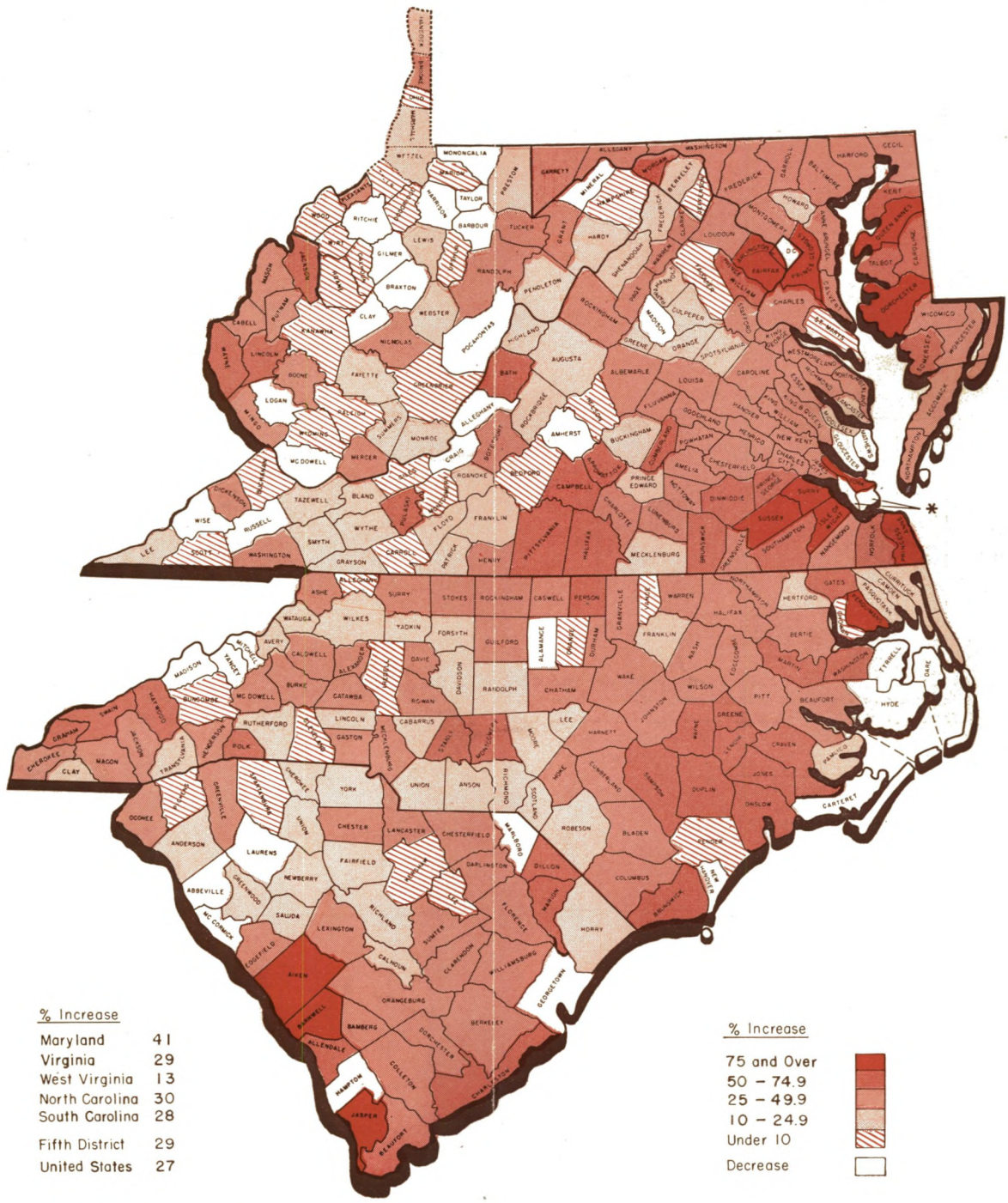
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

August 1956

CHANGE IN PER ACRE VALUE OF FARM LAND, 1950 – 1955

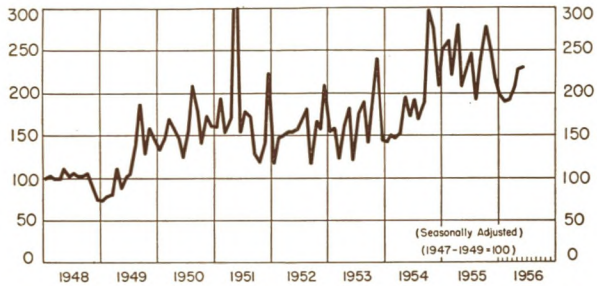


*Independent cities. Separate data not available.

Source: Bureau of the Census.

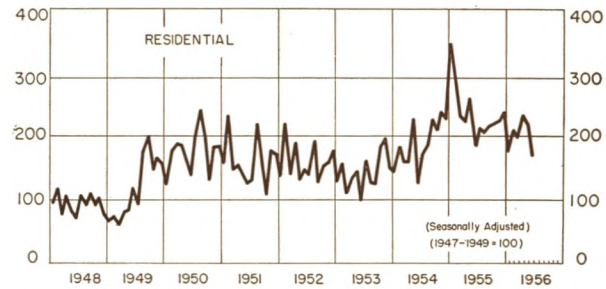
FIFTH DISTRICT TRENDS

TOTAL CONSTRUCTION CONTRACT AWARDS



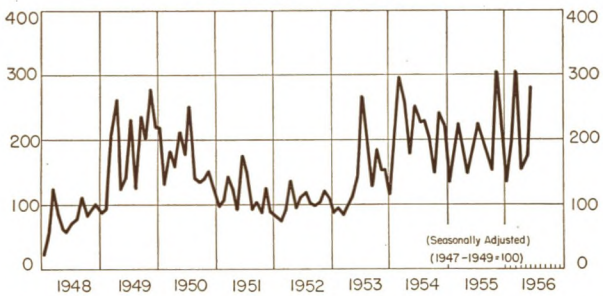
Sizable increases in contract awards for factory construction and for educational buildings were responsible for offsetting losses in other segments of the construction industry. Result: seasonally adjusted total awards in June were 1% higher than May and at the same level as a year ago. For the first half they were down 14%.

CONSTRUCTION CONTRACT AWARDS



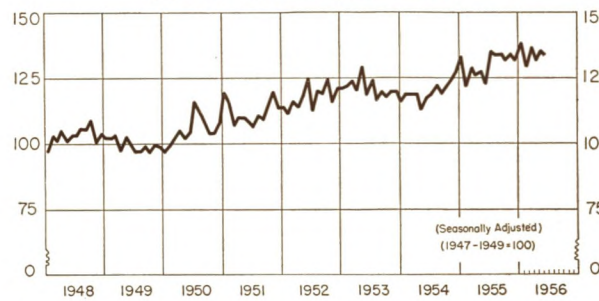
Contract awards for residential buildings dropped 22% in June compared with May on a seasonally adjusted basis. Apartments and hotel awards were down 60% and one- and two-family houses awards 12% during the month. June awards were 8% under a year ago and the first half-year was down 19%.

