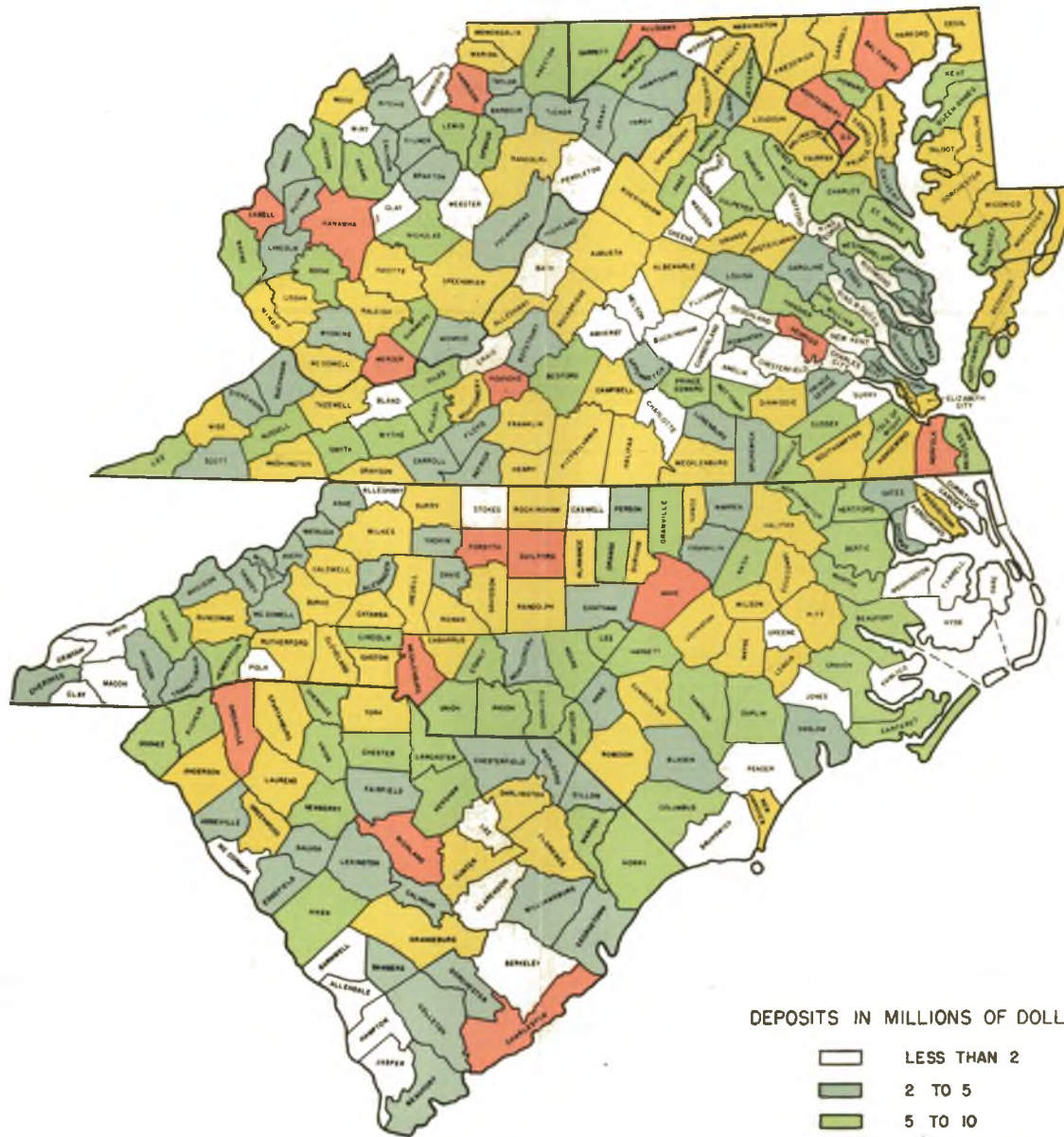


APRIL 1950

DEPOSITS BY COUNTIES FIFTH FEDERAL RESERVE DISTRICT ALL BANKS AS OF JUNE 30, 1949



DEPOSITS IN MILLIONS OF DOLLARS

- LESS THAN 2
- 2 TO 5
- 5 TO 10
- 10 TO 50
- 50 AND OVER

SOURCE: DISTRIBUTION OF BANK DEPOSITS BY COUNTIES, JUNE 30, 1949

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

Business Conditions and Outlook

Business in the Fifth District in February and early March maintained a relatively high level despite the adverse consequences of the bituminous coal strike. As in the past several months, construction and trade particularly in durables have been the backbone of current relatively high level activity. Total construction contract awards were 83% above February 1949, with residential up 139%. Passenger automobile sales in January were 35% ahead of a year ago and four District states in February show a gain of 57% over a year earlier.

Production in the important cotton textile as in most manufacturing industries has been maintained at January levels after allowance for seasonal variation, but bituminous coal output declined to insignificant levels. Strength in demand and output continued in the furniture industry but the iron and steel and metal products industries receded somewhat for want of coal or other supplies.

A considerable number of lay-offs have taken place in industries where wages averaged at or below the 75-cent

THE COVER

The map on the cover of this issue shows the total deposits of all banks by counties, as of June 30, 1949. Deposits of branches are included in totals for the counties in which the branches are located. Cities not part of any county have been treated as part of the surrounding or adjacent county.

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minimum; and production standards for other workers have been geared somewhat higher. The paper industry is running at peak levels and the trade apparently feels that nothing short of a general business recession would affect output adversely. Full fashion hosiery mills ap-

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

	Feb. 1950	Jan. 1950	Dec. 1949	Feb. 1949	% Change Latest Month Prev. Mo.	Year Ago
New Passenger Car Registration*	.....	181	185	117	— 2	+ 35
New Commercial Car Registration*	.....	147	202	147	— 27	— 7
Bank Debits	337	346	324	329	— 3	+ 2
Bituminous Coal Production.....	27	97	114	149	— 72	— 82
Building Contracts Awarded, Total.....	477	432	474	260	+ 10	+ 83
Commercial Construction Contracts.....	540	451	288	348	+ 20	+ 55
Manufacturing Construction Contracts.....	199	329	336	188	— 40	+ 6
Public Works and Utilities.....	240	626	400	259	— 62	— 7
Residential Construction Contracts.....	661	465r	591r	277	+ 42	+139
Apartments and Hotels.....	652	354	530	308	+ 84	+112
One and Two Family Houses.....	636	527	669	248	+ 21	+156
Building Permits Issued.....	349	753	373	237	— 54	+ 47
Business Failures—No.	63	76	78	45	— 17	+ 40
Cigarette Production†	204p	229r	219	213	— 11	— 4
Cotton Consumption	149	149r	155	128	— 0	+ 16
Cotton Spindle Hours.....	148	150r	145	130	— 1	+ 14
Department Store Sales†	301	300	311	308	— 0	— 2
Department Store Stocks†	306	291	295	295	+ 5	+ 4
Electric Power Production.....	.....	289	283	270	+ 2	+ 8
Employment—Mfg. Industries* .....	.....	123	124	129	— 1	— 5
Furniture—Retail:†‡ .....	.....	.....	.....	.....	.....	.....
Net Sales	206p	191p	194p	181	+ 8	+ 14
Cash	263p	208p	222p	251	+ 26	+ 5
Credit	182p	184p	181p	159	— 1	+ 14
Receivables	136p	137p	130p	108	— 1	+ 26
Collections	184p	181p	166p	178	+ 2	+ 3
Inventories	158p	144p	152p	150	+ 10	+ 5
Gasoline Consumption .....	.....	.....	.....	.....	.....	.....
Household Appliance Store Sales.....	91p	89r	157p	76	+ 2	+ 20
Life Insurance Sales.....	258	238	249	243	+ 8	+ 6
Wholesale Trade:						
Automotive Supplies**	474	511	448	265	— 7	+ 79
Drugs	256	248	234	259	+ 3	— 1
Dry Goods	157	118	181	157	+ 33	0
Electrical Goods**	55	51	59	84	+ 8	— 35
Groceries	229	226	227	236	+ 1	— 3
Hardware	123	129	122	127	— 5	— 3
Industrial Supplies**	210	279	259	394	— 25	— 47
Paper and Its Products**.....	182	167	166	132	+ 9	+ 38
Tobacco and Its Products**.....	64	66	68	96	— 3	— 33

