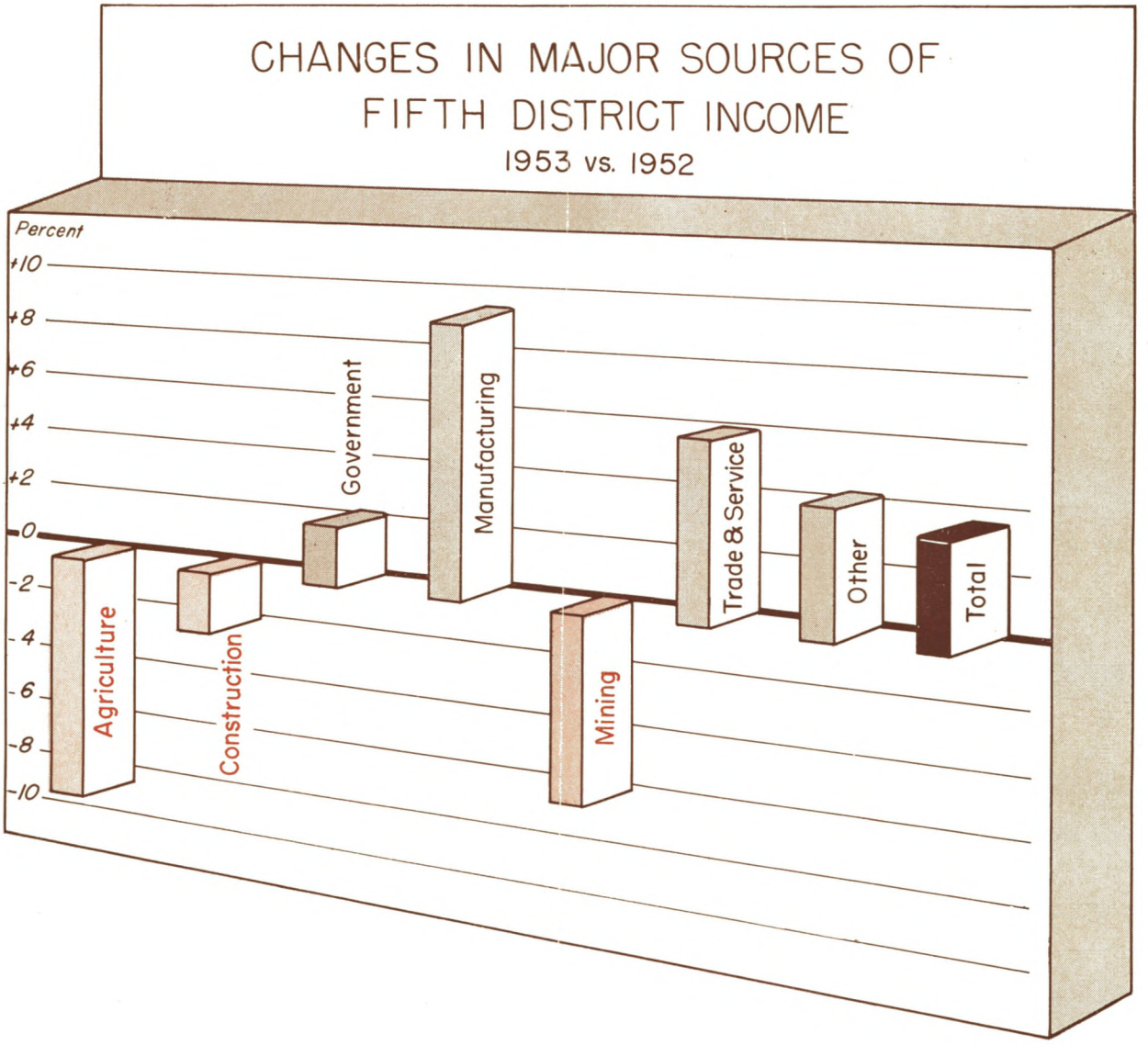
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

October 1954

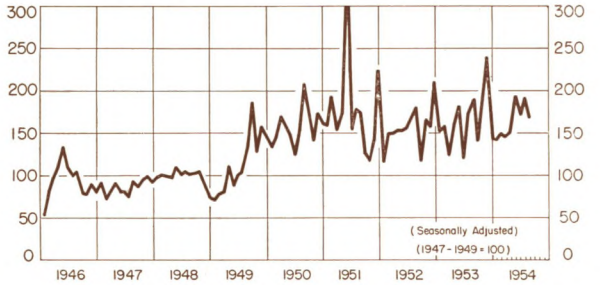


Income payments in the Fifth District established a new high level in 1953 with all states and the District of Columbia showing increases. This was due mainly to gains in manufacturing payrolls and in trade and service industries. Income losses from the previous year occurred in agriculture, construction, and mining, as the above chart shows, and the article beginning on page 3 discusses in some detail.

Also In This Issue - - -

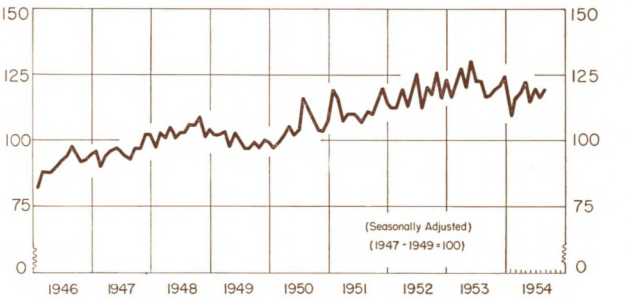
FIFTH DISTRICT TRENDS

TOTAL CONSTRUCTION CONTRACT AWARDS



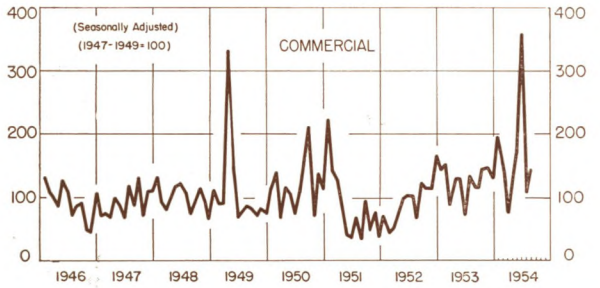
Owing to sizable declines in contracts for school buildings and public works and utilities awards, total construction contract awards, seasonally adjusted, in August declined 12% from July and were also 12% lower than August a year ago. In the first five months of 1954, however, contract awards for all types of building were up 5% from a year ago.

DEPARTMENT STORE SALES



Department store sales, average daily seasonally adjusted, rose 3% from July to August and thus recovered the loss recorded between June and July. The August level of sales this year was 3% higher than last, but accumulated total sales for eight months were down 4% from last year.