BUSINESS FAILURES



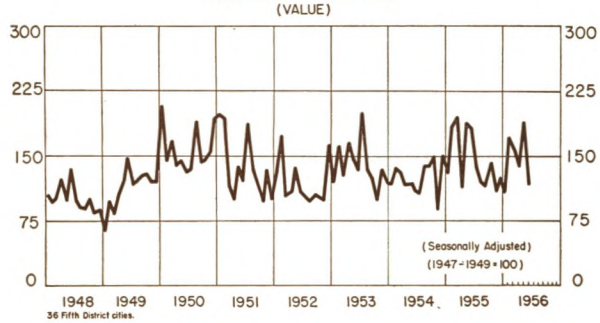
Business failures in the Fifth Federal Reserve District rose substantially in June on a seasonally adjusted basis—up 63% from May and 49% from a year ago. For the first half-year the increase was 17%.

DEPARTMENT STORE SALES



Department store sales (adjusted) slipped 1% in June from May. This left the sales level on the plateau that has prevailed since September 1955. June sales were 9% higher than a year ago and the first half-year was up 5%.

BUILDING PERMITS
(VALUE)



Building permits in 36 Fifth District cities dropped 37% (after seasonal correction) in June compared with May. June permits were 35% smaller than a year ago, and the first half-year showed a decline of 12%.

RETAIL FURNITURE STORES NET SALES

Sales of retail furniture stores declined 2% on a seasonally adjusted basis from May to June. June was, however, 9% higher than a year ago, and the first half-year sales were up 10%.

What Keeps Farm Land Values Up?

PRICES of farm land have done it again—that is, stepped up in the face of declining farm income. With increases occurring in all Fifth District states, the March 1, 1956 index was 139 (1947-49=100) or 5% above the year-ago level and at a new record high. The national index also set a record and at 138 was 4% higher than in March 1955.

This striking departure from the normal relationship between land values and farm income has been going on for more than two years—in fact, since the post-Korean low in land prices in late 1953. What's the explanation of this apparent paradox?

Adequate answer to the query—if there is one—is of considerable significance, especially to those who regard the price of farm land as a barometer of the economic health of agriculture. Actually, the book value of land and buildings accounts for over half the current market value of total farm assets. Changes in land prices, therefore, are watched closely by all who are interested in agriculture—particularly by farm-mortgage lenders and by those planning to buy or sell farms.

Looking Backward

To gain perspective, let's look at the record. It reveals that a hand-in-hand relationship between land values and farm income has existed for the 45 years of record. During this long and changeful period, there were only four times when this relationship did not prevail. Prior to the current divergence, the disparities lasting longer than one year occurred during some very unusual situation, such as the outbreak of World Wars I and II and the crash of 1920. There was no period similar in length to the present one in which land values increased as farm income declined.

The beginning of World War II set off the longest upward movement in land values since records were started in 1912. Values of farm land, responding to an even faster climbing farm income, more than doubled by early 1949, then dipped slightly in response to the mild recession of that year.

Then came Korea! Prices of farm real estate jumped again, continuing to a new high 30% above pre-Korea and nearly 60% above the 1920 peak. Land values at that point again slipped but not nearly as much as farm income which had turned downward earlier.

Then the unusual developed. Prices of farm land firmed and began to rise while farm commodities slipped. This strengthening continued through early 1956, even though farm income was declining, and current values stand 9% above the 1953 low.

Factors Sustaining Land Values

Historically, then, this disparity between land values and farm income is unusual and therefore surprising. What has happened to upset the usual and logical relationship? Several factors, the relative importance of which is difficult to evaluate, have been influencing the land market and thus offsetting the expected depressive effects of reduced income.

Perhaps the most significant factor has been the strong demand by farmers for land to enlarge existing farms. Census data show that Fifth District farms in 1955 averaged 3 acres larger than in 1950 and that the number of farms 500 acres and over has increased 5%. Caught in the cost-price squeeze, many farmers have found that more land will permit more efficient operations with a resulting improvement in profitability. Increased productivity per acre and delay of sales in order to qualify for Social Security benefits have also been price-sustaining factors.

To some extent, the old-fashioned but still widely-held belief that farm land is a sound long-term investment has helped sustain demand. Widespread business prosperity has indubitably contributed to this confidence. Land is tangible, and many people—both farmers and nonfarmers—consider it an asset which offers security in case of cyclical change, of inflation or depression.

In addition, more liberal lending policies were adopted by several of the major institutional lenders in 1954. Appraisal values for loan purposes were raised and dollar loan limits were increased. These changes in loan policies doubtless contributed to the upward movement in land prices.

The continued brisk demand by city people for part-time farms and rural residences has also contributed to the strength in the farm real estate market. This is evidenced by the nearly 10,000 increase between 1950 and 1955 in the number of District farms under 10 acres. Of this number, more than 5,000—a near 75% upturn—were farms of less than 3 acres. This influence is particularly exhibited in the Carolinas and Virginia.

Urban and industrial expansion has also added strength to the asking prices for farm land. Farm real estate sold for such uses brings prices well above that sold for farming purposes and thus produces an indirect upward effect on land prices in surrounding communities. A prime example of this is evident in Barnwell and Aiken Counties, South Carolina—counties nearest the Savannah River Plant of the Atomic Energy Commission—where land values per acre more than doubled from 1950 to 1955.

Another factor which has undoubtedly helped to prop up farm land prices is the theory that, with a growing population and a fixed supply of land, there will be an

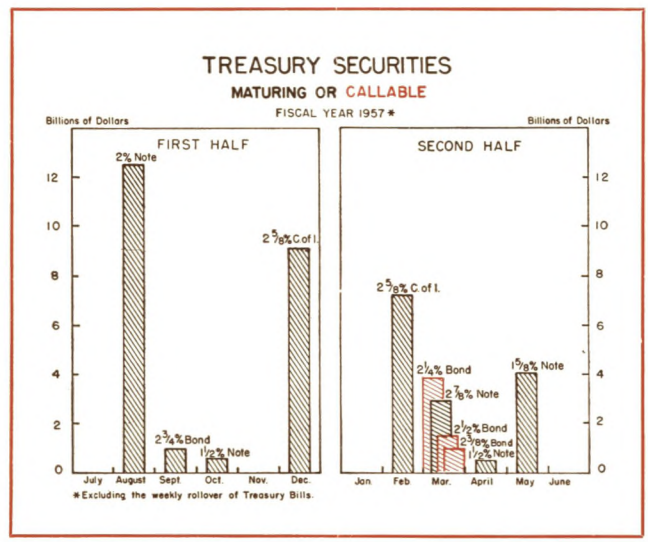
(Continued on page 10)

Treasury Financing—Fiscal '56 Results and '57 Prospects

THE fourth balanced budget in twenty-four years and the first under the present Administration produced a surplus of $1.75 billion for the 1956 fiscal year which ended June 30. This surplus in the administrative budget exceeded the mid-year estimate by roughtly $1.5 billion and was made possible by rising revenues derived from the increased level of business activity. Revenues were $68.14 billion and expenditures $63.39 billion.

