

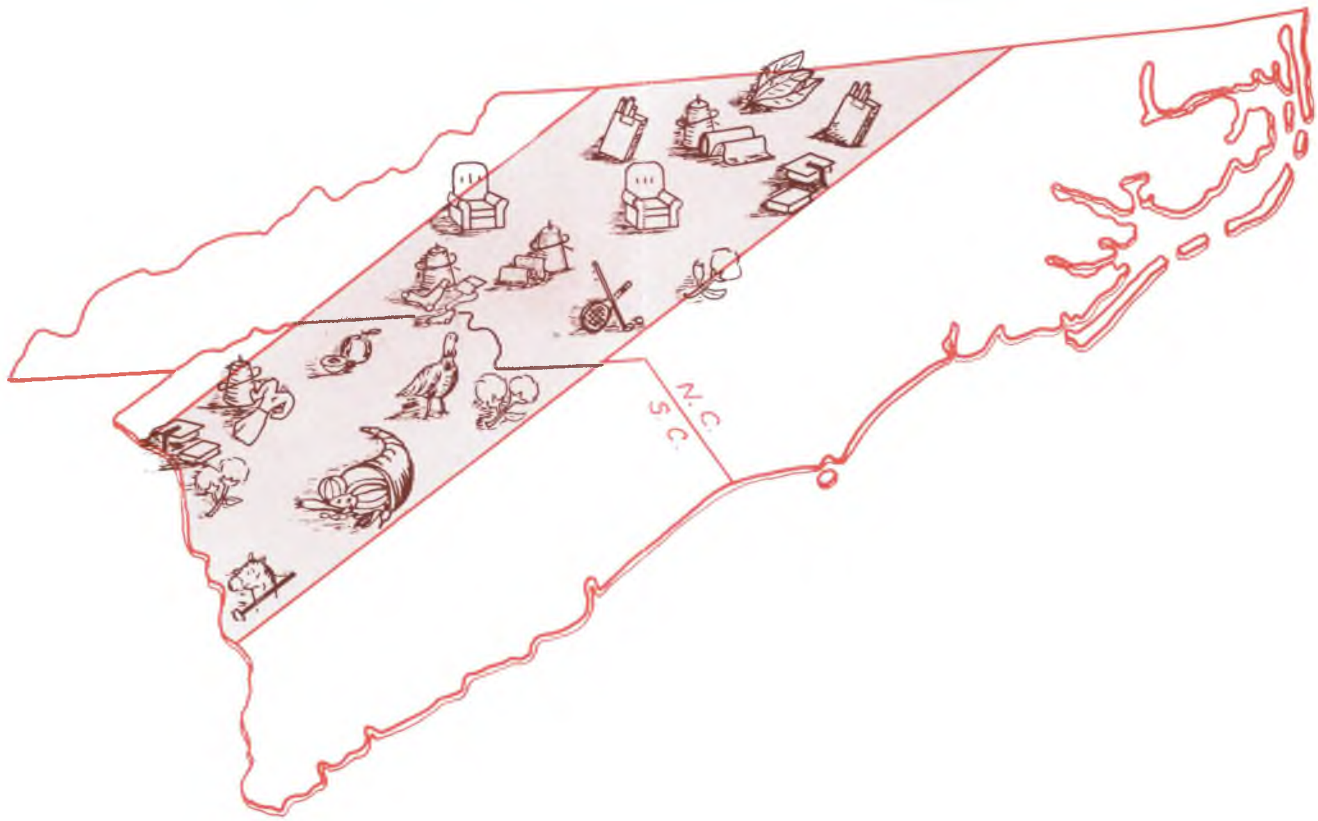





Monthly Review

FEDERAL RESERVE BANK OF RICHMOND - June 1950

The Carolina Piedmont Region



Rapid Post-war Industrial Expansion and Continued Agricultural Diversification Are Providing the Economic New Look in the South

Never in its history has the South had a period of industrial growth and diversification comparable to that of the past five years. The Piedmont region of the Carolinas furnishes an outstanding example of the industrial progress that has given rise to the "New South."

The Piedmont region has paced this industrial expansion in the southeastern states, for by natural endowment and human endeavor this area has not only become the industrial belt of the Carolinas and one of the fastest growing industrial areas in the South but of the entire nation.

Although the Piedmont contains only about 50% of the population of the two states, it accounts for over three-fourths of all the manufacturing workers and wages, almost 80% of the value added by manufacturing, and 63% of all manufacturing enterprises in the two states. This dominance is not a "flash-in-the pan"; since 1900, industrial activity in the Piedmont has increased 1600%—a spectacular growth probably unmatched by any area of comparable size in the nation.

The Piedmont's industrial influence extends far beyond the borders of North and South Carolina; to speak of the Piedmont only in terms of these two states or even of the Fifth Federal Reserve District would be to belittle the achievements of the region. The industrial structure of this area is based on three industries: textiles, tobacco, and furniture, and in each of these fields the Piedmont enjoys *world* leadership. The point does not need to be labored that in speaking of North and South Carolina as the leading textile center of the country, it is the same as saying that the Piedmont is the leading textile center of the world. Camels, Chesterfields, and Lucky Strikes are familiar to consumers the world over; in a sense they are the trade-mark to the world of the North Carolina Piedmont area and Virginia. The greatest concentrations of wooden furniture manufacturing in this country are around High Point and Lenoir; to say, therefore, that North Carolina is the leading state in the nation in this field is to say that the principal center of wooden furniture production in the world is in the Carolina Piedmont region.

Within any one of this area's major industries there are a number of examples of world leadership—take the textile industry, for example: the world's largest women's seamless hosiery knitting plant—the largest weaver of mass-market rayon dress goods—the largest consumer of nylon textile yarn—the largest producer of ribbons—the largest output of towels and toweling—the largest weaver of home-furnishings fabrics—the largest producer of men's rayon summer suiting—the largest cotton mill in the world under one roof—all these are located in the progressive Piedmont region.

The most dramatic aspects of the industrial progress in the Piedmont area are the multi-million dollar new plants and numerous expansions of old ones in the post-war period. Not too many years ago a new factory in this region costing a few million dollars was a relatively rare occurrence; today the industrial strides of the Piedmont are measured by multi-million dollar installations and expansions. The old college town of Rock Hill, for example, made the nation's headlines when Celanese Corporation of America surveyed its advantages and decided upon it as the location for its new $40 million rayon yarn plant. Operating at capacity, this textile giant will employ 5,000 workers (almost one-fourth of the total population of the town in 1947) and augment the annual payroll of a formerly one-industry county (cotton manufacturing) by $8-9 million.

In addition to having the most modern and efficient machinery in the world, many of the new textile plants are not only pleasant to look at but are architectural exhibits of a new industrial age which is stressing the aesthetic in factory appearance. Far from creating the dreary factory towns so characteristic of the older, heavily industrialized areas, such plants as the new nylon throwing mill of Duplan Corporation in Winston-Salem, the $13 million Grace bleachery of Springs Cotton Mills, and the rural textile spinning plant built by Deering, Milliken and Company in McCormick, South Carolina, are positive contributions to the appearance of the areas in which they are located.

