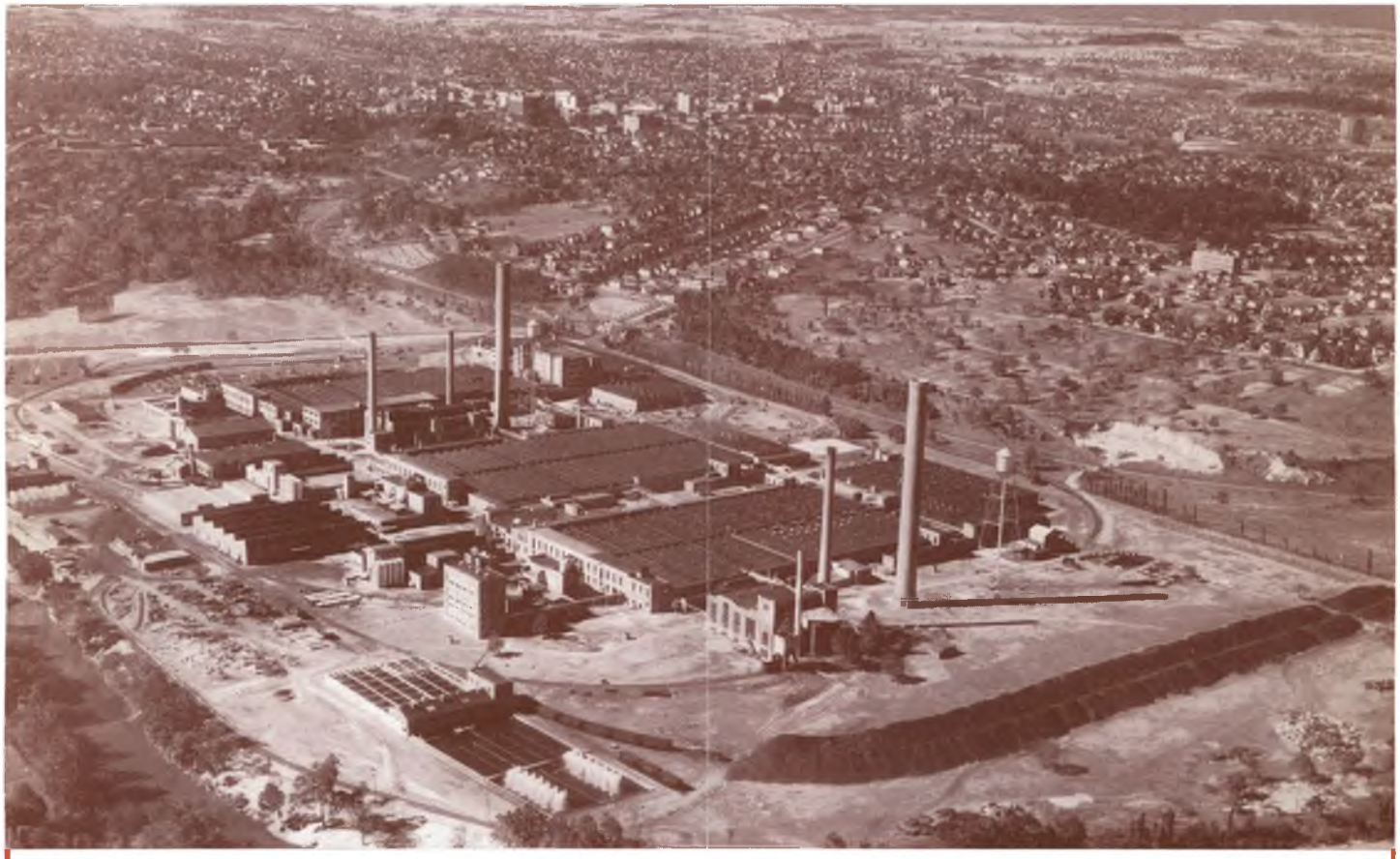
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

SEPTEMBER 1950



AMERICAN VISCOSE CORPORATION PLANT AT ROANOKE, VIRGINIA

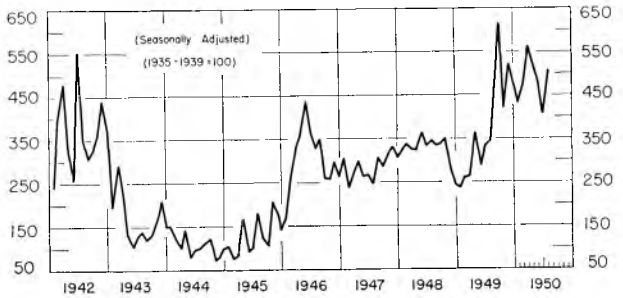
The Synthetic Industry

King Cotton no longer reigns supreme in the Fifth Federal Reserve District's domain. There's a new, and formidable, challenger for supremacy—synthetic fibers. This new industry has become one of prime importance to the District in recent years. The story of its development and growth is told in the article beginning on Page 3.

Also In This Issue - - - -

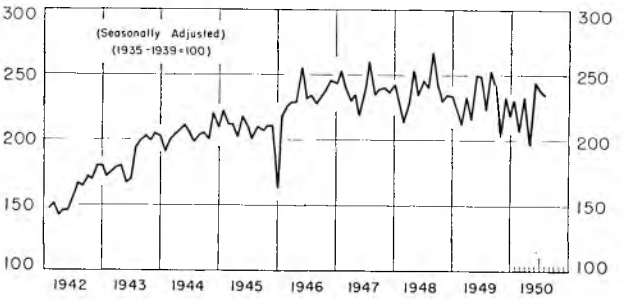
FIFTH DISTRICT TRENDS

CONSTRUCTION CONTRACTS AWARDED



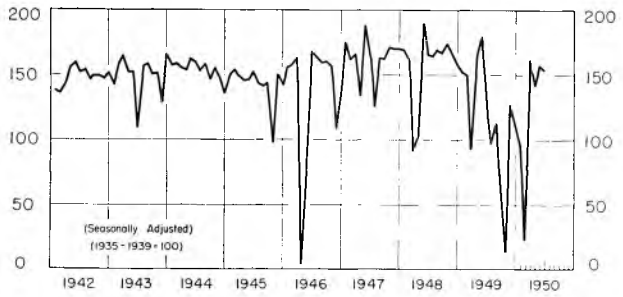
Total awards in July were up 24% from June on a seasonally adjusted basis and 48% ahead of a year ago. Important gains made from June to July in commercial, factory, apartments, and hotels. Public works were lagging with one- and two-family houses near an all-time high.

CIGARETTE PRODUCTION



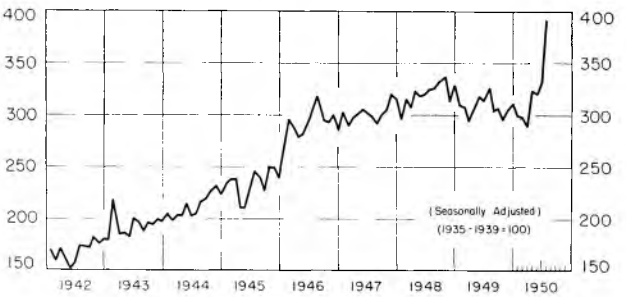
Tobacco manufacturers would have enjoyed a run at the consumer level on cigarettes for they can handle a greater amount of business than they received. Output in this District in July dropped 2% from June seasonally adjusted but was 5% ahead of a year ago. Export sales trend still down.

