some effect, even in a normally deficit-producing area. Dairymen in the Fifth District, and particularly Grade A dairymen, are, however, much more fortunately situated than are dairy farmers in areas more largely dependent on markets for such manufactured dairy products as butter and cheese.

Factors Affecting Growth

Many factors have been involved in this rapid growth in Fifth District dairying as well as in the shifts within the dairy industry. Since 1942 total population of the District has increased 15%, and this growing population has enjoyed a rising income level which translated itself into more and better customers for milk and milk products as well as other farm and nonfarm products.

During this period of expanding population and purchasing power, important changes also have occurred in farm management. Farm operators have become increasingly aware that they could kill two birds with one stone by developing dairy herds. By so doing, they could take advantage of a good market demand for fluid milk, and they could follow sounder soil- and farm-management programs by supplementing their cash crops with dairy enterprises based on improved pasture, hay crops, and grain production.

The widespread availability of electricity and some of the newer developments in dairy buildings, such as the use of milking parlors, have made it easier to sell whole milk and to shift to Grade A production. Other technological developments have contributed to the District's progress in dairying. Rapid strides have been made in the production of forage and grain crops, artificial insemination, improved transportation, and in the bulk handling of milk.

About 166,000, or roughly 12%, of all dairy cows in the District were bred artificially in 1952. This is already an impressive figure, but indications are that the practice will become more and more important from year to year.

Banks Promote Dairy Expansion

Banks have contributed materially to the progress in dairying. Many bankers have worked closely with the professional agricultural workers in their counties, the dairy plants serving their area, and the farmers who already were, or who wanted to become, dairymen. It takes a lot of capital to get into the dairy business in even a modest way. Farmers who were already producing manufacturing-grade milk have found that sizable added investments were required if they were to shift to Grade A production. Even so, such investments have usually proved to be self-liquidating within a reasonable period of time, particularly if made to the good-manager, hard-worker type of farmer, and if, on examination, the farm and herd indicated an adequate potential.

In looking at dairying's future in this area, it is possible to see both opportunities and problems. On balance, however, there is good reason to believe that the efficient farmers and the bankers who have developed deep faith in the basic soundness of dairying and in its ability to face and solve its problems will continue to find their confidence justified.

Fifth District News Briefs

The general manager of the textile fibers department of the Carbide and Carbon Chemicals Corporation announced on January 20 the completion of a new laboratory building in South Charleston, West Virginia for the study of synthetic fibers. The laboratory is equipped for work with films; wet, drop and melt spinning fibers; stretching, kneading, drying, cutting; evaluation in fabrics; dyeing and study of fiber properties.

The Black and Decker Manufacturing Company, maker of portable electrical tools and factory equipment, has completed a $2 million addition to its Hampstead, Maryland branch plant. Ground was broken last Spring for the new section which covers 126,000 square feet, and the size of the original plant has been more than doubled.

The Spruance plant of the Du Pont Company in Richmond, Virginia announced on January 26 that it would stop making textile rayon yarn at this plant for the present and concentrate on the production of super cordura and cordura high tenacity rayon yarn. According to the plant manager, instability of the textile rayon yarn market brought about this move and the laying off of about 300 employees. The company will still have more than 4,000 people working at the plant. The Du Pont Company announced on February 10 that it would undertake on an experimental basis the production of 10 denier nylon yarn to be shipped only to owners of 72-and 75-gauge hosiery machinery. The yarn is to be produced at the Martinsville, Virginia plant.

It is a well-known fact that the cotton textile industry has been moving South for many years and that a fair segment of the wool weaving industry has likewise come this way. It was announced on January 27 that Nichols and Company, a large processor of raw wool and a manufacturer of worsted tops, plans a $3 million plant for Johnsonville, South Carolina. The project would be the first basic wool treatment plant in the South. The plant is expected to employ over 250 persons and is the first of its type outside New England. South Carolina state officials said the plant will clear the way for Charleston to win its long-sought opportunity to become a port of entry for wool. The Providence Wool Combing Company announced on February 13 that it would liquidate its Providence, Rhode Island plant and move South to serve its customers better. About 250 jobs will be affected, presumably in both places.

A somewhat unusual notice came from Greensboro, North Carolina on January 27, when a vice president of the Mojud Company confirmed the fact that the hosiery plant there had made a wage reduction up to 10% in the mending department, affecting approximately 40% of the 900 workers. It was stated that wage scales were out of line and that the cut was merely an adjustment to community wage scales.