. . . *and* Textile Diversification

While increasing the number of new large plants, the Piedmont is gradually diversifying its industrial structure and getting a jump ahead of other areas in industries founded on recent technological advances. Camden, South Carolina, is a good example; long famed as one of the South's leading pleasure resorts, it is the site of a huge new du Pont plant for the manufacture of "orlon"—the newest synthetic fiber in science's successful attempts to improve upon nature.

Industrial leaders in the Piedmont are fully aware of the fact that, in order to maintain leadership in the textile industry, Piedmont plants must be able to turn quickly to production based on laboratory-made fibers. The rayon industry affords a good example of the flexibility of the region in this respect. Burlington Mills, which got its start in North Carolina, is the world's largest weaver of rayon goods and has plants in 20 communities scattered over the Piedmont region of North Carolina. Williamston, South Carolina, is one of the latest entrants in this field with a new $4 million filament rayon weaving plant. All told, there are rayon plants in over half of the 21 counties comprising the Piedmont region of South Carolina.

Diversification in the Piedmont's textile industry has progressed in another very desirable direction. In the past the emphasis was much too heavy on semi-finished items such as yarn and gray goods—now, as a consequence of new constructions and expansions of finishing facilities, the Piedmont is leading the South to a ranking position as a supplier of finished textiles. King Cotton's domain has been more recently invaded by the woolen and worsted industry in what an NPA Committee of the South report terms as "probably the most significant textile development" in the South during the post-war period. Again, the Piedmont region is in the van of this development, with mills recently established in McCormick, Johnston, Greenville, and Union, South Carolina.

. . . but not Enough Diversification in Other Lines

Although such developments have produced economic conditions in the Piedmont superior to those of other comparable southeastern areas, a still greater industrial diversification must be achieved to raise per capita incomes at least to the national average. Progress is, however, being made—and is illustrated by the recent growth in the important metal-working industries, including large plants of the Western Electric Company in Winston-Salem and Burlington, and in food products, agricultural implements, fertilizer plants, paper and container products, apparel, and chemicals.

It is along such lines that new opportunities must be created and realized throughout the South. The Piedmont Carolinas have an abundance of raw materials supplied by its forests, farms, and mines capable of servicing a wide range of local semi-finished and finished-goods industries such as synthetic boards, cement, plastics, paints and varnishes, glass and china ware, fire brick, apparel, food products. The list might be extended considerably, but the point is that all too many of the raw materials are still being shipped out of the area—to be bought back in the form of processed goods. Certainly, many of them could be economically utilized right in the region of their origin.

. . . including Agriculture

Progress in the Piedmont is not confined to the field of manufacturing and to what the uninitiated think of as textiles, furniture and tobacco manufacturing. Despite rapid industrialization of the area, the bulk of the population is rural, and agricultural activity is a major source of income. There is, fortunately, growing realization that agricultural diversification must accompany industrialization in order to achieve a well-balanced economy. Expanding industrialization of the Piedmont is itself providing a powerful incentive toward diversification in agriculture. Growing industrial towns create expanding markets for milk, vegetables, poultry, eggs, and other farm products.

Aided by local banks, colleges and various government agencies, local and Federal, Piedmont farmers are turning from traditional and almost complete dependence upon cotton and tobacco to hogs, poultry, and dairy cattle. A unique example of a balanced economy catches the eyes of tourists passing through the outskirts of Pendleton, South Carolina. Grazing in the "front yard" of a new textile plant is a herd of Hereford steers that is, figuratively speaking, feeding off an experiment. Its pasture is a self-reseeding growth of alta Fescue grass and Ladino clover, one acre of which is sufficient to graze one steer all year. Agricultural experts at Clemson College feel that there is a possibility that this high-protein, grass-legume combination will provide the type of winter pasture necessary for the development of an important livestock industry in the Piedmont counties.

Although news of York County in South Carolina in the last few years has been dominated by the Rock Hill-Celanese development, its agricultural progress also merits attention. This county is the largest producer of turkeys in the state, and its peach orchards have spread over the countryside to the point where it is now one of the largest peach producers in the Piedmont region. The textile-peach combination provides a balanced county economy also in Spartanburg (the largest peach producer in the region), enabling income sources to be based on a leadership position in both manufacturing and agriculture.

. . . growth made possible by Distribution Facilities

Almost a century ago a writer brushed aside the South's failure to develop manufacturing by extolling achievements in other respects, adding "we have no cities, but we have a meliorated country populace, civilized in the solitude, gracious in the amenities of life, and refined and conservative in social habits." (*De Bow's Review* July, 1857.) Today, with all its industrialization, the Piedmont region of the Carolinas has only one city with a population over 100,000, but there are many smaller cities and towns strung along the network of highways that weaves the region and its three million people into an integrated pattern of mutually dependent economic interest.

In effect, the Piedmont is a huge continuous market extending 275 miles north and south, attracting the attention of hundreds of national distributors operating out of natural distribution centers like Charlotte, Greensboro, Winston-Salem, Durham, Columbia, and Greenville. As a consequence of relatively high incomes and of serving areas that extend well beyond city limits, leading cities of the Piedmont constitute better markets than their population counts would indicate.

A considerable share of income earned in Charlotte, the region's largest city, stems from distribution activities. Over 400 national enterprises have regional offices in the city, possibly a record for its population size. Charlotte ranked 71st in the national population (January 1, 1950), but in wholesale sales in 1947 it ranked 34th, and in per family effective buying income it stood in 52nd place in 1949.[1] Greensboro, with a greater population within a 50-mile radius than any other southeastern city, is one of the most important distribution centers in the South. Although ranked 152nd among American cities at the beginning of 1950, Greensboro ranked 84th in effective buying income per family, 126th in general merchandise store sales and 113th in furniture, household, and radio sales in 1949. In 1947, it was 81st in wholesale trade.[1] Many smaller cities like Burlington, Reidsville, Salisbury, Statesville and Hickory in North Carolina, and Anderson, South Carolina, offer market and distribution opportunities superior to those of other cities of comparable size. Spartanburg exemplifies this particularly well. Although it has a fairly small population (about 40,000) as compared with the largest cities in the Piedmont, together with Greenville it lies in the center of a 50-mile market area with over a million customers.

. . . Overall View

Since the end of the war capital investment in the Piedmont counties has proceeded on an unprecedented scale. Modernization and new construction in established industries as well as in new lines of activity have expanded and diversified the industrial structure. A relatively large rise in consumer purchasing power has marked this area as one of the most important markets in the county. Much remains to be accomplished before the Piedmont can attain the desired goals of adequate employment opportunities, high income levels (on a national basis) and a really stable economy.

Main supports of the area's industrial structure—textiles, tobacco, and furniture—will grow with the nation; as the country's population expands and an increasing number of families are formed, the demand for these products will also expand. In addition, this dynamic economy has a relatively stable component in the form of its tobacco industry. Although the area's growth is in large part a consequence of the nation's war and post-war industrial expansion, many of its gains have been greater than the average, and much of its growth represents new business activities and opportunities that are revamping the South and giving it an economic New Look. This New Look is perhaps best reflected in the Piedmont region of the Carolinas.

