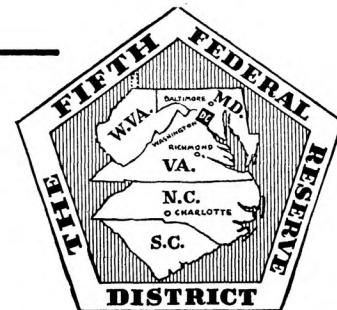
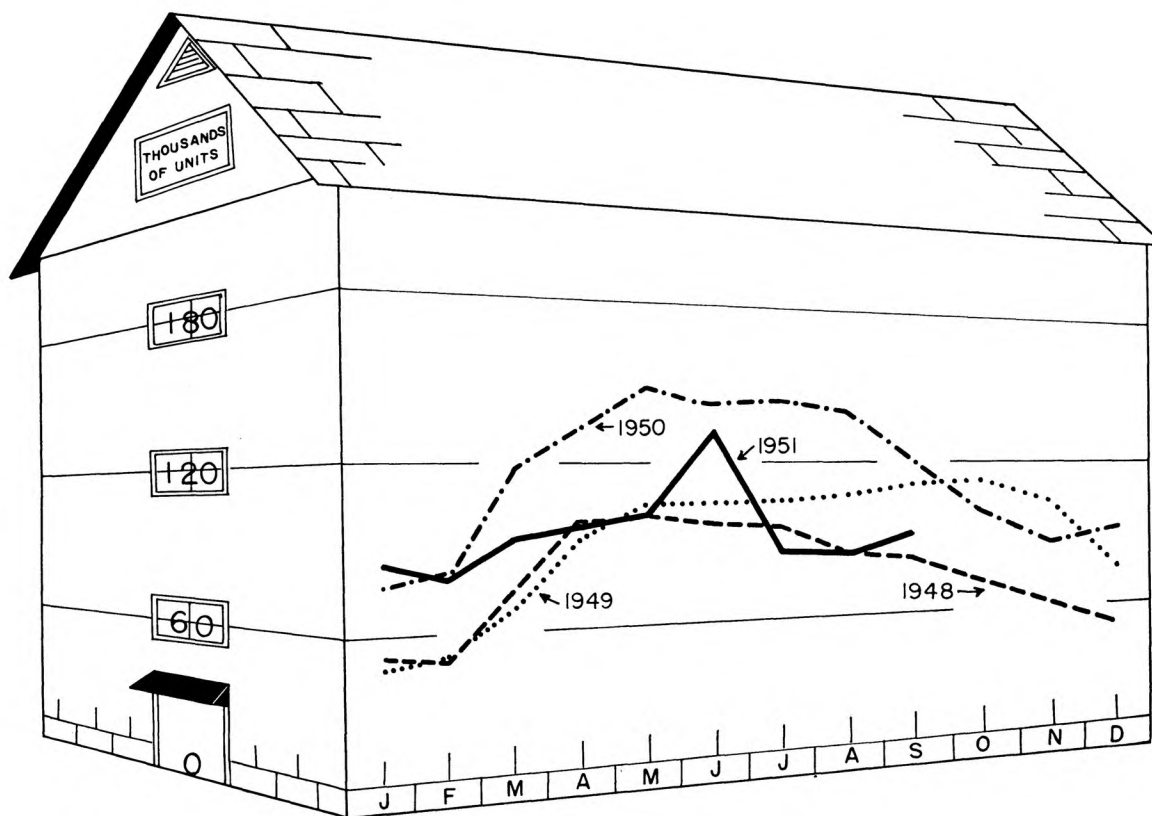


Monthly Review



November 1951

HOUSING STARTS REMAIN HIGH



NEW HOUSING STARTS, UNITED STATES
SOURCE: DEPARTMENT OF LABOR

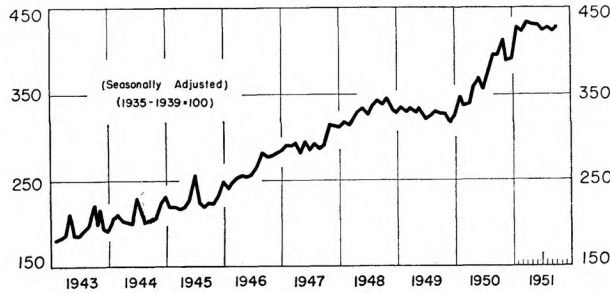
ALTHOUGH below the unprecedented levels of 1950, housing starts in the first three quarters of 1951 were ahead of any previous year, as shown by the chart above. The article on page 3 discusses current trends in residential construction.

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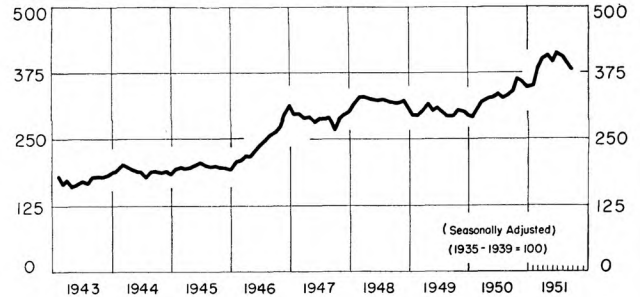
FIFTH DISTRICT TRENDS

BANK DEBITS



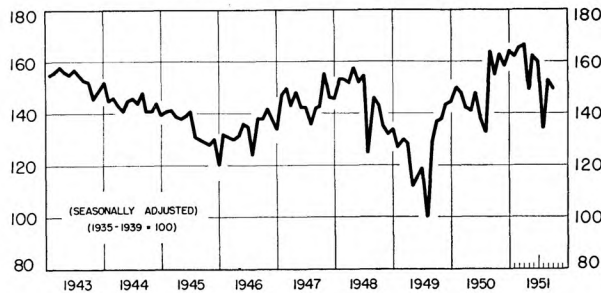
Adjusted bank debits in the District rose 2 per cent in September to a point 9 per cent above September last year. The current figure is within a fraction of a per cent below the high point established in March of this year, which is indicative of considerably greater strength in the District economy than indicated by basic production levels.

DEPARTMENT STORE INVENTORIES



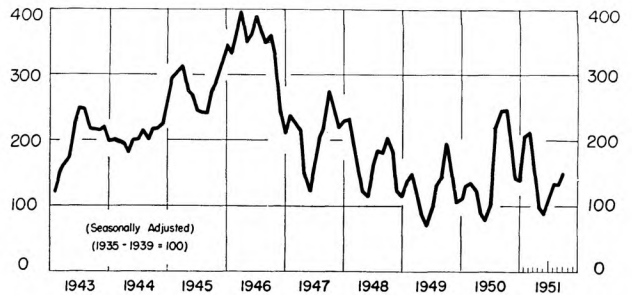
Department store stocks have moved downward consistently since June on a seasonally adjusted basis, with September declining 4 per cent from August to a level only 11 per cent ahead of a year ago. Most of the decline has come in home furnishings and particularly in radio, television, etc. Inventories are still somewhat high in relation to sales, but with inventories falling and sales rising, this situation can be corrected in a relatively short time.

