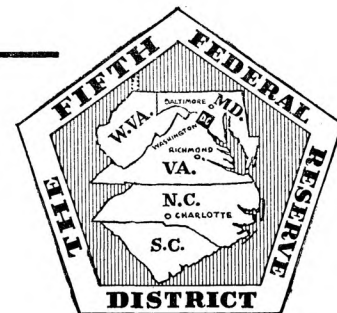
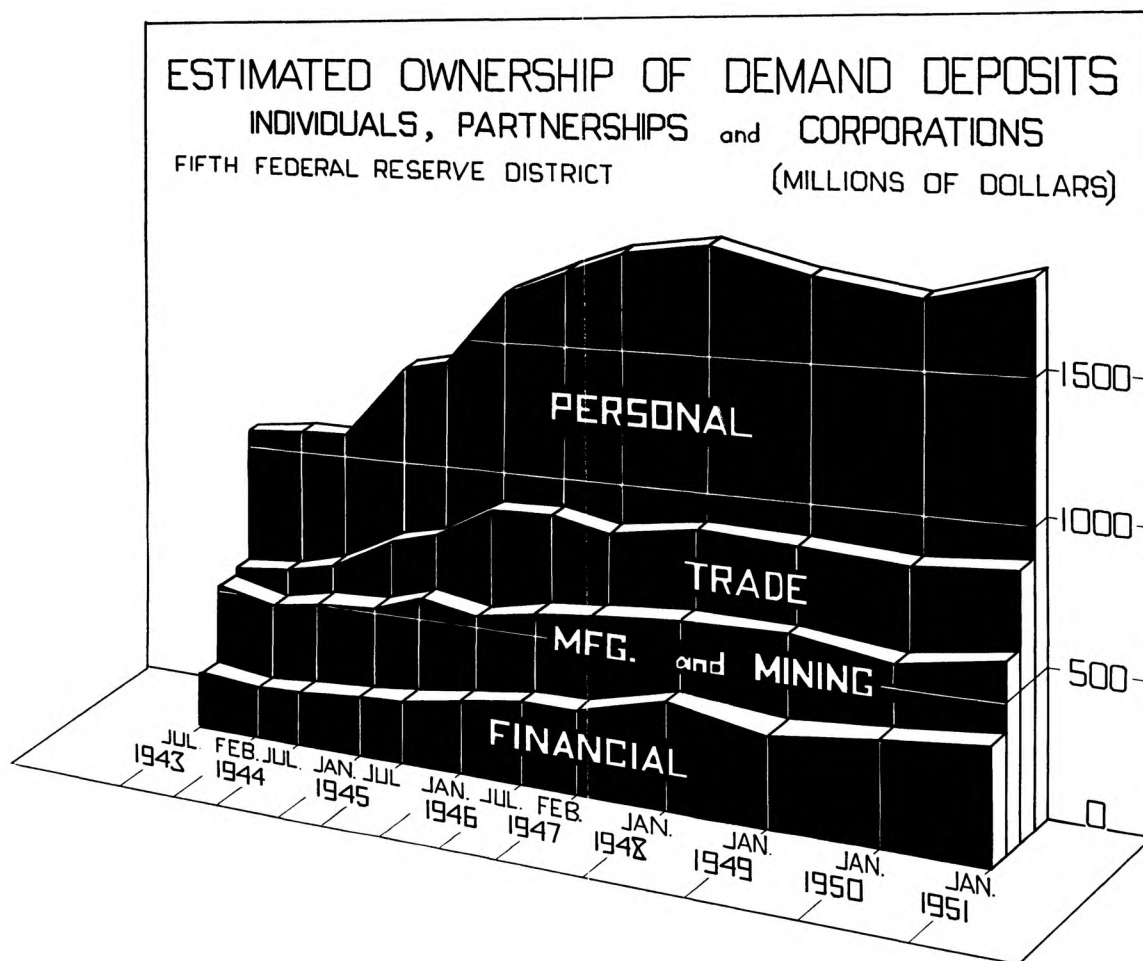


# Monthly Review



JUNE 1951



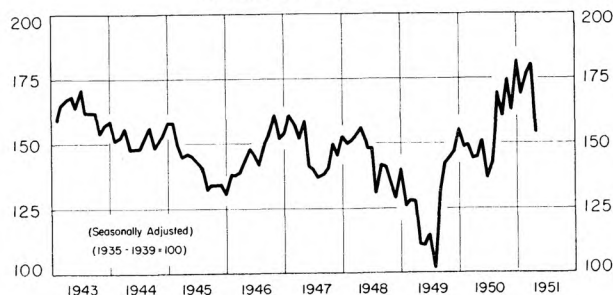
The above chart indicates that personal deposits, which had declined in the two previous years, made a decided comeback during 1950. Other important groups show even larger percentage gains. The article on page 3 discusses trends in the ownership of the different types of demand deposits held by banks of the Fifth Federal Reserve District.

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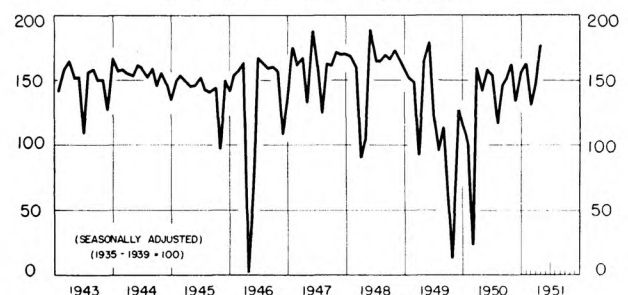
## FIFTH DISTRICT TRENDS

COTTON CONSUMPTION



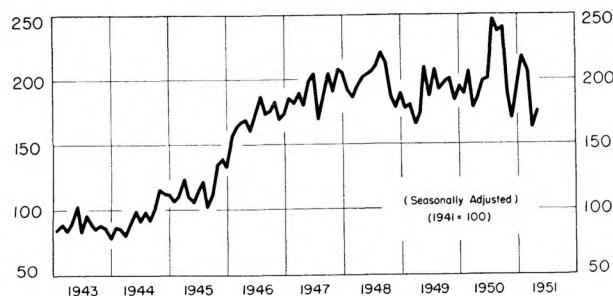
Mainly as a result of strikes, but also due to the long stalemate in new goods and yarn commitments, cotton consumption in April (adjusted) dropped 14 per cent from March but continued 6 per cent ahead of a year ago. May will show substantially the same depressed condition, but some improvement can be expected in June.

BITUMINOUS COAL PRODUCTION



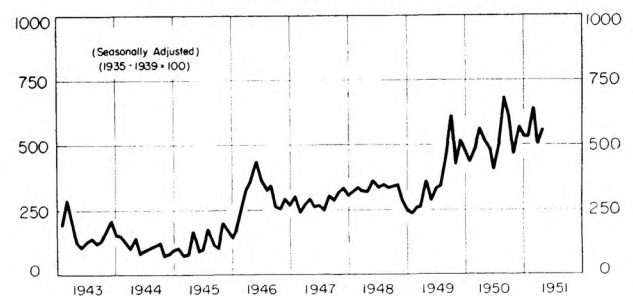
A moderate rise in output combined with fewer working days in April caused the seasonably adjusted index to rise 18 per cent from March to a level 23 per cent ahead of a year ago. Coal demand is rising in most consumption sources, and an adverse turn in the Iranian oil situation could result in substantial industrial shifts from oil to coal usage.