*Not seasonally adjusted

**1938-41=100

†Revised Series—Back figures available on request

‡1941=100

State and Municipal Bond Offerings in the Fifth District

Bond issues floated by state and local governments in the United States in 1949 were 8% greater than in the preceding year and reached a record volume of almost \$3 billion. In the Fifth District, an all-time record was also set—nearly a quarter-billion dollars of long-term bonds was issued, an increase of 18% over the revised total for 1948. A significant feature of the District offerings was the tremendous increase in state issues. While local governments were borrowing 19% less than they did in 1948, the five states were increasing their bond issues 94%, thus accounting for over one-half the total state and municipal flotations compared to approximately one-fourth in 1948.

Contributing to the large increase in state offerings was the initial issue of \$22.5 million of highway construction bonds by the State of Maryland. Governor Lane's program contemplates total highway expenditure of \$200 million within a five-year period—suggested as the first phase of a decade-long \$600-800 million plan of Maryland road improvement.

The Commonwealth of Virginia has not marketed general obligation bonds for over a decade, but its Highway Commission issued \$19 million of revenue bonds in 1949 for the projected toll bridge across the lower reaches of the York River and to acquire existing privately-owned bridges and ferries in the Hampton Roads area.

West Virginia tapped the market twice in 1949 for a total of \$6.5 million for road building funds—\$4.5 million of which was the first instalment of the \$50 million authorized in November 1948 for construction and improvement of secondary roads.

North Carolina voters approved two bond issues during the year: One of \$25 million for school buildings and one for \$200 million to be used for farm-to-market roads. The latter will be the largest investment made by North Carolina in roads since before the Great Depression. The first instalment, amounting to \$50 million, of the road bonds was sold last fall. Earlier in the year \$7.5 million of port development bonds were issued.

South Carolina also sold bonds in order to finance road construction, floating three issues of \$5 million each during the year. Thus the initial outlays in the impressive highway programs throughout the District constituted the most important purpose, dollarwise, for which bonds were issued. These accounted for 53% of total borrowings by Fifth District states and municipalities.

Pressure of Rapidly Growing Population

The Washington Suburban Sanitary District provides an interesting case of the financial problems confronting municipalities and counties that have experienced a faster-than-average population growth. It highlights

the difficulties not only in providing municipal services sufficient to meet growing needs, but of financing such outlays without burdening taxpayers to the breaking point.

This Maryland suburban district surrounds the District of Columbia on three sides, is an area of approximately 180 square miles, and has a population estimated at 180,000. In 1930 there were 65,000 people in this area, a growth of 44% since 1910; by 1940 the count was up to 100,000, a rise of 54%; an influx of 40,000 more persons by 1944 raised the census 40% above 1940; and the present estimate represents a mushrooming growth of 23% in the six years since 1944 and 177% within two decades.

Revenue Issues

Finance officers the country over are faced with similar difficulties arising from expanded populations and pressing backlogs of public works and with the problem of matching debt increases with proportionate gains in taxable valuation and other sources of revenue. One of the answers to their problems appears to be in the greater use of revenue bonds. States as well as local governments are turning more and more to methods of financing by which funds for debt service on specific projects are furnished by the beneficiaries of the facilities and services. In the Fifth District revenue bonds accounted for 15% of total borrowings during the past year and provided for such projects as bridges in Maryland and Virginia, parking and market facilities in Baltimore, and water works and sewerage systems in a number of South Carolina municipalities.

An interesting variation of this type of financing has just appeared in an agreement between the New Jersey Turnpike Authority and a large number of insurance companies, savings banks, and New Jersey public trust funds for the financing of a 115-mile toll highway which, in extending from New York Metropolitan area to south Jersey, will be the backbone road of the state. Under the terms of this unprecedented plan of public financing, the group of investors mentioned has agreed to lend the Turnpike Authority, as construction needs require, up to \$220 million. As the proceeds are drawn, the Authority will issue 35 year, 3¾% bonds for the amount borrowed. These obligations will be payable solely from tolls and other related revenues and will not involve any tax-payer money.

This method of financing an unproved public project on a borrow-as-built basis is a novelty in public financing. The participation of insurance funds in financing an untried venture whose self-liquidating capabilities have not been established, is an unprecedented step in fiduciary investment, the extension of which is bound to be explored.

FEDERAL RESERVE BANK OF RICHMOND

STATE AND MUNICIPAL BOND OFFERINGS January 1-December 31, 1949

	MARYLAND			VIRGINIA			WEST VIRGINIA			N. CAROLINA			S. CAROLINA			FIFTH DISTRICT		
	No. of Issues	Amt. \$000	Per- cent	No. of Issues	Amt. \$000	Per- cent	No. of Issues	Amt. \$000	Per- cent	No. of Issues	Amt. \$000	Per- cent	No. of Issues	Amt. \$000	Per- cent	No. of Issues	Amt. \$000	Per- cent
School Building and Improvements	7	10,640	15.5	12	7,810	19.0	2	654	7.4	29	11,981	13.7	31	6,074	16.7	81	37,159	15.3
Water Drainage and Sewer Systems	8	8,110	11.8	2	129	.3	1	200	2.3	17	2,216	2.5	2	200	.6	30	10,855	4.5
Street, Road and Bridge Building and Improvement {	3	1,650	.....	2	525	.....				12	1,048	.....	7	1,780	.....		
Public Improvement..	3*	31,425	48.3	1*	19,000	47.4	3*	7,500	85.2	1*	50,000	58.3	3*	15,000	46.3	35	127,928	52.8
Public Utility	1	450	.7	7	6,480	15.7				1	69	.1	2	75	.2	11	7,074	2.9
Systems	4	5,900	8.6	9	6,080	14.8	..			22	9,175	10.5	12	8,274	22.8	47	29,429	12.1
Hospitals	1	800	1.2	1	350	.8	1	150	1.7	8	1,445	1.6	2	280	.8	13	3,025	1.2
General Refunding.....	..			..			..			7	204	.2	1	150	.4	8	354	.2
Miscellaneous	4	9,510†	13.9	5	840	2.0	1	300	3.4	18	3,990	.....	13	4,443	12.2	42	26,583	11.0
									1*	7,500‡	13.1							
Total	31	68,485	100.0	39	41,214	100.0	8	8,804	100.0	116	87,628	100.0	73	36,276	100.0	267	242,407	100.0

*State Issues.