BITUMINOUS COAL PRODUCTION



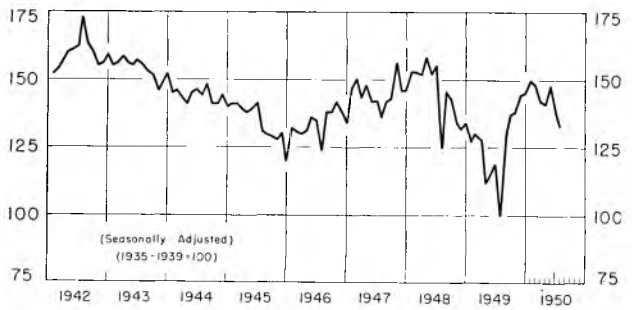
July output down 25% from June seasonally adjusted due mainly to miners' holiday. July 19% ahead of a year ago. Car shortages are appearing in some sections and manpower shortages are noticeable in others. Demand likely to improve markedly by year-end.

DEPARTMENT STORE SALES



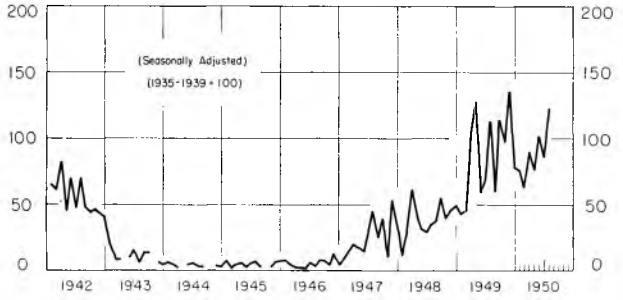
Department store sales, which had been rising in notable fashion up through June in this District, gained 18% on an adjusted basis from June to July. July sales were 20% ahead of July last year, which was the highst seasonally adjusted month of 1949.

ACTIVE COTTON SPINDLE HOURS



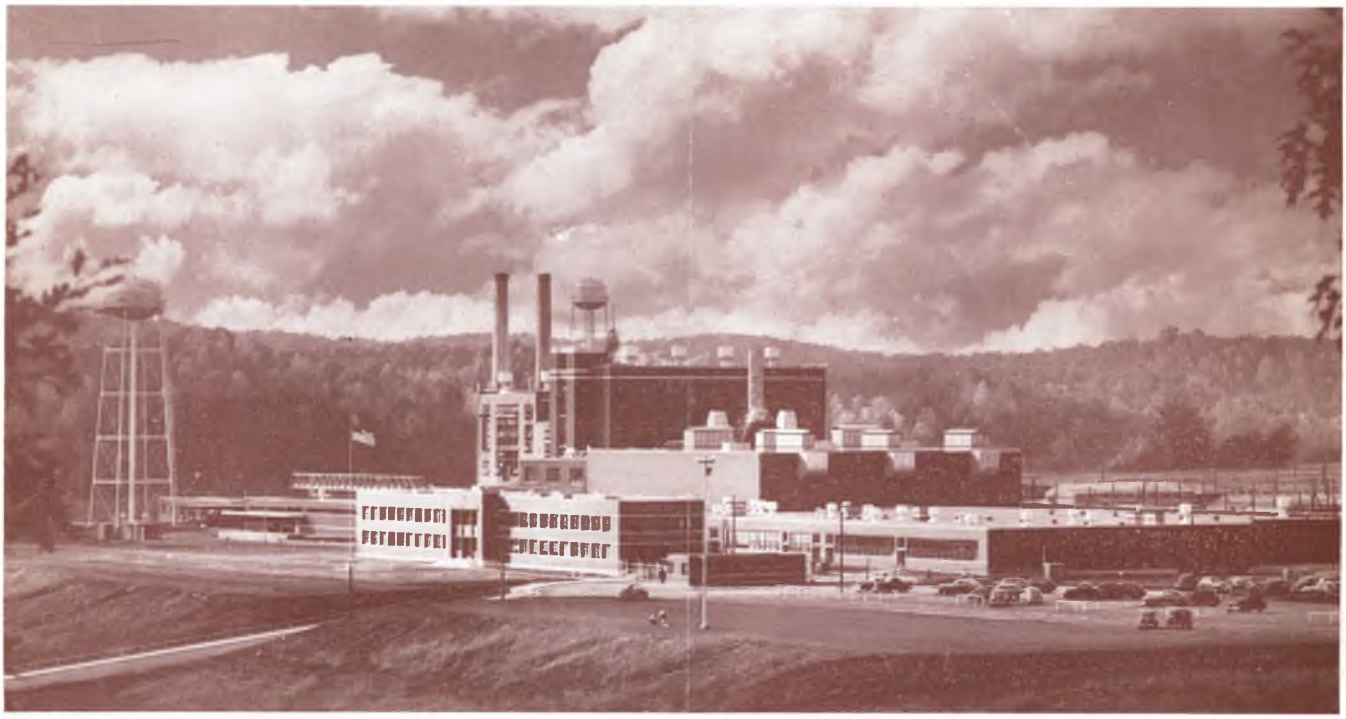
July spindle hours down 4% from June on an adjusted basis which is contrary to the cotton consumption figures which rose 4% in this period. July spindle hours were 33% ahead of a year ago while cotton consumption figures were 40% ahead. This indicates heavier weight yarns were spinning.

BUSINESS FAILURES



The booming business levels in July did not prevent business failures from rising 42% in that month after seasonal adjustment. This sharp jump was probably a result of the closing of the accounting period on June 30 and the final realization of mainly losing operations in the first half of the year.

Vast DuPont Nylon Plant In Virginia



MARTINSVILLE PLANT MADE BIG CONTRIBUTIONS TO WAR EFFORT

Synthetic Fibers---Fifth District Leads Nation

Rayon, Nylon, Dynel, Orlon, Saran, Reevon---Man-Made Materials Join With King Cotton As Leading Contributors To South's Economic Advance

One of the first industries to feel the impact of military mobilization is one in which the Fifth District is the leading production center of the nation—the synthetic fiber industry. Chemicals used in the manufacture of rayon and nylon are also the raw materials for explosives and synthetic rubber. Rayon and other synthetic fibers now going into hosiery, apparel, and many more civilian goods may have to be diverted to such materials of war as airplane tires, parachute cloth and shroud lines, and self-sealing tank linings.

Although rayon plants have been working near capacity for many months, they have been unable to meet requirements of their users. Anticipation of military orders, on top of an already tight supply situation, has brought on stockpiling attempts by weaving mills. During the last war the entire output of nylon went to Uncle Sam, and although the volume of production has been increased, heavy war requirements would leave little for milady's wardrobe. Already, fears of nylon yarn shortages have resulted in gray markets in which resale prices have been more than triple primary quotations.