RETAIL FURNITURE SALES



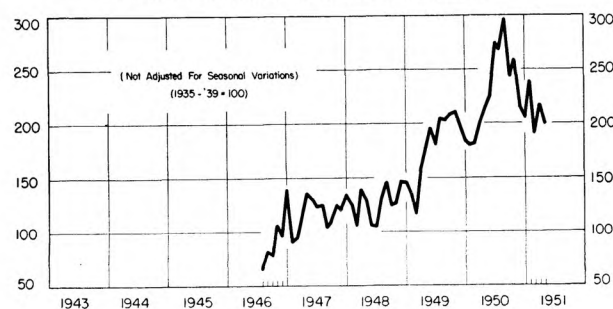
April sales (adjusted) recovered 8 per cent from March but were 6 per cent below a year ago. Indications are that the drop below a year ago was caused by household appliances and television sales rather than furniture, since furniture sales in department stores in April ran 12 per cent ahead of a year ago.

TOTAL BUILDING CONTRACT AWARDS



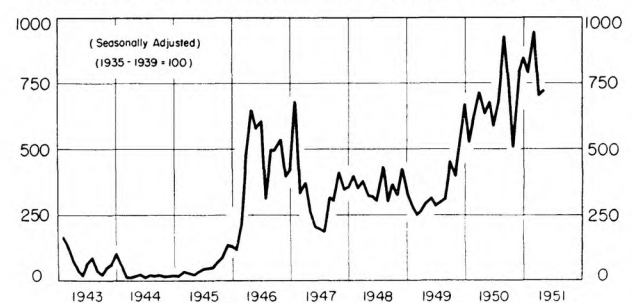
Due primarily to sizable gains in factory construction and public works, construction contract awards in April were 11 per cent above March (adjusted) and 8 per cent ahead of a year ago. Commercial structures and apartments and hotels showed sizable drops both from the previous month and a year ago, but one- and two-family houses showed a small increase over March and a 15 per cent gain over a year ago.

NEW PASSENGER CAR REGISTRATIONS



By all past standards, save those of last year, sales of new passenger cars are still going strong. April registrations, partly estimated, show a drop of 8 per cent from March and 7 per cent below a year ago. The outlook is for lower sales mainly because of a reduction in output.

BUILDING CONTRACT AWARDS - ONE and TWO FAMILY HOUSES



One- and two-family house construction continued at boom levels during April. Indications are that a substantial part of this high level of activity has resulted from financing commitments made prior to the date of Regulation X and other controls. Unless financing terms loosen substantially, present level of activity is not expected to hold.

## *Trends in Fifth District Deposit Ownership*

**B**ANKS in the Fifth Federal Reserve District held total demand deposits of individuals, partnerships, and corporations amounting to \$4,622 million, or 5.3% of the national total, according to estimates based on a survey conducted as of January 31, 1951. This total represented an increase of \$293 million, or 6.8%, in the twelve months ending on that date, and reflects largely the exceptional rise in bank loans occurring in late 1950. Total loans of member banks in the Fifth District rose more than 20% from December 31, 1949 to December 30, 1950.

The survey disclosed little change in the relative importance of the various ownership groups. Balances of business concerns (which account for more than half of total demand deposits) rose slightly over the previous year, while personal deposits (including those of farmers), accounting for more than a third of the total, showed a relative decline. Among deposits of businesses, those held by retail and wholesale firms ranked first in the aggregate, followed by manufacturing and mining, other nonfinancial business (including service establishments, contractors, amusement companies, and business accounts of professional people), financial enterprises other than insurance, public utilities, and insurance companies in the District.

### **Business Deposits**

Demand deposits of business firms accounted for 53.3% of the District total, and increased by 7.6% over the preceding year. Nonfinancial business deposits rose by 6.7% and financial businesses showed a rise of 12.3%. Of the total business accounts, corporate deposits (representing 73% of the total amount) showed a gain of 9.1% for the year, while noncorporate accounts rose by 3.8%.

The accounts of public utilities (which rose 14.2%) showed the largest increase for the twelve-month period. Increases occurred in all sizes of corporate accounts, but the increase was chiefly in accounts of \$25,000 or over. Noncorporate accounts showed decreases in all size accounts except the smallest—\$10,000 or less.\*

The second largest increase came in financial business other than insurance companies. Deposits of this group (including primarily finance companies, investment trusts, and savings and loan associations) rose 13.4% over the previous year. Deposits in this group have increased annually since the present type of survey began in 1944. As in former years, most of the increase occurred in the largest size deposit group, with accounts of \$25,000 or over.

Manufacturing and mining showed the next largest increase in business deposits for the year. Here an in-

crease of almost 11% was concentrated in the larger categories of deposit accounts, those above \$10,000. Both corporate (comprising 90% of the total amount) and noncorporate reflected the increases in the larger deposit accounts, but those in the corporate group almost doubled the percentage gain shown in the noncorporate group.

Insurance companies increased their deposit accounts by 9.4% during 1950. Again the increase occurred in the larger size deposit accounts, those with \$10,000 or over; in those with accounts under \$10,000, the deposits declined.

Other nonfinancial business showed an increase of 3.4% for the twelvemonth period—interestingly almost a whole percentage point above the national average. Gains were reflected in all sizes of deposit accounts, with the larger gains in the smaller size groups.

Wholesale and retail trade, comprising the largest single group of business accounts, increased their demand deposits by 3.1%—an increase considerably below the average for all business. Here the comparatively small rise occurred mainly in the deposit size group of accounts of \$25,000 or over, and was due largely to heavy inventory accumulation following the invasion of South Korea.

With the exception of public utility and insurance company accounts, all business deposits in the Fifth Federal Reserve District followed the national trend. In the case of the utilities, the Fifth District increase was five points larger than the national average, while insurance company accounts increased nine points more than the national average.

### **Deposits of Individuals**

In the survey year, deposits of individuals other than farmers increased 5.7%, compared with the national average of 7.0%. Considering the record level of expenditures during the latter half of the year, this in-

#### **CHANGES IN OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS**

All Commercial Banks				
Fifth Federal Reserve District				
(Estimates in millions of dollars)				
Type of holder	Amount Outstanding Jan. 31, '51	Per cent of total Jan. 31, '51	Change from January 31, 1950	
			Dollar amt.	Per cent
Total business	2,464	53.3	+174	+ 7.6
Nonfinancial business	2,053	44.4	+129	+ 6.7
Mfg. and mining	632	13.7	+ 62	+10.8
Public utilities	248	5.3	+ 31	+14.2
Trade	874	18.9	+ 26	+ 3.1
Other nonfinancial	299	6.5	+ 10	+ 3.4
Financial business	410	8.9	+ 45	+12.3
Insurance companies	116	2.5	+ 10	+ 9.4
Other financial	294	6.4	+ 35	+13.4
Trust funds	79	1.7	— 3	— 3.6
Nonprofit associations	285	6.2	+ 24	+ 9.4
Personal	1,786	38.6	+ 89	+ 5.3
Farmers	348	7.5	+ 11	+ 3.3
Others	1,438	31.1	+ 78	+ 5.7
Foreign	9	.2	+ 9	—
Total	4,622	100.0	+293	+ 6.8

\* It should be noted that, in discussing size of deposit accounts, no information is available to indicate how many accounts moved from a smaller to a larger classification, or to what extent individual accounts changed during the year.

