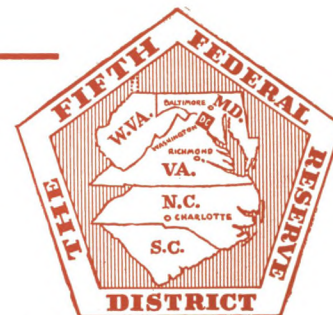
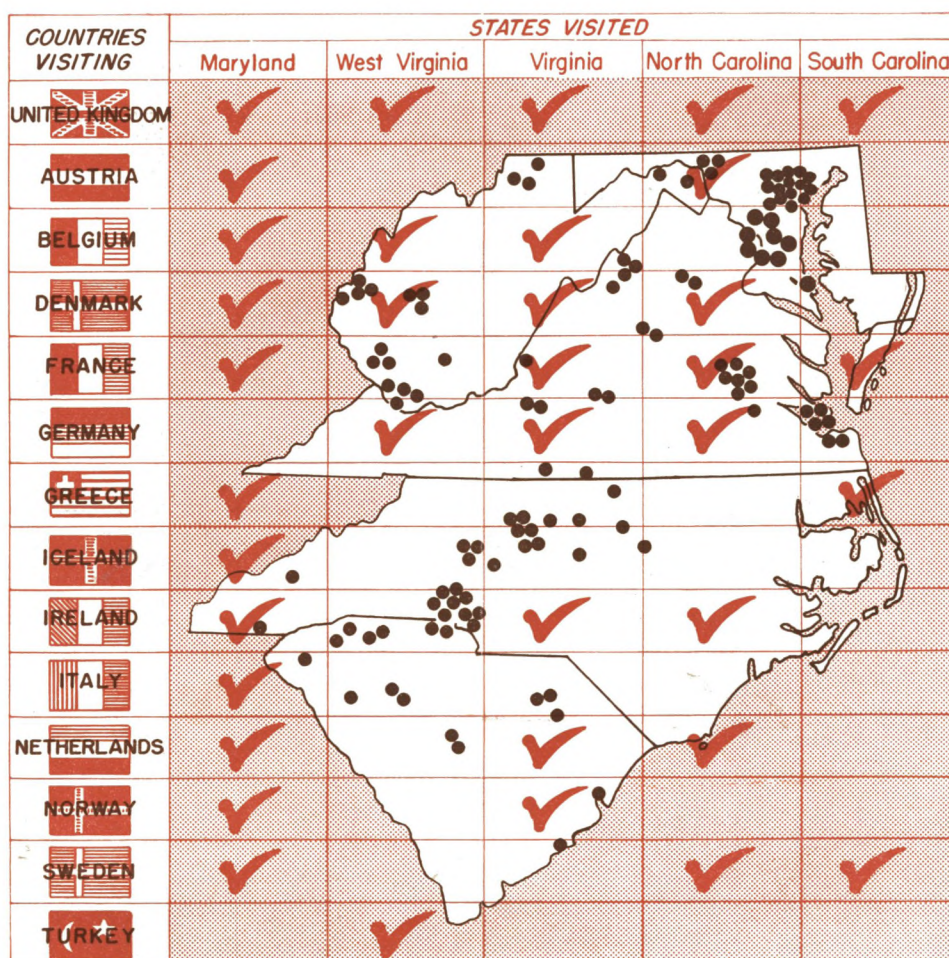


Monthly Review



JULY 1951

VISITS PAID TO FIFTH DISTRICT INDUSTRIES BY EUROPEAN DELEGATIONS, February 1949 - July 1951



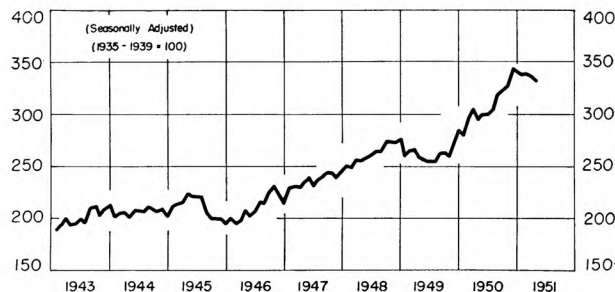
THE map above indicates the extent to which productivity teams of foreign representatives of labor and management have visited factories, farms, and other industrial installations throughout the Fifth District. The article on page 3 discusses ECA's Technical Assistance Program and the part played by Fifth District industry as host to over 1,000 visitors in this unique method of exchanging industrial know-how.

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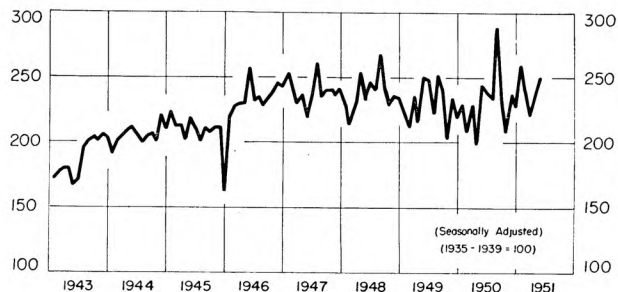
FIFTH DISTRICT TRENDS

ELECTRIC POWER PRODUCTION



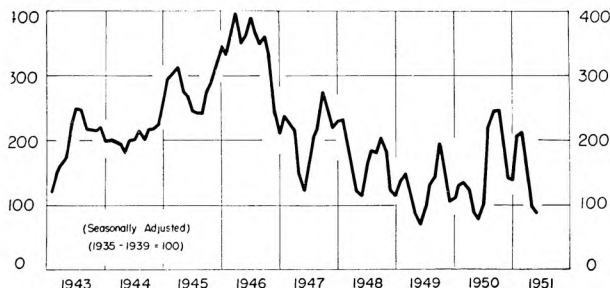
Extent of recessionary trend in business activity in this District is shown in the electric power production to be very moderate indeed. This moderate reaction has followed the period of nearly two years when growth in use of electric power has been more rapid than at any other time in the history of this District.

CIGARETTE PRODUCTION



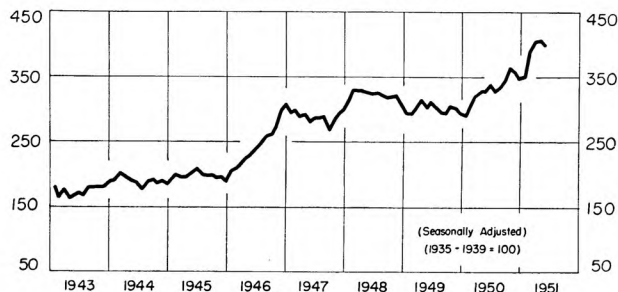
May adjusted output was up 7% from April and 2% over a year ago. Cigarette export market has improved moderately, but is still well below its level of several years past. Facilities expansion in the industry projected in Richmond, Virginia, and a new research laboratory for Charlotte, North Carolina.

