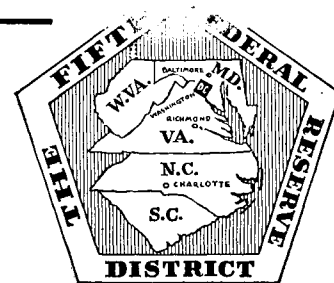
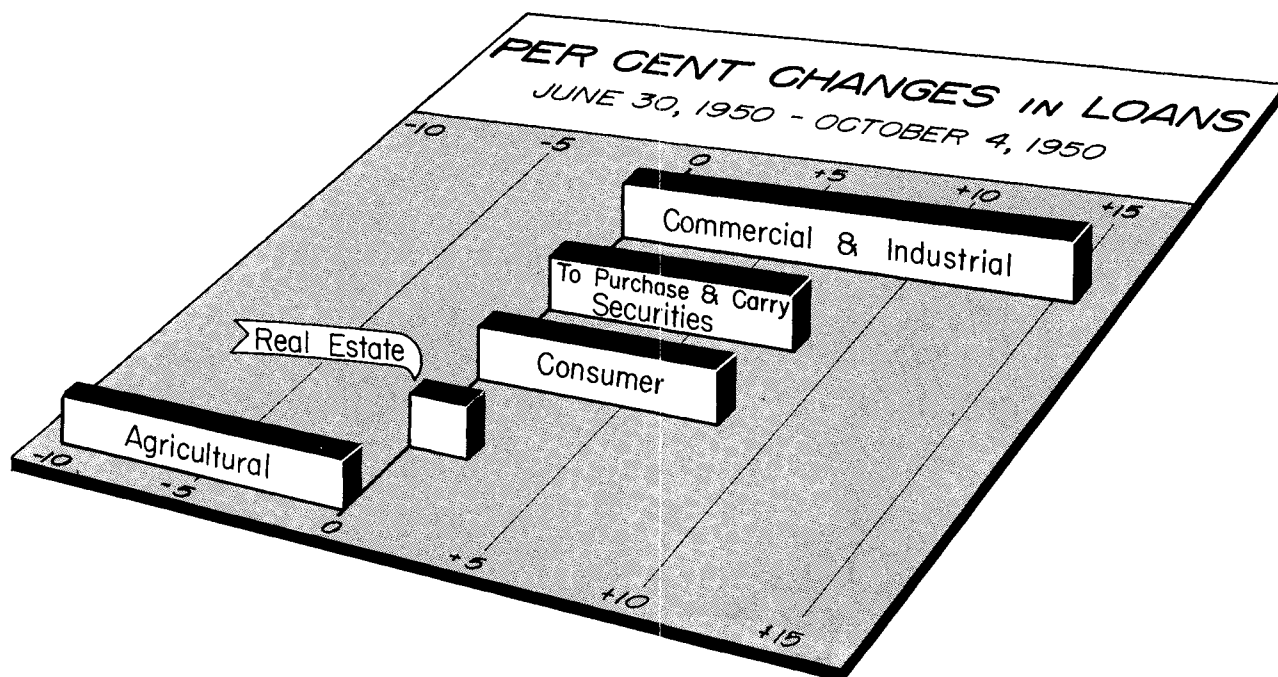


# Monthly Review



DECEMBER 1950

## Bank Credit Expansion Centers In Business Lending



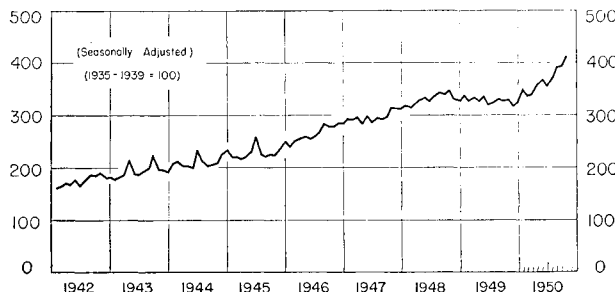
*R*apid growth of member bank loans contributed to the inflationary pressures during the third quarter of 1950. In the Fifth District, this growth was concentrated in the commercial and industrial loans of large and medium sized banks located in industrial areas. The article on page 3 discusses the nature of this loan expansion, as well as other major changes revealed in the October 4 call report.

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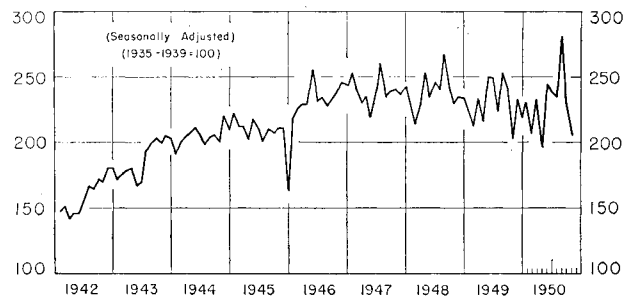
## FIFTH DISTRICT TRENDS

BANK DEBITS



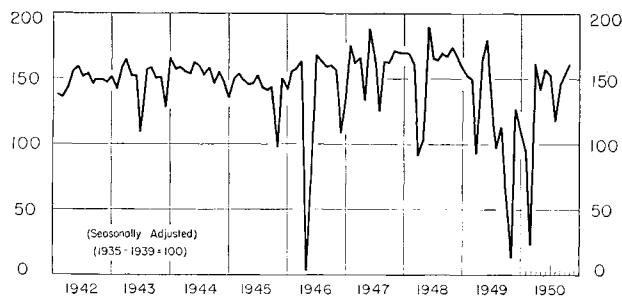
Total expenditures in the District as measured by bank debits continued upward at about the same rate that has been experienced since December 1949. Prominent in the rise that has taken place relative to a year ago have been South Carolina, the District of Columbia, and North Carolina. Virginia and West Virginia have shown the slowest rises, with Maryland in an in-between position.

CIGARETTE PRODUCTION



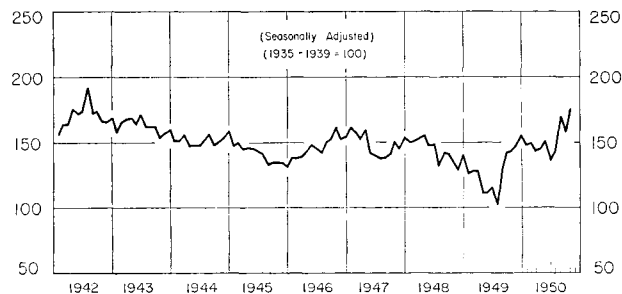
The District's output declined 11% on an adjusted basis from September to October but held at a level 1% above a year ago. The drop, which has been in progress for the last two months, is due largely to over-accumulation of retail inventories in the summer, prompted by the consumers' buying spree.