The synthetic fiber industry, which could "go off to war" with a minimum of conversion difficulties, is one of the most promising young industries in the national economy and an important source of manufacturing employment and income in the Fifth District. Based on the most recent achievements of the chemical industry, it is at the same time allied with one of the world's oldest occupations—the textile crafts.

Until fairly recently the textile industry in the South meant the cotton textile industry, and for many years King Cotton's domain extended from field to factory. But with the introduction of synthetic fibers, the South's textile industry raised its sights to new horizons, and its industrial structure began to reflect the rising importance of the chemical industry.

The First Break With Nature

From the dawn of civilization until the beginning of this century, man used only those fibers supplied by nature to make apparel and coverings. Thousands of years went by before even the idea of making fibers evolved, and then it took over two centuries before a successful process was worked out for commercial pro-

duction of a man-made textile fiber. This first break with nature in the textile business was the development of rayon, and the first plant in this country was established in Pennsylvania in 1910.

The Fifth District's leadership in the nation's production of rayon began in 1917 when American Viscose Corporation constructed a plant at Roanoke, Virginia, for the manufacture of viscose yarn and fiber. During the 1920s a number of rayon plants were established in the District, with Celanese Corporation of America locating at Cumberland, Maryland; Tubize Artificial Silk Company at Hopewell, Virginia; American Enka near Asheville, North Carolina; du Pont in Richmond and Waynesboro, Virginia; Industrial Rayon Corporation in Covington, Virginia, and another American Viscose plant at Parkersburg, West Virginia.

Following the general curtailment of plant and equipment expenditures during the Great Depression, rayon facilities in the District entered a period of expansion that has continued to the present time. The big Celanese plant at Narrows, Virginia, got into production late in 1939, and subsequent additions to its capacity have been made at a cost of $15 million. A few months ago Celanese announced plans for still further expansion of this plant which is expected to increase staple fiber production by 200,000 pounds per week. Its giant Celriver plant at Rock Hill, South Carolina, has been operating since September 1948.

American Viscose has also increased its rayon capacity in this District. During World War II it more than doubled the capacity of its Front Royal plant (which had just begun operations in late 1940) and since the end of the war has raised the capacity of its staple fiber plant at Nitro, West Virginia, to nearly 100 million pounds. For future expansion, this company is holding a large tract of land in Radford, Virginia. Industrial Rayon Corporation is similarly holding a tract of 1,200 acres on the Ohio River near Point Pleasant, West Virginia. The American Enka plant near Asheville and both of du Pont's rayon plants in the District—its acetate plant at Waynesboro, Virginia, and its viscose plant near Richmond—have been expanded considerably since their initial operations.

ENKA UNIT IN NORTH CAROLINA

AMERICAN VISCOSE PARKERSBURG PLANT

Production figures by states are not available, but it is likely that the 11 plants in this District produce at least 50% of the output of the nation's 33 plants.

Virginia—Top Producer

Until 1930 Pennsylvania was the leading rayon producer in the nation, but soon thereafter Virginia moved into first place and at present accounts for around one-third of the nation's output. According to the 1947 Census of Manufactures, Virginia's six rayon plants and one nylon plant accounted for 31% of the value added by manufacturing by the country's synthetic fiber industry. (Separate data are not published for rayon and other fibers.) The major component of value added by manufacturing is labor, and in 1947 the total wage and salary bill of Virginia's synthetic fiber plants amounted to almost $59 million. Thus rayon production accounted for one dollar out of about every nine dollars paid as wages and salaries by *all* manufacturing industries in the state in 1947. About one employee out of 11 in Virginia's manufacturing enterprises is employed in the rayon industry.

Expanding Markets

Reflecting effective cooperation between producers and users of rayon, spectacular progress has been made in widening markets for filament yarn and staple fiber. Already a dominant material in such diverse products as women's suitings and automobile tires, rayon has developed new markets in carpets, upholsteries, draperies, top coatings, and all-year suits for men. Shortages and price increases in carpet wools this year have accentuated rayon's style advantage and relative price stability in the field of floor coverings. Consequently, most large carpet companies at their June and July openings this year displayed lines containing specially designed rayon fibers. As in suits, rayon is blended with wool in the manufacture of carpets, but some floor coverings are being made entirely of synthetic fibers. The

CELANESE MARYLAND INSTALLATION

Glasgow, Virginia, plant of James Lees and Sons Company, for example, is manufacturing carpets made entirely from cellulose acetate yarn.

Test Tube Miracles

While rayon represented the first break with nature in the field of fiber production, complete independence was not achieved until nylon and vinyon were introduced in 1938. Synthetic fibers are man-made materials produced from chemical elements or compounds. Rayon, however, is not completely a man-made fiber, inasmuch as it is based on cellulose, a natural material, and built up only partially from that basic element. That is, the chemical identity of cellulose is not completely destroyed in the manufacturing process. The true synthetics, on the other hand, are made from materials built up entirely from their basic elements, the chemical identities of which are not preserved in the manufacturing process.

The wholly synthetic products were the first successful attempts to create a fiber enabling the textile industry to produce better fabrics. As A. E. Buchanan, of the du Pont Company expressed it with respect to nylon, "For the first time, man had quit trying to imitate a worm and had struck out with his own intelligence to create a fiber that was meant to make a stocking instead of a cocoon." (*Journal of Commerce*, June 26, 1950.)

As in rayon production, the Fifth District has been a leading producer of true synthetic fibers right from the word go. Six of the nation's 18 non-rayon fiber plants are now located within the Fifth District. In view of the relatively large capacity of some of these plants it is likely that District plants will account for considerably more than one-third of the national output of chemical synthetic fibers this year.

The first commercial production of nylon yarn was begun by du Pont at Seaford, Delaware, in December 1939; a year later this company began construction of its second nylon plant at Martinsville, Virginia—in time for an important contribution in World War II. Nylon production figures are unpublished, but du Pont officials prior to commencement of operations in their Chattanooga plant in July 1948, stated that thereafter three-fifths of total nylon production of 60 million pounds would be in the South and almost one-third would be in Virginia.

Developments Ahead

The District's leadership in this field is indicated by the fact that the first commercial production of dynel (Carbide Vinyon N) is taking place in the South Charleston, West Virginia, plant of Union Carbide and Carbon Corporation. Initial output of this new staple fiber, used for a wide variety of industrial and consumer products, is about two million pounds annually. The company has, however, already started construction of an addition to this plant that will triple present output. Odenton, Maryland, is the site of two chemical synthetic fiber plants licensed by the Dow Chemical Company—National Plastics Products Company producing saran monofilaments and the Saran Yarn Company. One of the two chemical synthetic fiber plants in South Carolina is Reeves Brothers, Inc., at Spartanburg. This plant produces polyethylene fiber marketed under the trade name of Reevon.