DEPARTMENT STORE OUTSTANDING ORDERS



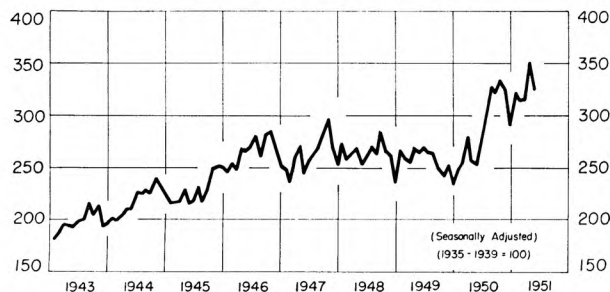
Department stores continue to purchase on a conservative basis with adjusted outstanding orders in May 12% under April but still 12% ahead of a year ago. Combination of outstanding orders and inventories shows a dollar drop of 7% from April compared with a sales gain of 11%.

DEPARTMENT STORE STOCKS



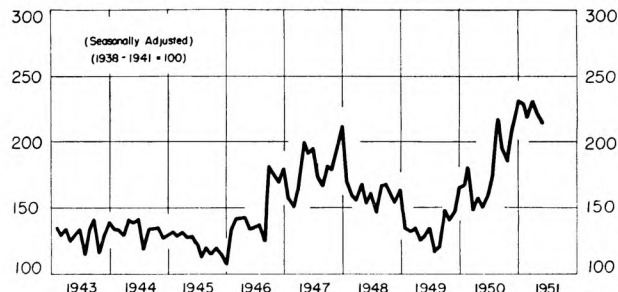
May improvement in department store sales found its reflection in a drop in store stocks. These fell 2%, adjusted basis, from April to May. Inventories continued 21% ahead of a year ago. With the exception of a handful of departments, store stocks can only be considered high in relation to current depressed sales.

WHOLESALE DRUG SALES



The independent drug business must be good because drug wholesalers' sales are running at the highest level in history. Although sales in May adjusted were 8% lower than in April, they were still 28% ahead of a year ago and well ahead of all previous records.

WHOLESALE PAPER AND PRODUCTS SALES



Wholesalers of paper and paper products have found very little slackening in their trade levels this spring. The current level of sales, though in a moderate recessionary trend, are nevertheless 43% ahead of a year ago.

Productivity Teams--- An Experiment in International Cooperation

A GROUP of officials of the United States' Economic Cooperation Administration sat down one day in 1948 with British Chancellor of the Exchequer Sir Stafford Cripp to discuss the problem of economic recovery in Europe. During the exchange of ideas on boosting production, reference was made to the high level of labor productivity in the U. S. and the flood of goods pouring from its factories.

"One look is worth a lot of description," remarked Sir Stafford, "I wish we could see how your American factories do it."

"All right," spoke up ECA Administrator Paul Hoffman, "let's bring your people over, and we'll show them how."

That was the beginning of a series of pilgrimages which have brought more than 3,000 workers, technicians, union representatives, and management officials from fifteen Western European countries to the United States in quest of industrial and agricultural "know-how." Grouped into what are called productivity teams, they have crisscrossed the U. S. under the auspices and administration of the Technical Assistance Division of ECA and have studied factory and agricultural organization, administration, production methods, labor-management relations, and, in fact, almost the whole gamut of American industry in its physical as well as personnel aspects.

Among the 72 teams visiting the Fifth District have been British groups studying rayon production in Virginia and North Carolina, men's clothing in Maryland, and fertilizer plants in Maryland and Virginia. Belgium has sent teams to observe coal mines in West Virginia and foundries in Virginia; Denmark's hosiery industry has sent representatives to North Carolina mills, and a Danish team examined power supply facilities in Maryland and West Virginia. A French cotton spinning and weaving group had a look at South Carolina's modern mills; Norwegian teams have been through shoe factories in Maryland and Virginia and pulp and paper plants in Virginia, and a Swedish team studied woodworking practices in North Carolina.

ECA's Technical Assistance Program was created because it was recognized that in helping the war-ravaged countries of Europe to regain their economic strength, it would not be enough to replace destroyed plant and equipment and provide additional tools and machines of the latest types. More important, European agriculture and industry needed to make better use of the men and machines they already had.

It was agreed that in general American industry is more efficient than European industry—that with a given amount of labor and capital, its factories and farms out-produce their European counterparts. In order to help, say, the Norwegian shoe industry make its

workers, tools, and machines more productive, representatives of that industry should observe at first-hand the techniques, management and worker skills utilized by American factories in turning out shoes.

PRODUCTIVITY TEAM VISITS TO FIFTH DISTRICT

	Number of Teams	Number of Visits	Number of Coun- tries Rep- resented	Number of Indus- tries Rep- resented	Number of Persons
Maryland	37	61	12	17	352
Virginia	28	46	8	14	303
West Virginia	8	31	5	5	92
North Carolina	15	44	8	7	138
South Carolina	8	20	4	5	131
Fifth District	72	202	14	22	1,016

The factories and farms of the Fifth District have been the classrooms for many of the lessons learned by technical assistance groups. As shown in the accompanying table, 72 productivity teams from 14 European countries have visited facilities in the Fifth District during the past two years. Many members of these teams have indicated that the fundamental ideas and objectives of the Technical Assistance Program are being grasped and taken back to Europe for discussion, application and further dissemination. In point is a statement by a member of a French productivity team, here to study handling and stevedoring in American ports. This man, a docker back in his native France, remarked while inspecting port facilities in Newport News, "Oh yes, the equipment you have is fine—a big help, and we could use it. But," (with a characteristic Gallic shrug) "it isn't the whole story; some of it is in the mind—here in your country there's a different attitude, something that gets more work done."

This emphasis upon the importance of intangible factors in productivity has received increasing recognition. Technical assistance does not consist solely of supplying technical know-how and making heavy capital outlays; an important part of the problem deals with attitudes and ways of doing business. The point has been made by R. M. Bissell, Jr., in the April 1951 *Foreign Affairs*: "It will not require enormous sums of money—even of European capital—to achieve vaster increases in production. But it will require a profound shift in social attitudes, attuning them to the mid-twentieth century."