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Credits for the photographs on the front cover are acknowledged as follows: (1) Cigarette manufacturing—courtesy, Winston-Salem Chamber of Commerce; (2) Celanese plant, Fairchild Aerial Surveys, Inc.—courtesy, Board of Trade, Rock Hill, S. C.; (3) display in Southern Furniture Exposition Building—courtesy of High Point Chamber of Commerce; (4) Dan River Steam Plant—courtesy, Duke Power Company; (5) aerial view of business section, Charlotte, N. C.; (6) knitting machines in hosiery mill—courtesy, High Point Chamber of Commerce; (7) nylon throwing mill—courtesy, Winston-Salem Chamber of Commerce; (8) Tillery hydro-electric plant—courtesy, Carolina Power & Light Company.

Valuation Reserves for Loan Losses

Increasing in use, they offer material tax savings while providing a cushion against possible future loan losses.

Fifth District member banks saved an estimated $4.5 million in 1948 and 1949 under a ruling of the Commissioner of Internal Revenue permitting more liberal deductions from income to provide for losses on loans. At the same time, banks taking advantage of this ruling were creating a fund to ease the impact of any future period of heavy loan losses.

Prior to 1947, banks (and other businesses) were permitted by the Treasury to deduct realized losses on a current basis, or to make "reasonable" deductions from current earnings for transfers to valuation reserves for tax purposes. As it was rather difficult to establish the reasonableness of any specific deduction, banks in the Fifth District in general chose to charge off losses on a current basis. Further difficulty was involved in that differences of opinion can exist as to when a bad debt loss is actually realized. The only deduction which could not be questioned was under the provision that banks could deduct charge-offs ordered by examiners.

Mimeograph 6209 of the Office of Commissioner of Internal Revenue, December 8, 1947, laid down specifically what would be considered as a "reasonable" addition to a reserve for bad debt losses on banks' loans for tax purposes.

In computing net income for tax purposes, a twenty-year moving average of net losses experienced as a percentage of average loans outstanding at the year end is computed. The bank is permitted to establish and maintain a minimum balance as a reserve equal to this same percentage multiplied by loans outstanding at the end of the year. The maximum balance which can be held in this account is three times this moving average of net losses experienced—three average years' net losses. Within any one year the maximum allowable transfer to bad debt reserves is (1) a percentage of current loans equal to the twenty-year moving average percentage loss on loans, or (2) enough to bring the balance in the reserve to the minimum amount, whichever is the larger.

In order to take advantage of this tax-saving device, it is not necessary that the bank's records be kept on an accrual basis. A bank maintaining records on a cash basis is still permitted to use reserve accounting for bad debt losses on loans for income tax purposes.

In utilizing the provisions of this ruling, Fifth District member banks reduced their income tax liability by an estimated $2.9 million in 1948, and by an estimated $1.6 million in 1949—a saving in two years of $4.5 million. Since total income taxes paid in 1948 and 1949 were $26.8 million, Fifth District member banks saved about 14% of their income tax liabilities. Most of such saving is net since the alternative is to take deductions for bad debt losses as actually realized. Large scale loan losses usually are realized during years when earnings are so low that additional tax credits would in large part be wasted.

In addition to the monetary saving gained from the use of valuation reserves for losses on loans, there is a further important advantage to banks in using this method. Such reserves are carried as a deduction from loan accounts, so that loans are shown net of reserves on the bank's balance sheet. As they are not capital reserves, the impact of losses in bad years is not reflected as a reduction in capital accounts. This is a very satisfactory position for a bank to be in if and when the lean years come. It is then that depositors become bank statement conscious.

Not all member banks in the Fifth District have so far taken advantage of this ruling of the Commissioner of Internal Revenue. Half of the Fifth District member banks currently carry some balance in a valuation reserve for bad debt losses. Far more than half of the loan volume of the District is covered by such valuation reserves since their use is more prevalent among the larger banks.

Table 1 shows the extent to which such valuation reserves have been adopted by Fifth District member banks during the past two years.

Table 1

NUMBER OF BANKS USING VALUATION RESERVES FOR LOAN LOSSES

BY STATE AND DEPOSIT SIZE

STATE	1947	1948	1949	Per Cent of Banks Using Valuation Reserve for Bad Debt Losses on Dec. 31, 1949
Dist. of Col.	3	13	13	86.7
Virginia	29	83	91	45.0
West Virginia	10	41	44	45.8
North Carolina	9	34	36	66.7
South Carolina	5	18	19	57.6
Maryland	9	30	33	42.9
Fifth District	65	219	236	49.3
DEPOSIT SIZE (millions of dollars)				
less than 2	7	20	25	18.5
2 - 5	20	72	76	45.5
5 - 10	14	45	48	64.9
10 - 25	17	44	47	77.0
25 - 50	2	16	17	94.4
50 - 100	0	12	12	92.3
100 and over	5	10	11	100.0

Transfers to valuation reserves are to some extent overstated, particularly for 1948, as some banks carried reserves for contingencies at year-end 1947 which were later transferred in whole or in part to valuation reserves for losses on loans. Data as given in this article are as reported by member banks, and thus involve some over-reporting of such transfers.

At year-end 1947 only 65 banks were carrying valuation reserves for losses on loans. By year-end 1949, 236 banks carried such reserves. In 1949 all but two banks with deposits of more than $25 million used valuation reserves and more than three-fourths of banks with deposits of more than $5 million carried such reserves. At the other extreme, fewer than one-fifth of the District's member banks with deposits of less than $2 million carry valuation reserves, although small banks also have reason to avoid unnecessary tax payments. The state with the highest percentage of banks using these reserves was the District of Columbia (86.7%); the lowest percentage was in Maryland (42.9%). For other states the percentages using valuation reserves were North Carolina, 66.7%; South Carolina, 57.6%; West Virginia, 45.8%; and Virginia 45.0%.

The amount held in valuation reserves for year-end 1947, 1948, and 1949 is shown in Table 2. Valuation reserves for bad debt losses on loans increased from $2.3 million in 1947 to $17.0 million at year-end 1949, an increase of 641.8%. The $50-100 million size-group showed the largest percentage increase, as no banks in this group carried valuation reserves for bad debt losses on loans at year-end 1947. South Carolina, which expanded its valuation reserve thirty-three times, showed the greatest expansion of any state. The size-group showing the smallest percentage increase was for banks with more than $100 million deposits. North Carolina banks' valuation reserves showed the smallest rate of growth for any state. In each case substantial reserves were held at the beginning of the period.