Current attention in the synthetic fiber field is focused on du Pont's $15 million orlon plant at Camden, South Carolina. This latest headliner in the fiber industry was originally intended for such uses as auto convertible top coverings, awnings, garden furniture, and similar heavy duty products; but dyeing problems and other early difficulties have been overcome and orlon will appear on the market in a wide variety of uses including men's and women's apparel and blankets.

Du Pont's Camden plant, in production since June, will reportedly employ at least 500 people this year. Even before the new filament plant got into production, du Pont announced construction would be started this summer on a new unit to manufacture orlon in staple form to compete with wool. This plant, adjoining the continuous filament yarn plant in Camden, may provide 1,000 additional jobs in the Camden area. Although the present capacity of the filament plant has not been

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Cover photo and those at top of Pages 4 and 5 by Fairchild Aerial Survey, Inc. Page 3 photo courtesy DuPont Corp. Photo at bottom of Page 4 courtesy American Enka Co. Photo at bottom of Page 5 courtesy Celanese Corp.

NEW CELANESE ROCK HILL, S. C., PLANT

The Agricultural Outlook and the Korean War

Expanding civilian and military requirements are creating a stronger demand for farm products. Farm prices will probably continue to average above early 1950, but further increases should be moderate. No shortage of farm products is in prospect, and civilian supplies in the year ahead should be fully as large as in the past two years. Increased production, particularly of cotton and livestock, is needed to meet prospective requirements.

A stronger demand for farm products is expected as a result of greatly increased defense expenditures, injected into an economy already operating at high levels of production and employment. Resulting increase in personal income together with military needs will provide farmers with heavy price incentives to further the war effort through high levels of efficient production.

Consumers will have fully as much food in the year ahead as in the last two years—and they can expect to pay more for it than they did in 1949 and the first half of 1950. No shortage of farm products is in prospect. High level farm output and sizeable carryovers of most farm products give considerable assurance that civilian supplies will not be reduced next year.

Farm and Food Prices Higher

Prices of farm products important in this area have risen sharply since the middle of June. Hogs, eggs, broilers, cotton, and grain have shared in the rise, and the new crop of bright tobacco is being marketed at prices well above last year. As a result of the price rise, farm income for the Fifth District may well be about the same in 1950 as it was last year.

Prices of farm and food products on a national scale have also been moving upward since the first of the year as business conditions improved and urban employment and income rose. Civilian employment is very high—in July it totaled 61.2 million, 1.5 million higher than a year before and 4.3 million more than in January 1950. Unemployment in July 1950 was 3.2 million, down 1.3 million from January and 0.9 million less than the year before. Industrial wages are at record high levels—and threatening to rise further.

Paralleling the rise in urban employment and income, prices received by farmers have come back sharply from the cyclical low of 233 in December 1949 (73 points below the all time high of 306 in January 1948). In July the index stood at 263, a rise of 13% from the December low point. Livestock prices led the rise, and increased 32% in the seven months ending in July.

By June the B.L.S. consumers' price indexes for food in Norfolk, Richmond, Baltimore, and Washington were about 5% higher than at the beginning of the year. Further sharp rises in food prices occurred in late June and early July, and on July 18 the wholesale food price index reached 175, twelve points higher than in June and more than 20 points above last winter's low. Since then wholesale food prices have leveled off and in mid-August were slightly lower than a month earlier. A large part of the general rise in food prices is due to higher meat prices which in early August were 26% above the first week in January and 16% higher than a year before. In contrast, average food prices rose 14% from January to August, prices of farm products increased 16%, and prices of all commodities other than farm and food products were up 5%.

While the rise in farm and food prices has been long and well sustained, continued substantial increases from July levels are not likely as the situation now stands. It is likely that many prices rose too fast in July and that some recession will take place. Hog prices, which jumped $5.00 a hundred from June to July, leveled off and lost about a fourth of the gain by mid-August. Prices of slaughter steers of all grades, fairly steady during most of the summer, were about the same in August as in May. Grain prices in mid-August had also leveled off, and wheat and corn were about the same as in the first week of June.

Supplies of Farm Products Large

Supplies of most farm products for the year ahead appear adequate to meet both civilian and military needs. If mobilization remains on a partial basis, with added military and defense expenditures in a $15 to $25 billion zone, further price increases for farm and food products should be moderate, although heavy demand for meat may eventually cause more substantial price increases for cattle and hogs. Only in the case of cotton does the supply situation appear tight, but the effect on cotton prices may have already been largely anticipated by the markets.

Total food production in 1950 is expected to be a little above the last two years and 38% above the 1935-39 average. Civilian per capita food consumption will also be equal to the last two years, but somewhat below the peak year of 1946. Food consumption per person in 1950 should be 11% larger than in 1935-39. Higher 1950 production is noted in the case of truck crops, sugar crops, meat animals, poultry, and dairy products.

A substantial stimulus to increased livestock production is found in the large carryover of feed and high production of feed crops this year. The carryover of corn on October 1 will probably be around 950 million bushels—one of the largest on record. When the 1950 corn crop, estimated on August 1 at 3,168 million bushels is added, a near-record supply of around 4,118 million bushels is available for the year ahead. Total

supply of all feed grains and by-product feeds for next year will be within 2% of the record supply of 1949.

On balance, the substantial stock of grain and cotton under government price support have had a moderating effect on recent price rises as farmers repaid their loans or as CCC sold from inventory. For example, farmers placed 3.2 million bales of 1949-crop cotton under loan and then redeemed it as prices advanced. By August 3 less than 400,000 bales remained. The CCC has also offered 1948-crop pooled cotton regularly for public bids, and through August 11, 1950 had sold almost 1.2 million bales of the 3.8 million acquired when the cotton was pooled a year before.

The effect of CCC inventory operations on prices is limited by the legislative provision that products acquired under price support may not be sold for less than the current support price plus 5%, plus reasonable carrying charges. This restriction does not apply to commodities in danger of spoilage, sales for export, or to price support loans, for in this latter case the farmer may sell the commodity and repay the loan whenever he wishes. A recent proposal to relax this restriction on domestic sales of CCC stocks in order to restrain increases in food prices is not included in the price control legislation now being considered in Congress.

While CCC stocks of grain, cotton, and tobacco are welcome assets in a period of rising prices, its other inventories appear generally to be of limited usefulness. Secretary Brannan has reported considerable difficulty in moving CCC's stocks of butter, cheese, nonfat dry milk solids, and dried eggs at the prices required under present legislation.

Total U. S. cotton production for 1950 is estimated at 10.3 million bales, and the total supply for the 1950 crop year will be around 17.3 million bales. This is a reduction of 19% from the 1949 supply of 21.4 million bales. Increased mill consumption of cotton now exists and is almost certain for next year because of increased military and civilian demands. Mill consumption may be around 10 million bales although this is dependent upon the extent of military purchases. The outlook for cotton exports is uncertain, but if exports total 4.5 million bales, carryover next year may be reduced to less than 3 million bales. In view of the tight supply situation, cotton farmers can reasonably expect some increase in acreage allotments next year.