In early February the Baltimore and Ohio Railroad announced the rehiring of 1,500 employees throughout its 13-state system, following a layoff of 11,000 employees in December and January. Those coming back to work were chiefly employees in the repair and maintenance of locomotive freight and passenger equipment who worked in shops in Maryland, West Virginia, Pennsylvania, Ohio, and Indiana.

At the same time, the Fairchild Engine and Airplane Corporation of Hagerstown, Maryland said 1,000 workers at its Hagerstown plant would be dropped in the first week of February and another 1,000 would be laid off before the end of the month. The plant which builds C-119 flying boxcars has been employing about 9,500.

The fine chemicals division of the Pittsburg Coke and Chemical Company announced on February 1 it had acquired a 150-acre site near Spartanburg, South Carolina on which to erect a building for its fine chemicals division. Expenditure for the plant of $100,000 will house southern headquarters and sales offices and will include a service laboratory.

Despite some press forecasts to the contrary, the Newport News Shipbuilding and Dry Dock Company was, in early February, awarded a Navy contract to build the third 60,000-ton super-carrier. The company's bid of $117,750,000 was $28 million less than its nearest competitor. The keel for this vessel is expected to be laid some time this Summer. This will stimulate employment in the Newport News area for a good many months to come.

The Air Force announced cancellation of contracts held by the Glenn L. Martin Company of Baltimore for about 33 B-57 night intruder jet bombers. According to recent estimates, the Martin Company had a backlog of orders of more than $500 million and this cutback amounted to approximately $33 million.

Dan River Mills, Inc., of Danville, Virginia announced on February 4 that approximately $2,500,000 would be spent for purchase of textile machinery during 1954. Machinery valued at $1,500,000 has already been ordered, with most of the outlay scheduled for opening, picking, carding, spinning, and winding operations.

(Continued on page 12)

Business Conditions and Prospects

Fifth District business developments in January 1954 were, on balance, unfavorable in January but some signs of improvement were noted in late February. Actually, bank debits in January showed improvement over December, after seasonal correction, and were only 2% under a year ago. Construction contract awards held even with those in December and were 8% under January 1953.

Weatherwise, January was a very inclement month in the District, and undoubtedly took its toll on the trade level. February improvement, however, in the department store trade sector was sufficient to lift cumulative sales (since January 1) to a level only 2% below 1953's high performance.

Reduced industrial operations in the nation caused a further letdown in the output of bituminous coal, and coal dumpings at Newport News declined sharply over a year ago—presumably reflecting slackening export demand. Preliminary indications are that adverse developments in cigarette sales continued through January. Although consumption of cotton by the mills in the Fifth District continued to move downward during January, after seasonal correction, the District fared much better than the industry in the nation as a whole.

Insured unemployment in Fifth District states and the District of Columbia at the end of January totaled 174,200, and represented an employment decline more substantial than experienced nationally over December and a year ago. Scheduled layoffs at military establishments, announced late in January or during February, include 1,600 at the Radford, Virginia, Arsenal; 450 at the Norfolk Naval Air Station; 2,000 at Blackstone, Virginia (closing of Camp Pickett); 2,000 at Fairchild Engine and Airplane Corporation at Hagerstown, Maryland; and 500 at the Charleston, South Carolina, Navy Yard. The Newport News Shipbuilding and Dry Dock Company award to build its third 60,000-ton super carrier of the Forrestal class brought good news for shipyard workers at Newport News who otherwise were facing layoffs during the current year. Employment figures available for the Carolinas show manufacturing industries in these states to have 2.7% fewer employees than a year ago. When this figure is combined with a drop of 5.5% in hours worked from January to January, the man-hour change is down 8.8% with durable goods and nondurable goods about equally affected.

Trade

Regardless of weather conditions, trade reports for January, relative to a year ago, do not make very good reading. Sales of department stores in the District were down 8.7% but there was one less business day this year than last, and the average daily index shows a decline of 5% from last year and 9% from December, after seasonal correction.

New passenger automobile registrations in December, which ran 10% under November and 5% ahead of a year ago, may be 15% under January 1953 if a three-state average is indicative of the District as a whole. These three states show new passenger car registrations in January off 23% from December and 15% from a year ago. The year-to-year change is not greatly different from the figure reported for thirteen states thus far.

Forty-nine furniture stores of the District reporting by late February showed January sales off 14% from a year ago. Wholesalers' sales of the District were fairly slow during January with all lines showing declines from December after seasonal correction with the exception of automotive supplies, which rose 1%. Other lines were down from 4% for drugs and groceries to 36% for dry goods. Relative to a year ago, wholesalers' sales of automotive supplies were even, though paper products were up 19%.