The Selection of Productivity Teams

The French team above referred to was composed of interesting and interested individuals, an earnest, hard-working group. Of the 14 members from nine Metropolitan French ports and two French Africa ports, eight represented managements of eight different firms, one was a union representative, and five were workers: two dockers, a chief of foremen, a foreman, and a crane operator. All had been subjected to a careful selection



Netherlands Enamelware Productivity Team members watch an operation in a plumbing fixtures plant in Baltimore. Courtesy ECA.

process and a thorough screening before their membership was finally approved.

The decision to send this team to the United States originated with the trade associations of this French industry. After invitations for team membership had been sent to all companies in the industry, and selections made, the team project passed through a series of reviews and approvals by the French Productivity Center (a body supervised by a board representing management, labor, and various ministries), the ECA mission in France, and ECA in Washington.

The French Port Handling and Stevedoring Team landed in New York on May 21, 1951 for a five-week study-tour. Its itinerary was worked out by the project manager assigned by ECA to accompany this team while it was in this country. Among the difficult tasks of this individual is the selection of plants and installations engaged in work similar to that of the team members' companies. When this French team visited a leading port in the Fifth District, some time was spent in showing the piers and equipment used for loading ships with coal. "Very interesting," remarked one of the team, "but we do not export coal; we are more concerned with seeing facilities for discharging coal and other cargo from ships."

After consulting trade associations within the particular industry and checking with labor advisers to get their views on plants most suitable for inclusion in the itinerary, the project manager gets on the telephone and contacts the individual companies chosen. Rarely does he get a refusal, and most of the companies go out of their way to make certain that the team will have a worth-while visit and to make the members feel as welcome as possible. The expense of taking a team through a plant—and more often than not, of giving it a lunch-

eon or dinner—is borne entirely by the host company. In many cases companies have cooperated with civic groups, labor unions, and individual workers in enabling the visiting teams to see how Americans live, what their houses are like, and how they spend their non-working hours.

When expenses are mentioned, it should be understood that Uncle Sam does not pick up the tab for the entire cost of productivity team visits. ECA pays only the dollar costs involved: transportation within the United States and a per diem per team member which varies, depending on the region visited, from \$6 to \$12. All other costs (non-dollar expenses) are the obligation of the countries involved and include the expense of a pre-sailing review of the team's industry, visits to representative plants in the team's own country when time permits, and the costs of ocean transportation.

Another substantial expense borne by the foreign countries arises when returning teams compile detailed reports which are distributed widely in the country of origin and other participating countries. Such reports are extremely important because they tie in directly with one of the most difficult problems of the TA program—the *application* of ideas and knowledge gained from visits to American industries to those sectors of the foreign economy with the greatest need for technical improvement and in which added technical know-how will do the most good for the economy as a whole.

The Application of Ideas

Although one of the requirements imposed upon productivity teams is to hand in an extensive report of what they have seen and what they have learned, the widespread dissemination of that report and, more important, the implementation of the lessons learned are something else again.



United Kingdom Cotton Team inspects a picker machine in a North Carolina cotton mill. Courtesy ECA.

The British apparently are cognizant of the problem. At its final briefing meeting before leaving England, the British Hosiery and Knitwear Productivity Team was told, "... once you get back the prime purpose that you have after the preparation of your Report is to see that the dissemination of the knowledge you get, the spread of 'know-how' is carried out to the nth degree."

Such a goal is not easily accomplished—take, for example, the case of a worker who had been a member of a French team visiting this country. Upon his return he gave one lecture to a group of workers' delegates in his plant which evoked a very lively and controversial discussion—including charges by the Communist delegates that the "American imperialists" had let him see only what they wanted to show him on the team's trip and implied that he was in the pay of the Americans. After this one meeting, the worker went back to his old job where he had no further opportunities to apply what he had learned.

There have been, of course, more favorable experiences. A survey of the results of another French team's trip to this country pointed out that one of the worker representatives was freed from his job for extended periods in order that he might wander around his plant talking to employees about productivity as he had seen it in the United States.

Many companies that have been hosts to productivity teams are in the dark as to what information and ideas were gained by the groups, what use they were being put to in foreign industries, and what the nature is of follow-up programs after the teams have returned home. Generally, these companies realize that some time will have to elapse before tangible results appear, but in the interim, and as information becomes available, they would welcome knowledge of the more immediate results of the time they spent in conducting teams through their plants.

Careful Choice of Host Plants

As indicated earlier, the selection of individual companies for the itineraries of productivity teams is not a haphazard choice. Most of the companies included in the totals shown in the accompanying table were selected because they achieved high productivity and could show visiting teams something out of the ordinary in technique, planning, or equipment.

Illustrative of the above is the very effective organization of labor-management relations which has caused many teams to visit one of this District's leading companies. Another firm in the District was asked to co-operate in the program because it had devised a highly efficient method of handling and distributing raw materials within its factory. One of our small local manufacturing firms was told by the Technical Division of ECA that it had been requested to show its plant to a foreign team because its production methods for a certain product were among the most advanced in this nation-wide industry.

A significant point with respect to the productivity team visits to the Fifth District is the fact that they have not been concentrated merely in plants of the three or four leading industries. On the contrary, factories, mills, warehouses, and other facilities representing 22 different industries have been requested to open their doors to foreign teams. This is a compliment to the widespread high level of technical efficiency in the industrial structure of the District.

A Successful Selling Job

Foreign groups have apparently found it well worth their time to inspect the industry of the Fifth District—and have also found it to be a particularly pleasant part of their visit to this country. One of the project managers who has taken teams all over the country recently summed it up as follows: "I can't say enough in appreciation of the warm and sincere welcome that the teams I've been with received from the people in your District. Believe me, it makes a lot of difference to the success of this program, and I know that for a fact from the favorable comments I get from team members every time we swing through your region."

If the good-will created by this program and the success it has had in "selling" America to Europeans could be measured in dollars and compared with the expenditures made, there is little doubt that the "profits" would appear tremendous. Aside from the fundamental objectives of increasing production and enabling Western Europe to devote part of its energies to rearmament without sacrificing post-war gains in standards of living, the TA program is widely accepted as one of the most successful advertising and selling jobs ever done.

The TA program has encountered formidable opposition from Communists who have tried to label productivity as a "speed-up for higher profits and lower purchasing power for the worker." Difficulties have also arisen from long-standing traditions and attitudes inimical to progressive ideas and changes on the part of both labor and management. European workers have been prone to regard productivity gains as potential sources of unemployment—that to increase output per man-hour might be to work themselves out of a job. Many continental employers have traditionally divorced their interests from those of their workers, and they have found it difficult to accept the compatibility of high wages and high profits.