CONSTRUCTION CONTRACT AWARDS

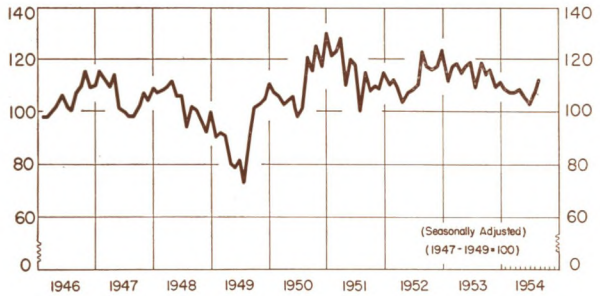


Commercial construction contract awards rose 35%, seasonally adjusted, from July to August, and stood 25% ahead of a year ago. Although the August adjusted level is considerably below earlier months this year, the accumulated total for eight months is up 37% from last year.

ELECTRIC POWER PRODUCTION

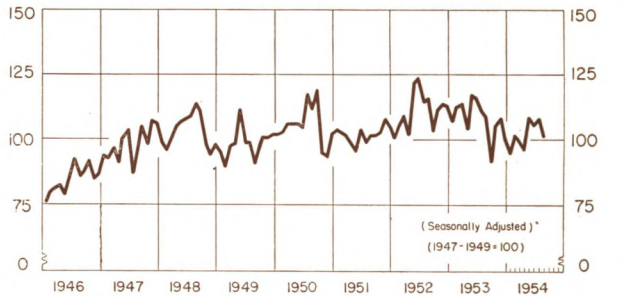
Production of electric power in the District dropped 2% from June to July (latest figure) and July was, in turn, 2% lower than July 1953. Accumulated total production for eight months was 2% larger than the year ago figure, but the seasonally adjusted index has been in a moderate downward trend since last Fall.

COTTON CONSUMPTION



Cotton consumption in July rose from June after seasonal correction; it rose 6% further from July to August to the best level of 1954 thus far. But even with this rise, the August consumption level was 5% smaller than August last year, and the accumulated total for the first eight months of the year was down 7% from a year ago.

RETAIL FURNITURE STORES NET SALES



The improved level of furniture store sales which had prevailed from May through July this year was not maintained in August. August sales (seasonally adjusted) dropped 6% from July to a level 7% under August last year and near the lowest level of 1954. In the first eight months of this year accumulated sales were down 8% from last year.

Income Payments

1953 was a good year in the Fifth Federal Reserve District and income payments to individuals in the District totaled $20,759 million, a gain of $676 million or 4% over 1952. The increase during the year, however, was not quite up to the record for the nation as a whole where income payments rose 6% over 1952.

Due to the smaller rise in income in the Fifth District, the proportion of the national total fell from 7.82% in 1952 to 7.67% in 1953. This incidentally, is the District's smallest proportion of the national total since 1949 when it was 7.66%. It also compares with a peak proportion of the national total of 7.97% in 1942, with 7.34% in 1939, 6.84% in 1932, and 5.96% in 1929.

Outstanding contributors to the District's rising income were payrolls in manufacturing industries which totaled $4,260 million in 1953 and were 9.1% above 1952. Other sources of strength in the District's economy were in the trade sector where income payments amounted to $5,074 million, a gain of 5.8% during the year. Gains in income payments by state and local governments were more than sufficient to offset declines at the Federal level, totaling $4,848 million in 1953 or 2.1% more than in 1952.

Income payments from agriculture, mining, and construction contributed sour notes to the economic performance. Agricultural payments at $1,274 million in 1953 were off 8.7% from 1952. Income payments from the mining industry amounting to $510 million in 1953 were 6.3% smaller than in 1952, while construction income payments of $934 million were 2.1%.

Nonclassified sources of income payments in 1953 amounted to $3,859 million and were 4.1% higher than a year earlier.

Per capita income payments in the Fifth District during 1953 averaged $1,361, a gain of $35 or 2.6% over 1952. Per capita income in the District, however, fell to 79.6% of the national average compared with 80.7% in 1952.

Of the $20,759 million of income payments in the District in 1953, $14,809 million came from wages and salaries (71.3% of the total), $2,920 million (14.1% of the total) came from proprietors, $1,813 million (8.7% of the total) was derived from property, and $1,217 million (5.9% of the total) came from unclassified sources. The proportion of wages and salaries, property income, and other income rose slightly from 1952 to 1953 at the expense of proprietors' income. This was no doubt due to the sharp decline in farm income.

That there still remains vast room for improvement is shown by the rank of Fifth District states among the states of the nation in total income payments. North Carolina 16, Virginia 18, Maryland 19, District of Columbia 29, West Virginia 30, and South Carolina 31.

A somewhat different ranking is found in per capita income payments for the Fifth District states. In 1953 the District of Columbia ranked 5th, Maryland 12th, Virginia 36th, West Virginia 40th, North Carolina 45th, and South Carolina 46th.

Perspective can be gained in the relative rates of growth in the District and the nation if 1953 is compared with 1929 or approximately a generation ago. In this 24-year period, the combination of growth in the economy and rising prices caused income payments in the nation to rise 227.5%. In the same period, income payments in the Fifth District rose 321.2% with every state of the District showing larger increases than the nation with the exception of West Virginia.

The largest growth in income payments between 1929 and 1953 in the Fifth District occurred in South Carolina, where the gain was 448.6%.

North Carolina showed a growth in this 24-year period of 376.1%, second largest rise of any state in the District. Virginia was the only other state in the District which more than quadrupled its income payments in the period, with a gain of 347.1%.

Income payments in Maryland between 1929 and 1953 rose 298% compared with 321.2% for the District and 227.5% for the nation.

The rise in income payments in the District of Columbia between 1929 and 1953 was 292.9%, somewhat less than either Fifth District or nation.

Income payments in West Virginia rose 207.1% from 1929 to 1953, the smallest increase in the District.

TOTAL INCOME PAYMENTS TO INDIVIDUALS

(Millions of dollars)

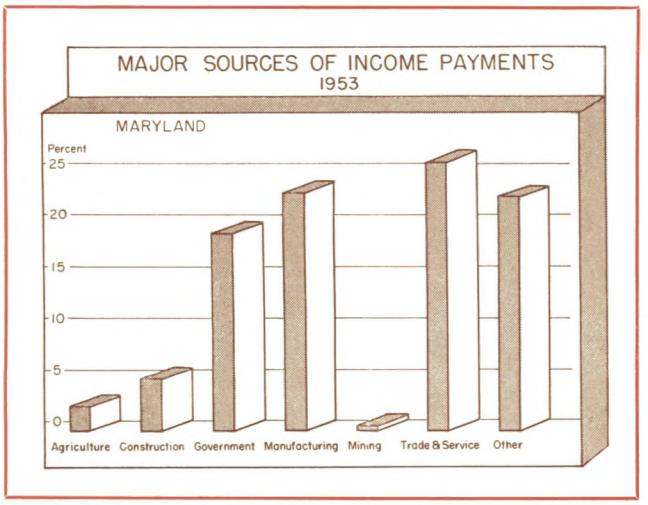
	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
Maryland	2,033	2,449	2,577	2,539	2,723	2,851	3,065	3,070	3,420	3,867	4,144	4,402
District of Columbia	1,260	1,456	1,518	1,617	1,727	1,743	1,825	1,891	2,093	2,305	2,416	2,507
Virginia	2,133	2,457	2,646	2,679	2,834	2,980	3,247	3,230	3,551	4,073	4,340	4,413
West Virginia	1,094	1,253	1,381	1,497	1,642	1,890	2,094	1,943	2,115	2,340	2,414	2,435
North Carolina	1,872	2,270	2,536	2,651	3,012	3,223	3,446	3,361	3,859	4,290	4,404	4,599
South Carolina	956	1,153	1,291	1,319	1,420	1,508	1,681	1,586	1,763	2,128	2,365	2,403
Total	9,348	11,038	11,949	12,302	13,358	14,195	15,358	15,081	16,801	19,003	20,083	20,759