ACTIVE COTTON SPINDLE HOURS



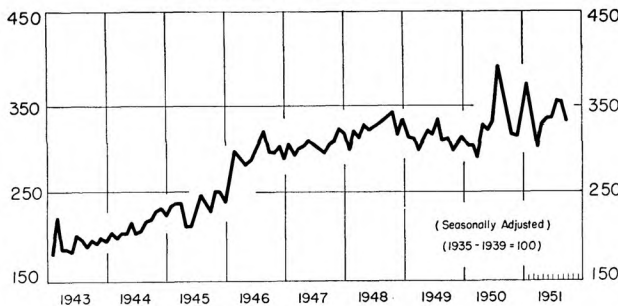
Cotton spindle hour operations, which measures the rate of activity of the mills, dropped 3 per cent from August to September after seasonal correction and was 4 per cent under September a year ago. The rate of operations is higher than in July and at the same level as in April, but below all other months since July 1950 and within 6 per cent of high point of 1948.

DEPARTMENT STORE OUTSTANDING ORDERS



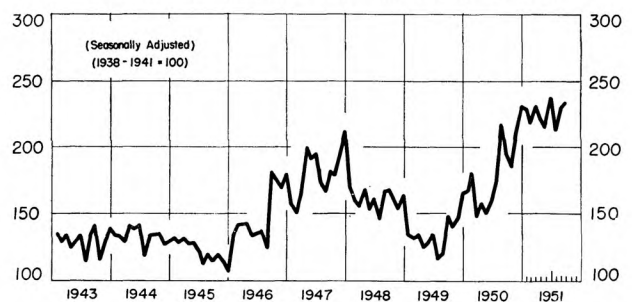
Indicative of selected improvement in the department store inventory position, along with a favorable outlook for sales, unfilled orders of department stores rose 14 per cent from August to September but were still well below a year ago when the inventory boom was in evidence. Indications in the market places are that some further improvement in these orders has occurred in October.

DEPARTMENT STORE SALES



The moderate upward trend in department store sales, in evidence each month since March, was broken in September when seasonally adjusted figures dropped 6 per cent from August to within 1 per cent of the level in September, 1950. Sales in hard lines have again revived, while women's apparel and accessories have turned easier. Indications are that October will show considerable improvement over September.

WHOLESALE PAPER AND PRODUCTS SALES



The paper industry is one of considerable importance to the economy of the Fifth District, and, in this connection, it is interesting to note that sales of paper wholesalers in this District rose 2 per cent from August to September on an adjusted basis to a level 17 per cent ahead of a year ago. These sales in September have been exceeded only three times since our records are available.

The Housing Situation - - - Starts have dipped during the year But, 1951's level remains high . . .

DESPITE forecasts early this year that a much sharper decline in residential housing would take place, it is now almost a certainty that more than a million nonfarm housing units will be started in the United States in 1951, for the third consecutive year, the third time in history that starts have crossed the one million mark. Starts for the first three quarters totaled 852,000 units, 23% below the same period in 1950, but well above the level for any preceding year. This is especially interesting because this exceptionally high level of activity has been maintained in the face of a stringent shortage of mortgage funds, new direct regulations on real estate credit, and, at times, materials shortages.

Residential construction activity in the Fifth Federal Reserve District has, however, declined somewhat more than the national average. District figures for starts are not available. Home construction contract awards through August were valued at \$454.7 million, down 9.4% from the corresponding period in 1950. For the thirty-seven-state area east of the Rocky Mountains, value of residential construction contracts awarded were down 5.3% for the same period. As the accompanying chart shows, the value of residential construction contracts in the District has been holding up quite well. Awards through August are considerably above any postwar year with the exception of 1950.

Holding down activity were direct controls and materials shortages . . .

Housing starts for the nation in 1950 were 1.4 million, almost two-fifths more units than 1949's total which set the previous all-time record. With the Korean crisis and the giant mobilization effort projected, it seemed essential to reduce some of the pressure on prices and on materials resulting from the heavy flow of spendings originating in housing construction. Consequently, Congress charged the Federal Reserve System, along with the Housing and Home Finance Administrator, with the responsibility for direct controls over real estate credit. Regulation X, which prescribed mini-

mum down payments and maximum maturities of conventional loans went into effect on October 12, 1950. The Veterans Administration and the Federal Housing Administration also tightened their terms. In addition to credit controls, use of scarce materials was restricted by National Production Authority, and metals products became hard to procure.

. . . but the shortage of funds was more important.

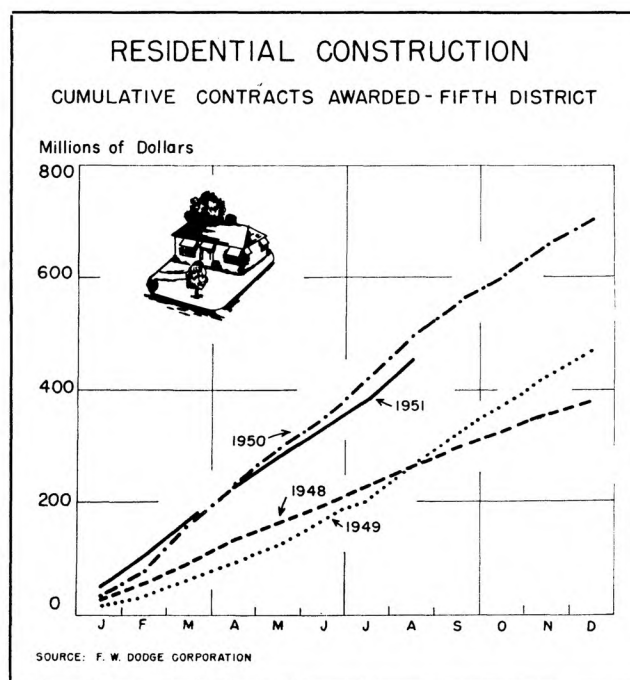
Each of these developments presumably served to dampen building activity, but the effect of the action taken by the Board of Governors of the Federal Reserve System in March 1951 must also be added. In March, prices of Government securities were permitted to drop below par, and sales of Governments came to involve a penalty of as much as 3%. While Governments were at par, lending institutions could sell them without loss (or at premium), and invest the proceeds in mortgages yielding a higher rate. With the penalty involved in the sale of Government securities, this source of funds for mortgage lending virtually dried up. Additional tightness was brought about by the fact that most large lenders were already heavily committed and the current

flow of funds available from amortization and prepayment of mortgages and new savings was largely absorbed in meeting these existing commitments.

This tightness in mortgage funds forced many lenders to drop out of the market entirely. Others continued to make conventional loans, at a higher rate of interest, but FHA funds, yielding 4¾% as compared with the 5% to 5½% on conventional loans, became relatively tight. VA loans, yielding 4%, were no longer made by most lenders on a current basis, although some lenders continued to make such loans on a very limited basis in order not to be completely "out of the market".

Funds are becoming more available . . .

By early fall 1951, many mortgage lenders found themselves in an easier position as the unusually large volume of outstanding commitments ran out and the flow of savings increased. When the last wave of con-



sumer scare buying subsided in February, savings started mounting rapidly, and this has been an important factor in increasing the supply of mortgage funds.

... but are still tight.

Nevertheless, in mid-October the supply of mortgage funds could still be best described as "tight". Plenty of funds seem to be available in most areas for conventional loans, although interest rates run as much as 1% higher than a year ago. Generally, FHA funds are in reasonable supply, and a few large lenders are coming back into the market for VA loans on a highly selective basis. Actually, the supply of money available for new mortgage loans has already improved enough for interest rates on conventional loans to be under slight downward pressure in some areas. That this tendency is not general is shown by recent increases in rates on prime commercial loans of banks. If interest rates on conventional loans do ease off to any appreciable extent, FHA and VA loans will become relatively more attractive.

