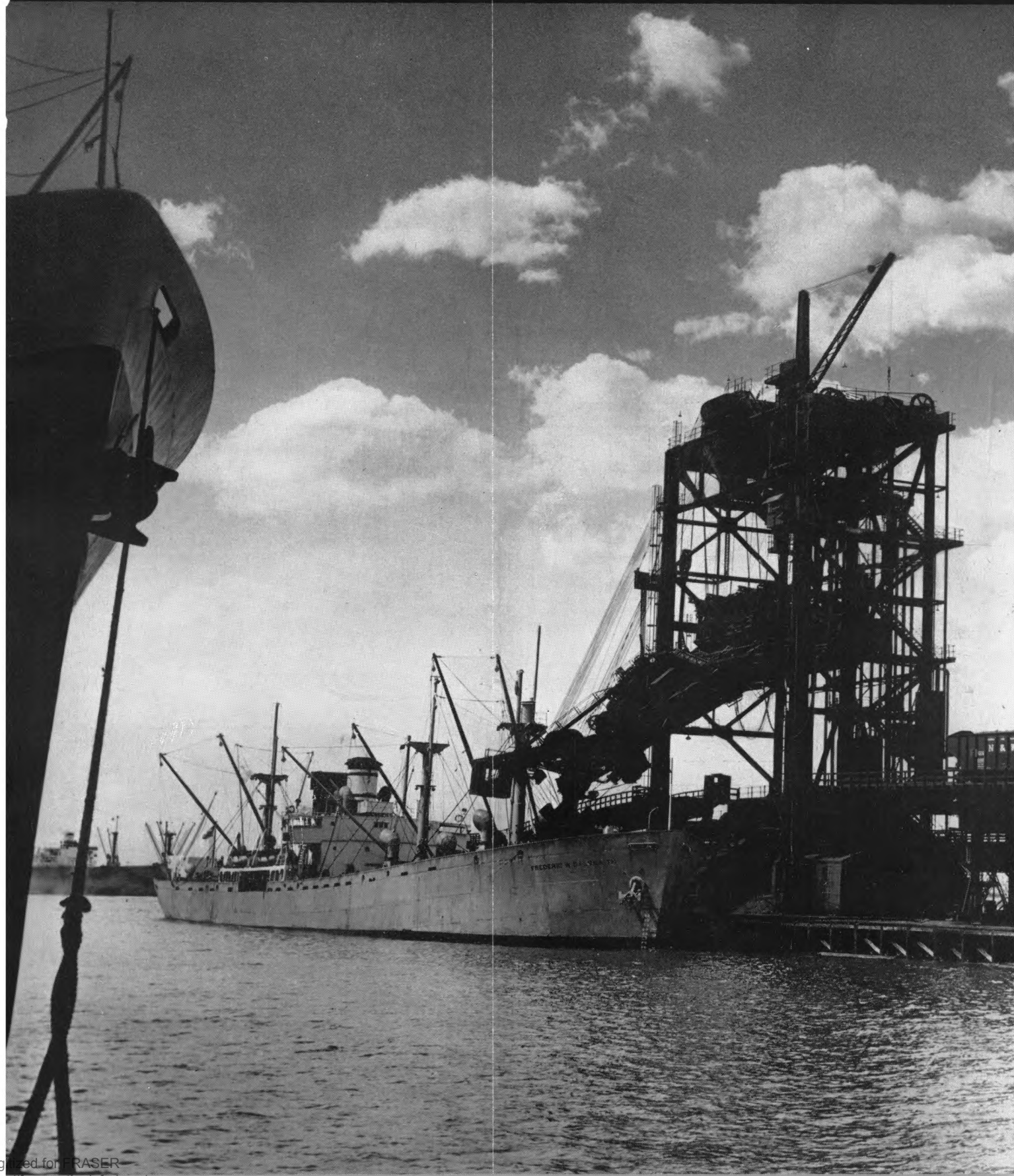


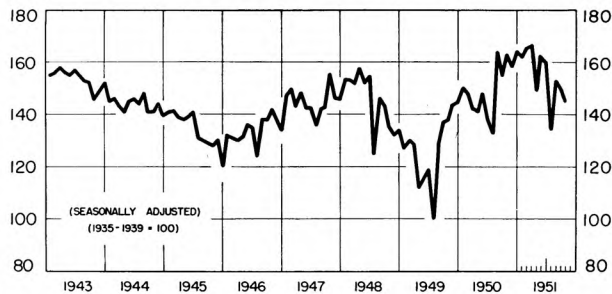
Monthly Review

FEDERAL RESERVE BANK OF RICHMOND — *December 1951*



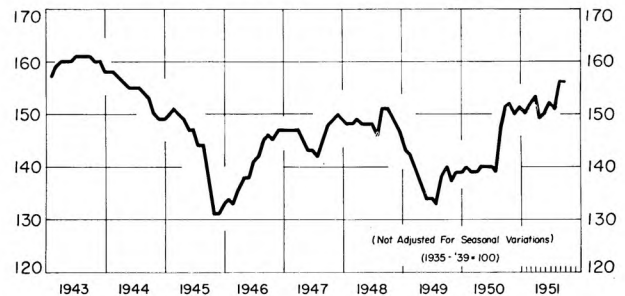
FIFTH DISTRICT TRENDS

ACTIVE COTTON SPINDLE HOURS



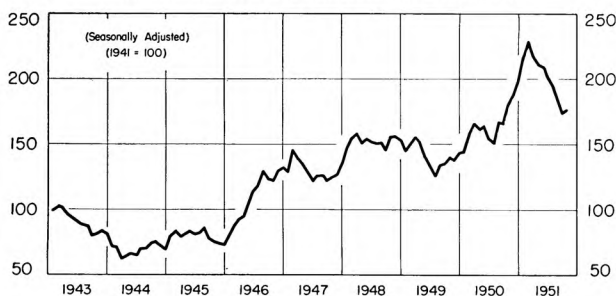
A further drop in cotton mill operations occurred during October when spindle hours operated declined 3% from September on an adjusted basis to a level 11% under October 1950. Cotton consumption did not follow this pattern, but rose 2% on an adjusted basis to a level 12% under a year ago.

MANUFACTURING EMPLOYMENT



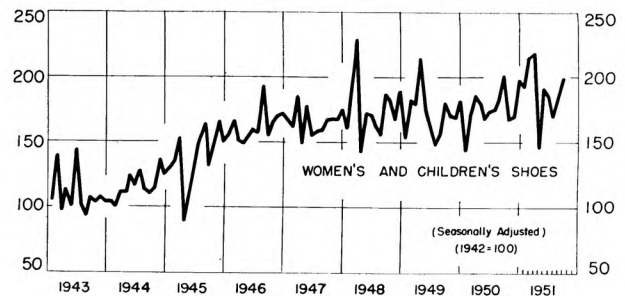
Employment levels in the District during September remained at the high levels established in August. Part of this gain, of course, has been seasonal, but the September figure is within 4% of the all-time peak established during the war. Durable goods industries account for the major part of the rise in employment this year.

RETAIL FURNITURE STORE INVENTORIES



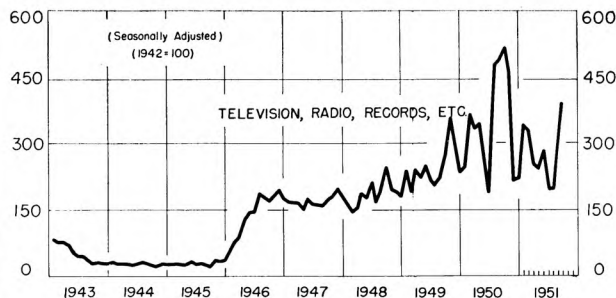
A rising level of furniture sales between spring and summer and a well sustained level this fall, have served to bring furniture store inventories down to tenable levels. These inventories which reached a peak in February of this year, declined 24% between that month and September. October shows the first rise thus far this year, gaining 1% over September after seasonal correction, and standing 3% under last year.