Existence of a surplus in the face of increased expenditures by the armed services and for farm price supports continues the pattern of fiscal 1955 when the deficit was less than estimated because of the greater rise in revenue than in expenditures after initial projections had been made.

In recent years the cash budget has run a greater surplus or a smaller deficit than the administrative budget by about $2 or $3 billion, reflecting the greater excess of receipts over expenditures in government trust funds, which are not taken into account in the administrative budget. The cash surplus of $5.1 billion in fiscal 1956 permitted a reduction of the national debt by the end of June to $272.4 billion, bringing it under the permanent debt limit of $275 billion. Congress has approved a temporary ceiling of $278 billion for fiscal year 1957 to permit the cash borrowing necessary in the first half of fiscal 1957 before the concentrated flow of revenues begins in the January-June period. On June 30 the Treasury's General Fund balance was $6.5 billion (compared with $6.2 billion a year earlier) which should provide a comfortable working margin for the immediate future.



Exclusive of the rollover of Treasury bills, which since July 1955 has proceeded at a weekly level of $1.6 billion, total refundings undertaken by the Treasury in fiscal 1956 amounted to a little over $30 billion as compared to $43.7 billion for fiscal 1955 and a projected $44.1 billion for the current fiscal year. The very successful refunding in July 1955, of $8.5 billion of 1⅛% Certificates of Indebtedness through an optional exchange offering of 2% Tax Anticipation Certificates of Indebtedness maturing June 22, 1956, or 2% Treasury Notes due August 15, 1956, involved cash redemptions of only $150 million or about 5.4% of the amount held outside the Federal Reserve System. In contrast, the November offering of 2⅝% Certificates of Indebtedness due December 1, 1956, and 2⅞% Treasury Notes maturing June 15, 1958, in exchange for $12.2 billion of Notes and Certificates maturing on December 15, met a less favorable reception. Cash redemptions amounted to 13.1% of the maturing securities held outside of the Federal Reserve Banks. In the March refunding of $8.5 billion of 1⅝% Treasury Notes due March 15, 1956, and $1 billion of 1½% Treasury Notes due April 1, 1956, total cash redemptions were only 3% of the amount held outside of the Federal Reserve System. Over-all cash redemptions in fiscal 1956 refundings amounted to 3.8% of total maturities compared to 4.5% in fiscal 1955. The Treasury issues which matured during fiscal 1956 were refinanced at higher interest rates than in 1955 so that interest payments in fiscal 1957 will increase some $200 million over fiscal 1956.

New money borrowing of approximately $6 billion, as compared with $13.6 billion in fiscal 1955, was concentrated in the first half of fiscal 1956. The principal source of funds was the sale of two issues of Tax Anticipation Certificates of Indebtedness. In July $2.2 billion of 1⅞% Certificates maturing March 22, 1956, were sold and in October $2.97 billion of 2¼% Certificates due June 22, 1956. The July sale of $821 million of 3%, 40- year bonds, a reopening of the issue first offered in February 1955, modestly implemented the Treasury objective of broadening the distribution of the debt. Treasury officials regarded the successful flotation of this security as evidence of a permanent market for long-term bonds among pension funds, trusts, colleges, and some corporations. Effect of this new money borrowing on the debt level was counteracted, of course by the use of the cash surplus to reduce the debt before June 30, 1956.

Treasury Needs in Fiscal 1957

January budget estimates for fiscal 1957, generally regarded as conservative, forecast a modest surplus in the administrative budget, with receipts of $66.3 billion and expenditures of $65.9 billion and a $2.4 billion cash surplus. While no official revision has been announced, it is quite possible that both receipts and ex-

penditures will be higher. Fiscal 1956 receipts of $68.1 billion and expenditures of $66.4 billion exceed official projections for fiscal 1957. Federal agencies began the current fiscal year with $519 million more appropriations than the budget projected for those requests already acted upon by Congress. On the other hand, the failure of the President's program for school construction and the prospective cut in foreign aid may offset this factor. Neither the new superhighway system nor the increased excises to finance it were included in the original budget.

The projected surplus obviously anticipates continued high level tax receipts derived from high and moderately rising income levels, which more than counteract rising expenditures. The actual increase in fiscal 1956 expenditures and the projected increases in expenditures for fiscal 1957 over the original fiscal 1956 budget reverse the pattern of decrease over the past three years. Slightly over half of the increase in expenditures over the fiscal 1956 budget is allocated to national defense and related items, reflecting, in the President's words, "in large part, the cost of keeping our forces modern." The remainder is scheduled for a wide range of nondefense programs. The largest single proposed increase in nondefense programs is $400 million for the new soil bank program, but this is offset by a roughly comparable decrease in other farm price and income stabilization programs. Other increases, e.g., for public health and community development, are substantial if viewed in the aggregate.

Revenue estimates assume continuation of existing tax rates, enactment of higher postal rates, a slight increase in personal income, and a slight decline in the rate of corporate profits.

Outside of the weekly rollover of bills, the Treasury faces the task of refunding $36.9 billion of maturing securities and $7.2 billion of callable bonds. Of the total $6.3 billion of securities callable in September, $982 million of 2¾% Bonds maturing September 15, 1959, have been called, the remainder being callable again on the next succeeding interest payment date, March 15.

In the first half of fiscal 1957, three maturing issues and one callable bond issue, totaling $23.0 billion, are scheduled for disposition. Approximately $9 billion of these securities are held by the public, of which nonfinancial corporations hold roughly $4 billion of the 2% Notes due in August, $400 million of the 2¾% Bonds callable in September, and $2 billion of 2⅝% Certificates of Indebtedness maturing in December.

In recent years the Treasury has frequently combined several refundings into a single operation in part to diminish the risk of substantial attrition resulting from anticipation of superior terms in the future. On July 16 subscription books were opened for 2¾% Notes due August 1, 1957. These notes were offered in exchange for the 2% Treasury Notes maturing August 15 and the 1½% Treasury Notes due October 1, which together totaled $12.9 billion.