Credit controls are easier . . .

In August (in the Defense Housing Act of 1951), Congress specified maximum real estate credit controls considerably below the levels then in effect. Down payments on homes financed under FHA or conventional terms are now 10% on a \$7,000 home, 15% on a \$10,000 home, and 20% on a \$12,000 home, as compared with 17.1%, 23.0%, and 25.8% before September 1, 1951. Down payments required on VA loans are 4% for a \$7,000 home, 6% for a \$10,000 home, and 8% for a \$12,000 home, reduced from 7.1%, 13.0%, and 15.8%. The relaxation of terms on higher cost homes was not nearly so important; the down payment on homes costing more than \$15,000 was reduced by \$100.

... demand is still strong . . .

Under the new relaxed terms, demand for homes has been stimulated to some extent, though this appears to be very spotty, since some areas seem well supplied at current prices and under current terms. The defense effort is producing substantial shifts in population, which always require new housing. Movements of defense workers are breaking up family units, and frequently creating a demand for new dwellings in defense areas. Recent legislation increases the scope of Federal Agencies in mortgage lending activity, particularly in defense areas.

Incomes of individuals are high and continuing to rise, placing more and more families in a position where they want to increase the quality of their housing accommodations. If the availability of mortgage funds improves sufficiently to make the VA mortgage appear relatively attractive, additional demand for building will be created, as a sizeable potential market for homes financed under VA terms still exists in many areas.

... and materials appear to be the limiting factor in future months.

Builders in this area seem to be able to get needed

items without too much trouble currently and only spot shortages exist, but the new Controlled Materials Plan sets absolute limits on the amount of materials which can be put into residential dwellings, since they are expected to be in shorter supply next year. Then builders are likely to have considerable difficulty in procuring materials, even though authorized to use them.

The outstanding feature of the Controlled Materials Plan as it applies to residential construction is that it permits contractors to "self-authorize" use of specified maximum amounts of carbon steel and copper. The restriction on copper itself is not of too great importance since many homes were built in the immediate postwar period with virtually no copper. These dual restrictions (on the use of both copper and steel) will be much more effective than the restriction on either alone would have been, by limiting substitution of steel for copper.

Most houses will be in the lower price ranges.

The Controlled Materials Plan makes it extremely difficult to construct the larger, more expensive home. There are, of course, ways of getting around the use of critical metals—homes may be built with only one bathroom installed, but with space left for another; bathroom and kitchen may be built closer together, or the house may be faced so that a minimum of piping or wiring from the street is required; basements may be omitted, or wood substituted for steel. The need for substitution or other special arrangements increases with the size of the house. With careful planning, a six- or seven-room house and possibly a bath and a half might be squeezed out under current restrictions.

The restrictions on materials will serve as a positive deterrent to construction of more expensive housing, as will the relatively larger down payment. Conversely, the easier terms and the lack of restriction on materials will stimulate construction of smaller homes.

The over-all outlook is uncertain . . .

The residential construction outlook can only be described as hazy. In many areas the pre-Regulation X commitments which supported construction through most of 1951 have run out. Demand for conventional loans is uncertain. The supply of funds at rates permitted by FHA and particularly by VA, although improving, cannot be foreseen with certainty. The amount of critical materials which can be made available to the building industry for 1952 is questionable. Finally, any change in the mobilization picture would change the materials situation.

... but activity will probably be at high levels.

Raymond M. Foley, Housing and Home Finance Administrator, was recently quoted as saying that housing starts in 1952 might total 800,000 to 850,000 units. While this is substantially below starts for the past three years, it exceeds starts for each year from 1928 through 1946. Much of this activity will be concentrated in defense areas.

Trends In Farm Income*

ECONOMIC conditions and trends have far more to do with the level of farm income in a particular area than whether its farmers are good or poor farmers. This conclusion can not be escaped by anyone who studies the pattern of farm income over the past twenty-five years and attempts to interpret causal factors with the objective of giving some practical admonition.

No one would contend that farmers in the Fifth Federal Reserve District did so much poorer a job of farming in 1932 than in 1929 that this factor would account for the sharp decline in farm income from nearly \$700 million in 1929 to under \$300 million three years later.

All will agree that farmers are more efficient now than they were in the 1920's and early 1930's. No one would contend, however, that the six-fold increase in farm income from the depression low of the thirties is largely attributable to increased farm efficiency. The explanation is therefore not to be found within agriculture but rather in those powerful forces associated with the great depression of the 1930's and with the World War II and post-World War II inflationary boom.

By way of historical illustration it is to be noted that intensified competition from the wheat lands of the Middle West caused the great Shenandoah Valley to turn from grain farming, for which its reputation was widely recognized as the "Bread Basket of the Confederacy", to horse raising. The coming of the automobile and the tractor sounded the death knell to this business, and now in one part of the valley many of the farms which once were wheat farms, and then were horse farms, are now pasturing cattle and raising commercial broilers.

Developments that are largely external to agriculture, such as wars and periods of inflation and deflation manifestly have profound effects upon farming patterns and income levels. So are farming patterns and farm income affected by shifts within agriculture, such as the opening up of wheat and rice lands further west. Other exam-

ples of shifts within agriculture include attacks of insects and disease, such as once abolished the Sea Island cotton industry in South Carolina and the peach industry in Eastern Maryland.

Shifts in the relative importance of various farm enterprises are significant both to farmers and to those groups engaged in processing and distributing the various products. Bankers also may be affected by the changes. An investment in a cotton gin in an area that was cutting back sharply on cotton production or abandoning it entirely might have been more hazardous than an investment in a needed marketing facility for some product that had proved its metal and was enjoying a sound expansion.

Cotton Down, Tobacco Up in Importance

In the late 1920's cotton was the leading source of farm income in the District. From 1924-29 the cotton crop (lint and seed) accounted for 27 cents out of each dollar of farm income. In each successive five-year period thereafter this share declined until it accounted for only 12 cents during the period 1945-49 and 8 cents in 1950.

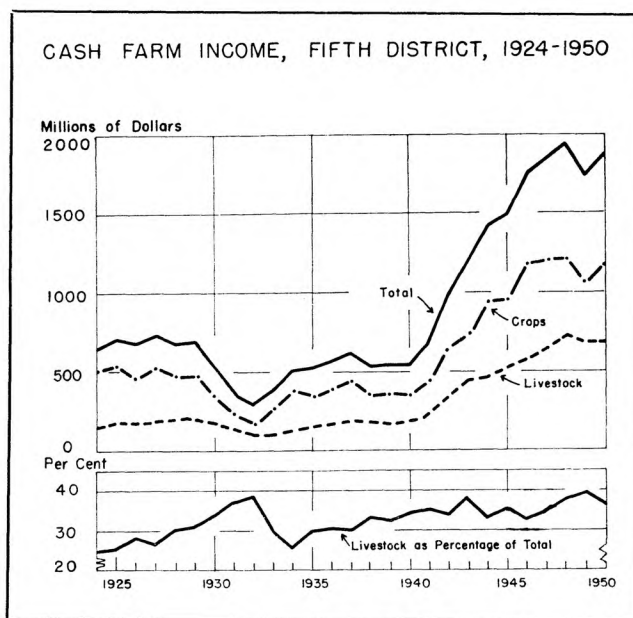
Tobacco has been the leading source of farm income in the District since the depression. In 1950 it

accounted for \$677 million or 36% of the total cash farm income. This share was nearly double the 19% accounted for by tobacco in 1924-29. It should be noted that the 1950 share was abnormally large since the 1950 cotton crop was short and income from cotton was depressed despite the high price that prevailed. In 1944-49, a period that may be regarded as more nearly normal than 1950 because of the short cotton crop, tobacco accounted for 31% of the total cash farm income.