Table 2

VALUATION RESERVES FOR LOAN LOSSES

BY STATE AND DEPOSIT SIZE

(in thousands of dallars)

STATE	1947	1948	1949
District of Columbia	255	1,326	1,962
Virginia	655	3,414	4,669
West Virginia	209	1,433	2,031
North Carolina	1,016	3,232	5,029
South Carolina	36	772	1,218
Maryland	118	1,381	2,070
Fifth District	2,289	11,558	16,980
DEPOSIT SIZE (millions of dollars)			
less than 2	13	75	139
2 - 5	123	578	882
5 - 10	178	1,047	1,450
10 - 25	397	2,249	3,309
25 - 50	*	1,408	2,061
50 - 100	0	1,504	2,348
100 and over	1,503	4,697	6,790

*Two banks; data withheld.

Note: Data may not add to totals because of rounding.

Table 3 shows the ratio of reserves to loans of banks using valuation reserves for bad debt losses. For the District, coverage increased from 0.58% of loans at year-end 1947 to 1.29% in 1949. Further transfers to valuation reserves are still possible, even for banks which currently carry valuation reserve accounts, since the maximum amount which can be transferred to this reserve for tax purposes is approximately 2% of current loans (three times the District's average loss experience).

Table 3

VALUATION RESERVES FOR LOAN LOSSES

(Percentage of Net Loans of Member Banks Using Such Reserves)

BY STATE AND DEPOSIT SIZE

STATE	1947 Per Cent	1948 Per Cent	1949 Per Cent
District of Carolina	0.36	0.60	0.85
Virginia	0.61	0.94	1.17
West Virginia	0.92	1.43	1.85
North Carolina	0.90	1.19	1.75
South Carolina	0.61	0.77	1.23
Maryland	0.22	0.68	0.85
Fifth District	0.58	0.92	1.29
DEPOSIT SIZE (millions of dollars)			
less than 2	0.49	0.45	0.92
2 - 5	0.53	0.71	1.05
5 - 10	0.68	0.95	1.17
10 - 25	0.51	1.04	1.35
25 - 50	*	0.84	1.11
50 - 100	0	0.72	1.18
100 and over	0.62	1.02	1.42

*Two banks; data withheld.

An even greater potential expansion of valuation reserves is shown in Table 4, which gives the percentage of coverage of total loans of all Fifth District banks. At 1.05%, this ratio could be roughly doubled under the provisions of this ruling. Thus Fifth District member banks can still transfer roughly $15 million to valuation reserves for bad debt losses on loans, with a saving of some $4 million in income taxes. Further, losses reasonably expected to occur eventually would be provided for in advance.

Table 4

VALUATION RESERVES FOR LOAN LOSSES

(Percentage of Member Bank Net Loans)

BY STATE AND DEPOSIT SIZE

STATE	1947 Per Cent	1948 Per Cent	1949 Per Cent
District of Columbia	0.11	0.54	0.80
Virginia	0.14	0.68	0.88
West Virginia	0.16	0.95	1.25
North Carolina	0.36	1.04	1.60
South Carolina	0.04	0.67	1.10
Maryland	0.05	0.53	0.83
Fifth District	0.16	0.73	1.05
DEPOSIT SIZE (millions of dollars)			
less than 2	0.03	0.13	0.21
2 - 5	0.08	0.33	0.46
5 - 10	0.12	0.61	0.82
10 - 25	0.14	0.75	1.10
25 - 50	*	0.70	1.03
50 - 100	0	0.68	1.12
100 and over	0.34	1.01	1.42

*Two banks; data withheld.

Business Conditions and Outlook

Continued high level construction and record trade levels in durable goods continue to spark the business situation in the Fifth Federal Reserve District. Hesitation, evident in the textile industries in April and early May, began to reverse itself late in the month as buyers entered the market and made substantial forward coverage, in many cases running through the fourth quarter of the year. The durable goods industries, lumber, furniture, and wood products have continued their expansion. In fact, the lumber situation is quite tight and prices have risen notably. Construction contracts awards in April receded moderately from March, but much less than might have been expected in view of the heavy March volume anticipating expiration of certain Federal loan guarantees. Trade levels have improved in practically all lines.

Motor Vehicles

Passenger car registrations in this District in March were at an all-time high level for that month and within striking distance of the peak established in October 1949. Indications point to further expansion in passenger car sales, possibly setting a new high record this year. Prominent in passenger car registration gains have been the Carolinas and Virginia. Maryland registrations are running at peak levels for the season, but gains have not been as marked as in the above-mentioned states.

Commercial car registrations in March rose 19% above February but were still 2% under March a year ago. The Carolinas and Virginia again showed better sales records than other states in the District.

Construction

Construction contract awards in April were 8% lower than in March after seasonal correction but were 42% ahead of a year earlier. For the first four months, total contract awards were 76% higher than a year earlier. Commercial buildings is the only group which showed better than seasonal performance between March and April, having risen 77% after correction. This classification is still near peak levels despite the drop of 65% shown from April a year ago when one contract of over $20 million was awarded.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	April 1950	March 1950	February 1950	April 1949	% Chg.—Latest Month Prev. Mo.	% Chg.—Latest Month Year ago
New Automobile Registration[1]	......	201	182	179	+ 10	+ 23
New Commercial Car Registrations[1]	......	175	147	172	+ 19	— 2
Bank Debits	356	338	337	328	+ 5	+ 9
Bituminous Coal Production	167	160	24r	165	+ 4	+ 1
Building Contracts Awarded, Total	516	561r	477	363	— 8	+ 42
Commercial Construction Contracts	456	258	540	1285	+ 77	— 65
Manufacturing Construction Contracts	493	492	199	414	0	+ 19
Public Works and Utilities	323	440	240	245	— 27	+ 32
Residential Construction Contracts	697	700r	660	304	0	+129
Apartments and Hotels	1131	1239	652	428	— 9	+164
One and Two Family Houses	630	713	636	292	— 12	+116
Building Permits Issued	379	442	349	285	— 14	+ 33
Business Failures—No.	76	89	63	128	— 15	— 41
Cigarette Production	198p	229	208	216	— 14	— 8
Cotton Consumption	145	144	149	111	+ 1	+ 31
Cotton Spindle Hours	141	142	148	112	— 1	+ 26
Department Store Sales[3]	324p	288p	299r	304	+ 13	+ 7
Department Store Stocks[3]	328	324	307	315	+ 1	+ 4
Electric Power Production	......	305	296	259	+ 3	+ 14
Employment—Mfg. Industries[1]	......	123	123r	124	0	— 3
Furniture—Retail:[3]/[4]						
Net Sales	181	177	206	175	+ 2	+ 3
Cash	195	214	251	217	— 9	— 10
Credit	160	151	185	151	+ 6	+ 6
Receivables	133	143	137	106	— 7	+ 25
Collections	173	181	181	173	— 4	0
Inventories	131	138	129	151	— 5	— 13
Gasoline Consumption	......	......	......	202	......	......
Household Appliance Store Sales	108	90	88	98	+ 20	+ 10
Life Insurance Sales	257	275	259	241	— 7	+ 7
Wholesale Trade:						
Automotive Supplies[2]	515	575	474	260	— 10	+ 98
Drugs	257	278	256	268	— 8	— 4
Dry Goods	184	198	157	156	— 7	+ 18
Electrical Goods[2]	63	57	55	77	+ 11	— 18
Groceries	244	249	229	238	— 2	+ 3
Hardware	134	126	123	124	+ 6	+ 8
Industrial Supplies[2]	271	238	210	255	+ 14	+ 6
Paper and Its Products[2]	158	148	182	125	+ 7	+ 26
Tobacco and Its Products[2]	63	56	64	89	+ 13	— 29

[1]Not seasonally adjusted
[2]1938-41=100
[3]Revised Series—back figures available on request
[4]1941=100

In one- and two-family houses the decline of 12% after seasonal correction was surprisingly small in view of the March termination of certain loan guarantees. Awards for one- and two-family houses, however, were 116% higher than a year ago, while apartments and hotels declined 9% after seasonal correction from March to April but continued 164% ahead of a year ago. In the first four months of 1950, apartments and hotels were 174% ahead of last year, while one- and two-family houses were 134% ahead. It is noteworthy that awards for factory buildings ran at the same seasonal level as in March, and 19% ahead of a year ago. In the first four months of the year, factory buildings were 41% higher than a year earlier, while educational buildings showed gains of 160%.