Textiles

Business continued at a reduced rate in the cotton textile industry well into February, though some small improvement has taken place in sales of both goods and yarns. Ordinarily, the industry in February would increase its operations in the neighborhood of 2% or 3%. The improvement is about in line with seasonal expectations. This trend may be viewed with some optimism for, if a seasonal rise is taking place, it may indicate the industry's decline is largely spent. More time must pass, however, before this can be demonstrated.

In January, average daily (seasonally adjusted) consumption of cotton by mills of the Fifth District was down 3% from December and 2% under January 1953. This is a much better performance than occurred throughout the industry as a whole, when the January decline was 6% from a year ago. The portion of the industry outside the Fifth District was off 10.4%.

Figures are not yet available on January rayon and acetate shipments, but based on conditions in the weaving industry, this business is apparently undergoing further contraction. Layoffs at several rayon, acetate and other synthetic fiber plants were scheduled for February.

Man-hours of labor in textile mill products industries in the Carolinas in January were down 11.7% from a year ago, with yarn and thread mills down 18.6% and broad woven fabric mills down 10.6%. Apparel industries were in a considerably stronger position in January, with January man-hours in these states down only 3.6% from a year ago.

Construction

Total construction contracts in the Fifth District in January declined 8% from December, exactly the normal seasonal decline. This left the seasonally adjusted level of contract awards even with December but 8% under January 1953. Residential construction contract awards in January were 12% higher than a year ago, largely because of an increase of 20% in awards for one- and two-family houses. Other types of residential construction were below last year. Nonresidential construction contract awards in January were 14% under January last year, but commercial awards were up 13% and educational up 22%, while awards for factory buildings were down 68% and other nonresidential awards down 18%. Awards for public works and utilities in January were 25% under last year.

The financial climate for the construction industry has warmed up, compared with last year, and is favorable to continued high-level activity. Both builders and lenders report that mortgage money is freely available and that financing terms continue to ease. The only question now regarding continued high residential building is whether, in view of the current economic situation, potential buyers of houses will be willing to make commitments. There is good reason to expect that commercial construction will move along at a high level, and certainly the more favorable financing in the state and municipal market is conducive to expansion of much needed school buildings. Question can be raised, however, about further construction of new factory buildings or extensions at currently reduced operating levels. The substantial decline in public works and utility awards in January was surprising, though this may prove to be a temporary situation.

Banking

Banking sentiment does not appear to be bearish, which is not surprising in view of the loan-deposit situation. Loans of all member banks in the Fifth District on January 27 were 1.7% below December 30, 1953, but 5.5% ahead of January 28, 1953. Last year the December-to-January decline was 1.3% and the year before 1.5%. Deposits of all member banks on January 27 were but 2% under those on December 30, and actually about 1% ahead of a year ago. The deposit gain from a year ago ($57 million) was caused, however, by rises of $108 million in time deposits and $11 million in interbank deposits, offset in part by a loss of $62 million in other demand deposits. Member bank borrowings on January 27 of $53 million were down 7% from December and 45% under a year ago.

Farm Prices and Livestock Inventory

The farm price situation improved moderately from December to January in all states of the District except Maryland. Maryland prices held at the same level as in December as declines in dairy and poultry products offset rises in meats, fruits, and grains. Relative to January 1953, farm prices in January this year were down 12% in Maryland, 10% in Virginia, 11% in West Virginia, 4% in North Carolina, and 3% in South Carolina. Coupled with last year's wide-spread drought, which lowered crop yields, these declines have taken a toll of farm purchasing power and provided another hurdle for the District economy.

According to the annual livestock inventory of January 1, 1954, cattle numbers on Fifth District farms were up slightly from a year earlier and hog numbers were down sharply.

Inventories of cattle and calves followed the national trend and leveled off somewhat, showing only a 2% increase during 1953. The 4,025,000 head of cattle and calves is the largest on record for the District and marks the sixth successive year in which cattle numbers have risen since the low point of 3,043,000 in 1948.

The number of cows two years old and over was 6% larger than last year, with beef cows increasing more rapidly than dairy cows. A 9% drop occurred in steer numbers, and beef calves were 4% fewer. These data would indicate, therefore, that farmers in the District are still adding to their breeding herds.