Other crops, taken as a group, have shown a slight but consistent downward trend in relative importance. During the period 1924-29 they accounted for 27% of the total farm income, but by 1945-49 the corresponding figure was 21%. Their positions and historical rises and falls are observed in the accompanying table.

Livestock Increasing in Importance

This area has found livestock and livestock products (hereafter referred to as livestock) to be a source of



* A booklet, entitled *Farm Income in the Fifth Federal Reserve District—A Graphic Summary*, has been published by this bank. State and District income data in chart and table form, showing changes in various farm products from 1935 through 1947 are provided. Copies may be obtained from the Research Department, Federal Reserve Bank of Richmond.

relative strength in the farm income situation. Income from livestock, as with everything else, declined from 1929 through 1932. However, livestock income fell only 47%, whereas income from crops dropped 63%. On the other hand, since 1935-39 income from livestock has nearly quadrupled, whereas income from crops has only slightly more than tripled. This greater relative increase in income from livestock is associated with a rise in the actual production of livestock in this area. For the country as a whole there also has been a greater relative rise in the prices of livestock than in the prices of crops.

Despite heavy and desirable livestock expansion in this District, the share of total cash farm income increased only moderately from 28% in 1924-29 to 36% in 1945-49. Fortunately, this increase has been quite general throughout the District, though total income from all livestock and livestock products in 1950 of \$684 million barely exceeded the \$677 million income from the single crop-tobacco.

Neither the individual farmers, nor farmers as a group, can control or exert too much influence on the major economic tides which, in turn, are the results of

national or international occurrences of major magnitude. Unfortunately, however, they must adjust their operations to the passing parade. How well or how

CASH RECEIPTS FROM LIVESTOCK AND PRODUCTS AS PROPORTION OF CASH RECEIPTS FROM FARM MARKETINGS
Fifth District by States, Specified Periods, 1924 to Date

Period	Maryland	Virginia	West Virginia	North Carolina	South Carolina	Fifth District
1924-29	49.1	39.2	65.6	13.6	12.5	27.7
1930-34	55.1	45.8	70.6	14.8	17.3	32.0
1935-39	54.3	47.1	72.8	14.7	16.5	31.2
1940-44	61.5	50.4	77.0	17.9	19.6	35.1
1945-49	65.1	51.5	77.3	18.6	20.8	36.0
1949	68.6	54.6	82.4	20.7	22.7	39.4
1950	67.9	50.2	77.6	18.4	23.5	36.5

poorly various farmers have managed to adapt their operations both from year to year and over longer periods can be judged in part by comparing their respective incomes.

CONTRIBUTION OF VARIOUS FARM PRODUCTS TO CASH RETURNS FROM FARM MARKETINGS
Fifth District, Specified Periods, 1924 to Date¹

	Marketings							Percentage Distribution						
	1924-29	1930-34	1935-39	1940-44	1945-49	1949	1950	1924-29	1930-34	1935-39	1940-44	1945-49	1949	1950
	Million Dollars							Per Cent						
Crops														
Tobacco	131	99	166	276	544	511	677	18.9	23.7	29.8	28.6	30.9	29.3	36.1
Cotton	169	71	75	119	182	178	127	24.3	17.0	13.4	12.3	10.4	10.2	6.8
Corn	11	5	9	14	41	46	51	1.5	1.1	1.7	1.4	2.3	2.6	2.7
Peanuts	16	9	15	32	50	60	50	2.3	2.1	2.7	3.3	2.8	3.4	2.7
Fruit	34	20	23	36	62	46	50	4.8	4.8	4.2	3.7	3.5	2.6	2.7
Truck Crops	30	20	25	43	60	48	50	4.3	4.7	4.5	4.4	3.4	2.8	2.7
Forest Products	20	11	13	20	32	27	42	2.8	2.5	2.4	2.0	1.8	1.5	2.2
Wheat	22	10	14	16	35	32	30	3.2	2.5	2.4	1.6	2.0	1.8	1.6
Potatoes	26	15	13	17	27	22	17	3.7	3.5	2.3	1.7	1.6	1.3	0.9
Cottonseed	16	7	10	17	23	17	17	2.4	1.8	1.7	1.8	1.3	1.0	0.9
Sweet Potatoes	7	5	6	10	15	14	14	1.0	1.2	1.0	1.0	0.8	0.8	0.8
Other Crops	21	13	15	30	56	58	63	3.1	3.1	2.7	3.1	3.2	3.3	3.4
Total Crops..	502	283	384	628	1,126	1,059	1,188	72.3	68.0	68.8	64.9	64.0	60.6	63.5
Livestock²														
Dairy Products	62	53	59	98	178	198	201	8.9	12.7	10.6	10.1	10.1	11.3	10.7
Chickens	21	15	21	71	125	131	134	3.1	3.5	3.8	7.4	7.1	7.5	7.2
Cattle & Calves	31	19	32	49	105	111	116	4.5	4.7	5.8	5.1	6.0	6.4	6.2
Hogs	22	11	22	49	91	99	100	3.2	2.7	3.9	5.1	5.2	5.7	5.3
Eggs	43	25	28	54	99	109	90	6.1	6.0	5.0	5.6	5.7	6.2	4.8
Other Live-stock ²	14	10	12	17	34	39	44	1.9	2.4	2.1	1.8	1.9	2.3	2.3
Total Live-stock²	193	133	174	339	633	688	684	27.7	32.0	31.2	35.1	36.0	39.4	36.5
Total Crops & Livestock²	695	416	558	967	1,759	1,747	1,872	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Totals and percentages made before figures were rounded.

² Includes livestock products.

Note: Comparable data for each state of the Fifth Federal Reserve District are available upon request to the Research Department, Federal Reserve Bank of Richmond.



INDUSTRIAL Expansion Still Surges—Utica & Mohawk Cotton Mills recently announced cessation of manufacturing operations in Utica, N. Y. early next year upon completion of their giant cotton mill and bleachery under construction near *Clemson, S. C.* All the firm's manufacturing and administrative activities will be transferred from Utica to the new plant and to the present division at *Seneca, S. C.* Other additions to the Carolinas' textile industry include plans by Robbins Mills for completing and equipping its *Raeferd, N. C.* plant at a cost of \$4.5 million and the construction near *Greenwood, S. C.* by Greenwood Mills of a \$6.8 million, 1,500-loom cotton mill.

News of interest to this District's textile and chemical industries was disclosed at the recent stockholders' meeting of Goodall-Sanford that four of the largest producers of synthetic fibers plan production increases by the end of 1953 that will outweigh the total annual wood clip of this country. It was asserted that duPont, Union Carbide & Chemical, Virginia-Carolina Chemical, and Chemstrand will boost output of nylon, dacron, orlon, acrilan, dynel, and vicara by more than 250 million pounds annually.