Construction is always difficult to forecast, but financing terms are extremely easy and very favorable to a continuance of present high levels.

Textiles

Surprisingly little readjustment occurred in cotton consumption or spindle hours in April after seasonal allowance. Consumption was up 1% from March while spindle hours were off a like amount. Relative to a year ago, cotton consumption is 31% higher and spindle hours are up 26%. Variations in the year-to-year gains are apparently reflected in better levels in the heavier weight goods than have obtained thus far in the lighter constructions.

In mid-May a substantial amount of forward business was written by the mills, which may be sufficient to reverse the slowdowns in mill activity reported late in April and early in May. This buying wave has subsided, but business already written may maintain fairly steady operation, seasonal factors considered, through the summer.

New business in the work clothing industries has been slow but this has not retarded operations of the producers. It reflects over-buying earlier in the year, arising from fears of price increases due to the new minimum wage.

The seamless branch of the hosiery industry has adequate orders to continue current operating rates. The full-fashioned industry, on the other hand, is not so well off and faces the approach of summer when bare legs are the vogue.

Bituminous Coal

Weekly coal output has been receding since the middle of March—a normal seasonal tendency in pre-war years. The industry is still operating at an annual rate in excess of 500 million tons, a high level considering the difficulties of the past year. The supply outlook is in a more favorable position than in years, giving the consumer hope that requirements will be met as needed, and the industry hope of regaining lost customers. The industry faces some painful adjustments in getting production down to some 500 million tons annually; but these changes are taking place and the outlook is considerably more hopeful than it has been.

Retail Trade

Department store sales recovered in April to a level 13% above March after seasonal (and Easter) correction and sales were 7% ahead of a year ago.

In the soft goods trade it appears that the weather was the principal cause of the earlier softness. The April upturn in sales carried the adjusted index to within 4% of the all-time peak, a possible indicator of better business in the soft goods lines.

Furniture store sales revived moderately in April after seasonal correction, and were 3% ahead of that month a year ago. April ran considerably below the last half of 1949, but is still high by long-term comparison. There is little cause for concern over furniture store sales at this time in view of the continued high level of new residential building.

Household appliance sales continue their upward trend with April showing a gain of 10% over a year ago. Independent household appliance stores are making a better showing than the appliance departments in department stores. Again the high level of residential construction and new family formation are important factors both for current sales and for coming months.

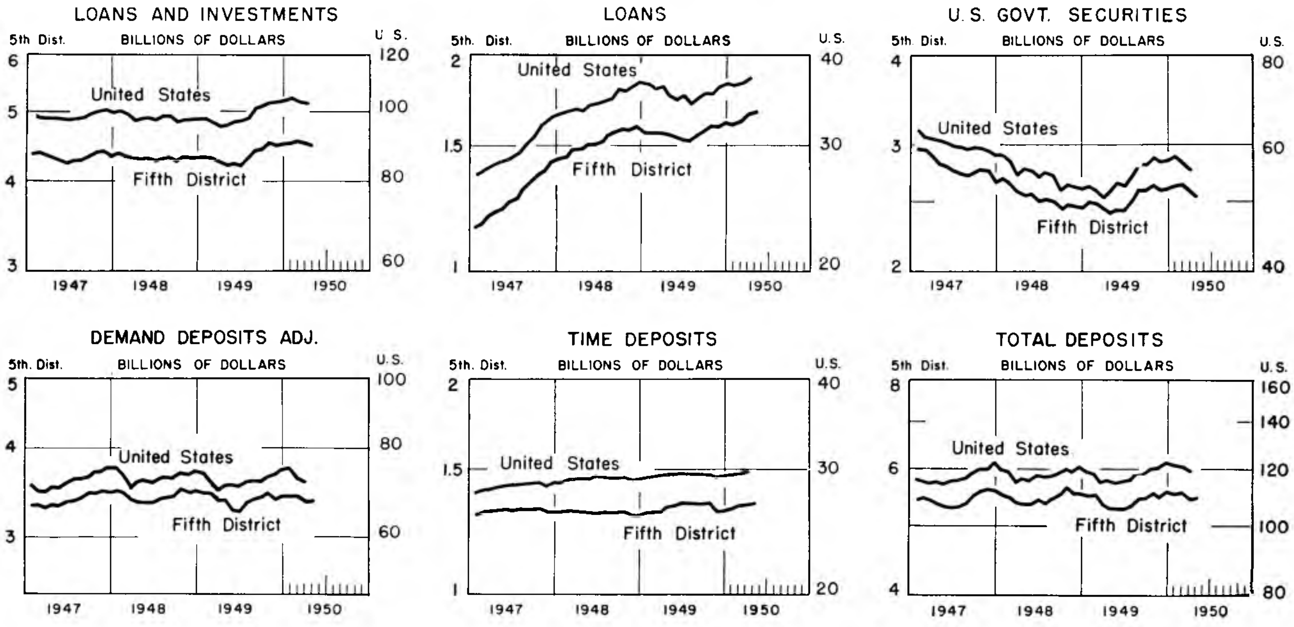
Bank Debits

Indicative of continued revival in dollar volume of business in the Fifth District, bank debits in April established a new all-time high, 5% ahead of March on an adjusted basis, and 9% higher than a year ago. The revival is particularly marked in the District of Columbia, the Carolinas, and Virginia. Although West Virginia showed a marked recovery from the drop which occurred in 1949 and in February and March of 1950, it has not yet risen to its previous peak. In Maryland debits gave indication of revival in January, but this was not maintained in the three succeeding months.

