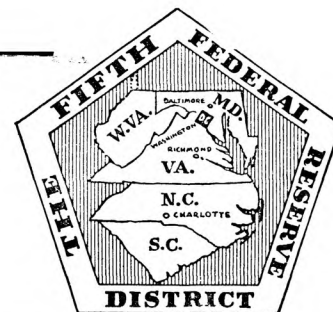
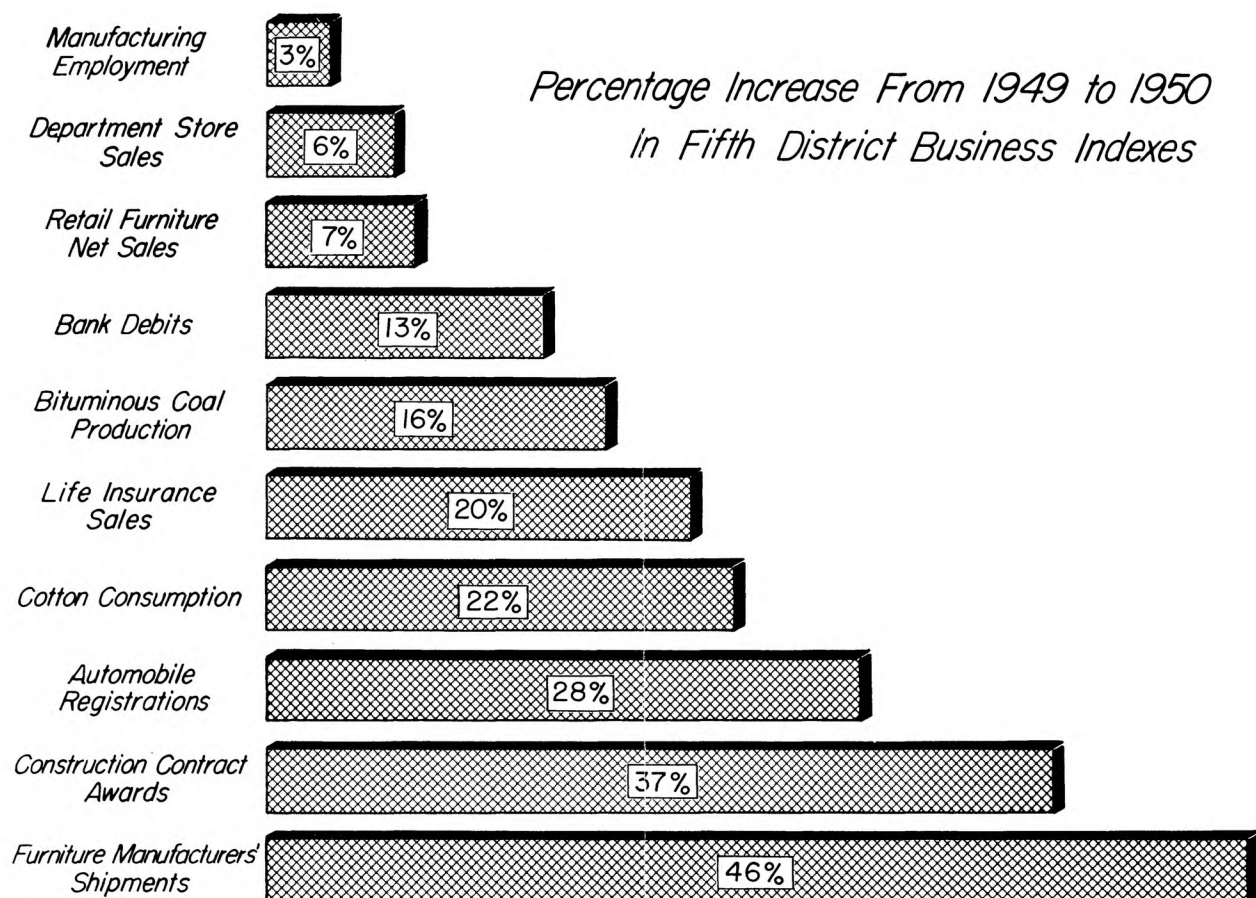


Monthly Review



FEBRUARY 1951



THE degree of recovery in various phases of business in the Fifth District from 1949 to 1950 was varied. The above chart shows outstanding rises in construction and durable goods sales in 1950. Two of the District's large industries, cotton textiles and bituminous coal, made better than average advances, and interestingly these gains were made with only small increases in employment. A discussion of 1950 developments will be found in *Business Conditions—1950 Review*, *1951 Preview* and in succeeding articles on selected industries—pages 2 to 8, inclusive.

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Business Conditions—1950 Review, 1951 Preview

NINETEEN HUNDRED FIFTY will go down in the annals as the year when easy credit and war scare shortages turned a business revival into a boom. Historically a slackening in business spending has been accompanied by business recession, but in 1950 inventory accumulation, sales of durables, home construction, voracious demand and easy credit terms, sustained a business revival while business spending receded in the first half year.

Among the outstanding developments of 1950 in the Fifth District was an inordinate expansion in bank credit, particularly in the form of consumer credit in the first three quarters of the year and of commercial and industrial credit in the last half year. Business loans in the Fifth District showed little of their customary hesitation in the spring and early summer of 1950, but continued upward almost without interruption since the summer of 1949; while similar loans in the U. S. as a whole were remaining relatively flat. This rise in business loans has been in no small part due to accumulating inventories in distributive channels and to the inflationary rise in prices. Accompanying a rise of 20.3% in loans of member banks during 1950 was a gain of 7.4% in total deposits with demand deposits up 9.4% and time deposits practically unchanged. Reflecting both the rise in the volume of business and the price inflation bank debits in the Fifth District were 13% higher in 1950 than in 1949, with December debits 21% ahead of a year earlier.

The construction industry played a major role in the Fifth District's 1950 boom. By 1949 construction volume in the District was at boom levels and the 1950 volume superimposed a boom upon a boom. Contract awards for construction of all types in 1950 were 37% higher than in 1949, with one- and two-family houses and factory construction accounting for a substantial part of the gain. October brought stringent credit restrictions on home purchases, and these may have marked the beginning of curtailment in this sector. For the year 1950 one- and two-family house construction contract awards were 91% higher than in 1949. Factory construction was in large volume from about mid-year through fall with the year's total 164% ahead of 1949. Indications point to a further revival in factory construction in 1951 while practically all other types will probably be reduced either through credit constriction or through scarcity of materials.

Trade levels in the District were good during 1950; for automotive and building supply firms they were excellent; for the rank and file of soft goods they were up a bit. Registrations of new passenger automobiles in 1950 were 28% ahead of 1949, and truck registrations rose 18%. Retail sales of building suppliers rose 36%, wholesale appliance store sales gained 22%, furniture store sales were up 8%, and department store sales gained 6%. Sales in department stores were not uniform

in all departments; the chief gains came in the home furnishings departments where furniture, appliances and television were responsible. Women's apparel sales in 1950 were 7% under 1949, men's apparel was about even with 1949, while most other departments registered nominal gains.

Of chief interest in the retail trades was the pattern made during the year. Trade levels in the District responded to the business revival in the early months of the year, hesitated somewhat in the spring, regained strength toward midyear, and with the outbreak of the Korean War zoomed upward. During July and August consumers purchased commodities on an unprecedented scale yet, in selective fashion—many recalled the various shortages of the late war, thought they knew exactly what to buy, and did so. Many soft goods were not affected but nylon hosiery, corsets, and other materials containing rubber, and to some extent, shoes, and the home furnishings group were most prominent among their purchases.