Libbey-Owens-Ford Glass Co. recently announced specifications for 18 different yarns to be marketed in seven forms and 22 superfine glass fibre products to be manufactured at its new Fibre Glass Division in *Parkersburg, W. Va.* Another addition to West Virginia industry is a \$2.5 million anhydrous ammonia plant to be constructed in *South Charleston* by Food Machinery and Chemical Co. The West Virginia Pulp & Paper Co. has announced that it will spend \$50 million on new plant facilities during the next few years, including a \$3.5 million sulphate wood plant at *Luke, Md.*

Among projected capital expansions in the Old Dominion are \$2.8 million of improvements and additions by Dan River Mills to its power plant at the Schoolfield Division, and an addition to the duPont nylon plant near *Martinsville* that will increase floor space by 100,000 sq. ft. and add 300 workers. Norfolk & Western Railroad is building a new classification yard at its Lamberts Point piers near *Norfolk* which will cost about \$1.4 million. The new yard will provide 30 additional tracks to expedite coal dumpings into ships.

Small Business Shares Defense Work—The Glenn L. Martin Co. of *Baltimore* has announced that over 3,000 subcontractors and suppliers, including over 850 Maryland firms, will share this year's \$88 million volume of business. Illustrative of the extent to which Martin subcontracts is the Canberra jet bomber in which 60% of the work will be subcontracted to smaller firms.

The Power Behind Industrial Growth

Over \$30 million will be spent by Duke Power Co. for the 270,000 kilowatt installation at its Buck steam-generating plant near *Spencer, N. C.*, which now has a capacity of 200,000 kw. The additional power for expanding industry in the Piedmont area is scheduled to go on line early in 1953. Other plans for boosting power output in the Tarheel State include a \$27.5 million, 90,000 kw. hydro-electric plant of Virginia Electric & Power near *Gaston, N. C.* Work on this project will probably wait on the outcome of the litigation brought by the U. S. Interior Department over another projected plant of this company at *Roanoke Rapids.*

Maryland's power supply has been augmented by the 75,000 kw. generating unit recently put in service by Consolidated Gas, Electric, Light & Power Co. at its *Baltimore County* steam plant. This station's new capacity of 255,000 kw. will be further increased by another 75,000 kw. unit planned for service before the end of 1953. The company's expansion program, which contemplates annual outlays of about \$30 million, includes a 100,000 kw. addition to its Gould Street station in *Baltimore* scheduled for operation late next year. The company will then have a total capacity of nearly 850,000 kw.—over three times its power output a decade ago.

Tax Concessions Condemned

The Southeastern States Tax Officials Association recently spoke out strongly against inducements to new industry in the form of tax concessions and land and capital donations. A resolution signed by tax officials of 11 states urged that Southeastern states and cities attract new industry on the basis of their natural resources, availability of raw materials, labor, and transportation facilities, and other local and regional advantages.

Population Growth in the Fifth District Increases Have Exceeded the National Rate

POPULATION in the Fifth District increased at a faster rate than the national average, gained through immigration, and trended towards further urbanization in the period from 1940 to 1950. These are the major disclosures from final figures in the seventeenth decennial census.

Interestingly, the pattern of growth has differed widely and sharp changes have taken place in the distribution of population—varying increases have occurred in large urban areas, while most rural areas experienced losses or only nominal gains. The District's population now stands at 14.4 million (compared with 12.3 million in 1940) and more than half still lives in rural areas while less than two-fifths live in metropolitan areas.

The ten-year increase of 2.1 million persons for the District was 17.2%, and contrasts with a 19 million (or 14.5%) increase for the country as a whole. The District's "share" of the nation's population thus grew from 9.4% to 9.6%. Interestingly this increase in population during the decade was equivalent to the addition of a state the size of West Virginia or South Carolina. Put another way, the net addition was equal to the combined population of the three largest cities in the District—Baltimore, Washington, and Richmond.

All Fifth District states now have a larger population than in 1940, though considerable variation in growth occurred among them as well as within them. Maryland, Virginia, and the District of Columbia each experienced a growth of more than 20% in population—considerably higher than the District average. In the other states gains were somewhat less than average for the District—13.7% in North Carolina, 11.4% in South Carolina and 6.4% in West Virginia.

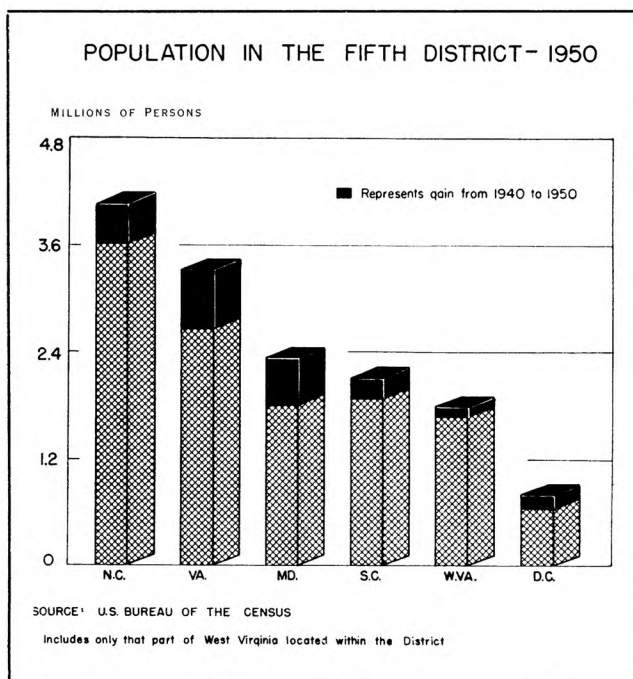
Significant changes were recorded in some of the large urban areas while most rural areas had absolute or relative declines. Nearly three-fourths of the increase in the population of Maryland was accounted for by Baltimore, Prince Georges and Montgomery Counties and Baltimore city. In Virginia, the Hampton Roads and Richmond areas and the counties adjacent to the

District of Columbia contributed more than three-fourths of the state's gain in population. Kanawha County, West Virginia, furnished more than two-fifths of the entire increase in the state's population between 1940 and 1950. Eight of North Carolina's 100 counties—Cumberland, Durham, Forsyth, Gaston, Guilford, Mecklenburg, Onslow and Wake—accounted for nearly one-half of the state's population gain. More than three-fifths of South Carolina's increase in population occurred in four counties—Charleston, Greenville, Richland, and Spartanburg.

Population changes varied widely in each state, but generally homogeneous agricultural, mining and industrial areas exhibited similar patterns of growth. Considering the 319 counties or county-city combinations in the District, 55 had an increase of more than 20% in population, 49 increased from 10% to 20%, 114 gained up to 10%, while 48 lost up to 5% of their population and 53 decreased by more than 5%. In general population moved from predominantly rural counties to urban regions and from agricultural areas to industrial areas. Counties experiencing rapid industrial expansion or increased Federal Government activities showed the greatest population gains. Primarily agricultural counties generally showed losses or only nominal gains.

While more than half the population of the country was living in standard metropolitan areas at the time of the 1950 census, less than two-fifths of the population of the Fifth District was living in such areas. A standard metropolitan area is defined as an area containing at least one city of 50,000 or more, the county containing the city, and any other contiguous counties closely economically integrated with the city. There are 15 such areas wholly within the Fifth District and two partially within the District, and in these population increased three times as rapidly as the remaining areas in the District and accounted for nearly two-thirds of the entire District's increase in population from 1940 to 1950.

