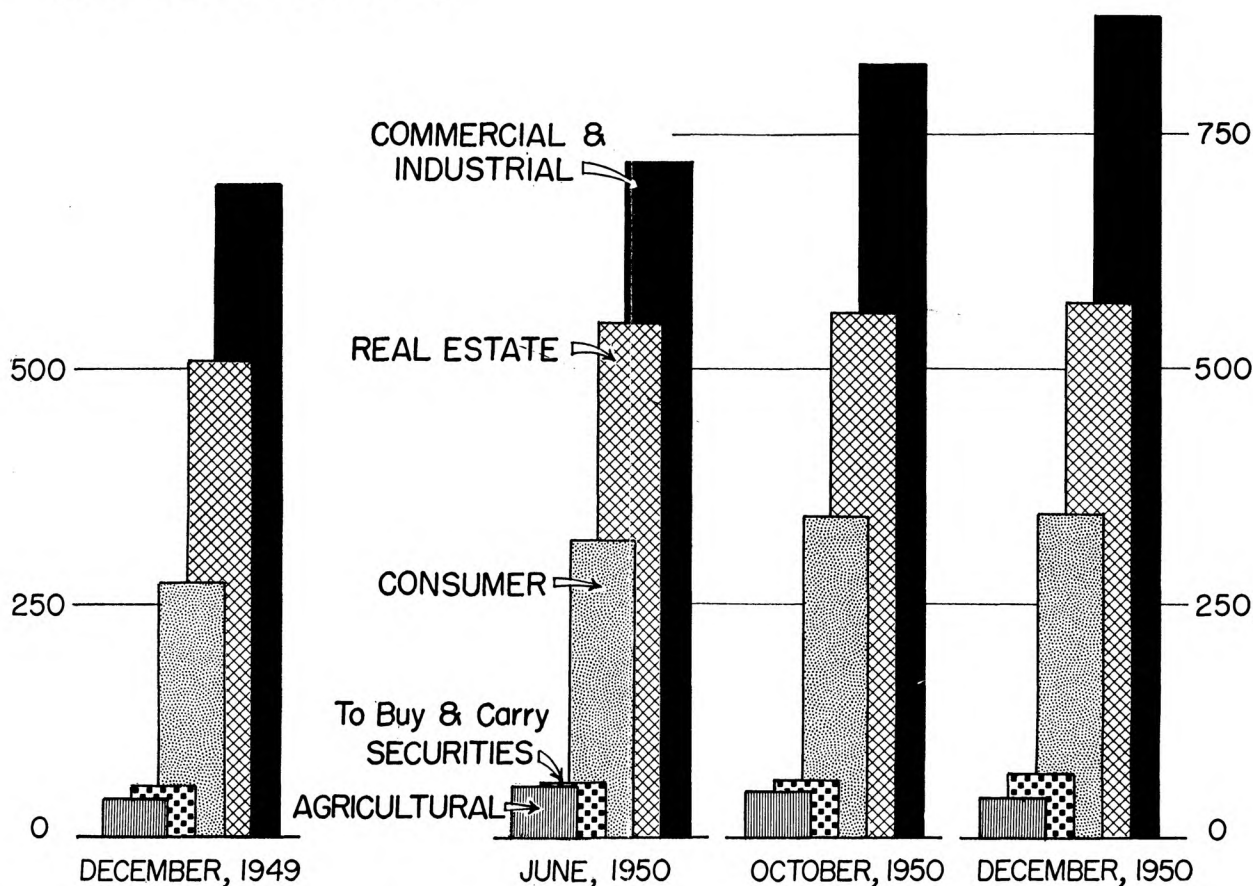


MARCH 1951

## FIFTH DISTRICT MEMBER BANK LOANS

(MILLIONS OF DOLLARS)



SINGLE PAYMENT LOANS TO INDIVIDUALS AMOUNTING TO MORE THAN \$3000 INCLUDED IN COMMERCIAL AND INDUSTRIAL LOANS

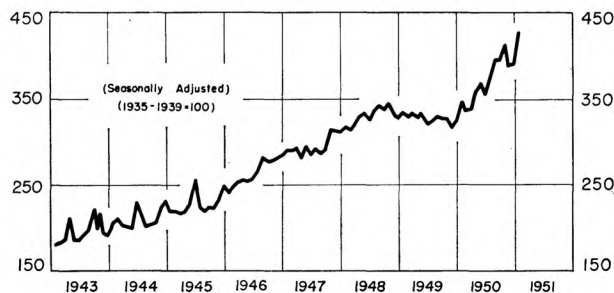
**1950** was also a boom year for the member banks of the Fifth District. Rapidly expanding loans (illustrated in the above chart), at somewhat higher average rates, brought net earnings to a new record high in spite of the fact that inflation reached into the cost side and increased operating expenses sharply. The record for the year is analyzed in the article on page 3.

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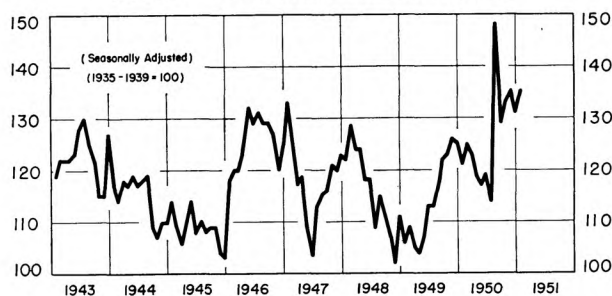
## FIFTH DISTRICT TRENDS

BANK DEBITS



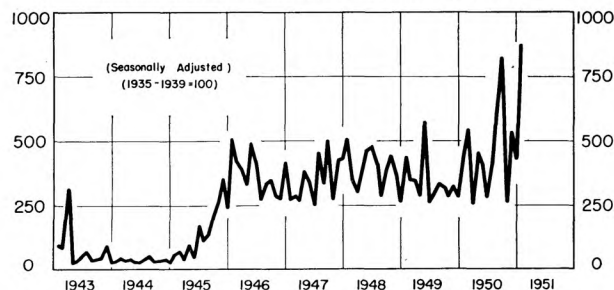
Up-surge in bank debits in January reflects continued expansion in trade and income levels. Adjusted debits in January were 9% above December and 23% ahead of a year ago. Bank deposit turnover in January, that is, debits divided by deposits, was the highest of record since 1942.

HOSIERY PRODUCTION - UNITED STATES



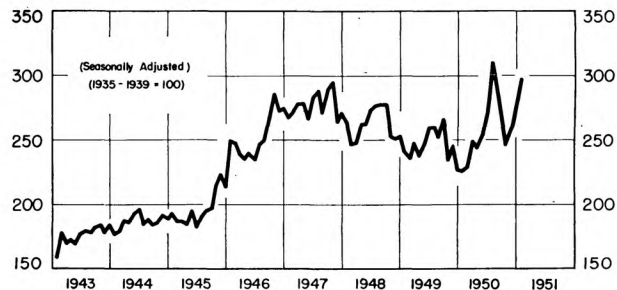
Latest figures on a national basis for December showed a drop in output of 3% under November but 5% ahead of December 1949. These figures hardly show the output of the industry in proper perspective, for hosiery production in January has only been exceeded on an adjusted basis in four or five months in history.