DEPARTMENT STORE SALES



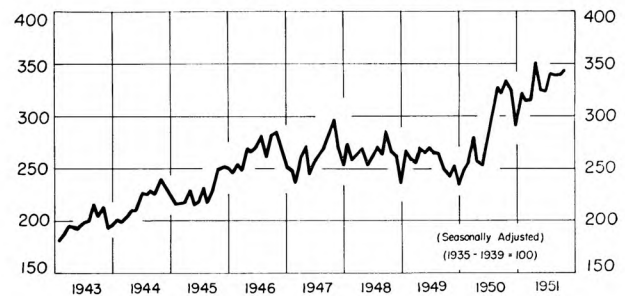
Sales of women's and children's shoes in department stores of this district have been doing remarkably well although the September figure is at the same level of a year ago. There has been a persistent upward trend in sales with the first nine months' figures showing a gain of 8% above the same period a year ago. Store inventories, however, in September were near the peak established in April and 14% over a year ago.

DEPARTMENT STORE SALES



In September, sales of radios, television, etc. were 24% under a year ago. In the nine months, figures were down 18%, but this hardly describes the situation in these commodities. The general trend of these sales is fairly sharply upward, and the adverse comparisons are due to the scare buying in the July-October period of last year. Inventories are probably low for the current volume of sales.

WHOLESALE DRUG SALES



Drug wholesalers in this District have continued their sales at high levels, with October gaining 1% over September on an adjusted basis to a level 3% ahead of a year ago. Drug wholesalers' sales rose sharply from June 1950 to September in that year and have maintained a slow upward trend since that time. October sales this year on an adjusted basis are 20% higher than in June 1950.

Europe's Coal Needs Stimulate Fifth District Ports

On the cover, the picture shows the vessel "Frederick W. Galbraith" being loaded with coal at the N. & W. pier 5 at Norfolk. Photograph through the courtesy of the Norfolk & Western Railway.

THE sudden and striking increase in coal exports promises to make 1951 a record year, second only to the peak reached in 1947. Hampton Roads, the main East Coast coal shipment port, is handling capacity traffic to meet the coal shortage in Europe. Twice as many foreign ships called at Newport News and Norfolk in October as compared with arrivals in October of last year, and many merchant ships from the United States' "mothball fleet" have again been put into service to take care of this excessively heavy coal trade.

In October alone, 3.8 million gross tons of coal were dumped for transshipment by the Norfolk and Western, the Chesapeake and Ohio, and the Virginian Railroads, which bring bituminous coal into the port area. October's dumpings were the highest ever recorded for a single month, and the coal loaded on ships at Hampton Roads in the first nine months of this year amounted to more than 20 million net tons as compared with a mere one million tons in the same period of 1950.

To alleviate the tie-up of cargoes and backlog of orders at Hampton Roads, the Office of International Trade, effective November 1, ordered all overseas shipments under allocation and export control, with the exception of exports to Canada. By this method, all coal orders of foreign countries are being screened to give priority to European countries, thus insuring friendly nations their supplies of coal, despite the shortage of vessels and the cargo congestion at Hampton Roads. Under the export allocation and licensing system, the bulk of coal destined for Europe will go through Hampton Roads, and the rest will be shipped via other ports. In the Fifth District, Baltimore is taking some of the overflow of orders, and Charleston, South Carolina also is sharing in the coal export boom.

Not only in the port areas but over the Fifth District in general, the economy is affected by a high level in coal exports. The coal fields of Virginia and West Virginia make up one of the largest bituminous coal producing areas of the nation, and the Fifth District accounts for one-third of the United States' bituminous coal output.

While the large coal exports to Canada go through ports on the Great Lakes, coal for Europe is handled



—Through the courtesy of the League of Virginia Counties
Pier 14 at Newport News. The new low-level C. & O. pier is equipped with multiple belt conveyors.

principally at Hampton Roads. The heavy volume of coal sent to Europe this fall is part of an erratic postwar pattern. In 1947, a crisis year in Europe, 36 million tons of United States coal went to Europe alone, but by 1950, these shipments had dwindled to one million tons. The fluctuation in coal exports to Europe accounts for the extreme highs and lows in the foreign coal export figures of Hampton Roads. Coal exports in the first nine months of 1951 represent an increase of more than 10 times the shipment for the whole year of 1950.