The September redemption of the 2¾%, partially tax-exempt Treasury Bonds of 1956-59 is in line with the Treasury's practice of calling securities with tax-exempt features. The bonds will be redeemed for cash.

Of the major issues maturing during the January-June period of fiscal 1957, only the May 1⅝% Treasury Notes come due during the period of large cash surplus from the latter half of March to the end of June. Of the total $21.1 billion of maturing or callable debt in the January-June period, $14.9 billion is held outside of the U. S. Government investment accounts and the Federal Reserve Banks. Although the total refinancing in the January-June period is smaller than that scheduled for the preceding six months, the proportion of maturing securities held by the public is much greater. Virtually all of the May 1⅝% Treasury Notes are held by the public.

The smaller increase in the temporary debt ceiling for the current fiscal year indicates that new money borrowing will be under the approximate $6 billion borrowed last year. New money needs, following the pattern of recent years, will be concentrated in the July-December period.

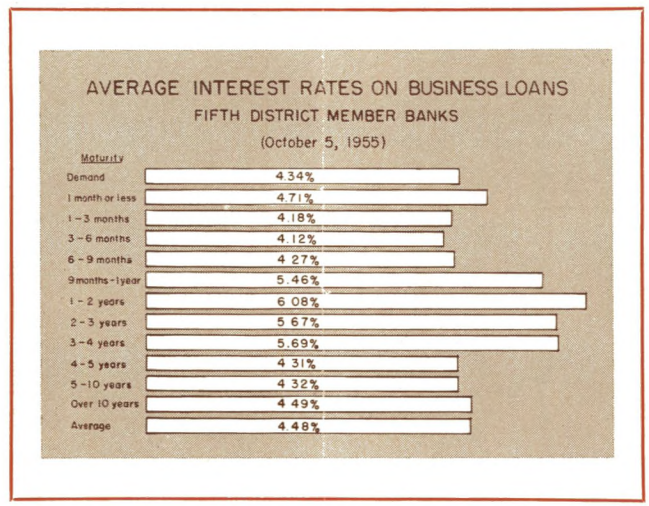
Fiscal 1955 marked the end of the acceleration of corporate income tax payments under the Mills Plan. The final result placed corporate income tax liability on a calender year basis payable in the January-June period following the close of the taxable year. Beginning in fiscal 1956 a five-year plan to even out corporate tax payments in excess of $100,000 went into effect. Although only 5% of the taxable corporations are subject to this plan, an estimated 85% of the total corporate tax liability is affected. In the fiscal year just ended corporations filed estimates of taxes due on 1955 income and paid an estimated 5% in September, 5% in December, and approximately 45% in both March and June. Each year the tax liability due in September and in December will increase by 5% of the total liability in excess of $100,000, the increases being shifted back from March and June. By 1959 payments due in each quarter will be approximately 25% of the total. Once the evening-out process is complete, the Treasury's seasonal borrowing problem will be reduced.

Loan Survey Results . . .

Business Loan Maturities At Fifth District Member Banks

How are business loan maturities related to type of borrower, form of business organization, interest rates, and size of lending bank? Answers to these questions are important to both commercial bankers and economic analysts. To the commercial banker their importance lies in the provision of a yardstick against which to measure his own banking practices. For the economic analyst such information means a better basis for monetary policy by adding to his knowledge concerning the operation of the banking system.

In order to obtain this and related information the Federal Reserve System, in cooperation with member banks, undertook a sample survey of business loans outstanding on October 5, 1955. Part of the Fifth District results already have been released in April, June, and July *Monthly Review* articles reporting loan characteristics according to size of bank and borrower, business of borrower, and similarity to 1946 loan patterns. This article concentrates on another aspect of the survey —the relationship of loan maturities to business of borrower, form of business organization, average interest rate, and size of bank.



Maturities by Business of Borrower

Table 1, a breakdown of loan maturities by business of borrower, demonstrates the banks' continuing roles as short-term lenders. Around two-thirds of the loans, both in dollar amount and in number of loans, had maturities of less than six months, and less than one-fourth had maturities of more than one year. Even in the long-term category only a few loans had maturities as great as ten years.

Among different classes of borrowers there were substantial variations in maturity, suggesting that banks tailor their loans to fit individual needs. For example, commodity dealers and sales finance companies, both traditionally heavy short-term borrowers, obtained over 95% of their bank funds with short-term loans (one year or less). Food, liquor, and tobacco manufacturers, wholesalers, and construction firms also were relatively heavy short-term borrowers. At the other extreme, transportation, communication, and other public utilities, because of heavy capital investment and stable revenues, were able to borrow over 55% of their funds through long-term notes. Service firms were also strongly dependent upon long-term loans, particularly those with maturities of over four years.

Maturities by Form of Business Organization

As indicated in Table 2, unincorporated businesses depended slightly more upon term loans as a credit medium than did incorporated businesses, probably because of the greater access of the latter to other supplies of long-term funds. In the case of incorporated businesses, only 21% of the dollar amount of loans and 23% of the number of loans were long-term as compared with corresponding percentages of 27% and 25% for unincorporated firms. As might be expected with such slight differences, there were several variations within maturity categories. For example, among the short-term loan maturities, unincorporated businesses acquired larger percentages of both the dollar amount of demand loans and the number of three- to six-month loans than did incorporated firms. There were also exceptions among long-term maturities where incorporated businesses had heavier percentage concentrations of four- to five-year loans.

Average Interest Rates for Different Maturities

The above chart, which shows weighted average interest rates for each maturity, reveals some interesting relationships between the pattern of loan maturities and interest rates. Average rates for short-term loans amounted to 4.34% as compared with an average of 4.2% reported for all districts in the April issue of the *Federal Reserve Bulletin*. Fifth District average long-term rates were also higher than the national average—4.87% as against 4.2%. There were probably several reasons for these differentials. Possibly the most important was the high percentage of Fifth District loans made by small banks, banks that were shown in the April 1956 issue of the *Monthly Review* to charge somewhat higher rates than did larger banks. Another important reason was the high percentage of the dollar total of Fifth District loans made to small businesses. The fact that alterna-

Table 1
MATURITY OF BUSINESS LOANS BY TYPE OF BUSINESS
Fifth Federal Reserve District
Estimated—October 5, 1955