Source: "Survey of Current Business," U. S. Department of Commerce, Office of Business Economics, August 1954.

Maryland

Maryland showed the largest increase of any of the District states in income payments between 1952 and 1953. Its gain of 6% was equal to that of the United States as a whole. Income payments originating in Maryland during 1953 amounted to $4,402,000,000 and were exceeded in this District only by Virginia and North Carolina.

Accounting for Maryland's better than average performance was a larger rise in manufacturing payrolls, better performance in construction, and a smaller decline in farm income. Manufacturing payrolls in Maryland rose 12% from 1952 to 1953 compared with a 9% gain in the District and 11% in the United States. Income from trade and service showed the same gain as the District and the nation. Income payments derived from construction rose 1% in Maryland during 1953 whereas the District showed a drop of 2% and the United States a gain of 4%.



Income payments originating from governments in Maryland was 4% higher in 1953 than in 1952 compared with gains of 2% in the District and 5% in the United States. Income payments in agriculture were down 4% in Maryland in 1953 compared with a District decline of 9% and a national decline of 12%. Income payments derived from mining were off 2% in Maryland, declined 6% in the District, but rose 2% in the United States. Unclassified sources of income in Maryland rose 4%, the same as in the District but less than the 6% gain in the nation.

Maryland accounted for 1.63% of national income payments in 1953 compared with 1.62% in 1952, 1.52% in 1939, 1.57% in 1932, and 1.34% in 1929.

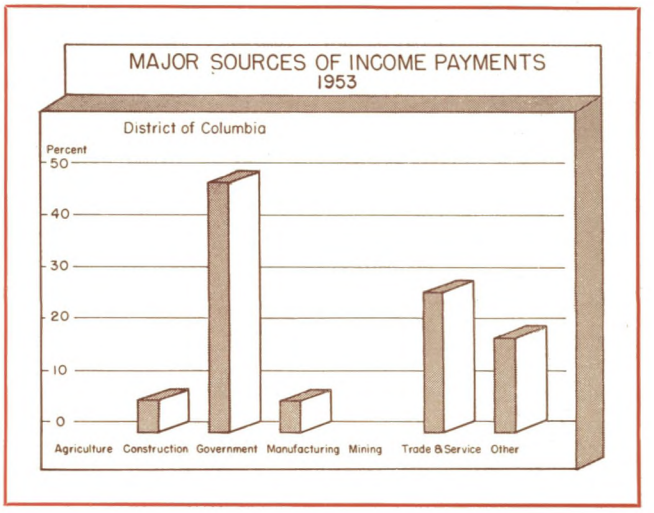
Per capita income payments in Maryland during 1953 were $1,857, a gain of $103 or 5.9% over 1952. Per capita income in 1953 was 8.7% above the national level compared with 6.7% above in 1952.

District of Columbia

Income payments in the District of Columbia during 1953 totaled $2,507,000,000 an increase of $91,000,000 or 4% over 1952. This increase was the same as that shown for the Fifth Federal Reserve District but smaller than the 6% gain for the nation.

In 1953, 48.3% of the total income payments in the District of Columbia originated from government sources and in spite of the cutback in employment of the Federal Government, income payments from government increased 4% in 1953 compared with 1952. Manufacturing activity, of little consequence in the District of Columbia, accounted for only 3.1% of income payments but rose 5% between 1952 and 1953. This compares with an increase of 9% in the District and 11% in the nation. Income payments derived from trade and service industries in the District of Columbia, and accounting for 27.2% of total income payments, rose 3% in 1953 over 1952. This compares with a 6% gain both in the Fifth District and in the nation. Income payments contributed by the construction industry during 1953 were 1% smaller than in 1952 while unclassified sources of income rose 6% compared with a rise of 4% in the Fifth District and 6% in the nation.

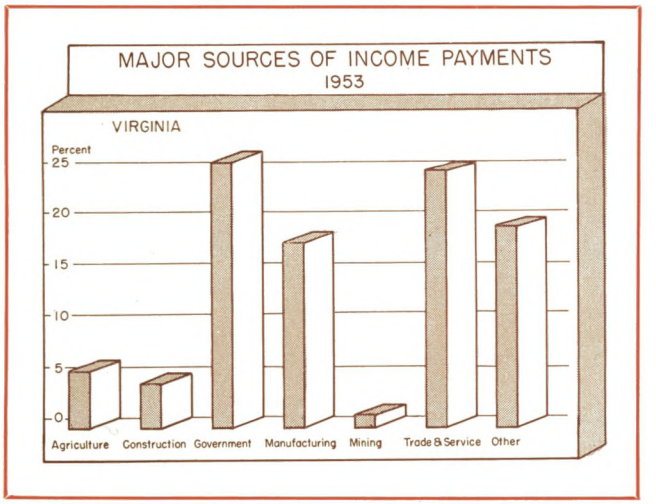
Per capita income payments to residents of the District of Columbia were $2,109 in 1953, a decline of $26 or 1.2%. This decline was due to a larger amount of income originating in Washington being paid out to residents in the states of Virginia and Maryland and to an increase of 1.2% in the population. Per capita income payments of District of Columbia residents were 23.4% higher than the national average in 1953 compared with 29.9% higher in 1952. The highest average per capita income on record for the District of Columbia was 1951's $2,136.



Virginia

Income payments of $4,413,000,000 in the state of Virginia during 1953, an all-time high record, were 2% over 1952, but this increase was less than the Fifth District or the national gain.

Principal reasons for the smaller increase in Virginia than in the District can be attributed mainly to agricultural and mining industries and to a somewhat smaller gain in manufacturing payrolls. Agricultural income payments in Virginia, due in large part to drought, dropped 22% in 1953 from 1952.



Income payments received from governments in 1953 slipped 1% in Virginia compared with a District rise of 2% and a national rise of 5%. Manufacturing payrolls in Virginia were up 7% while Fifth District payrolls rose 9% and national payrolls 11% in this period. Income payments in the trade and service industries in Virginia increased 6% from 1952 to 1953—the same increase shown for the District and the nation. Virginia construction payrolls eased off 1% from 1952, while they fell 2% in the District and rose 4% in the nation.

