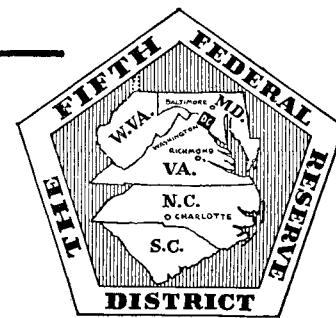


Monthly Review



FEBRUARY 1950

Business Conditions and Outlook

BUSINESS activity in the Fifth Federal Reserve District in December continued to move up on balance. Maintenance of extraordinarily high construction activity, both at the contract stage and at the work-in-progress stage, and a rising level of general trade activity were observable elements of strength during the month. Activity in the principal manufacturing industries continued to improve at year-end, though the growing tenseness in the bituminous coal industry, mixed tendencies in wholesale trade trends, continuance of a slow down-trend in cigarette output, and some further attrition in the total volume of check payments must be noted on the adverse side.

Construction continues strong and there is the feeling in informed quarters that high level activity will continue through the first half of 1950. In December, total construction awards after seasonal correction dropped 9% from the November level, but were 95% ahead of December 1948. For the full year 1949 total construction awards were 15.3% ahead of 1948. Residential construction continued to support the industry in the Fifth District. Although seasonally adjusted contracts were smaller than in November, they were 109% higher than in December 1948, and 592% above the 1935-39 base as compared with a gain of 475% in total contract awards in this period. In mid-January, indications were that the strong momentum in the construction industry was continuing unabated. The absence of wintry weather has been favorable to on-site work, and this has maintained the employment level at a higher figure than is customary at this time of the year.

Department, furniture, and household appliance stores all showed gains of better than seasonal proportions from November to December. In the department store field, seasonally adjusted sales rose 2% during December, just 5% less than a year earlier and within 7% of December 1948's record. There were instances in the Christmas trade where stores could have shown greater sales had goods been available. Conservative policies still prevail since there was a drop of 1% in seasonally adjusted store inventories from November to December. Women's coats and suits, however, did

not move well in December and sales declined 24% below a year ago. Radios, television, records, etc., continued strong through the Christmas season and the month showed a gain of 35% over a year ago; furniture and bedding continued in strong demand with December sales 8% above a year ago. Most other departments ran close to the sales level a year ago and in most instances unit sales in these departments were considerably higher than a year ago, as declines in sales were more than accounted for by lower prices.

A wholesome situation is noted in December furniture store trade since cash sales exceeded the gain in credit sales. The former rose 10% from November to December on a seasonally adjusted basis, and the latter rose 3%. Here inventories rose 13% and were 3% ahead of those of December 1948. Household appliance stores enjoyed an excellent year-end business with unadjusted sales rising 21% to a level 15% ahead of 1948.

Sales of new passenger cars and trucks declined seasonally from November to December in three states thus far available, but in two of these states sales ran substantially ahead of a year ago. Despite the substantial growth in automobile installment credit, automobile dealers report a large percentage of their sales are still being made for cash, and in most quarters it is expected that car sales in the early months of 1950 will be at new high levels.

At the level of business activity late in 1949, personal income in the Fifth District was only slightly lower than that of 1948. It is, however, becoming increasingly evident that credit played a more important role in trade activity in the last half of 1949 than for many years previous. While consumer credit at commercial banks in the District was rising 28% during 1949, there was a gain of 83% in automotive installment paper purchased, and of 20% in direct automotive loans. Other sales credit apparently was carried by the stores and may have been reflected in expanded commercial bank loans. Industrial loan companies and industrial banks

ALSO IN THIS ISSUE:

<i>Review of Fifth District Industries</i>	Pages 3 - 7
<i>Industrial Growth in South Carolina</i>	Page 8
<i>1949 Operating Ratios</i>	Page 9
<i>Statistical Trends and Data</i>	Page 11

FEDERAL RESERVE BANK OF RICHMOND

were less active in extending automotive credit than commercial banks. In the former case, these loans rose 24% and in the latter, 40%.

Repair and modernization loans rose 19% in commercial banks and 3% in industrial banks. Loans made for installment purchases other than automobiles declined in commercial and industrial banks, but rose considerably in the industrial loan companies. Meanwhile, single payment cash loans declined 5% at commercial banks and 66% at industrial loan companies, and rose 23% in industrial banks. Federal credit unions showed a gain in loans during the year of 53%, state credit unions, 17%, and small loan companies, 22%. Reporting furniture stores showed an increase of 21% in receivables during 1949, while department stores showed a gain in installment receivables of 23.9% and in other receivables of 1.3%.

It is interesting to note that loans and discounts of all member banks in the Fifth District on December 28 were 2% higher than at the end of 1948 despite the lower level of industrial activity in this period. Composition of this loan increase is interesting since growth

occurred principally in real estate loans and "other" loans which are largely consumer loans. The rise in commercial, industrial, and agricultural loans since late in July did not quite reach the peak established in 1948 but the economic climate is favorable to loan expansion and it would not be surprising to see a continued rise in loans after seasonal factors are taken into account.

Conclusion

The bituminous coal situation has worsened and fuel supplies late in January were at or near the critical stage. Industrial shutdowns in this District had not been threatened, but the indications are that they will become numerous elsewhere unless larger coal output occurs quickly. Aside from this perennial sore spot, the economy of the Fifth District appears to be moving slowly into higher ground, though there is still insufficient expansion to absorb the new growth in the labor force. Thus the economy, apart from coal, appears to be in fairly neat adjustment and, given the expected favorable developments on the national front, should continue its high-level stability.

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

	Dec. 1949	Nov. 1949	Oct. 1949	Dec. 1948	% Change—Latest Month Prev. Mo.	% Change—Year Ago
New Passenger Car Registration*	.....	198	211	146	— 6	+ 35
New Commercial Car Registrations.....	.....	206	197	181	+ 5	+ 8
Bank Debits	318	323	327	324	— 2	— 2
Bituminous Coal Production.....	107	128r	15r	159	— 16	— 33
Building Contracts Awarded, Total.....	475	521	421	243	— 9	+ 95
Commercial Construction Contracts.....	288	324	288	263	— 11	+ 10
Manufacturing Construction Contracts.....	336	146	353	223	+ 130	+ 51
Public Works and Utilities.....	400	562	224	164	— 29	+ 144
Residential Construction Contracts.....	592	616	545	283	— 4	+ 109
Apartments and Hotels.....	530	1128	949	230	— 53	+ 130
One and Two Family Houses.....	669	523	396	328	+ 28	+ 104
Building Permits Issued.....	373	400	482	267	— 7	+ 40
Business Failures—No.	78	135	97	49	— 42	+ 59
Cigarette Production	213p	233r	203	234	— 9	— 9
Cotton Consumption	155	147	143	140	+ 5	+ 11
Cotton Spindle Hours.....	145	144	138	134	+ 1	+ 8
Department Store Sales†.....	311	305r	295	329	+ 2	— 5
Department Store Stocks†.....	291p	295	305	309	— 1	— 6
Electric Power Production.....	.....	265	265	276	0	0
Employment—Mfg. Industries* .....	.....	124	125r	132	— 1	— 7
Furniture Mfrs: Orders†.....	.....	360	290	257	+ 24	+ 51
Furniture Mfrs: Shipments†.....	.....	313	281	204	+ 11	0
Furniture Mfrs: Unfilled Orders†.....	.....	632	627	526	+ 1	+ 18
Furniture—Retail:††.....	.....	.....	.....	.....	.....	.....
Net Sales	193p	184r	201r	189	+ 5	+ 2
Cash	221p	200	213	261	+ 11	— 15
Credit	180p	175r	181	170	+ 3	+ 6
Receivables	130p	127r	124	107	+ 2	+ 21
Collections	165p	160r	158	173	+ 3	— 5
Inventories	157p	139r	140	153	+ 13	+ 3
Household Appliance Store Sales*.....	155	122p	125	135	+ 27	+ 15
Life Insurance Sales.....	249	253	246	231	— 2	+ 8
Wholesale Trade:						
Automotive Supplies**	448	514	476	213	— 13	+ 110
Drugs	234	252	243	238	— 7	— 2
Dry Goods	181	157	130	180	+ 15	+ 1
Electrical Goods**	59	47	52	89	+ 26	— 34
Groceries	227	245	235	252	— 7	— 10
Hardware	122	131	118	163	— 7	— 25
Industrial Supplies**	259	246	244	448	+ 5	— 42
Paper and Its Products**.....	166	146	140	163	+ 14	+ 2
Tobacco and Its Products**.....	68	65	68	105	+ 5	— 35