COMMERCIAL CONSTRUCTION CONTRACTS



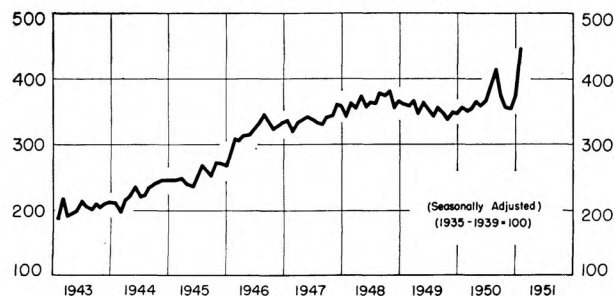
A rise of 102% in the adjusted commercial building contract awards to a level 98% ahead of a year ago was primarily responsible for holding the construction awards in this District in January at the December level. The large increase was due to starts being effected before the freeze order on such structures.

WHOLESALE GROCERY SALES



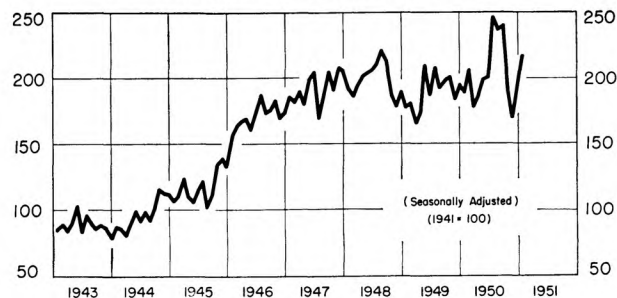
By far the most important of the wholesale trades in this area, grocery sales in January rose 8% from December, on an adjusted basis, to a level 31% ahead of a year ago. Not all of these rises can be accounted for by higher prices, as rising incomes have increased quantity purchases as well as upgraded quality purchases.

DEPARTMENT STORE SALES



January witnessed a resumption of feverish trade activity. Department store sales adjusted were up 19% from December and 25% ahead of a year ago. Whereas the summer boom was largely in durables, that in January was spread over many departments.

RETAIL FURNITURE SALES



Net sales of furniture stores rose 11% adjusted from December to January to a level 15% ahead of a year ago. Credit sales rose somewhat more than cash sales and store inventories nearly doubled during the month. Collections, however, are keeping apace of receivables.

## Member Bank Operations in 1950

**S**TIMULATED by a loan expansion of more than one-fifth, earnings of the 477 Fifth District member banks reached the highest point in history in 1950.

Total earnings were \$154,802,000, 9.7% above the previous year's \$141,125,000 and a new record. Net current earnings before income taxes exceeded 1949's total by 13.6%, and net profits after taxes were 12.6% above those of 1949.

As in the past member banks of the Fifth District earned a higher rate of return than all member banks in the nation. Net current earnings were 14.3% of total capital accounts, against a 13.1% figure for the nation's member banks as a whole. While net profits of all member banks were 8.3% of capital, the figure for Fifth District banks was 8.7%, and they retained a larger share of profits (59.8%) than did member banks in the nation (56.3%).

Higher earnings on loans provided most of the overall increase in the District, and were produced both by larger loan portfolios and higher interest rates. Earnings on loans (including interest, discount, and other charges) were 52.9% of the banks' total earnings, as compared with 50.5% in 1949. At \$81,919,000, this figure showed a rise of \$10,667,000 over the previous year.

Earnings on Government securities rose slightly (0.2%) despite net sales of Government securities for the year. Several factors maintained earnings on Governments: first, holdings of Governments in 1950 averaged just about the same as in 1949, although Fifth District member banks made fairly heavy sales of these securities in the second and third quarters of the year. In 1949 banks' holdings of Governments hit their post-war low during the first half of the year, and holdings increased substantially only after reserve requirements had been lowered in the summer. Although Fifth District member banks made net sales of \$117 million of Government securities during the year, their combined Governments portfolio on December 30, 1950 was only \$8 million less than at year-end 1948.

A second factor in maintaining the return on Governments was the increased yield on those bought during the year. Short-term rates rose by more than one-fourth during the year, with the rate on bills rising from 1.102% in December 1949, to 1.367% at year-end 1950.

The average rate on three to five year issues was up one-fifth, rising from 1.37% to 1.64%. Taxable issues maturing in fifteen years or more yielded an average of 2.39%, up almost one-tenth from year-end 1949.

A third reason for higher earnings on Governments was a shift from short to medium-term securities which pay higher rates. Holdings of notes and of bonds maturing in five years or less were almost two-thirds of the total Governments portfolio, as contrasted with slightly more than half at year-end 1949. There was a corresponding decline in holdings of certificates. Much of the shift to notes reflects Treasury replacement of maturing

certificates with 1½ notes maturing in from thirteen to twenty months (two-thirds of the Treasury's financing in 1950 was in notes maturing in this range), and does not actually represent a lengthening of maturities. There was, however, some net shifting to one to five year maturities.

Earnings of \$6,041,000 on non-Government securities were up only \$217,000 from 1949. This was an increase of 3.7%, and contrasts sharply with the increase of 14.7% in holdings of securities. A sharp decline in the return on high grade municipal bonds (following the flurry of tax-anticipatory buying after war began in Korea) accounted in part

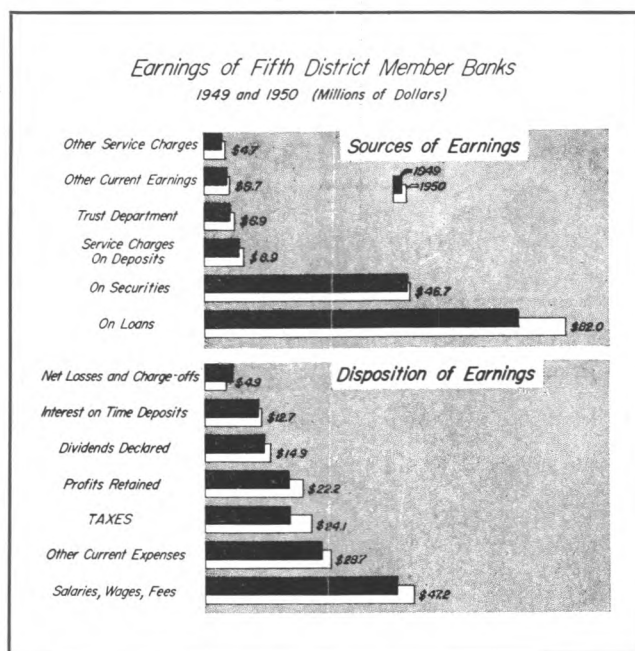
for this apparent anomaly. Moreover, most of the acquisitions were made in the second half of the year, and entered into earnings for only half of the year or less. Some banks on a cash accounting basis evidently reported no income on securities on which no interest payment was made during the year. (Profits on securities sold are not reported as current earnings.)

All other earnings items were higher in 1950. Outstanding were increases in service charges, which continued the consistent growth shown for several years, and trust department earnings.

### Expenses

Operating expenses of Fifth District member banks increased in 1950. The figure for total expense rose from \$87,371,000 to \$93,715,000 or 7.3%—the most important increase (except for income taxes) was in salaries and wages.