Virginia payrolls in mining industries, due to adverse conditions in bituminous coal, were off 10% in 1953 compared with a 6% decline in the District and a 2% gain in the nation. Unclassified sources of income payments in Virginia in 1953 were 5% larger than in 1952, a somewhat better showing than the 4% increase in the Fifth District.

Per capita income payments in Virginia during 1953 were $1,361, a gain of $23 or 1.7% over 1952. More than 60% of the increase in income payments available for per capita calculation came from larger allocations of income originating in the District of Columbia to Virginia residents.

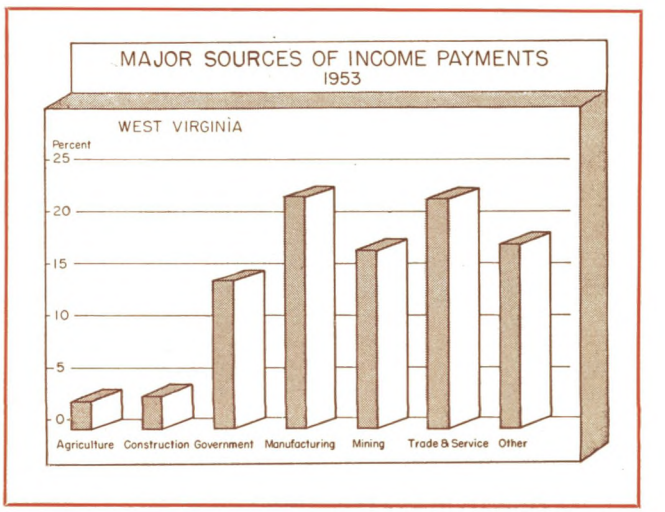
West Virginia

1953 was not a particularly good year in the West Virginia economy, but it was better than in four other states of the nation which showed losses from 1952 to 1953 and better than three states which were even with 1952. Income payments in West Virginia during 1953 totaled $2,435,000,000 a 1% gain over 1952. This was the smallest increase shown in the Fifth District, but very little smaller than that shown in Virginia and South Carolina.

West Virginia's $21,000,000 gain in income payments was the result of gains in manufacturing payrolls, in trade and service income, in construction payrolls and unclassified payments which were in part offset by declines in government income payments in mining payrolls and in agricultural income. The latter dropped 19% from 1952 to 1953.

West Virginia is least affected of the five District states by government income, but the decline between 1952 and 1953 was responsible for a reduction of $35,000,000 in income payments. Mining payrolls in the state were off 7% or $29,000,000 in 1953. Manufacturing payrolls in the state rose 9% or $49,000,000 from 1952 to 1953, the same percentage gains as in the District. Trade and service income in the state rose 6% or $32,000,000 during 1953, the same rate of gain as in the District and the nation. Construction payrolls increased 21% or $17,000,000 from 1952 to 1953, a percentage gain exceeded by only one other state in the Union.

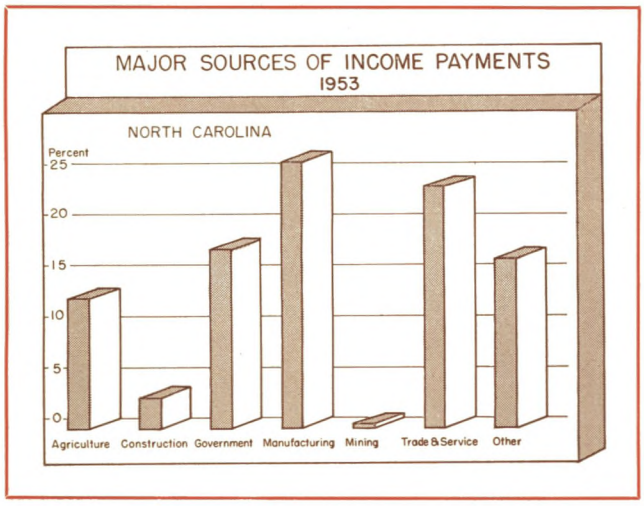
Per capita income payments in West Virginia in 1953 were $1,257, an increase of 1.9% over 1952. This was a larger gain than shown in total income payments due to a decrease of 1.1% in population. West Virginia's per capita income declined from 75.0% of the national average in 1952 to 73.6% in 1953.



North Carolina

North Carolina income payments in 1953 totaled $4,599,000,000, a gain of $195,000,000 or 4% over 1952, the same rate of increase as in the Fifth District but smaller than the national rise of 6%.

Contributing toward increased income payments in North Carolina between 1952 and 1953 were government ($57,000,000), manufacturing ($72,000,000), trade and services establishments ($65,000,000). Offsetting these increases in part were farm income, down $41,000,000 and construction payrolls, down $3,000,000. The Old North State showed the largest increase (7%) in government income payments of any state in the District, a gain comparing with 2% for the District and 5% for the nation. North Carolina's manufacturing payrolls increased 6% during 1953, the smallest gain for any state of the District, not counting the District of Columbia. The 6% increase in manufacturing payrolls compares with a gain of 9% in the Fifth District and 11% in the nation.



Income payments per capita in North Carolina were $1,097 in 1953, a gain of $39 or 3.7% over 1952. The increase in per capita income in North Carolina was only slightly smaller than in the nation and as a consequence the state's per capita income was 64.2% of the national average in 1953 compared with 64.4% in 1952.

North Carolina accounted for 1.70% of total national income payments in 1953 compared with 1.72% in 1952 and a peak proportion of 1.77% in both 1950 and 1951. Other comparisons are: 1939, 1.55%; 1932, 1.21%; 1929, 1.17%.

South Carolina

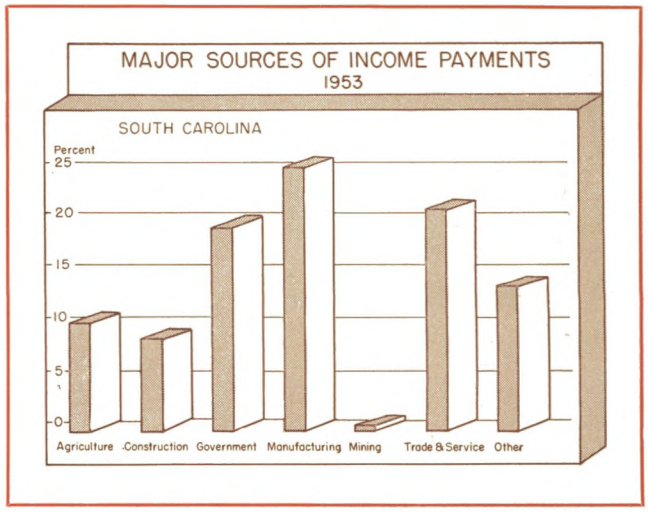
South Carolina income payments in 1953 totaled $2,403,000,000, a gain of $38,000,000 or 2% over 1952.