Significant in maintaining production, after the autumn slowdown in retail buying, was the determination of manufacturers to commit for purchase or accumulate raw material inventories and for wholesalers and retailers to accumulate finished inventories and build up order backlogs in addition. This development permitted manufacturers to continue expanding production levels and has prevented a temporary increase in unemployment pending the transition from production of civilian goods to war materials.

District employment leveled off toward the end of 1950 but this was probably only a lull in a rising trend. One of 1951's chief problems will be procurement of sufficient manpower to produce goods at the rate at which they can be sold. Military manpower procurement is steadily rising and there will be many migrating to war production centers. Industries here, however, are fortunate in that women are well adapted to their types of jobs and many more will be called into the labor force. Military installations again require more civilian employees, shipyards and aircraft factories will be expanding during the year, and defense plants are reopening. All these will require a large number of workers. The current manpower situation is adequate but will almost certainly tighten.

The District economy in 1951 will be different from that of 1950. Inflationary pressures will continue despite controls, with many consumer commodities and materials in short supply. Emphasis will be more and more on manpower. New defense plants will be constructed and stand-bys reactivated. Farm labor will be scarce and crop harvesting a real problem. Servicemen will be in greater numbers in this area.

Furniture Output Breaks Record

FURNITURE manufacturing in the Fifth Federal Reserve District broke all records in 1950. Shipments from factories reporting to the Southern Furniture Manufacturers Association in the first eleven months were valued 46% ahead of the same months in 1949 and 16% ahead of similar months in the previous peak year of 1948.

Record furniture output in 1950 was due chiefly to inventory accumulation by the retail trades, since net sales of retailers in the Fifth District rose only 7% (1950 over 1949) and a similar gain occurred throughout the nation. Inventories of Fifth District retailers increased 34% and the trend is still upward.

The gain in retail sales of furniture in 1950 over 1949 is due primarily to the unusually high sales level during July, August, and September. Subsequent figures have been running below those a year earlier. This sales performance, however, has in no way deterred retailers from booking orders for new supplies. There has been a moderate setback in new business booked by manufacturers since August, but these new bookings are running well ahead of those of any previous year, and unfilled orders stand at the highest level on record.

Manufacturers had expected good business before the January opening of the Home Furnishings Market and the Merchandise and American Furniture Marts in Chicago; but orders received and those some dealers tried to place were much heavier than expected. Many producers are sold up through the first quarter and some manufacturers have refused to accept new accounts.

Credit restrictions have apparently taken the edge off consumer buying, but have not deterred retailers from extending their commitments. This is understandable when so much comment has been made regarding the impending shortages of durable goods. There is strong indication that some materials for furniture manufacture may be in short supply later on, but the consensus is that enough lumber, veneers, glues, finishing materials, and joining hardware will be available for normal production during the first half year.

Such materials as springs and hardware will probably be in short supply later in the year, but manufacturers should be able to design their products so as to reduce these requirements to a minimum. Chief consideration in the outlook for new furniture supply would appear to be labor supply, both in the factories and in the hardwood lumber producing mills.

The majority of workers in furniture factories are beyond the age for military service, so that the skilled labor supply is not likely to be diverted in important numbers

to other lines. Lack of better paying alternatives in the furniture manufacturing areas is also a factor. The same situation does not exist, however, in hardwood lumber production. Here the loggers are among the lowest paid workers in the country and considerable diversion of employment could easily take place. Future supply of furniture thus depends chiefly on the supply of lumber and diversion of unskilled labor from the furniture factories.

Will the retail demand for furniture be adequate to maintain the rising rate of production that has been in evidence for the past year? The question is easier asked than answered.

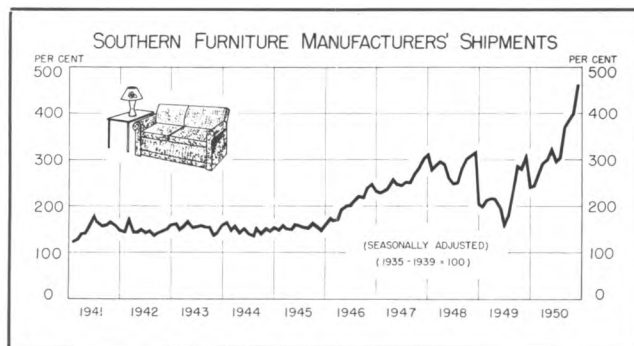
Factors on the positive side are the rising level of personal income and an apparent willingness of individuals either to purchase on credit or to dig into past savings for durable commodities, together with the still high level of residential construction and the necessity of buying furniture to equip these new homes. On the negative side are the tightened terms of credit (with further restriction probable if demand outruns supply), increased taxes—with future increases a practical certainty—and the breaking up of households by withdrawals of men for the armed services, or migrations to

defense production areas where renting rather than owning is the rule.

Experience during World War II showed both manufacture and retail sales of furniture rising to higher levels than previously experienced and holding at those levels. Actually physical volume held at a flat level, for prices over most of the period were little changed due to price ceilings—a situation now looming.

Furniture prices have been rising very rapidly since June 1950, with a gain of more than 12% from June to November and further rises in evidence in the Chicago markets. A considerable drop in physical volume of output could, therefore, be experienced and still give the industry a better dollar volume in 1951 than in 1950. Past experience does not indicate that 1951's physical volume will be much lower than 1950's, though it might fall below the recent peak month.

As the situation now stands and evidenced by current strength in furniture prices, demand for furniture in 1951 should be adequate to take the entire output of the manufacturers. There are, however, many things under consideration which could change conditions quickly. A general freezing of wages and prices, combined with another sharp increase in taxes would certainly curtail consumer buying.



Bituminous Coal Looks Up

PRODUCTION of bituminous coal in United States mines totaled 506.3 million tons in 1950, a gain of 68.4 million tons or 15.6% over 1949. Mines in the Fifth District accounted for 162.2 million tons or 32% of the 1950 total as against 138.1 million tons or 31.5% of the 1949 total. The District's contribution to the national total in 1950 was the highest proportion on record. Within the District and out of the 1950 total of 162.2 million tons, West Virginia contributed 89.1%, Virginia 10.6%, and Maryland 0.3%. In 1949 these percentages were: West Virginia 89.7%, Virginia 9.9%, and Maryland 0.4%.

Estimated consumption from the known domestic sources in 1950 totaled 451.7 million tons, a gain of 1.3% over that in 1949. It is apparent, therefore, that the rise in coal production in 1950 from the previous year was due in the main to the demand for stockpiling. It is interesting to note that the changes in coal consumption between 1949 and 1950 among the various consuming outlets were far from uniform. Essentially, all of the gain in consumption was accounted for by rises in the consumption of electric power utilities and coke ovens. A small gain was recorded in steel mills, while all other industrial sources showed lower consumption, with the railroads being most prominent among those declining, due in part to reduced freight traffic.

In the first quarter of 1950, in comparison with the same quarter of 1949, consumption of bituminous coal declined 13.3%; in the second quarter the decline was reduced to 1%; while in the third quarter practically all consuming outlets were running ahead of the previous year, the total gain being 0.8%. This trend continued through the fourth quarter of the year, but the small increase in total consumption for the year was due to the losses sustained in all sources in the first and, in some sources, in the second quarter of the year. Even the railroads, which have been moving as rapidly as possible toward diesel locomotion, showed an increase in coal consumption from the middle of the year as a result of the heavy traffic load in this period.

Consumption of bituminous coal by industrial concerns other than coke ovens, steel and cement mills, showed a 2% decline for the year as a whole; but the trend in consumption of these establishments is rising quite rapidly and may be expected to continue during 1951. Expansion in industrial operations has made it necessary for firms to reconvert in many instances to coal consumption, since supplies of oil and gas would not be

sufficient to take care of their expanded needs.