†Includes such projects as the Lexington Municipal Market in Baltimore, "general construction," "public facilities," and "capital improvement."

‡State Ports Development bonds.

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

Costs of Borrowing

Relative ease with which the municipal market absorbed the record floatations of 1949 is shown by the narrow range within which municipal bond yields moved during the year. Using the quotations of the first Thursday of each month, the *Bond Buyer's Index* of municipal yields showed a range of only .14 of a point over the course of the year. Reflecting this stability and a higher bond price level than in the preceding year, many repeat municipal borrowers were able to issue bonds in 1949 at lower net interest costs than in 1948. The following are illustrative:

Issuer-purpose-maturity	Amount		Net Interest Cost	
	1949	1948	1949	1948
Washington Suburban Sanitary District, Maryland—water drain- age, sewer and sanitary systems—40-year bonds	\$7,000,000	\$ 1,000,000	2.72%	2.852 %
State of South Carolina— street, road and bridge building and improvements—9 and 9½- year bonds	\$5,000,000	\$10,000,000	1.38%	1.7408%
State of West Virginia—street, road and bridge building and improvement—15-year bonds	\$4,500,000	\$ 2,000,000	1.36%	1.659 %

Public Housing Bonds

One of the most potent forces in the future supply of tax-exempts is likely to be the Housing Act of 1949. Under the terms of this provision for low-rent housing and slum clearance, a tremendous volume—perhaps as much as \$7 billion spread over a 6 to 8 year period—of a new type of tax-exempt bond will likely begin to flow into the market this year. These new bonds, obligations of the respective local housing authorities, will mature serially up to a 40-year maximum. They will be exempt, by Congressional Act, from Federal income taxes, and will probably be secured solely by pledge of the annual contributions from the PHA which will be drawn from appropriated funds in the Treasury.

The faith of the United States is pledged to the payment of these contributions and the new local housing

authority bonds will, therefore, be as close to a Government obligation as possible without being a direct or guaranteed obligation. Thus, the bonds will be of prime quality and will probably sell at yields commensurate with those on top-grade state and municipal bonds of similar maturity. Their importance is also indicated by the potential rate at which they will reach the market. An \$800 million annual volume of these offerings would represent an increase of about 27% in the current annual volume of tax-exempt flotations. Since they are expected to be of prime quality, their effects on the supply of top-grade state and municipal bonds will be even more pronounced.

Summary

Present indications point to another record level of state and municipal bond offerings during 1950. There is still a tremendous backlog of projects for public plant improvements and additions as a consequence of the war-time curtailments and the population growth of the 'forties. Borrowing for such purposes during the last three years has already wiped out the debt reductions effected by state and local governments during the war, and it is a certainty that their outstanding debt at the close of this year will be at an all-time high.

On the demand side, it is expected that life insurance companies will continue to add fairly substantially to their holdings of state and municipal bonds which had been reduced steadily during the war period. In 1940, when their holdings of these bonds were at a record high of over \$2.2 billion, they constituted about 7.7% of total life insurance assets. By 1946 this proportion had dropped to 1.9%, but with the renewed buying of the past two years it has risen to around 2.2%. If the proposed revision of the tax formula for life insurance companies is adopted, the demand from this group will probably increase.

Further growth in commercial bank holdings of state and municipal bonds is also likely. Current holdings are

Continued on page 8

Savings Rise in the Fifth District

Over-all savings appear to be rising in the Fifth District, but the amount of savings has not constituted as large a proportion of the nation's total as the District's percentage of national income. This is related to the fact that per-capita income in the District runs somewhat below the national level and, as a consequence, a greater proportion of the income of the District must be used for consumption purposes.

In view of the basic importance of savings in a free-enterprise economy, it is proposed to trace as much of Fifth District savings as it is possible for the post-war years 1946-1949. It should be noted that savings are extremely difficult to measure; undoubtedly, large amounts are held in the form of demand deposits but what proportion of these deposits may be considered as savings is unknown. Shifts in the rate of turnover of demand deposits could be considered as saving or dis-saving. There is also an indeterminate amount of currency in circulation which is part of people's savings but difficult to separate from transactions money or to measure at the regional level. And there are myriads of direct and indirect investments in securities, in businesses, and in various forms of property for which no currently adequate measures are available. The important savings held by life insurance companies can not be statistically measured at the present time at the regional level and complete data are not available on regional ownership of U. S. savings bonds.

Measurement of savings is, therefore, limited to a few of the outstanding liquid forms—such as time deposits in banks, share capital in savings and loan associations, and net purchases of Series E, F, and G savings bonds.

Changes in Fifth District Savings Since 1945

Subject to the above listed difficulties and with a few estimates or deductions, the aggregate growth of savings in the Fifth District and in the fields above-mentioned amounted to approximately \$830 million from the end of 1945 to the end of 1949. In the same period, comparable national savings increased \$20.4 billion.

Break-down of the \$830 million growth in savings shows savings and loan associations gained \$410 million, time deposits in banks gained \$329 million, and net ownership of Series F and G bonds increased \$312 million. This total of \$1,051 million was in part offset by a decline of \$221 million in the holdings of Series E savings bonds.

Income payments in the Fifth Federal Reserve District accounted for between 7½% and 8% of national income payments, 1946-49. Meanwhile, growth in share capital of savings and loan associations in the

Fifth District accounted for 8.4% of the national growth, growth in time deposits accounted for 3.3% of the national growth, while in Series F and G savings bonds the District's proportion of the national increase amounted to 4.3%.

Fifth District redemptions of Series A through E savings bonds in the same period exceeded sales of Series E bonds by \$221 million. This amounted to 12.1% of national divestment of these bonds which totaled \$1,830 million. Thus, the proportion of savings in the above-mentioned forms in the Fifth District has not been commensurate with the District's share of income payments with the exception of share capital in savings and loan associations.

During the year 1949 the increase in savings in the aforementioned forms amounted to \$117 million—the gain was \$121 million in share capital in savings and loan associations, \$40 million in time deposits, \$36 million in Series F and G savings bonds, and a net reduction of \$80 million in Series A through E savings bonds holdings. The last named reduction was \$2 million more than the decline nationally, which indicates that the remainder of the United States outside the Fifth District increased \$2 million. During 1949 the Fifth District's \$40 million increase in time deposits accounted for 2.9% of the national increase of \$1,402 million, a proportion slightly under that in 1946-49. The \$36 million gain in holdings of Series F and G bonds was approximately the same proportion of the national total as was shown in the period from December 31, 1945 to December 31, 1949. The District's 1949 total of \$117 million accounted for 3.3% of the national total. In the 4-year period, 1946 through 1949, these District savings accounted for 4.1% of the national total.

The changes in savings from the end of 1945 through the end of 1949 and for the year 1949 are shown in Table 1.

Table 1 GROWTH IN SELECTED TYPES OF SAVINGS IN THE FIFTH DISTRICT (million dollars)			
	1946-49	1949	
Share capital in savings and loan associations.....	+ 410	+ 121	
Time deposits of all banks.....	+ 329	+ 40	
Net redemptions of Series A-E savings bonds.....	- 221	- 80	
Net purchases of Series F and G savings bonds.....	+ 312	+ 36	
Total	+ 830	+ 117	
United States	+ 20,390	+ 3,580	

Savings Increases by States

As previously shown, savings (in the forms under discussion) for all Fifth District states, 1946 through 1949, were \$830 million. Of this, North Carolina accounted for \$214 million or 26% of the total; Maryland, the District of Columbia, and Virginia showed approxi-

mately the same dollar gains, each state accounting for slightly under 19% of the total; West Virginia accounted for just under 9% of the total and South Carolina just under 8%.