Factors contributing to increased income between 1952 and 1953 in South Carolina were: government, up $5,000,000; manufacturing, up $49,000,000; trade and service, up $26,000,000. Offsets were a slight decline ($8,000,000) in agricultural income and a sharper one ($38,000,000) in construction. The decline in construction payrolls was due to the tapering off of construction at the Savannah River atomic energy project.

South Carolina's decline in farm income was 3%, puny compared with declines of 9% for the District and 12% for the United States. Government income payments were 1% higher in 1953 than in 1952 compared with a 2% gain in the Fifth District and a 5% gain in the nation. Manufacturing payrolls during 1953 rose 8% compared with a gain of 9% in the Fifth District and 11% in the nation. Income from trade and service industries in South Carolina rose 5% in 1953 as against 6% in the District and 6% in the nation. Unclassified sources of income in the state rose 4%, the same as in the District, but less than the 6% increase in the nation.

South Carolina's per capita income in 1953 was $1,095, an increase of $7 or 0.6% over 1952. This gain was considerably smaller than that shown in the nation, and South Carolina's percentage of the national average dropped from 66.2% in 1952 to 64.1% in 1953. The state's per capita income in 1952 had risen above that of North Carolina owing to increased construction activity on the atomic energy project.

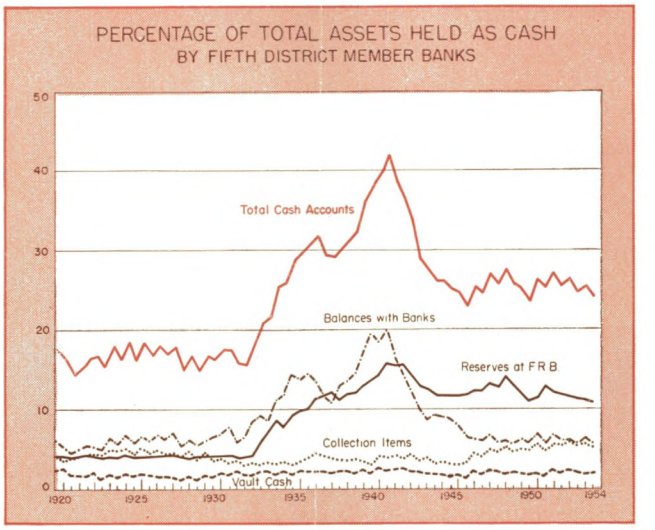
South Carolina accounted for .88% of the total income payments in the nation during 1953 compared with .92% in 1952 which was the peak proportion for this state. In 1939 the state's contribution was .70% of the national total, in 1932, .55% and in 1929, .53%.



Cash At Work

FIFTH District member banks had $1,721,000,000 in cash accounts at mid-1954. If they could keep this vast amount of funds invested during the year, say at 3% per annum, it would yield a gross income of nearly $52 million—enough to pay about a third of their total operating expenses.

Why should bankers forego earnings of this magnitude to say nothing of the implied economic waste in carrying "idle" cash? The immediate answer is a compelling one: They could not stay in business if they did not maintain these nonearning funds. Banks are among the very few kinds of corporations with liabilities that range from ten to twenty times the amount of the owners' equity. They are the only corporations with an overwhelming proportion of their liabilities payable on request. This constitutes the art of banking: How can assets be arranged so that the bank can at all times meet the demands of its creditors (depositors) while at the same time earning a satisfactory profit? This is an art because the highest earning assets are generally more risky and less liquid than assets yielding a smaller return. Beyond a certain point higher earnings are obtained at the expense of liquidity and safety.



The alert bank administrator will sacrifice neither safety nor liquidity for earnings—he knows that long-run profitability rests on the confidence he gives to his depositors through the management of his bank. But neither will he knowingly permit unnecessarily idle funds to lie in his vaults or his bank accounts. He will constantly campaign to find idle dollars and to put them to some profitable employment. Unfortunately, finding such dollars is not as simple as it seems.

Precisely how much cash does a bank need? Part of the answer rests on the over-all liquidity needs of the particular institution which are not based on cash alone but rather on the availability of cash under both normal and abnormal conditions. This means that the secondary reserve of the bank (earning assets readily convertible into cash without significant loss) must be adequately managed to provide a source of funds which will, when need arises, supplement both cash on hand and that being realized from maturing assets. To reduce cash accounts to a minimum, the secondary reserve policy must be enlightened and well-executed. Indeed all segments of the bank's operations must be coordinated if maximum benefit is to be derived from each.

The second part of the answer to our question rests on the various kinds of cash accounts a bank must maintain. There are four principal classes of cash accounts: cash in vault, reserve with Federal Reserve Bank, balances with other banks, and cash items in process of collection. The over-all level of cash needed is simply the sum of the amounts needed in each of these categories, and each is subject to a different set of influences.

Every bank has characteristics peculiar to its own policies, its deposit structure, and the economic environment in which it operates. Nevertheless, there are some general principles which apply in all cases and within which individual banks can and do operate to advantage.

Cash needs of commercial banks today arise principally from two sources: (1) to meet the demands of deposit customers, both savings and demand, and (2) to meet legal requirements for cash reserves. Other needs for cash exist but invariably they can be traced back to one of these two basic needs.

Reserve Balances

For member banks of the Federal Reserve System, reserve requirements are stated as percentages of time deposits and of net demand deposits (gross demand deposits less balances due from other banks and cash items in process of collection). The reserve requirement is figured on average daily net deposit balances over weekly periods for central reserve and reserve city member banks and over semimonthly periods for all other member banks. By the end of the reserve computation period, therefore, the bank administrator must have arranged his account so that, on the average, his reserve balance was equal to or greater than the legal requirement.

The reserve account of a member bank at its Reserve Bank is rarely static. Numerous payments are made to and from the account every day. One of the principal uses of the account is in the settlement of local and out-of-town collection items. Checks drawn by a bank's customers may be presented by other banks through the Federal Reserve System for collection. Conversely,

checks deposited by the bank's customers may be sent for collection to the Reserve Bank, the proceeds of the collection being credited to the bank's reserve account. The bank administrator must be constantly ready to meet these fluctuations in his account while at the same time maintaining a reserve position which, averaged over the reserve period, will meet the legal requirements. In addition to check clearings, payments to and from the reserve account may result from bank wire transfers of funds, deposits or withdrawals of currency, transactions with the U. S. Treasury, and transactions with the Federal Reserve Bank.

The first and foremost prerequisite in the efficient handling of a bank's reserve account is, therefore, prompt and accurate knowledge of the status of the account on a day-by-day basis. This knowledge must include not only the details of transactions in the reserve account but also changes in the deposit structure of the bank. On the basis of the knowledge available, the administrator of the account must make decisions throughout the reserve computation period as to whether he has excess funds in the account which should be profitably employed elsewhere or whether he is running below his needed average and must look for funds to build up his average to the required level by the end of the period.