Salaries of employees (largest single expense item) provided the chief increase in dollar amount; Fifth District member bank employees were paid \$28,026,000 in





**EARNINGS AND EXPENSES**  
Fifth District Member Banks  
(Dollar amounts in thousands)

	1949 <sup>1</sup>	1950 <sup>2</sup>
Earnings	141,125	154,802
Interest and dividends on securities		
U. S. Government	40,555	40,642
Other	5,824	6,041
Interest and discount on loans	70,699	81,135
Other charges on loans	553	784
Service charges on deposits	7,970	8,889
Other charges, fees, etc.	4,188	4,741
Trust Department	5,975	6,872
Other current earnings	5,412	5,699
Expenses	87,371	93,715
Salaries—officers	16,745	18,042
Salaries and wages—others	25,770	28,026
Directors' fees, etc.	1,091	1,182
Interest on time deposits	12,368	12,748
Taxes, other than income	4,708	5,039
Recurring depreciation	2,596	2,913
Other current expenses	24,093	25,764
Net current earnings	53,754	61,087
Recoveries, transfers from reserves, and profits	4,711	4,783
Losses, charge-offs, and transfers to reserves	11,031	9,669
Net increase in valuation reserves	5,390	3,852
Actual <sup>3</sup> net losses	930	1,034
Profits before income taxes	47,434	56,201
Taxes on net income	14,498	19,109
Net profits	32,936	37,092
Cash dividends declared <sup>4</sup>	13,776	14,896
Profits retained	19,160	22,196
Number of banks at end of year	479	477

<sup>1</sup> Adjusted to include banks in operation during part of the year but not at the end of the year.

<sup>2</sup> Preliminary.

<sup>3</sup> Reported net losses minus net transfers to valuation reserves on loans and securities.

<sup>4</sup> Includes interest on capital notes and debentures.  
Data may not add to totals because of rounding.

1950, 8.8% more than in 1949. Only one other current expense category showed a larger percentage increase—charges for recurring depreciation.

Officers' salaries of \$18,042,000 were 7.7% higher than in 1949 while directors' and miscellaneous fees of \$1,182,000 were up 8.3%.

Interest paid on time deposits was up \$380,000 to \$12,748,000. Taxes other than income were \$331,000 higher in 1950, and totaled \$5,039,000.

Member banks netted a larger proportion of total earnings than in 1949 (39.5% vs. 38.1%); net current earnings (before income taxes) were \$61,087,000, 13.6% over 1949.

Reported recoveries were up slightly from 1949, but a substantial decline was reported in reported losses and charge-offs. The reported decline in losses was a matter of bookkeeping since actual net losses were \$104,000 higher than in 1949. Most of the apparent decline in losses was accounted for in smaller transfers to valuation reserves for bad debt losses.

Income taxes of Fifth District member banks were 31.8% above 1949, reducing profits before income taxes (\$56,201,000) to \$37,092,000 after taxes. Despite this heavy increase, net profits were 12.6% higher than in 1949. Member banks, as above noted, were able to retain a higher proportion of profits than in 1949, and still make larger dividend payments—at \$14,896,000 these payments were 8.1% above 1949.

## Assets

Total assets of Fifth District member banks were at a level exceeded only at year-end 1945, and were \$438 million higher than at year-end 1949. Almost three-

fourths of the total increase was in loans and overdrafts, which rose sharply during the year. Changes in the loan portfolios of member banks are discussed in some detail below.

Loans and investments at year end totaled \$4,722 million, \$86 million above the previous all-time high of October 4, and \$95 million above the previous peak year, 1945. Holdings of Governments had recovered slightly from the October level, but were \$117 million less than a year earlier.

Holdings of non-Government securities jumped sharply during the last half of 1950, and at year end were \$43 million (14.7%) higher than a year earlier. All but \$4 million of this increase was in the second half of the year, when many banks were intent on buying municipals in anticipation of tax increases arising out of the Korean conflict.

Fifth District member banks' primary reserves were increased by \$180 million to \$1,686 million during the year. The largest item in this increase was balances with banks, which rose \$67 million during the year. Cash items in process of collection, reflecting feverish business activity at year-end 1950, were \$63 million higher than a year earlier. Cash in vault contributed \$11 million of the increase and balances with the Federal Reserve Bank, \$39 million.

## Loans

The sharp loan expansion last year (more than one-fifth in the twelve-month period) was reminiscent of the inflationary period of 1947, when Fifth District member bank loans rose by more than one-fourth. Business conditions in the Fifth District during the first half of 1950 were excellent, and expanding loans reflected this fact. Real estate and consumer loans played the most important part in the expansion of bank lending during the first half of the year, although business loans also expanded contrary to the seasonal pattern which normally obtains.

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

	Dec. 31, 1949	June 30, 1950	Oct. 4, 1950	Dec. 30, 1950
Commercial and industrial loans	568	581	674	717
Loans to farmers	42	55	50	43
Loans to brokers and dealers in securities	15	13	9	12
Other loans for purchasing or carrying securities	42	45	53	57
Real estate loans:				
On farm land	43	44	44	44
On residential property	341	376	380	390
On other properties	125	129	135	136
Installment loans to individuals:				
Retail automobile paper	84	107	120	117
Other retail paper	26	36	43	46
Repair and modernization loans	22	23	24	24
Cash loans	65	70	73	74
Single-payment loans to individuals:				
Less than \$3,000	76	81	83	84
\$3,000 and over	129	139	150	158
Loans to banks	2	3	4	2
All other loans	53	50	60	59
LOANS—Gross	1,633	1,752	1,903	1,962
Reserves	17	19	19	21
LOANS—Net	1,616	1,733	1,884	1,941
Number of banks	479	478	477	477



When the nation was plunged into an undeclared war at midyear, the picture changed sharply. Businessmen, anticipating rising prices and shortages, hastened to expand their inventories—virtually all of the loan expansion in the fourth quarter was in business loans. Some of the expansion was to carry existing inventories at higher prices; some was pure speculative buying to expand physical inventory.

The expansion of real estate loans slowed down during the last half of 1950, largely at the initiative of the member banks themselves, many of whom felt that their mortgage portfolios were sufficiently large.

Consumer borrowing continued a high rate of expansion through the third quarter. By October, consumer loans had grown \$70 million (25.6%) since the first of the year, and \$26 million during the third quarter. (Not taken into account are single-payment loans of more than \$3,000 to individuals, which are usually business loans rather than consumer loans.) During the fourth quarter, when Regulation W was in effect, consumer loans rose by only \$2 million, or 0.6%.

During the second half loans for purchasing and carrying securities, which had changed little in the first half, showed a net growth of \$11 million, and stood at \$69 million. All of this net increase in lending was to others than brokers and dealers, and paralleled the increased activity in over-the-counter trading in securities.

Total agricultural loans showed a slight rise during the year and represented direct loans to farmers. Loans guaranteed by the Commodity Credit Corporation declined sharply, reflecting higher commodity prices.

### Liabilities

Demand deposits of Fifth District member banks rose moderately in 1950. At \$4,694 million, demand deposits were higher than at any time except year-end 1945, when Treasury deposits were \$932 million—almost eight times Treasury deposits at year-end 1950. Adjusted demand deposits of \$3,658 million were at an all-time peak, as were deposits of individuals, partnerships, and corporations. Deposits of banks showed a substantial gain, and exceeded half a billion dollars for the first time since the end of the second World War.