Breakdown of the 1949 total of \$117 million shows North Carolina accounting for nearly half, Virginia and the District of Columbia for 17% and 18%, respectively, and Maryland (which had accounted for 19% of the growth during 1946-49) for only 5% in 1949, and South Carolina and West Virginia each around 5%.

Largest decrease in holdings of Series A through E savings bonds in the 1946-49 period and in the year 1949 occurred in Virginia with Maryland a close second. In both periods purchases of Series E bonds exceeded redemptions of A through E bonds in West Virginia.

Changes in savings by states for the 1946-49 period and for the year 1949 are shown in Table 2.

	1946-49	1949
Maryland	156	6
District of Columbia	160	20
Virginia	156	21
West Virginia	80	6
North Carolina	214	58
South Carolina	64	6
Total	830	117
United States	20,390	3,580

In view of the fact that the only apparent decrease in savings has come in the A to E savings bonds series, it should be interesting to look further into these bonds, asking, for example, where sales and purchases have been by size of bonds. This should answer the question of divestment—is it by large investors or the rank and file of the people? Here it would seem reasonable to consider the \$200, \$500, and \$1,000 bonds as investment funds, whereas the \$10, \$25, \$50's and \$100's would constitute the small man's temporary or permanent savings. Figures available by denominations for the Fifth District unfortunately do not include post office sales. In the period under review the difference in sales of the total by denominations and the total sales including post office sales amount to just over \$100 million. Assuming post office sales to be made largely in \$25 and \$50 denominations, the figure of net redemptions (to be shown later) will make the net redemptions in these series larger than is probably the case, since all redemptions of A through E series are included in our figures.

Sales in the Fifth District of Series E savings bonds by denominations from 1946 through 1949 totaled \$950 million. Redemptions of Series A through E bonds in the same period totaled \$1,195 million. Net redemption, calculated at issue price, was therefore \$245 million. Of this \$245 million of net redemptions, denominations of \$100 and under showed a net redemption of \$405 million, while denominations of \$200 and up showed net

purchases of \$160 million. Net redemption of \$25 bonds amounted to \$220 million, an amount nearly equal to the total for all series. The largest net purchases came in the \$1,000 series and these aggregated \$142 million. It is thus evident that the rank and file of the people have utilized their savings bonds in preference to other forms of savings for consumption purposes or have placed these funds in other forms of savings or investment.

Net redemptions or purchases of Series A through E bonds from 1946 to 1949 inclusive are shown in Table 3.

Denomination	Million dollars
10's	— 5
25's	—220
50's	— 88
100's	— 92
200's	+ 11
500's	+ 7
1,000's	+142
Total	—245

*Redemptions calculated at issue price.

Since 1947 the \$1,000 series has tended to constitute an increasingly smaller proportion of total sales, and redemptions of the \$1,000 series to constitute an increasingly larger proportion of total redemptions. Sales of the \$50 and \$100 denominations have both shown increasing proportions of total sales in the period under review, while redemptions of these series have been almost a constant proportion. Sales of the \$25 denomination decreased in importance from 1946 to 1947, held steady in 1948, and increased slightly in 1949. Redemptions of this denomination have shown a decreasing proportion of total redemptions. Thus there is some evidence of tendencies toward stabilized investment in the lower denominations and of divestment in the higher denominations, but these tendencies may not show up in net sales or redemption figures for some time.

	10's	25's	50's	100's	200's	500's	1,000's	Total
1946.....	1.1	27.3	9.5	11.8	2.4	12.8	35.1	100
1947.....	.2	19.3	8.5	12.7	2.1	14.7	42.5	100
1948.....	.1	19.3	9.3	13.6	2.3	14.0	41.4	100
1949.....	.1	21.8	11.0	14.6	2.6	12.8	37.1	100
1946-49.....	.4	22.2	9.6	13.1	2.3	13.6	38.8	100

	10's	25's	50's	100's	200's	500's	1,000's	Total
1946.....	1.2	42.7	15.6	17.4	.5	8.4	14.2	100
1947.....	.7	35.5	14.9	18.5	.8	10.5	19.1	100
1948.....	.4	31.4	14.4	18.9	1.1	11.5	22.3	100
1949.....	.3	32.1	14.8	17.9	1.6	11.2	22.1	100
1946-49.....	.7	36.1	15.0	18.1	.9	10.2	19.0	100

*Redemptions calculated at issue price.

Business Conditions and Outlook

Continued from page 2

parently produced in February at a somewhat better rate than in January and the seamless mills are experiencing a rather heavy demand. Sawmills increased their production levels somewhat in February but have been adversely affected by weather conditions in March.

Construction

Construction activity has continued at an amazingly high level—total contract awards in February were 83% above a year ago, sparked mainly by residential contracts which gained 139% in this period. One and two family houses were up 156% and apartments and hotels rose 112%. The current trend continued to move upward through the month of February with the seasonally adjusted figures of total contracts rising 10%, residential 42%, and commercial 20%. Factory buildings as well as public works and utilities decreased from January to February, after seasonal correction, 40% and 62% respectively. Continued strength in the construction situation has been maintained through the first fifteen days of March. A substantial part of the contract volume in apartments and hotels was no doubt occasioned by the approaching expiration of FHA Title 6 on March 1.

It has been announced that the Federal National Mortgage Association has purchased all the mortgages possible under presently available funds. If the lack of funds by FNMA continues for a considerable period of time it will have a noticeable adverse effect on mortgage financing via GI loans. The New York Life Insurance Company, however, has offered to purchase from FNMA mortgages of suitable quality for its investment portfolio, and this may again activate that agency's mortgage purchases. Indications in legislative circles are that future lending capacity will be granted to FNMA as well as FHA so that from the financial standpoint it is probable that no impediment to continued construction activity will be witnessed.

Automotive Registrations

Sales of new passenger automobiles still constitute one of the prime factors of strength in the trade level. In January, for example, Fifth District sales were 2% smaller than in December and a soaring 35% higher than a year ago. Four states of the District show even better in February with a gain year to year of 57%. Despite some apprehension regarding the automotive

market, it appears that passenger car sales will be either at or near record levels in the season ahead—unless strikes curtail output severely. When compared on the basis of current and past relative levels, automobile sales in Virginia and the Carolinas have been better than in other states in the District. There are several reasons for the large volume being shown in automobile sales among which are: (1) cars are relatively cheaper in terms of wages and salaries today than they were in prewar years; (2) a large proportion of cars on the road are overage; (3) financing is plentiful and cheap; (4) GI insurance dividends provide down-payments and support to the used car market.

Commercial car registrations declined 27% from December to January after showing a sustained rise during most of 1949. Part of this decline was of seasonal proportions but possibly more important was the general uncertainty created by the coal stoppage.