What is behind the revived demand for coal in Europe? Actually, what has happened is not a falling-off in European coal production, as might be assumed, since output of coal has in fact increased, especially in France, the Saar, and Germany. The reason for the enlarged shipments is that the demand for coal has outstripped the small increase in its production. Overall industrial production in Europe has increased by 11 per cent in the year since the war started in Korea, including such increases as: steel production, 14 per cent, rayon fibers, 27 per cent, cotton yarn, 14 per cent, electricity, 11 per cent. These economic indicators reflect the increased use of coal, while European coal production over the same period has increased by only 6 per cent.

If defense requirements are to be met in Europe, industrial production will have to be maintained on a high

and increasing level. In France, for example, steel mills are reported running at 85 per cent of capacity and are held at this level partly owing to a shortage of coal and partly because of the shortage of coke.

Great Britain, the traditional supplier of coal to the European continent, has cut its coal exports in half, and increased its own imports from 3 thousand tons in the first nine months of 1950 to over 8 million tons in the like period of 1951. Coal imports from America are the largest since 1927. This cut in exports and increase in imports of coal is the result of a rise in domestic consumption. Industrial production is now 50 per cent above the prewar level, and British demand for coal is expected to grow as its rearmament program gets under way. The increase in coal mined has not met this rising demand, and over and above the production problem, it is doubtful that the railway facilities can transport more coal from the mines. Therefore, it has been necessary to curb exports and restrict the home use of coal. Rationing went into effect in the first part of November.

In Western Germany, another source of European coal, the prospects are no better than they are in Britain. Coal output is still below prewar levels, and Western Germany also has experienced a boom in industrial production during the past year. To permit this high level of production, coal already has been rationed for this winter to one ton per household. Ironically, however, Germany is required by the international authority for the Ruhr to meet certain coal export quotas, while at the same time it must import higher-cost coal from the United States.

As a result of the increased demand in Europe and the lack of surplus in its coal producing areas, the deficit in European coal needs has been estimated at 17 million tons for the last half of 1951 and 20 million tons in the first half of 1952. The total dollar cost would be in the nature of \$600 million. If the 11 million tons now expected from Poland and Czechoslovakia for 1951 are not forthcoming, Western Europe will be even more dependent on the United States.

How long Europe will be importing coal from the United States depends on economic developments with respect to its demand for coal, the available supply, and its ability to pay for imports.

On the demand side, the speed with which the rearmament programs get under way is the important factor. Rearmament has undoubtedly been given impetus by the outbreak of disturbances in the Middle East and the continued lagging of peace talks in Korea. As to the supply, the possibility of increasing coal mined in Europe on any large scale is remote. The Organization for European Economic Cooperation (OEEC) in Paris has launched a drive to increase the coal production of the Marshall Plan countries by 30 million tons next year. This would fill in Western Europe's coal deficit, but the target may be too ambitious to attain. Other

power resources, hydro-electric power and oil, could be used to replace coal in some fields of industry. Due to political developments in the Middle East, oil is scarce and threatens to become more so. Any increase in hydro-electric power, superficially the best possible solution, would require heavy outlays of capital and would be a long-term project. Coal, therefore, and coal above ground, is still the key to Europe's industrial output.

Europe's ability to pay for heavy coal imports from the United States is a question mark. Will it continue to be supplemented by dollar aid from this country? In the early part of this year, European countries were paying for coal imports themselves. Then the Mutual Defense Assistance Program financed shipments of coal to Yugoslavia and Italy, and the Economic Cooperation Administration (ECA) has issued procurement authorizations to pay for coal shipments to France, Italy, Austria, Denmark, and Norway, and it is predicted that Great Britain, too, will soon be receiving foreign aid dollars to pay for imports of coal.