*Not seasonally adjusted

**1938-41=100

†Revised Series—back figures available on request

‡1941=100

Rayon Slumped and Recovered in 1949

The rayon industry has fully recovered from the short but violent recession of early 1949. Further growth seems certain, with expansion in viscose yarn coming in the tire cord field. The acetates may continue to encroach not only on other textile fibers but on viscose as well. Rayon yarn shipments to the hosiery industry will probably continue to decline as the supply of nylon is expanded.

DELIVERIES of rayon filament yarn, staple and tow by manufacturers declined 46% between December 1948 and April 1949 to record one of the sharpest and shortest adjustments in the history of industrial activity. Fortunately, recovery began in May and continued without interruption through the remainder of 1949. By October, a new high level of shipments had been established and successive increases were recorded in the remaining months of the year. Total shipments in 1949 were, however, 12% less than those of 1948.

For a number of years, in fact, through 1945 the rayon industry maintained a straight line rate of growth of some 10% per annum. Beginning with 1946, this rate of growth accelerated substantially and continued at an accelerating rate through 1948, due in large part to the adoption of rayon cord for the manufacture of rubber tires and to the substantial growth in the use of staple fiber and tow.

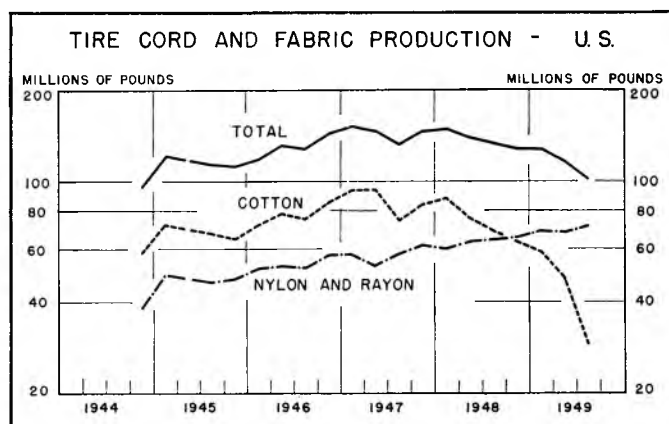
Shipments of high tenacity viscose yarn to tire manufacturers accounted for 35% of the total gain in shipments from 1939 to 1948 and 79% of the gain in viscose filament yarn shipments. Staple fiber and tow shipments accounted for 31% of the gain in total shipments, and together with high tenacity viscose yarn, were responsible for 66% of the total gain in the industry's shipments in this period.

Cotton tire cord consumption reached a peak in 1947 and the competition between the rayon and cotton thereafter got well under way. In 1948, cotton cords did not suffer severely but rayon cords continued an uninterrupted growth. By the third quarter of 1949, however, cotton tire cord consumption had dropped 71% from the peak quarter of 1947, whereas consumption of rayon and nylon cords had risen 35% in the same period. It is not likely that use of cotton cords in rubber tires will be eliminated but even the level of the third quarter of 1949 may be a higher figure than can reasonably be expected to continue. If demand from the tire industry picks up rather quickly, some temporary increase in cotton cords consumption may be witnessed since the rayon industry may be unable to supply a rapidly expanding demand.

Increasing demand for tire cord was responsible for viscose filament yarn maintaining a level of output in 1949 only 4% under 1948, while acetate filament yarn dropped 14% and total staple fiber and tow dropped 26%. Although shipments of staple fiber and tow accounted for only 20% of total rayon in 1949, they accounted for 54% of the decline in total shipments from 1948.

In the decade, 1938-1948, greatest growth occurred in the acetate field. Acetate filament yarn rose 140% in this period compared with 106% for viscose. Acetate staple and tow rose 964%, while viscose staple and tow rose 185%.

During the war period and following, expansion in



output of viscose filament yarn continued to rise at a fairly uniform rate. Early war priorities prevented any growth in acetate output from 1942 through 1945. Nevertheless, in the two years prior to 1942 and in 1947 and 1948, the growth in acetate shipments was sufficient to cause the entire decade to show a much more rapid rate of growth

than the shipments of the viscose industry.

Rapid growth in staple and tow in both acetate and viscose fields has been due to expanded use in the clothing field—both men's and women's. Nearly one-half of the men's summer suits in 1949 were made from staple rayon and it is anticipated that a further gain in this field will be witnessed this year; and rayon staple fiber may even invade the field of heavier weight men's and women's clothing.

Outstanding expansion in filament yarn consumption has occurred and is continuing in viscose tire cords and miscellaneous uses, and in knit goods other than hosiery in the acetate field. Although broad woven goods are still the large markets for both acetate and viscose filament yarns, the acetate yarns are growing much more rapidly in this field than viscose. In the hosiery field up to 1944, both acetate and viscose filament yarns experienced a sharp rise, but this industry's consumption of both fibers has fallen steadily since that time due to greater availability of nylon. There has been a smaller fall in that industry's use of acetate yarns.

The Fifth District's Furniture Industry---1949-1950

After substantial contraction early last year and recovery in the late months, the Fifth District's furniture industry now looks at a number of factors which, combined, strongly imply another good year for 1950. Expanding current demand, easy credit terms, and the high level of residential housing, coupled with some evidence of a return to rising prices, all contributed to the improved outlook for coming months.

WITH American Furniture Mart's January sales running double those of a year ago, the stage is set for an expansion in the volume of production of wooden furniture in the Fifth Federal Reserve District—at least for the first six months of 1950.

Furniture production in the District suffered substantial contraction in the first half of 1949, but by year-end it had recovered most of the ground lost in the previous drop. The Chicago Mart figures, above noted, imply a strong demand for furniture and a favorable outlook for the producers. And this strong undertone hints that manufacturers' prices will rise slightly in the near future, since lumber costs have risen and labor costs will be raised by the new 75-cent minimum wage.

Many producers doubt that such an increase will be carried through to the retail level. In the Winston-Salem-High Point, North Carolina, area, upholstered furniture factories in September 1949 paid 15% of their workers less than the new minimum, while other furniture factories paid 12.7% of their workers less than the minimum.

Maintenance of national consumer income during 1949 just below 1948's peak levels created an atmosphere favorable to the retail distribution of furniture. Too, the number of new housing units placed under construction, despite a slow start early in the year, established a new high record for 1949 of more than a million units. These factors, together with a relaxation in credit terms at the expiration of Regulation W, have augured well for the maintenance of a strong demand at the retail level.

In the Fifth District, net sales of reporting furniture stores in 1949 probably exceeded all previous years except 1948. A notable part of the increase in the latter part of the year was due to an increase in credit sales.