BITUMINOUS COAL PRODUCTION



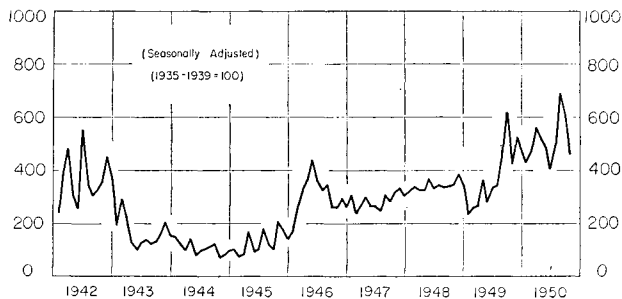
Bituminous coal output gained 5% from September to October after seasonal correction and was over 11 times higher than that month last year, when the mines were practically out of production. Not much variation was shown in the relative production performance between Virginia and West Virginia, but Maryland is still operating at an extremely low level. As a matter of fact, the index of output is only 26% of the 1935-39 average in October and is 85% below the peak levels in 1946 and 1947.

COTTON CONSUMPTION



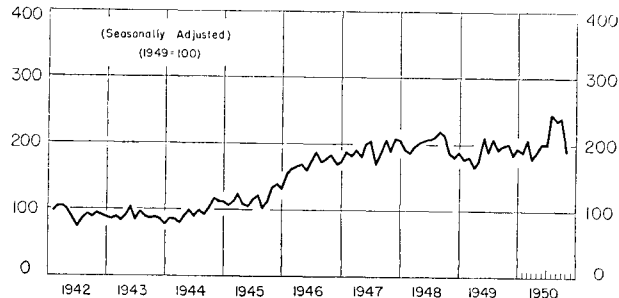
Mill consumption of cotton in the District rose 9% on an adjusted basis from September to October after having experienced a moderate setback from August to September. Consumption ran 22% ahead of a year ago, and October last year was close to the highest level of 1949. The backlog of business in both cotton goods and yarns is substantial and would be even larger if the mills were willing to book further ahead.

CONSTRUCTION CONTRACTS AWARDED



Construction contract awards in October declined 24% after seasonal adjustment from September, but continued 10% ahead of a year ago. The index of total contract awards is still 463% of the 1935-39 average and still represents a very high level of building activity; in fact higher than all except three months of the war boom period.

RETAIL FURNITURE STORE SALES



Sales of furniture stores in October dropped 21% from September on an adjusted basis to a level 5% below a year ago. Both cash and credit sales were about equally affected in this period. The October drop returns furniture sales to about the average level at which they had been going since 1947. Both inventories and receivables continued their upward trend.

## *Business Loan Increase, Shift in Investments Stand Out in October Call*

**P**ACED by expanding business loans, total loans of Fifth District member banks rose \$151 million during the third quarter of 1950, considerably more than the usual seasonal increase. Three out of every four banks increased their loans outstanding. There was considerable variation in the percentage expansion of the loans in the various states, as shown in the accompanying map. Most of the loan expansion occurred in the portfolios of banks located in industrial areas—in the textile areas of North Carolina, South Carolina, and Virginia, in the industrial counties of Maryland, along the Kanawha Valley in West Virginia, and in the Norfolk, Richmond, and Washington areas. Some banks showed fairly large reductions in loans but, for the most part, these represented a seasonal reduction of agricultural loans made by small banks in farming areas.

Of the expansion of \$151 million in gross loans, \$92 million was in commercial and industrial loans, which rose by 15.8% from June 30 to October 4. An additional \$11 million of the increase was in consumer loans of more than \$3,000, most of which are purchases of capital assets or business loans by nature. Thus about two-thirds of the volume of bank credit expansion was in loans to commercial and industrial enterprise.

Since larger banks carry greater proportions of their loan portfolios in commercial and industrial loans, and since this type of loan accounted for most of the over-all increase the greater part of the expansion in dollar volume of loans originated in the larger banks. Member banks in this District with more than \$100 million in deposits carry half of their loan portfolios in the form of commercial and industrial loans, and 44% of all commercial and industrial loans are made by this group of large banks. Of the 11 member banks in the District with more than \$100 million of deposits, 10 expanded their loans during the third quarter and 8 of these expanded their loan portfolios by more than 10%. The same trend is apparent in the medium sized banks—one-

fourth of all member banks with deposits of \$10 million to \$100 million increased their loan portfolios by more than 10%, as contrasted with less than one-tenth of the banks with deposits of under \$10 million which increased their gross loans in the same proportion.

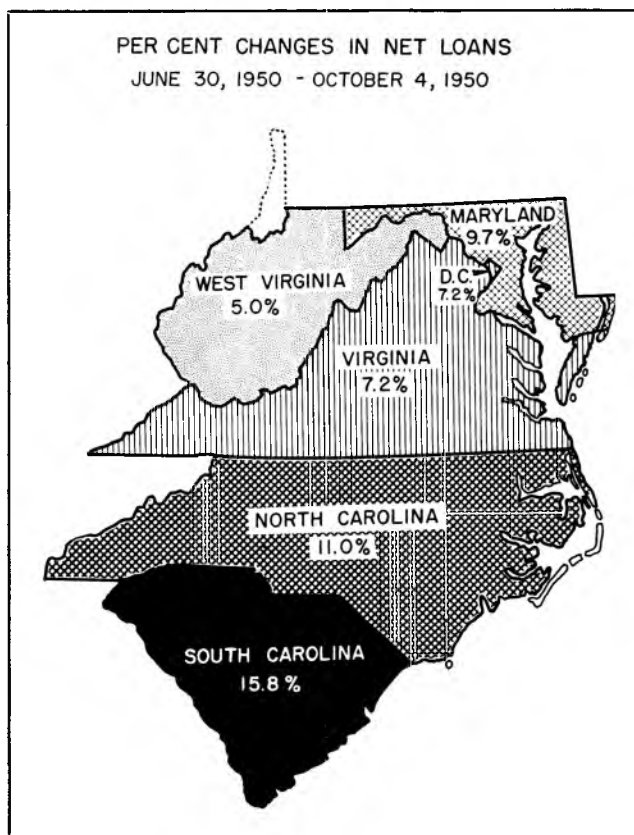
Expansion in the third quarter was notable in textile and tobacco loans. Advances to mills for spot cotton purchases were heavy since they were buying in order to insure an adequate supply of the right grades and staples to meet forward commitments. The high price of tobacco, coupled with a fast-moving crop and a short period of financing, led to larger loans to leaf tobacco dealers. Loans to sales finance companies and to wholesale and retail traders also showed more than a seasonal increase.

Loans for purchasing and carrying securities also showed a substantial increase (8.5%) during the third quarter. Loans to brokers and dealers declined 28.2% while loans to others expanded 18.7%.

Consumer loans rose by \$38 million, an average of 8.4%. Automobile loans continued to expand rapidly and accounted for a third of the over-all increase in consumer loans. Automobile loans outstanding at year-end 1949 were \$84 million. By June 30 they had increased to \$107 million, and

by October 4 stood at \$120 million. An even faster rate of expansion was shown by other retail installment credit which increased 64.7% from year-end 1949, and 19.5% from June 30.