Thus, the jest of "coals to Newcastle" has become a serious reality not only for Great Britain but also for the rest of Europe, which before the war was self-sufficient in coal production. This is one of the many problems arising from rearmament. Yet, it seems probable that a solution to this particular problem may be worked out with the same cooperation which has characterized American-European relations since the end of the war. The answer lies in both increased European production and increased imports from the United States. In this event, Fifth District coal will continue to move eastbound via rail, and Hampton Roads will continue to handle its currently abnormal volume of outbound coal cargoes.



—Through the courtesy of the League of Virginia Counties
A close-up of the multiple conveyor system on the C. & O. pier 14 at Newport News.

Fifth District Banking Developments

In the Second Half of 1951 Lending Has Slowed Down, but Deposits Are at New Peak Levels

MONETARY and banking developments in the second half of 1951 have taken some unexpected and even paradoxical turns. In the Fifth District, member bank loans leveled off, and holdings of Governments increased sharply, in contrast to national trends. The National Production Authority announced that use of critical materials will have to be substantially curtailed in the near future, while consumer and real estate credit controls were eased by Congress. The Treasury effected refinancing and new borrowing requirements through the issue of bills and certificates of indebtedness; its new tax anticipation bills produced a novel "kink" in the pattern of short-term notes. Taxes were increased again to bring anticipated yields to the highest figures in history. Mutual savings banks and savings and loan associations have, for the first time, been subjected to Federal income taxation.

Loans Show Little Change

Perhaps the most interesting development in Fifth District banking since June 30 has been the virtual cessation of loan expansion at a time when member bank loans usually show a considerable seasonal growth. The change in net loans of Fifth District member banks from mid-year to October 10 was less than \$1 million. The smallest autumn increase previously recorded in the post-war period was in 1948, when loans rose an estimated \$63 million. By contrast, loans of member banks in the United States are estimated to have risen by almost 2% in the third quarter of this year.

Particularly worthy of note has been the behavior of specific categories of loans. Real estate loans in this District slowed their rapid increase more than a year ago, largely because individual banks had in many cases built up their mortgage portfolios to desired levels. Consumer loans, after the imposition of Regulation W late in 1950, leveled off, and have shown little change since that time. It is interesting to note that no type of installment loan to individuals has shown a net change of more than \$1 million from the level of year end 1950. Increases in loans to individuals since then have been in single payment loans to individuals, largely loans of \$3,000 and over, and these, in many cases, have been for business purposes.

Commercial and industrial loans, prime factor in the unparalleled expansion of loans from mid-1950 through April 1951, showed more than a seasonal decline from April to June, and only a negligible increase (less than 1%) through October 10. The normal seasonal increase in business loans in this District is close to 10% for this period; this therefore represents a considerable slowdown in business lending activity.

Despite the near cessation of loan expansion, Fifth District member bank deposits have risen sharply since midyear, and at \$6.3 billion are substantially above the record peak of year end 1950. Many factors contributed to the slowdown in lending—reduced liquidity of banks, Voluntary Credit Restrain, uncertainty as to future economic trends, and the more attractive yields on Government securities.

Control of consumer credit seemed to contribute to a great extent to the slow-down in this type of lending through the first quarter, 1951. Regulation W, even with the easier terms now prevailing, undoubtedly serves as a restraining factor in some degree. Another important factor in the consumer loan field is the more cautious approach of individuals in their purchases.

In the real estate field, even under the earlier more stringent controls, conventional loans of banks on low and medium-priced housing were not affected by selective controls, as state and Federal banking regulations are in general more stringent than the terms permitted under Regulation X. The tightening of terms required on FHA and VA loans may have in some cases contributed toward the slow-down of mortgage lending by banks in this area. Another factor was the increase in yields on Government securities, which made these types of loans relatively less attractive. In addition, many banks seem reluctant to increase their mortgage holdings relative to other types of assets.