The furniture industry ranked eleventh in importance in the Fifth District in 1947, but it is substantially more important in several selected areas in southern Virginia and North Carolina. The recently published 1947 Census of Manufactures showed 639 furniture-

making establishments in the District—82% more firms than were in business in 1939. These firms employed 44,100 workers in 1947, an increase of 42% over 1939, and added value to materials in the amount of \$176 million, a gain of 256% over 1939. Actually the industry's value added by manufacturing figure accounted for 12.8% of the national total, as compared with 11.8% in 1939.

The Department of Commerce has estimated 1948 personal consumption expenditures for furniture at \$2,715,000,000 compared with \$2,500,000,000 in 1947. It is probable that 1949 was somewhat under the 1948 total but above that of 1947, though current optimism in the trade seems to point to a figure in 1950 somewhat

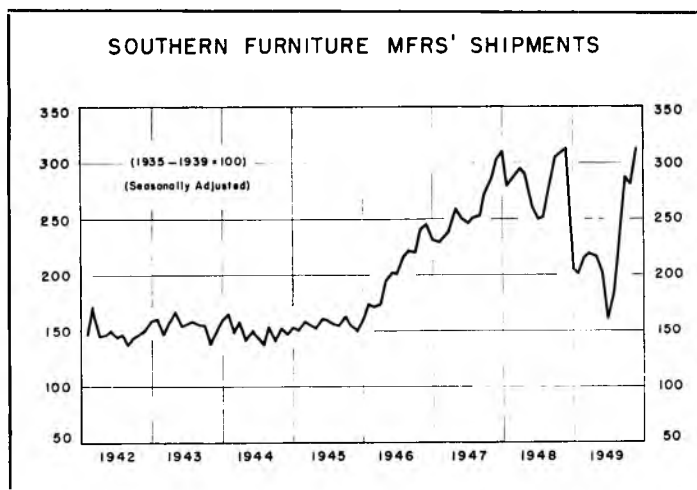
higher than in 1949 and possibly equaling the 1948 total. Such optimism may or may not be realized—indications now seem to point in that direction though possible reintroduction of credit controls is a tempering factor and would affect furniture sales at the retail level.

The very substantial increase in residential housing starts in the last half of 1949, however, should be reflected in re-

tail furniture sales after an interval of about six months or approximately the time of completion of the residential units started. Since this construction was probably at its highest point late in 1949, it would appear that sales of furniture at a high level will continue beyond the middle of 1950. Currently, at least, both manufacturers and retailers are so appraising the situation.

Inventories of retail dealers are running about 17% smaller than a year ago, and it will probably be necessary for these concerns to increase their inventories somewhat in order to care for prospective sales.

Credit sales at the retail level are rising steadily but even so, the current situation does not appear to be unhealthy, since credit sales account for a considerably smaller proportion than was characteristic in past peacetime years. Indications are that both manufacturers and retailers will experience a good year in 1950.



The Troubled Soft Coal Industry

Soft coal, beset by serious labor troubles, reached a new production low last year. It has declined in relative importance as an energy source, and hope for a comeback against its new competitors, oil and gas, is heavily predicated on restoration of peace within the industry.

DURING 1949 the bituminous coal industry was heavily beset by labor disturbances and production reached a low not seen since prewar days. For the year ended December 31, national coal production amounted to 428 million tons, a decline of 27.9% from 1948 and about equal to 1940's output. The Fifth District's total for eleven months of 1949 fell 26% below 1948 and 2% below 1940. The major stoppage in September 1949 occurred over a yet unsettled wage contract—and for six weeks the unionized mines were at a standstill. The two-week "memorial holiday" in March, stoppages in June and July, interspersed with the three-day week operations, greatly accelerated the decline in production. On November 30, union mines returned to the three-day work week which still prevails and no settlement of the present situation is in sight.

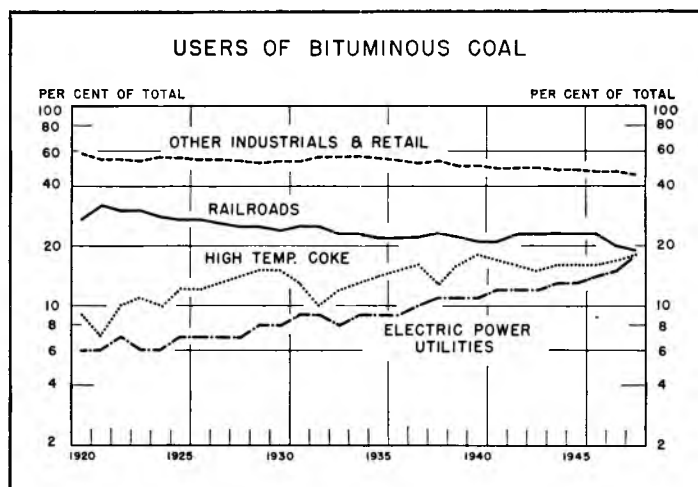
The union goal of reducing the above-ground stocks of industrial users was not attained during 1949, both because of lower industrial demand and shifts to competing fuels. The steel strike during October, coupled with declining coal exports, reduced the overall demand for coal; hence, restricted coal output did not materially impede industrial production in other lines. At the end of November, however, industrial stocks of coal had dropped to 45 million tons, down 35% from the same period of 1948. In the first half of 1949, coal production and industrial production showed similar trends, but in the last half, industrial production made a decided comeback while the coal output continued downward.

As an energy source, bituminous coal has declined in relative importance. In 1912, it supplied 71% of the total energy requirements of the nation; by 1948, it had fallen to an all-time low of 42%. Petroleum and, to a lesser extent, natural gas and water power, accounted for the inroads into coal as suppliers of the nation's energy. The two relatively new competitors, petroleum and natural gas, have continued to make inroads into the energy field—in 1910, they accounted for only 12% of the total energy; by 1930, these sources had captured 35% of the total energy market, and by 1948

they had 49% of it and were contributing a greater percentage than bituminous coal.

Changes in the efficiency of burning coal in the industries of the United States have lowered coal consumption. Railroads, electric utilities, blast furnaces, and cement mills made rapid strides in effecting a greater output on a given amount of coal used, up to the early 1930's. While this trend continued into the early years of the war, the rate was much slower, and has since leveled off. In 1920 one ton of coal consumed by railroads hauled 11,494 ton-miles of freight, while in 1930 it hauled 16,529 ton-miles, a rise of 44%. From 1930 to 1948, the rise was only 9%. Blast furnaces produced 1,504 pounds of pig iron and ferro-alloys per ton

of coal in 1930, an increase of 15% from 1920, while from 1930 to 1948 output per ton of bituminous coal declined 4%. Electric utilities produced 87% more kilowatt hours of electricity per ton of coal over the 1920-1930 period, but the rise was only 23% from 1930 to 1948. Cement plants from 1927 to 1947 raised their poundage of cement per ton by 11%.



The bituminous coal industry is now and has been for several years seriously handicapped by a labor policy which worked to its disadvantage at a time when the opportunity was presented for consumer expansion of this fuel. Labor policy has probably created for industry greater competition than it could have reasonably expected. Consumers have changed from coal to other fuels both because of relative costs and unreliability of the coal supply.

In the overall, both coal-burning efficiency and competition with other fuels have been reducing the industry's position in the energy market. Railroads continue the shift to the diesel locomotive, industry is turning to gas and oil, and the majority of new homes are oil-heated. The iron industry must use coal in making pig iron and the steam utilities prefer to use coal when available. Labor peace and technology could do much to stop the industry's decline—perhaps even revive it.