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, April 26, 1950; United States, March 29, 1950

DEBITS TO INDIVIDUAL ACCOUNTS

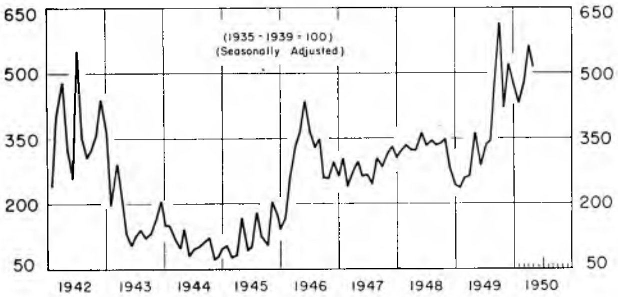
	April 1950	April 1949	4 Months 1950	4 Months 1949
DIST. of COLUMBIA				
Washington ....$	784,834	$ 718,597	$ 3,101,350	$ 2,905,618
MARYLAND				
Baltimore	895,610	911,529	3,800,810	3,699,284
Cumberland	19,366	21,126	82,538	81,092
Frederick	17,172	18,714	66,269	68,876
Hagerstown	26,446	26,351	104,018	104,555
NORTH CAROLINA				
Asheville	48,686	43,746	189,771	184,345
Charlotte	264,477	219,072	1,046,539	904,683
Durham	81,910	72,219	307,745	327,699
Greensboro	77,047	70,690	310,822	291,685
Kinston	11,714	11,575	50,063	52,530
Raleigh	120,485	131,082	533,741	501,196
Wilmington	30,458	30,302	126,807	122,992
Wilson	14,544	18,531	57,294	60,562
Winston-Salem	125,108	114,476	525,027	471,496
SOUTH CAROLINA				
Charleston	60,133	60,627	240,560	237,011
Columbia	101,872	96,624	401,443	380,347
Greenville	83,632	74,582	337,270	314,527
Spartanburg	46,988	42,021	192,275	181,216
VIRGINIA				
Charlottesville	23,360	21,046	90,977	87,438
Danville	22,103	21,246	94,815	91,982
Lynchburg	36,790	35,685	150,153	144,141
Newport News	30,744	31,166	111,212	128,627
Norfolk	210,602	169,817	832,917	694,810
Portsmouth	21,493	19,802	81,107	76,548
Richmond	457,323	480,387	1,857,989	1,892,158
Roanoke	94,443	87,838	364,672	353,278
WEST VIRGINIA				
Bluefield	41,685	39,869	149,407	182,853
Charleston	124,087	124,096	477,982	539,077
Clarksburg	28,164	27,164	110,593	115,922
Huntington	56,094	57,507	217,750	235,141
Parkersburg	25,995	25,010	97,704	102,430
Dist. Totals ....$	3,983,365	$ 3,822,497	$16,111,620	$15,534,119

BUILDING PERMIT FIGURES

	Apr. 1950	Apr. 1949	4 Mos. 1950	4 Mos. 1949
MARYLAND				
Baltimore ....$	5,574,390	$ 5,166,520	$ 32,916,720	$ 13,491,765
Cumberland	108,250	70,220	341,395	168,110
Frederick	193,725	79,730	1,138,875	175,045
Hagerstown	267,280	140,910	660,870	342,945
Salisbury	135,852	137,717	415,592	707,368
VIRGINIA				
Danville	495,691	354,627	1,200,409	1,006,806
Lynchburg	264,710	803,651	1,249,180	1,550,002
Norfolk	1,248,150	951,761	5,239,360	3,020,797
Petersburg	185,585	113,409	1,517,467	494,335
Portsmouth	418,435	162,370	1,166,784	522,853
Richmond	1,039,402	1,829,979	6,906,703	5,301,962
Roanoke	1,390,406	1,743,922	7,514,351	3,663,599
WEST VIRGINIA				
Charleston	668,046	354,045	6,895,242	2,555,943
Clarksburg	122,442	74,750	481,223	321,195
Huntington	745,751	665,050	1,951,194	1,337,450
NORTH CAROLINA				
Asheville	474,806	244,287	1,749,223	741,055
Charlotte	3,106,811	1,124,974	9,240,714	5,648,785
Durham	1,104,627	202,295	8,308,387	1,851,777
Greensboro	1,062,663	2,460,126	3,763,691	3,576,869
High Point	546,685	163,071	1,237,631	609,691
Raleigh	3,180,255	1,622,929	7,004,891	3,600,790
Rocky Mount	1,033,279	128,853	2,072,377	441,810
Salisbury	203,655	134,292	1,443,088	320,457
Winston-Salem	1,230,183	921,959	3,747,241	2,098,986
SOUTH CAROLINA				
Charleston	264,973	80,839	883,938	1,182,750
Columbia	708,020	689,298	4,393,063	2,394,906
Greenville	671,836	414,990	2,464,529	2,102,140
Spartanburg	173,850	109,100	514,706	555,027
DIST. of COLUMBIA				
Washington	7,497,308	4,710,709	22,759,145	14,357,167
District Totals..$	34,117,066	$ 25,656,383	$139,177,989	$ 74,142,385

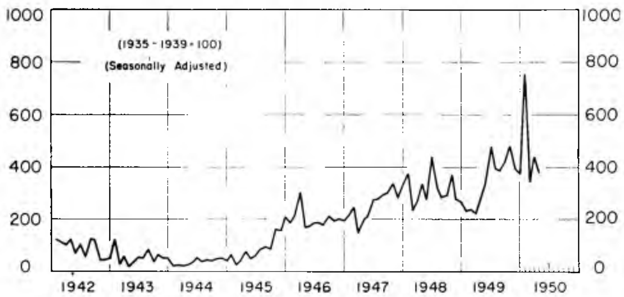
FIFTH DISTRICT TRENDS

CONSTRUCTION CONTRACTS AWARDED



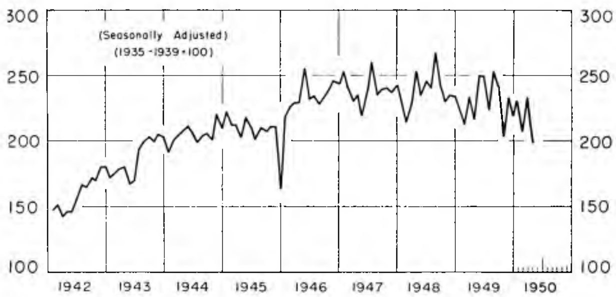
An adjusted decline in total awards—March to April—was small and most types continued to run substantially ahead of a year ago. Commercial revived from the March slump, and factory awards held at the improved levels of March. Residential in the first four months accounted for 47.5% of total, compared with 34.4% a year ago.

BUILDING PERMITS



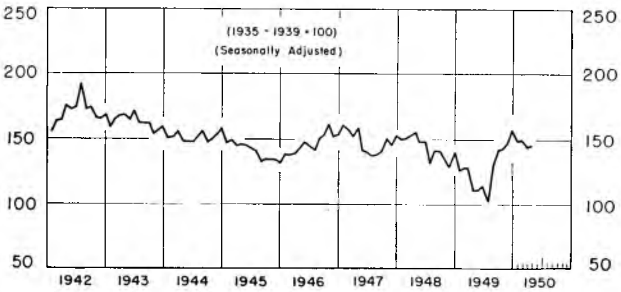
Building permits in April fell below the March level which was contrary to seasonal tendencies. Permits, however, in the 29 cities in the District continued 33% ahead of a year ago and all but four cities showed gains over a year ago. Chief cause of the drop from March to April was exceptionally large contracts in Baltimore, Richmond, and Roanoke in March.