However, the ideas behind the TA program and its objectives are so sound and desirable to both the United States and Western Europe that successful results are mounting and definite inroads are being made on attitudes and production methods that have hitherto checked production gains and higher standards of living. A program of this nature needs time to register its full impact, but it is sowing the seeds of better living for European workers, and a crop will be harvested if it is not destroyed by the feet of marching armies—or if the United States does not withdraw its support of the program prematurely.

Mortgage Lenders---The Mutual Savings Banks

Recent developments in the field of credit have served to focus attention on the lending activities, not only of commercial banks, but other lending institutions as well. This is the third in a series of articles designed to review briefly characteristic operations of leading lenders outside the commercial banking field.

MUTUAL savings banks are currently among the more important long-term credit providers and savings depositaries in the United States. Their mortgages total three-fourths as much as Federal Reserve member banks' holdings and equal 60% of the combined mortgage portfolio of all insured commercial banks. In 1950 these banks recorded more than \$1 billion of non-farm mortgages of \$20,000 or less—7% of the total. More than one-third of the time deposits of all American banks are held by mutual savings banks. Extent of their financial activities is particularly impressive when it is recalled that nearly all of the 530 mutual savings banks are located in New England and the Middle Atlantic States; almost two-thirds are located in two states—Massachusetts and New York.

Since February, when the last wave of scare buying by consumers subsided, mutual savings bank deposits have shown a consistent rise, resuming the growth which has been typical of these institutions since 1942. Data for May 31 show deposits at an all time high of \$20,234 million, up \$72 million during the month. Mortgage loans are at a record peak of \$8,761 million and have been growing at an increasing rate despite credit restrictions. Below-par prices have slowed up their sales of Governments; 60% of the increase in mortgages during April and May was met by reduced cash holdings and increased deposits.

In the Fifth District mutual savings bank activity is concentrated in Maryland, where nine banks, eight of which are located in Baltimore, are chartered. Despite their small number, savings banks account for a considerable part of total banking activity in the District. Their savings deposits are considerably larger than time deposits of all member banks in Maryland and a third as large as the total time deposits of all member banks in the Fifth District. The eighth largest bank in the Fifth District is a mutual savings bank located in Baltimore, and this bank, third oldest mutual savings bank in the United States, has been in operation for a century and a third.

As the name implies, mutual savings banks are co-operative institutions wholly owned by the depositors. Most of them were organized during the nineteenth cen-

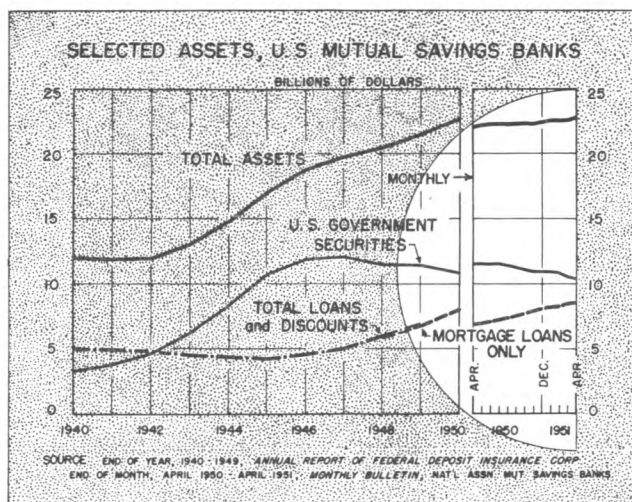
tury to provide a place where the then new wage earning class could deposit small savings. Consequently, deposits are generally restricted to savings accounts of individuals and nonprofit institutions. Time deposits of businesses, which cannot be classified as savings accounts in the true sense, are in general not accepted, although permitted by law in some states, including Maryland. Some savings banks (including two in Maryland) regularly accept demand deposits; most issue demand instruments such as officers' checks. The total of these demand obligations is about 0.1% of total deposits of mutual savings banks in the United States.

As most of the funds of savings banks are invested in fairly non-liquid assets, (in line with historically proven deposit stability), and as substantial withdrawals by individual depositors might cause serious disturbance to their investment schedules, most savings banks prescribe a maximum that any person may deposit. In some states this maximum is prescribed by law. Maryland law does not limit the size of accounts, and each bank makes and enforces its own rules. It should be noted that legal

or policy restrictions on the amounts which may be deposited do not prevent a depositor from opening an account in the name of another member of his family or establishing an account with more than one bank.

Savings deposits are evidenced by entries on pass-books and withdrawal notice ranging from one week to six months may be required. Maryland law permits banks to require ninety days' notice. In practice withdrawal notices are waived and deposits may be withdrawn on demand.

Depositors, as the sole owners of savings banks, are subject to risks of ownership, and share in all earnings of the business. Consequently, these banks pay dividends (or interest) which are not determined in advance, but depend on the earnings of the bank during the period. Like other dividend-paying institutions, savings banks try to maintain a set rate. Although the depositors have full claim on the earnings of mutual savings banks, interest-dividends do not necessarily exceed interest rates paid by other types of savings institutions, although they average about twice that paid on



savings accounts in commercial banks. Savings banks usually make substantial transfers to a "guarantee fund" or surplus; conservative investment policies lead to relatively low yields on assets. In recent years dividends have averaged slightly less than 2%, although some banks pay appreciably more.

Since mutual savings banks have no paid-in capital, they build up substantial guarantee funds to serve as a cushion against withdrawals and asset deterioration. In Maryland the guarantee fund must be increased by at least $\frac{1}{8}$ of 1% of deposits annually to a minimum level of 3% of deposits. Dividends may be paid only out of net income; the guarantee fund may not be drawn on for dividend payments. At year end 1950 this fund equaled 4.8% of deposits; undivided surplus amounted to 7.0% of deposits.

Although depositors own mutual savings banks, they have no voice in the management which, in most states is vested in a self-perpetuating board of trustees or directors. Original trustees are selected by the organizers of the banks. When a vacancy occurs, the remaining trustees select a successor. Most states (not including Maryland) prohibit trustees from receiving salaries or fees for attendance at board meetings.

Mutual savings banks' investments are usually prescribed by law. Some states permit more discretion than others as to bank investments, but "legal lists" usually include the following: first mortgages on improved real estate; U. S. Government bonds; bonds of states, municipalities and other political subdivisions; certain high grade bonds of railroads and public utilities; and in certain instances, bonds of strong industrial corporations.

Maryland law permits savings banks considerably more freedom in their choice of investments than do most states. The only statutory restrictions are that no loans may be made to officers, employees, or directors, and that investments must be "on good security" at the discretion of the directors of the bank.

In addition to the legal restrictions on their investments, mutual savings banks are subject to supervision by state banking departments. Examinations are made at intervals prescribed by the statutes of the various states.