Population growth in Fifth District metropolitan



areas was, as might have been expected, at a faster rate in the suburbs and surrounding sections than in the central cities themselves. In the Washington area, for example, the increase amounted to 21.0% in the central city and 117.1% in the surrounding areas. In the Baltimore area, corresponding figures were 10.5% and 72.9%. This characteristic of growth was exhibited in all except four District metropolitan areas, and in each of these areas the city's greater rate of growth was due to its having annexed territory from the surrounding county since the 1940 census.

While population shifts in the District during the past ten years indicate a movement from rural to urban areas, the District is still considerably more rural than the nation generally. Rural population comprised about 36% of the nation's total in 1950, with a corresponding figure of 53.4% for the Fifth District. If the District of Columbia, which is wholly urban, is eliminated from the picture, the percentage of rural population in the District rises to 56.5%.

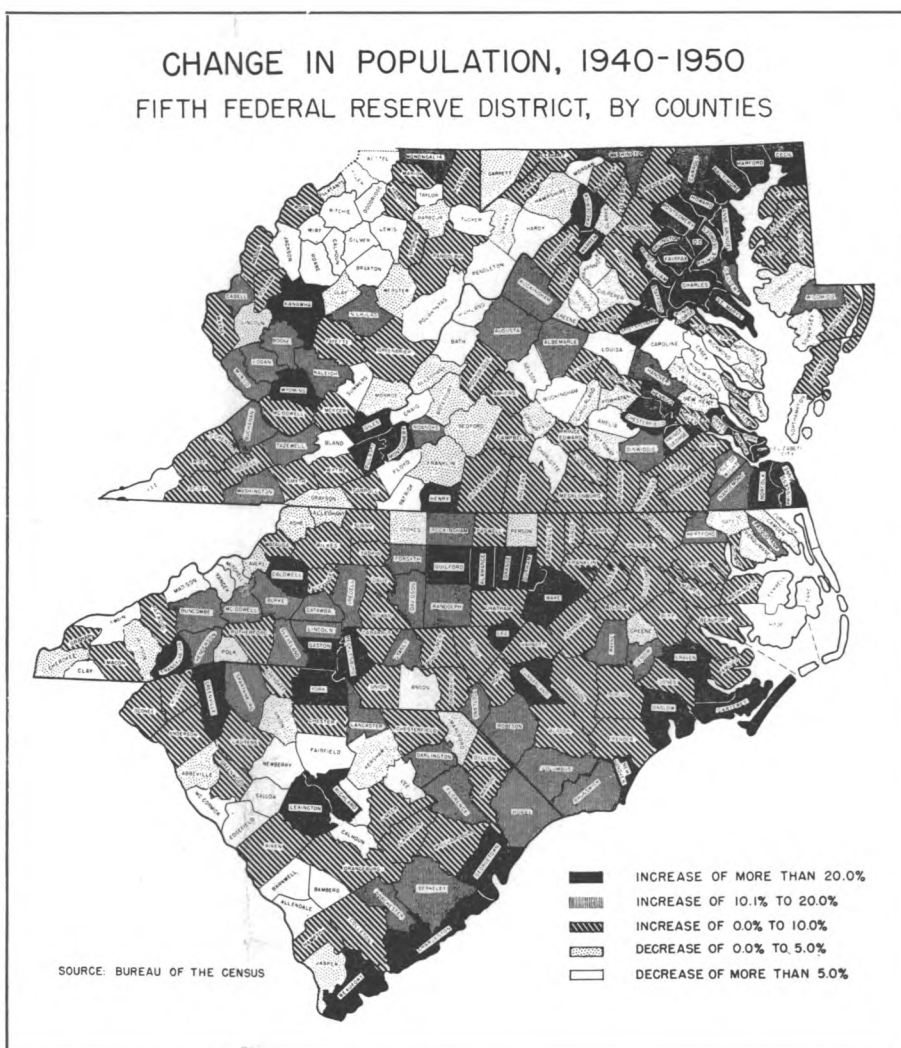
Strict comparisons of rural and urban population growth from 1940 to 1950 cannot be made because the Census Bureau altered its 1950 definition of urban population. Using the 1940 definition of urban population, however, it is found that in the Fifth District states, urban population increased by 26.6% between 1940 and 1950 while rural population grew only 11.1% during the period.

Natural Increase

The growth of population in the Fifth District as a whole has been due almost entirely to net natural increase, i.e., excess of births over deaths. The Fifth District states showed a net immigration of only 68,000 persons. Net migration varied markedly among Fifth District states. Net in-migration totaled 288,000 in Maryland, 215,000 in Virginia, and 46,000 in the District of Columbia. On the other hand, each of the remaining District states recorded a net out-migration of population during the 1940's, the figures being: West Virginia, 188,000; North Carolina, 166,000; and South Carolina, 127,000.

It should be emphasized that the above figures relate to net migration only, and on a state basis. Gross migration was much larger; even those states showing a net

CHANGE IN POPULATION, 1940-1950
FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES



out-migration had an important amount of in-migration. Undoubtedly there was considerable movement within the states themselves.

Historically, the Fifth District has been an exporter of population. During the 1930's, however, the previous trend of net out-migration was reversed. Between 1930 and 1940 the District recorded a net in-migration, largely due to the expansion of industrial opportunities in the District and the expansion of Governmental activities in the District of Columbia. While the trend of net in-migration continued in the 1940's, many areas in the District were unable to assimilate their natural increases during the period. Rural counties which were unable to attract new industries lost many of their youths to areas of greater opportunity. Many agricultural counties experienced losses or at best, showed nominal gains in population—indeed, some of these seem to have acquired as dense a population as their agriculture will comfortably support while improved farming techniques continue to reduce the number of workers required.

Business Conditions And Prospects

BUSINESS activity in the Fifth District was generally lower in September than in August on a seasonally adjusted basis, but there were a few spots where improvement is indicated. September production in the major industries receded from August levels and apparently no great improvement took place in the first half of October. Employment levels, however, remained fairly steady in the southern part of the District and are rising in the northern portion. Production cutbacks have been rather substantial, but there has been little resulting unemployment. Reduced output has been accomplished by reduction of working time. This, of course, has lowered payrolls which has, in turn, been reflected at the retail trade level.

Sales of department and furniture stores, which had been in a moderately upward trend for several months, dropped from August to September on a seasonally adjusted basis. Several lines of wholesale trade, however, mainly in the hard goods lines, show rather sizeable above seasonal rises from August to September. These rises are no doubt occasioned by the regulated cuts in production and are in anticipation of coming shortages.

On the expansive side, bank debits rose to within striking distance of the year's high and outstanding orders of department stores picked up 14%. There remains also the large military construction volume which will undoubtedly be activated in the not too distant future. Somewhat higher operations are noted in the full fashioned hosiery industry, but not much improvement has occurred as yet in the seamless branch.

Loans of the weekly reporting banks continued to rise seasonally through the week of October 18, with all classes of loans gaining except the "all other" group. Business loans have been rising since August 30 mainly because of gains in loans to food and tobacco manufacturers and to commodity dealers. The trend in real estate loans has been downward and about flat in "other" loans which are largely to consumers. Demand deposits of these banks are still rising, having gained \$83 million in the week of October 18 and \$289 million from a year ago. Time deposits of individuals and businesses gained \$1.3 million in the week but were \$1.6 million under a year ago.