CIGARETTE PRODUCTION



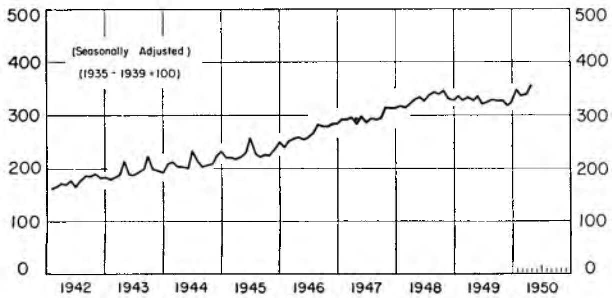
Cigarette production on an adjusted basis declined 14% from March to April and stood at a level 8% under a year ago. For the first four months, cigarette consumption in the United States was around 3% ahead of a year ago. Thus the drop in production is more than accounted for by declining exports.

COTTON CONSUMPTION



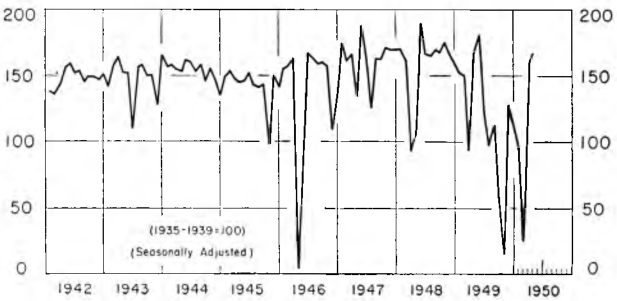
Cut-back in output indicated by trade information was not very pronounced in the statistics during April. Cotton consumption rose 1% in this District, whereas cotton spindle hours operated fell 1% from March. It may be that the chief impact of the cut-back will be witnessed in May. Market conditions, however, have turned about and a better outlook is in sight.

BANK DEBITS



Bank debits adjusted, always a useful indicator of business, rose 5% from March and 9% from last year. These indexes continue to show an overall rise for the Fifth District in a rather persistent fashion, particularly in the District of Columbia, Virginia, and the Carolinas. A strong revival is indicated in West Virginia, but in Maryland a sidewise movement is apparent.

BITUMINOUS COAL PRODUCTION



April output was 4% higher than March on an adjusted basis and 1% higher than a year ago. The weekly output is downward, but is more in the nature of a resumption of prewar seasonal tendency. Based on the current business outlook, it is probable that bituminous coal output within the current year will run in excess of 500 million tons.

WHOLESALE TRADE

LINES	Sales in April 1950 compared with April 1949	March 1950	Stocks on April 30, 1950 compared with Apr. 30 1949	Mar. 31 1950
Auto supplies (8)	— 5	+ 2	+ 2	0
Electrical (5)	+ 3	+ 9	....	....
Hardware (12)	+ 4	0	+ 3	— 1
Industrial (3)	+16	— 1	....	....
Drugs (11)	0	—17	— 3	— 1
Dry goods (13)	— 1	—18	— 1	— 4
Groceries (56)	— 1	—10	+ 2	— 3
Paper (5)	+ 1	— 6	....	....
Tobacco (7)	— 9	— 1	— 8	+ 3
Miscellaneous (89)	+16	— 8	— 3	+ 4
District totals (209)	+ 7	— 8	— 1	+ 1

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

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1949: April 1950	4 Mos. 1950
Maryland (7)	+ 3	+10
Dist. of Col. (7)	+14	+ 8
Virginia (19)	— 2	+ 1
West Virginia (10)	+24	+14
North Carolina (11)	+10	+ 6
South Carolina (9)	+ 2	+15
District (63)	+11	+ 8
INDIVIDUAL CITIES		
Baltimore, Md. (7)	+ 3	+10
Washington, D. C. (7)	+14	+ 8
Richmond, Va. (6)	— 6	— 3
Lynchburg, Va. (3)	—11	+ 6
Charleston, W. Va. (3)	+ 2	— 6
Charlotte, N. C. (3)	+ 9	+17
Columbia, S. C. (3)	—17	+ 8

Number of reporting stores in parentheses.

DEPARTMENT STORE OPERATIONS

(All figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total
Sales, Apr. '50 vs. Apr. '49	— 5	— 8	— 4	— 2	— 5
Sales, 4 mos. '50 vs. 4 mos. '49	— 1	— 6	— 2	— 1	— 3
Stocks, Apr. 30, '50 vs. '49	+ 5	— 6	+ 5	0	+ 1
Orders outstanding, Apr. 30, '50 vs. '49	+13	— 6	+ 4	+14	+ 9
Current receivables Apr. 1 collected in Apr. '50	29	46	48	41	42
Instalment receivables Apr. 1 collected in Apr. '50	13	17	18	18	17

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Apr. '50 vs. Apr. '49	— 8	— 4	— 4	0	0	— 4
Sales, 4 mos. '50 vs. 4 mos. '49	— 6	— 2	— 2	0	+ 2	— 1

COTTON CONSUMPTION AND ON HAND—BALES

	April 1950	April 1949	Aug. 1 to Apr. 30 1950	1949
Fifth District States: Cotton consumed	361,923	302,229	3,466,559	3,139,270
Cotton Growing States: Cotton consumed	643,513	537,319	6,060,371	5,510,827
Cotton on hand April 30, in consuming establishments	1,522,701	1,235,847		......
storage & compresses	7,330,646	5,837,676		......
United States: Cotton consumed	711,511	598,502	6,688,902	6,159,851
Cotton on hand April 30 in consuming establishments	1,759,305	1,449,180	......	......
storage & compresses	7,369,348	5,869,427	......	......
Spindles active, Apr. 30, U.S.	20,048,000	19,805,000		..

Source: Department of Commerce.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	May 17 1950	Chg. in Amt. From 4-12-50	5-18-49
Total Gold Reserves	$1,117,201	— 16,383	+ 33,403
Other Reserves	13,350	— 2,005	+ 5,507
Total Reserves	1,130,551	— 18,388	+ 27,896
Bills Discounted	4,690	+ 399	— 18,407
Industrial Loans	121	+ 7	+ 83
Gov. Securities, Total	1,124,178	— 10,111	—140,909
Bills	264,838	+ 7,230	— 4,085
Certificates	372,850	— 1,138	— 58,413
Notes	104,623	+ 10,686	+ 81,570
Bonds	381,867	— 26,889	—159,981
Total Loans & Securities	1,128,989	— 9,705	—159,233
Uncollected Items	269,979	+ 32,053	+ 42,764
Other Assets	22,371	+ 811	— 8,959
Total Assets	2,551,890	+ 4,771	- 97,532
Federal Reserve Notes in Cir.	$1,511,197	— 14,206	— 33,348
Deposits, Total	755,584	+ 1,131	— 89,143
Members' Reserves	669,951	+ 11,056	— 78,197
U. S. Treas. Gen. Account	31,847	— 15,022	— 38,840
Foreign	50,905	+ 6,485	+ 26,973
Other Deposits	2,881	— 1,388	+ 921
Def. Availability Items	238,239	+ 20,101	+ 21,975
Other Liabilities	643	— 62	+ 51
Capital Accounts	46,227	— 2,193	+ 2,933
Total Liabilities	2,551,890	+ 4,771	— 97,532