Hog numbers were sharply below last year's level, the District decline being some 16% against 11% nationally. On January 1 the hog total was 2,506,000, roughly 500,000 head fewer than the year before, and the smallest January 1 number since 1936.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Jan. 1954	Dec. 1953	Jan. 1953	% Chg.— Latest Mo. Prev. Mo.	Yr. Ago.
New Passenger Cars*	.....	194	185	—10	+ 5
Bank Debits	476	471	467	+ 1	+ 2
Bituminous Coal Production	112	115	123	— 3	— 9
Construction Contracts	468	470	511	0	— 8
Business Failures—No.	57	73	43	—22	+33
Cigarette Production	.....	253	237	+ 5	— 2
Cotton Spindle Hours	152	148	157	+ 3	— 3
Department Store Sales**	109	121	116	—10	— 6
Electric Power Production	.....	424	395	0	+ 4
Manufacturing Employment*	.....	156	158	— 1	— 3
Retail Furniture: Net Sales**	95	100	107	— 5	—11
Life Insurance Sales	327	435	337	—25	— 3

* Not seasonally adjusted.

** 1947-1949=100.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in Jan. 1954 compared with Jan. 1953	Dec. 1953	Stocks on Jan. 31, 1953 compared with Jan. 31, 1953	Dec. 31, 1953
Auto supplies (9)	—11	—11	+ 7	+ 2
Electrical goods (5)	—20	—31	+26	+ 6
Hardware (17)	—17	— 5	+ 6	+ 4
Industrial supplies (11)	—12	—13	+ 1	+ 4
Drugs and sundries (9)	—14	— 1	+ 3	+ 1
Dry goods (13)	—14	—16	+ 2	+20
Groceries (40)	— 1	— 1	+ 4	+10
Paper and its products (4)	— 3	+ 5	.....	.....
Tobacco products (9)	—10	—23	+ 6	+ 3
Miscellaneous (87)	—10	—12	0	— 4
District total (204)	—10	—10	+ 3	+ 3

Number of reporting firms in parentheses.
Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Jan. '54 vs Jan. '53	— 6.0	— 6.6	— 8.2	—11.5	— 8.8
Sales 12 Mos. ending Jan. 31, '54 vs 12 Mos. ending Jan. 31, '53	— 0.3	— 2.9	— 2.6	— 1.0	— 1.1
Stocks, Jan. 31, '54 vs '53	— 4.1	—10.6	— 5.1	— 3.6	— 6.2
Outstanding orders Jan. 31, '54 vs '53	—21.5	— 9.2	—20.8	—17.5	—17.0
Open account receivables Jan. 1 collected in Jan. 1954	31.4	46.4	40.5	39.1	39.9
Instalment receivables Jan. 1 collected in Jan. 1954	.....	13.1	12.1	14.6	12.8

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Jan. '54 vs Jan. '53	—6.9	—8.2	—10.0	—9.2	—12.2	—6.0

BUILDING PERMIT FIGURES

	January 1954	January 1953
Maryland		
Baltimore	$ 8,587,205	$ 5,249,825
Cumberland	13,650	16,950
Frederick	12,050	92,450
Hagerstown	146,685	49,115
Salisbury	167,520	80,180
Virginia		
Danville	89,170	724,926
Hopewell	88,520	198,600
Lynchburg	162,006	339,641
Newport News	58,813	116,015
Norfolk	1,398,696	948,340
Petersburg	161,300	60,500
Portsmouth	326,190	276,385
Richmond	1,398,896	944,485
Roanoke	852,770	608,798
Staunton	104,075	55,500
West Virginia		
Charleston	254,709	334,302
Clarksburg	59,690	94,500
Huntington	159,245	220,665
North Carolina		
Asheville	202,403	128,893
Charlotte	1,643,438	4,560,776
Durham	454,134	1,279,376
Greensboro	629,917	1,212,914
High Point	165,240	591,855
Raleigh	1,730,542	1,437,060
Rocky Mount	311,155	183,879
Salisbury	73,165	63,975
Wilson	208,450	134,640
Winston-Salem	206,640	500,621
South Carolina		
Charleston	122,444	200,225
Columbia	521,519	530,845
Greenville	979,755	619,500
Spartanburg	48,075	98,315
Dist of Columbia		
Washington	2,943,675	2,925,067
District Totals	$24,281,742	$24,879,118

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in period named with sales in same period in 1953 — Jan. 1954
Maryland (6)	—10
Dist. of Col. (7)	—24
Virginia (21)	—16
West Virginia (10)	—18
North Carolina (13)	—18
South Carolina (6)	+ 5
District (63)	—18
INDIVIDUAL CITIES	
Baltimore, Md. (6)	—10
Washington, D. C. (7)	—24
Richmond, Va. (10)	—17
Charleston, W. Va. (3)	— 7