Bankers' Balances

Second largest of the cash accounts maintained by member commercial banks today are the balances with other commercial banks, commonly called "due from banks." Correspondent banking developed in this country long before the organization of the Federal Reserve System or even the National Banking System.

Banks maintained cash balances with other banks in order to assure their customers that bank notes issued by them would be honored at par in the larger centers.

Today, the collection of checks is still one of the reasons for maintaining correspondent bank balances but this has considerably diminished in importance with the rapid growth of the nation-wide check collection system administered by the Federal Reserve Banks. (Over $1 *trillion* in checks were handled in 1953.) However, a number of other functions have been added to this initial function of collections, and it is in the light of these functions that decisions have to be made as to exactly how much cash should be tied up in these accounts. Among the principal functions to be appraised by the bank administrator according to his own particular needs, many of which are available from correspondent banks only, are, more expert investment, credit, and administrative advice; the buying, selling, and safekeeping of securities in the larger money centers; loan participations; foreign exchange transactions; and numerous others.

Cash in Vault

The amount of cash to be kept on the bank's premises is almost entirely a matter of customer over-the-counter needs. The characteristics of customer demands based on past experience, with a suitable margin for error, together with the availability of cash replenishments will determine the general level to be maintained. A bank located in Richmond, for example, can replenish its vault cash within the hour; one located some distance away may not be able to obtain additional currency and coin until the next day.

In appraising customer cash needs the efficient banker learns much from past experience. He knows that at certain times of the year in his community, needs for cash are much greater than at other times. For example, throughout the country cash needs increase considerably just before Christmas. In the tobacco areas of the Fifth District the bankers know that their customers require more cash than usual from late Summer through the Fall of the year to handle the marketing of tobacco. In addition to these broad seasonal needs there is the periodically recurring need to meet payrolls, generally a well-established pattern in each community and one the banker quickly learns to appraise.

Cash Items in Process of Collection

The level of cash items in process of collection results entirely from customer actions—the bank has little or no control over it. The bank administrator can only recognize it, learn its patterns, and recommend the utilization of funds according to it. The most common transaction causing an increase in this account is the deposit of a check drawn on an out-of-town bank. The customer's deposit account will be increased by the amount of the check (although he may not be permitted to draw against the amount until the check is collected) and it will be added to the total of items in process of collection.

The principal way in which the bank administrator can work to reduce the level of funds in this account is through a careful analysis of the routing of checks with the purpose of reducing the amount of time the collections take. This may involve mailing schedules, correspondent relations, or fuller use of Federal Reserve facilities. Every day knocked off collection time means a better potential utilization of funds.

Conclusion

The amount of cash held by commercial banks has important meaning for the over-all level of economic activity as well as for the administration of the individual banks. Too conservative a policy with regard to cash holdings might result in the denial of many legitimate requests for bank credit from local customers. Too lax a policy might lead to disastrous loss of liquidity. Detailed attention to the cash position is essential not only for the efficient operation of the individual banks but also for the most efficient functioning of the nation's financial system.

Business Conditions and Prospects

BUSINESS indicators in the Fifth District have been following a see-saw pattern. Most lines of manufacturing activity improved in August over the seasonally low levels of July with the cotton textile industry establishing its best level of the year. The trade level was mixed with department store sales showing a better than seasonal rise and furniture store, household appliance store, and automobile sales showing declines.

Manufacturing employment in Virginia, North Carolina, and South Carolina rose from the July level to a point near the best levels of 1954 due both to improved business conditions and to seasonal factors. Construction contract awards failed to maintain the high levels of both July and August 1953, and awards for residential, educational buildings and for public works and utilities declined.

Farm income in the Fifth District in June was 4% under a year ago and farm prices in August ranged from a gain of 2% in South Carolina to a decline of 9% in West Virginia—all states showing decreases except South Carolina.

The employment situation continued to improve and insured unemployment in the District declined 45,900 or 15.4% to 142,000 between August 7 and September 4.

Banking

Deposits of all member banks on August 25 were 0.6% higher than on July 28 and 1.6% higher than August 26, 1953. The chief gain came in time deposits which were up 1.2% during the month and 8.6% during the year. Loans and investments of the member banks rose 1.7% during August and 2.4% from a year ago. Loans were up 0.4% during the month and 2.9% during the year. Holdings of Government securities rose 3.3% during the month, but were only 0.7% ahead of a year ago. Interestingly, holdings of other securities, which rose 0.1% during August, were 10.2% ahead of a year ago. Bank borrowings at the end of August were 12.3% lower than a month earlier and 56.6% below a year ago.

Between August 4 and September 22, commercial, industrial, and agricultural loans of the weekly reporting banks were up $45.4 million. Banks in North Carolina accounted for $13.6 million of this gain. Banks in Washington, D. C., accounted for $14.3 million, those in Richmond $10.7 million, and those in Baltimore $5.1 million. Decreases were shown for this period in Lynchburg and Charleston, West Virginia, and very little increase was shown elsewhere. Bank debits of the reporting banks in the District were at the same seasonally adjusted level in August as in both July and August a year ago. Reserve balances of the member banks in this District on August 25 were 5.9% smaller than a month earlier and 5.7% below a year earlier.

Agriculture

Farm income in the Fifth District during June was 9.4% smaller than a year ago compared with a national decline of 3.6%. In South Carolina the decline during the month was 14%, in Maryland 11%, in Virginia 9%, in North Carolina 6%, and in West Virginia 5%.

Farm prices in South Carolina during August were up 2.2% from a year ago but in other District states they declined, from 2.7% in North Carolina to 8.6% in West Virginia. For the remainder of the year the prospect is for somewhat poorer returns from cotton marketings and somewhat better from tobacco marketings. South Carolina, however, will probably be hurt on both scores.

Based on September 1 conditions, tobacco production in the District is estimated to be up 8.5% from last year with Maryland down 1%, Virginia up 24%, West Virginia down 6%, North Carolina up 11%, and South Carolina up 14%. District cotton production, as indicated on September 1, will amount to 890,000 bales, 23% less than a year ago, with South Carolina's crop down 30%, North Carolina's down 11%, and Virginia's very small crop of 10,000 bales down 44%.

Construction

Construction during August remained in the high area of the boom in progress ever since 1950, but the seasonally adjusted level in August was 12% under that of July and 12% under August a year ago. For the first eight months, however, contract awards were 5% larger than in the same period of 1953. Relative to a year ago, residential construction contract awards were up 46% while nonresidential awards were down 36%. The decrease in nonresidential awards from last year was due to a drop of 67% in awards for factory building, of 30% in educational building awards, and of 23% in other nonresidential awards. These were offset in part by a 25% gain in commercial construction. Public works and utilities were off 63% after seasonal correction from July and 7% below a year ago.