Modest Optimism Prevails in the Hosiery Industry

The hosiery industry along with other nondurable consumer goods industries had to readjust supply to demand from the last half of 1948 through the first half of 1949. Production and shipments then recovered and have since exceeded the 1948 level. Although manufacturers' stocks near year-end were still above the 1948 prewar high, the industry generally was neither uneasy nor unhappy.

THE hosiery industry operated in a competitive market in 1949 and the shift to a buyer's market brought back the prewar seasonal pattern both in buying and pricing. After Christmas 1948, prices weakened, rose as hosiery was purchased for the Easter season, fell again in the summer sales slump, and became firm as retail stock were built up for the Christmas season just past.

Both production and shipments were below those of 1948 through July and above 1948 for the remainder of the year. Manufacturers' stocks were built up in 1949 to a point above the 1948 level, though the rate of growth was not alarming since stocks on November 1 were less than a two months' supply and Christmas trade was apparently quite satisfactory.

Because of recent large expenditures on new and modernized buildings and machinery, the industry generally was able to adjust to the more competitive situation. Resulting increased efficiency created the desire for increased unit sales by manufacturers, while consumer pressure for lower prices had the same effect on retailers who wished to maintain dollar volume. Because of larger unit sales, retail dollar volume for 1949 probably showed a decline of less than 10%, though average 1949 prices declined somewhat more than 10%.

Hosiery per capita production has shown many changes from 1940 to 1949—men's hosiery has held steady, women's have fallen, and children's have risen. Output of men's hosiery in 1940 was 12.0 pairs for each male 14 years of age and over; in 1948, it was 12.8 pairs. Production of women's hose in 1940 was 17.1 pairs for each female 14 years of age and over; in 1948, it was 14.4 pairs. Production of children's and infants' socks in 1940 totaled 4.6 pairs for each person under 14 years of age; in 1948, it was 7.1 pairs. The per capita decline in women's hosiery production has taken place in the face of increasing per capita income, indicating that a smaller share of the family budget is spent on this item. The decreased rate of women's hosiery production may reflect a permanent

change in consumer habits, but nylon stockings have a longer life than either silk or rayon and, therefore, reduce the number of pairs needed. The bare-leg fad of many women during the summer months seems to be a growing habit and has put a further dent into summer sales. Per capita production of women's hosiery has thus far shown no evidence of stabilization but was still a downward trend in 1949. Perhaps the trend toward sheerer constructions may reverse the trend.

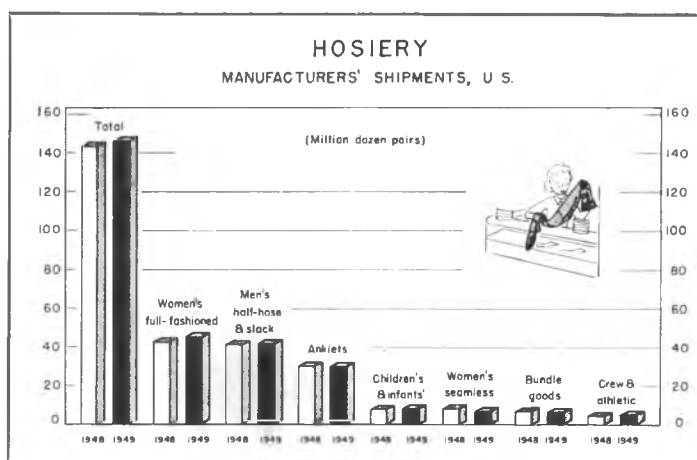
The 1947 Census of Manufactures shows that a major portion of the hosiery industry is located in the Fifth District. In 1947, the mills of North Carolina employed 24% of the full-fashioned hosiery industry's production workers, the mills of Virginia 4%, and those of South Carolina 1%.

The Fifth District percentage in 1947 was even higher for seamless hosiery workers with 42% of these employees in North Carolina and 2% in Virginia. In the same year the hosiery industry of the states mentioned accounted for 27% of the value added by the manufacture of full-fashioned hosiery and 44% of the value added by the manufacture of seamless hosiery. All producing areas of the Fifth District, ex-

cept for seamless hosiery manufacturing in Virginia, grew at a more rapid rate than the industry nationally as measured both by number of production workers and the value added by manufacture.

Some uneasiness concerning prices and overproduction in 1950 prevailed in the industry during most of the past quarter with many sources predicting lower prices for the first quarter. It now appears that production will be limited by lower nylon yarn allotments—in some instances as much as 15% to 20% from last year—so that prices are more likely to be firm than to weaken.

The new 75c per hour minimum wage rate presents another problem for 1950. The effect on the production of women's hosiery—both full-fashioned and seamless—will be limited, but adjustments will have to be made in other divisions of the industry, notably men's and children's seamless hosiery.



Fifth District Cotton Textiles - Retrospect and Prospect

The cotton textile industry weathered the postwar readjustment in good fashion. There were relatively few failures, and the financial position of most concerns remains strong. Output is again rising; prices are firm; mills are well booked ahead; and the overall outlook is favorable despite continued strong competition from the rayon industry.

THE cotton textile industry continued the postwar readjustment (which began mid-year 1948) through the first half of 1949, apparently completed it by mid-year, and steadily expanded output during the last half of 1949.

In the Fifth Federal Reserve District mill consumption of cotton reached its postwar peak early in 1947. This figure hardly represented peak output but rather the fact that duck and other heavy yarn goods caused cotton consumption to be heavy in relation to total yardage.

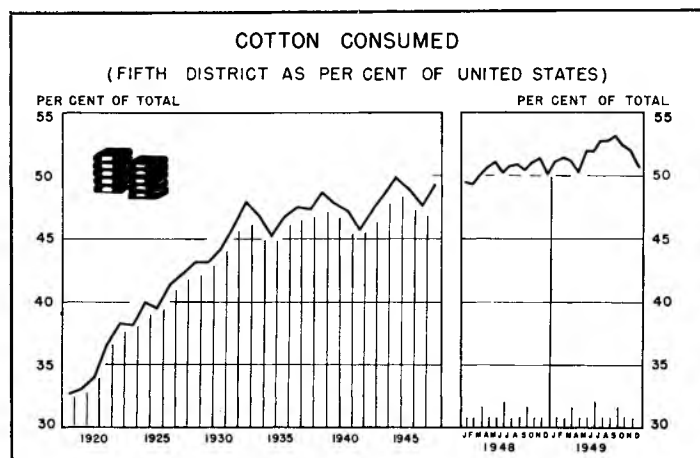
Best indication of the industry's operations is found in total active spindle hours. Historically, the figures show that the industry rose substantially from prewar 1939 to a peak in the spring of 1942 when Army and Navy orders were at their highest point. Labor shortages caused operations to recede steadily from then to war's end. But at the upturn in 1946 output, as represented by total spindle hours, rose continuously up to mid-1948 to a level very near the war peak. Then a down trend set in which lasted almost one year. At the end of 1949 the number of spindle hours operated had returned to the average level of the last half of 1948. The trend is still upward and should continue in that direction well into 1950.

The cotton textile industry in the Fifth District is growing faster than in the nation as a whole—in 1948, 50.4% of cotton consumed in the nation was accounted for by Fifth District mills. Ten years ago (1939) the Fifth District proportion was 47.8% and 20 years ago (1929) 43.1%.

The down turn in textile production during the 12 months ended July 1949 was substantial in Virginia; was marked, though of less intensity, in North Carolina; and was fairly moderate in South Carolina. The moderate recession in South Carolina was apparently due to the greater integration of mills in that area and to the fact that the operations of weavers were not as drastically affected as those of yarn spinners.