Meat production in 1950 is expected to be about 3% larger than in 1949. Most of the increase will be in pork, while beef production may total about the same as last year. In the fall of 1950 hog marketings will be larger because of a 3% increase in the spring pig crop. Supplies of better grades of fed cattle should also be larger this fall than in 1949 because of the increased number of cattle on feed this summer. Slaughter of grass cattle, now increasing seasonally, will be limited somewhat by the strong demand for stocker and feeder cattle.

Increased Production Needed

Agriculture's most effective contribution to the war effort lies in higher levels of efficient production of the kinds of farm products needed by the nation. In general, free prices are useful guides to what is needed and to the most profitable course for farmers to follow. While the demand for most farm products should be stronger in the year ahead, the behavior of prices in the last eight months and prospects for the future indicate that increased production of livestock and cotton are particularly needed. A high level, partially mobilized economy with expanding personal income will demand more beef and pork. Similarly, reduced cotton production this year when civilian and military requirements are increasing, indicates that higher cotton production will be needed next year. Increased production of feed grains, hay, and pasture is also warranted as hog and cattle production increase.

To be of maximum benefit to the nation and of most profit to farmers, higher levels of production should be attained as efficiently as possible. Increased farm mechanization in this District in recent years together with improved crop varieties, better fertilizer practices, and more intensive insect control have helped farmers control costs and operate efficiently.

Farmers will have an additional incentive toward efficient production because the war effort is expected to cause some increases in prices and taxes paid by farmers and in production costs. The supply of hired and cropper farm labor may be reduced as employment in defense plants expands and the armed forces increase in size, and farm wages will tend to rise.

In the event of full-scale mobilization, price ceilings on farm products can be expected, but this should not deter farmers from increasing production now. The Defense Production Act of 1950, now under consideration in Congress, provides that the price ceiling for any farm product, if and when set by the President, may not be below (1) the parity price or (2) the average price received by farmers on June 15, 1950.

It appears that price ceilings, if and when set, will be above current prices for eggs, milk, butterfat, potatoes, chickens, peanuts, wheat, and corn and other feed grains. All of these products are currently under parity. On the other hand, prices of cotton, beef cattle, and hogs are above parity and above the June 15 prices received by farmers, and the new crop of flue-cured tobacco, for which no market price was available on June 15, is currently averaging above parity. For these latter commodities price ceilings, if applied, are likely to be somewhat below current prices. Price ceilings, if and when applied to farm products, will also be on goods farmers buy and thus leave farm purchasing power near this summer's favorable levels.

Business Conditions and Prospects

BOOMING business in the Fifth Federal Reserve District in July was confined mainly to the trade level. Production figures, in many lines, declined during the month, but this was due to vacations rather than to a dearth of business. In fact, business on hand in the textile industries practically assures a rising rate of operations tempered only by the availability of manpower.

Larger demand for coal is in the offing and output can be expected to move upward. Construction continued at a high level and will probably keep the demand for building materials at peak levels during the next several months while completions are effected.

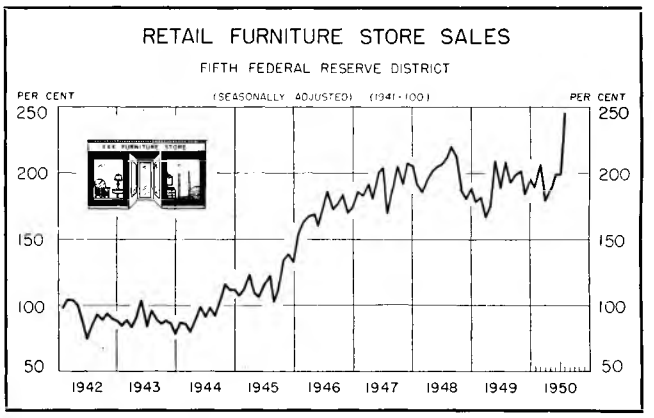
The buying spree in July and early August, though pronounced in spots, was not quite as intense as might have been thought while it was going on. Daily average department store sales in the Fifth District for July were 20% higher than a year earlier and compared with a gain of 6% in June. The gain, however, was sufficient to push department store sales' indexes in all states of this District into new high ground and probably at an adjusted level which will stand as a peak for some months to come.

Although the scare buying was of lesser intensity in this District than in some of the others, nylon, durable goods, and foodstuffs such as coffee and sugar were in unusual demand. Among the most wanted goods were things which people anticipated would be either short or out of production due to the war effort, such as television sets, household appliances, floor coverings, and furniture.

Interestingly, the rise in department store sales was attained mainly on credit. Cash sales were about the same level in July as they were a year ago. Open account credit was up 18% and installment credit up 44%.

The buying wave at the consumer level sent the stores scurrying for new supplies. Outstanding orders of the reporting stores in this District rose 124% from June to July to a level 66% above a year ago. This is hardly indicative, however, of a strong inventory accumulation trend because last year outstanding orders of these stores were at an extremely low level in relation to either inventories or sales.

Some indication of the buying movement can be seen in the chart on this page which shows retail furniture sales, adjusted for seasonal variation. Retail furniture sales in July were at a far too high level to be sustained for any period of time without substantial wage increases or other income expansion. The situation in furniture was somewhat different from that in department stores since cash sales show about as much increase from June to July as credit sales, and cash sales actually show a bigger gain over a year ago than credit sales.



There was no evidence to indicate that a large number of people were unduly tapping their savings for July expenditures. The sales and redemptions of savings bonds continued much the same trend that had been shown in the earlier part of the year, while time deposits showed no extraordinary change.

Wholesaling showed considerable improvement in July as retailers anticipated requirements or replenished inventories. Prominent among the gains from June to July on a seasonally adjusted basis were automotive supplies, hardware, dry goods, electrical goods, and industrial supplies. All wholesalers showed substantial gains over a year ago except those dealing in tobacco products. In these firms it is apparent that a greater amount of direct retailer dealing with the manufacturer has been instrumental in holding down tobacco wholesalers' sales volume.

Passenger car sales were at an all-time high level in the Fifth District in June, latest month for which all state figures were available. Two states in July, however, revealed lower figures than in June which may have been caused by either smaller demand or shortages of dealers' stocks. New autos have been in very strong demand, and used car prices in August were strengthening somewhat, a contra-seasonal trend. Part of the high demand for automobiles is due to the anticipation of shortages as well as to the desire to finance purchases before consumer credit regulation, with possibly stricter terms, could be applied. Consumer loans of reporting member banks in the Fifth District continued to rise at an accelerated rate up to late August.

Housing starts already underway will maintain building operations at a high level probably well through the fall months of the year. Thus far credit restrictions and anticipations of further restrictions do not seem to have had much effect on sales of speculatively built houses, but the evidence indicates that material shortages will have a retarding influence on construction before the

year is over. An increasing number of fairly substantial factory expansions have taken place, and it may be that the level of building will hold perhaps not greatly below current levels provided materials have already been acquired for such projects.