Trade

Dollar sales of department stores in August were at the same level as a year ago, but differences in working days raised the average daily seasonally adjusted index 3% from last year. This was the same gain shown from July to August while the accumulated figure for eight months was down 4%. Registrations of new passenger automobiles for all states of the District during July were down 16% from June and 10% under July 1953, with seven months' totals down 4%. Two states and the District of Columbia for August show a decline of 12% from July and 17% from a year ago, and a decline of 12% for the first eight months.

The improved level of District furniture store sales

which had prevailed in May, June, and July failed to hold in August. August sales, seasonally adjusted, declined 6% from July, 7% from a year ago, and the first eight months' total was down 8%. Furniture store receivables at the end of August were 3% below a year ago, and collections were down 9%, indicating some slowdown in payments. Household appliance stores continued to do fairly well. August sales of these stores (unadjusted) were down 2% from July, but stood 16% ahead of a year ago.

Gasoline consumption (adjusted) in the District during June (latest figure) was up 5% from May and 2% ahead of a year ago. For the first six months of the year, however, gasoline consumption was at the same level as a year ago.

Manufacturing

Man-hours in all manufacturing industries in the District for all states are available for July. In this month man-hours were down 9% from a year ago and 1.3% from June. Durable goods industries showed a 10.6% decline from a year ago and 1.4% from June; and nondurable goods industries showed a decline of 8.2% from a year ago and 1.4% from June.

Man-hours for North Carolina, South Carolina, and Virginia were up 3.5% in August over July, but 6.9% under August 1953. Durable goods industries registered an increase of 3.4% during the month but a decline of 5.4% during the year. Nondurable goods industries were up 4.6% during the month but declined 5.9% during the year.

Man-hours in the furniture industry rose 10.9% from July to August and were within 6.4% of August 1953. In textile mill products, man-hours during August rose 3.9% from July to a level 6.3% below a year ago. A rise of 3.2% occurred during the month and a drop of 6.6% during the year in broad-woven fabric mills. Yarn and thread mills improved their operations 2.7% during the month but were still 12.7% under a year ago, while knitting mills showed a gain of 4.0% in man-hours during August to a point just 0.9% under a year ago. Full-fashioned hosiery mill man-hours in North Carolina in August were 3.7% higher than in July and within 1.2% of a year ago. The seamless hosiery mills in North Carolina showed a rise of 7.6% during the month and a gain of 4.8% over a year ago.

Cotton consumption (average daily seasonally adjusted) continued the improvement which began in July, with August showing a gain of 6% to a level within 5% of August 1953. The adjusted consumption figures were at their best level of 1954. Spindle-hour operations (adjusted) were up 22% from July to August with the latter month 4% under a year ago. For the first eight months both cotton consumption and spindle-hour operations were 7% under a year ago. Hosiery output nationally (latest figure July) showed a rather sharp drop of 13% from the previous month and 16% under a year ago.

Apparel industries in the District improved considerably between July and August with man-hours in the three states up 6%, but August was still 5% under a year ago.

The chemical industries, on the other hand, showed a reduction of 1% in man-hours during August and were 10% under a year ago. South Carolina, however, showed the same level in August as in July and 15.7% ahead of a year ago. This was due to some improvement in acetates and to new facilities in other synthetic yarns.

Rayon and acetate shipments nationally were 4% higher in August than in July though still 7% under a year ago. Acetate filament yarn shipments were up 8% during the month and 5% ahead of a year ago, while rayon shipments declined 4.1% during the month to a level 36.2% below a year ago. Staple and tow shipments were up 12% during the month to a level 50% ahead of a year ago, with rayon up 11% and 67% for the year, and acetate up 15% during the month to a level even with last year.

FIFTH DISTRICT STATISTICAL DATA

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Aug. 1954	July 1954	Aug. 1953	% Chg.— Latest Mo. Prev. Mo.	Yr. Ago
New passenger car registration*	.....	145	146	—16	—10
Bank debits	153	153	153	0	0
Bituminous coal production*	80	70	103	+14	—22
Construction contracts	168	191	191	—12	—12
Business failures—number	228	226	196	+ 1	+16
Cigarette production	.....	97	104	— 9	— 7
Cotton spindle hours	115	94	120	+22	— 4
Department store sales	120	117r	116	+ 3	+ 3
Electric power production	.....	166	164	— 2	— 2
Manufacturing employment*	.....	103p	112	— 1	— 7
Furniture store sales	101p	108p	109	— 6	— 7
Life insurance sales	170	165	161	+ 3	+ 6

* Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in August 1954 compared with Aug. 1953	July 1954	Stocks on August 31, 1954 compared with Aug. 31, 1953	July 30, 1954
Auto supplies	+ 3	0	NA	NA
Electrical goods	—13	+ 1	—25	— 8
Hardware	— 7	— 1	—10	+ 1
Industrial supplies	— 1	— 5	— 2	0
Drugs and sundries	+ 9	+68	0	+ 3
Dry goods	NA	NA	NA	NA
Groceries	+ 2	— 4	+14	+12
Paper and its products	+94	+17	.....	.....
Tobacco products	+11	+ 8	NA	NA
Miscellaneous	+ 1	0	+ 9	+ 1
District Total	0	+ 1	— 3	+ 1

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Aug. '54 vs Aug. '53	+ 2	+ 3	+ 9	— 5	0
Sales, 8 Mos. ending Aug. 31, '54 vs 8 Mos. ending Aug. 31, '53	— 2	— 1	+ 1	— 6	— 3
Stocks, Aug 31, '54 vs '53	— 1	— 7	— 3	— 8	— 5
Outstanding orders, Aug. 31, '54 vs '53	— 8	— 1	+ 1	— 2	— 1
Open account receivables, Aug. 1, collected in Aug. '54	33.6	47.5	40.2	34.4	39.4
Instalment receivables, Aug. 1, collected in Aug. '54	10.7	14.3	15.9	16.0	14.5

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Aug. '54 vs Aug. '53	+3	+9	—1	—10	—4	—6