In Maryland, the bank commissioner is charged with seeing that "sound banking practices" are followed, and the savings banks are required to submit to the commissioner at year end a detailed list of all investments. In addition, a more abbreviated statement of condition is required at midyear. Examinations are conducted twice each year.

Mutual savings banks are eligible for membership in the FDIC, the Federal Home Loan Bank System, and the Federal Reserve System, providing specific state laws do not prohibit such membership. (Membership is not prohibited by Maryland statute.) At the end of 1950, 194 mutual savings banks with \$15.9 billion in assets were members of the FDIC. These 194 banks represent approximately 70% of the assets of all mu-

tual savings banks. Wider membership is discouraged by the fact that the mutuals feel that the insurance premium is relatively high in the light of their long safety record. Independent insurance systems are maintained by some states (although not by Maryland). Many banks carry no deposit insurance, though currently all but three Maryland mutual savings banks are insured by FDIC.

Only thirty mutual savings banks (none in Maryland) have joined the Federal Home Loan Bank System, which offers the privilege of borrowing from the Federal Home Loan Banks and of rediscounting residential mortgages. Similarly, membership in the Federal Reserve System has not appealed to many mutual savings banks; only three—two in Wisconsin and one in Indiana—are currently members.

Loans and Investments

More than a third of the assets of mutual savings banks are held in mortgage loans. At year end 1950 they held more than \$8 billion of real estate loans as compared with holdings of \$16.1 billion by life insurance companies, \$10.5 billion by Federal Reserve member banks, and \$2.9 billion by insured nonmember commercial banks.

The shortage of mortgages, coupled with wartime Government borrowing and a substantial increase in savings accounts, led mutual savings banks to make heavy purchases of Government securities during the Second World War. Despite their sales of Governments in the postwar period such securities are still the most important type of asset held. At year end 1950 almost half of their assets (48.5%) were in Government securities, as compared with 36.2% of total assets of Federal Reserve member banks.

An interesting difference between savings and commercial banks is seen in the maturities distribution of their Governments portfolios. Commercial banks, interested in maintaining a liquid position to meet possible withdrawals of demand deposits, hold comparatively few long-term Government securities, and more short-term maturities. Savings banks, on the other hand, do not anticipate large withdrawals at any one time; they do not need to maintain as liquid a position as commercial banks, because of the nature of their deposits. Their holdings of Government securities are heavily concentrated in longer maturities. At year end 1950, over 80% of the Government securities held by commercial banks were due or callable in five years, while less than 10% of those held by mutual savings banks were due or callable within five years.

Next to mortgages and Government securities in importance are "Other Securities", representing a substantial portion of savings banks' assets. At year end 1950 all mutual savings banks in the United States held 10.5% of their assets in non-Government securities. Non-mortgage loans are of only minor importance, accounting for 0.6% of total assets at year end 1950. On the same date cash assets amounted to 3.5% of the total.

(Continued on page 11)

Barometer of Business Loans Falling

THE organization and beginning operation of the Voluntary Credit Restraint Program has focused the attention of Fifth District bankers and businessmen on the current course of business loans in the District and in the nation.

The main barometer of business loans—the so-called “commercial, industrial, and agricultural loans” of weekly reporting member banks—has been falling fairly rapidly in the Fifth District and much more slowly in the United States since its high mark in mid-April. In mid-June, “business” loans of 51 weekly reporting member banks in the Fifth District totaled \$575.6 million, which represents a decline of \$29.1 million, or 4.8%, since mid-April. By contrast, there was a decline of only \$177 million, or 0.9%, in such loans of all weekly reporting member banks in the United States.

Changes in Commercial, Industrial, and Agricultural Loans By Industry and Purpose Selected Banks in Fifth District and United States ¹ March 28-June 13, 1951 (Amounts in millions of dollars)				
	11-week pe- riod ended June 13	4-week pe- riod ended June 13	5th Dist.	U. S.
Net change in commercial, industrial, and agricultural loans	-19	-117	-18	-148
Classified by business of borrower:				
Manufacturing and mining	-9	+146	-5	+86
Food, liquor, and tobacco	-6	-219	-2	-95
Textiles, apparel, and leather	-2	+90	-2	+36
Metals and metal products	+1	+189	+0	+111
Petroleum, coal, chemicals, and rubber	+1	+41	-1	+5
Other manufacturing and mining	-1	+45	-0	+29
Trade—wholesale and retail	+0	+54	-2	-52
Commodity dealers	-7	-377	-3	-131
Sales finance companies	+5	+34	-0	-35
Public utilities and transportation	+2	+107	+1	+40
Other business	+2	+38	+1	+20
Unclassified ²	-12	-119	-10	-76
Classified by purpose of loan:				
Defense contracts	+2	+191	+1	+76
Defense supporting activities ³	n.a.	n.a.	+2	+89
Plant and equipment	n.a.	n.a.	+2	+69
All other	n.a.	n.a.	+0	+20
Non-defense activities	-14	-129	-11	-233
Inventory and working capital	-14	-161	-10	-239
Plant and equipment	+2	+91	+1	+30
Retirement of non-bank debt	-0	-13	-0	+4
All other	-2	-46	-2	-28
Unclassified ²	-7	-179	-10	-80

1. Reports classifying business loans by industry and purpose from large banks accounting for approximately 65-75% of the total dollar volume of such loans.
2. Change in commercial, industrial, and agricultural loans for weekly reporting member banks not classifying loans.
3. Classification of loans for defense supporting activities was not used prior to May 10, 1951.

At the request of the Voluntary Credit Restraint Committee, the Federal Reserve Banks recently have started to collect additional detailed data weekly on the business loans of selected member banks accounting for a large proportion of these loans. The Board of Governors of the Federal Reserve System has labeled these data, which show a breakdown of business loans by industry and purpose, a “new window” on the lending operations of commercial banks. Although the data collected thus far are necessarily fragmentary, a look

through this new window at the falling barometer of business loans reveals several interesting facets of the recent drop.