Department Stores

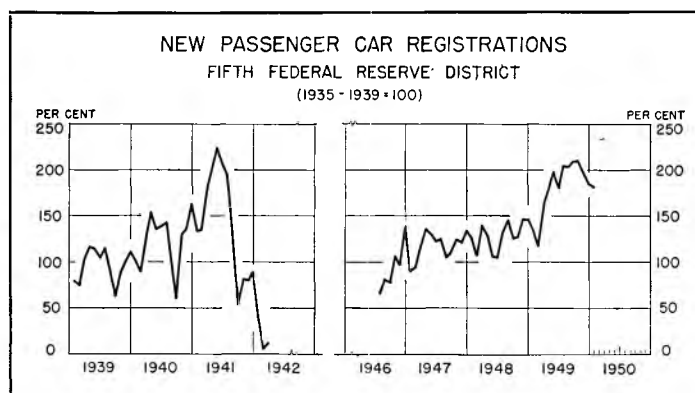
Aggregate department store sales in the Fifth District were substantially at the same level in February as in January and 2% under a year ago, on a seasonally adjusted basis. Important shifts in consumer buying habits have been apparent for several months

and were still in evidence in February. The important soft goods lines showed greater losses from a year ago than in January, but these were offset by rises in appliances, floor coverings, furniture, radio and television. Inventory policy is still on the conservative side; even so, sales apparently failed to meet expectations and the result was an inventory rise of 5% after seasonal correction.

Furniture Stores

Marked improvement occurred in February retail sales of furniture stores and the seasonally adjusted figures rose 8% over January to a level 14% above a year ago. Here GI insurance refunds appear to be having an effect, for cash sales in February rose 26% from January on a seasonally adjusted basis, whereas credit sales declined 1% in this period. Actually, cash sales in February were 5% higher than a year ago, while credit sales were up 14%. The up trend in receivables over the past year was temporarily halted in February when a drop of 1% occurred.

Strength in furniture sales at retail are undoubtedly the motivating factor behind the rising level of production at the furniture factories. This trend has not



been confined to the Fifth District but has been nationwide and so long as the boom in residential housing continues, there will be a strong demand for furniture.

Household appliance stores, which in many cases duplicate the commodities sold in furniture stores, continued to show sales strength in February with a rise of 2% over January and 20% over a year ago. This was a better showing than has been evident in the preliminary figures of major household appliances in department stores.

Cotton Textiles

Cotton consumption in the mills of the Fifth District held at the same level after January after seasonal correction but 16% higher than in February 1949. The number of spindle hours run, however, showed a 1% loss from January to February but remained 14% higher than a year ago. The industrial decline in the nation in February, resulting from the coal strike, had some adverse effect on the industry as industrial goods and yarns shipments were held back pending clarification of the outlook in consuming industries. Some improvement in the industrial goods lines has taken place, but purchases have usually been held to a 60-day basis.

In the apparel end of the business retail orders have been held to a minimum, and so this has proved to be in line with retail sales. A better Easter season than retailers had anticipated would reduce inventories and probably inject the force needed for the resumption of forward purchases at the mill level. Basically, the industry appears in sound position despite some easiness in gray goods prices. Mills have their production well booked into June and there is still adequate time for a reversal of purchasing policies to take place before a production cutback is required. Rayon weavers are meeting a slow demand at the retail level by cutting back their operation from a six to a five-day week.

Employment

Employment in the District has held rather stable for the last three months, seasonal industries excepted, with durable goods industries rising and nondurable goods industries easing. The shipbuilding industry has continued to lay off workers and the prospects for that industry continue to be unfavorable. Bethlehem Shipyards in Baltimore has announced that without new business forthcoming soon they will be forced to close down completely. Some improvement, however, has occurred at the aircraft factories and this improvement is likely to hold for some time.

The new minimum wage was certainly not expected to create unemployment but this seems to be what has happened in a fairly substantial number of firms in this District. Workers who were unable to carry a heavier work load to offset the rise in minimum wages have been laid off. This has hardly affected importantly the

total employment picture, but it has hurt some communities noticeably, particularly in those areas where seamless hosiery mills, lumber mills, work clothing establishments, and furniture plants are located.

Insured unemployment held fairly constant through the third week in February, with a rising level in District of Columbia and North Carolina and falling levels in Maryland and West Virginia. Virginia and South Carolina have shown little change since the first of the year. Initial unemployment claims have been falling in most states, though a slight increase was shown in the four weeks to March 4 in Maryland.

Conclusion

The business situation in the Fifth District still appears to be relatively strong though the rising momentum has subsided. No serious weakness is evident in the important industries and none should probably develop for at least several months. Retail trade in soft goods will, however, have to show improvement by mid-year if later weakness in District production is to be avoided. Some slackening in activity could occur, but would hardly be of much consequence. Bituminous coal production is back on a five-day week and while it is probable that consuming sources will build a substantial inventory of coal it is likewise probable that full production of all mines now operating will not continue for many months. Coal prices have risen less than the cost increases inherent in the new contract and this may cause shutdowns among marginal producers later on. Trade in the durable goods lines is still strong and so long as credit terms remain easy and the price structure relatively stable this trend will probably continue.

State and Municipal Bond Offerings

Continued from page 4

at their highest dollar volume in 15 years and, for all United States member banks, amounted to 8.1% of their total investments at the close of 1949. Fifth District member banks have always held a smaller percentage of their investments in tax-exempts, and at the date mentioned their average ratio was 5.3%, as compared with a low of 2.2% in 1945.

It remains to be seen what effect issues of new housing bonds will have on the demand for state and municipal bonds by commercial banks. It is reported that the Comptroller of the Currency stated that so long as the new housing authority bonds conformed with the revision of Section 5136 of the National Bank Statutes, they would be regarded as on a par with government obligations. Thus, unlike state and municipal bonds, the new housing issues will not be subject to a limitation on the amount that might be invested in them by national banks or, so long as there is no conflict with state laws by state member banks.

DEBITS TO INDIVIDUAL ACCOUNTS

	(000 omitted)			
	February 1950	February 1949	2 Months 1950	2 Months 1949
Dist. of Columbia				
Washington	\$ 676,990	\$ 668,049	\$1,482,895	\$1,390,822
Maryland				
Baltimore	884,415	831,293	1,896,161	1,773,827
Cumberland	18,834	18,181	41,410	38,186
Frederick	15,713	15,648	31,664	31,981
Hagerstown	22,984	23,424	49,912	50,028
North Carolina				
Asheville	43,092	41,789	92,924	92,893
Charlotte	234,606	214,765	505,737	447,844
Durham	63,486	76,329	149,916	165,782
Greensboro	70,907	69,657	147,114	144,607
Kinston	12,370	12,735	26,054	27,280
Raleigh	113,082	108,318	246,206	216,765
Wilmington	30,009	27,768	60,822	60,309
Wilson	14,292	12,830	29,454	27,890
Winston-Salem	115,321	103,803	256,302	223,359
South Carolina				
Charleston	60,038	53,877	118,257	115,150
Columbia	93,201	83,384	193,248	176,894
Greenville	78,263	70,739	163,167	155,374
Spartanburg	46,050	42,363	95,226	91,814
Virginia				
Charlottesville	22,047	19,299	45,087	44,270
Danville	21,899	21,774	48,431	47,781
Lynchburg	33,596	32,013	72,608	71,019
Newport News	24,014	28,265	50,996	60,866
Norfolk	187,956	156,509	385,814	340,472
Portsmouth	18,625	17,736	39,240	37,368
Richmond	424,286	427,929	908,501	913,779
Roanoke	80,355	78,264	171,178	170,519
West Virginia				
Bluefield	30,991	40,706	71,848	87,012
Charleston	104,302	124,042	236,219	271,207
Clarksburg	23,317	25,852	54,679	58,787
Huntington	49,802	53,119	106,689	121,742
Parkersburg	21,520	23,194	46,178	50,754
DISTRICT TOTALS	\$3,636,363	\$3,523,654	\$7,823,937	\$7,506,381