Business of Borrower	Demand	1 mo. or less	1-3 mos.	3-6 mos.	6-9 mos.	9 mos.-1 yr.	1-2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	Over 10 yrs.	Total
	Maturity of Loans												
	Amount Outstanding—Thousands of Dollars												
Manufacturing and mining													
Food, liquor, and tobacco	9,702	5,028	18,807	18,619	522	288	3,853	181	560	414	2,430	88	60,492
Textiles, apparel, and leather	5,459	7,824	37,512	15,083	2,021	417	1,238	218	1,371	4,750	5,684	966	82,543
Metal and metal products	4,007	3,678	19,349	1,307	1,844	137	856	677	577	3,752	1,714	399	38,297
Petroleum, coal, chemicals, and rubber	6,282	1,111	5,205	2,741	311	1,099	737	118	333	1,057	607	249	19,850
All other manufacturing and mining	9,473	8,482	24,792	10,599	1,112	1,512	2,484	3,252	1,521	5,102	8,149	557	77,035
Trade													
Wholesale	13,114	20,930	27,042	18,462	1,394	6,020	1,371	1,581	990	900	8,161	997	100,962
Retail	32,937	27,336	65,366	29,759	5,669	8,882	10,201	7,563	4,096	7,593	22,075	2,994	224,471
Other													
Commodity dealers	33,897	1,724	4,973	3,388	0	281	0	83	78	946	41	0	45,411
Sales finance companies	24,927	5,324	37,827	33,637	1,224	372	400	413	1,000	0	0	0	105,124
Transportation, communication, and other public utilities	12,457	2,278	3,371	2,715	6,570	4,407	7,253	7,803	2,303	14,476	6,642	1,388	71,663
Construction	21,626	6,659	21,907	20,703	3,234	2,348	6,660	830	2,461	282	1,582	842	89,134
Real estate	36,350	7,796	27,501	10,973	3,437	8,661	8,970	3,957	435	9,248	19,478	2,565	139,371
Service firms	11,785	6,051	18,563	8,827	1,733	2,703	4,668	3,295	1,403	5,235	15,378	1,508	81,149
All other nonfinancial	9,387	3,905	9,873	7,596	1,766	2,523	916	1,663	748	5,522	7,391	608	51,898
All Borrowers	231,403	108,126	322,088	184,409	30,837	39,650	49,607	31,634	17,876	59,277	99,332	13,161	1,187,400
	Number of Loans												
Manufacturing and mining													
Food, liquor, and tobacco	476	152	528	316	36	100	147	32	19	23	136	26	1,991
Textiles, apparel, and leather	116	108	625	126	31	57	92	44	45	71	64	5	1,384
Metal and metal products	168	279	590	96	65	61	309	64	85	115	83	3	1,918
Petroleum, coal, chemicals, and rubber	108	70	326	412	54	297	244	68	19	18	45	1	1,662
All other manufacturing and mining	501	484	1,504	596	84	240	255	170	75	104	243	22	4,278
Trade													
Wholesale	714	903	1,664	698	63	376	458	136	54	70	248	64	5,448
Retail	2,882	3,329	9,616	3,415	1,074	2,212	2,518	1,081	615	481	1,245	243	28,711
Other													
Commodity dealers	344	7	78	37	0	12	0	6	15	6	6	0	511
Sales finance companies	102	35	309	224	17	30	3	6	1	0	0	0	727
Transportation, communication, and other public utilities	214	183	282	181	98	191	727	449	77	82	85	19	2,588
Construction	824	597	1,668	694	150	312	704	60	36	47	137	69	5,298
Real estate	882	459	1,473	527	177	281	195	113	61	252	818	86	5,324
Service firms	1,128	1,047	2,860	1,342	305	1,145	1,835	726	184	391	614	110	11,687
All other nonfinancial	583	466	1,630	1,338	300	783	378	190	80	193	369	61	6,371
All Borrowers	9,042	8,119	23,153	10,002	2,454	6,097	7,865	3,145	1,366	1,853	4,093	709	77,898

tive sources of funds may not have been as readily available in this District may have contributed also to the higher rates. The most reasonable explanation for the greater differential between short- and long-term rates seems to be that long-term borrowing here was not as heavily confined to industries that paid low interest rates as was the case for the country as a whole.

The most interesting relationships, however, can be found by comparing Fifth District interest rates and loan maturities since these figures appear on superficial examination to be somewhat unreasonable. For example, rates on demand and very short-term loans were higher than rates on four- to ten-year loans, and rates on one- to two-year loans were the highest of all. What is the explanation? Shouldn't long-term bank rates be higher than short-term rates because of the greater risk

Table 2
MATURITY OF BUSINESS LOANS BY FORM OF BUSINESS ORGANIZATION
Fifth Federal Reserve District
Estimated—October 5, 1955

Type of Business Organization	Demand	1 mo. or less	1-3 mos.	3-6 mos.	6-9 mos.	9 mos.-1 yr.	1-2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	Over 10 yrs.	Total
	Maturity of Loans												
	Amount Outstanding—Thousands of Dollars												
Incorporated	153,698	72,604	239,355	139,998	24,245	24,270	35,453	21,862	11,879	41,488	57,140	5,823	827,815
Unincorporated	77,705	35,522	82,733	44,411	6,592	15,380	14,154	9,772	5,997	17,789	42,192	7,338	359,585
	Number of Loans												
Incorporated	3,092	2,809	8,419	2,617	697	1,573	2,109	1,030	402	728	1,243	166	24,885
Unincorporated	5,950	5,310	14,734	7,385	1,757	4,524	5,756	2,115	964	1,125	2,850	543	53,013

involved in long-term lending? Partial explanation can be found in the changing interest rate levels that obscured normal relationships between short- and long-term rates. For example, it seems clear that the relatively high rates on demand and very short loans can be attributed to the comparatively high rates of the period during which the loans were negotiated. Some of the one- to three-month notes probably also bore these higher rates, but since part of these loans were dated before the rise in interest rates occurred, the average rate for the group was somewhat lower despite the longer maturities.

Average rates for loans between three months and two years varied directly with maturities, probably because many of these loans were extended between October 1953 and July 1955, when loan rates were fairly stable. Rates on maturities ranging from two to four years seem to have borne a reasonable relationship to most short-term rates, considering the differences in maturities. It appears that the relatively low interest rates reported for maturities exceeding four years were strongly influenced by the low interest rates before 1950 when a number of these loans probably were negotiated. In addition, the tendency of industries capable of commanding a low term rate to resort to long-term borrowing may have lowered the long-term average. In summary, the figures do not seem to damage seriously the concept that interest rates vary directly with maturities.

Business Loans by Bank Size

Table 3 shows that banks of different sizes varied widely in their policies concerning business loan maturities. As might be expected, the smallest banks—those with deposits of less than $2 million—had proportionately less of their loans, both in amount and in number, in long maturities than did any of the other groups. They also concentrated most of their short-term loans in maturities of less than three months. Strangely enough, however, such term loans as they had were grouped most heavily in maturities running from four to ten years. At the other extreme, the picture differs from the expected—the largest size banks did not extend the highest percentage of term loans by either number or by dollar amount. They were, however, relatively the heaviest lenders in maturity ranges of over four years. The strongest concentration of term loans is found in the medium-size banks—those with deposits from $10 million to $50 million. Within this group the $10 million to $20 million banks had the highest percentages, by dollar amount, of both total term loans and those with maturities of five years or more. They were surpassed in the percentage of term loans by number, however, by the $20 million to $50 million banks, which had 30% of their loans in long-term maturities.