Time deposits increased by approximately 1% during the year. Again, deposits of banks were an important factor in this increase. Time deposits of individuals, partnerships, and corporations showed only a very slight increase, as did postal savings and U. S. Government time deposits. Time deposits of State and local governments declined slightly.

Fifth District member banks increased their capital accounts by \$25 million (6%) during the year. Most of this increase was through retained earnings, although several banks obtained additional outside capital from the sale of new stock.

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

	Dec. 31, 1949	June 30, 1950	Dec. 30, 1950
<b>ASSETS</b>			
Loans and investments	4,471	4,501	4,722
Loans (including overdrafts)	1,616	1,733	1,941
U. S. Government obligations	2,562	2,471	2,445
Other securities	293	297	336
Reserves, cash and bank balances	1,506	1,408	1,686
Reserve with Federal Reserve Banks	710	658	749
Cash in vault	114	101	125
Balances with banks	378	348	445
Cash items in process of collection	304	301	367
Other assets	74	77	80
<b>Total assets</b>	<b>6,051</b>	<b>5,986</b>	<b>6,489</b>
<b>LIABILITIES</b>			
Demand deposits	4,297	4,190	4,694
Individuals, partnerships and corporations	3,281	3,278	3,593
U. S. Government	129	136	120
States and political subdivisions	320	320	326
Banks	482	384	549
Certified and officers' checks, etc.	85	72	105
Time deposits	1,316	1,341	1,328
Individuals, partnerships and corporations	1,234	1,257	1,235
U. S. Government and Postal Savings	29	30	31
States and political subdivisions	52	52	50
Banks	1	2	12
<b>Total deposits</b>	<b>5,613</b>	<b>5,531</b>	<b>6,022</b>
Borrowings	3	6	1
Other liabilities	34	35	41
<b>Total liabilities</b>	<b>5,650</b>	<b>5,572</b>	<b>6,063</b>
<b>Total capital accounts</b>	<b>401</b>	<b>414</b>	<b>426</b>
<b>Total liabilities and capital accounts</b>	<b>6,051</b>	<b>5,986</b>	<b>6,489</b>
Demand deposits adjusted	3,382	3,369	3,658
Number of banks	479	478	477

## *Report on Regulations W and X*

FIVE months have elapsed since the re-institution of Regulation W and have provided some evidence as to the effectiveness of its terms, while a somewhat briefer period has not reflected similar restrictive effects from Regulation X. These varying results stem largely from the fundamental differences between the two types of credit affected—consumer credit restrictions can be made immediately effective while real estate credit control requires a longer period to become fully operative.

Both of these regulations are a part of the program of indirect controls, designed to combat inflationary forces through limiting the funds available for purchases. Buying—at all levels—necessarily depends upon one or more of three sources of funds: current receipts, savings, and borrowings. In the face of mounting business and personal receipts and in the light of accumulated liquid holdings of both businesses and individuals, the limitation of loan funds available for current spending acquires increased importance.

These regulations are designed to effect this limitation for two important classes of products, durable consumer goods and new construction. By reducing the availability of loan funds, they reduce to some extent the number of would-be purchasers and thus contract the demand for goods.

Even though direct price controls have been invoked for durable consumer goods—but not for structures—the role of credit restrictions is not eliminated. Experience has shown that price controls suffer when the desire to purchase coupled with funds for purchases becomes so strong as to lead to transactions outside the law. Any measure that reduced the availability of funds for such purposes, as well as for legal purchases, makes the direct control system more workable.

Regulation W became effective on September 18, 1950, and was amended so as to tighten its terms substantially on October 16. In its present form it applies only to instalment credit extended by sellers of specified classes of goods and to instalment loans; open accounts and single-payment loans are not affected by its requirements. Instalment credit data indicate that the tightening of terms has been effective in that expansion of outstandings has been reduced, with November showing a decline from the preceding month.

Automotive sale credit, comprising nearly one-third of the total of instalment credit outstanding, had shown its peak rate of expansion in July, prior to the re-imposition of Regulation W. The expansion in August and September was, nevertheless, still in excess of \$100 million for each month and represented a rapid rate of growth. For October the increase was \$14 million, and the two following months showed declines in outstandings of \$48 million and \$45 million respectively.

Obviously these declines cannot be ascribed entirely to the regulation. Sales of new automobiles had been

very high during the summer months, and undoubtedly some of these were the result of fear of future shortages. It was to be expected that corresponding declines in sales would be experienced in the following months. Also the expectation of new models has typically limited sales of models that are about to be superseded, and sales of used cars were reported as slow during these months. Nevertheless, new passenger automobile registrations totaled more than a million and a half for the last three months of the year as compared with 1,291,000 during the last quarter of 1949, and whereas the financing of the latter required an increase in automobile sale credit outstanding of \$268 million, this type of credit decreased by \$79 million from last September to the end of the year.

Other instalment sale credit has not shown a corresponding contraction, but rather a curtailed rate of growth. Outstandings increased by \$7 million during October, declined by \$23 million in November, and rose by \$160 million in December. These changes may be compared with gains of \$113 million, \$120 million, and \$301 million during the corresponding months of 1949.

Instalment sales by department stores account for nearly a third of non-automotive instalment sale outstandings. Department store instalment sales showed a counter-seasonal decline from September to October and from October to November, although total outstandings continued to mount. Sales rose once again in December, exceeding December 1949 by 29%, and Fifth District stores indicate high levels of instalment sales in January as well.

Furniture and household appliance stores extend the major part of the remaining non-automotive instalment sale credit, and their outstandings reflect an even sharper cut-back in sales. Furniture store outstandings dropped slightly from September to October and from October to November, rising again to about the September level by the end of December. This compares with a 20% increase during the last quarter of 1949. The outstandings of household appliance stores showed virtually no change in October and November, and then increased by less than 2% in December; this compares with a 14% increase in the last three months of 1949. Presumably both types of stores had relatively high sales in January in line with the showing of department store sales of furniture and of appliances.

There is no precise way of measuring the effects of Regulation W upon the level of sales or of receivables, for other strong influences were at work during these early months of the regulation. The expectation of shortages and of tighter credit had led to high levels of sales in the months preceding its imposition, and as with automobiles, some of these sales were “borrowed from the future.” It was to be expected that some decline of sales would follow.

However, since the October amendment to the regulation introduced a considerable tightening of terms from what had been prevailing, there is a strong presumption that Regulation W did reduce the volume of instalment sale credit below what it would otherwise have been. The smaller rate of increase for the last three months of the year as compared with 1949 is at least consistent with this view.

Instalment loans present a record similar to that of non-automotive instalment sale credit; a small increase occurring in October, a quite small decline in November, and a small increase in December. The net increase was \$69 million as compared with \$189 million during the fourth quarter of 1949.

These loans are made both for the purchase of listed articles (those subject to the restrictions of Regulation W) and for other purposes, as well as for the payment of debts. If the purpose is the purchase of listed articles, then the maximum terms applicable to that article are also applicable to the loan; if for other purposes, a maturity limitation is the only restriction. The decline in the expansion rate of instalment loans was thus akin to the decline in instalment sale credit in that many of these loans simply replace credit that would have been extended by the seller.

It may be noted that the loans of weekly reporting banks which are reported as "other loans" are largely consumer loans, of which the major part are instalment loans and instalment sale paper purchased from others. For the Fifth District this series leveled off in October and has maintained a nearly constant level since then.