BUILDING PERMIT FIGURES

	Feb. 1950	Feb. 1949	2 Mos. '50	2 Mos. '49
Maryland				
Baltimore	\$ 6,404,300	\$ 2,902,415	\$17,007,750	\$ 3,844,815
Cumberland	124,535	33,115	156,245	63,765
Frederick	50,725	4,450	84,425	67,550
Hagerstown	48,497	111,290	199,772	156,695
Salisbury	59,875	426,865	150,225	504,288
Virginia				
Danville	126,387	100,215	276,098	227,062
Lynchburg	342,836	349,515	620,264	502,985
Norfolk	1,829,405	493,795	2,672,435	881,240
Petersburg	251,435	70,620	1,044,671	166,376
Portsmouth	272,855	109,600	530,869	226,395
Richmond	1,716,363	1,252,664	2,901,211	2,394,141
Roanoke	800,636	381,625	4,047,268	763,942
West Virginia				
Charleston	1,156,999	1,096,594	5,498,999	1,517,149
Clarksburg	240,800	131,835	268,836	174,585
Huntington	503,136	155,675	680,127	377,967
North Carolina				
Asheville	278,285	117,940	421,371	218,457
Charlotte	1,220,179	1,580,900	3,257,353	3,059,750
Durham	460,830	704,055	6,519,092	1,242,054
Greensboro	1,002,415	507,310	1,606,193	841,535
High Point	218,605	123,243	440,021	259,673
Raleigh	465,450	303,410	1,231,290	513,215
Rocky Mount	196,943	107,150	632,668	177,517
Salisbury	587,250	77,245	750,773	118,745
Winston-Salem	1,190,703	317,538	1,685,888	605,661
South Carolina				
Charleston	220,094	505,275	420,294	897,970
Columbia	588,042	1,166,805	2,315,885	1,391,690
Greenville	565,033	450,150	1,057,093	1,352,350
Spartanburg	97,000	95,480	182,714	353,590
Dist. of Columbia				
Washington	3,248,755	2,809,405	9,037,908	6,326,455
DISTRICT TOTALS	\$24,268,368	\$16,486,179	\$65,697,738	\$29,227,617

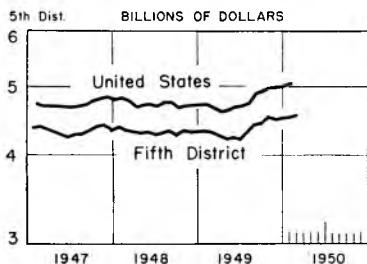
Debits and Building Permit data are also shown graphically on page 10. A prime objective of the Monthly Review is to present information on the District's economy in the form most useful to its readers. You are invited to write and suggest your preference as between statistical and graphic presentation.

PRINCIPAL ASSETS AND LIABILITIES OF MEMBER BANKS

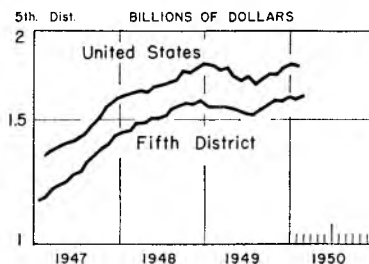
UNITED STATES AND FIFTH DISTRICT

LAST WEDNESDAY OF MONTH FIGURES

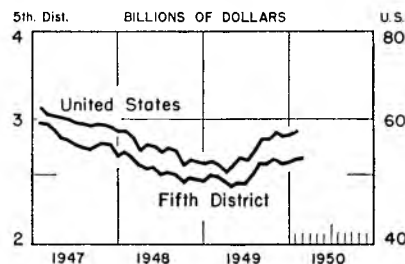
LOANS AND INVESTMENTS



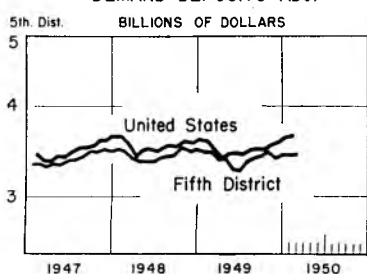
LOANS



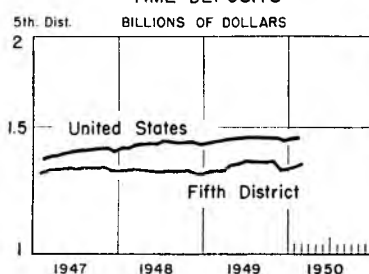
U.S. GOVT. SECURITIES



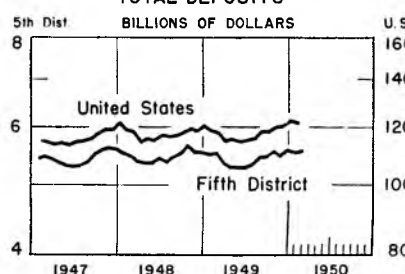
DEMAND DEPOSITS ADJ.



TIME DEPOSITS



TOTAL DEPOSITS

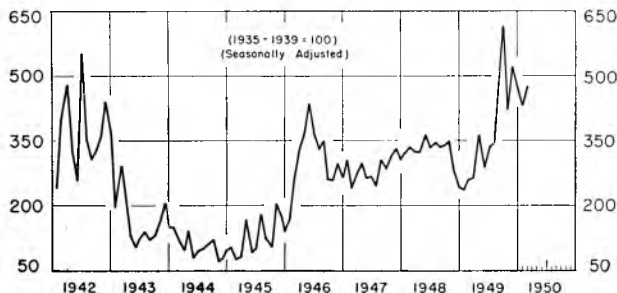


Data Partly Estimated.

Latest Figure Plotted: Fifth District, Feb. 22, 1950
United States, Jan. 25, 1950

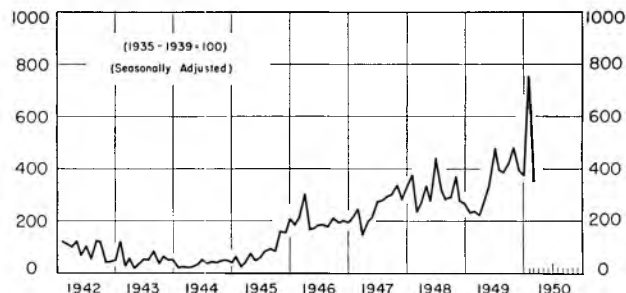
FIFTH DISTRICT TRENDS

CONSTRUCTION CONTRACTS AWARDED



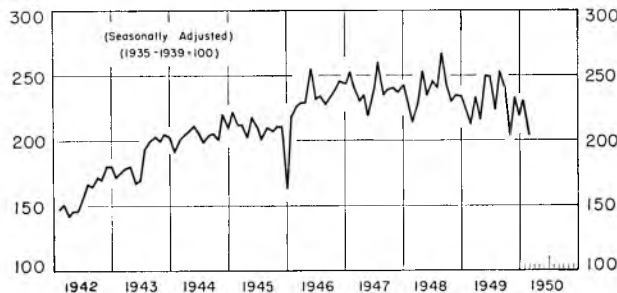
Construction contracts in February pointed upward by more than seasonal proportions. February adjusted awards have been exceeded in only five individual months as far as the record is available. Three of these months were during the war period and two were last October and November.