Mill consumption of the four principal textile fibers

—cotton, rayon, silk, and wool—amounted to 43.81 pounds per capita in 1948. This figure was 27% higher than in 1939 and 33% higher than in 1929. Thus the field in which cotton competes shows a healthy growth and offers opportunity for cotton to share in it. In the past two decades, however, cotton has fallen behind. The per capita consumption of cotton in 1948 was 31.08 pounds, which was only 12% higher than in 1939, and only 10.6% higher than in 1929. In these periods cotton showed by far the smallest per capita growth of any of the fibers (except silk, which has practically disappeared). Filament rayon rose 111% from 1939 to 1948, and 437% from 1929 to 1948. Staple fiber and tow rose 171% from 1939 to 1948—from 1929 to 1948 its gain was more than 150 times. Per capita wool consumption in 1948 ran 59% ahead of 1939 and 60% ahead of 1929.



Cotton is still king of fibers and despite its smaller rate of growth, accounted for 31.08 of the 43.81 pounds of all fibers consumed per capita in 1948. One of the most serious inroads made into the cotton trade in recent times has been the growing use of rayon automobile tires, and there is no doubt that rayon has captured other markets that might otherwise have gone to cotton in the apparel and home

furnishings trade. It is also true that rayon and other synthetic fibers will probably encroach on more markets that formerly went to cotton. The high farm price policy for cotton has quite probably worked to its disadvantage in this competition.

Cotton goods prices, according to the Bureau of Labor Statistics, rose much more than prices of all commodities between the last pre-price-control year 1941 and their peaks in 1948; cotton goods having risen 226% and all commodities 94%. Cotton goods prices made their recession low in July 1949, after having dropped 24% from the April 1948 peak. Since July there has been a moderate recovery in the price level of both goods and yarns, and currently the entire price structure is firm.

Industrial Growth in South Carolina

SOUTH CAROLINA ranked second among the states of the nation in the percentage increase realized from 1939 to 1947 in value added by manufacturing. Against an average increase of 204% for the country as a whole, South Carolina registered a gain of 370% in this important aspect of manufacturing activity.

This impressive record of industrial progress in South Carolina is shown in recently released reports of the 1947 Census of Manufactures. Improvement in per capita income in South Carolina reflects the full employment and strong demand for goods and services of all kinds which characterized the nation's economy during the years 1939-1948.

South Carolina's expansion is shown by the data on "value added by manufacture"—the best census measure of the relative economic importance of manufacturing in different industries and different areas. These data indicate the approximate value created in the manufacturing process, or the contribution of manufacturing establishments to the value of finished products.

If the beginning period is taken back to 1929, the comparison is even more favorable. Between 1929 and 1947, South Carolina's increase of 399% in value added by manufacture was the highest in the nation—and far above the national gain of 133%. An additional interesting fact is that from 1929 to 1938 South Carolina was one of only two states in the Union to show an increase in value added by manufacture.

This large percentage increase from 1939 to 1947 in value added by South Carolina manufacturing enterprises—computed on a relatively small base of \$169 million that ranked 27th among all states—is accounted for mainly by the textile industry. These enterprises were responsible for 72% of the total industrial increase in the state and, by reason of being the highest percentage increase in the country, raised the state's

share of value added by manufacturing in the nation's textile industry from 6.1% in 1939 to 10.5% in 1947.

Contributing to this value added increase in South Carolina were gains in the following industries: lumber and products, chemicals, food, stone, clay and glass, furniture, and paper—all of which exceeded the corresponding percentage increase on a national basis. Dollar values in industries other than textiles were, however,

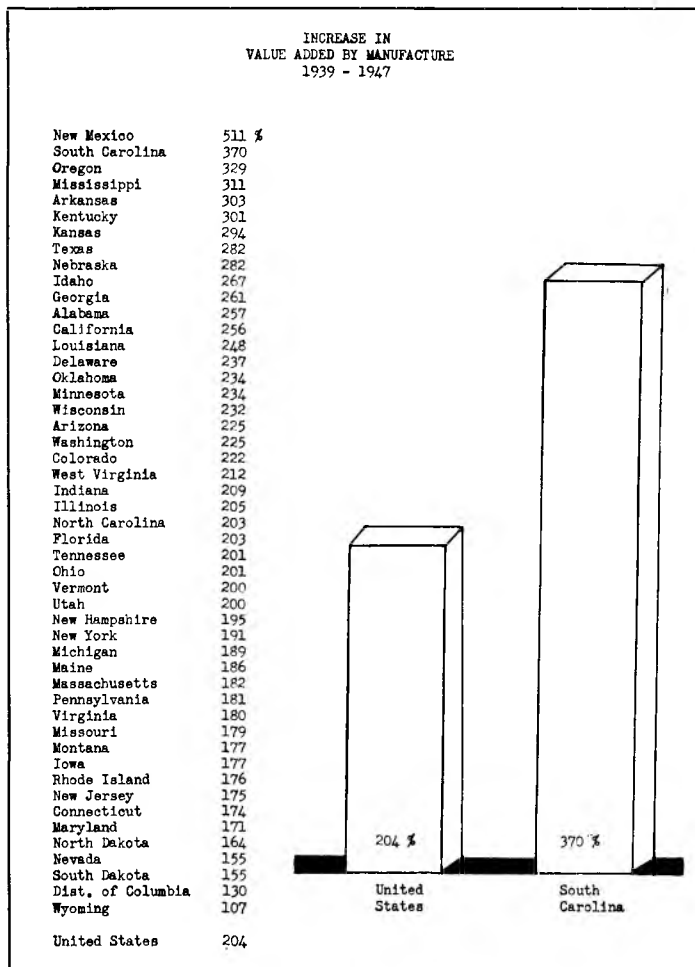
relatively small—for example, in lumber and products, the second manufacturing industry in importance in the state, value added by manufacturing amounted to only 8.8% of the South Carolina total in 1947. The state's industrial structure is marked by a heavier concentration in textile-mill products now (about 70%) than was the case in 1939 when value added by manufacturing in that industry accounted for almost two-thirds of the state total.

In noting the comparatively favorable growth, on an aggregate basis, of South Carolina's industrial structure it is necessary to keep in mind the heavy concentration in the textile industry and the relative unimportance of its durable-goods industries. If South Carolina hopes to raise its relative income position

by continued industrialization, substantial growth in heavy industries which expend relatively large amounts on capital equipment and wages—and which fit the pattern of needs and resources in the state—seems necessary.

Relative industrial expansion in South Carolina as compared with the country as a whole, is shown in the following table:

	Percentage Increase			
	1929-39		1939-47	
	S. C.	U.S.	S. C.	U. S.
Value Added by Manufacture.....	6	—23	370	204
Number of Establishments	—22	—18	64	39
Production Workers	16	—11	39	53
Annual Wages.....	18	—22	283	235



New Mexico	511 %
South Carolina	370
Oregon	329
Mississippi	311
Arkansas	303
Kentucky	301
Kansas	294
Texas	282
Nebraska	282
Idaho	267
Georgia	261
Alabama	257
California	256
Louisiana	248
Delaware	237
Oklahoma	234
Minnesota	234
Wisconsin	232
Arizona	225
Washington	225
Colorado	222
West Virginia	212
Indiana	209
Illinois	205
North Carolina	203
Florida	203
Tennessee	201
Ohio	201
Vermont	200
Utah	200
New Hampshire	195
New York	191
Michigan	189
Maine	186
Massachusetts	182
Pennsylvania	181
Virginia	180
Missouri	179
Montana	177
Iowa	177
Rhode Island	176
New Jersey	175
Connecticut	174
Maryland	171
North Dakota	164
Nevada	155
South Dakota	155
Dist. of Columbia	130
Wyoming	107
United States	204

1949 Operating Ratios Show Interesting Trends

TWO trends stand out when Fifth District member bank operating ratios¹ are analyzed: (1) a reduction in the proportion of assets of Fifth District member banks held in the form of Governments and cash assets, and (2) an increased importance of loans and investments in non-Governments. Cash assets, which (except for 1948) have represented a decreasing proportion of total assets ever since 1942, declined further to 23.9% of total assets.