Electric power utilities increased their bituminous coal consumption in 1950 over 1949 by 8.9% and the monthly consumption in November, latest data of record, shows this consumption to be within striking distance of the previous peak established in 1948. The continued growth in kilowatt hour output will mean a continuation of the sharply rising trend in bituminous coal consumption by the utilities, despite the fact that the trends in both gas and oil consumption are still upward.

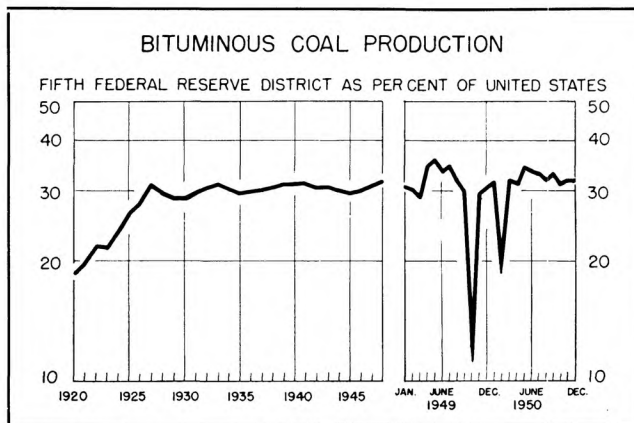
Exports of bituminous coal, which had dropped to very low levels early in 1950, have recovered substantially since the first quarter of the year. While the ten months' total ran 20% below a year ago, exports on an annual basis at the current rate would put them about midway between 1949 and 1948 totals.

Except for a strike early in 1950, the labor situation in the coal mines has been quiet. Many mines in the District have operated throughout most of the year on a three- and four-day week. Employment is moderately below a year ago, but with a rising demand it would seem probable that both hours of work and some increase in employment would be witnessed during the current year. The

operators have voluntarily given the miners an increase of 20 cents in hourly wages, with the obvious hope that this will continue the industry's operation without the perennial bickerings and strikes, actual or potential.

The competitive situation with other sources of energy is not such an important consideration at the present time in the outlook for the bituminous coal industry, as all sources will probably be called on for a greater volume of production. The shortage in metal supplies, particularly steel, may also have an adverse effect on the construction of new diesel locomotives and thereby further delay diversion of railroads' utilization of coal and make it necessary to continue in operation many of the steam locomotives which have been retired from service. The National Association of Purchasing Agents has indicated that in many instances consumers are reconverting their equipment from oil to coal, feeling that the latter will be in more substantial supply than the former.

Prices of bituminous coal have not shared in the upward trend that has been characteristic of most other prices since June. In fact, the Bureau of Labor Statistics November coal price index was only a fraction of one per cent higher than in June. However, the recent wage increase will probably cause a rise in prices.



1950 Record Year for Rayon Output

THE rayon industry broke all records during 1950 with shipments of 1,235.0 million pounds of rayon filament yarn, staple fiber and tow. Average monthly shipments for the year were equal to the average monthly capacity of 103.3 million pounds. This compares with average monthly shipments of 81.3 million pounds and an average monthly capacity of 99.7 millions pounds in 1949. The 1950 average was 13% above the previous peak in 1948 and 201% above the 1939 average.

Total shipments of rayon fibers in 1950 were 30% ahead of 1949's. Staple and tow showed a much larger increase—61%—than filament yarn—23%, with the gain in consumption caused largely by increased use of acetate staple and tow in newly developed mass markets for rayon men's clothing and floor covering fields.

Comparison of men's clothing (first 9 months of 1950 vs. 1949) shows that rayon and nylon made up 50% of the summer weight suits in 1950 and 44% in 1949. During the same period, 49% of the separate dress and sport trousers was made from rayon fabrics against 40% in 1949. The Clothing Manufacturers Association recent survey of 488 stores indicated that retailers plan to have 45% of summer suit stock in all rayon for 1951. Vaulting wool prices and improved rayon fabrics have caused carpet makers to turn to rayon and they are increasingly using blends of rayon and wool for rugs—one leading firm has already announced an all-rayon carpet.

Shipments of viscose high tenacity filament yarn have shown the smallest gain, being only 8% higher for 1950 than for 1949. This was due not to the lack of demand but to a strike at the Lowland, Tennessee, plant of the American Enka Corporation—other producers operated at capacity.

In the textile slump of 1949, rayon producers' stocks reached a postwar high (during May) of 70.2 million pounds. They were reduced sharply in 1950 and by December 1st were down to 14.4 million pounds, a figure 35% lower than on December 1, 1949, and 79% below the May 1949 high point. Stocks of filament yarn were down 42% from a year ago, but staple and tow stocks fell only 3%. This small decline in staple and tow stocks was due to the fact that while rayon stocks generally were still high in December 1949, those of staple and tow had by this time been well worked down.

While prices of most rayon yarns and staple fibers remained steady during the first six months of 1950, the rises since mid-year have brought the levels to approximately those prevailing before the textile slump of 1949.

Rayon gray goods have likewise experienced price increases during the past six months. In most cases, December prices were still below the 1948-49 high, the exception being the price of gabardine which now is slightly higher than in 1948.

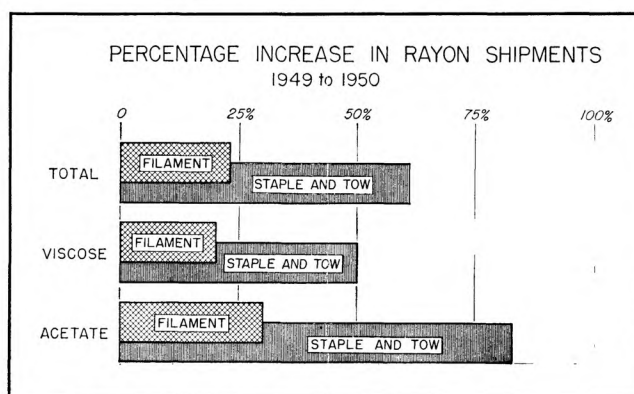
The rayon industry in 1951 will undoubtedly be affected by the military situation. During the four war years, 1942-45, 19% of total rayon fiber consumption went for military uses. In 1945, the peak year of military consumption, 24% of all rayon fibers went for this purpose. Complete figures are not available for 1950, but some indication can be seen from a tabulation by *Rayon Organon* of invitations to bid on Government contracts which amounted to twelve million yards of rayon fabrics, or approximately 5% of the estimated 1950 production of broad woven goods. This figure does not include bids for high tenacity tire yarn which will

be a large rayon contribution to the defense program.

While shipments of tire yarn to civilians were at the usual rate in December, these allotments are expected to be reduced in coming months. In September, the National Production Administration placed this yarn on the list of those items which manufacturers were not to build up undue inventories. On December 1, N. P. A. ordered equitable distribution of high tenacity yarn defense contracts among manufacturers. This yarn will be used not only for tires but also cargo and flare chutes and airplane fuel cell fabrics. Should the cutback of rubber consumption for automobile tires cause a temporary over-supply of tire cord, the slack would be felt in cottons rather than rayon, since manufacturers prefer rayon cords to cotton cords, when the proportion of synthetic rubber is being increased.

The rayon industry will be confronted during 1951 by the defense effort and shortages of production materials and labor. Faced with limited supplies of dissolving wood pulp and cotton linters, from which rayon is made, some yarn manufacturers are already reducing deliveries, but these are expected to be temporary. If high tenacity yarn requirements are stepped up rapidly, it is probable that conversions of textile yarn will be the first result with new plant expansion coming later on.