BUILDING PERMITS



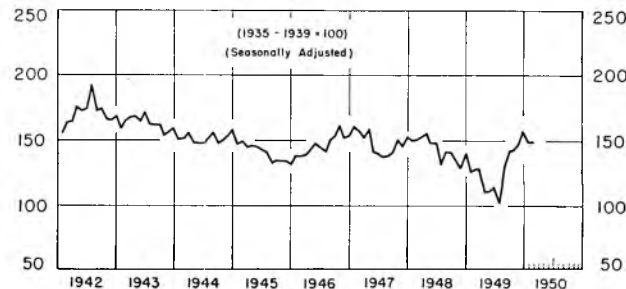
Building permits in 22 of the 29 reporting cities were larger in February than a year ago but despite this breadth of increase the adjusted index of permits declined sharply from the January level. This was due primarily to extraordinarily large January permits in Baltimore, Roanoke, and Columbia.

CIGARETTE PRODUCTION



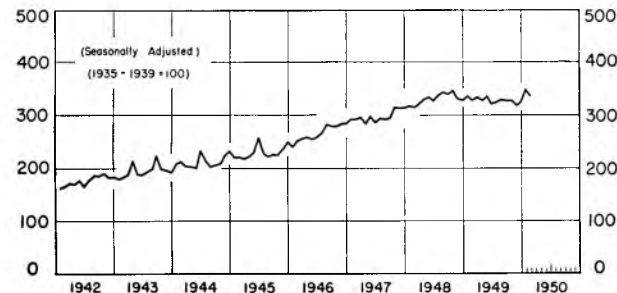
Adjusted cigarette output in this District in February declined 11% from January. February output was the lowest for that month since 1944. In the first two months of the year output has been 1% below a year ago.

COTTON CONSUMPTION



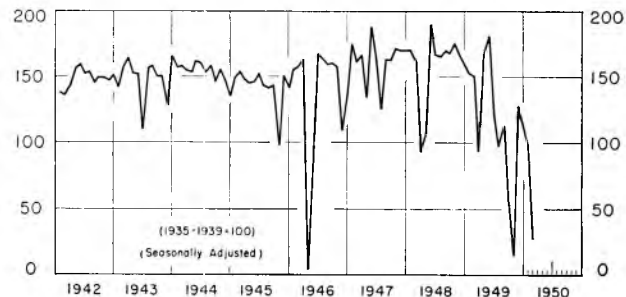
Cotton consumption rose by seasonal proportions in February and the adjusted index remained unchanged at the January level. The recovery in consumption since the low point in July has amounted to 46%. It would have been larger except for the substantial shift in tire cord production which took place in this period.

BANK DEBITS



February adjusted bank debits in the District dropped 25% from January but remained higher than any month in 1949. Despite the February drop debits are indicating a cyclical rise following a recession during most of 1949.

BITUMINOUS COAL PRODUCTION



The strike month of February saw bituminous coal production in the District fall 64% from the January level on an adjusted basis to a point 82% below February 1949. Production was resumed early in March and it is believed that the contract will permit full production at the discretion of operators.

WHOLESALE TRADE

LINES	Sales in Feb. 1950 compared with Feb. 1949		Stocks on Feb. 28, 1950 compared with Feb. 28, 1949	
	1949	1950	1949	1950
Auto supplies (8).....	-18	-11	-1	0
Electrical goods (4).....	-22	+17	....	....
Hardware (10).....	+6	-5	-3	-8
Industrial supplies (3).....	-39	-20	....	....
Drugs & sundries (8).....	+5	-8	0	+2
Dry goods (12).....	-16	+19	+1	+6
Groceries (55).....	-3	-7	0	0
Paper & products (6).....	+7	-3	....	....
Tobacco & products (9).....	-4	0	-2	+2
Miscellaneous (85).....	-2	+3	-5	-3
District Totals (200).....	-3	0	-2	-2

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 1949

STATES	Feb. 1950	2 Mos. 1950
Maryland (7).....	+8	+14
Dist. of Col. (7).....	+6	+8
Virginia (14).....	+6	+2
West Virginia (10).....	+9	+11
North Carolina (9).....	+25	+8
South Carolina (8).....	+36	+22
District (55).....	+9	+10
INDIVIDUAL CITIES		
Baltimore, Md. (7).....	+8	+14
Washington, D. C. (7).....	+6	+8
Richmond, Va. (5).....	+6	+7
Charleston, W. Va. (3).....	-14	-17

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(All figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total	
Sales, Feb. '50 vs. Feb. '49.....	— 4	— 8	— 1	— 1	— 3	
Sales, 2 mos. '50 vs. 2 mos. '49.....	— 1	— 6	— 2	— 3	— 3	
Stocks, Feb. 28, '50 vs. '49.....	+ 6	— 9	+ 8	— 6	— 1	
Orders outstanding, Feb. 28, '50 vs. '49.....	— 3	—11	— 7	— 2	— 7	
Receivables Feb. 28, '50 vs. '49.....	+13	+ 6	+ 9	+ 7	+ 9	
Current receivables Feb. 1 collected in Feb. '50.....	30	45	46	38	41	
Installment receivables Feb. 1 collected in Feb. '50.....	14	16	17	21	17	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Feb. '50 vs. Feb. '49.....	— 8	— 1	— 3	— 2	— 1	0
Sales, 2 mos. '50 vs. 2 mos. '49.....	— 6	— 2	— 2	— 1	— 2	— 3

COTTON CONSUMPTION AND ON HAND—BALES

	Feb. 1950	Feb. 1949	Aug. 1 to Feb. 25 1950	1949
Fifth District States:				
Cotton consumed.....	382,293	329,325	2,642,967	2,468,079
Cotton Growing States:				
Cotton consumed.....	668,498	574,530	4,606,332	4,324,709
Cotton on hand Feb. 25 in consuming establishments.....	1,617,476	1,401,349		
Storage & compresses.....	9,202,437	7,525,093		
United States:				
Cotton consumed.....	739,438	640,179	5,079,163	4,839,971
Cotton on hand Feb. 25 in consuming establishments.....	1,825,791	1,616,394		
Storage & compresses.....	9,228,737	7,563,540		
Spindles active, U.S., Feb. 25	20,417,000	20,756,000		

Source: Department of Commerce.