51 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	May 17, 1950	Chg. in Amt. from Apr. 12, 1950	May 18, 1949
Total Loans	$ 928,550**	— 779	+100,416
Business & Agriculture	420,181	+ 940	+ 40,402
Real Estate Loans	223,980	+ 3,530	+ 31,321
All Other Loans	295,620	— 5,290	+ 31,759
Total Security Holdings	1,782,941	— 1,283	+138,488
U. S. Treasury Bills	102,631	+ 4,460	+ 40,831
U. S. Treasury Certificates	164,163	— 15,390	— 16,613
U. S. Treasury Notes	234,728	— 10,261	+195,058
U. S. Treasury Bonds	1,127,533	+ 12,883	—100,539
Other Bonds, Stocks & Secur.	153,886	+ 7,025	+ 19,751
Cash Items in Process of Col.	233,173	— 3,004	+ 26,989
Due From Banks	161,622*	1,023	+ 10,782
Currency & Coin	65,340	— 1,642	+ 2,613
Reserve with F. R. Bank	453,611	+ 13,200	— 39,169
Other Assets	52,572	+ 2,130	+ 2,775
Total Assets	3,677,809	+ 7,599	+242,894
Total Demand Deposits	2,794,786	— 1,088	+221,555
Deposits of Individuals	2,090,671	+ 12,548	+138,672
Deposits of U. S. Gov't	91,476	— 12,469	+ 48,022
Deposits of State & Local Gov't	169,176	— 5,981	— 19,443
Deposits of Banks	395,073*	+ 892	+ 50,630
Certified & Officers' Checks	48,390	+ 3,922	+ 3,674
Total Time Deposits	621,301	+ 1,204	+ 13,942
Deposits of Individuals	574,109	+ 1,804	+ 3,342
Other Time Deposits	47,192	— 600	+ 10,600
Liabilities for Borrowed Money	7,675	+ 7,675	— 5,250
All Other Liabilities	20,629	— 1,496	+ 2,486
Capital Accounts	233,418	+ 1,304	+ 10,161
Total Liabilities	3,677,809	+ 7,599	+242,894

*Net figures, reciprocal balances being eliminated.
**Less reserves for losses on bad loans.

PRICES OF UNFINISHED COTTON TEXTILES

	April 1950	March 1950	April 1949
Average, 17 constructions	65.61	68.74	62.57
Printcloths, average (6)	70.02	76.84	66.92
Sheetings, average (3)	58.83	61.79	56.79
Twill (1)	75.67	76.38	63.14
Drills, average (4)	59.84	59.83	56.19
Sateen (1)	85.12	87.99	83.70
Ducks, average (2)	59.27	59.27	60.10

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.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial and construction activity showed further gains in April and May. Prices of many industrial materials and of livestock and other farm products have advanced since mid-April. Sales of durable consumer goods have continued at exceptionally high levels. Common stock prices have risen further.

INDUSTRIAL PRODUCTION

The Board's index of industrial production rose 2 points further in April to 189 per cent of the 1935-39 average and in May apparently showed a similar increase. The rise since March has reflected mainly large gains in the iron and steel, automobile, and machinery industries. Output of other durable goods and of most nondurable goods has continued at advanced levels. Minerals production, reduced somewhat in April, has apparently recovered in May.

Steel output has been at record levels in April and May, and during the week ending May 28 was scheduled at 102 per cent of present rated capacity. Automobile assemblies rose 10 per cent in April, and in mid-May, following settlement of the labor dispute affecting a major producer, advanced about 20 per cent further to a new peak rate. Reflecting the recent general strengthening of demand for producers equipment as well as the sustained high demand for household appliances, the Board's machinery index advanced substantially further in April to 251 per cent of the 1935-39 average, the highest since early 1949.

Output of nondurable goods showed little change in April as small declines in leather products, foods, paper, and petroleum products were offset by gains in newsprint consumption and in output of paperboard, chemicals, and rubber products. Cotton consumption and rayon deliveries were maintained in April, following small declines in March.

Coal output has declined considerably from the high levels reached shortly after settlement of the strike in early March. Production of crude petroleum, on the other hand, has increased about 5 per cent from March to mid-May. Iron ore production, which showed much less than the usual seasonal rise in April, has increased sharply in May.

EMPLOYMENT

Employment in nonagricultural industries increased by 400,000 in April, after allowances for usual seasonal changes. One-third of the increase reflected a substantial gain in durable manufacturing industries. There were also increases in trade, transportation and construction and a large temporary expansion of Federal Census employment. Unemployment declined to 3.5 million, 1 million below February but 500,000 above year-ago levels.

CONSTRUCTION

Value of construction contracts awarded in April, according to the F. W. Dodge Corporation, continued at the record March level, as a substantial increase in private awards offset a decline in awards for public construction. Residential awards continued to increase sharply and were more than double the dollar volume in April 1949.

DISTRIBUTION

The Board's seasonally adjusted index of department store sales in April was 292 per cent of the 1935-39 average as compared with 293 in April 1949. Sales in the first three weeks of May continued close to year-ago levels, despite lower apparel sales.

Retail sales of radios, television sets, and other durable housefurnishings continued considerably above a year ago. Sales of automobile dealers were at new record levels in May. The volume of instalment credit has continued to expand.

Shipments of railroad revenue freight showed somewhat less than the usual seasonal rise in April and the first half of May, mainly because of reduced loadings of ore and coal. The volume of manufactured goods shipped continued to increase and was substantially above that of a year ago.

COMMODITY PRICES

The general level of wholesale prices rose about 2.5 per cent from mid-April to the third week in May. Prices of livestock and products, particularly hogs, rose sharply and grain prices generally advanced. Reflecting a continuing strong business demand, prices of steel scrap, nonferrous metals, rubber, lumber, and some other industrial materials increased further. Wool prices continued to advance and in mid-May, cotton gray goods prices, which had been declining, strengthened.

Consumers' prices rose .2 per cent further in April reflecting mainly continued small advances in retail food prices.

BANK CREDIT

Reductions in Treasury balances at the Reserve Banks during most of April and again during the first three weeks of May supplied reserve funds to member banks. The Federal Reserve continued to sell Treasury bonds during the period, and in May also sold Treasury bills while purchasing notes and the shorter maturities of certificates.

Consumer and real estate loans continued to increase at banks in leading cities during April and the first half of May. Business loans declined further but the reduction appeared less than might be seasonally expected.

SECURITY MARKETS

Common stock prices rose 3.5 per cent further in the first three weeks of May and were at the highest level since June 1946. Yields on Treasury and high-grade corporate bonds showed relatively little change. Early in the month the Treasury announced the offering of 13-month 1¼ per cent notes in exchange for certificates maturing on June 1 and July 1.