**ESTIMATED  
OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS,  
PARTNERSHIPS, AND CORPORATIONS  
ALL COMMERCIAL BANKS**

**Fifth District**

	Feb. 1944	Jan. 1945	Jan. 1946	Feb. 1947	Jan. 1948	Jan. 1949	Jan. 1950	Jan. 1951
(Millions of dollars)								
<b>Total business</b> .....	1,610	1,889	2,133	2,223	2,389	2,302	2,290	2,464
<b>Nonfinancial business</b> .....	1,420	1,665	1,863	1,916	2,003	1,976	1,924	2,053
Manufacturing and mining .....	470	504	529	581	607	631	570	632
Public utilities, transportation and communica- tions .....	200	228	228	231	242	205	217	248
Retail and wholesale trade .....	560	725	888	853	890	876	848	874
All other nonfinancial business .....	190	207	218	251	265	263	289	299
<b>Financial business</b> .....	190	224	270	307	386	326	366	410
Insurance companies .....	60	75	72	83	156	92	106	116
All other financial business .....	130	149	197	224	230	234	259	294
Trusts funds of banks .....	40	57	69	85	70	86	82	79
Nonprofit associations .....	120	166	192	271	249	254	260	285
<b>Personal</b> .....	1,060	1,332	1,633	1,805	1,828	1,753	1,697	1,786
Farmers .....		250	352	376	393	371	337	348
Others .....		1,082	1,281	1,429	1,435	1,382	1,360	1,438
<b>Foreign</b> .....	10		2		3	3		9
<b>Total</b> .....	2,840	3,443	4,028	4,383	4,540	4,398	4,329	4,622
(Percentage of total)								
<b>Total business</b> .....	56.7	54.9	53.0	50.7	52.6	52.3	52.9	53.3
<b>Nonfinancial business</b> .....	50.0	48.4	46.3	43.7	44.1	44.9	44.5	44.4
Manufacturing and mining .....	16.6	14.6	13.1	13.3	13.4	14.3	13.2	13.7
Public utilities, transportation and communica- tions .....	7.0	6.6	5.7	5.3	5.3	4.7	5.0	5.3
Retail and wholesale trade .....	19.7	21.1	22.0	19.4	19.6	19.9	19.6	18.9
All other nonfinancial business .....	6.7	6.0	5.4	5.7	5.8	6.0	6.7	6.5
<b>Financial business</b> .....	6.7	6.5	6.7	7.0	8.5	7.4	8.4	8.9
Insurance companies .....	2.1	2.2	1.8	1.9	3.4	2.1	2.4	2.5
All other financial business .....	4.6	4.3	4.9	5.1	5.1	5.3	6.0	6.4
Trusts funds of banks .....	1.4	1.7	1.7	1.9	1.5	1.9	1.9	1.7
Nonprofit associations .....	4.2	4.8	4.8	6.2	5.5	5.8	6.0	6.2
<b>Personal</b> .....	37.3	38.7	40.5	41.2	40.3	39.9	39.2	38.6
Farmers .....		7.3	8.7	8.6	8.7	8.4	7.8	7.5
Others .....		31.4	31.8	32.6	31.6	31.4	31.4	31.1
<b>Foreign</b> .....	.4		.1		.1	.1		.2
<b>Total</b> .....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Detailed figures may not add to totals because of rounding.

crease in deposits of individuals would seem to indicate a high level of personal income after taxes. It is significant, however, that time deposits (held principally by individuals) have not kept pace—from December 31, 1949 to December 30, 1950, time deposits held by member banks in the Fifth District increased about 1%; when the latter half of the year is considered, time deposits show a decrease of approximately 1%.

Demand deposits of farmers (who held nearly one-fifth of total individual deposits) increased by 3.3% during the year. This was almost one percentage point above the national increase. In the Fifth District, cash receipts from farm marketings for the year 1950 rose 6% above receipts for 1949, but the increase occurred entirely in the late months of the year. The first six months of 1950 showed a decline of almost 5% from the previous year. For the United States as a whole, cash

receipts from farm marketings declined almost 1% during the year 1950.

### Other Demand Deposits

Demand deposits of nonprofit associations rose 9.4% from January 1950 to January 1951. Increases occurred in all size groups but again the bulk of the increase was in deposits of \$25,000 and over. These accounts have reflected increases each year since 1948.

The only decrease in demand deposits held by banks in the Fifth District for the year occurred in balances of trust funds, which accounted for practically 2% of total demand deposits. The decrease of 3.6% was in decided contrast to the national picture, since trust funds of banks, on a national basis, showed an increase of almost 9%. Decreases occurred in those deposit accounts under \$25,000, while those above \$25,000 remained the same as formerly.



## { Review of Business Conditions— Fifth District Economic Prospects }

**R**ISING defense contracts and clarification of pricing regulations have almost ended the lethargy that has prevailed in new business written by Fifth District firms in the past two months. Seasonally adjusted trade figures are again reflecting the basic strength in consumers' incomes—April improved somewhat over March and indications are that May will show some further improvement.

Production, though cut back in some plants, is very high—and, in fact is still near peak levels. Principal exceptions are in the seamless hosiery industry where substantial cutbacks have been made, but in former years such cutbacks would have been considered mainly seasonal. Construction activity continues to be a factor of strength in the District's economy, but changes are taking place in its composition.

In the financial sector, it is interesting to note these developments: Net cashings of savings bonds were smaller in April than in any month of the first quarter; time and savings deposits rose moderately; and the rise in adjusted bank debits was halted in April.

Durable goods industries, particularly in machinery and transportation equipment, continue to show rising employment trends and these industries, together with the uptrend in Federal employees, have accounted for a substantial part of the increase ever since the outbreak of the Korean war. New passenger car and truck registrations continue to run modestly ahead of these very high months last year.

### Trade

April department store sales (adjusted) rose 10% over March and indications are that the May totals will be about 2% ahead of April. Furniture store sales also showed improvement, after seasonal correction, from March to April with the largest gain occurring in cash sales. Sales of wholesalers adjusted, however, showed considerable irregularity, with drugs, groceries, industrial supplies and tobacco showing increases and automotive supplies, dry goods, electrical goods, hardware and paper showing decreases. Most lines of wholesale trade, however, are still running substantially ahead of a year ago.

It was obvious in the early months of the year that the rate of consumer buying had run well ahead of the upward trend in income and would have to fall back into line. April performance of department store and furniture store sales gives some indication that trade

levels have seen their low point and that a rising trend may be again under way. This factor alone is of considerable importance in its effect on the nondurable goods industries of this District for it presages resumed buying at both wholesale and retail levels and fuller operations of plants now cut back.

### Construction

Total construction contract awards in April were 11% higher than March, after seasonal correction, and 8% ahead of the high level of April 1950. Sparking the April over March rise were the 64% increase in factory construction and 66% gain in public works and utilities, both after seasonal correction. These increases were in part offset by a 30% reduction in commercial construction and a drop of 22% in apartments and hotels. One- and two-family houses were, somewhat surprisingly, at approximately the same adjusted level as in March.

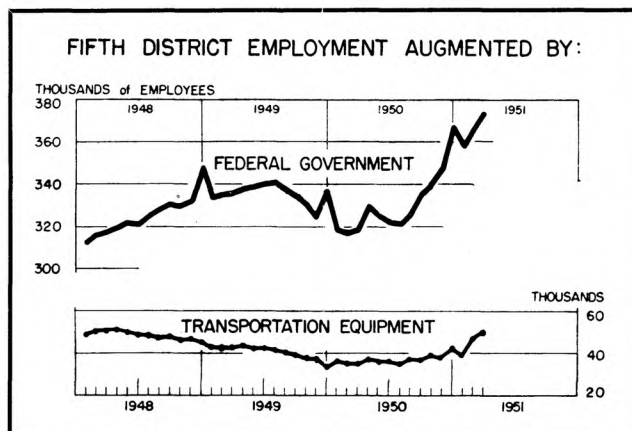
In summary and relative to a year ago, commercial construction is down 26%, factory erection up 190%, apartments and hotels down 74%, one- and two-family houses up 15%, and public works and utilities up 49%. It may be questioned whether the current level of factory construction can be maintained under presumed

conditions of growingly tight materials supplies. This applies particularly to nondefense structures, where even allocations of materials may not permit more than a major fraction of those planned.