FEDERAL RESERVE BANK OF RICHMOND

(All figures in thousands)

ITEMS	Mar. 15, 1950	Chg. in Amt. From 2-15-50	3-16-49
Total Gold Reserves.....	\$1,084,843	-8,455	+30,947
Other Reserves.....	18,479	-1,880	-1,694
Total Reserves.....	1,103,322	-10,335	+29,253
Bills Discounted.....	4,386	-15,230	+8,832
Industrial Loans.....	112	+16	+67
Gov. Securities, Total.....	1,149,416	+631	-230,812
Bonds.....	427,387	-19,706	-188,115
Notes.....	89,105	+43,519	+67,211
Certificates.....	383,957	-25,054	-32,281
Bills.....	248,967	+1,872	-77,627
Total Bills & Securities.....	1,153,914	-14,583	-239,577
Uncollected Items.....	251,544	+32,740	-26,638
Other Assets.....	22,249	-5,177	-16,657
Total Assets.....	\$2,531,029	+2,645	-253,619
Federal Reserve Notes in Cir.....	\$1,527,881	-3,395	-53,019
Deposits, Total.....	726,649	-38,242	-182,861
Members', Total.....	678,022	+6,006	-167,141
U. S. Treas. Gen. Account.....	526	-44,692	-23,750
Foreign.....	43,680	+580	+7,807
Other Deposits.....	4,421	+1,024	+223
Def. Availability Items.....	228,770	+42,938	-21,104
Other Liabilities.....	600	+103	-64
Capital Accounts.....	47,129	+1,241	+3,429
Total Liabilities.....	\$2,531,029	+2,645	-253,619

51 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	March 15 1950	Chg. In 2-15-50	Amt. from 3-16-49
Total loans.....	\$ 900,487**	+16,178	+47,924
Bus. & Agri.....	410,097	+7,847	+455
Real Estate Loans.....	218,955	+1,958	+22,471
All Other Loans.....	282,668	+6,466	+28,316
Total Security Holdings.....	1,825,415	-14,946	+144,651
U. S. Treasury Bills.....	116,926	-23,787	+13,545
U. S. Treasury Certificates.....	209,660	-38,932	+23,275
U. S. Treasury Notes.....	228,222	+80,332	+183,496
U. S. Treasury Bonds.....	1,119,691	-33,106	-96,890
Other Bonds, Stocks & Secur.....	150,916	+547	+21,225
Cash Items in Process of Col.....	241,277	+14,650	+9,188
Due From Banks.....	174,952*	+3,281	+9,451
Currency and Coin.....	61,575	+169	+138
Reserve with F. R. Banks.....	452,138	-3,414	-102,425
Other Assets.....	51,163	-10	+1,788
Total Assets.....	3,707,007	+15,908	+110,715
Total Demand Deposits.....	2,835,365	+24,340	+75,450
Deposits of Individuals.....	2,080,099	-3,886	+34,468
Deposits of U. S. Government.....	113,720	+7,209	+21,995
Deposits of State & Local Gov.....	178,455	+7,752	-12,978
Deposits of Banks.....	414,478*	+4,603	+32,065
Certified and Officers' Checks.....	48,613	+8,662	-100
Total Time Deposits.....	615,412	+1,447	+27,077
Deposits of Individuals.....	568,995	+3,080	+1,618
Other Time Deposits.....	46,417	-1,633	+25,459
Liabilities for Borrowed Money.....	5,000	-12,050	+100
All Other Liabilities.....	20,114	+602	-1,356
Capital Accounts.....	231,116	+1,569	+9,444
Total Liabilities.....	3,707,007	+15,908	+110,715

*Net figures, reciprocal balances being eliminated.

**Less reserves for bad debts.

PRICES OF UNFINISHED COTTON TEXTILES

	Feb. 1950	Jan. 1950	Feb. 1949
Average, 17 constructions.....	69.59	69.07	64.56
Printcloths, average (6).....	79.52	79.18	70.34
Sheetings, average (3).....	62.07	61.46	58.23
Twill (1).....	74.26	71.94	63.60
Drills, average (4).....	59.50	58.81	56.57
Sateen (1).....	89.90	90.97	87.99
Ducks, average (2).....	58.77	58.30	61.46

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

Source: Department of Agriculture.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(Compiled by the Board of Governors of the Federal Reserve System)

Industrial production declined somewhat in February, owing to work stoppages, but recovered in March. The volume of construction work done and contracts awarded reached exceptionally high levels for this season. The number unemployed, however, was larger than last year. Personal income was at a new high as insurance dividend payments to veterans reached a total of over 2 billion dollars by the end of March. Department store sales showed only the usual seasonal rise but demand for most consumer durable goods was strong.

Average prices of commodities in wholesale and retail markets continued to show little change; charges for rents and other services rose further. Common stock prices on March 27 were about 3 per cent higher than at the beginning of February. Prices of long-term Government bonds declined somewhat further. Bank loans to business declined less than is usual for this season.

Industrial Production

The Board's industrial production index declined 3 points in February to 180, owing chiefly to work stoppages in the coal and automobile industries which were only partly offset by rising output of building materials and machinery. The coal dispute was settled on March 5 with an advance of about 5 per cent in the daily basic wage rate and larger payments for welfare purposes, and coal production increased sharply. As a result of larger coal supplies and heavy steel demand, activity at steel mills, which had been reduced to 74 per cent of capacity in early March, has since risen to 97 per cent. Automobile assemblies have been at a somewhat higher rate in March than in February, although 18 per cent lower than in mid-January before being curtailed by labor disputes. On the basis of indicated increases in most durable goods and in coal, the Board's index in March is estimated to be slightly above the January level of 183.

In February machinery production increased 4 per cent, to the highest level since April 1949. While much of this rise reflected continued marked gains in refrigerators, television, and other consumer goods, advances were general in producers equipment. In some lines, however, such as agricultural machinery, increases were largely of a seasonal nature. The exceptionally high level of construction activity has been an important factor in stimulating output in some machinery industries and in the furniture and building materials industries. Lumber production this year has been about one-fourth above the reduced level of a year ago.

In most nondurable goods industries, output in February was maintained at the high levels reached last autumn. Production of textiles, which by the beginning of this year was 11 per cent above year-ago levels, declined somewhat in February, however, and appar-

ently has been curtailed further in March, owing largely to the continued lag in retail sales of apparel.

Distribution

Value of department store sales in February and early March was maintained at last year's level. Sales of most durable goods, especially television and furniture, continued substantially above year-ago levels. Retail apparel sales in recent months have been about one-tenth below the corresponding period a year ago, with not all of the reduction accounted for by lower prices. This reduced volume has apparently been below the advanced level of textile-mill output. In contrast, the number of automobiles sold has increased and has been about equal to the number produced.

Commodity Prices

The general wholesale price index was at a slightly higher level during February and March owing mainly to seasonal increases in prices of domestic farm and food products. Prices of imported foods declined and in the latter part of March hog prices decreased to levels somewhat below Federal supports.

Prices of some industrial materials, particularly cotton and rayon gray goods, burlap, and lead, were reduced considerably in February and March. Rubber and tin, on the other hand, advanced, industrial alcohol was raised 17 per cent, and coal and coke increased somewhat after the new wage contracts were signed. Lumber prices rose further and average costs of building materials were probably about 5 per cent higher than last summer.

Consumers' prices for carpets and furniture advanced in February, while prices for apparel, appliances, and foods were reduced.

Bank Credit

Reductions in Treasury deposits at the Reserve Banks supplied reserves to member banks during February and the first half of March. These funds were absorbed only in part through net sales of U. S. Government securities by the Federal Reserve, currency outflow, and reduction in gold stock. Member banks reduced their borrowings at Reserve Banks and increased their reserve balances. After mid-March, large tax payments shifted funds from private deposits at commercial banks to Treasury deposits at Reserve Banks and member bank excess reserves declined sharply.

Loans to business by member banks in leading cities continued to show a less-than-seasonal reduction during February and early March. Banks made moderate increases in real estate and consumer loans and in holdings of corporate and municipal securities. U. S. Government security holdings declined substantially, reflecting sales of bills and certificates both to the Federal Reserve and to nonbank investors.