How much of the rayon supply will be needed by the Government in 1951 is not yet known, but a shortage of civilian goods could result. If supplies permit, rayon can be expected to make further gains in the men's clothing, carpet, and tire cord fields in 1951.



Hosiery Output Rises

THE hosiery industry manufactured more hosiery during 1950 than in any other year of record. Production was 11% above 1949 and averaged 13.3 million dozen pairs per month. This increased production was moved into distribution channels since manufacturers stocks were little changed during the year and averaged less than two months supply. Shipments during 1950 averaged 13.4 million dozen pairs per month and showed a gain of 9% over 1949.

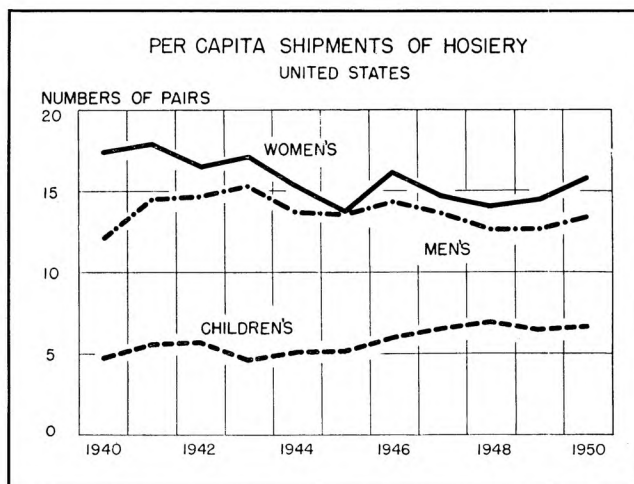
The increase in shipments from 1949 to 1950 was unevenly distributed among the various types of hosiery. Largest gain (30%) was in women's seamless nylons and the largest decline (26%) was in women's full-fashioned and seamless rayons. The three largest hosiery groups—women's full-fashioned nylon (accounting for 32% of the total 1950 shipments), men's half-hose and slack socks (29%) and anklets (20%) showed varying degrees of change in shipments. Women's full-fashioned nylon shipments were 15% greater than in 1949; men's half-hose and slack socks 9%; and anklets 6%. The gain in men's socks and anklets came largely in the last five months of the year with some increase during the first quarter. On the other hand, the gain in women's full-fashioned hosiery was mainly in the usually slow summer period.

The general trend in shipments of hosiery for women (per capita) has been downward during the past decade as the chart indicates. This is due largely to the longer wearing quality of nylons and to some extent to the bare-legged habit in the warm months. Per capita shipments of men's hosiery shows some increase from 1940 to 1950 with two of the intervening years showing decided increases. Service men undoubtedly wore out more socks than the average civilian and at the same time quartermaster stocks were undoubtedly increased causing the high per capita shipment of men's hose during 1943. The high per capita shipments of men's hose during 1946 was due to the necessity for men to re-furnish their wardrobes when released to civilian life and to fill the pipelines in retail and wholesale establishments. The increasing per capita shipment of children's socks is perhaps due to the large rise in incomes of those families formerly in the low income groups where children, who previously went barefooted, are wearing socks.

Producers' per capita shipments have limitations as a measure of per capita consumption, owing to variations

in inventories of retailers, wholesalers, and jobbers. These inventories were probably a factor in the sharp rise in per capita shipments for 1950. Latest figures available show that on December 1st stocks of women's and children's hosiery in department stores were valued 42% higher than a year earlier. On the other hand the only measure of consumption, dollar sales of women's and children's hosiery in department stores, was 8% higher in 1950 than in 1949 while unit shipments of women's full-fashioned nylons increased 15% and shipments of women's seamless nylons 30% during the same period. Per capita shipments in pairs for 1950, therefore, overstate per capita consumption to the extent that shipments exceed retail sales, after accounting for price changes.

One of the most interesting developments of the year was the survey made for the National Association of Hosiery Manufacturers by Elmo Roper and released on May 2nd. The survey found that few women complained about the price of hosiery and that neither production nor distribution were major problems in the industry. The report further revealed that two-thirds of all adult women go bare-legged at some time and that 85% of the women feel that stockings are essential to good appearance. The survey



seems to support those who feel that if per capita consumption is to be increased hosiery must be promoted out of the "staple merchandise" category and sold on a fashion basis. Women who buy neutral shades to go with everything average 14.0 pairs per year, while those who buy special shades, average 17.8 pairs per year.

Prices of all kinds of hosiery remained fairly steady during the first half of 1950 but rose during the second half. The price of men's anklets was increased substantially in August and the usual summer reduction did not materialize for women's full-fashioned hosiery.

The hosiery industry faces two big problems in 1951: labor supply and material supply. During World War II 100% of nylon production went for military purposes. The national economy is not fully mobilized at this time and probably will not be during 1951. Nylon production capacity has been increased 300% since the end of World War II and further expansions are planned. If military usage of nylon runs to large quantities it would seem probable that the diversion would come largely from users other than hosiery.

Cigarette Output Maintained

CIGARETTE production in the United States approximated 393 billion in 1950, a gain of 2% over 1949. Fifth District production in 1950, however, was essentially the same as that a year ago. The gain apparently came in Kentucky, which has been increasing its proportion of the total in the past seven or eight years. In the first ten months of 1950, cigarette production in the Fifth Federal Reserve District accounted for 79.9% of the U. S. total. In similar months of 1949, the District's proportion was 81.5%.

Within the Fifth District, a shift in production has been taking place for some time. Recent figures are unavailable but in 1948 Virginia accounted for 33.6% of the District total and North Carolina for 66.4%. In 1942, Virginia had accounted for 43.6%, whereas North Carolina's proportion was 56.8%. A new plant in Durham, North Carolina, plus extended output in established plants in 1949 has probably accentuated the trend. Cigarette production in Virginia since 1943 has held reasonably steady, whereas in North Carolina a rising trend has continued. It would seem that the migration of cigarette manufacturing to the areas where the tobacco is grown, a trend which has been in evidence 40 years, apparently continues, and, if so, North Carolina is the likely location for the new growth in cigarette manufacturing.

Cigarettes accounted for 79% of the total United States tobacco used in tobacco products in 1948, compared with 58% in 1940 and 45% in 1930. Growth in cigarettes' sales is responsible for the 52% rise in total tobacco products output between 1940 and 1949 and 80% between 1930 and 1948. Output of tobacco products in forms other than cigarettes has shown a progressive decline since 1930. Internal revenue figures since 1948 indicate a continuation of these trends, but at a slower rate.

Cigarette prices were raised 3% in August 1950, the first change since August 1948. Cigarette prices are now 28% higher than in 1939 and 20% higher than in 1926 though part of the increase is due to higher taxes. This rise of 20% compares with an increase of 72% in prices of all wholesale commodities. In contrast with the increase in cigarette prices, leaf tobacco prices are several times higher than they were immediately prior to World War II. Flue-cured tobacco in 1950 at approximately 55 cents a pound is 3.7 times higher than in 1939 and burley tobacco, around 49 cents in 1950 is 2.8 times higher than in 1939. The hourly wage rate in cigarette factories in 1950 was \$1.271, an increase of 127% over

1939. Absorption of these increased costs by the industry has been possible only by the very large expansion in volume of production which has held the rise in unit costs to a level in keeping with the rise in cigarette prices.

Brand competition continued in 1950 at its usual extremely keen pace. This competition among brands pre-sages increased advertising budgets in 1951. If price changes are made, they will probably be in an upward direction, for costs in general are rising and it is questionable if the increase in production in 1951 will be large enough to hold unit costs down to the 1950 level.