In the real estate credit field the evidence is inconclusive, and some months must elapse before definite conclusions can be made as to the effect of Regulation X.

The planning and financing of real estate construction constitute a lengthy process. Commitments are generally secured both for permanent financing and for construction credit prior to the commencement of actual construction, and the final closing of the permanent mortgage may take place many months after the initial commitment. Regulation X recognizes that such commitments were in effect at the time that it was instituted, and provides that such commitments may be implemented even though the financing would otherwise fall within the scope of the regulation.

Similarly, a large number of commitments were made by the Federal Housing Administration and the Veterans Administration for the insurance and guarantee of loans prior to the October 12 credit restrictions. As of the beginning of this year, total commitments of these agencies together with those of conventional lenders were estimated at over 400,000. A very large portion of this number is not subject to the terms of Regulation X or the companion regulations of FHA or VA.

Finally, only in January was Regulation X amended to cover residential property with more than two living units, and nonresidential properties were excluded from the regulation until the February amendment.

#### CONSUMER INSTALMENT CREDIT OUTSTANDING

Selected Months 1950

(Estimates, in millions of dollars)

End of Month	Total Instalment Credit	Sale Credit Automobile	Other	Loans
June .....	12,105	3,790	3,205	5,110
September .....	13,344	4,213	3,645	5,486
October .....	13,393	4,227	3,652	5,514
November .....	13,319	4,179	3,629	5,511
December .....	13,478	4,134	3,789	5,555

Source: Board of Governors of the Federal Reserve System.

Many new starts have thus been made since mid-October without any restriction from Regulation X. New housing starts for October approximated in number the starts of October 1949, and November showed a decline from the preceding November but was still at a high level. Both December and January were substantially above the like periods of a year before, and set new records for these two winter months which are normally times of low activity. In considering the comparisons with a year ago, it must be remembered that by the last quarter of 1949 the current building boom was well under way.

In the Fifth District residential building contract awards, as reported by the F. W. Dodge Company, reveal very much the same picture. Awards during the last quarter of 1950 were down from the high levels of mid-year but were still approximately equal to those of the fourth quarter of 1949; the January figure was considerably above that for January 1950.

Thus, measured by current construction, Regulation X has as yet had small effect.

Builders and real estate lenders indicate, however, that this lack of effect has been largely due to the carry-over of pre-Regulation X commitments. They point out that a large proportion of current construction is being financed on the old terms, and that properties not so financed are moving more slowly.

Influenced by this fact and by materials shortages—both actual and expected—many builders have announced curtailment of their construction plans for the future. Obviously these decisions are subject to modification as future events develop, but they give promise of future effects stemming at least partly from credit restrictions.

Here again it is not possible to separate the effects of credit restrictions from other forces at work. Materials shortages and the direct control of nonresidential construction are making their effects felt, but it is believed that the limitation of credit for the purchase of new construction will decrease the pressure upon the prices of commodities and labor now available for construction. As in the case of consumer goods, the purpose of the restriction of credit is not to cut construction below the levels that available materials and labor make possible, but rather to see that the resulting products are distributed with a minimum of pressure for bidding up their prices.



## Defense Orders Awarded to Fifth District Industry

SOME indication of the impact of the rearmament program upon Fifth District industry is afforded by the information published weekly by the Department of Commerce covering contracts for materials, supplies, and services awarded by the Army, Navy, and Air Force. The initial release of such information, covering contracts valued at \$25,000 or more on which there are no security restrictions, was made on July 19, 1950.

Since that date and through February 7, 1951, over \$108 million of unclassified contracts were awarded to Fifth District enterprises. Although this represents only 2.8% of the national total of \$3,887 million, it is an imposing order list for industries operating at or near record levels.

Textile mills, the District's leading industry, received the lion's share, 36% of the estimated total for the District. Electrical equipment was the runner-up with 13%, food was a close third with 12.5%, and transportation equipment followed with 11%. Although tobacco

Electric, for example, does not indicate where the work is to be done, and there is no practical way in which the \$4.7 million of contracts received by the former or the \$8.7 million awarded the latter can be allocated among the various states in which these companies have plants. Consequently, considerable amounts of these totals for work that will unquestionably be handled by the Maryland plants of these companies have been omitted from the accompanying table.

The West Virginia figure is undoubtedly much understated—for example, over \$6.5 million on contracts have been received by Union Carbide and Carbon, but due to the practice of identifying companies by head offices rather than by operating plants, it is impossible to know the amount allocated to each of the company's 200 plants in various states. Another feature of the West Virginia awards is the curious fact that in the period covered three of the state's leading industries—stone, clay and glass and primary and fabricated metals—have received no unclassified military orders.

FIFTH DISTRICT CONTRACTS—JULY 19, 1950 - FEBRUARY 7, 1951\*  
(Amounts in thousands)

	Maryland			Virginia			West Virginia			North and South Carolina			Fifth District*		
	Amount	%	% of Dist.	Amount	%	% of Dist.	Amount	%	% of Dist.	Amount	%	% of Dist.	Amount	%	% of Dist.
Textiles	3,201.5	7	8	2,840.7	17	8	—	—	—	32,501.6	72	84	38,543.8	36	100
Electrical Machinery	13,861.8	30	99	181.9	1	1	—	—	—	—	—	—	14,043.7	13	100
Food	8,814.6	19	65	4,694.1	28	35	—	—	—	47.1	—	—	13,555.8	12	100
Transportation Equipment	11,859.7	26	99	25.5	—	—	50.3	23	1	—	—	—	11,935.5	11	100
Apparel	1,315.9	3	16	1,564.6	9	20	—	—	—	5,047.9	11	64	7,928.4	7	100
Tobacco Products	—	—	—	2,801.9	17	32	58.1	26	1	5,945.7	13	67	8,805.7	8	100
Services	613.6	1	34	922.9	5	51	—	—	—	264.7	1	15	1,801.2	2	100
Furniture	53.1	—	3	1,466.0	9	97	—	—	—	—	—	—	1,519.1	1	100
Lumber Products	122.4	—	7	773.2	5	47	56.6	26	3	711.7	2	43	1,663.9	2	100
Chemicals	1,299.0	3	95	—	—	—	29.0	13	2	37.5	—	3	1,365.5	1	100
Primary Metals	920.5	2	82	74.7	—	7	—	—	—	128.0	—	11	1,123.2	1	100
Rubber Products	834.0	2	76	261.2	1	24	—	—	—	—	—	—	1,095.2	1	100
Ordnance	732.8	2	73	121.5	1	12	—	—	—	149.7	—	15	1,004.0	1	100
All Other**	2,488.3	5	62	1,148.9	7	29	27.6	12	1	334.0	1	8	3,998.8	4	100
Total	46,117.2	100	42	16,877.1	100	16	221.6	100	—	45,167.9	100	42	108,383.8	100	100

\*Excluding District of Columbia.

\*\*Includes those industries which had less than \$1 million in contract awards—fabricated metals, instruments, petroleum and coal products, printing and publishing, machinery (except electrical), stone, clay and glass products, leather products, paper and products and miscellaneous.