Construction contracts awarded in the Fifth Federal Reserve District in July rose 24% from June, after seasonal adjustment, to a level 47% ahead of a year ago, whereas earlier in the year residential construction had been prominent in the gains registered. July showed a substantial increase in commercial and factory building and in apartments and hotels. Factory buildings in July, for example, were just double the volume of a year ago and apartments and hotels, which had been lagging to some extent earlier in the year, rose to 72% above a year ago.

Farm prices in North and South Carolina have been in a sharply rising trend and, to a lesser extent, the same has applied to Virginia; on the other hand, there has been little improvement in farm prices in Maryland and only a small gain in West Virginia. These variations, of course, are due to the weighting of the importance of various products in the various states. Since an important part of the farm income of the District comes from the Carolinas and Virginia, previous indications of farm income in the District must be revised upward. Cotton prices in particular have shown considerable strength, and they are currently running at a level higher than at any time since the spring of 1948. Tobacco prices likewise are running considerably above a year ago.

The rise in cotton goods' prices, which has been quite sharp in a short-run period, does not leave these goods high in relation to prices early in 1948. As a matter of fact, the sharp rise that has taken place in print cloths since the end of May followed a considerable recession from December which leaves the current level about half-way between the peak in 1948 and the bottom in 1949.

Expansion in production and employment bids fair to continue in the Fifth Federal Reserve District through the indefinite future. If, however, the war situation tones down and military procurement continues at the currently indicated level, full output of the cotton textile industry might not be absorbed by the domestic economy, at the retail price levels which will have to prevail under the going price level at which "gray goods" are selling. On the other hand, our increasing imports of many commodities may have the effect of again increasing the volume of cotton goods exports.

Synthetic Fibers---Fifth District Leads Nation

Continued from page 5

announced, it is believed it does not top 10 million pounds annually—a drop in the bucket for the textile fabric market (estimated total production of chemical synthetic fibers amounted to only a little more that 1% of total domestic fiber consumption in 1948). As the first commercial producer of the fiber, however, the plant affords another example of the District's leadership in this dynamic industry.

Locational Advantages

Regions are rarely able to explain their attraction of a given industry and its successful growth completely in terms of specific advantages afforded. Fortuitous circumstance and timing have often been important in accounting for the location of industry. It seems, however, that concentration of the synthetic fiber industry in the Fifth District can be explained chiefly in terms of required resources with which the District is endowed.

In the Fifth District these may be summed up in terms of adequate labor, tremendous quantities of water, large plant sites, good transportation facilities, and proximity to basic raw materials, required chemicals, fuel, and customers. Meeting these requirements of the synthetic fiber industry made sites in the District an almost inevitable choice. Few industries can find so many of their requirements satisfied as well in a single region as do rayon and other synthetic fibers in the Fifth District.

The Fifth District should hold its leading position in the increasingly important alliance between textile and chemical industries. The magic accomplishments of chemical laboratories, together with the market applications of synthetic fibers by the textile industry, are adding substantially to the productive capacity of the District's economy. The jobs created benefit not only the towns and cities in or near which the plants are located but afford employment opportunities that are county-wide and in some cases cut across state lines. A study made by the Bureau of Business and Economic Research of the University of Maryland in 1947 showed that of the factory force of 8,675 in the Cumberland plant of Celanese Corporation, only 2,870 were residents of Cumberland. Of the rest, 4,042 commuted from other parts of Maryland, 1,343 from West Virginia, and 420 from Pennsylvania residences.

Capital funds for research in synthetic fibers and for plant construction are enormous—$40 million, for example, went into the construction and equipment of the Celanese plant near Rock Hill, South Carolina. Investment per worker in the rayon industry is now estimated at $10,000 to $12,000. Multi-million dollar investments in the form of synthetic fiber plant and equipment add substantially to capital formation, which is one of the principal determinants of District income.

Member Bank Earnings Show Rising Trend

In line with expanding economic activity both in the Fifth Federal Reserve District and throughout the nation, Fifth District member banks found their earnings rising to a new high figure for the first six months of 1950. Actually, all items in the composite earnings statement of the member banks of this District showed an increase, with the exception of "Earnings on U. S. Government Securities" (which remained constant) and "Losses, Charge-Offs and Transfers to Valuation Reserves" (which declined 7.8%).

On an annual basis, the 477 Fifth District member banks' net profits stood at 9.5% of average total capital accounts, as compared with 8.9% during the similar period of 1949, and were somewhat above earnings of all member banks throughout the nation—which averaged 8.5% this year, as compared with 8.1% last.

Continued and fairly rapid expansion of bank loans, which were at an all-time high of $1,783 million on June 30, accounted for the major part of the net current earnings increase for the period.

Expenses of member banks also continued to rise, but the increase of 5.3% was at a smaller rate than either profits before income taxes (which increased 14.1%) or net profits (which increased 12.1%) over the same period in 1949.

Interestingly, cash dividends, though increased 7.1% over the same period of 1949, were actually at an annual rate of 3% of total capital accounts. Member banks of this District were clearly strengthening their capital positions, since they carried more than two-thirds of their net profits this year to surplus.

Current operating earnings for the first half of the year (at $74.4 million) were 7.4% higher than during the corresponding period of 1949. The largest part of this increase in earnings was in earnings on loans, which were 52.3% of total earnings and 11.0% above a year ago. This reflects the fairly rapid increase (13.7%) in loans during the twelve months from mid-'49 to mid-'50. Interest on U. S. Government securities showed virtually no change from the first half of 1949, but all other earnings moved up 8.9%.

Current operating expenses for the first half of 1950 (at $44.6 million) increased 5.3% over the first half of 1949.

Recoveries (including transfers from valuation reserves, but excluding recoveries credited directly to valuation reserves) were substantially higher than during the first half of 1949. Losses and charge-offs (including transfers to valuation reserves but excluding losses charged directly to valuation reserves) were somewhat smaller. Net losses, charge-offs, and transfers to valuation reserves were $1.8 million, $0.6 million less than for the first half of 1949.

Profits, before income taxes of $28.1 million, were 14.1% above a year ago, and the Fifth District exceeded the 12.3% increase shown by all member banks in the United States.

Taxes on net income, at $8.8 million, increased 18.9% over the first six months of 1949, leaving net profits after taxes of $19.3 million. This represented an increase of 12.1% above net profits for the first half of 1949.