Residential housing has been sustained in the face of tighter credit conditions, though the major part almost certainly represents pre-regulation commitments. Tighter mortgage money and slightly higher interest rates, along with heavier down payments, are expected to reduce one- and two-family house construction during the remainder of the year. Construction of multiple housing structures has already been cut back substantially and will probably remain low except in defense areas.

### Bituminous Coal

Though the coal industry is operating considerably below capacity levels, April output rose 18% (adjusted) over March and was 23% ahead of a year ago. Demand by principal domestic consumers is rising and exports are expanding substantially. The outlook is for a higher level of production, but the industry can hardly produce at capacity except for the seasonal period next winter.



### **Lumber**

Employment levels in the lumber industry reached a peak in March and have held at that level. Supply and demand are currently in balance, but new orders are running somewhat below production and shipments. The hard wood market has eased considerably due to relaxed buying by furniture factories and the leveling off of residential construction. If reduction occurs in residential construction, some easing will be seen both in lumber production and prices.

### **Hosiery**

Production in seamless hosiery mills is operating around 50% of capacity at the present time, and price reductions in the full fashioned end of the business indicate some cutback may also be witnessed there. Reduced production in both lines, however, should hardly exceed two months' duration, for retail demand is being maintained and store inventory positions are improving.

### **Rayon**

Rayon shipments in April dropped 3% below the March level, mainly because of fewer working days rather than reduced demand. There has been no stock accumulation by producers and at the end of April they were carrying only a three days' supply. Spokesmen in

the industry believe that production will be at capacity for the rest of the year. A new 12 million pound rayon tire yarn and tow plant (Eastern Rayon Corporation, Parkersburg, West Virginia) has been authorized in this District and some concerns have indicated they are increasing capacity of existing plants.

### **Textiles**

With the issuance of the new pricing order by the OPS, it is believed that new textile business will be forthcoming in volume as soon as price schedules can be computed, and the same thinking applies to the synthetic weavers. The goods market has displayed a firmer tone and fill-in orders have been executed recently. Durable goods production is being cut back and, as soon as reduced quantities of these goods are available in the market, results should be favorable to the textile industries since more people will have funds available for off-set purposes. Despite the lack of new business in textile markets for the past two months, production has been held at high levels despite strikes. April consumption of cotton (adjusted) in this District was 14% below March but 6% ahead of a year ago. The industry will probably be straining production facilities by fall, though a summer cut back for want of desired grades of cotton is likely.

## *Fifth District Economic Prospects*

FROM time to time, and in order to broaden and improve the quality of its information, the Federal Reserve Bank of Richmond requests information from a group of industrial and financial leaders and covering all geographic areas of the District. In mid-May some thirty individuals were queried on various phases of economic activity and asked for facts and their informed opinions on the effects of the defense program on their areas, the construction situation and outlook, real estate developments, inventories, consumer expenditures and savings, agriculture, and the effect of credit controls. Consensus of their opinions was as follows:

### **The Defense Program and Its Effects**

Expanding defense orders are a major factor of strength in the present and prospective high level of business activity. Reports from the textile areas particularly stress the growing importance of Government orders though noting that they are not heavy as yet.

Shipbuilding and aircraft industries are expanding rapidly. The Newport News Shipbuilding and Dry Dock Company reports an increase in its backlog of \$100 million since July 1950, with the current level near \$200 million. Glenn Martin's backlog totaled \$400 million at the end of April which was more than double the figure at the end of December.

Manpower requirements to date have been met without much difficulty, though such major defense areas as Baltimore, Hampton Roads, and Charleston, South Carolina, report critical shortages of skilled labor, particularly in shipbuilding and metalworking trades. Pri-

vate shipyards in the South Atlantic region reported employment in February up 70% from June, with Navy yard employment in this area up 40% in the same period. Federal Government employment in the executive services in the District of Columbia, Maryland, Virginia, and South Carolina amounted to 373,600, an increase of 16% since June 1950.

There is no evidence of serious shortages of materials throughout the District apart from the general shortage of steel and lesser shortages of copper and cement. Lumber supply and demand are about in balance. Bituminous coal supply should be adequate for all demands, while rayon and nylon supplies will be insufficient to meet the growing requirements.

The defense program has already resulted in substantial factory expansion, reactivation of standby plants and construction of new facilities in this District. Prominent among the large units are the atomic energy plant in South Carolina (which may absorb a billion dollars) and expansion of Bethlehem Steel, Sparrows Point, Maryland, totaling \$164 million.

### **Plant and Equipment Excluding Defense**

During the fall of 1950 and the first quarter of 1951, expenditures on plant and equipment (other than defense) in the Fifth District reached new record levels. Throughout the District respondents indicated that expenditures on plant and equipment have been "unprecedented," "substantial," and "at high levels." Steady modernization and expansion of the textile industry have accounted for the major part of these expenditures,

designed to expand synthetics, both fiber and weaving. A major project is DuPont's new Dacron plant at Kinston, North Carolina. Other important industrial facilities include Monsanto Chemical's \$90 million research laboratory at Charleston, West Virginia, and some \$63 million of miscellaneous construction for which certificates of necessity and accelerated amortization have been issued. While expenditures for plant and equipment other than for defense have continued at high levels, there is some evidence of a slowdown. Several leading bankers note a recent slackening with no large new planned expenditures in sight. Others feel that, after completion of present planned expenditures, a slowdown due to restrictions, either Government or credit, may occur.

### Other New Construction

Residential construction, generally high in the first four months in one- and two-family houses, apartments and hotels, is down substantially. Most materials are in adequate supply with only sporadic shortages of selected materials reported. Prices of new homes have increased 10 to 12% over a year ago, though the rise appears to have ceased. Sales volume is declining for higher priced homes.

There is a general shrinkage in supply of mortgage funds due mainly to the lower price in Government bonds. Insurance companies and other lenders have shown less willingness to lend on real estate, mortgage rates are higher, and the tightening of mortgage money was reported to be the chief immediate and prospective deterrent to residential construction.

Bankers polled generally report that Regulation X has thus far had only a moderate effect on residential construction, but they agree it will have an important effect within the next two or three months. Shortage of structural steel is delaying construction in a number of areas and in some instances planned programs have been indefinitely withdrawn.

### Real Estate Developments

The real estate market is still firm but shows signs of weakening. Final sales prices are generally below quoted prices, though quotations in many instances are undoubtedly high. Lenders report a definite slackening in demand for real estate credit, as reflected in applications.

### Inventories

Manufacturers' inventories in the Fifth District have increased only nominally in physical terms. The dollar increase has been fairly substantial, owing to the larger than average price rises, but these increases are largely in raw materials rather than finished products, exceptions being in the hosiery industry.

Inventories continue at record levels in most lines of wholesale trade, with a rising trend in electrical appliances, industrial supplies, and jewelry. In other lines of wholesale trade stocks are at high levels but no longer rising. Retailers' inventories continued to rise through the first quarter of 1951 and were at a level 20 to 25%

above a year earlier. Some reduction, however, occurred in April and this has probably carried over into May. In furniture stores inventories declined during March and April, showing a further decline from March. Many respondents attributed the high level of retail inventories of durables to the influence of Regulation W.