Table 3

MATURITY OF BUSINESS LOANS BY SIZE OF BANK

Fifth Federal Reserve District

Estimated—October 5, 1955

Bank Size (Total deposits in millions of dollars)	Maturity of Loans												
	Demand	1 mo. or less	1-3 mos.	3-6 mos.	6-9 mos.	9 mos.-1 yr.	1-2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	Over 10 yrs.	Total
	Amount Outstanding—Thousands of Dollars												
250-500	44,611	8,345	62,540	46,611	3,536	4,808	6,143	2,632	5,111	17,515	26,026	2,993	230,871
100-250	82,561	33,214	95,348	58,194	11,768	11,176	20,436	9,574	3,535	25,820	21,376	1,265	374,267
50-100	30,829	18,118	51,554	21,521	4,786	4,056	4,771	4,775	2,113	6,902	13,266	2,301	164,992
20-50	35,783	19,435	56,814	23,083	3,441	4,933	7,504	5,649	1,078	4,362	17,740	3,407	183,229
10-20	16,668	12,918	25,963	11,920	3,194	7,354	4,265	5,378	1,851	900	14,354	1,978	106,743
2-10	17,496	15,717	28,517	22,106	4,050	6,684	6,156	3,506	4,111	3,446	6,202	1,065	119,056
Less than 2	3,455	377	1,351	974	61	638	332	123	75	334	369	153	8,242
Total	231,403	108,124	322,087	184,409	30,836	39,649	49,607	31,637	17,874	59,279	99,333	13,162	1,187,400
	Number of Loans												
250-500	498	404	3,353	635	92	469	349	151	74	252	524	132	6,933
100-250	1,345	1,195	3,518	1,220	332	763	954	438	198	462	583	78	11,086
50-100	1,151	1,069	2,709	803	267	451	633	293	109	318	546	94	8,443
20-50	1,678	2,218	5,181	1,263	273	1,242	2,530	1,013	262	279	802	199	16,940
10-20	1,113	845	2,350	1,431	523	1,363	1,001	481	148	59	750	112	10,176
2-10	2,647	2,291	5,443	4,060	895	1,662	2,286	745	566	451	796	88	21,930
Less than 2	610	98	598	590	73	149	112	24	9	31	90	6	2,390
Total	9,042	8,120	23,152	10,002	2,455	6,099	7,865	3,145	1,366	1,852	4,091	709	77,898

Business Conditions and Prospects

JUNE was a "down month" in District trade, mining, and most construction areas. Several large manufacturing and educational construction projects in Virginia and Maryland were, however, sufficient to raise total construction volume (after seasonal adjustment) 1% from May to June.

Total nonagricultural employment rose fractionally, with increases being shown in both manufacturing and nonmanufacturing areas. Man-hours in all manufacturing industries of the District, excluding Maryland, edged up 0.1% from May to June, due to gains in the Carolinas.

Sentiment in the textile industry remains hopeful of an expansion in business following a long period of working down backlogs. Textile prices are being firmly held at reduced levels, an optimistic indicator for the period immediately ahead.

New savings improved substantially in the savings and loan associations in June compared with May and other forms of savings improved with the exception of purchases of U. S. Savings Bonds which declined $800,000 from May to June. Deposits of mutual savings banks in Maryland rose $3 million during the month, savings and loan associations in all states excluding West Virginia were up $23.3 million, and time deposits were up $16.8 million in all member banks of the District.

Total deposits of member banks rose 2% from May to June, reserves with the Federal Reserve Bank were 5% higher, and both loans and investments continued to expand during the month. Bank debits, however, declined 5% from May to June (after seasonal correction), which meant the June level was back near the March low though 6% above June 1955.

Trade

The trade level in the District during June was moderately under May, taking seasonal factors into account. Sales of department stores slipped 1%, furniture stores were off 2%, and new passenger automobile registrations were down 4% without seasonal correction.

Department store sales (adjusted) were, however, 9% higher than June last year, and for the first six months were up 5%. On the basis of weekly returns for the first three weeks in July, the July (seasonally adjusted) index will set a new all-time high. Department store inventories rose 4% on a seasonally adjusted basis to a level 13% ahead of a year ago. Outstanding orders in June were 26% higher than in May and 11% higher than a year ago. Instalment receivables showed no increase from May to June but were 19% ahead of a year ago, and collections were not running far behind.

Retail furniture store sales were off 2% (after seasonal correction) from May to June, but June was 9% higher than a year ago, and first half sales were up 10%. Furniture store sales are at a high level, but no further forward progress has been shown since March. Credit sales have accounted for practically all of the increase for the past year and a half. With the normal lag in collections, their rise has been at the same rate as receivables. No inventory problem appears in this group —the June level was 1% higher than in May (after seasonal correction) and 1% above a year ago. The 1% increase over last year compares with a 9% increase in sales.

New passenger automobile registrations in three states of the District and the District of Columbia during June were 4% lower than in May, 17% under June 1955, and the first half-year was down 5%. West Virginia was the only state to show an increase during the month, year, and the first half. Registrations in the first half-year (down 5% from a year ago) compare with a drop of 11% for 24 states reported thus far. New commercial car registrations, which had shown considerable strength earlier in the year, dropped 20% from May to June to a level 17% under June 1955. For the first half, however, they were up 7%.

Construction

As a result of a sharp rise in contract awards for new manufacturing and educational buildings, total construction contract awards in June seasonally adjusted were 1% higher than in May, at the same level as June 1955, and 14% under a year ago during the first half-year. Other types of construction dropped from May to June, after seasonal correction, with apartments and hotels down 60%, one- and two-family houses down 12%, total residential construction down 22%, commercial awards down 28%, public works and utilities down 13%. Relative to a year ago, apartments and hotels were 17% higher but still at a relatively low level. On the other hand, public works and utilities were up 85% and at a very high level. Commercial awards were down 53%, manufacturing building awards down 56%, one- and two-family houses down 20%, total residential down 8%. In the first half-year, awards for public works and utilities were the only category to show an increase from last year—up 11%. All other types were down from 9% to 31%.

Federal aid for highway construction under the new law will give Fifth District states and the District of Columbia $3,157,000,000 during the 13-year program. An estimated $649,000,000 will be available in the next three years.

Manufacturing

Cotton consumption in Fifth District mills during June was 7% smaller than in May on an average daily

seasonally adjusted basis. June was also 3% lower than a year ago, but the first half-year was up 4%.