Single payment loans accounted for a substantial portion of the increase in consumer loans. In this category loans of over \$3,000 increased by \$11 million in the quarter. As previously noted, they are not actually consumer loans in the usual sense, but are generally for the purchase of capital assets. For the most part they should be considered as real estate or business loans. Single payment loans of less than \$3,000 showed a much more modest increase of \$2 million. It is interesting to note that retail automobile credit and other retail installment



LOANS AND DISCOUNTS  
Fifth District Member Banks  
(Dollar amounts in millions)

	Dec. 31, 1949	June 30, 1950	Oct. 4, 1950*
Commercial and industrial loans including open-market paper	568	581	673
Loans to farmers directly guaranteed by the Commodity Credit Corp.	5	2	1
Other loans to farmers	37	53	49
Loans to brokers and dealers in securities	15	13	9
Other loans for purchasing or carrying securities	42	45	53
Real estate loans:			
On farm land	43	44	44
On residential property	341	376	380
On other properties	125	129	136
Other loans to individuals:			
Retail automobile instalment paper	84	107	120
Other retail instalment paper	26	36	43
Repair and modernization instalment loans	22	23	24
Instalment cash loans	65	70	73
Single-payment loans of less than \$3,000	76	81	83
Single-payment loans of \$3,000 and over	129	139	150
Loans to banks	2	3	4
All other loans	53	50	61
LOANS—Gross	1,633	1,752	1,903
Reserves	17	19	19
LOANS—Net	1,616	1,733	1,884
Number of banks	479	478	477

\*Preliminary.

credit, although expanding more rapidly than other categories of consumer loans, did not increase their rate of expansion after June 30. Virtually all other categories of consumer loans expanded more rapidly after mid-year, the sole exception being single payment loans of less than \$3,000.

Real estate loans of Fifth District member banks showed very little expansion from June 30, with only a \$10 million increase being shown over the entire three-month period. This expansion of 1.8% reflects the conservative attitude of the District's bankers toward the acquisition of additional mortgages. In contrast, weekly reporting member banks for the whole United States increased total real estate loans 8.1% from the end of June through October 4.

Loans on farm property made by Fifth District member banks rose by less than half a million dollars—approximately 1% during the three months. Residential real estate loans showed less than a \$4 million expansion, slightly less than 1%. The greater part of the increase was in real estate loans on other properties, which grew by \$6 million (4.8%) during the quarter.

Production loans to farmers showed the usual seasonal decline of about 10% during the quarter. Loans directly guaranteed by the Commodity Credit Corporation declined by almost two-thirds, largely due to high

U. S. GOVERNMENT DIRECT OBLIGATIONS  
Fifth District Member Banks  
(Dollar amounts in millions)

	Dec. 31, 1949	June 30, 1950	Oct. 4, 1950*
Total direct obligations	2,562	2,471	2,432
Treasury bills	157	116	174
Certificates of indebtedness	427	208	54
Treasury notes	185	429	578
Nonmarketable bonds	119	110	115
Other bonds maturing in:			
5 years or less	1,144	1,131	1,029
5 to 10 years	302	302	311
10 to 20 years	153	96	90
Bonds maturing after 20 years	75	79	81
Number of banks	479	478	477

\*Preliminary.

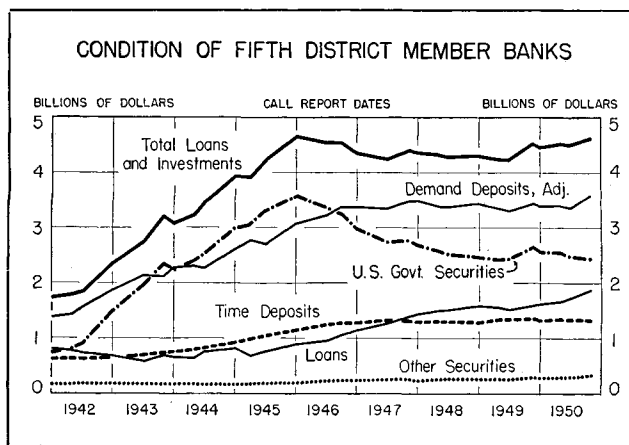
prices which remove the incentive for farmers to place commodities under CCC loans.

Member banks continued to sell Government securities in order to increase loans and acquire other securities. Nearly all of the banks increasing their gross loans by more than 10% reduced their holdings of Governments in order to do so, and one-third of these banks decreased their Treasury holding by more than 10%. Perhaps a more important change was observable in the composition of Government portfolios—the tendency to shorten maturities. This reflected both the narrowing spread between short and long term interest rates and a desire for liquidity in the event of an increase in reserve requirements. There was also some increase in holdings of the longest maturities.

Holdings of Treasury bills increased by slightly more than 50% during the quarter. Holdings of certificates were substantially reduced, due to the reduction of outstanding certificates of indebtedness to the one issue which will mature on January 1, 1951. Notes held were more than double the year-end 1949 total and were 34.6% higher than at mid-year. Bonds maturing in less than five years showed a net reduction of 9% during the quarter. Five to ten year maturities rose by 3.3%, and long-terms (10 to 20 year maturities) decreased 6.2%, while over 20 year maturities rose 2.6%. The largest decreases were in holdings of certificates of indebtedness and of bonds maturing in less than five years.

Other securities increased 7.8% during the third quarter, and consisted chiefly of increased holdings of municipals in anticipation of tax increases. (Effects of the mobilization plans on the demand for municipal securities were discussed in the November MONTHLY REVIEW.)

Total loans and investments reached a new high of \$4,636 million, and at this figure exceeded the previous record of year-end 1945.



Total assets stood at \$6,288 million, also a new high and \$77 million above the 1945 peak.

Demand deposits continued to expand and, at \$4,478 million, were 6.9% higher than at mid-year. Somewhat more than half of this increase was seasonal, but much of it was not and represented rising loans and hence deposits of individuals and business scurrying to meet the accelerated pace and prospects of a quasi-war economy. Adjusted demand deposits were at an all-time high of \$3,580 million—6.3% above mid-year. U. S. Government demand deposits on October 4 were down \$35 million from mid-year, largely reflecting withdrawals by the Treasury to meet cash redemptions of the September 15 and October 1 maturities. Demand de-

posits of state and local governments were off \$20 million from June 30.

Individuals drew down their savings accounts slightly and contra-seasonally during the third quarter of the year. Total time deposits of individuals, partnerships and corporations declined \$7 million (or 0.5%) during the three months under survey.

On balance member banks gained in total deposits, which increased by 5.1% from June 30. In general this increase had little relation to the degree of loan expansion; and there was no noticeable tendency for banks gaining deposits to increase loans disproportionately to other banks.