Loans, on the other hand, now account for more than 30% of all assets, are more than twice as large a proportion of total assets as in 1945, and the largest proportion since 1942. Loans did not nearly reach the 40% of total assets which was typical of the immediate pre-war years, however, and show no signs of reaching that level in the near future.

Government securities declined in relative importance and almost entirely offset the increased importance of loans. Fifth District member banks on the average decreased the proportion of total assets held in the form of Government securities by 2.4% of total assets, to 38.9% of total assets. This represents the lowest proportionate holdings of Governments since 1943.

Holdings of other securities again increased in relative importance for the District's 479 member banks, reaching 5.7% of total assets. Real estate assets also increased slightly in relative importance.

Capital Ratios

The continued increase in the ratio of total capital accounts to total deposits is superficially reassuring in view of the fact that this ratio declined to such low levels during the war years. The current ratio of capital to deposits (8.5%) is still below the old rule-of-thumb of one to ten, but considerably improved over 1946, when the average capital-deposits ratio for Fifth District member banks was only 6.7%.

In general Fifth District banks have been increasing their holdings of loans and non-Government securities and concurrently decreasing the proportion of assets held in the form of Governments and cash assets. This trend, however, is not revealed by the ratio of capital funds to total deposits.

¹ The operating ratios presented here are expressed in percentages, and are in all cases arithmetic averages of individual bank percentages.

Exigencies of war financing increased holdings of Governments and of total assets much faster than capital accounts. An increase in the capital-deposits ratio under current conditions, however, does not necessarily represent a strengthening of the capital position. While the ratio of capital to deposits has increased markedly in the post-war period, the ratio of capital to "risk" assets (total assets less Governments and cash assets) has continued to fall.

At best a capital ratio is relatively unimportant in determining soundness for the individual bank. Many factors determine soundness—among the most important the quality of assets and the integrity and ability of management. A ratio which indicates a sound position

for one type of bank would be totally inadequate for a bank operating under different conditions. Continued strengthening of the capital position of Fifth District member banks in relation to deposits represents a desirable trend. In a period in which loans and investments in non-Government securities and real estate assets have been expanding

more rapidly than capital accounts, it could be useful to examine more closely the capital position, even though the capital-deposits ratio may show marked improvement.

Composition of Deposits

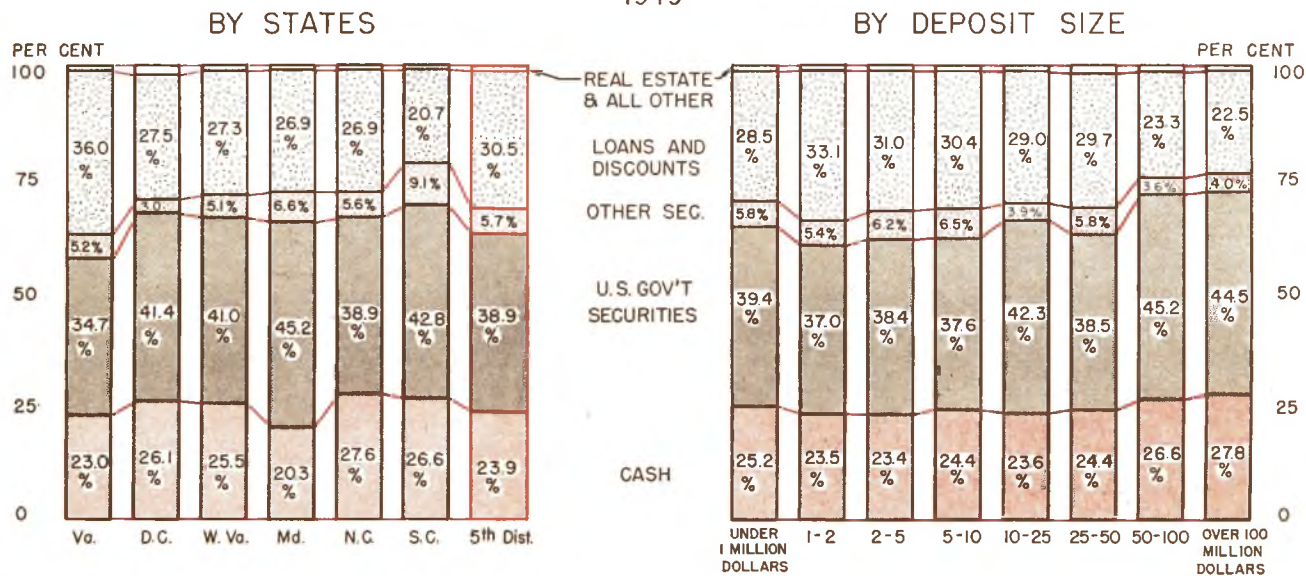
The ratio of time to total deposits showed a slight increase for the Fifth District in 1949 and thus continued the slight uptrend of the entire post-war period. A slight decrease in the proportion of time deposits occurred in the District of Columbia, with all other States reporting higher ratios of time to total deposits.

CAPITAL AND DEPOSIT RATIOS OF MEMBER BANKS
Fifth Federal Reserve District, 1949

	D. C.	Va.	W. Va.	N. C.	S. C.	Md.	Fifth District
Number of Banks	15	204	96	54	33	77	479
Total Capital Accounts to Total Assets.....	6.8	8.2	7.8	6.9	6.2	7.9	7.7
Total Capital Accounts to Total Assets less U. S. Government Securities and Cash Assets.....	22.7	20.5	25.7	21.8	24.1	25.9	22.9
Total Capital Accounts to Total Deposits.....	7.4	9.0	8.6	7.5	6.6	8.6	8.5
Time to Total Deposits....	23.9	39.3	27.9	25.3	16.7	43.9	34.1