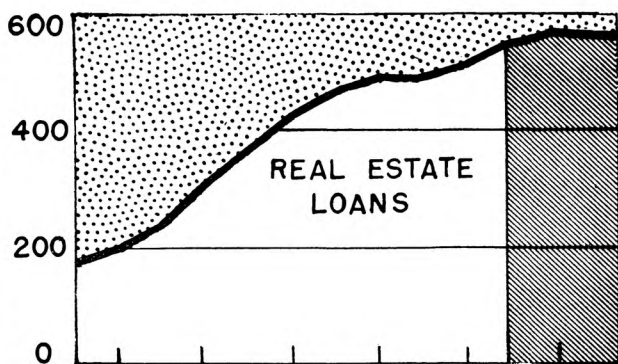
Near cessation of net new business lending in the District has been the most important factor contributing toward the standstill in total lending. Coincident with the decline in the price of Government securities, the cessation of consumer scare-buying and business inventory accumulation and the establishment of the VCR program last spring, inflationary pressures dropped off sharply, and price levels have remained remarkably stable since that time. Inventory levels were felt to be high and buying to increase inventories decreased sharply. Consequently, the demand for funds to carry larger inventories also fell off substantially.

Holdings of Governments Are Up Substantially

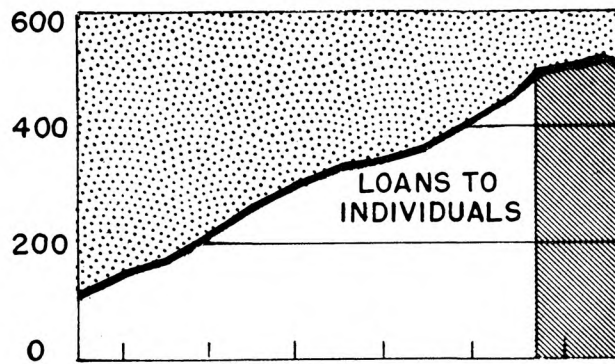
With bank loans at a standstill, creation of credit by Fifth District member banks has been channeled into the purchase of Government securities. From mid-year through October 10, Fifth District member bank holdings of Governments showed their most substantial increase since the early 40's. Holdings of Governments had dropped by more than a third from year end 1945 through April of this year. Since then, more attractive rates on Government securities have led to an increase of almost 10% in holdings, which now top \$2.5 billion

WITHIN FIFTH DISTRICT MEMBER BANKS:

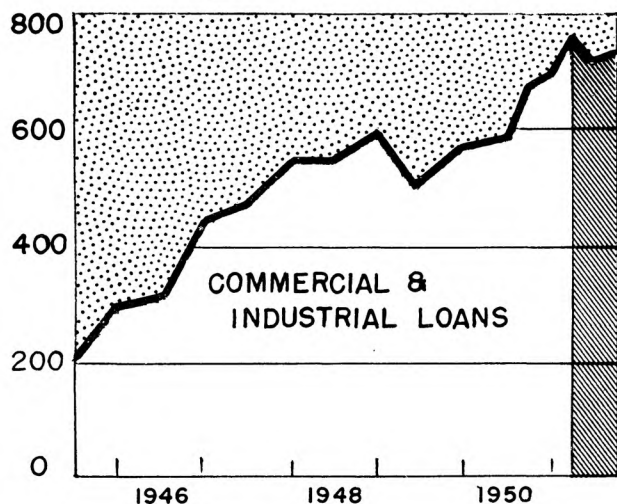
First, mortgage lending...



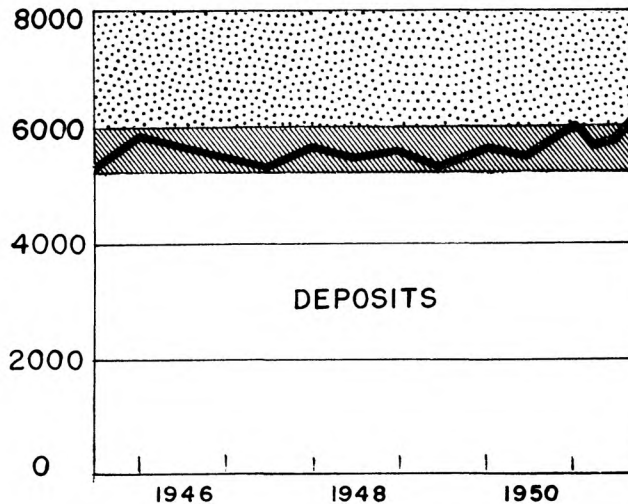
... then consumer lending



... and recently business lending have fallen off, ...