Tobacco marketings through October 19 are about 15 million pounds or 1.5 per cent higher than a year ago, while the season's average prices are 2.6 cents or 4.5% under last year. The tobacco crop, however, is marketing slowly because of the dry weather. Its estimated size of 1,249 million pounds is nearly 10 per cent larger than last year and, if present prices hold through the season, it will give growers a moderately larger income than last year.

The cotton crop estimated at 1,534,000 bales for the District is 160% larger than last year, but early season

prices were running 16.5% under last year. Assuming the season's price at 36 cents or 2 cents above the August-September average, the crop this year will yield 86% more income than last year and 47% more than the 1949 crop.

The drought has not appreciably affected the milk supply, but it has required an increase in grain feeding.

Although sales of furniture stores in September declined 5% from August on an adjusted basis, their inventories were likewise down 5% and at a level only 3% ahead of a year ago. As a consequence of this improved inventory picture, there has been some improvement in orders at the manufacturers' level.

The rising level of employment in the shipyards of the District will probably be tempered, since the Maritime Administration has suspended operations on 14 of 35 fast freighters under construction. Work already under way, however, may maintain employment levels for some time. Among the suspensions were two at the Bethlehem-Sparrow's Point Yard and one at the Newport News Shipbuilding and Dry Dock Company. These suspensions were occasioned by a reduction in steel allotments.

The South Carolina Employment Service estimated that 8,500 workers would be added to payrolls up to mid-October, most of them at the Savannah River Atomic Project.

Cotton Textiles

Cotton consumed by the mills of the Fifth District declined 6% seasonally adjusted from August to September, and September was the same percentage below that month a year ago. Cotton spindle hour operations in the industry declined 3% to a level 4% below a year ago. This is a smaller reduction than pessimistic trade reports seemed to indicate. There has been a considerable amount of selective purchasing of cotton goods in recent weeks and the general outlook seems better. The degree of improvement in operations is problematical, since little is known of the manufacturers' inventory position, but thus far the amount of setback in the industry seems small in the aggregate. September cotton consumption was 16% below the peak adjusted month of March, and September spindle hour operations were only 10% below the March peak.

No reliable measures of total retail sales of cotton goods are available, but in the District there are some indications that such sales are increasing. This applies to such cotton items as aprons, house dresses, uniforms, infants' wear, draperies, upholstery, and domestics, linens, sheetings, etc. In the last three lines, these sales are higher than at any other time in history with the exception of three or four months during the scare buying periods of last summer and winter. In general, the

retail inventories of these cotton goods items are moving in a downward direction.

Rayan deliveries in September dropped 16% from August and 21% from a year ago, and indications late in October were that no improvement had taken place. The chief cause of the drop was filament yarns. Staple shows very little reduction and tire yarns were running near peak levels. Further cutbacks in production by District mills were announced for October.

Department Stores

Department store sales in this District have been showing moderate but steady improvement since the low point reached in March. September sales, however, dropped 6% from August on an adjusted basis to a level 1% below a year ago, but the October figure will be higher. The drop in the adjusted index was caused by a failure of sales to maintain a normal seasonal increase from August to September. It did not prevent store stocks from declining 4% on an adjusted basis from August to September to a level only 11% ahead of a year ago. This is the third consecutive month of decline from the June peak which amounts to an overall decline of around 8%. It should be noted that the sales of housefurnishings have been exceeded in only three previous months. Sharing in this improvement in housefurnishings have been furniture, floor coverings, and major household appliances. Men's shoes have sold in very good volume in recent months and considerable

improvement is noted in such items as radios and television.

Women's apparel and accessories, which had previously shown improving sales volume, have receded in the past two months. Infants' wear continues to increase with the growth in baby population. Men's clothing sales have held on a steady keel at about the same level for several years. Stocks, however, have shown some increase over the past year and have not yet been worked down. Basement store sales have resumed the rate of growth that has been evident since 1940. Men's and boys' wear in basement departments has been doing considerably better than upstairs.

The situation for the District in general appears mixed. The chief interruption to full-time operations of business in the District has been in the textile and apparel industries. The demand for the products of these industries at the retail level has been rising. The inventory situation at both wholesale and retail level has been worked into a more tenable position. It seems probable, therefore, that these industries will be able to operate at a better level in the not too distant future, though as of late October there had apparently been little improvement. New industrial construction not yet completed and projected military construction will place heavy demands on the labor supply and this, together with military withdrawals of manpower, will maintain a tight labor market.

DEBITS TO INDIVIDUAL ACCOUNTS					51 REPORTING MEMBER BANKS—5TH DISTRICT			
	(000 omitted)				(000 Omitted)			
Dist. of Columbia	Sept. 1951	Sept. 1950	9 Months 1951	9 Months 1950	ITEMS	Oct. 17, 1951	Sept. 12, 1951	Oct. 18, 1950
Washington	\$ 1,043,040	\$ 996,337	\$ 9,504,632	\$ 7,660,077	Total Loans	\$1,175,360**	+ 24,821	+ 86,076
Maryland					Business and Agricultural	571,600	+ 20,557	+ 60,213
Baltimore	1,147,727	1,085,405	11,040,874	9,397,057	Real Estate Loans	234,526	+ 1,756	- 2,559
Cumberland	24,326	24,000	228,331	204,150	All Other Loans	383,717	+ 2,511	+ 30,773
Frederick	21,546	19,458	188,878	161,876	Total Security Holdings	1,793,699	+ 47,621	+ 63,658
Hagerstown	30,819	31,721	289,966	250,411	U. S. Treasury Bills	242,486	- 955	+109,464
North Carolina					U. S. Treasury Certificates	129,501	+ 42,588	+105,203
Asheville	59,042	55,988	533,571	455,218	U. S. Treasury Notes	310,481	- 6,155	- 29,378
Charlotte	344,938	367,955	3,020,990	2,572,388	U. S. Treasury Bonds	925,436	+ 1,760	-137,080
Durham	176,177	164,611	1,015,759	913,878	Other Bonds, Stocks & Secur...	185,795	+ 10,383	+ 15,449
Greensboro	95,717	96,097	898,489	759,121	Cash Items in Process of Col.	303,938	+ 5,271	+ 15,130
Kinston	57,964	51,594	202,153	171,699	Due from Banks	218,233*	+ 19,295	+ 35,746
Raleigh	175,931	155,210	1,496,432	1,242,866	Currency and Coin	76,827	- 13	+ 7,015
Wilmington	44,572	42,231	384,648	314,378	Reserve with F. R. Banks	577,075	+ 29,104	+114,979
Wilson	62,231	71,328	213,731	207,494	Other Assets	53,439	- 1,989	+ 1,014
Winston-Salem	171,413	175,525	1,488,392	1,275,407	Total Assets	4,198,517	+124,110	+323,618
South Carolina					Total Demand Deposits	3,281,063	+118,450	+288,823
Charleston	74,536	66,548	670,492	556,846	Deposits of Individuals	2,419,410	+ 23,353	+179,309
Columbia	123,437	114,527	1,132,409	939,372	Deposits of U. S. Govt.	87,089	+ 24,722	+ 16,331
Greenville	107,513	104,133	987,490	807,269	Deposits of State & Loc. Gov.	168,235	+ 22,697	+ 23,563
Spartanburg	74,803	66,579	600,309	455,989	Deposits of Banks	545,595*	+ 39,202	+ 63,418
Virginia					Certified & Officers' Checks	60,734	+ 8,476	+ 6,202
Charlottesville	28,231	25,651	243,455	214,662	Total Time Deposits	634,168	+ 7,704	+ 19,793
Danville	37,100	49,244	271,581	241,627	Deposits of Individuals	566,714	+ 7,868	- 1,600
Lynchburg	43,895	43,745	409,737	353,780	Other Time Deposits	67,454	- 164	+ 21,393
Newport News	43,622	32,681	378,033	269,245	Liabilities for Borrowed Money	0	- 6,500	- 1,000
Norfolk	231,567	200,334	1,951,598	1,817,603	All Other Liabilities	31,235	+ 3,026	+ 4,365
Portsmouth	23,633	23,958	222,906	192,276	Capital Accounts	252,051	+ 1,430	+ 11,637
Richmond	653,178	620,031	5,039,352	4,445,967	Total Liabilities	4,198,517	+124,110	+323,618
Roanoke	120,652	113,104	1,025,433	894,200				
West Virginia								
Bluefield	47,109	46,785	421,063	366,298				
Charleston	145,338	143,013	1,356,365	1,160,277				
Clarksburg	32,304	33,576	305,609	268,897				
Huntington	66,059	58,244	593,831	520,031				
Parkersburg	30,174	29,572	275,896	238,195				
District Totals	\$ 5,348,594	\$ 5,109,190	\$ 46,392,455	\$ 39,327,754				