Source: U. S. Department of Commerce: Weekly Release—"Consolidated Synopsis of Contract Award Information."

products and apparel are among the leading industries of the District, they accounted for only 8.1% and 7.3% of the total awards. Other important industries were farther down the list—lumber received only 1.5% of all contracts, furniture 1.4%, chemicals 1.3%, and primary metals 1%.

Somewhat surprising is the fact that electrical machinery and equipment received such a large share of the total contracts awarded in this five-state area since the industry ordinarily employs only about 1% of the industrial workers in the District. Almost all the contracts for electrical equipment were placed in Maryland, particularly with the Bendix Aviation Corporation, and constituted the largest share, 29%, of the total awards to Maryland manufacturers.

Although Maryland is shown as having received the largest proportion of the District total, the amount is probably considerably understated. Published information on contracts awarded Bethlehem Steel and Western

Another difficulty in compiling this information by states arises from companies whose given addresses are those of purchasing or selling agencies. For example, \$60 million of contracts have been awarded to companies with Washington, D. C. addresses, including International Harvester, Allis Chalmers, Carnegie-Illinois, Alcoa, and Ford. Consequently, the District of Columbia has been omitted entirely from the accompanying table. To the extent that there have been some contracts let to manufacturers located there, there has been a slight understatement of the Fifth District total.

It is likely that the five-state total is understated also because of the many contracts for textile mill products received by commission merchants and selling agents in New York City acting for plants throughout the country. This was one reason, in addition to the difficulty of distinguishing between plants of the same company in different states, for lumping together contracts received by North and South Carolina manufacturers.

## *Business Conditions and Prospects*

PROMINENT in the Fifth District's business situation in recent weeks have been a further up-surge in trade levels (department stores established a new peak in January) and a continued expansion of bank loans. Production levels in January were either at or slightly below the seasonally adjusted rate of December. Overall construction volume was maintained at seasonal levels and farm income moved upward as a result of rising prices.

Inflation seemingly took a firmer hold. Bank debits reached a new high in January, were 9% above December, and 23% ahead of a year ago. This indicates strikingly the expansion taking place in retail and wholesale trades as well as in payrolls of the area.

Business loans continued to rise in January and early February. Such credit expansion is contra-seasonal and implies further inventory accumulation on the part of business concerns. Real estate loans have continued a steady upward trend thus far in 1951, but consumer loans have been essentially unchanged since the tightening in Regulation W in October.

Department store trade in January rose to a new peak, exceeding the December adjusted level by 19%, a year ago by 25%, and the August peak by 8%. January also showed substantial gains in the home furnishings departments and women's ready-to-wear accessories, women's coats and suits, and men's clothing. Interestingly, identical stores reporting sales, stocks, and outstanding orders showed sales up 20% over a year ago, stocks up 27%, and outstanding orders up 55%. It is also interesting to note that, in a small group of the larger stores whose net sales increased 8% on a seasonally adjusted basis, from December to January, installment sales of these stores rose 20%, but their installment receivables rose only 8%. As a result of heavy sales increase, inventories of department stores rose only 1%, after seasonal correction.

### **Furniture Trade Booms**

Furniture stores showed an adjusted sales increase of 11% from December to January. The January sales level, though considerably smaller than in July, August, and September of 1950, was higher than any other month of record except August 1948. Although both cash and credit sales adjusted rose from December to January, the increase in receivables was considerably less than in sales.

The upward surge in sales of wholesalers, after seasonal correction, was marked in automotive supplies, drugs, electrical goods, hardware, and groceries. Dry goods, for example, dropped 7% from December to January but ran 97% ahead of a year ago. Retailers' order books in dry goods continue heavy and continuation of a high level of business can be expected. A 44% gain, after seasonal adjustment, in automotive supplies can be attributed to the fear of shortages, and the same can be said of a 28% rise in sales of electrical goods and

of 20% in hardware. The 8% rise in wholesale grocery sales indicates rising prices rather than increased volume. Although wholesale sales of paper and products in January were 30% ahead of a year ago, the 1% decline from December to January was more than seasonal.

Automobile registrations in December continued at a high level (11% ahead of a year ago) despite a 6% reduction from November. Truck registrations declined 15% from November to December and were 10% below December 1949.

Construction contract awards in January held at the December level, after seasonal correction, but were 23% ahead of a year ago. Commercial structures sustained the building level in January with a gain of 102% from December. Factory building awards (adjusted) declined 86% from December to January, to a level 61% below a year ago, and probably reflected the many doubts regarding materials and controls rather than a permanent let-down in new plant construction.

### **Residential Building Recedes**

Although residential construction awards in January were 27% ahead of a year ago, they dropped 14% more than seasonal from December to January. Awards for one- and two-family houses declined 7%, after seasonal correction, from December to January, but held 50% ahead of a year ago. Apartment and hotel awards dropped 60%, after seasonal correction, from December to January, to a level 46% below a year ago. Public works and utilities showed a super-seasonal 11% rise, but the January total was less than half of last year's level.

The rush of commercial builders to get under the regulatory deadline has clearly been responsible for the maintained building level in the District during January. A substantial volume of residential construction is still being placed under contract at the present time and is not subject to the housing regulations effected on October 12. Real estate agents say that it requires more prospects than it used to, to sell a new property at the present time, but there appears to be a sufficient number of buyers to take about all of the structures as they are completed.

Prominent among industrial projects announced in January and early February were the following: a \$5 million ore pier in Baltimore; a \$7 million plant for production of silicon alloys in Mason County, West Virginia; a \$17 million Virginia Electric and Power generating station near Portsmouth, Virginia; a \$27 million hydroelectric generating station at Roanoke Rapids, North Carolina; a tripling of the size of a manufacturing plant at Siler City, North Carolina; expansion of a rayon plant at Enka, North Carolina; a \$3 million bale-to-cloth cotton mill near Greenville, South Carolina; a \$3.5 million expansion at Danville, Virginia; a \$2 million thread mill at Hendersonville, North Carolina; a \$2 million expansion of a cement mill at Harleyville, South Carolina; a \$2 million cotton mill expansion at

# FEDERAL RESERVE BANK OF RICHMOND

Henderson, North Carolina; a \$3 million expansion at Newberry, South Carolina; a \$2 million expansion at Enoree, South Carolina; a \$1 million addition to a hosiery mill at Wadesboro, North Carolina; a \$2.5 million synthetic weaving plant at Honea Path, South Carolina; a fiber glass yarn plant at Anderson, South Carolina; expansion of Black and Decker's tool plant at Hempstead, Maryland; and expansion of oil storage and handling capacity of Shell Oil at Baltimore, Maryland, Wilmington, North Carolina, Charleston, South Carolina, and Roanoke, Virginia.

Cotton consumption by mills of the Fifth District declined 7% (adjusted) from December to January, but still ran 13% ahead of a year ago. The decline undoubtedly reflected operational problems since the industry is well sold ahead on both goods and yarns. Probability is that a new high level in cotton consumption will be witnessed by mid-year.

Practically no new business has been written since the price freeze of January 25. Buyers are quite anxious to secure goods and yarns but sellers feel a lack of clarity in the price under which they must operate. With the mills well sold ahead, this price stalemate should have little effect on operations over the next few months. A few mills have added third shifts but there is still some room for expansion in third-shift operations, and if manpower can be added (and raw cotton secured), it is probable that more capacity can be utilized this year.