**ASSETS AND LIABILITIES  
FIFTH DISTRICT MEMBER BANKS  
(Dollar amounts in millions)**

	Dec. 31, 1949	June 30, 1950	Oct. 4, 1950*
<b>ASSETS</b>			
Loans and investments.....	4,471	4,501	4,636
Loans (including overdrafts).....	1,616	1,733	1,884
U. S. Government obligations.....	2,562	2,471	2,432
Other securities.....	293	297	320
Reserves, cash and bank balances.....	1,506	1,408	1,571
Reserve with Federal Reserve Banks.....	710	658	700
Cash in vault.....	114	101	136
Balances with banks.....	378	348	418
Cash items in process of collection.....	304	301	317
Other assets.....	74	77	81
<b>Total assets.....</b>	<b>6,051</b>	<b>5,986</b>	<b>6,288</b>
<b>LIABILITIES</b>			
Demand deposits.....	4,297	4,190	4,478
Individuals, partnerships and corporations.....	3,281	3,278	3,516
U. S. Government.....	129	136	101
States and political subdivisions.....	320	320	300
Banks.....	482	384	481
Certified and officers' checks, etc.....	85	72	80
Time deposits.....	1,316	1,341	1,333
Individuals, partnerships and corporations.....	1,234	1,257	1,250
U. S. Government and Postal Savings.....	29	30	31
States and political subdivisions.....	52	52	50
Banks.....	1	2	2
<b>Total deposits.....</b>	<b>5,613</b>	<b>5,531</b>	<b>5,811</b>
Borrowings.....	3	6	10
Other liabilities.....	34	35	38
<b>Total Liabilities.....</b>	<b>5,650</b>	<b>5,572</b>	<b>5,859</b>
<b>Total Capital Accounts.....</b>	<b>401</b>	<b>414</b>	<b>429</b>
<b>Total Liabilities and Capital Accounts.....</b>	<b>6,051</b>	<b>5,986</b>	<b>6,288</b>
Demand deposits adjusted.....	3,382	3,369	3,580
Number of banks.....	479	478	477

\*Preliminary.

## *The Marshall Plan and Agriculture\**

THE Marshall Plan has made important contributions to farm prosperity in the Fifth Federal Reserve District during the past two years. Cotton and tobacco are two agricultural products that traditionally bulk large in American agricultural exports to Europe. Europe has always relied upon the United States as an important source of supply and the United States has always benefited from the outlet thus afforded for these important export commodities. Before the war Western European countries took about 60% of American exports of cotton and about 75% of American exports of tobacco. Thus far under the ECA program European countries have been authorized to buy \$1.5 billion of these commodities in the United States.

The main objective of the Marshall Plan was to enable Europe to help itself. It was to be a *recovery program*. It was not intended that it become merely an outlet for surplus farm commodities. Neither was it expected to become one of the important points of tension in the Cold War with Russia and her satellites.

### **Intended as Four Year Program**

The Economic Cooperation Administration was created by Congress in April 1948. The termination date was to be June 30, 1952. During this 51-month period it was hoped that the countries of Western Europe acting in cooperation with each other and with the United States would recover sufficiently that their economies could continue to function in high gear without outside aid being necessary.

The economic problems needing attention were numerous and varied. Many had plagued the countries since long before World War II. Others were the outgrowth of war. There was great need to increase employment and levels of production in Europe. The need to combat inflation and to restore normal trade between European countries also was intense. Steps to meet these situations were started as soon as the ECA was created. At the same time the countries undertook to draw up something of a blueprint of where they expected their countries to be by 1952-53. Each country's program was subjected to careful examination by the other countries through the machinery of the OEEC (Organization for European Economic Cooperation). This was the organization the Marshall Plan countries established to deal with those problems of recovery on which joint action was needed.

### **Industrial Production in Europe 24 Per Cent Over Prewar**

During the two and one-half years the program has been in operation, industrial production has not only

recovered to the prewar level but has risen 24% above prewar. Agricultural production has slightly exceeded prewar levels.

This rapid increase in industrial and agricultural production would have been impossible except for the assistance ECA gave in helping the European countries to obtain food, feed, industrial raw materials, and machinery. The recovery of European production meant more jobs, more regular work for those having jobs, higher levels of consumer incomes, and more of the many kinds of consumer goods that had been scarce in Europe since the outbreak of war in 1939.

### **Trade Between European Countries Revived**

At the same time production was being increased, steps also were being taken to re-establish the exchange of goods between European countries and with other countries. Under the conditions of a general scarcity of goods and a lack of confidence in each other's currency, trade had slowed to a walk. Because of the extent to which the various countries normally relied upon other countries as sources of some products and as markets for others, it was essential that this trade be revived before full recovery was possible.

As a means of removing some of the impediments to trade, the European countries have developed the European Payments Union which provides machinery for settling the accounts of each country with the other participants. The general revaluation of European currencies which brought them better into line with each other and with the dollar in the Fall of 1949 also contributed to the revival of Inter-European and foreign trade. The removal of a large share of the quantitative restrictions on trade with each other also has been a worthwhile step. The ECA has supplied constructive leadership in helping the participating countries to re-establish trade with each other. It also has supplied leadership and financial backing which led to the establishment of the European Payments Union. An indication of the accomplishments along this line is found in the fact that trade among the Marshall Plan countries recently has been running 17% above prewar and total export trade has been 20% above prewar.

### **Agricultural Production to Rise Further**

Although agriculture is of very great importance, Europe normally has imported about 30% of the food consumed. Agricultural production goals for 1952-53 call for a level of output in Western Europe that is 15% above prewar. These goals visualize a slight increase in acreage farmed and some shift from lower yielding to higher yielding crops. For the most part, however, the increase is expected to result from increases in crop yields and in rates of livestock production.

A real need exists in Europe for agricultural extension facilities to be strengthened. Here in the United

\*The accompanying article is a brief analysis summarizing the views of Mr. Horace G. Porter, Senior Agricultural Economist at the Federal Reserve Bank of Richmond, who was on loan to the Economic Cooperation Administration in Paris for the past two years.

States we are accustomed to our Cooperative Federal-State Extension Service functioning within the broader framework of our United States Department of Agriculture-Land Grant College System. We take our Extension Organization more or less for granted. Nevertheless, few if any other countries meet this need to the extent it is met in the United States. The OEEC and the ECA are aware of the important contributions an expanded agricultural extension program could make in each of the Marshall Plan countries. Both organizations are promoting the development of agricultural extension work in each participating country.

#### **Increase in Agricultural Production to Match Rise in Population**

Agricultural production in Europe is expected to show the same percentage increase over prewar as the growth in population, namely 15%. Food imports, therefore, must be at least 15% above prewar or else per capita food consumption levels will be below the prewar level of 2,900 calories per day.

Before the war a substantial part of the food imported came from countries which can not now be counted upon as important suppliers. Marshall Plan countries, therefore, may need considerably larger quantities of food from the United States after 1952 than we exported to them before the war.

#### **Cotton Shipments Under Program Exceed Billion Dollars**

Through September 1950 the ECA had authorized European countries to purchase a total of \$9.8 billion of goods and services. Food and agriculture commodities accounted for \$4.4 billion. Bread grains (mostly wheat and wheat flour) totaled \$1,398 million, cotton totaled \$1,128 million, tobacco totaled \$369 million and fats and oils \$337 million. These four categories of commodities account for about 75% of the total for food and agriculture commodities.

#### **Significance of Marshall Plan to Fifth District Agriculture**

Fifth District cotton and tobacco farmers know from sad experience what it means to lose—even temporarily—their European market. It is more difficult in times such as these for them to know how much of their present prosperity is the result of European purchases of cotton, tobacco, and other farm products. There is no doubt, however, that farmers in the Fifth District as well as elsewhere in the United States have been considerably more prosperous the last few years than they would have been without the Marshall Plan.

American agriculture also benefited heavily—even though indirectly—from the \$4.7 billion of industrial goods financed by ECA. Business activity here at home has been higher than it would have been without the

ECA. This has meant more jobs, higher consumer incomes, and stronger demand for food and clothing than otherwise would have prevailed.