MEMBER BANK EARNINGS, FIFTH DISTRICT
FIRST HALF 1949 AND 1950
(thousands of dollars—first half of 1950 preliminary)

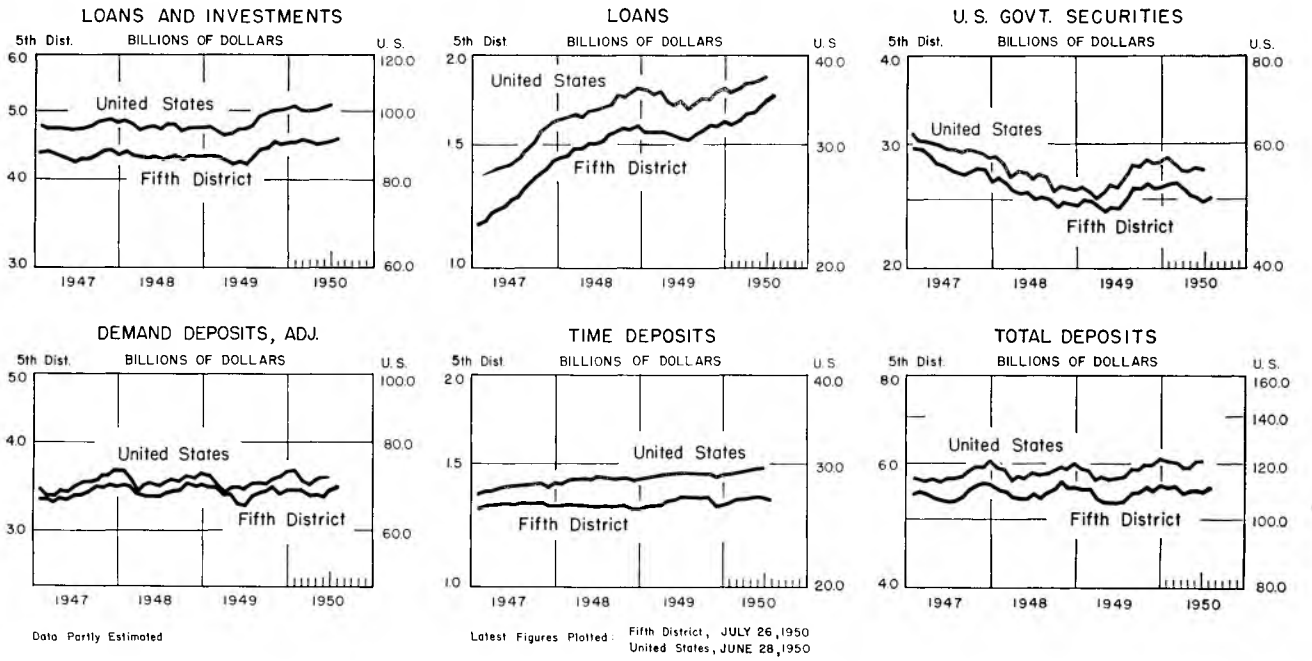
ITEM	First Half 1949	First Half 1950	Per Cent Increase
Earnings:	69,342	74,441	7.4
On U. S. Government securities	20,391	20,395	
On loans[1]	35,060	38,912	11.0
All other	13,891	15,134	8.9
Expenses	42,339	44,586	5.3
Net current earnings before income taxes	27,003	29,855	10.6
Recoveries, profits, and transfers from valuation reserves[2]	2,019	2,297	13.8
Losses, charge-offs and transfers to valuation reserves[3]	4,430	4,084	-- 7.8
Profits before income taxes	24,592	28,068	14.1
Taxes on net income	7,377	8,769	18.9
Net profits	17,214	19,299	12.1
Cash dividends declared[4]	5,776	6,189	7.1
Net profits after dividends	11,438	13,110	14.6

[1] Includes charges on loans other than interest (charges estimated).
[2] Recoveries credited to valuation reserves not included.
[3] Losses charged to valuation reserves not included.
[4] Interest on capital notes and debentures, and dividends on preferred stock, estimated and included.

PRINCIPAL ASSETS AND LIABILITIES OF MEMBER BANKS

UNITED STATES AND FIFTH DISTRICT

LAST WEDNESDAY OF MONTH FIGURES



Data Partly Estimated

Latest Figures Plotted: Fifth District, JULY 26, 1950; United States, JUNE 28, 1950

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	July 1950	July 1949	7 Months 1950	7 Months 1949
District of Columbia				
Washington	$ 855,469	$ 718,616	$ 5,797,705	$ 5,173,052
Maryland				
Baltimore	1,103,714	908,505	7,127,030	6,560,350
Cumberland	23,744	19,361	154,256	144,475
Frederick	17,737	17,035	122,275	119,568
Hagerstown	28,817	27,009	189,873	182,910
North Carolina				
Asheville	51,996	43,229	344,321	315,646
Charlotte	279,423	234,023	1,863,622	1,576,196
Durham	94,159	86,770	575,820	582,526
Greensboro	85,819	66,744	566,684	493,728
Kinston	13,506	13,567	87,944	90,795
Raleigh	134,849	113,192	948,913	842,583
Wilmington	36,035	32,332	231,210	216,371
Wilson	14,086	11,843	96,600	95,388
Winston-Salem	130,342	142,214	934,205	858,813
South Carolina				
Charleston	59,478	55,267	425,337	406,855
Columbia	102,008	90,299	716,307	670,787
Greenville	90,302	71,501	605,669	533,245
Spartanburg	47,205	38,252	335,893	301,259
Virginia				
Charlottesville	25,246	20,048	164,219	149,768
Danville	22,803	19,991	164,198	153,030
Lynchburg	40,026	31,763	269,278	242,331
Newport News	31,457	28,218	202,806	218,429
Norfolk	179,850	166,540	1,416,617	1,204,152
Portsmouth	21,690	19,362	126,112	134,284
Richmond	437,575	439,821	3,274,423	3,282,757
Roanoke	106,356	86,995	675,511	622,161
West Virginia				
Bluefield	39,929	36,339	278,170	310,449
Charleston	134,942	115,481	873,866	924,503
Clarksburg	31,099	26,888	202,866	200,760
Huntington	62,560	52,360	399,201	390,306
Parkersburg	27,951	23,631	179,074	174,795
District Totals	$ 4,330,173	$ 3,757,196	$29,370,005	$27,172,272

51 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	August 16, 1950	Change in Amt. From July 12, 1950	Change in Amt. From August 17, 1949
Total Loans	$ 993,166**	+ 33,476	+184,905
Business and Agricultural	442,001	+ 17,436	+ 83,480
Real Estate Loans	233,501	+ 1,244	+ 34,587
All Other Loans	329,781	+ 14,851	+ 70,112
Total Security Holdings	1,752,687	— 4,594	— 39,481
U. S. Treasury Bills	86,184	- 10,929	— 47,888
U. S. Treasury Certificates	82,219	— 865	—133,215
U. S. Treasury Notes	321,422	+ 7,433	+280,172
U. S. Treasury Bonds	1,101,520	— 4,368	—156,242
Other Bonds, St'ks & Secur.	161,342	+ 4,135	+ 17,692
Cash Items in Process of Col.	257,637	+ 16,144	+ 43,173
Due From Banks	154,570*	— 30,967	— 14,468
Currency and Coin	64,459	— 7,619	+ 3,435
Reserve with F. R. Bank	448,786	+ 1,769	+ 9,657
Other Assets	53,883	+ 1,985	+ 3,345
Total Assets	$3,275,188	+ 10,194	+190,566
Total Demand Deposits	$2,835,722	— 706	+168,699
Deposits of Individuals	2,182,714	+ 17,286	+126,025
Deposits of U. S. Govt.	83,525	— 2,565	+ 39,203
Deposits of State & Loc. Gov.	130,629	- 18,219	— 10,018
Deposits of Banks	385,024*	— 10,077	+ 2,132
Certified & Officers' Checks	53,830	+ 12,869	+ 11,357
Total Time Deposits	612,393	— 3,832	— 4,081
Deposits of Individuals	566,012	3,787	2,192
Other Time Deposits	46,381	— 45	— 1,889
Liabilities for Borrowed Money	16,950	+ 12,750	+ 12,350
All Other Liabilities	22,693	+ 797	+ 1,115
Capital Accounts	237,430	+ 1,185	+ 12,483
Total Liabilities	$3,725,188	+ 10,194	+190,566