Bituminous coal on February 1 was 64% ahead of a year ago, and January output was 1% higher than in December, after seasonal correction. Some mines are

finding no market for all their production, while in other areas, car shortages have held down the output. The new miners' contract has had some tendency to deter inventory accumulation. Currently, mines are not pressed for output, though an improving level of output will probably be witnessed in coming months. Indications are that the national output for 1951 may exceed 550 million tons, compared with 506 million tons in 1950.

Furniture factory shipments in the District were 28% less in December than in November, on an adjusted basis, but still 39% ahead of a year ago. The decline was occasioned by the dealers holding off for the January furniture shows. Business written at these shows indicates that operations will expand in coming months and the retail sales performance shown in this District strengthens this premise. Unfilled furniture orders in December were about three times the rate of shipments and they have probably expanded since then. Furniture factories have been persistent buyers of hardwood lumber, a further indication of high level production intentions.

Wage increases have been widespread through the District, running from 5 to 10%. The demand for labor is not intense at this time, but expanding military and defense facilities call for expansion in manpower. When heavier cutbacks in durable goods production become effective, more manpower will probably be required in the non-durable goods industries of this District. Thus far, the outstanding demands for new labor have been in the durable goods industries but non-durable goods employment has been in a rising trend.

DEBITS TO INDIVIDUAL ACCOUNTS				51 REPORTING MEMBER BANKS—5th DISTRICT			
(000 omitted)				(000 omitted)			
	January 1951	January 1950			Feb. 14, 1951	Jan. 17, 1951	Change in Amount from Jan. 15, 1950
Dist. of Columbia				ITEMS			
Washington .....	\$1,131,278	\$ 805,905		Total Loans .....	\$1,147,486**	+ 9,246	+263,177
Maryland				Business & Agricultural .....	557,563	+ 7,107	+155,313
Baltimore .....	1,281,586	1,011,746		Real Estate Loans .....	246,435	+ 462	+ 29,438
Cumberland .....	28,343	22,576		All Other Loans .....	357,508	+ 1,743	+ 81,306
Frederick .....	19,173	15,951		Total Security Holdings .....	1,644,978	— 65,208	—195,383
Hagerstown .....	33,110	26,928		U. S. Treasury Bills .....	99,535	— 18,719	— 41,178
North Carolina				U. S. Treasury Certificates .....	0	0	—248,592
Asheville .....	63,804	49,832		U. S. Treasury Notes .....	392,042	— 18,816	+244,152
Charlotte .....	364,985	271,131		U. S. Treasury Bonds .....	975,799	— 27,187	—176,998
Durham .....	108,442	86,430		Other Bonds, Stocks & Secur. .....	177,602	— 486	+ 27,233
Greensboro .....	106,701	76,207		Cash Items in Process of Col. .....	272,886	— 5,956	+ 46,259
Kinston .....	18,245	13,684		Due From Banks .....	198,904*	+ 12,487	+ 27,233
Raleigh .....	149,534	133,124		Currency & Coin .....	70,438	+ 1,498	+ 9,032
Wilmington .....	42,837	30,813		Reserve with F. R. Bank .....	512,046	— 2,622	+ 56,494
Wilson .....	23,608	15,162		Other Assets .....	54,234	+ 108	+ 3,061
Winston-Salem .....	170,082	140,981		Total Assets .....	\$3,900,972	— 50,447	+209,873
South Carolina				Total Demand Deposits .....	\$3,001,317	— 44,907	+190,292
Charleston .....	80,404	58,219		Deposits of Individuals .....	2,285,052	— 27,736	+201,067
Columbia .....	121,356	100,047		Deposits of U. S. Govt. .....	83,248	+ 23,671	— 23,263
Greenville .....	121,866	84,904		Deposits of State & Loc. Gov. .....	156,010	— 4,819	— 14,693
Spartanburg .....	76,193	49,176		Deposits of Banks .....	430,547*	— 20,838	+ 20,672
Virginia				Certified & Officers' Checks .....	46,460	— 2,994	+ 6,492
Charlottesville .....	27,423	23,040		Total Time Deposits .....	607,473	— 2,994	— 6,492
Danville .....	31,101	26,532		Deposits of Individuals .....	552,428	— 3,200	— 13,487
Lynchburg .....	45,396	39,012		Other Time Deposits .....	55,045	+ 206	+ 6,995
Newport News .....	38,208	26,982		Liabilities for Borrowed Money .....	22,950	+ 2,350	+ 5,900
Norfolk .....	211,200	197,858		All Other Liabilities .....	25,733	— 7,540	+ 6,221
Portsmouth .....	25,670	20,615		Capital Accounts .....	243,499	+ 2,644	+ 13,952
Richmond .....	572,892	484,215		Total Liabilities .....	\$3,900,972	— 50,447	+209,873
Roanoke .....	113,547	90,823					
West Virginia							
Bluefield .....	51,155	40,857					
Charleston .....	167,234	131,917					
Clarksburg .....	38,634	31,362					
Huntington .....	72,159	56,887					
Parkersburg .....	30,932	24,658					
District Totals .....	\$5,367,098	\$4,187,574					

\*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

	Jan. 1951	Dec. 1950	Nov. 1950	Jan. 1950	% Change—Latest Month Prev. Mo.	% Change—Latest Month Year Ago
Automobile Registration <sup>1</sup> .....	-----	205	217	181	— 6	+ 11
Bank Debits.....	426	391	388	346	+ 9	+ 23
Bituminous Coal Production.....	156	155	135	95	+ 1	+ 64
Construction Contracts Awarded.....	531	533	569	432	0	+ 23
Business Failures—No.....	46	62	74	76	— 26	— 39
Cigarette Production.....	267	229	235	229	+ 17	+ 17
Cotton Spindle Hours.....	162	164	158	150	— 1	+ 8
Department Store Sales <sup>2</sup> .....	446	376r	355r	356r	+ 19	+ 25
Electric Power Production.....	-----	-----	343	283	+ 5	+ 25
Employment—Manufacturing Industries <sup>1</sup> .....	-----	150	150	138	0	+ 8
Furniture Manufacturers: Shipments <sup>2</sup> .....	-----	333	460	244	— 28	+ 39
Life Insurance Sales.....	283	276	271	245	+ 3	+ 16

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

## WHOLESALE TRADE

	Sales in January 1951 compared with		Stocks on January 31, 1951 compared with	
	Jan. 1950	Dec. 1950	Jan. 31, 1950	Dec. 31, 1950
Auto supplies (10).....	+113	+ 36	+ 17	— 3
Electrical goods (3).....	+119	+ 9	-----	-----
Hardware (13).....	+ 68	+ 50	+ 12	— 1
Industrial supplies (5).....	+ 53	+ 26	+ 12	+ 21
Drugs (8).....	+ 20	+ 22	+ 6	+ 1
Dry goods (15).....	+ 71	+ 33	+ 18	+ 16
Groceries (54).....	+ 36	+ 20	+ 20	+ 8
Paper & products (6).....	+ 55	+ 27	-----	-----
Tobacco & products (11).....	+ 14	— 7	+ 28	+ 9
Miscellaneous (91).....	+ 41	+ 27	+ 20	+ 5
District Totals (216).....	+ 46	+ 26	+ 17	+ 6

Number of reporting firms in parentheses.

Source: Department of Commerce.