#### **Summary**

As Americans who have helped supply the billions that have been expended under the Marshall Plan, it is understandable that we should want to know what effect it has had. We want to know whether or not our investment in the Marshall Plan has been a profitable investment.

The Marshall Plan was an effort to enable European countries to help themselves. Its major objective was European Recovery. The rate at which European production has recovered has been most encouraging. Agricultural production is now slightly above prewar, and industrial production is 24% above prewar. Inflationary forces have been substantially checked and currencies have been stabilized. The European Payments Union provides a measure of insurance against another breakdown in Inter-European trade such as was so paralyzing at the time the ECA was established. At the same time the level of economic activity in the United States has been higher than if there had been no ECA.

Much remain to be done in increasing the efficiency of production, in expanding output, in further liberalizing trade and in balancing dollar earnings and expenditures. European countries also face the job of gearing their economies to the Mutual Defense Program of the United States and Western Europe.

The dollar cost to the American taxpayer of the first two and one-half years of the European Recovery Program has been great. However, accomplishments abroad and at home have been such that Americans apparently view it as well worth the cost. It is to be hoped that this record of accomplishment will be maintained during the remaining one and one-half years of our Aid program and beyond.

#### **REGULATION V LOANS**

"A Statistical Study of Regulation V Loans" has been prepared by the Board of Governors of the Federal Reserve System. Data are presented to show the main characteristics of the lending program during World War II, and include the volume of credit made available, size of business and type of war production financed, loan terms and participating private institutions.

The pamphlet is available from the Board of Governors of the Federal Reserve System, Washington 25, D. C., price 25 cents.

## *Business Conditions and Prospects*

**B**USINESS in the Fifth District is strengthening, despite the recent downtrend in retail trade figures. Employment continues to tighten and, interestingly, in advance of any important placement of defense orders. New construction contracts are falling, part of which is seasonal, and in some areas, construction labor is seeking employment in defense plants. At the present time it does not seem likely that total construction volume will be sharply reduced since factory construction and public works will probably take up a considerable part of the slackening in residential construction.

Production in the District's basic industries, except lumber, is expanding, though a super-seasonal decline in lumber and glass output will probably be seen. Cigarette output has been falling for the past two or three months, but this probably represents a readjustment from the over-buying that occurred in July and August.

Prices of most industrial products in the District are either firm or rising, lumber excepted, though farm prices are showing irregular movements. Outstanding in the rises are cotton goods and yarns. Bituminous coal prices have again turned upward and coke is at an all-time ceiling. All building materials, other than lumber, are showing a moderately rising trend. Mixed fertilizer and fertilizer materials, on the other hand, have not shown any price strength. Furniture prices now at their highest level since 1920 are still in a rising trend.

Outstanding among farm prices are cotton and tobacco, both of which are at new all-time peaks. Cross currents are being shown in livestock prices with cattle rising moderately and hogs showing weakness—part of which is seasonal. Dairy products have not shown commensurate strength with other farm products, while fruits and vegetables are on the easy side.

### **Bank Loans Rising**

Loans of all member banks in the Fifth District were at a new high level on October 25, when they amounted to \$1,896 million—a gain of \$165 million over June 28 and \$301 million over a year ago. Prominent in the loan increase have been commercial, industrial and agricultural loans, more than keeping pace with the physical volume of business and the rise in prices. Consumer loans which have been moving up in spectacular fashion through much of the current year have flattened off in the weekly reporting banks. Real estate loans, on the other hand, appear to be rising at the same rate in evidence over the past year.

Total deposits have grown \$247 million in the 12 months through October 25, only \$47 million less than the increase in loans during this period. Demand deposits have grown more substantially than total deposits, since there has been a slight decline (\$5 million) in time deposits during the year. Total deposits, however, are at a new high level for this season of the year.

Bank debits in the Fifth District continued the up-

ward trend in evidence since December 1949 as payrolls continued to rise. Payments on past debts, installment and otherwise, together with a stepped-up tempo in industrial purchases, apparently were of sufficient importance to offset the drop in the current rate of retail sales. October adjusted debits rose 4% from September to a level 26% above a year ago.

### **Coal Outlook Improved**

Bituminous coal production is in an upward trend, October adjusted figures having risen 5% from September. The industry is not working at its capacity level and there is considerable slack in market demand in relation to the industry's potential with the result that marked absenteeism at the mines is causing little concern at the moment. Stock piling is continuing at the rate of five to six million tons a month and this will probably continue, at least until spring. Better demand is in prospect, prices are firming and fuller utilization of facilities will be seen in the months ahead.

Contracts awarded for new construction performed according to pattern in October when the adjusted total index dropped 24% from September to a level 10% above a year ago. Prominent in this over-all decline from September to October was a drop of 68% in commercial, 28% in factory and 32% in residential. The tightened credit situation probably had its influence on residential awards, while government restrictions, real or anticipated, were important factors in the non-residential field.

Cotton consumption in Fifth District mills rose 9% in October on an adjusted basis from September to a point 22% above a year ago, and cotton spindle hours rose 5% from September to October to a level 18% above last year. It is apparent from the data that there has not yet been any shift to the heavier weight goods such as ducks, drills, twills, etc. Such military requirements as will be needed will probably cause such a reversal.

### **Rayon Near Peak**

Rayon yarn deliveries in October rose from September but did not reach the peak established in August. Filament yarn was chiefly responsible for this increase and textile yarns rose somewhat more than tirecord. Staple and tow shipments, on the other hand, continued to decline moderately from the August peak. In both instances shipments are at an extremely high level and running ahead of a year ago. Indications are that plant facilities will have to be diverted from textile uses to tirecord as military steps up its requirements. A second increase in rayon yarn prices since June has been announced by one company.

The U. S. Consumers' Price Index rose a fraction of 1% from 173.8% to 174.8% of the 1935-'39 average between September and October. Most of the rise in re-



cent months is due to rising food prices which may, in the next few month, decline somewhat from present high levels. In Richmond and Norfolk, where rent control has expired, rents have shown a fairly sharp increase but it is probable that declining food prices over the next three or four months will probably have a steadying influence on the over-all price index. The inflationary problem, however, is by no means ended. The real pressure will come sometime next year when diversion of materials for military use gets underway in earnest.

Prices of softwood lumber have dropped sharply during the past month due, in part, to the anticipated housing reduction and, in part, to the moving of West Coast stocks which had been impounded by car shortages. The hardwood market is still firmly maintained, with both furniture and crating demand still strong. There seems to be little prospect of substantial military requirements for lumber since already-constructed training camps may prove adequate for prospective training needs. Shipments of arms and munitions abroad, however, will require a considerable amount of lumber for crating purposes. In the over-all, the outlook for lumber appears somewhat less rosy for 1951 than it did earlier in the year 1950.

Retail trade figures, as previously suggested, have been trending downward. Part of this is due to heavy over-buying in the summer just passed, and part of it is due to recently imposed credit restrictions. There will

be fewer durable goods available for purchase in the future and it is probable that some further drop in the sales level will be witnessed. The non-durable goods, however, will probably show a rising sales trend in sufficient volume to offset the reduction in durables.