Cigarette production in the District during May was 2% higher than April (on a seasonally adjusted basis), 1% higher than a year ago, and the first five months were up 6%. June output in Virginia declined 5% from May and 7.2% from a year ago.

Man-hours in all manufacturing industries of the District, excluding Maryland, were up 0.1% in June over May but down 0.8% from a year ago. Gains were shown in the Carolinas and losses in the Virginias. Durable goods industries man-hours during June were down 0.2% from May and 0.3% from a year ago. Gains were shown in the Carolinas and losses in the Virginias.

Man-hours in the nondurable goods industries of these states rose 0.2% in June over May but declined 1.1% from a year ago. Virginia and South Carolina had small increases, North Carolina a loss, and West Virginia held even.

Increases in man-hours from May to June occurred in the lumber, primary metals, fabricated metals, food, tobacco, and apparel industries. Broadwoven fabrics mills showed a decline of 1.9%; yarn and thread mills, 0.4%; but knitting mills rose 1.9%, with most of the gain in the seamless hosiery industry.

Banking

Total assets of all member banks in the Fifth District rose $125 million during June. Loans and investments were up $58 million; reserves, cash, and bank balances up $69 million; and other assets off $2 million. Loans and discounts were up $42 million during the month, U. S. Government obligations up $15 million, and other security holdings up $1 million.

Total deposits of member banks increased $138 million during the month; borrowings were down $11 million, other liabilities were unchanged, and capital accounts were down $2 million. Time deposits rose $17 million, other demand deposits were up $113 million, and deposits of banks were up $8 million.

Commercial and industrial loans of the weekly reporting banks declined moderately during July, possibly a belated seasonal movement. Other loans, largely consumer loans, are at their all-time peak; while real estate loans, which had been inching upward, seem to have leveled off.

Agriculture

Cash income from farm marketings during May rose 20% over April in Fifth District states. The May level, however, was 3% under May 1955, and the first five months were off 3%. Income from crops in May was up 38% from April and due to recent price strength, was 1% above a year ago. Livestock and products income rose 13% during the month. Despite an increase of 16% in slaughter of meat animals, it was down 5% from a year ago.

Farm prices in June were higher in all states of the District than in May except Maryland. All states except North Carolina showed prices higher than a year ago.

As a consequence of the miners' holiday and preliminary efforts to meet the impending steel strike, bituminous coal output in the District during June was down 8% from May on an average daily basis. June output, however, was 16% higher than a year ago, and the first half-year was up 18%. Export demand for coal continues strong and the outlook is favorable.

What Keeps Farm Land Values Up?

(Continued from page 3)

increasing demand for land to feed our people. This idea has been reflected in the limited supply of land on the market—voluntary sales and trades have been at or near their lowest point in history—and has played a dominant role in setting asking and offering prices.

A final word of caution: The potential capacity of our farm plant and contributions that technology is likely to make in the future toward meeting increased food and fiber needs should not be overlooked. Failure to do so can result in expectations of future earnings from land which may not be realized. The real basis for farm land values in the long-term future, as in the past, must be the level that can be supported by long-term earnings from the land.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	June 1956	6 Mos. 1956
Maryland	+10	+ 2
Dist. of Columbia	0	+ 2
Virginia	+14	+ 4
West Virginia	— 4	+14
North Carolina	+ 9	+10
South Carolina	+12	+ 5
District	+ 6	+ 5
INDIVIDUAL CITIES		
Baltimore, Md.	+10	+ 2
Washington, D. C.	0	+ 2
Richmond, Va.	+16	+ 2
Charleston, W. Va.	+ 9	+ 7
Greenville, S. C.	+10	+ 6

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

WHOLESALE TRADE

LINE	Sales in June 1956 compared with June 1955	Sales in June 1956 compared with May 1956	Stocks on June 30, 1956 compared with June 30, 1955	Stocks on June 30, 1956 compared with May 31, 1956
Auto supplies	— 2	+ 7	+ 7	— 7
Electrical, electronic and appliance goods	+29	+ 6	NA	NA
Hardware, plumbing, and heating goods	— 1	+ 7	NA	NA
Machinery equipment supplies	+21	+ 4	+41	+ 2
Drugs, chemicals, allied products	+ 8	+ 1	+ 8	— 1
Dry goods	NA	NA	NA	NA
Grocery, confectionery, meats	— 4	— 3	+ 1	— 2
Paper and its products	+ 9	— 6	NA	NA
Tobacco products	+ 7	+ 2	+ 2	— 7
Miscellaneous	+ 7	— 2	+23	— 3
District total	+ 8	0	+17	— 1

NA Not available.

Source: Bureau of the Census, Department of Commerce.

BUILDING PERMIT FIGURES

	June 1956	June 1955	6 Months 1956	6 Months 1955
Maryland				
Baltimore	$ 4,389,697	$11,014,340	$ 27,113,583	$ 54,610,222
Cumberland	73,450	101,600	928,505	903,291
Frederick	2,127,660	375,000	3,351,910	1,543,175
Hagerstown	84,084	113,375	744,825	1,444,260
Salisbury	114,633	213,677	1,213,518	1,246,276
Virginia				
Danville	1,045,348	468,263	4,708,591	3,810,284
Hampton	789,287	1,370,821	4,547,731	8,525,903
Hopewell	515,100	398,929	1,369,658	2,009,636
Lynchburg	602,100	2,106,720	5,875,935	6,202,518
Newport News	117,594	411,475	1,207,266	1,261,501
Norfolk	780,399	1,284,093	14,685,700	7,349,452
Petersburg	180,000	179,000	1,440,050	1,746,400
Portsmouth	1,740,190	244,900	3,191,929	1,794,715
Richmond	1,660,440	3,282,184	15,563,553	12,727,949
Roanoke	1,005,560	1,422,771	12,724,815	6,510,124
Staunton	182,673	296,950	1,456,589	1,666,305
Warwick	1,009,238	1,193,220	4,127,360	6,484,785
West Virginia				
Charleston	1,883,654	513,266	4,408,371	3,403,415
Clarksburg	487,260	205,000	1,190,692	1,063,464
Huntington	450,681	1,652,842	2,555,775	3,674,068
North Carolina				
Asheville	437,075	333,003	3,357,821	1,657,080
Charlotte	2,515,177	1,604,583	17,410,539	15,175,558
Durham	806,589	806,268	4,525,860	6,958,257
Gastonia	476,950	565,750	3,372,900	4,187,700
Greensboro	1,490,014	1,205,523	8,844,025	5,832,947
High Point	326,705	424,845	3,112,609	4,211,864
Raleigh	726,783	2,031,469	6,453,168	11,375,348
Rocky Mount	322,852	236,541	1,946,414	1,889,186
Salisbury	89,825	293,215	1,344,950	799,378
Wilson	193,378	180,500	2,793,453	1,851,275
Winston-Salem	1,627,523	722,186	8,412,991	7,311,203
South Carolina				
Charleston	1,152,053	393,152	2,085,224	1,675,777
Columbia	908,860	631,177	6,051,580	4,420,117
Greenville	355,735	817,266	3,736,961	4,194,012
Spartanburg	534,202	265,990	3,020,188	1,136,690
Dist. of Columbia				
Washington	3,364,539	15,650,780	26,801,657	44,098,400
District Totals	$34,567,308	$53,010,674	$215,676,696	$244,752,535