## RETAIL FURNITURE SALES

Percentage comparison of sales  
in period named with sales in  
same period in 1950

## STATES

	Jan. 1951
Maryland (6).....	+ 10
District of Columbia (7).....	+ 38
Virginia (17).....	+ 11
West Virginia (10).....	+ 1
North Carolina (15).....	+ 13
South Carolina (7).....	+ 15
District (62).....	+ 22

## INDIVIDUAL CITIES

	Jan. 1951
Baltimore, Md. (6).....	+ 10
Washington, D. C. (7).....	+ 38
Richmond, Va. (6).....	— 4
Lynchburg, Va. (3).....	+ 4
Charleston, W. Va. (3).....	— 8

Number of reporting firms in parentheses.

## DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total	
Sales, Jan. '51 vs. Jan. '50.....	+39	+26	+28	+25	+28	
Stocks, Jan. 31, '51 vs. '50.....	+30	+22	+16	+25	+22	
Orders outstanding, Jan. 31, '51 vs. '50.....	+52	+73	+45	+27	+52	
Current receivables Jan. 1 collected in Jan. '51.....	27	48	41	41	40	
Instalment receivables Jan. 1 collected in Jan. '51.....	13	19	17	18	17	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Jan. '51 vs. Jan. '50.....	+24	+28	+34	+39	+22	+18

## BUILDING PERMIT FIGURES

	January 1951	January 1950
Maryland		
Baltimore.....	\$11,006,455	\$10,603,450
Cumberland.....	96,760	31,710
Frederick.....	261,225	33,700
Hagerstown.....	84,225	151,275
Salisbury.....	202,525	90,350
Virginia		
Danville.....	110,735	149,711
Lynchburg.....	472,583	277,428
Newport News.....	292,868	71,497
Norfolk.....	1,714,710	843,030
Petersburg.....	330,952	793,236
Portsmouth.....	302,505	258,014
Richmond.....	1,801,479	1,184,848
Roanoke.....	2,868,724	3,246,632
West Virginia		
Charleston.....	508,346	4,342,000
Clarksburg.....	128,900	28,036
Huntington.....	785,000	176,991
North Carolina		
Asheville.....	2,173,397	143,086
Charlotte.....	2,198,867	2,037,174
Durham.....	694,292	6,058,262
Greensboro.....	1,063,360	603,778
High Point.....	452,309	221,416
Raleigh.....	1,130,581	765,840
Rocky Mount.....	346,050	435,725
Salisbury.....	206,040	163,523
Winston-Salem.....	637,695	495,185
South Carolina		
Charleston.....	199,694	200,200
Columbia.....	2,154,625	1,727,843
Greenville.....	797,457	492,060
Spartanburg.....	101,805	85,714
Dist. of Columbia		
Washington.....	6,648,291	5,789,153
District Totals.....	\$39,772,455	\$41,500,867

## ADDITION TO PAR LIST

The Bank of Whaleyville, Inc., Whaleyville, Virginia, located in the territory served by the Richmond Head Office, has agreed to remit at par, effective at once, for checks drawn on it when received from the Federal Reserve Bank. The combined A.B.A. transit number-routing symbol of the bank is <sup>68-456</sup>/<sub>514</sub>. The officers of the bank are I. W. Johnson, President; W. F. Knight, Vice President and Cashier; and P. O. Parker, Assistant Cashier. The bank has a capital of \$30,000 and surplus and undivided profits of \$58,000.

## **NATIONAL SUMMARY OF BUSINESS CONDITIONS**

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

Activity at factories and mines and in the construction industry was generally maintained at advanced levels in January and February. Department store sales in February were down somewhat from the peak rate reached in mid-January. Prices of agricultural commodities advanced further, while prices of industrial commodities levelled off after the Federal price-freeze order on January 26. Bank loans to business continued to expand substantially in January and early February.

### **Industrial Production**

The Board's production index in January was 219 per cent of the 1935-39 average, 10 per cent above last June and 20 per cent above January 1950. Output of durable goods declined slightly in January, while production of nondurable goods and of minerals increased somewhat.

In February, industrial production is estimated to have declined slightly, owing mainly to the effects of work stoppages at railroad terminals and in the wool textile industry. After the end of the rail strike in mid-February, steel and coal production recovered to about January levels and automobile output rose to the highest weekly rate since last October.

Small reductions in activity were fairly widespread in January among metal fabricating industries, reflecting in part the initial effects of cuts in metal use for nondefense purposes and in part temporary factors. A moderate decline in the automobile industry reflected mainly additional model-changeovers. Production of most household durable goods was maintained close to earlier record levels. Steel production increased in January to a new record annual rate of 104 million tons. Output of railroad equipment and aircraft also expanded further. Lumber production was at an exceptionally high level for this season.

The rise in nondurable goods output in January reflected mainly new record levels of paper production, and gains in cotton textiles, chemicals, and petroleum products. Meat production declined from the high November-December rates, but was 3 per cent larger than a year ago.

### **Employment**

Employment in nonagricultural establishments, seasonally adjusted, increased slightly further in mid-January to 45.7 million. Employment in retail trade, construction, and manufacturing industries declined less than is usual at this season. The average work week in manufacturing decreased to 40.6 hours, as compared with an average of 41.3 in the preceding three months; average hourly earnings showed some further rise.

### **Construction**

Value of construction contracts declined in January, reflecting seasonal decreases in most categories of awards. The number of housing units started in January continued at a very high winter rate, totalling 87,000 as compared with

95,000 in December and 79,000 in January 1950. The moderate decline from December to January reflected a sharp drop in public units offset in part by some rise in private units started.

### **Distribution**

The Board's seasonally adjusted index of the value of department store sales in January was 360 per cent of the 1935-39 average. This was 28 per cent higher than in January 1950 and about equal to the peak reached last July immediately after the Korean outbreak. Dollar sales at most other retail outlets, especially apparel stores, exceeded their earlier peaks. In mid-February, sales at department stores were about 16 per cent greater than in the same period a year ago. Despite the exceptionally large volume of sales of numerous nondurable as well as durable goods, retailers' inventories have been generally maintained reflecting the sustained high level of output.

### **Commodity Prices**

The wholesale price level continued to advance after the announcement of the general Federal freeze order on January 26, reflecting mainly increases in farm products and foods which are only partly controlled. Farm products rose 4 per cent further by the third week in February, to a level 33 per cent above the low point reached early last year. Prices of industrial commodities showed little further rise from a level 17 per cent higher than a year ago.

Consumer prices probably advanced somewhat further in January, with increases in food prices again accounting for most of the rise.

### **Bank Credit and the Money Supply**

Business loans at banks in leading cities increased substantially further during January and the first half of February—a season of the year when these loans usually decline. Deposits and currency held by businesses and individuals decreased somewhat owing in part to a seasonal transfer of funds from private to Treasury accounts as a result of income tax payments. Purchases of Government securities from the banking system by nonbank investors and a continued gold outflow also tended to reduce the privately held money supply during this period.

Required reserves of member banks increased by about 2 billion dollars between mid-January and early February as a result of additions to legal reserve requirements. Banks met these increases in part by their usual receipts of reserves at this season of the year and in part by selling U. S. Government securities.

### **Security Markets**

A rise in common stock prices during the first two weeks of February was almost completely offset by a decline in the third week. Yields on most U. S. Government securities and high-grade corporate bonds continued to show little change.