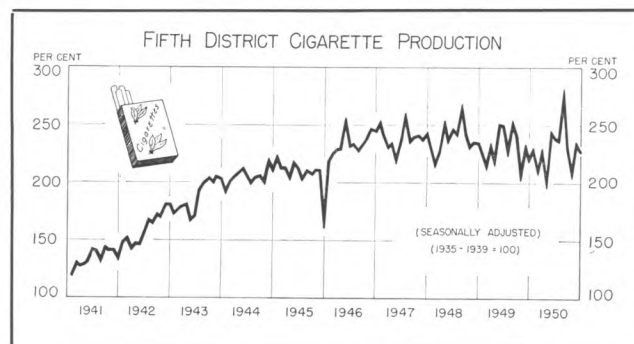
Commercial cigarette exports, which had never been of substantial importance to the industry prior to the expiration of World War II, rose rather substantially in 1946 and continued at about that year's level through 1948. By 1949, foreign countries had reactivated their

tobacco industries and were able to secure supplies of leaf tobacco. As a consequence, U. S. commercial exports fell considerably in 1949 and 1950. Commercial exports of cigarettes were at their high point in 1948 when 25.2 billion were exported; 1949 showed a drop of 23%. In the first ten months of 1950 cigarette exports were down 27%, though figures do not in-

clude tax-free cigarettes shipped abroad to the armed forces. Commercial exports plus shipments to the armed forces rose from a total of 7.9 billion in 1939 to a peak of 53.5 billion in 1943. They dropped 34.7 billion in 1949, but still represent an important volume of business to the industry. The monthly figures of commercial exports during 1950 gave some indication that the downward trend may have been stopped.

Domestic consumption of cigarettes is affected to some extent by changes in the income level of the people, but the rise in domestic consumption of 2.5% in 1950 over 1949 shows no close relation to the 7.4% increase in personal income. Personal income is still rising and indications are that it will continue to rise during 1951. Domestic consumption of cigarettes should, therefore, rise.

Employments levels in the cigarette industry in Virginia have been in a moderate downward trend for several years. North Carolina employment in cigarette factories declined in 1950 from the 1949 level though production in the two states held steady in 1950 at the 1949 level. If an increase in 1951 cigarette production in the Fifth District can be effected without an increase in employment and without substantial turnover of experienced workers, larger output per man-hour might be sufficient to offset rises in other costs.



Cotton Textiles Surge Forward

THE cotton textile industry in the Fifth District in 1950 operated at the highest level since 1943 and similar conditions which established the previous peak for the industry during World War II are again in evidence. Cotton consumption in District mills in 1950 was 22% higher than in 1949, 8% higher than in 1948, but 8% below the peak year 1942.

The cotton textile industry was among the leaders in recovering from the recession in mid-1949. Output rose sharply in the last half of 1949 and held fairly steady at the top of the rise during the first half of 1950. Prior to the Korean War, the industry had started selling its third quarter output and indications at the time were that a moderate rise would be witnessed in third quarter production. With the outbreak of the Korean War, heavy bookings caused a very sharp increase in output during the last six months of 1950.

As of late January, the industry was mostly sold through the first half of 1951; indeed much of the production for the last half of the year has been booked. The trend of output is still upward and this will probably continue until practical capacity is reached.

In the current crop year (ending July 31, 1951), it seems probable that the cotton textile industry in the nation will consume between 10.5 and 11.0 million bales of cotton. If manpower losses do not prove heavy and if demand warrants, the industry can probably produce goods and yarns involving more than 12 million bales in the crop year ending July 31, 1952.

One very prominent difficulty to the attainment of such a level of operations is that cotton supply may not be large enough to permit it. As Dr. Claudius T. Marchison, Economic Advisor of the American Cotton Manufacturers Institute, has pointed out, by using the figure of 10.5 million bales as domestic consumption for the current crop year, together with export allocations already scheduled for the first eight months, plus 250,000 bales earmarked for Canada, plus another 100,000 bales that went out before export restrictions were effected, the carry-over on July 31, 1951 would be reduced to 2,334,000 bales. He further noted that this amount must carry the industry for the three months following July 31, since new crop cotton is not available to mills before that time. A carry-over of 2,334,000 bales is not equal to three months' supply of cotton at a production rate of between 10.5 and 11.0 million bales, even if every pound of it were of the proper grade and staple.

It is probable, therefore, that during the fall of 1951 there will be a considerable cutback in textile operations

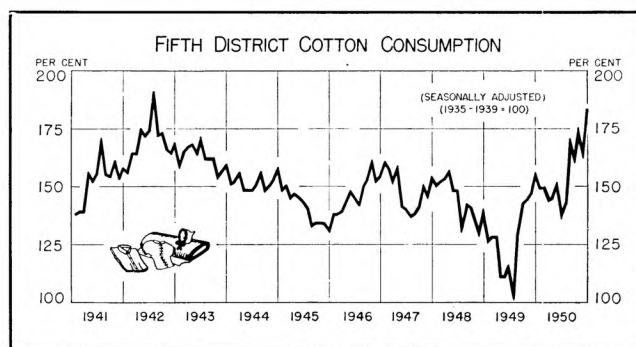
for want of raw material. Operations beyond the summer of 1951, as far as cotton supplies are concerned, would be contingent on the size of the new crop and the size of exports permitted. The Department of Agriculture is calling on cotton farmers for a 16 million-bale crop this year, though doubts are expressed that such a crop can be produced. In the past, today's record prices (of 42-45 cents) would undoubtedly have brought out all of the supply required, and they will be a potent force this year. Below normal temperatures this winter will hold down boll weevil emergence in the spring and, given a normal growing season, next year's cotton supply may be adequately expanded.

Employment levels in yarn and thread mills and in broad woven fabrics mills in the District have been rising, though recent data do not show industry employment at the high point of 1948. There are moderate numbers of unemployed textile workers in most mill areas, but few of these are skilled workers. It seems reasonable that employment levels will continue to rise as more mills add shifts to their operations. In so doing, however, skilled operations will have to be manned by employees who are not so skilled and this will reduce output per manhour in the added shifts.

During World War II important numbers in this District shifted their occupations from textiles into other activities, such as shipbuilding, Government work, and war plants. Opportunities for such shifts are not so great in the Fifth District at the present time, since the alternative sources of employment are not so numerous, but it may be that later developments will create them.

Defense plant work in areas outside this District may also drain some workers who normally could be recruited by the textile industry. For the short run, however, these factors are not of great importance and current indications are that the level of cotton textile employment will rise during the first half of 1951 and that the industry's output will approach the monthly peak established in 1942.

Exports of cotton goods in 1950 were considerably below those of 1949, but the trend in the 1950 monthly figures indicates that the decline has stopped. With a shortage in raw cotton the world over and a reduction in our exports of raw cotton, it seems likely that a greater demand for export of cotton goods will be forthcoming this year. If the market is left freely available to all comers, a gain in exports would put further pressure on the prices of these goods. If prices are fixed, the chances are there will be little or no increase in export allocations.



Fifth District Agriculture---1950 vs. 1951

Farm prices in early 1951 averaged nearly 25% higher and prospects are for higher farm incomes. Agricultural production—particularly of hogs, cotton, tobacco, and grain—should be higher in 1951. The farm price rise helped push food prices to new highs. Weather, insects, and government policy in respect to price controls are clearly the prime factors for 1951's farm outlook.

IN some respects 1950 was a mixed year for agriculture, but it was definitely the year in which "the tide turned". After a two-year decline, farm prices steadied in the first half and, after mid-year, advanced rapidly with the December farm price average nearly 25% above a year before.