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

SELECTED FIFTH DISTRICT BUSINESS INDEXES

(AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED)

	July 1950	June 1950	May 1950	July 1949	% Change—Latest Month Prev. Mo.	% Change—Latest Month Year Ago
Automobile Registration [1]	.....	275	225	205	+ 22	+ 53
Bank Debits	372	355	366	324	+ 5	+ 15
Bituminous Coal Production	115	154r	158	97	— 25	+ 19
Construction Contracts Awarded	507	408r	484	343	+ 24	+ 48
Business Failures—No.	122	86	102	112	+ 42	+ 9
Cigarette Production	235	239r	244	224	— 2	+ 5
Cotton Spindle Hours	133	138	148	100	— 4	+ 33
Department Store Sales [2]	393	332	320	328	+ 18	+ 20
Electric Power Production		300	299	256	0	+ 18
Employment—Mfg. Industries [1]		139	138	132	+ 1	+ 4
Furniture Mfrs: Shipments [2]	.....	297	324	182	— 8	+ 88
Life Insurance Sales	317	290	299	228	+ 9	+ 39

[1] Not seasonally adjusted.
[2] Revised Series—back figures available on request.

BUILDING PERMIT FIGURES

	July 1950	July 1949	7 Months 1950	7 Months 1949
Maryland				
Baltimore	$ 5,184,475	$ 2,940,820	$ 51,036,055	$ 28,421,445
Cumberland	75,075	78,875	716,815	313,100
Frederick	148,441	56,705	1,485,596	594,127
Hagerstown	1,533,155	753,960	2,481,240	1,490,340
Salisbury	135,855	60,925	947,832	992,686
Virginia				
Danville	197,110	158,372	1,978,813	1,650,659
Lynchburg	192,743	892,760	2,489,273	3,068,202
Norfolk	1,098,323	1,328,165	8,862,573	7,155,316
Petersburg	2,116,130	115,987	4,181,113	932,270
Portsmouth	559,595	90,285	2,232,014	933,637
Richmond	3,034,261	1,298,951	15,789,750	10,303,715
Roanoke	892,125	1,170,706	11,410,099	6,991,778
West Virginia				
Charleston	1,519,829	1,430,531	9,776,903	4,817,360
Clarksburg	265,675	75,300	1,112,523	689,870
Huntington	901,470	324,534	4,078,413	2,540,286
North Carolina				
Asheville	777,151	173,147	3,075,820	1,693,125
Charlotte	3,020,470	1,225,478	18,258,894	13,547,491
Durham	480,720	1,293,590	10,169,988	4,680,740
Greensboro	947,760	685,669	7,588,874	6,777,242
High Point	349,242	218,270	2,407,094	1,695,782
Raleigh	523,800	387,145	9,165,585	4,658,425
Rocky Mount	564,884	131,665	3,080,502	934,048
Salisbury	265,986	155,825	2,162,560	772,437
Winston-Salem	1,089,784	483,339	7,653,133	5,484,040
South Carolina				
Charleston	109,036	1,410,807	1,826,763	2,848,272
Columbia	773,805	424,108	6,672,082	4,026,773
Greenville	1,039,725	2,463,300	4,780,674	6,591,681
Spartanburg	465,617	1,822,089	2,381,663	2,578,541
District of Columbia				
Washington	5,278,777	7,237,988	43,090,441	42,782,544
District Totals	$ 33,541,019	$ 28,889,296	$240,893,085	$169,965,932

COTTON CONSUMPTION AND ON HAND—BALES

	July 1950	July 1949	Aug. 1 to July 31 1950	Aug. 1 to July 31 1949
Fifth District States:				
Cotton consumed	309,469	239,969	4,582,338	3,992,840
Cotton Growing States:				
Cotton consumed	559,181	415,310	8,045,134	6,986,269
Cotton on hand July 31 in consuming establishm'ts	1,112,879	739,209		
storage & compresses	4,830,745	4,128,371		
United States:				
Cotton consumed	610,555	454,426	8,869,511	7,795,404
Cotton on hand July 31 in consuming establishm'ts	1,307,560	884,730		
storage & compresses	4,847,009	4,146,398		
Spindles active, July 31, United States	20,525,000	19,007,000		

Source: Department of Commerce.

WHOLESALE TRADE

LINES	Sales in July 1950 compared with July 1949	Sales in July 1950 compared with June 1950	Stocks on July 31, 1950 compared with July 31 1949	Stocks on July 31, 1950 compared with June 30 1950
Auto supplies (8)	+70	+37	+ 5	— 3
Electrical goods (7)	+27	+ 8	— 9	—16
Hardware (9)	+54	+25	+ 3	+16
Industrial supplies (5)	+48	+11	— 5	+ 1
Drugs and sundries (7)	+ 7	+ 7	+ 5	— 4
Dry goods (13)	+65	+26	+ 3	— 4
Groceries (60)	+21	+11	— 3	— 6
Paper and products (5)	+33	+ 8		
Tobacco products (8)	+12	— 2	— 8	— 5
Miscellaneous (87)	+26	+ 8	— 5	— 5
District Totals (209)	+28	+11	— 2	— 3

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

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1949: July 1950	7 mos. 1950
Maryland (7)	+23	+ 8
District of Columbia (7)	+10	+ 7
Virginia (19)	+30	+ 8
West Virginia (10)	+36	+11
North Carolina (11)	+25	+11
South Carolina (9)	+ 9	+ 9
District (63)	+20	+ 8
INDIVIDUAL CITIES		
Baltimore, Md. (7)	+23	+ 8
Washington, D. C. (7)	+10	+ 7
Richmond, Va. (6)	+32	+ 3
Lynchburg, Va. (3)	+27	+10
Charleston, W. Va. (3)	+ 7	+ 2
Charlotte, N. C. (3)	+ 9	+10
Columbia, S. C. (3)	—11	+ 4

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total
Sales, July '50 vs. July '49	+ 20	+21	+10	+22	+17
Sales, 7 mos. '50 vs. 7 mos. '49	+ 3	— 1	0	+ 6	+ 2
Stocks, July 31, '50 vs. '49	+ 6	- 4	+ 5	+ 8	+ 3
Orders outstanding, July 31, '50 vs. '49	+116	+60	+61	+35	+66
Current receivables July 1 collected in July '50	28	45	45	49	42
Instalment receivables July 1 collected in July '50	14	15	18	17	17