DISTRIBUTION OF ASSETS - FIFTH DISTRICT MEMBER BANKS

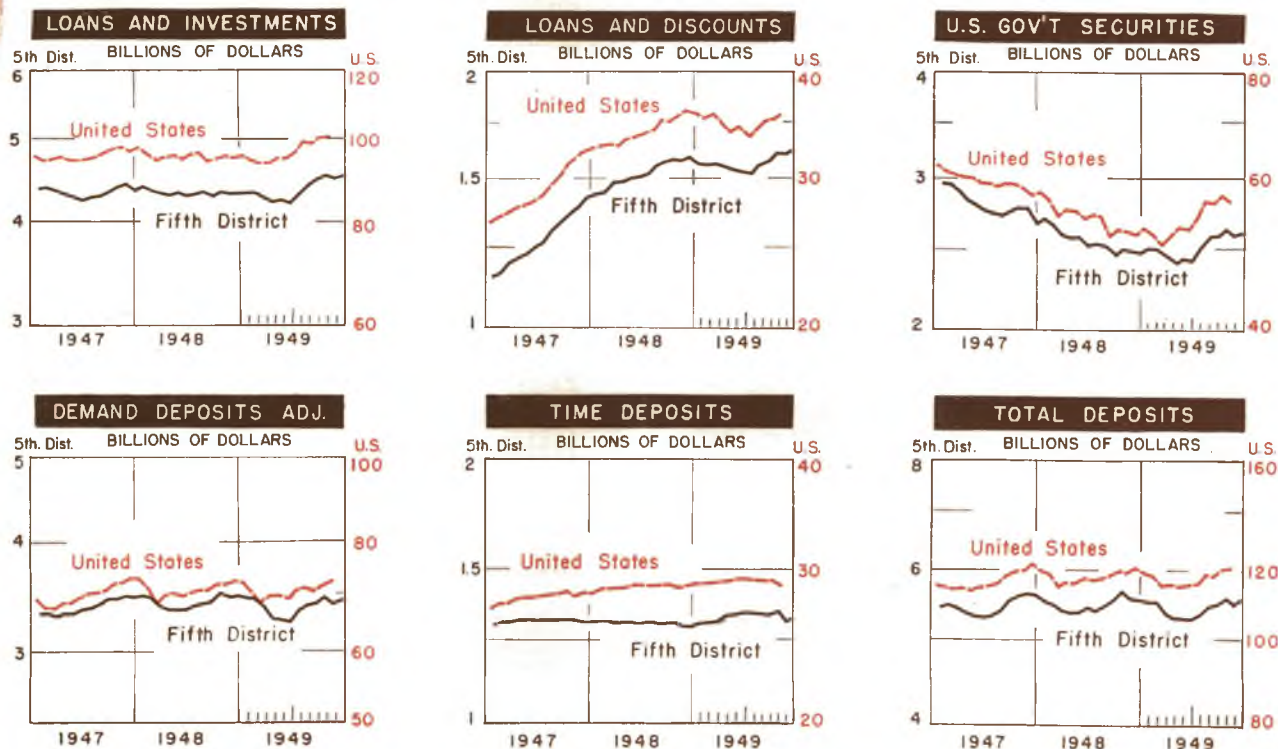
1949



PRINCIPAL ASSETS AND LIABILITIES OF MEMBER BANKS

UNITED STATES AND FIFTH DISTRICT

(LAST WEDNESDAY OF MONTH FIGURES)

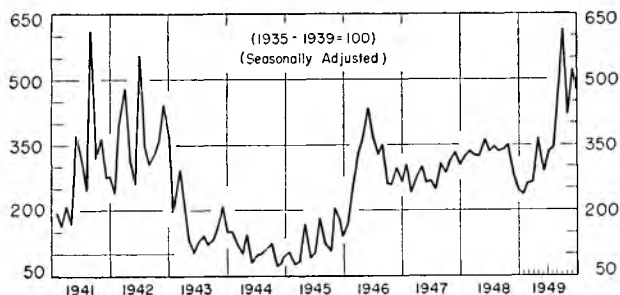


Data Partly Estimated.

Latest Figure Plotted: Fifth District, Dec. 28, 1949
United States, Nov. 30, 1949

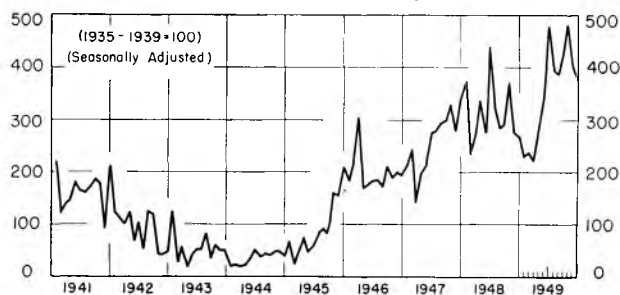
FIFTH DISTRICT TRENDS

CONSTRUCTION CONTRACTS AWARDED



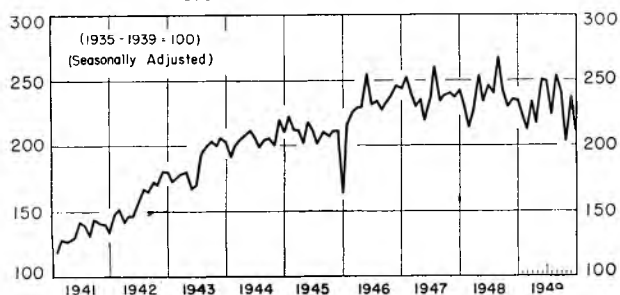
Total construction contract awards remained at very high levels though a moderate decline occurred from November to December. Awards for factory buildings rose from November to December to a level close to the year's peak.

BUILDING PERMITS



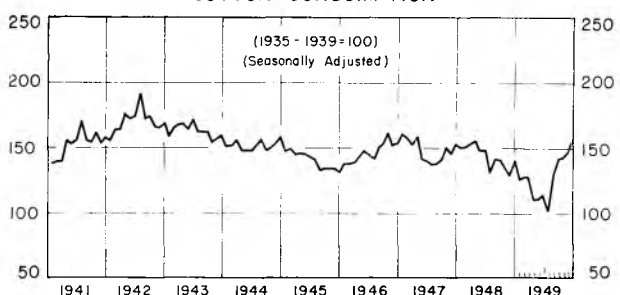
December building permits turned down moderately from November but ran well ahead of a year ago. Building permits in the year 1949 had a value 13% higher than the year before. Sixteen cities showed gains of \$57 million or 43% during this period while 13 cities showed losses of \$22 million or 16%.

CIGARETTE PRODUCTION



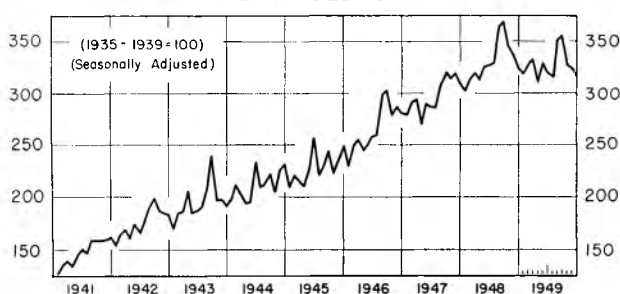
Cigarette production in the District declined more than seasonally from November to December but irregular movements are a characteristic of this industry. The 9% drop from a year ago shows continuation of a downward trend.

COTTON CONSUMPTION



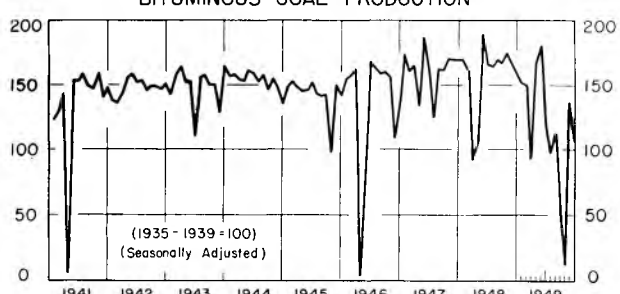
The upward trend in cotton consumption continued through December and showed a gain of 5% over November. New business during January has been on an expanding scale and is somewhat broadened in scope.

BANK DEBITS



Bank debits failed to rise seasonally in December in Maryland, the District of Columbia, and North Carolina. As a consequence, the District's index fell 2% from November. This movement was in contrast to department store sales.

BITUMINOUS COAL PRODUCTION



Bituminous coal production in December dropped 16% and figures for three weeks in January point to a further decline in output. Coal prices have risen at the retail level, reflecting tight supply.