Adjusted department store sales in October dropped 6% from September but held 5% ahead of a year ago. Department store stocks adjusted rose 6% from September to October and were 19% ahead of a year ago. Furniture store sales dropped 21% after seasonal correction from September to October and were 5% below those in October 1949. It is interesting to note that cash sales in October were 14% ahead of a year ago, whereas credit sales were 9% behind. Furniture store inventories rose 8% on an adjusted basis from September to October to a level 29% ahead of a year ago. Sales of household appliance stores in October dropped 31% from September and 14% from a year ago.

Net cashings of savings bonds declined in both September and October, both months showing lower figures than those of August. Time deposits, which had declined through September, rose six million in October. It is evident that the people are not drawing on their savings to make expenditures as they did during the summer and this is in spite of the fact that four out of five reporting states of the District show automobile registrations higher in October than in September.

## DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	October 1950	October 1949	10 Months 1950	10 Months 1950
Dist. of Columbia				
Washington	\$ 1,034,945	\$ 738,669	\$ 8,695,022	\$ 7,404,049
Maryland				
Baltimore	1,243,477	993,254	10,640,534	9,508,498
Cumberland	25,831	21,195	229,981	206,228
Frederick	18,771	17,006	180,147	171,298
Hagerstown	31,775	25,538	282,186	260,416
North Carolina				
Asheville	56,423	47,111	511,641	455,571
Charlotte	377,754	271,294	2,950,142	2,347,399
Durham	170,731	152,518	1,084,609	1,036,273
Greensboro	105,033	79,387	864,154	712,238
Kinston	44,747	35,878	216,446	195,786
Raleigh	177,245	159,763	1,420,111	1,258,480
Wilmington	39,948	31,413	354,326	315,453
Wilson	76,831	51,562	284,325	237,429
Winston-Salem	193,971	153,368	1,469,378	1,299,077
South Carolina				
Charleston	72,354	61,072	629,200	578,079
Columbia	118,541	102,085	1,057,913	975,005
Greenville	106,404	88,898	913,673	773,798
Spartanburg	72,201	54,221	527,890	443,336
Virginia				
Charlottesville	26,526	24,663	241,188	217,201
Danville	75,498	54,250	317,125	269,488
Lynchburg	47,281	39,758	401,061	353,325
Newport News	34,019	29,570	303,264	305,698
Norfolk	201,264	171,070	2,018,867	1,725,329
Portsmouth	22,415	19,152	214,691	195,456
Richmond	612,243	533,060	5,058,210	4,869,779
Roanoke	109,479	89,823	1,003,679	891,386
West Virginia				
Bluefield	44,079	28,709	410,377	410,666
Charleston	146,929	118,669	1,307,206	1,281,704
Clarksburg	33,280	26,008	302,177	281,080
Huntington	65,769	51,646	585,800	546,081
Parkersburg	29,550	23,943	267,745	248,355
District Totals	\$ 5,415,314	\$ 4,294,558	\$44,743,068	\$39,773,961

## 51 REPORTING MEMBER BANKS—5th DISTRICT

(000 omitted)

ITEMS	Nov. 15, 1950	Change in Amount from Oct. 18, 1950	Nov. 16, 1949
Total Loans	\$1,103,424**	+ 14,194	+241,047
Business and Agricultural	520,964	+ 9,577	+131,766
Real Estate Loans	236,009	+ 1,076	+ 33,147
All Other Loans	355,631	+ 5,687	+ 79,274
Total Security Holdings	1,702,596	+ 27,445	-123,864
U. S. Treasury Bills	117,305	- 15,717	- 2,467
U. S. Treasury Certificates	22,198	- 2,100	-233,868
U. S. Treasury Notes	331,006	- 8,853	+287,028
U. S. Treasury Bonds	1,060,775	- 1,741	-190,714
Other Bonds, Stocks and Sec.	171,312	+ 966	+ 16,157
Cash Items in Process of Col.	323,186	+ 34,378	+ 76,255
Due from Banks	184,699*	+ 2,212	+ 17,292
Currency and Coin	70,111	+ 299	+ 5,126
Reserve with F. R. Bank	472,746	+ 10,650	+ 7,412
Other Assets	54,885	+ 2,460	+ 3,674
Total Assets	\$3,911,647	+ 36,748	+226,942
Total Demand Deposits	\$3,029,887	+ 37,647	+213,474
Deposits of Individuals	2,256,281	+ 16,180	+169,457
Deposits of U. S. Govt.	78,590	+ 7,832	- 13,426
Deposits of State & Loc. Gov.	142,531	- 2,141	- 5,123
Deposits of Banks	497,239*	+ 15,062	+ 62,218
Certified & Officers' Checks	55,246	+ 714	+ 348
Total Time Deposits	609,010	- 5,365	- 3,486
Deposits of Individuals	562,873	- 5,441	- 1,533
Other Time Deposits	46,137	+ 76	- 1,953
Liabilities for Borrowed Money	5,000	+ 4,000	0
All Other Liabilities	26,012	- 858	+ 4,352
Capital Accounts	241,738	+ 1,324	+ 12,602
Total Liabilities	\$3,911,647	+ 36,748	+226,942

\*Net figures, reciprocal balances being eliminated.

\*\*Less reserves for losses on bad loans.

## The Agricultural Outlook for 1951

FARMERS in the Fifth District can expect moderately higher prices and somewhat larger net incomes next year. Farm costs, taxes, and wages are almost certain to rise, but farm income should rise faster and profits should be higher. Increased production—particularly of cotton and livestock—is needed to meet prospective demands.

The outlook for growers of the District's three great staple crops—peanuts, cotton, and tobacco—is particularly favorable and acreages of these crops will probably increase next year.

Higher farm prices are forecasted—based upon strong domestic and foreign demand. Record high levels of urban employment, wages, and income are either in existence or strongly implied. Prospects for a fairly strong export demand exist due to increasingly favorable economic conditions abroad. In October 1950 about 53.3 million workers were employed in civilian nonagricultural jobs, an increase of 2.0 million from a year before, and unemployment was 1.9 million as compared to 3.6 million in October 1949. Urban wage rates and incomes have also been rising since January and may rise further. Restricted installment credit and smaller supplies of consumer durable goods will probably increase the proportion of income spent on meat and other foods.

Export demand for farm products next year may be nearly as strong as in 1950, although somewhat below 1947 to 1949 levels. ECA aid is being reduced, but foreign countries are earning more dollars from exports to the United States, and in the third quarter of 1950 exports and imports were approximately in balance for the first time in years. Foreign demand for food imports is declining because of increased food production abroad, but export demand for feed grains, tobacco, and cotton may be higher next year.

Although demand for farm products will be strong next year, supplies of most products appear reasonably plentiful and further price rises should, in general, be moderate. The Bureau of Agricultural Economics expects farm prices in 1951 to average about 10% over 1950 and net farm income to be 15% higher. About half of this expected price rise has already occurred and,

if the forecast is correct, average farm prices in 1951 will not be more than 5% above present levels.