1. The decline in business loans is definitely seasonal in character; loan contraction, both in the District and in the United States, is attributable to a continued seasonal decrease in loans to commodity dealers and to processors of agricultural products. Fifth District loans in this category shrank \$13 million in the eleven-week period ended June 13, compared with a net decline of \$19 million in total commercial, industrial, and agricultural loans of all weekly reporting member banks in this District. Similarly, in the United States, there was a cumulative decrease of almost \$600 million during this same eleven-week period in loans to commodity dealers and processors of agricultural products.
2. For all reporting banks in the United States, this seasonal decline in commodity and processors' loans (primarily for inventories and working capital purposes) has been partly offset—and more than offset in the week ended June 13—by an upsurge in defense loans. However, for Fifth District reporting banks, this upsurge has been negligible thus far. Reporting banks in the United States which classified loans registered a \$191 million increase in defense loans in the eleven-week period ended June 13, while banks in the Fifth District classifying loans reported an increase in defense loans of only \$2 million.
3. The data on all reporting banks in the United States indicate substantial increases in loans to textile, apparel, and leather manufacturing companies during the eleven-week period ended June 13. In contrast, a slight decline was registered in the Fifth District.
4. Loans to wholesale and retail trade expanded through mid-May, both in the District and in the United States, but then receded through mid-June. The increase in these loans in the earlier part of the reporting period (April 4 to May 9) was attributed by the Board of Governors of the Federal Reserve System to “the delivery of merchandise ordered on an expanded scale during the abnormally high sales period which ended before Easter and intense sales promotions by manufacturers.”
5. Similarly, loans to sales finance companies increased from early April through mid-May, but subsequently declined through mid-June. Again, the Board of Governors attributed the early increase in part to a rise in holdings of wholesale and automotive paper and in part to a rise in other types of business loans of finance companies.

The Board noted that: "Like all other lenders, sales finance companies have been asked by the Federal Reserve Board to abide by the principles of the Voluntary Credit Restraint Program."

6. Loans to public utilities, including transportation, have shown a steady rise nationally since early April, but have remained at approximately the same level in the Fifth District.

As noted in the June *Review*, several factors have added to the seasonal downturn in the business loan barometer, including the recent developments in the Government securities market, the increase in reserve requirements earlier in the year, and the newly operating Voluntary Credit Restraint Program. However, a number of factors in the current outlook, operating in an opposite direction, indicate a rising barometer of business loans in the last half of 1951. Of major importance are the scheduled speed-up in the defense program and the corollary growing demand for business credit to add to plant and equipment which will serve to reinforce the normal seasonal upturn in business loans accompanying fall marketing and the usual fall upturn in business activity.

With regard to the demand for business credit to add to plant and equipment, the latest joint survey by the Department of Commerce and the S. E. C. points out that business outlays on new plant and equipment this year may exceed the record \$24 billion level previously estimated. Banks will be called upon increasingly to finance this industry expansion program. However, the Voluntary Credit Restraint Committee has already called for postponement of these loans if not defense or defense supporting.

In addition, the current rate of defense spending is scheduled to increase sharply by year-end, with resultant increased demand for bank credit; recent legislation also permits a broadening of commercial bank participation in the V-loan program.

Although cutbacks in production of civilian goods, the growing impact of Government controls, and adherence to the Voluntary Credit Restraint Program undoubtedly will act as brakes, there is a distinct possibility of a rise in business loans by year-end—with its well-known influence on the money supply and, hence, on the old, but ever new, problem of inflation.

Business Conditions and Prospects

PRODUCTION levels in the major industries of the District continue to show mixed trends. The cotton textile industry recovered moderately in May from the April level, despite continuing strikes in numerous mills. Bituminous coal output dropped sharply from lack of demand. Lumber and furniture industries are experiencing a considerable letdown. Rayon and synthetic mills, on the other hand, are still running at capacity levels, and shipyards and aircraft factories are expanding output in vigorous fashion. The full-fashioned hosiery industry is continuing production on a nearly full time basis, while the seamless branch of the industry is running about half time.

Employment levels in the Fifth Federal Reserve District continue to move upward despite some setback in the manufacturing segment. Largely responsible for this rising trend are Governments, transportation equipment industries, and construction. The construction industry continues as a strong element in the District's economy, with industrial, military facilities and public works more than offsetting a recessionary trend in residential building.

Trade levels in soft goods lines continued to rise through May, whereas the hard lines continued to show weakness, although furniture stores showed a better than seasonal improvement. Wholesale trade volumes are improving slightly and all lines, except electrical goods, show substantial gains over a year ago.

The trend of bank loans is moderately downward,

part of which is a belated seasonal move. Total expenditures, as represented by bank debits, were at the same level in May as in April and 17% ahead of a year ago.

Construction

Total construction contract awards in May were nearly five times larger than in April, after adjustment for normal seasonal variation, and nearly six times larger than in May a year ago. These figures were greatly augmented during the month of May by the awarding of a \$600 million contract for the Savannah River Atomic Energy Plant. Even if this \$600 million were eliminated from the total contract awards in May, there would still have been a 12% gain over a year ago. Commercial construction adjusted (due to substantial curtailment through controls) dropped 55% in May from April though this level was 63% below May 1950. Industrial construction, due to the afore-mentioned Atomic Energy contract, was 29 times larger in May than April and 56 times larger than a year ago.

Residential construction continued its down trend with sizeable declines in multiple structures as well as in one- and two-family houses. Public works and utilities gained 13% more than seasonal from April to May and were 42% higher than a year ago. The rising construction level has contributed substantially to the tight labor market in important areas of the District. There is some question whether industrial construction can continue throughout the year at present levels, because

of shortages of materials. Industrial concerns show no lack of willingness to erect new facilities or expand old ones. "Peace fears" may temporarily moderate expansion plans but can hardly alter the underlying factors which have promoted this construction.

Trade

District department store sales rose super-seasonally 2% from April to May and stood 4% ahead of a year ago. From January to June, total sales were 7% above the same period in 1950—or just about the average price increase. Soft goods lines accounted for most of the rise, though furniture and floor coverings, television, etc., also exceeded last year's figures, while the chief offset was in major household appliances. Indications in late June are that much the same trend has continued in soft goods with practically all of the hard goods turning easier.

Interestingly, the heavy inventory accumulation of department stores is mainly in the home furnishings departments, though some soft goods departments also have inventory accumulation. These are mainly in women's and children's shoes, corsets and brassieres, woolen dress goods, and cotton wash goods. Most other departments have what might be termed rather full inventories.

Furniture stores in the District improved their sales from April to May by 7%, after seasonal adjustment, but the totals were 6% smaller than a year ago. This loss can probably be accounted for by reduced sales of major household appliances rather than furniture, since department stores indicated an improved level of furniture sales.

Sales of household appliance stores rose 8% from April to May, or less than the normal seasonal improvement. Sales of these stores in May were 24% below a year ago. This performance adds further evidence to the statement that the furniture stores sales' drop from a year ago was caused by household appliances.

Wholesalers' sales in paper, automotive supplies, and drugs during May were moderately smaller than in April, after seasonal correction. All other lines show moderate gains. With the exception of electrical goods, all lines of wholesale trade are running at very high levels and well in excess of a year ago.