Net farm income declined in 1950, but the decline was smaller than forecast. The year's total may have reached \$13.3 billion, 6% under 1949, and the smallest net since 1945.

Farm output in 1950 continued at a high level, though somewhat under the previous year. Wheat production was down 10%, corn was off 7%, and the cotton crop was off nearly 40%.

Government agricultural policies shifted in 1950—the emphasis changed from control on certain crops to expansion of most farm products to meet the needs of a war economy. CCC stocks acquired for price support sold more readily as prices moved upward in the last half of the year and had a moderating effect on prices.

Farm debt, both real-estate and non-real-estate, increased in 1950. Credit expansion in the first half of 1950 was restrained by less favorable price prospects and acreage restrictions. In the latter half of the year it was stimulated by a more favorable outlook for prices and prospective shortages of some goods.

Farm Income Lower, But Rising

A year ago the outlook for farm income was rather discouraging. Prices had declined rather steadily for two years, cash production expenses were near their postwar peak, and the acreage of important cash crops like wheat, cotton, peanuts, and potatoes was being reduced.

Although farm prices ceased to decline and began to move slowly upward in the first half of the year, the rise was hardly equal to the usual seasonal movement. Cash receipts from farm marketings lagged behind 1949 for many months, and the total for the first half of 1950 was 9% under the first half of the previous year.

July was the first month in which cash receipts were higher than a year before, and this was primarily due to the sharp rise in prices. In October cash receipts again exceeded the same month of 1949 and November and December probably did too. The national total for the year is estimated at \$27.8 billion, 1% under 1949.

By contrast, cash farm receipts in the Fifth District (first eleven months) were about 6% higher than in 1949, while for the United States they were down 2%. North Carolina and Virginia were higher than in 1949, while Maryland, West Virginia, and South Carolina were lower.

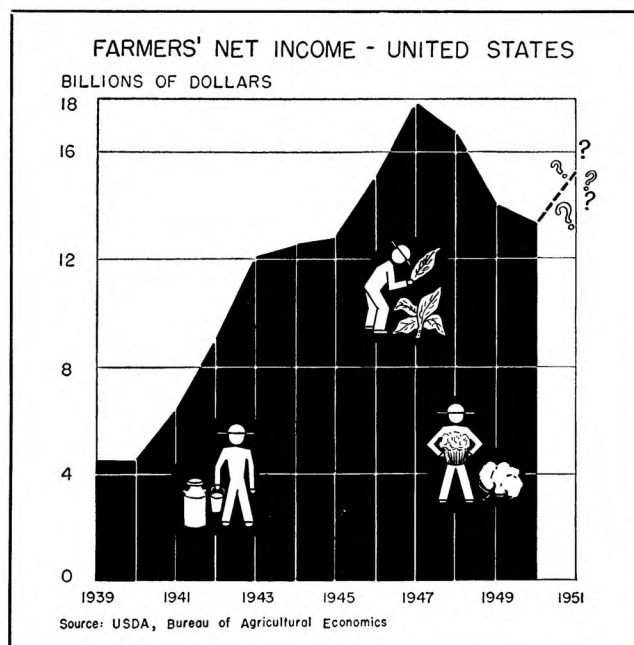
Farm Prices Rise

As 1950 began, the outlook for farm prices was somewhat less than optimistic. Farm prices had declined for two years, and in December 1949 were about 24% under the postwar peak reached in January 1948.

Prices held barely steady in the first quarter of 1950, and the small rise in the second three months of the year was largely seasonal. In June the index of prices received by farmers (1910-14=100), was 247, only 14 points above the previous December, and in each of the first six months of the year average prices had been under the same month in 1949.

The outbreak of the Korean War started off a wave of speculative buying which was accentuated by the steadily worsening prospects for cotton and by seasonal declines in livestock marketings. As a result farm prices rose sharply from June to July, and the price index reached 263, a gain of 16 points from June.

Following the sharp July rise, average farm prices rose more slowly through November and then jumped again in December. The December 1950 index of prices received was 286, a rise of 23 points from July and 53 points from the previous December. A large part of the rise in the last quarter was due to higher prices for crops, particularly cotton and tobacco. December cotton prices averaged 40 cents, a rise of 52% in one year. Prices of meat animals declined in September, and were well under last summer's high in October and November. Some



recovery was made in livestock prices in late December as hog marketings declined, and at the end of the year meat animal prices averaged only 3% under July.

Wholesale food prices in July were about 14% higher than in January, and retail prices were up about 7%. Some food prices had increased more—meat was nearly 32% higher. July retail food prices in this District had also risen sharply—7% in Richmond and 8% in Baltimore.

In late summer and fall a material decline in wholesale meat and broiler prices was reflected in a leveling off of retail food prices. In the Fifth District retail food prices were fairly steady from July through November. Subsequent price advances have carried retail food prices to a record high level.

Crop Production Lower, but Livestock Increases

Agricultural production in 1950 continued at a high level, but was down somewhat from 1949. A small increase in marketings of livestock and livestock products was more than offset by a decline in crops.

Wheat production totaled 1,027 million bushels, 114 million less than the year before, and 3,131 million bushels of corn were produced, 248 million under 1949. Most of the decline was due to reduced acreage. Both corn and wheat had acreage allotments in effect in 1950, and corn yields were lower than in 1949, but wheat yields were up. Corn yields in the District, however, averaged higher. In Virginia the 1950 yield was 49 bushels per acre, 18 bushels higher than in 1939-48 and, interestingly, two bushels above the Iowa yield.

Cotton, one of the major cash crops in this area, brought very little cash to many cotton farmers. Cotton prices averaged \$50 to \$60 a bale higher than in 1949, but in many counties the crop was nearly a failure and a much smaller acreage was planted. The total U. S. crop was 9.9 million bales as compared to 16.1 million in 1949. Total acreage harvested was 17.8 million—with the exception of 1945 and 1946, the smallest since 1884 and one-third less than in 1949. The average yield was 265.4 pounds of lint, 7% under the previous year.

In this district cotton production declined 75% in Virginia, 61% in North Carolina, and 28% in South Carolina. Acreage was down about a third, and yields dropped sharply in Virginia and North Carolina because

of boll weevil. The North Carolina yield of 152 pounds of lint per acre was 41% under the previous year.

Tobacco farmers, however, enjoyed one of the most prosperous years in history. Flue-cured prices averaged around 55 cents, nearly 8 cents above 1949, and the total crop was about 13% larger. In this District farmers sold 1,137 million pounds of flue-cured, about 16% more than in the previous year.

Total production of peanuts picked and threshed in the District was up 7%, and prices in November averaged 1½ to 2 cents a pound above last year for farmers' stock peanuts.

Total food production in 1950 was slightly above 1949 and 40% above the 1935-39 average—food grains were lower, but meat animals, poultry, and dairy products increased. Meat production was up 4% and poultry 7%. Food consumption per capita was also a little larger and 12% higher than in 1935-39.

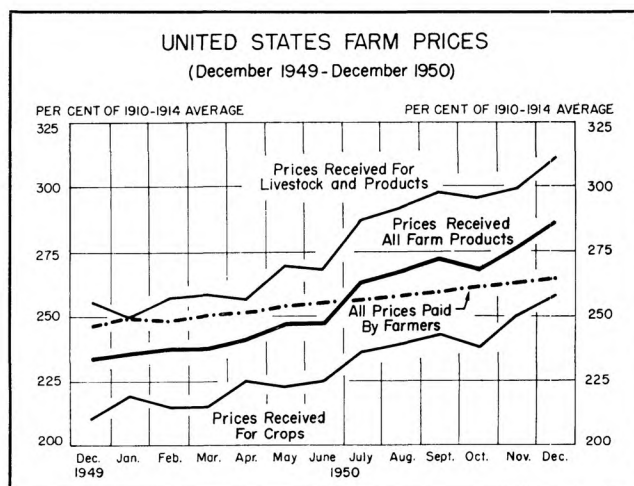
Price Support Costs Down—Price Ceilings Possible

As 1951 began farm price discussions centered more on price ceilings than on price support. For most farm products the need is increased production to meet the needs of a war economy instead of reduced production to avoid surpluses.