### Consumer Expenditures and Saving

Retail trade levels, after reaching a very high peak in January, receded sharply to March, then turned moderately upward in April and May. Time deposits of all member banks increased slightly in April but are almost unchanged over a year ago. Mutual savings bank deposits have risen for two months but are likewise at about the same level as a year ago. Net cashing of savings bonds in this District declined considerably during April to the smallest figure since November 1950. Sales of life insurance are continuing at very high levels with April 9% ahead of that month last year.

### Agriculture

Farmers in this District will increase their acreages of tobacco this year 14%, cotton 39%, and peanuts 4%. The price outlook for these cash crops are highly favorable. A strong export and domestic demand is in prospect for flue-cured tobacco, with prices averaging as high as or higher than last season's 55 cents a pound. Cotton supplies are tight. Price ceilings have been placed at 45.76 cents a pound for White and Extra White Middling 15/16". Peanut demand is expected to be strong with prices above those of 1950.

Farm labor supply appears reasonably adequate, although the number of farmers and hired workers is below last year and some difficulty in obtaining seasonal labor is expected. Farm wage rates on April 1 were 13% higher than a year ago and rising. Farmers had a record amount of machinery at the beginning of 1951, probably enough if kept in proper repair to maintain farm production at expected high levels in 1951. However, production of some new type machines may not be sufficient to meet this year's demand.

Reflecting higher farm prices and crop prospects, the 1951 outlook for farm income is favorable. Agricultural debt in the District appears reasonable in view of income prospects.

### The Effect of General Credit Controls

The combination of general credit controls (particularly recent Federal Reserve open market operations), the Voluntary Credit Restraint Program, and the selective controls, is definitely becoming increasingly effective in curtailing bank credit expansion in the Fifth District. Up to late May, the post-March 3 developments in the bond market have exerted far more important influence on bank credit than either the Voluntary Credit Restraint Program or the selected credit controls. The consequent discouragement to lenders to liquidate Government securities has appreciably affected the mortgage market and the immediate outlook for construction activity.



## Recent Banking Developments

BANKING developments in the early months of 1951 underwent sharp and varied changes. Chief among these developments was the sharp rise in loans in the first quarter and then a levelling off in late April and early May. Reserve requirements were increased and prices of Government securities declined below par for the first time in years. A new type of longterm Government security was offered to discourage shifting from Governments to loans. Selective credit controls were tightened or expanded in scope. And, in recent weeks, voluntary action on the part of lenders to restrain business borrowing has been initiated and appears to be receiving a growing measure of sincere support from the commercial banks.

Rapid loan expansion, which had begun well before the Korean crisis, continued through the first quarter of 1951. It centered in business lending and was generally provided by the larger banks. Weekly reporting bank data indicate that loan portfolios may be levelling off. Real estate loans of Fifth District banks have not increased materially since last fall, largely due to restrictive action on the part of the banks themselves. Consumer loans, influenced by Regulation W and the end of scare buying, levelled off in late 1950 and have continued near this record high level.

Many factors have served to slow down the rapid rise in bank loans extended from the second half of 1950 through the first quarter of this year. By February 1 legal reserve requirements had been upped to 6% on time deposits, and to 14 and 20% on net demand deposits at country and reserve city banks respectively. This increase of 2% of net demand deposits and 1% of time deposits brought reserve requirements to the maximum prescribed by law (except for central reserve city banks). In the Fifth Federal Reserve District member banks found that this action froze roughly \$90 million of reserves; for the nation the total approximated \$2 billion. Here the restrictive effect was largely offset by sales of Government securities, many of which were absorbed by the Federal Reserve System in furnishing the banks with additional reserves.

In early March the maintained Government bond market by the Federal Reserve System ended, with the market receiving only moderate support since. Subsequently, prices of long-term Governments have dipped below par, with important implications for future loan policy.

Since many Governments are quoted under par, a

penalty is attached to sales and presumably loans now look considerably less attractive to lending institutions, despite recent minor increases in interest rates.

Throughout the postwar period the price of long-term Governments had been held within a very narrow range, with investors able to sell substantial amounts of their holdings at will and without loss. Funds thus acquired were used to make loans or purchase higher yielding investments. As the Federal Reserve System acquired substantial amounts of these securities in maintaining Government bond prices, the banking system was furnished with an equivalent amount of reserves. This has been especially important in the Korean war period—actually Federal Reserve holdings of Governments rose from \$18,331 million in mid-1950 to \$22,910 million at the end of March.

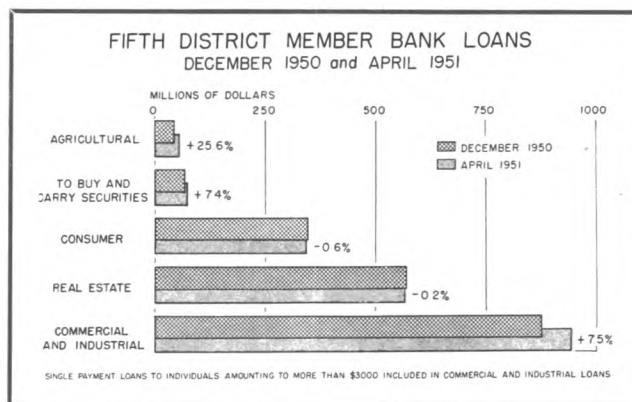
Under our system of fractional reserves, each dollar of these new reserves served as the base for potential credit expansion of about six times the amount of new reserves.

In late March and early April further action to restrict nonbank sales of long-term Governments was initiated. Between March 26 and April 6 holders of the 2½'s of June and December 1967-72 were offered con-

version into 2¾% nonmarketable bonds maturing in 1980 and callable in 1975, with the option of converting these long-term issues into a five-year marketable note carrying a 1½% interest rate. Since the note bears a rate below the current market level, exchanges involve a penalty and only bona fide long-term investors were interested in acquiring the new bonds. Some \$8 billion of the \$19.7 billion outstanding was converted by public subscription, and an additional \$5.6 billion was converted by Treasury investment accounts and the Federal Reserve System.

Restraints on lending have not been limited to general credit controls. Selective credit controls, concentrating on special types of lending activity, had previously come into the picture and continued to operate. In January and February Regulation X, which prescribes minimum down payments and maximum maturities for real estate loans, was expanded to include multi-unit residences and nonresidential construction.

In mid-January Regulations T and U (limiting the amount to be borrowed against the security of stocks) were further tightened. Margin requirements were increased from 50 to 75%. Conversely, the maximum loan value of stocks was lowered from 50 to 25% of current market value.





In March action was taken to restrict further expansion of business loans through cooperation of lenders under the program for voluntary credit restraint. The Voluntary Credit Restraint Committee has concentrated on restraining loans for super-normal inventory, for speculative investments or purchases, for retiring or acquiring corporate equities in the hands of the public, for postponable capital outlays by state and local governments, and long-term loans for such purposes as construction of facilities to improve the competitive position of producers of nonessential goods, to expand and modernize non-defense-supporting distribution or service lines, and to expand or modernize consumer goods plants not related to the defense effort.

These measures have made a contribution toward decreasing lending activity, though what contribution each has made is difficult to assess. In conjunction with other factors, including direct controls, they appear to have contributed importantly toward a reassessment of inventory and credit policy on the part of businessmen and bankers. Lending has further been restricted by a feeling by many bankers that real estate loans have reached or passed what might be considered the safe level, and by the disappearance of "scare buying" by consumers.