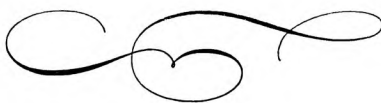
Textiles

Improvement was shown in the cotton textile industry during May despite the fact that numerous strikes were still under way. Cotton consumption in May exceeded the normal seasonal change from April by 9% and stood at a level 14% ahead of a year ago. Even though May consumption is 7% under the adjusted peak established in December, it remains at a very high level. Indications are that the June level will not be materially different from that of May, though moderate reduction may occur in July and August, not from the lack of business but for lack of raw cotton. New orders should begin to accumulate this month and a high level of mill operations may well occur in the fall and winter. It is interesting to note that the export market in both cotton manufactures and semi-manufactures has risen very substantially thus far this year.

Furniture

Latest information on the furniture industry is for April when shipments were at a very high level, though moderately below the previous month. New orders (adjusted), however, declined 45% from March to a level 24% under a year ago and unfilled backlog (adjusted) declined 22% in April from March though still 15% ahead of a year ago. The figures seem to indicate that shipments of the industry will point downward for the next few months. The Summer Merchandise Mart in Chicago has been a quiet affair saleswise, and the retailers' inventory positions are clearly the cause. In the Fifth District, furniture store inventories in May adjusted, though 5% lower than in April, were nevertheless 24% ahead of a year ago, while store sales were 6% under a year ago. Even assuming that the furniture business increased 4 or 5% from a year ago during May, inventory is still high. Furniture factories have made some moderate price reductions at the Chicago Marts for promotional purposes, but no general price reduction has been made.

For the remainder of the year, it appears reasonable to suggest fuller production in the soft goods industries resulting from a rise in the trade level of the country as a whole. The trade recession between January and May has been what stock market analysts would term "a technical reaction." This decline has apparently balanced out the December-January rise with a resulting level commensurate with the change in the disposable income of the American people. The future income level should continue to rise and, in turn, create a rising level of retail trade.



Mortgage Lenders ---The Mutual Savings Banks

Continued from page 7

Interesting divergencies exist between the assets distribution of Maryland mutual savings banks and the distribution of assets held by savings banks in the entire United States. Despite the lack of legal restrictions on investments in Maryland, data reported indicate a relatively conservative policy. More than two-thirds of total assets of Maryland mutual savings banks were in Government securities at year end 1950 as contrasted with the national average of slightly less than half of assets. Holdings of non-government securities were about the same in Maryland as in the country as a whole.

Maryland mutual savings banks have been relatively less active mortgage lenders than their counterparts in other states. At year end 1950 mortgages accounted for less than 14% of the assets of Maryland mutual savings banks as compared with more than 35% for all mutual savings banks.

Non-mortgage loans are relatively more important in Maryland, accounting for three times the share of total assets represented by these loans at all mutual savings banks. "Other assets" account for twice as large a share of total assets in Maryland as in the United States, while cash assets are about the same as for all mutual savings banks.

DEBITS TO INDIVIDUAL ACCOUNTS					51 REPORTING MEMBER BANKS—5TH DISTRICT			
(000 omitted)					(000 omitted)			
	May 1951	May 1950	5 Months 1951	5 Months 1950		June 13, 1951	Change in Amount from May 16, 1951	June 14, 1950
Dist. of Columbia					Total Loans	\$1,179,511**	-16,788	+233,814
Washington	\$1,059,355	\$ 915,581	\$ 5,288,769	\$ 4,016,931	Business & Agricultural	575,557	-18,107	+153,817
Maryland					Real Estate Loans	240,564	— 686	+ 10,766
Baltimore	1,265,547	1,109,017	6,157,577	4,909,827	All Other Loans	377,610	+ 2,074	+ 72,187
Cumberland	24,925	22,419	122,495	104,957	Total Security Holdings	1,571,206	-34,313	-179,989
Frederick	22,010	18,665	101,220	84,984	U. S. Treasury Bills	118,895	- 7,064	+ 37,316
Hagerstown	32,031	27,104	159,120	131,122	U. S. Treasury Certificates	— 0	0	-126,697
South Carolina					U. S. Treasury Notes	367,675	- 7,698	+ 93,185
Asheville	59,543	49,978	294,666	239,749	U. S. Treasury Bonds	920,045	-19,715	-192,109
Charlotte	326,330	257,193	1,692,747	1,303,732	Other Bonds, Stocks & Secur.	164,591	+ 164	+ 8,316
Durham	98,518	83,806	486,684	391,551	Cash Items in Process of Col.	266,537	- 2,045	+ 15,193
Greensboro	100,554	83,431	506,987	394,253	Due from Banks	225,734*	+58,292	+ 54,657
Kinston	15,421	12,204	79,109	62,267	Currency and Coin	74,447	+ 4,639	+ 6,577
Raleigh	147,510	138,256	778,126	671,997	Reserve with F. R. Banks	544,078	+25,625	+ 81,416
Wilmington	42,755	32,698	207,404	159,505	Other Assets	55,969	+ 1,157	+ 861
Wilson	14,835	12,185	91,944	69,479	Total Assets	\$3,917,482	+36,567	+212,529
Winston-Salem	159,525	135,411	814,504	660,438	Total Demand Deposits	3,033,540	+49,328	+202,927
South Carolina					Deposits of Individuals	2,291,207	+69,133	+135,707
Charleston	76,451	60,548	369,894	301,108	Deposits of U. S. Govt.	93,195	-37,118	+ 17,043
Columbia	128,618	103,732	622,182	505,175	Deposits of State & Loc. Gov.	178,182	+ 7,006	+ 15,037
Greenville	106,391	85,179	557,110	422,449	Deposits of Banks	418,929*	+13,305	+ 23,393
Spartanburg	61,189	47,294	334,823	239,569	Certified & Officers' Checks	52,027	- 2,998	+ 6,747
Virginia					Total Time Deposits	608,066	- 412	- 10,305
Charlottesville	27,492	23,706	133,449	114,683	Deposits of Individuals	551,942	- 1,012	- 19,781
Danville	25,460	22,052	148,133	116,867	Other Time Deposits	56,124	+ 600	+ 9,476
Lynchburg	44,581	37,679	232,904	187,832	Liabilities for Borrowed Money	1,800	-12,400	+ 825
Newport News	44,709	28,946	207,500	140,158	All Other Liabilities	25,940	- 1,540	+ 5,319
Norfolk	216,333	215,551	1,057,249	1,046,468	Capital Accounts	248,136	+ 1,591	+ 13,763
Portsmouth	24,357	20,745	123,949	101,852	Total Liabilities	\$3,917,482	+36,567	+212,529
Richmond	545,818	483,271	2,677,409	2,341,260				
Roanoke	117,214	95,981	560,086	460,653				
West Virginia								
Bluefield	45,061	42,665	233,941	192,072				
Charleston	159,615	128,964	754,288	606,946				
Clarksburg	35,035	29,793	173,378	140,386				
Huntington	67,888	59,039	333,050	276,789				
Parkersburg	32,127	25,066	150,501	122,770				
District Totals	\$5,127,198	\$4,406,159	\$25,451,198	\$20,517,779				

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.