BUILDING PERMIT FIGURES

	Aug. 1954	Aug. 1953	8 Months 1954	8 Months 1953
Maryland				
Baltimore	$ 4,938,500	$ 3,401,770	$ 41,553,810	$ 56,386,590
Cumberland	38,450	36,125	481,925	440,290
Frederick	100,260	63,125	814,406	1,910,267
Hagerstown	530,465	237,314	2,077,846	1,891,952
Salisbury	82,450	54,600	1,192,336	848,892
Virginia				
Danville	305,055	247,179	2,041,568	2,850,019
Hopewell	679,044	997,517	1,712,391	2,868,584
Lynchburg	354,130	230,860	3,437,999	3,162,878
Newport News	113,371	101,482	2,285,394	1,560,427
Norfolk	908,062	1,914,615	10,232,872	12,037,026
Petersburg	202,850	135,250	1,539,086	1,371,050
Portsmouth	291,979	178,190	4,781,093	5,984,531
Richmond	6,702,276	1,510,768	23,012,993	13,076,043
Roanoke	1,057,619	2,471,135	8,084,364	12,250,423
Staunton	284,600	100,210	1,145,850	1,498,697
West Virginia				
Charleston	2,214,783	508,904	7,215,240	9,987,413
Clarksburg	81,434	250,605	1,637,382	1,933,586
Huntington	459,964	1,294,958	5,166,029	4,435,289
North Carolina				
Asheville	226,165	228,455	2,531,679	1,999,232
Charlotte	3,583,963	3,710,955	15,110,434	25,299,079
Durham	676,752	608,221	4,212,592	4,545,144
Greensboro	718,982	516,081	7,473,591	7,452,688
High Point	275,637	311,606	3,413,210	3,701,007
Raleigh	1,522,900	882,977	9,397,606	17,785,252
Rocky Mount	290,665	177,439	2,162,118	3,217,480
Salisbury	168,749	81,518	1,453,099	1,586,324
Wilson	253,600	240,600	2,022,800	1,520,731
Winston-Salem	1,071,269	374,920	8,548,258	5,505,402
South Carolina				
Charleston	409,744	95,233	2,311,206	3,850,608
Columbia	681,747	716,554	6,739,489	6,271,770
Greenville	711,150	317,250	5,268,210	4,195,542
Spartanburg	356,655	134,588	2,081,329	706,262
Dist. of Columbia				
Washington	3,006,868	9,998,329	38,726,482	56,364,066
District Totals	$33,300,138	$32,129,333	$229,864,687	$278,494,544

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: August 1954	8 Mos. 1954
Maryland	+ 5	— 2
Dist. of Columbia	+ 7	— 4
Virginia	— 4	— 6
West Virginia	—19	—17
North Carolina	— 6	—10
South Carolina	+ 5	— 1
District	0	— 6
INDIVIDUAL CITIES		
Baltimore, Md.	+ 5	— 2
Washington, D. C.	+ 7	— 4
Richmond, Va.	+ 6	— 7
Charleston, W. Va.	—19	—12

* Data from furniture departments of department stores as well as furniture stores.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	Aug. 1954	Aug. 1953	8 Months 1954	8 Months 1953
Dist. of Columbia				
Washington	$1,156,152	$1,100,770	$ 9,236,217	$ 8,616,916
Maryland				
Baltimore	1,379,929	1,377,278	11,448,718	11,343,431
Cumberland	25,296	22,816	188,239	203,463
Frederick	21,694	21,988	178,670	186,480
Hagerstown	34,274	35,730	286,231	300,575
Total 4 Cities	1,461,193	1,457,812	12,101,858	12,033,949
North Carolina				
Asheville	62,673	61,210	487,782	490,593
Charlotte	355,663	350,809	2,773,331	2,894,049
Durham	104,192	136,025	730,915	774,052
Greensboro	119,365	114,755	943,501	952,624
High Point**	44,155	44,846	336,403	NA
Kinston	27,024	32,591	167,260	176,963
Raleigh	177,092	160,518	1,500,129	1,494,016
Wilmington	47,044	48,602	371,779	372,793
Wilson	28,651	32,538	154,796	151,717
Winston-Salem	148,745	161,363	1,180,295	1,183,495
Total 9 Cities	1,070,449	1,098,411	8,309,788	8,490,302
South Carolina				
Charleston	73,343	74,034	589,929	631,173
Columbia	148,077	155,485	1,312,908	1,274,891
Greenville	108,737	110,181	861,821	897,872
Spartanburg	62,676	66,186	495,834	515,912
Total 4 Cities	392,833	405,886	3,260,492	3,319,848
Virginia				
Charlottesville	30,428	29,615	249,115	220,316
Danville	35,174	37,415	273,498	292,855
Lynchburg	49,149	47,574	390,387	387,081
Newport News	48,722	44,946	376,081	385,970
Norfolk	250,813	243,628	2,030,928	2,043,231
Portsmouth	32,735	28,386	256,333	244,868
Richmond	659,645	606,840	4,735,287	4,835,401
Roanoke	119,395	120,807	927,252	967,827
Total 8 Cities	1,226,061	1,159,211	9,238,881	9,377,549
West Virginia				
Bluefield	37,053	45,206	307,099	350,165
Charleston	155,058	168,423	1,343,533	1,351,510
Clarksburg	29,914	31,546	248,567	269,200
Huntington	62,699	68,408	545,102	565,135
Parkersburg	29,900	30,803	240,131	240,332
Total 5 Cities	314,624	344,386	2,684,432	2,776,342
District Totals	$5,621,312	$5,566,476	$44,831,668	$44,614,906

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

50 REPORTING MEMBER BANKS

(000 omitted)

Items	Sept. 15, 1954	Change in amount from Aug. 11, 1954	Change in amount from Sept. 16, 1953
Total Loans	$1,441,550**	+ 47,141	+ 38,231
Bus. & Agric.	636,408	+ 33,816	+ 3,899
Real Estate Loans	286,353	+ 5,278	+ 22,347
All Other Loans	536,941	+ 8,117	+ 13,785
Total Security Holdings	1,871,795	+ 4,486	+ 49,795
U. S. Treasury Bills	121,008	— 4,221	— 42,821
U. S. Treasury Certificates	115,038	— 71,640	—157,727
U. S. Treasury Notes	290,603	— 3,904	— 42,584
U. S. Treasury Bonds	1,082,998	+ 78,425	+259,037
Other Bonds, Stocks & Secur.	262,148	+ 5,826	+ 33,890
Cash Items in Process of Col.	368,226	+ 81,639	+ 23,092
Due from Banks	202,719*	+ 14,170	+ 9,182
Currency and Coin	79,358	+ 3,395	+ 1,691
Reserve with F. R. Banks	493,649	— 24,911	— 56,202
Other Assets	62,949	— 506	+ 4,781
Total Assets	4,520,246	+125,414	+ 70,570
Total Demand Deposits	3,416,579	+122,710	+ 7,007
Deposits of Individuals	2,526,316	+ 68,081	+ 33,731
Deposits of U. S. Government	103,618	— 2,901	— 48,612
Deposits of State & Local Gov.	180,019	— 3,718	+ 12,934
Deposits of Banks	545,831*	+ 49,361	+ 14,841
Certified & Officers' Checks	60,795	+ 11,887	— 5,887
Total Time Deposits	746,117	+ 1,380	+ 67,012
Deposits of Individuals	659,748	— 3,346	+ 59,474
Other Time Deposits	86,369	+ 4,726	+ 7,538
Liabilities for Borrowed Money	6,700	— 6,300	— 33,100
All Other Liabilities	53,677	+ 5,617	+ 10,564
Capital Accounts	297,173	+ 2,007	+ 19,087
Total Liabilities	$4,520,246	+125,414	+ 70,570

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