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, June '56 vs June '55	+10	+ 7	+12	+13	+11
Sales, 6 Mos. ending June 30, '56 vs 6 Mos. ending June 30, '55	+ 6	+ 3	+ 8	+ 8	+ 7
Stocks, June 30, '56 vs '55	+ 3	+ 6	+12	+17	+11
Outstanding orders June 30, '56 vs '55	+28	+11	+10	+53	+18
Open account receivables, June 1, collected in June '56	30.5	50.7	44.2	38.3	42.0
Instalment receivables June 1, collected in June '56	10.7	13.9	13.5	15.6	13.4

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, June '56 vs June '55	+ 8	+12	+13	+18	+ 7	+13

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	June 1956	May 1956	June 1955	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New passenger car registration*	.....	171	202	— 2	—13
Bank debits	180	190	170	— 5	+ 6
Bituminous coal production*	101	110	87r	— 8	+16
Construction contracts	230	228	229	+ 1	0
Business failures—number	280	172	188	+63	+49
Cigarette production	.....	107	101	+ 2	+ 1
Cotton spindle hours	119	125	121	— 5	— 2
Department store sales	134	135	123	— 1	+ 9
Manufacturing employment *	.....	111	109r	0	+ 3
Furniture store sales	126	129	116	— 2	+ 9
Life insurance sales	228	228	204	0	+12

* Not seasonally adjusted.

r Revised.

Back figures available on request.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	1956 June	1955 June	1956 6 Months	1955 6 Months
Dist. of Columbia				
Washington	$1,498,503	$1,429,062	$ 8,989,244	$ 7,996,299
Maryland				
Baltimore	1,863,437	1,707,905	10,427,806	9,380,646
Cumberland	29,497	30,090	162,014	150,807
Frederick	27,659	26,319	156,222	140,557
Hagerstown	50,047	44,376	285,245	256,228
Salisbury**	39,288	37,258	215,744	201,000
Total 4 Cities	1,970,640	1,808,690	11,031,287	9,928,238
North Carolina				
Asheville	75,720	66,956	435,230	394,519
Charlotte	432,009	420,786	2,662,778	2,426,250
Durham	92,557	87,144	515,007	483,111
Greensboro	160,478	152,461	962,909	868,757
High Point**	57,102	52,701	334,132	298,755
Kinston	22,376	22,458	133,352	133,515
Raleigh	233,937	230,010	1,406,325	1,287,248
Wilmington	56,409	54,910	320,045	313,522
Wilson	21,943	17,413	126,312	118,763
Winston-Salem	200,606	184,941	1,152,123	1,019,969
Total 9 Cities	1,296,035	1,237,079	7,714,081	7,045,654
South Carolina				
Charleston	92,613	83,675	553,268	497,580
Columbia	197,370	185,941	1,179,765	1,063,816
Greenville	146,094	136,029	865,585	765,359
Spartanburg	69,875	64,319	420,684	390,518
Total 4 Cities	505,952	469,964	3,019,302	2,717,273
Virginia				
Charlottesville	42,756	39,684	231,287	219,462
Danville	42,281	40,626	256,235	232,513
Lynchburg	62,942	61,211	370,589	323,000
Newport News	66,107	59,265	377,376	329,812
Norfolk	315,846	313,499	1,856,325	1,717,263
Petersburg**	27,525	32,985	NA	NA
Portsmouth	37,545	38,509	226,491	216,972
Richmond	701,534	715,005	4,143,871	3,895,603
Roanoke	162,746	138,854	920,142	767,095
Total 8 Cities	1,431,757	1,406,653	8,382,316	7,701,720
West Virginia				
Bluefield	59,791	50,230	342,055	265,224
Charleston	181,882	168,053	1,092,396	1,012,124
Clarksburg	43,384	38,681	244,595	214,195
Huntington	89,218	79,767r	515,802	475,651r
Parkersburg	37,697	33,814	220,468	189,870
Total 5 Cities	411,972	370,545r	2,415,316	2,157,064r
District Totals	$7,114,859	$6,721,993r	$41,551,546	$37,546,248r

* Interbank and U. S. Government accounts excluded.
** Not included in District Totals.
r Revised.
NA Not Available.

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	July 18, 1956	Change in Amount from June 13, 1956	Change in Amount from July 13, 1955
Total Loans	$1,831,681**	+ 19,387	+181,094
Bus. & Agric.	832,323	+ 1,074	+101,553
Real Estate Loans	335,061	+ 784	+ 5,013
All Other Loans	690,615	+ 18,110	+ 78,714
Total Security Holdings	1,596,502	— 42,205	—102,397
U. S. Treasury Bills	46,759	— 42,367	+ 3,162
U. S. Treasury Certificates	10,570	— 7,548	— 7,480
U. S. Treasury Notes	293,127	— 2,459	— 57,655
U. S. Treasury Bonds	979,290	+ 11,440	— 42,215
Other Bonds, Stocks & Secur.	266,756	— 1,271	+ 1,791
Cash Items in Process of Col.	348,802	— 20,550	+ 591
Due from Banks	168,635*	— 13,250	— 20,971
Currency and Coin	79,042	— 480	— 3,364
Reserve with F. R. Banks	551,646	+ 30,634	+ 5,423
Other Assets	71,030	— 3,243	+ 2,340
Total Assets	$4,647,338	— 29,707	+ 62,716
Total Demand Deposits	$3,484,139	— 44,366	+ 45,678
Deposits of Individuals	2,628,400	— 41,665	+ 42,070
Deposits of U. S. Government	104,790	+ 1,719	+ 110
Deposits of State & Local Gov.	202,418	— 27,629	— 16,154
Deposits of Banks	491,311*	+ 27,489	+ 22,592
Certified & Officers' Checks	57,220	— 4,280	— 2,940
Total Time Deposits	767,353	+ 12,521	+ 12,557
Deposits of Individuals	690,142	+ 10,254	+ 8,647
Other Time Deposits	77,211	+ 2,267	+ 3,910
Liabilities for Borrowed Money	14,550	+ 4,050	— 26,400
All Other Liabilities	46,157	— 673	+ 5,496
Capital Accounts	335,139	— 1,239	+ 25,385
Total Liabilities	$4,647,338	— 29,707	+ 62,716

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