Given good weather more production seems assured since restrictions have been removed from the 1951 crops of corn, wheat, cotton, and potatoes. Winter wheat acreage is up over three million acres and the 1951 spring pig crop will be about 6% larger. Flue-cured tobacco acreage allotments in 1951 will be up 9%.

Price support outlays in 1951 should show significant declines, and if prices rise further CCC stocks will be reduced more. For example, CCC's butter stocks, which in August totaled 191 million pounds, were nearly sold out in late 1950 as butter prices rose. Except for eggs and potatoes, price support will generally be available this year for the same products as in 1950.

Price ceilings were placed on wholesale and retail prices of farm products on January 26. The ceiling for any product is the highest price charged from December 19 through January 25. For any product whose farm price is under parity or June 1950 levels, the ceilings may be raised sufficiently to reflect increases in the farm price up to these levels.

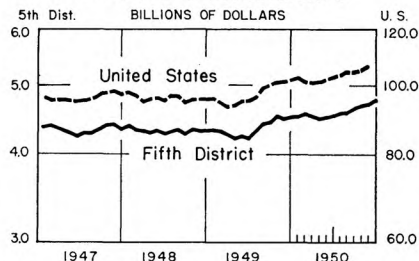


PRINCIPAL ASSETS AND LIABILITIES OF MEMBER BANKS

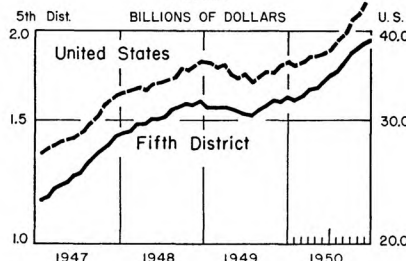
UNITED STATES AND FIFTH DISTRICT

LAST WEDNESDAY OF MONTH FIGURES

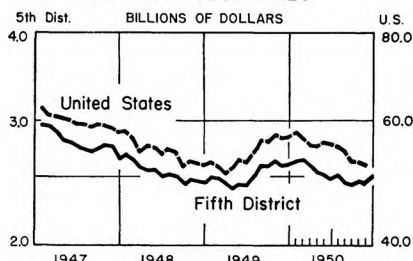
LOANS AND INVESTMENTS



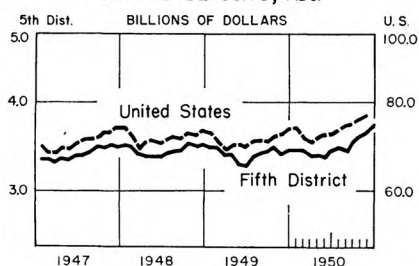
LOANS



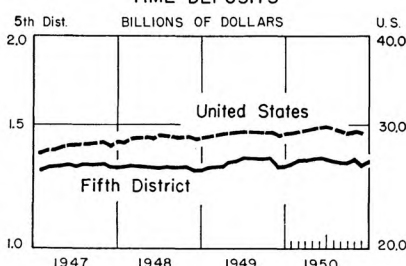
U.S. GOVT. SECURITIES



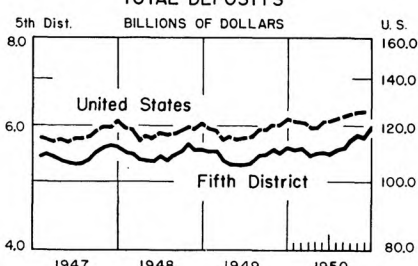
DEMAND DEPOSITS, ADJ.



TIME DEPOSITS



TOTAL DEPOSITS



Data Partly Estimated

DEBITS TO INDIVIDUAL ACCOUNTS
(000 omitted)

Dist. of Columbia	December 1950	December 1949	12 Months 1950	12 Months 1949
Washington	\$ 1,051,654	\$ 801,933	\$10,701,734	\$ 8,945,485
Maryland				
Baltimore	1,217,838	1,027,546	13,024,965	11,513,668
Cumberland	24,257	23,117	280,458	250,175
Frederick	21,820	19,811	221,085	208,576
Hagerstown	32,755	30,953	345,920	315,933
North Carolina				
Asheville	64,150	56,935	633,314	559,144
Charlotte	334,792	274,442	3,625,487	2,884,255
Durham	89,741	81,133	1,281,566	1,221,596
Greensboro	108,289	88,638	1,072,109	886,215
Kinston	17,695	13,841	253,605	226,397
Raleigh	169,543	125,411	1,768,234	1,511,861
Wilmington	38,950	32,043	433,372	376,156
Wilson	19,665	16,998	332,648	275,434
Winston-Salem	167,517	145,699	1,816,427	1,595,703
South Carolina				
Charleston	71,478	64,160	768,785	699,515
Columbia	121,732	109,728	1,290,072	1,184,659
Greenville	111,047	90,249	1,131,103	947,858
Spartanburg	70,828	53,656	668,581	548,470
Virginia				
Charlottesville	26,548	24,703	293,685	264,985
Danville	35,336	32,494	405,159	344,380
Lynchburg	51,228	46,527	498,875	436,608
Newport News	39,395	33,058	382,469	365,800
Norfolk	216,722	247,785	2,432,100	2,155,935
Portsmouth	25,432	23,423	264,127	238,980
Richmond	559,928	531,801	6,152,215	5,873,183
Roanoke	119,993	104,258	1,231,465	1,083,438
West Virginia				
Bluefield	57,736	49,390	510,749	485,342
Charleston	191,056	173,032	1,647,508	1,571,495
Clarksburg	38,790	34,827	372,844	340,655
Huntington	75,990	71,441	725,964	671,919
Parkersburg	31,400	27,950	325,897	298,987
District Totals	\$ 5,203,575	\$ 4,456,992	\$54,892,522	\$48,282,807

51 REPORTING MEMBER BANKS—5th DISTRICT
(000 omitted)

ITEMS	Jan. 17, 1951	Change in Amount from Dec. 13, 1950	Jan. 18, 1951
Total Loans.....	\$1,138,240**	+ 9,189	+267,179
Business & Agricultural.....	550,456	+ 7,991	+150,189
Real Estate Loans.....	245,973	+ 1,740	+ 36,607
All Other Loans.....	355,765	+ 1,191	+ 83,312
Total Security Holdings.....	1,710,186	+ 20,713	-136,481
U. S. Treasury Bills.....	118,254	+ 7,367	- 34,162
U. S. Treasury Certificates.....	0	- 33,888	-267,609
U. S. Treasury Notes.....	410,858	+ 72,225	+278,922
U. S. Treasury Bonds.....	1,002,986	- 28,929	-140,581
Other Bonds, Stocks & Secur.....	178,088	+ 3,938	+ 26,949
Cash Items in Process of Col.....	278,842	+ 4,010	+ 64,481
Due from Banks.....	186,417*	- 21,170	+ 13,428
Currency & Coin.....	68,940	- 10,132	+ 4,966
Reserve with F. R. Bank.....	514,668	+ 43,787	+ 57,304
Other Assets.....	54,126	- 2,388	+ 3,886
Total Assets.....	\$3,951,419	+ 35,989	+274,763
Total Demand Deposits.....	\$3,046,224	+ 8,143	+224,954
Deposits of Individuals.....	2,312,788	+ 19,309	+222,567
Deposits of U. S. Govt.....	59,577	- 3,248	- 25,569
Deposits of State & Loc. Gov.....	160,829	+ 6,822	- 4,100
Deposits of Banks.....	451,885*	- 27,048	+ 19,220
Certified & Officers' Checks.....	61,645	+ 12,308	+ 12,836
Total Time Deposits.....	610,467	+ 2,847	+ 1,731
Deposits of Individuals.....	555,628	+ 3,946	- 5,816
Other Time Deposits.....	54,839	- 1,099	+ 7,547
Liabilities for Borrowed Money.....	20,600	+ 18,700	+ 20,600
All Other Liabilities.....	38,273	+ 7,352	+ 15,065
Capital Accounts.....	240,855	- 1,053	+ 12,413
Total Liabilities.....	\$3,951,419	+ 35,989	+274,763