... but deposits have reached a new peak.



AMOUNTS IN MILLIONS OF DOLLARS

for the first time since the spring of 1950. Holdings of Governments by all member banks in the United States show a much smaller increase, and are estimated to have grown by less than 2% in the third quarter.

All of the Treasury's refinancing and new borrowing thus far in the second half has been done on a short-term basis. By increasing the weekly offerings of three-month bills, total 90-day Treasury bills outstanding were increased from \$13.6 billion to \$15.6 billion.

Two new tax anticipation bills were found so attractive that they created the novelty of a "kink" in the pattern of short-term interest rates. The first issue of 144-day bills maturing March 15 sold to yield 1.55% while the 90-day bills were yielding 1.61%; the second issue, running 201 days and maturing June 30, yielded 1.50% as compared with 1.58% for 90-day bills. These issues seem to be especially well fitted to the market.

They are particularly interesting to banks because the proceeds may be deposited in tax and loan accounts. Because of this feature, not extended to other issues, banks are willing to bid higher for these bills, thus causing a distortion in the interest rate pattern.

The aforementioned increase in member bank holdings of Governments has continued to concentrate in short-term maturities. In the net, Fifth District member banks almost doubled their holdings of Treasury bills from June 30 through October 10, and increased their holdings of certificates by 150%. Holdings of notes fell off by about one-sixth, while bond holdings showed relatively little change.

Taxes and Tax Exemptions

The new increase in corporate taxes from 47% to 52% on income in excess of \$25,000 late in October, and the new provision under which mutual savings

banks and savings and loan associations are now subject to the regular corporate income tax, have been made retroactive to April 1, 1951. Many banks have been accruing taxes this year at a rate which would take care of this latest increase.

The higher tax rate has put a further premium on tax-exempt municipals, and purchases of non-Government securities had increased Fifth District member bank holdings substantially by October 10, when holdings were \$359 million, as compared with \$320 million a year earlier.

The corporate tax (but not the excess profits tax) is to apply to mutual savings banks and savings and loan associations only after reserves have been built up to 12% of deposits, and does not apply to earnings paid out to depositors or share owners. It is not expected that very many mutual savings banks and savings and loan associations will be subject to this tax in the immediate future, as the reserves of most of these are well below 12%. After the 12% reserve has been established the tax can, under the present law, be avoided by paying out earnings in dividends.

Classification of Business Loans

Sixteen large banks in the Fifth District report in detail changes in large business loans, in cooperation with the Voluntary Credit Restraint Committee. These banks carry a large share of business loans in the District. They classify only their larger loans—lines over a specified minimum which is not uniform between banks. Consequently, the only definitive information furnished by these reports is the extent to which these banks have made new loans to customers carrying substantial lines of credit. Due to obvious difficulties in classifying repayments, it is possible that they are not adequately reflected in these data, thus causing an upward bias. From June through mid-November classified loans at these 16 banks showed an increase of \$27.7 million, while their total business loans rose by \$8.0 million. A further discrepancy is noted in that business loans of 51 weekly reporting member banks (including these 16 banks) showed an increase of only \$2.8 million.

Although the limited coverage of these classified loans must be kept in mind, it is interesting to note changes in classified loans reported by these 16 banks since last June. Loans to commodity dealers, which typically increase substantially in the fall as a normal part of financing the movement of crops, accounted for virtually all of the June-November increase in classified loans in the Fifth District. The only other business group increasing its borrowing by nearly the amount that commodity dealers did was food, liquor, and tobacco manufacturers. Loans to textile, leather, and apparel dealers showed a sizeable decline, as did loans to metal and metal product manufacturers. Classified according to purpose of loan, virtually all of the increase was in loans for non-

defense purposes. Loans for defense supporting activities showed a small increase from June 27 to October 10, but fell off slightly by mid-November. Defense loans declined from midyear through the middle of November.