FEDERAL RESERVE BANK OF RICHMOND

WHOLESALE TRADE

LINES	Sales in Dec. 1949 compared with		Stocks on Dec. 31, 1949 compared with	
	Dec. 1948	Nov. 1949	Dec. 31 1948	Nov. 30 1949
Auto supplies (7)	-7	-11	-2	+1
Electrical goods (4)	-29	+24	....	....
Hardware (11)	-21	-20	-24	+4
Industrial supplies (3)	-31	-6	....	....
Drugs & sundries (9)	+11	-4	+5	-2
Dry goods (11)	+1	-12	-11	-17
Groceries (60)	-7	-14	-5	-7
Paper & products (6)	-1	-1	....	....
Tobacco & products (9)	-11	-1	-11	-12
Miscellaneous (76)	+1	-2	-5	0
District Totals (196)	-5	-7	-10	-3

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

RETAIL FURNITURE SALES

Percentage comparison of sales in
periods named with sales in same
periods in 1948

STATES	Dec. 1949	12 Mos. 1949
Maryland (5)	+7	+2
Dist. of Col. (6)	+6	+8
Virginia (18)	+6	-4
West Virginia (10)	-6	-14
North Carolina (9)	+5	-12
South Carolina (8)	+3	-10
District (56)	+5	-1
INDIVIDUAL CITIES		
Baltimore, Md., (5)	+7	+2
Washington, D. C., (6)	+6	+8
Richmond, Va., (6)	+4	-2
Lynchburg, Va., (3)	+4	-4
Charleston, W. Va., (3)	-14	-15

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS (All figures show percentage change)

	Rich.	Balto.	Wash.	Other Cities	Dist. Total	
Sales, Dec. '49 vs. Dec. '48.....	+ 2	— 4	+ 2	+ 2	+ 1	
Sales, 12 mos. '49 vs. '48.....	— 3	— 6	+ 1	— 4	— 3	
Stocks, Dec. 31, '49 vs. '48.....	+ 2	— 6	+ 6	— 7	0	
Orders Outstanding						
Dec. 31, '49 vs. '48.....	0	— 9	0	—17	— 4	
Receivables						
Dec. 31, '49 vs. '48.....	+ 8	+ 1	+10	+ 1	+ 6	
Current Receivables						
Dec. 1, '49 collected in Dec.....	32	48	45	45	43	
Instalment Receivables						
Dec. 1, '49 collected in Dec.....	15	18	18	22	18	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Dec. '49 vs. Dec. '48.....	—4	+2	+2	+3	+2	+2
Sales, 12 mos. '49 vs. '48.....	—6	+1	—3	—3	—7	—4

COTTON CONSUMPTION AND ON HAND—BALES

	Dec. 1949	Dec. 1948	Aug. 1 to Dec. 31 1949	1948
Fifth District States:				
Cotton consumed	376,115	340,929	1,883,391	1,793,506
Cotton Growing States:				
Cotton consumed	664,183	602,248	3,270,020	3,143,121
Cotton held Dec. 31 in				
consuming establishments	1,477,040	1,431,197		
storage & compresses	10,665,251	8,778,434		
United States:				
Cotton consumed	734,013	675,466	3,605,539	3,525,509
Cotton held Dec. 31 in				
consuming establishments	1,650,222	1,650,061		
storage & compresses	10,682,934	8,825,880		
Spindles active, Dec. 31, U.S.	25,241,000	20,771,000		

Source: Department of Commerce.

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

ITEMS	January 18 1950	Chg. In Amt. 12-14-49	From 1-18-49
Total Loans	\$ 871,061**	- 7,605	+ 7,661
Bus. & Agric.	400,267	- 6,983	- 12,201
Real Estate Loans	209,366	+ 2,592	+ 7,578
All Other Loans	272,453	- 1,379	+ 15,644
Total Security Holdings	1,846,667	+ 41,288	+ 190,254
U. S. Treasury Bills	152,416	+ 8,496	+ 71,127
U. S. Treasury Certificates	267,609	+ 21,445	+ 69,104
U. S. Treasury Notes	131,936	+ 87,440	+ 87,518
U. S. Treasury Bonds	1,143,567	- 74,923	- 61,254
Other Bonds, Stocks & Secur.	151,139	- 1,170	+ 23,759
Cash Items in Process of Col.	214,361	- 39,710	- 21,811
Due From Banks	172,989*	- 7,939	+ 22,098
Currency and Coin	63,974	- 9,245	- 1,003
Reserve with F. R. Bank	457,364	+ 10,200	- 86,272
Other Assets	50,240	- 2,754	+ 1,707
Total Assets	3,676,656	- 15,765	+ 112,634
Total Demand Deposits	2,821,270	- 9,758	+ 83,031
Deposits of Individuals	2,090,221	- 38,086	+ 37,488
Deposits of U. S. Government	85,146	+ 6,279	+ 38,164
Deposits of State & Local Gov.	164,929	+ 17,949	- 13,994
Deposits of Banks	432,165*	- 6,782	+ 30,374
Certified and Officers' Checks	48,809	+ 10,882	- 9,001
Total Time Deposits	608,736	+ 5,370	+ 20,197
Deposits of Individuals	561,444	+ 10,293	- 5,677
Other Time Deposits	47,292	- 4,923	+ 25,874
Liabilities for Borrowed Money	0	- 7,350	- 550
All Other Liabilities	18,208	- 3,254	+ 631
Capital Accounts	228,442	- 773	+ 9,325
Total Liabilities	3,676,656	- 15,765	+ 112,634

*Net figures, reciprocal balances being eliminated.

**Less reserves for bad debts.

FEDERAL RESERVE BANK OF RICHMOND (All Figures in Thousands)

ITEMS	January 18 1950	Chg. in Amt. 12-14-49	From 1-18-49
Total Gold Reserves	\$1,103,333	- 13,189	+ 63,798
Other Reserves	25,082	+ 9,301	- 409
Total Reserves	1,128,415	- 3,888	+ 63,389
Bills Discounted	4,501	- 3,354	- 8,435
Industrial Advances	101	+ 3	+ 30
Gov. Securities, Total	1,154,618	- 11,784	- 271,613
Bonds	460,908	- 21,359	- 222,595
Notes	35,578	+ 16,441	+ 3,463
Certificates	413,379	+ 29,230	+ 6,899
Bills	244,753	- 36,096	- 59,380
Total Bills & Securities	1,159,220	- 15,185	- 280,018
Uncollected Items	237,059	- 47,879	+ 5,286
Other Assets	35,899	+ 8,659	- 17,330
Total Assets	\$2,560,593	- 58,243	- 228,673
Federal Reserve Notes in Cir.	\$1,549,928	- 40,796	- 72,176
Deposits, Total	757,463	+ 24,455	- 156,224
Members', Total	679,796	+ 14,085	- 162,730
U. S. Treas. Gen. Account	28,766	+ 2,125	- 5,171
Foreign	45,010	+ 7,868	+ 12,106
Other Deposits	3,891	+ 377	- 429
Deferred Availability Items	208,252	- 40,301	- 4,331
Other Liabilities	446	- 354	- 123
Capital Accounts	44,504	- 1,247	+ 4,181
Total Liabilities	\$2,560,593	- 58,243	- 228,673

PRICES OF UNFINISHED COTTON TEXTILES

	Dec. 1949	Nov. 1949	Dec. 1948
Average, 17 constructions	68.46	67.91	65.79
Printcloths, average (6)	78.22	78.11	72.17
Sheetings, average (3)	60.53	60.08	58.25
Twill (1)	71.73	68.84	67.58
Drills, average (4)	58.03	57.48	57.70
Sateen (1)	91.81	89.90	91.81
Ducks, average (2)	58.66	58.53	60.23

Note: The above figures are those for the approximate quantities of cloth obtainable from a pound of cotton with adjustment for salable waste.

Source: Department of Agriculture.