Number of reporting firms in parentheses.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	January 1954	January 1953
Dist of Columbia		
Washington	$ 1,096,985	$ 1,016,054
Maryland		
Baltimore	1,380,917	1,368,472
Cumberland	21,930	27,610
Frederick	20,491	22,789
Hagerstown	37,029	37,308
North Carolina		
Asheville	62,845	66,664
Charlotte	340,203	376,787
Durham	85,286	87,870
Greensboro	115,253	120,970
High Point	42,163**	NA
Kinston	22,309	23,217
Raleigh	187,394	226,089
Wilmington	45,993	48,910
Wilson	20,121	20,242
Winston-Salem	151,581	147,942
South Carolina		
Charleston	72,559	88,867
Columbia	166,162	158,825
Greenville	107,358	116,921
Spartanburg	67,465	72,181
Virginia		
Charlottesville	29,877	24,580
Danville	40,977	43,404
Lynchburg	48,555	50,266
Newport News	43,814	52,269
Norfolk	248,517	254,155
Portsmouth	31,088	29,914
Richmond	567,308	612,209
Roanoke	112,370	123,574
West Virginia		
Bluefield	44,391	49,051
Charleston	199,749	183,215
Clarksburg	38,962	40,888
Huntington	76,401	81,227
Parkersburg	30,875	31,121
District totals	$ 5,514,765	$ 5,603,591

* Interbank and U. S. Government accounts excluded.
** Not included in District totals.
NA Not Available.

50 REPORTING MEMBER BANKS

(000 omitted)

Items	Feb. 17, 1954	Change in Amount from Jan. 20, 1954	Change in Amount from Feb. 18, 1953
Total Loans	$1,375,166**	— 17,151	+ 40,610
Bus. & Agric.	626,589	— 6,074	+ 20,432
Real Estate Loans	265,744	+ 1,138	+ 5,468
All Other Loans	500,068	— 12,122	+ 15,870
Total Security Holdings	1,822,436	+ 8,604	— 19,732
U. S. Treasury Bills	187,324	+ 7,841	— 62,377
U. S. Treasury Certificates	227,138	— 22,321	+ 91,573
U. S. Treasury Notes	238,854	— 52,177	— 48,407
U. S. Treasury Bonds	935,489	+ 71,120	— 5,431
Other Bonds, Stocks & Secur.	233,631	+ 4,141	+ 4,910
Cash Items in Process of Col.	286,860	+ 22,234	+ 4,259
Due From Banks	169,890*	— 28,010	— 11,410
Currency and Coin	74,916	— 5,051	— 3,113
Reserve with F. R. Banks	527,754	— 28,166	— 36,086
Other Assets	62,280	+ 2,083	+ 4,779
Total Assets	4,319,302	— 45,457	— 20,693
Total Demand Deposits	3,265,317	— 60,605	— 51,888
Deposits of Individuals	2,414,010	— 87,140	— 9,535
Deposits of U. S. Government	127,536	+ 34,590	— 42,539
Deposits of State & Local Gov.	202,323	+ 15,934	+ 19,574
Deposits of Banks	456,841*	— 25,164	— 20,481
Certified & Officers' Checks	64,607	+ 1,175	+ 1,093
Total Time Deposits	689,038	— 1,981	+ 28,930
Deposits of Individuals	618,583	+ 5,318	+ 36,512
Other Time Deposits	70,455	— 7,299	— 7,582
Liabilities for Borrowed Money	32,200	+ 11,100	— 18,550
All Other Liabilities	46,465	+ 1,977	+ 1,560
Capital Accounts	286,282	+ 4,052	+ 19,255
Total Liabilities	$4,319,302	— 45,457	— 20,693

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

Fifth District News Briefs

(Continued from page 8)

Springs Cotton Mills of Lancaster, South Carolina has ordered $5 million worth of new textile machinery and equipment to be installed during 1954. The company is also considering a new unit for nylon-tricot sheets and pillowcases. Besides the tricot plant, Springs Mills has under consideration two new warehouses, another basement, swimming pool, and an addition to two golf clubhouses. Plans have been completed for a dam and a large lake near the Ft. Mill plant.

The Gastonia, North Carolina, plant of Firestone Textiles will substantially expand its rayon tire cord production during the next six months, it was announced on February 11. A 12,500 square-foot addition is being built to the Gastonia plant, which currently employs 2,700 workers. The Gastonia plant will take up the work being discontinued at the American Viscose Plant in Roanoke, Virginia, where Firestone is terminating its plant lease agreement. Cotton production employees at the Gastonia plant have been working a five-day week and rayon employees a four-day week. The expansion of rayon production will mean the resumption of the regular five-day week for employees in the rayon tire cord department.