### Loans

Loans of Fifth District member banks passed the \$2 billion mark this spring for the first time in history. The 477 member banks on the April 9 call date showed net loans of \$2,026 million—up \$85 million from year end 1950, and at a level almost three times as high as at the end of World War II.

LOANS AND DISCOUNTS FIFTH DISTRICT MEMBER BANKS (Dollar amounts in millions)			
	June 30, 1950	Dec. 30, 1950	Apr. 9, 1951 <sup>p</sup>
Commercial and industrial loans .....	581	717	778
Loans to farmers .....	55	43	54
Loans to brokers and dealers in securities ..	13	12	9
Other loans for purchasing or carrying securities .....	45	57	64
Real estate loans:			
On farm land .....	44	44	45
On residential property .....	376	390	380
On other properties .....	129	136	143
Instalment loans to individuals:			
Retail automobile paper .....	107	117	115
Other retail paper .....	36	46	47
Repair and modernization loans .....	23	24	24
Cash loans .....	70	74	74
Single-payment loans to individuals:			
Less than \$3,000 .....	81	84	84
\$3,000 and over .....	139	158	164
Loans to banks .....	3	2	4
All other loans .....	50	59	63
LOANS—Gross .....	1,752	1,962	2,048
Reserves .....	19	21	22
LOANS Net .....	1,733	1,941	2,026
Number of banks .....	478	477	477

Data may not add to totals because of rounding.  
p Preliminary.

Net loans have risen \$293 million—almost 17%—since mid-1950. By far the greater part of the increase since June 1950, as well as during the first quarter of

this year, has centered in business lending. Commercial and industrial loans have climbed \$197 million since mid-1950. If the \$25 million increase in single-payment loans to individuals of \$3,000 and over (which are largely business loans) are included, 75% of the entire increase in loans was in business lending. Since business lending tends to concentrate in the larger banks, and since this type of lending accounted for most of the dollar volume of the loan increase, it would follow that the greater proportion of the dollar increase in loans would center in the larger banks.

Changes in other loan categories were noteworthy in that little movement was recorded. Many banks have felt for some time that they held enough real estate loans and these loans have shown a minor decline. Residential mortgage holdings fell off by \$10 million during the first quarter, but this was in considerable measure offset by an increase in real estate loans on other nonfarm properties. Farm mortgages showed only a very slight increase.

Consumer loans (excluding single-payment loans to individuals of \$3,000 and over) were virtually unchanged during the quarter. A minor decline in the amount of retail automobile instalment loans held was reported, but this was largely offset by a slight rise in other retail instalment paper owned.

Loans to farmers showed a substantial percentage increase (more than 25%), but this \$11 million increase during the quarter carried no great weight in the total change. All of the increase was in direct loans to farmers whereas loans guaranteed by the Commodity Credit Corporation continued to decline.

A \$3 million decline in loans to brokers and dealers for purchasing and carrying securities during the first quarter was more than offset by a \$7 million increase in other loans for purchasing and carrying securities.

### Securities

A substantial share of the funds required by the sharp loan expansion and the increased reserve requirements was provided by the sale of U. S. Government obligations.

Holdings of Governments by Fifth District member banks fell off \$170 million during the first quarter, and at \$2,275 million were about 12% larger than banks' holdings of loans. Interestingly, less than four years ago holdings of Government securities by Fifth District member banks were more than double their outstanding loans.

Maturities were considerably lengthened during the first quarter. Holdings of Treasury bills declined by \$55 million, and note holdings (taking into account exchanges of certificates of indebtedness for notes) declined by \$59 million. Net sales of \$59 million of bonds maturing in ten years or less were reported. Holdings of longer term bonds were virtually unchanged, although an increase of \$9 million in bonds maturing in from ten to twenty years and a decline of \$11 million in bonds of more than twenty years' maturity were reported.

## FEDERAL RESERVE BANK OF RICHMOND

Holdings of non-Government securities declined \$9 million from the record \$336 million at year end 1950.

### Deposits

Demand deposits of Fifth District member banks showed the usual spring trend, declining \$243 million. Most of the decline (\$180 million) was in deposits of individuals, partnerships, and corporations. Adjusted demand deposits followed the same trend, dropping from \$3,657 million at the year end to \$3,542 million on April 9. Deposits of banks fell \$141 million, while miscellaneous demand liabilities were off \$26 million. Offsetting was the substantial increase (\$107 million) in U. S. Government demand deposits, to a total of \$227 million.

Time deposits showed a slight rise during the first quarter. Drawing down of savings accounts for the purchase of consumers' goods has occurred on a moderate scale. Savings accounts of individuals, partnerships, and corporations showed a negligible decrease during the first quarter while all other classes of time deposits showed small increases.

### Capital

Total capital accounts of Fifth District member banks continued their steady rise, increasing \$13 million (3%) during the first quarter. Much of this increase reflects first quarter's earnings, but some was new capital. Many banks seem to feel that they need more capital to compensate for the larger risks involved in higher loan portfolios. The deposit uptrend of recent years has also been considered, as has the new excess profits tax, which may be related either to capital or to "average earnings". As broadening of the capital base may lessen the excess profits tax liability, the net cost of addi-

tional stock to the bank is smaller by the amount in which the excess profits tax liability is reduced.

### ASSETS AND LIABILITIES FIFTH DISTRICT MEMBER BANKS

(Dollar amounts in millions)

	June 30, 1950	Dec. 30, 1950	Apr. 9, 1951 <sup>p</sup>
<b>Assets</b>			
Loans and investments .....	4,501	4,722	4,628
Loans (including overdrafts) .....	1,733	1,941	2,026
U. S. Government obligations .....	2,471	2,445	2,275
Other securities .....	297	336	327
Reserves, cash and bank balances .....	1,408	1,686	1,556
Reserve with Federal Reserve Banks .....	658	749	780
Cash in vault .....	101	125	133
Balances with banks .....	348	445	369
Cash items in process of collection .....	301	367	275
Other assets .....	77	80	82
<b>Total assets .....</b>	<b>5,986</b>	<b>6,489</b>	<b>6,266</b>
<b>Liabilities</b>			
Demand deposits .....	4,190	4,693	4,450
Individuals, partnerships and corporations .....	3,278	3,593	3,413
U. S. Government .....	136	120	227
States and political subdivisions .....	320	326	324
Banks .....	384	549	408
Certified and officers' checks, etc. ....	72	105	79
Time deposits .....	1,341	1,328	1,332
Individuals, partnerships and corporations .....	1,257	1,235	1,234
U. S. Government and Postal Savings .....	30	31	32
States and political subdivisions .....	52	50	53
Banks .....	2	12	13
<b>Total deposits .....</b>	<b>5,531</b>	<b>6,021</b>	<b>5,782</b>
Borrowings .....	6	1	6
Other liabilities .....	35	40	39
<b>Total liabilities .....</b>	<b>5,572</b>	<b>6,062</b>	<b>5,827</b>
<b>Total capital accounts .....</b>	<b>415</b>	<b>426</b>	<b>439</b>
<b>Total liabilities and capital accounts .....</b>	<b>5,986</b>	<b>6,489</b>	<b>6,266</b>
Demand deposits adjusted .....	3,869	3,657	3,542
Number of banks .....	478	477	477

Data may not add to totals because of rounding.  
p Preliminary.

### DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	April 1951	April 1950	4 Months 1951	4 Months 1950
<b>Dist. of Columbia</b>				
Washington	\$ 1,045,218	\$ 784,834	\$ 4,229,414	\$ 3,101,350
<b>Maryland</b>				
Baltimore	1,216,264	895,610	4,892,030	3,800,810
Cumberland	23,538	19,366	97,570	82,538
Frederick	20,385	17,172	79,210	66,269
Hagerstown	31,169	26,446	127,089	104,018
<b>North Carolina</b>				
Asheville	55,021	48,686	235,123	189,771
Charlotte	321,889	264,477	1,366,417	1,046,539
Durham	93,535	81,910	388,166	307,745
Greensboro	99,547	77,047	406,433	310,822
Kinston	14,058	11,714	63,688	50,063
Raleigh	137,290	120,485	630,616	533,741
Wilmington	40,430	30,458	164,649	126,807
Wilson	16,294	14,544	77,109	57,294
Winston-Salem	155,001	125,108	654,979	525,027
<b>South Carolina</b>				
Charleston	71,874	60,133	293,443	240,560
Columbia	118,361	101,872	493,564	401,443
Greenville	105,723	83,632	450,719	337,270
Spartanburg	64,723	46,988	273,634	192,275
<b>Virginia</b>				
Charlottesville	26,757	23,360	105,957	90,977
Danville	27,073	22,103	122,673	94,815
Lynchburg	44,970	36,790	188,323	150,153
Newport News	40,677	30,744	162,791	111,212
Norfolk	205,777	210,602	840,916	832,917
Portsmouth	24,237	21,493	99,592	81,107
Richmond	495,167	457,323	2,131,591	1,857,989
Roanoke	107,729	94,443	442,872	364,672
<b>West Virginia</b>				
Bluefield	42,295	41,685	188,880	149,407
Charleston	132,286	124,087	594,673	477,982
Clarksburg	32,503	28,164	138,343	110,593
Huntington	61,554	56,094	265,162	217,750
Parkersburg	28,739	25,995	118,374	97,704
<b>District Totals</b>	<b>\$ 4,900,084</b>	<b>\$ 3,983,365</b>	<b>\$20,324,000</b>	<b>\$16,111,620</b>

### 51 REPORTING MEMBER BANKS—5TH DISTRICT

(000 omitted)

ITEMS	May 16, 1951	Apr. 11, 1951	Change in Amount from May 17, 1950
<b>Total Loans</b> .....	<b>\$1,196,299**</b>	<b>7,675</b>	<b>+267,749</b>
Business and Agricultural .....	593,664	8,798	+173,483
Real Estate Loans .....	241,250	1,369	+17,270
All Other Loans .....	375,536	374	+79,916
<b>Total Security Holdings</b> .....	<b>1,605,519</b>	<b>36,306</b>	<b>-177,422</b>
U. S. Treasury Bills .....	125,959	34,087	+23,328
U. S. Treasury Certificates .....	0	0	-164,163
U. S. Treasury Notes .....	375,373	2,112	+140,645
U. S. Treasury Bonds .....	939,760	3,461	-187,773
Other Bonds, Stocks & Secur. ....	164,427	3,354	+10,541
<b>Cash Items in Process of Col.</b> .....	<b>268,582</b>	<b>8,564</b>	<b>+35,409</b>
Due from Banks .....	167,422*	9,898	+5,820
Currency and Coin .....	69,808	1,544	+4,468
Reserve with F. R. Banks .....	518,453	9,199	+64,842
Other Assets .....	54,812	2,266	+2,240
<b>Total Assets</b> .....	<b>3,880,915</b>	<b>17,820</b>	<b>+203,106</b>
<b>Total Demand Deposits</b> .....	<b>2,984,212</b>	<b>10,563</b>	<b>+189,426</b>
Deposits of Individuals .....	2,222,074	18,732	+131,403
Deposits of U. S. Govt. ....	130,313	30,264	+38,837
Deposits of State & Loc. Gov. ....	171,176	1,196	+2,000
Deposits of Banks .....	405,624*	13,449	+10,551
Certified & Officers' Checks .....	55,025	9,842	+6,635
<b>Total Time Deposits</b> .....	<b>608,478</b>	<b>487</b>	<b>-12,823</b>
Deposits of Individuals .....	552,954	635	-21,155
Other Time Deposits .....	55,524	148	+8,332
<b>Liabilities for Borrowed Money</b> .....	<b>14,200</b>	<b>4,900</b>	<b>+6,525</b>
All Other Liabilities .....	27,480	493	+6,851
<b>Capital Accounts</b> .....	<b>246,545</b>	<b>1,377</b>	<b>+13,127</b>
<b>Total Liabilities</b> .....	<b>\$3,880,915</b>	<b>17,820</b>	<b>+203,106</b>

\* Net figures, reciprocal balances being eliminated.  
\*\* Less losses for bad debts.

## SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Apr. 1951	Mar. 1951	Feb. 1951	Apr. 1950	% Change— Prev. Mo.	Latest Month Year Ago
Automobile Registration <sup>1</sup> .....	—	217	191	238	+ 14	+ 8
Bank Debits .....	430	432	423	356	0	+ 21
Bituminous Coal Production .....	176	149	132	143	+ 18	+ 23
Construction Contracts Awarded .....	558	502	641	517	+ 11	+ 8
Business Failures—No. ....	62	70	51	76	— 11	— 18
Cigarette Production .....	237	221	238	197	+ 7	+ 20
Cotton Spindle Hours .....	149	166	165	141	— 10	+ 6
Department Store Sales <sup>2</sup> .....	326	297	341	323	+ 10	+ 1
Electric Power Production .....	—	337	339	296	— 1	+ 10
Employment—Manufacturing Industries <sup>1</sup> .....	—	153	152	138	+ 1	+ 12
Furniture Manufacturers: Shipments <sup>2</sup> .....	—	351	330	301	+ 6	+ 20
Life Insurance Sales .....	281	290	283	257	— 3	+ 9

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

## BUILDING PERMIT FIGURES

	April 1951	April 1950	4 Months 1951	4 Months 1950
<b>Maryland</b>				
Baltimore \$ 5,827,890	\$ 5,827,890	\$ 5,574,390	\$ 28,121,215	\$ 32,916,720
Cumberland 77,375	77,375	108,250	323,935	341,395
Frederick 47,015	47,015	193,725	533,540	1,138,875
Hagerstown 281,015	281,015	267,280	643,185	660,870
Salisbury 354,874	354,874	135,852	722,478	415,592
<b>Virginia</b>				
Danville 261,900	261,900	495,691	725,925	1,200,409
Lynchburg 320,246	320,246	264,710	1,565,370	1,249,130
Newport News 142,783	142,783	545,802	597,136	793,843
Norfolk 2,108,652	2,108,652	1,248,150	8,625,433	5,239,360
Petersburg 259,431	259,431	185,585	787,494	1,517,467
Portsmouth 321,510	321,510	418,435	3,432,110	1,166,784
Richmond 2,269,817	2,269,817	1,039,402	7,078,704	6,906,703
Roanoke 926,553	926,553	1,390,406	6,753,352	7,514,351
<b>West Virginia</b>				
Charleston 598,967	598,967	668,046	1,844,258	6,895,242
Clarksburg 54,315	54,315	122,442	312,610	481,223
Huntington 840,917	840,917	745,751	2,466,552	1,951,194
<b>North Carolina</b>				
Asheville 281,122	281,122	474,806	2,759,800	1,749,223
Charlotte 1,592,456	1,592,456	3,106,811	9,364,127	9,240,714
Durham 701,650	701,650	1,104,627	2,239,424	8,808,387
Greensboro 492,545	492,545	1,062,663	2,923,614	3,763,691
High Point 309,915	309,915	546,685	1,245,389	1,237,631
Raleigh 878,995	878,995	3,180,255	4,652,220	7,004,891
Rocky Mount 219,419	219,419	1,033,279	1,244,206	2,072,377
Salisbury 92,610	92,610	203,655	539,345	1,443,088
Winston-Salem 664,727	664,727	1,230,183	4,105,204	3,747,241
<b>South Carolina</b>				
Charleston 156,174	156,174	264,973	587,586	883,938
Columbia 1,173,542	1,173,542	708,020	4,430,327	4,393,063
Greenville 545,950	545,950	671,836	2,877,559	2,464,529
Spartanburg 69,080	69,080	173,850	362,190	514,706
<b>Dist. of Columbia</b>				
Washington 3,397,945	3,397,945	7,497,308	23,548,224	22,759,145
<b>District Totals</b> \$ 25,269,390	\$ 25,269,390	\$ 34,662,868	\$ 125,412,512	\$ 139,971,832

## DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	District Total	
Sales, Apr. '51 vs. Apr. '50	— 3	— 4	— 3	— 9	— 6	
Sales, 4 Mos. '51 vs. 4 Mos. '50	+ 15	+ 10	+ 11	+ 10	+ 11	
Stocks, Apr. 30, '51 vs. '50	+ 32	+ 30	+ 24	+ 19	+ 25	
Orders outstanding, Apr. 30, '51 vs. '50	+ 27	+ 38	— 3	+ 3	+ 14	
Current receivables Apr. 1 collected in Apr. '51	26	45	44	36	39	
Instalment receivables Apr. 1 collected in Apr. '51	13	15	18	15	16	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Apr. '51 vs. Apr. '50	— 5	— 3	— 5	— 7	— 12	— 6
Sales, 4 Mos. '51 vs. 4 Mos. '50	+ 10	+ 11	+ 13	+ 17	+ 5	+ 9

## WHOLESALE TRADE

LINES	Sales in April 1951 Compared with		Stocks on April 30, 1951 compared with	
	Apr. 1950	Mar. 1951	Apr. 30 1950	Mar. 31 1951
Auto supplies (8) .....	+ 8	— 29	+ 34	+ 7
Electrical goods (8) .....	+ 17	— 9	+ 54	+ 21
Hardware (14) .....	+ 9	— 14	+ 15	+ 13
Industrial supplies (7) .....	+ 26	— 6	+ 17	+ 2
Drugs & sundries (12) .....	+ 20	+ 1	+ 7	— 4
Dry goods (14) .....	0	— 31	+ 39	+ 8
Groceries (61) .....	+ 10	— 3	+ 20	— 1
Paper & products (5) .....	+ 46	— 15	—	—
Tobacco & products (10) .....	+ 12	— 2	+ 22	— 4
Miscellaneous (97) .....	0	— 19	+ 39	+ 2
District Totals (236) .....	+ 7	— 14	+ 30	+ 5

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 1950	
	April 1951	4 Mos. 1951
Maryland (7) .....	+ 5	— 4
District of Columbia (7) .....	+ 18	+ 16
Virginia (18) .....	— 7	+ 4
West Virginia (10) .....	— 16	— 5
North Carolina (14) .....	— 1	0
South Carolina (7) .....	— 16	— 9
District (63) .....	+ 3	+ 5
<b>INDIVIDUAL CITIES</b>		
Baltimore, Md. (7) .....	+ 5	— 4
Washington, D. C. (7) .....	+ 18	+ 16
Richmond, Va. (6) .....	— 17	— 6
Charleston, W. Va. (3) .....	— 4	— 9
Charlotte, N. C. (3) .....	— 13	— 17

Number of reporting firms in parentheses.



## NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Output and incomes were generally maintained in April and May, reflecting in part a further expansion in Federal defense activities. Consumer demands for most durable goods slackened further, and total value of retail sales was only moderately above year-ago levels. Wholesale commodity prices decreased slightly in May and common stock prices showed fairly marked declines. Bank loans to business have shown little change since early April.

### Industrial Production

Output at factories and mines in April, as measured by preliminary figures for the Board's seasonally adjusted index, was 222 per cent of the 1935-39 average, the same as March. Not much change in this level is indicated in May. The current level of industrial activity is about 15 per cent higher than a year ago.

Production of durable goods showed little change in April as output of industrial equipment increased somewhat less than in other recent months; passenger car assemblies decreased 15 per cent; and production of furniture, television sets, and most other household durable goods was reduced. Output of metals and most building materials was maintained at or above earlier advanced rates. Activity in the aircraft industry showed a further marked expansion.

Output of most nondurable goods was maintained in April. Production of chemicals expanded further reflecting mainly increased output of synthetic rubber and other industrial chemicals. Activity in the cotton textile industry decreased owing in part to a labor dispute which was terminated in early May.

Crude petroleum output expanded to new record levels in April and early May, and production of anthracite rose substantially from the reduced March rate. Metal mining increased as iron ore production rose more than seasonally.

### Employment

Total employment in nonagricultural establishments in April, seasonally adjusted, showed a smaller gain than in other recent months. Employment in defense and related activities continued to increase, while employment in consumer goods industries showed moderate declines. Average wage rates at manufacturing plants rose further. Unemployment declined to 1.7 million, one of the lowest levels reached in the past decade except for the war years.

### Construction

Value of construction contract awards increased seasonally in April, reflecting chiefly gains in most types of private nonresidential awards. Total awards in May are likely to increase further because of a very large contract issued by the

Atomic Energy Commission. The number of housing units started in April showed a contra-seasonal decline to 88,000, as compared with 93,000 in March and 133,000 in April 1950.

### Distribution

Total retail sales decreased further in April. In the early part of May, department store sales of durable goods slackened somewhat further, while sales of apparel and most other nondurable goods were maintained. Department store stocks at the end of April continued at the advanced level reached at the end of March and were nearly one-third above the corresponding period in 1950.

### Commodity Prices

Prices of 28 basic commodities have declined further since the end of April and on May 25 were 7 per cent below the February peak but 38 per cent higher than a year ago. Reflecting mainly declines in basic materials, the general level of wholesale commodity prices has decreased slightly since the end of April. Prices of finished goods have generally changed little.

Consumer prices in mid-April were maintained at the March level. Prices of foods declined slightly but apparel, housefurnishings, and rents increased somewhat further.

### Bank Credit and the Money Supply

Bank loans to business in leading cities showed little change from mid-April to the third week of May, although there is usually a decline at this season. Credit extended for defense purposes continued to be substantial. Wholesalers and retailers also borrowed substantial amounts, while commodity dealers made large repayments on loans.

Deposits and currency held by businesses and individuals increased substantially in April, reflecting largely a shift of funds to private accounts as Treasury balances were reduced following the heavy inflow of tax receipts in March. At selected banks in leading cities outside New York the rate of use of demand deposits rose somewhat further.

Member bank reserve balances declined between early April and mid-May, reflecting gold and currency outflows, cash redemption of part of Federal Reserve holdings of the weekly maturing Treasury bills, and increases in Treasury deposits at the Reserve Banks.

### Security Markets

Common stock prices reached a new postwar high early in May but subsequently declined to the lowest level since mid-January. While yields on Treasury securities increased somewhat in the first three weeks of May, there was little net change in yields on high-grade corporate bonds.