*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

	Dec. 1950	Nov. 1950	Oct. 1950	Dec. 1949	% Change—Latest Month Prev. Mo.	Year Ago
Automobile Registration ¹.....	.....	217	259	185	— 16	+ 10
Bank Debits.....	391	388	411	324	+ 1	+ 21
Bituminous Coal Production.....	155	139	162	113	+ 12	+ 37
Construction Contracts Awarded.....	533	569 ^r	462	474	— 6	+ 12
Business Failures—No.....	62	74	68	78	— 16	— 21
Cigarette Production.....	226	234	206	219	— 3	+ 3
Cotton Spindle Hours.....	164	158	163	145	+ 4	+ 13
Department Store Sales ²	338	313	312	323	+ 8	+ 5
Electric Power Production.....	.....	343	327	286	+ 5	+ 25
Employment—Manufacturing Industries ¹.....	.....	150	151	139	— 1	+ 8
Furniture Manufacturers: Shipments ².....	.....	460	401	240	+ 15	+ 48
Life Insurance Sales.....	276	271	279	278	+ 2	— 1

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

WHOLESALE TRADE

LINES	Sales in December 1950 compared with		Stocks on December 31, 1950 compared with	
	Dec. 1949	Nov. 1950	Dec. 31, 1949	Nov. 30, 1950
Auto supplies (7).....	+ 15	— 15	+ 15	— 1
Electrical goods (4).....	+ 44	+ 3	.....	.....
Hardware (13).....	+ 41	— 12	+ 27	+ 8
Industrial supplies (6).....	+ 49	— 3	+ 13	+ 17
Drugs (9).....	0	+ 10	+ 6	— 2
Dry goods (15).....	+ 23	— 26	+ 17	+ 3
Groceries (58).....	+ 17	— 4	+ 17	— 6
Paper and products (5).....	+ 30	— 9	.....	.....
Tobacco and products (8).....	+ 1	+ 1	+ 17	+ 1
Miscellaneous (82).....	+ 26	— 1	+ 13	+ 7
District Totals (207).....	+ 22	— 7	+ 17	+ 4

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

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1949	
	December 1950	12 Mos. 1950
Maryland (7).....	— 4	+ 3
District of Columbia (7).....	+ 6	+ 11
Virginia (18).....	— 6	+ 7
West Virginia (10).....	0	+ 13
North Carolina (12).....	+ 1	+ 10
South Carolina (7).....	— 10	+ 4
District (61).....	— 1	+ 8
INDIVIDUAL CITIES		
Baltimore, Md. (7).....	— 4	+ 3
Washington, D. C. (7).....	+ 6	+ 11
Richmond, Va. (6).....	— 13	+ 2
Lynchburg, Va. (3).....	+ 12	+ 16
Charlotte, N. C. (3).....	— 20	+ 4

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS
(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total
Sales, Dec. '50 vs. Dec. '49.....	+ 5	+ 4	+ 2	+ 6	+ 4
Sales, 12 mos. '50 vs. 12 mos. '49.....	+ 6	+ 2	+ 2	+ 7	+ 4
Stocks, Dec. 31, '50 vs. '49.....	+30	+ 5	+17	+21	+16
Orders outstanding, Dec. 31, '50 vs. '49.....	+53	+36	+33	+42	+38
Current receivables Dec. 1 collected in Dec. '50.....	29	44	42	42	40
Instalment receivables Dec. 1 collected in Dec. '50.....	14	17	18	17	17
Md. D.C. Va. W.Va. N.C. S.C.					
Sales, Dec. '50 vs. Dec. '49.....	+ 4	+ 2	+ 4	+13	+ 5
Sales, 12 mos. '50 vs. 12 mos. '49.....	+ 2	+ 2	+ 5	+11	+ 4

BUILDING PERMIT FIGURES

	December 1950	December 1949	12 Months 1950	12 Months 1949
Maryland				
Baltimore	\$ 10,514,225	\$ 3,468,900	\$ 86,986,300	\$ 50,907,930
Cumberland	31,000	4,275	1,086,590	515,290
Frederick	76,800	32,750	2,064,216	858,402
Hagerstown	67,600	65,250	4,375,700	2,059,148
Salisbury	156,410	56,418	2,719,765	1,888,890
Virginia				
Danville	109,492	90,778	5,746,755	2,329,789
Lynchburg	678,418	214,629	6,569,990	5,022,587
Newport News	95,005	54,609	1,831,506	1,158,283
Norfolk	723,840	726,100	15,488,233	12,064,051
Petersburg	55,175	95,795	5,083,700	1,868,205
Portsmouth	127,255	157,810	3,981,396	1,816,771
Richmond	702,082	547,181	31,708,776	16,706,892
Roanoke	2,255,866	833,667	18,345,800	13,918,516
West Virginia				
Charleston	315,101	235,170	13,040,911	9,843,030
Clarksburg	8,225	8,550	1,630,273	1,142,681
Huntington	457,910	169,121	7,356,904	5,320,749
North Carolina				
Asheville	315,669	160,276	4,305,564	4,343,480
Charlotte	3,830,241	1,379,386	32,011,577	23,193,751
Durham	437,493	299,415	16,675,360	8,654,355
Greensboro	2,100,855	744,455	17,465,305	10,898,880
High Point	251,505	301,876	4,408,431	5,067,519
Raleigh	650,892	326,375	16,527,127	8,960,015
Rocky Mount	92,034	139,866	4,068,581	1,858,041
Salisbury	49,450	141,745	3,807,197	1,637,733
Winston-Salem	2,273,063	271,831	13,795,890	7,804,742
South Carolina				
Charleston	787,518	86,969	3,798,681	3,837,363
Columbia	379,284	833,612	10,152,274	7,476,201
Greenville	1,302,840	1,608,372	11,686,464	11,019,662
Spartanburg	101,805	94,910	5,905,213	5,088,077
Dist. of Columbia				
Washington	2,744,850	6,626,300	68,478,922	80,056,169
District Totals	\$ 31,691,903	\$ 19,776,391	\$421,103,401	\$307,317,202

ADDITION TO PAR LIST

The North Augusta Banking Company, North Augusta, S. C., opened for business on January 15, 1951, and has agreed to remit at par for all its checks received from the Federal Reserve Bank. This bank is in the territory of the Charlotte Branch of the Federal Reserve Bank of Richmond, and its combined transit number-check routing symbol is 67-751-532.

The new institution was established with capital stock of \$100,000.00 and surplus and undivided profits of \$65,000.00. The officers are Herbert J. Upchurch, President, and E. E. Miller, Vice President and Cashier.