FEDERAL RESERVE BANK OF RICHMOND

SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	May 1951	Apr. 1951	Mar. 1951	May 1950	% Change—Latest Month Prev. Mo.	% Change—Latest Month Year Ago
Automobile Registration ¹ .....	.....	213	217	225	— 2	0
Bank Debits	430	430	432	366	0	+ 17
Bituminous Coal Production	134	176	145	158	— 24	— 15
Construction Contracts Awarded	2773	558	502	484	+397	+473
Business Failures—No.	45	62	70	102	— 27	— 56
Cigarette Production	249	233	220	244	+ 7	+ 2
Cotton Spindle Hours	162	149	166	148	+ 9	+ 9
Department Store Sales	331	326	297	318	+ 2	+ 4
Electric Power Production .....	.....	332	337	299	— 1	+ 12
Employment—Manufacturing Industries ¹ .....	.....	150	154	139	— 3	+ 7
Furniture Manufacturers: Shipments .....	.....	339	349	320	— 3	+ 14
Life Insurance Sales	289	281	290	299	+ 3	— 3

¹ Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in May 1951 compared with		Stocks on May 31, 1951 compared with	
	May 1950	Apr. 1951	May 31 1950	Apr. 30 1951
Auto supplies (9)	— 9	— 10	+ 25	+ 2
Electrical goods (4)	+ 7	+ 1	.....	.....
Hardware (13)	+ 6	+ 8	+ 31	+ 5
Industrial supplies (5)	+ 66	+ 8	+ 20	+ 3
Drugs and sundries (13) ..	+ 14	— 4	+ 13	+ 1
Dry goods (15)	— 2	+ 10	+ 32	— 2
Groceries (47)	+ 12	+ 13	+ 19	— 5
Paper and products (4) ..	+ 49	+ 5	.....	.....
Tobacco and products (8) ..	+ 32	+ 11	+ 24	0
Miscellaneous (94)	— 3	+ 3	+ 35	+ 1
District Totals (212)	+ 5	+ 5	+ 30	0

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	
	May 1951	5 Mos. 1951
Maryland (7)	+ 2	— 3
Dist. of Col. (7)	— 2	+ 12
Virginia (18)	— 10	0
West Virginia (10)	— 2	— 4
North Carolina (16)	— 14	— 5
South Carolina (6)	— 20	— 12
District (64)	— 5	+ 2
INDIVIDUAL CITIES		
Baltimore, Md. (7)	+ 2	— 3
Washington, D. C. (7)	— 2	+ 12
Richmond, Va. (6)	— 11	— 7
Charleston, W. Va. (3)	— 5	— 8
Charlotte, N. C. (3)	— 16	— 17

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	District Total	
Sales, May '51 vs. May '50 -----	+ 4	+10	+ 3	+ 2	+ 4	
Sales, 5 Mos. '51 vs. 5 Mos. '50 -----	+12	+10	+ 9	+ 8	+ 9	
Stocks, May 31, '51 vs. '50 -----	+34	+25	+23	+19	+23	
Orders outstanding, May 31, '51 vs. '50 -----	+34	+30	— 2	+ 8	+14	
Current receivables May 1 collected in May '51 -----	28	49	46	36	41	
Instalment receivables May 1 collected in May '51 -----	13	15	19	18	17	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, May '51 vs. May '50 -----	+ 9	+ 3	+ 3	+ 2	— 3	+ 6
Sales, 5 Mos. '51 vs. 5 Mos. '50 -----	+10	+ 9	+11	+12	+ 4	+ 8

BUILDING PERMIT FIGURES

	May 1951	May 1950	5 Months 1951	5 Months 1950
Maryland				
Baltimore	\$ 6,949,930	\$ 6,722,420	\$ 35,071,145	\$ 39,639,140
Cumberland	53,550	250,395	377,485	591,790
Frederick	277,095	91,075	810,635	1,229,950
Hagerstown	202,415	113,710	845,600	774,580
Salisbury	152,066	218,325	874,544	633,917
Virginia				
Danville	519,797	275,943	1,245,722	1,476,352
Lynchburg	287,558	362,415	1,852,928	1,611,595
Newport News	100,393	84,423	697,529	878,266
Norfolk	750,275	1,357,845	9,375,708	6,597,205
Petersburg	769,614	221,228	1,557,108	1,738,695
Portsmouth	237,405	296,125	3,669,515	1,462,909
Richmond	1,440,548	2,721,868	8,519,252	9,628,571
Roanoke	1,104,546	1,333,156	7,857,898	8,847,507
West Virginia				
Charleston	388,178	721,071	2,232,436	7,616,313
Clarksburg	151,880	297,050	464,490	778,273
Huntington	1,044,042	615,102	3,510,594	2,566,296
North Carolina				
Asheville	661,388	191,073	3,421,188	1,940,296
Charlotte	1,183,284	2,447,346	10,547,411	11,688,060
Durham	362,079	696,900	2,601,503	9,005,287
Greensboro	807,482	1,230,595	3,731,096	4,994,286
High Point	299,325	490,941	1,544,714	1,728,572
Raleigh	1,529,305	1,040,750	6,181,525	8,045,641
Rocky Mount	179,980	177,509	1,424,186	2,249,886
Salisbury	152,246	197,258	691,591	1,640,346
Winston-Salem	1,079,220	1,195,330	5,184,424	4,942,571
South Carolina				
Charleston	214,873	595,245	802,459	1,479,183
Columbia	740,125	980,733	5,170,452	5,373,796
Greenville	3,244,670	667,400	6,122,229	3,131,929
Spartanburg	164,050	1,188,241	526,240	1,702,947
Dist. of Columbia				
Washington	6,633,774	6,282,038	30,181,998	29,041,183
District Totals	\$31,681,093	\$33,063,510	\$157,093,605	\$173,035,342

ADDITION TO PAR LIST

The Port City Bank, North Charleston, South Carolina, a nonmember bank located in the territory served by the Richmond Head Office, has agreed to remit at par, effective June 29, 1951, 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 $\frac{67-502}{513}$.