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.

SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Sept. 1951	Aug. 1951	Jul. 1951	Sept. 1950	% Change—Latest Month	
					Prev. Mo.	Year Ago
Automobile Registration ¹ .....	.....	187	184	245	+ 2	— 37
Bank Debits	430	423	427	395	+ 2	+ 9
Bituminous Coal Production	151	160	161	151	— 6	0
Construction Contracts Awarded	421	571	590	606	— 26	— 31
Business Failures—No.	50	45	74	65	+ 11	— 23
Cigarette Production	235	250	250	231	— 6	+ 2
Cotton Spindle Hours	149	153	134	155	— 3	— 4
Department Store Sales	328	350	351	330	— 6	— 1
Electric Power Production .....	.....	352	341	323	+ 3	+ 10
Employment—Manufacturing Industries ¹ .....	.....	156	151	151	+ 3	+ 5
Life Insurance Sales	294	322	314	341	— 9	— 14

¹ Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in Sept. 1951 compared with		Stocks on Sept. 30, 1951 compared with	
	Sept. 1950	Aug. 1951	Sept. 30 1950	Aug. 31 1951
Auto supplies (9)	-44	+ 2	+ 20	+ 4
Electrical goods (4)	+ 7	+16	.....	.....
Hardware (9)	-18	— 4	+ 45	— 1
Industrial supplies (5)	+31	+33	+ 63	+13
Drugs & sundries (11)	+ 7	+ 3	+ 15	+ 2
Dry goods (14)	-16	-13	+ 26	-12
Groceries (58)	+ 2	— 4	+ 3	+ 6
Paper & products (7)	+ 4	— 7	.....	.....
Tobacco & products (8)	+11	-12	+ 19	+ 3
Miscellaneous (84)	-12	0	+ 42	— 2
District Totals (209)	- 7	- 2	+ 29	— 2

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	
	Sept. 1951	9 Mos. 1951
Maryland (7)	— 14	— 5
Dist. of Col. (7)	— 12	— 1
Virginia (18)	— 21	— 7
West Virginia (10)	— 1	— 5
North Carolina (15)	— 23	— 11
South Carolina (6)	— 26	— 13
District (63)	— 15	— 5

INDIVIDUAL CITIES

Baltimore (7)	— 14	— 5
Washington, D. C. (7)	— 12	— 1
Richmond, Va. (6)	— 27	— 14
Charleston, W. Va. (3)	+ 4	— 5
Charlotte, N. C. (3)	— 40	— 21

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total	
Sales, Sept. '51 vs. Sept. '50	- 4	- 4	- 5	- 4	- 4	
Sales, 9 Mos. '51 vs. 9 Mos. '50	+ 6	+ 4	+ 2	+ 2	+ 3	
Stocks, Sept. 30, '51 vs. '50	+ 4	+10	+15	+14	+12	
Orders outstanding, Sept. 30, '51 vs. '50	-35	-39	-39	-29	-37	
Current receivables Sept. 1 Collected in Sept. '51	25	45	43	39	38	
Instalment receivables Sept. 1 collected in Sept. '51	14	15	18	20	17	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Sept. '51 vs. Sept. '50	- 4	- 5	- 3	- 2	- 8	- 2
Sales, 9 Mos. '51 vs. 9 Mos. '50	+ 4	+ 2	+ 5	+ 4	- 2	+ 3

BUILDING PERMIT FIGURES

	Sept. 1951	Sept. 1950	9 Months 1951	9 Months 1950
Maryland				
Baltimore	\$ 2,710,080	\$ 6,521,315	\$ 66,038,420	\$ 64,997,420
Cumberland	270,175	99,500	1,844,564	923,900
Frederick	35,625	39,820	1,716,880	1,676,991
Hagerstown	234,927	569,190	3,662,379	3,251,676
Salisbury	132,058	282,440	1,371,203	1,551,231
Virginia				
Danville	522,943	362,382	2,327,821	2,723,578
Lynchburg	38,486	186,470	2,497,615	5,477,600
Newport News	301,246	65,507	1,324,953	1,403,101
Norfolk	984,250	1,401,475	20,240,971	11,709,878
Petersburg	195,223	262,738	2,812,712	4,732,869
Portsmouth	541,051	240,427	4,837,522	3,510,946
Richmond	2,202,887	5,594,540	22,068,708	23,610,366
Roanoke	791,929	1,196,165	14,058,856	14,010,801
West Virginia				
Charleston	859,685	520,217	4,938,960	10,953,498
Clarksburg	180,142	58,800	1,029,121	1,347,548
Huntington	218,545	642,511	6,990,702	6,007,267
North Carolina				
Asheville	1,893,954	214,957	6,066,034	3,650,492
Charlotte	2,290,185	1,520,440	17,321,835	22,550,853
Durham	3,312,175	1,563,921	7,003,163	13,943,867
Greensboro	906,029	4,534,232	6,857,247	13,780,974
High Point	224,380	829,236	2,667,359	3,763,530
Raleigh	1,099,140	398,600	9,942,699	12,913,365
Rocky Mount	653,644	192,875	3,280,075	3,568,338
Salisbury	92,720	110,250	1,008,698	2,533,987
Winston-Salem	892,566	451,769	13,216,243	9,403,751
South Carolina				
Charleston	279,524	149,567	1,384,839	2,260,130
Columbia	436,931	804,165	10,408,935	8,299,967
Greenville	620,350	906,290	8,221,679	9,402,364
Spartanburg	245,393	141,100	2,260,408	4,698,925
Dist. of Columbia				
Washington	6,873,875	5,743,654	51,107,672	53,686,886
District Totals	\$30,040,118	\$35,604,553	\$298,508,273	\$322,396,099

ADDITIONS TO PAR LIST

The Peoples Bank, Randleman, North Carolina, a nonmember bank located in the territory served by the Charlotte Branch, has agreed to remit at par, effective October 15, 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 66-424.

531

The Mount Vernon Bank and Trust Company, Jefferson Manor, (Fairfax County), Virginia, a newly chartered nonmember bank located in the territory served by the Richmond Head Office, has agreed to remit at par, effective October 18, 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 68-111.

514