### Outlook for Peanuts, Cotton and Tobacco Favorable

Peanut production in the District is about 5% higher in 1950 than in 1949 because of a slightly larger acreage and somewhat higher yields. Peanut growers were permitted to exceed their acreage allotments without penalty in 1950, if they did not exceed their 1947 picked and threshed acreage, and if their excess peanuts were sold for oil when an edible market could not be found. Early 1950 season prices for farmers' stock peanuts in this District were above support levels, \$6 to \$30 per

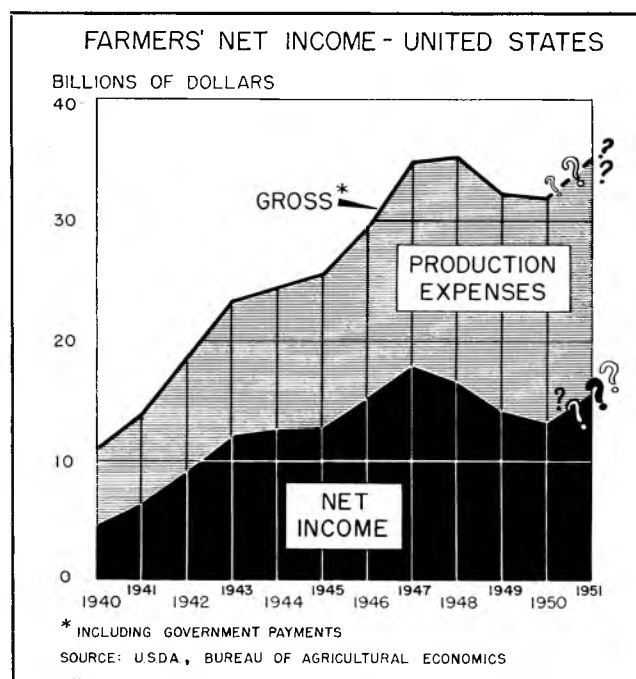
ton higher than last year, and all excess Virginia type peanuts will be sold for edible uses this year.

Marketing quotas for 1951 will be voted on by peanut growers on December 14, 1950. If quotas are approved, the national acreage allotment and Fifth District state allotments will be reduced about 16%. Excess peanuts in 1951 may again be produced without penalty if sold for oil when edible markets cannot be found. Edible use of peanuts is expected to increase moderately in 1951, and most excess Virginias may again be sold for edible uses next year.

Prices for the 1950 flue-cured tobacco crop are expected to average about 54.5 cents, or 15% over last year,

and production in the District is around 15% larger. Total cigarette manufacture in 1950 is estimated at 395 billion, a new record, and 10 billion more than last year. Exports of flue-cured tobacco totaled 447 million pounds in the 1949 crop year, 15% higher than in 1948, and prospects are that exports from the 1950 crop of flue-cured and other cigarette tobacco will be well maintained. The national flue-cured allotment for 1951 has been set at 1,069,000 acres, about 10% more than in 1950.

The 1950 cotton crop is one of the smallest on record because of reduced acreage and yields, and supplies for the year beginning August 1 are considered very tight. Total production in the Fifth District will be about 585 thousand standard bales, 44% less than in 1949. For the United States the 1950 crop is estimated at 9.7 million running bales, a reduction of over six million bales from the previous crop.



Total supplies for the year beginning August 1 are estimated at 16.7 million running bales. Mill consumption in the current year may total 10 million bales as compared to 8.9 million last year. Exports are currently limited by quotas, and for the 8-month period ending March 31, 1951 the export quota is 3,496,000 bales. Total exports for the eight months may reach 3,854,000 bales since Canada, which is exempt from quotas, may take 250,000 bales and 108,000 bales may have been exported before export licenses were required September 8. The rate of exports permitted in the first eight months will not be maintained for the entire year, and exports for the full year will be well below last year's total of 5.8 million bales.

No marketing quotas or acreage allotments will be in effect for cotton in 1951, and the Secretary of Agriculture has asked for a 16 million bale crop to meet prospective requirements. Heavy boll weevil infestation in some parts of this area may limit the acreage increase.

#### Food Supplies and Prices Higher

Increased food consumption is in prospect next year, but food prices are expected to average moderately higher. Stronger consumer demand, increased marketing and distribution costs, and generally higher prices for farm products will tend to force retail food prices up.

Meat production in 1951 is expected to increase about 4%, but livestock and meat prices should average moderately higher than in 1950. Most of the increase in meat production will be in beef and pork, and a large part of the increase will not appear until next fall. Average meat consumption per person may total 148 pounds in 1951 as against 145 pounds this year.

The 1950 fall pig crop was probably 5% higher than in 1949 and a further increase of 5% is expected in 1951 spring pigs farrowed. With more pigs farrowed and feeding to heavier weights, pork production next year may be up 5 to 7%. Current hog prices are about 10% higher than a year ago and throughout 1951 are likely to be somewhat above the corresponding months this year.

More substantial price increases may occur for cattle than for hogs. Cattle prices now average about 15 to 25% above last year. Most of the increase is in prices of medium and common slaughter cattle and in feeders, while smaller price increases are noted in the better grades. In 1951 beef production will probably increase only 2%, and increased consumer demand may exert substantial upward pressure on prices.

The outlook for poultry and eggs is somewhat less favorable than for most other products. Feed prices are higher, poultry feeding ratios have been less profitable for poultrymen, and egg price support ends December 31.

Increased laying rates will largely offset a small reduction in laying hens on farms, and egg production in the first half of 1951 should be well maintained with fairly substantial pressure on prices. Prices of eggs in the latter half of 1951 should be higher than in the first half, and for 1951 as a whole egg production and consumption may be a little larger than this year. Egg prices will be influenced by a stronger demand but appear unlikely to average materially higher than in 1950.

Broiler and turkey prices will be strengthened by the expected higher prices for red meat, but substantially higher prices do not seem likely next year unless a material reduction is made in farm chickens and turkeys raised.

Dairy farmers next year will probably receive moderately higher prices for milk, pay more for feed and labor, and have a larger proportion of their milk used for fluid milk and cream consumption. Increases in consumer income normally result in larger expenditures for dairy products, and this pattern should repeat next year. Total milk production in 1951 may be about the same as this year.

Demand for fresh and processed vegetables is expected to be stronger in 1951 and prices may be slightly higher. Vegetable production and consumption is also expected to be a little larger next year.

Acreage allotments and price support will not be in effect for potatoes in 1951, and average prices will be substantially lower. Total production for next year is uncertain but there may be some increases, especially in the late-crop states. The total 1950 crop is estimated at 427 million bushels, and a 1951 crop of 340 million bushels will probably be sufficient to meet prospective needs.

#### Farm Costs Rising

Farmers will pay higher prices in 1951 for practically all important items used in production and in family living. Taxes and wage rates are also expected to increase.

The supply of farm labor will be somewhat tighter next year because of farm workers going into the armed forces and into urban employment. Farm wage rates may average 10% higher in 1951, and local shortages of seasonal workers may well occur.

Farm power and machinery costs are expected to be at record levels in 1951, and production of new farm machinery can hardly keep up with farmers' demands. Insecticides and fungicides are likely to be in tight supply. Supplies of raw materials used in making DDT and benzene hexachloride are low, and a smaller quantity may be available next year. Probably 10% more fertilizer will be available in 1951, but some seasonal and local scarcities could develop.

## SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Oct. 1950	Sept 1950	Aug. 1950	Oct. 1949	% Change—Latest Month Prev. Mo.	Year Ago
Automobile Registration <sup>1</sup> .....	.....	245	296	211	- 17	+ 17
Bank Debits.....	411	395	394	327	+ 4	+ 26
Bituminous Coal Production.....	161	153	146	14	+ 5	+1050
Construction Contracts Awarded.....	463	606r	689	421	- 24	+ 10
Business Failures—No.....	68	65	67	97	+ 5	- 30
Cigarette Production.....	206	231r	281r	203	- 11	+ 1
Cotton Spindle Hours.....	163	155	164	138	+ 5	+ 18
Department Store Sales <sup>2</sup> .....	311	331	359	295	- 6	+ 5
Electric Power Production.....	.....	323	319	261	+ 1	+ 21
Employment—Manufacturing Industries <sup>1</sup> .....	.....	150	147	137	+ 2	+ 8
Furniture Manufacturers: Shipments <sup>2</sup> .....	.....	387	371	279	+ 4	+ 35
Life Insurance Sales.....	279	341	441	239	+ 18	+ 17

<sup>1</sup> Not seasonally adjusted.<sup>2</sup> Revised Series—back figures available on request.

## BUILDING PERMIT FIGURES

	October 1950	October 1949	10 Months 1950	10 Months 1949
Maryland				
Baltimore	\$ 5,396,460	\$ 3,813,065	\$ 70,393,880	\$ 42,688,450
Cumberland	103,850	35,825	1,027,750	486,390
Frederick	103,375	47,390	1,780,366	774,832
Hagerstown	614,997	82,813	3,866,673	1,850,448
Salisbury	34,599	394,872	1,585,830	1,551,933
Virginia				
Danville	153,772	186,264	2,877,350	2,154,954
Lynchburg	184,797	989,503	5,662,397	4,548,741
Newport News	296,597	85,369	1,699,698	1,055,508
Norfolk	2,123,960	766,095	13,833,838	9,922,906
Petersburg	219,173	391,345	4,952,042	1,625,382
Portsmouth	210,545	253,807	3,721,491	1,464,504
Richmond	1,567,792	981,138	25,178,158	14,782,559
Roanoke	1,665,281	966,803	15,676,082	10,367,451
West Virginia				
Charleston	1,181,314	390,461	12,134,812	9,113,593
Clarksburg	211,700	91,063	1,559,248	1,034,108
Huntington	720,727	389,565	6,727,994	4,871,088
North Carolina				
Asheville	218,210	992,480	3,868,702	3,987,149
Charlotte	2,107,622	3,036,167	24,658,475	19,878,374
Durham	1,806,663	1,982,330	15,750,530	7,973,700
Greensboro	856,525	553,103	14,637,299	9,344,600
High Point	242,426	1,051,862	4,005,956	3,981,383
Raleigh	1,835,685	494,130	14,749,050	8,093,215
Rocky Mount	116,825	204,545	3,685,163	1,454,078
Salisbury	1,120,100	92,722	3,704,087	1,350,608
Winston-Salem	1,299,313	545,809	10,703,064	7,024,339
South Carolina				
Charleston	474,948	112,534	2,735,078	3,601,512
Columbia	1,130,063	1,275,348	9,430,030	6,416,771
Greenville	506,210	641,940	9,908,574	8,338,850
Spartanburg	1,048,468	1,096,372	5,747,393	4,150,310
Dist. of Columbia				
Washington	7,650,458	9,383,320	61,337,344	68,573,168
District Totals	\$ 35,202,255	\$ 31,328,040	\$357,598,354	\$262,460,904

## "HERE'S THE STORY"

A booklet recently published by the Federal Reserve Bank of Richmond, entitled "Here's the Story," relates how a North Carolina farmer rose from the position of a profitless tenant farmer to that of a "10,000-a-year man."

The farmer's own ledgers are used to illustrate his progress; his intelligent use of credit, reliance on professional agricultural advice, and his own hard work in increasing his annual net income from \$381 to \$4,654 and his gross income from \$1,528 to \$10,341 are stressed.

Also included are the farmer's inventories, cash operating statements, production tables, and other statistical data.

Copies may be obtained from the Federal Reserve Bank of Richmond.

## WHOLESALE TRADE

	Sales in October 1950 compared with Oct. 1949	Sept. 1950	Stocks on October 31, 1950 compared with Oct. 31, 1949	Sept. 30, 1950
LINES				
Auto supplies (9).....	+ 14	+ 2	+ 10	+ 5
Electrical goods (3).....	+ 79	+ 14		
Hardware (12).....	+ 40	0	+ 14	+ 11
Industrial supplies (5).....	+ 61	+ 13	- 3	+ 4
Drugs and sundries (12).....	+ 17	+ 1	+ 6	+ 5
Dry goods (15).....	+ 41	- 4	- 6	- 5
Groceries (56).....	+ 6	- 3	+ 19	+ 7
Paper and Products (6).....	+ 21	+ 5		
Tobacco & Products (11).....	+ 8	- 2	+ 10	0
Miscellaneous (96).....	+ 35	+ 1	+ 12	+ 5
District Totals (225).....	+ 26	0	+ 10	+ 5

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

## RETAIL FURNITURE SALES

	Percentage comparison of sales in periods names with sales in same periods in 1949	October 1950	10 Mos. 1950
STATES			
Maryland (7).....	- 11		+ 6
District of Columbia (7).....	+ 6		+ 13
Virginia (19).....	+ 1		+ 11
West Virginia (10).....	+ 10		+ 17
North Carolina (12).....	- 4		+ 13
South Carolina (9).....	- 7		+ 9
District (64).....	- 2		+ 10
INDIVIDUAL CITIES			
Baltimore, Md. (7).....	- 11		+ 6
Washington, D. C. (7).....	+ 6		+ 13
Richmond, Va. (6).....	- 8		+ 6
Lynchburg, Va. (3).....	- 7		+ 15
Charleston, W. Va. (3).....	- 7		+ 2
Charlotte, N. C. (3).....	- 24		+ 10
Columbia, S. C. (3).....	- 23		+ 5

Number of reporting firms in parentheses.

## DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total	
Sales, Oct. '50 vs. Oct. '49.....	+ 9	+ 2	- 1	+ 4	+ 3	
Sales, 10 Mos. '50 vs. 10 Mos. '49.....	+ 6	+ 2	+ 3	+ 8	+ 4	
Stocks, Oct. 31, '50 vs. '49.....	+28	+14	+16	+12	+16	
Orders outstanding, Oct. 31, '50 vs. '49.....	+40	+33	+26	+31	+30	
Current receivables Oct. 1 collected in Oct. 1950.....	29	49	49	43	43	
Instalment receivables Oct. 1 collected in Oct. 1950.....	14	19	18	16	18	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Oct. '50 vs. Oct. '49.....	+ 2	- 1	+ 5	+11	- 1	+ 6
Sales, 10 Mos. '50 vs. 10 Mos. '49.....	+ 2	+ 3	+ 5	+12	+ 5	+ 5