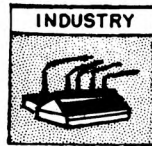
A notable contrast exists between trends in types of classified business loans reported in the Fifth District and in the United States. Total business lending in the United States has been increasing at a much more rapid rate than in the Fifth District. Loans to commodity dealers and to food, liquor, and tobacco manufacturers, while important in the national picture, have not accounted for nearly as large a share of the total increase in classified loans as in the Fifth District. Equally important in new loans on the national level have been loans to metal and metal products manufacturers (which declined in the Fifth District) and loans to public utilities. The most outstanding contrast appears when loans are classified according to purpose. Defense loans have shown a net decline in the District, but have accounted for more than a sixth of the total increase in classified loans in the nation since midyear. While loans for defense supporting activities have accounted for less than a tenth of the increase in classified loans in the District, more than a fourth of the increase in the nation was in this type of loans. Loans for non-defense purposes, accounting for virtually all of the increase in loans in the District, represent only slightly more than half of the increase for the United States.

ASSETS AND LIABILITIES FIFTH DISTRICT MEMBER BANKS (Dollar amounts in millions)			
	Oct. 4, 1950	June 30, 1951	Oct. 10, 1951*
Assets			
Loans and investments	4,636	4,624	4,884
Loans (including overdrafts)	1,885	2,002	2,002
U. S. Government obligations	2,431	2,293	2,523
Other securities	320	329	359
Reserves, cash, and bank balances	1,571	1,583	1,819
Reserve with Federal Reserve Bank	700	812	867
Cash in vault	136	104	154
Balances with banks	418	361	467
Cash items in process of collection	317	307	331
Other assets	81	81	83
Total assets	6,288	6,288	6,786
Liabilities			
Demand deposits	4,478	4,461	4,905
Individuals, partnerships, and corporations	3,516	3,422	3,781
U. S. Government	101	196	152
States and political subdivisions	300	351	326
Banks	481	418	563
Certified and officers' checks, etc.	80	72	83
Time deposits	1,333	1,343	1,380
Individuals, partnerships, and corporations	1,250	1,231	1,262
U. S. Government and Postal Savings	31	35	42
States and political subdivisions	50	60	59
Banks	2	18	17
Total deposits	5,811	5,804	6,285
Borrowings	10	4	4
Other liabilities	38	42	45
Total liabilities	5,859	5,849	6,334
Total capital accounts	429	438	452
Total liabilities and capital accounts.....	6,288	6,288	6,786
Demand deposits adjusted	3,580	3,540	3,859
Number of banks	477	475	476

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

FIFTH DISTRICT NEWSBRIEFS

CURRENT DEVELOPMENTS IN —



Complementary Growth of Chemicals and Textiles Paces Industrial Expansion in Fifth District

One of the more interesting reports received recently is that Celanese Corporation may establish a southern headquarters in *Charlotte* involving the construction of a \$4 million building on a 100-acre site. If this plan materializes and Celanese transfers part of its administrative and sales force and laboratory staff from its New York office, the move will further bolster the claim of this area to being the synthetic fiber center of the nation.

Although Celanese Corporation's \$50 million fiber production plant in *Rock Hill, S. C.*, has been in operation only three years, it has announced that its capacity will be doubled and its fiber output diversified at a cost that may approximate the original outlay. Another District plant now being enlarged under this company's expansion program is the giant fiber production plant near *Narrows, Va.*

One of the world's newest synthetic fibers, Orlon, will make its initial commercial appearance in staple form in the new du Pont plant now under construction in *Camden, S. C.* This unit, scheduled for completion next spring, adjoins the Orlon filament yarn plant which commenced operation in July 1950. The Fifth District, thus far, appears to have "exclusive rights" to the newest form of the synthetic fiber inasmuch as Orlon staple is being produced in developmental amounts at a pilot plant in *Waynesboro, Va.*

Another "first" for the District will be recorded when the du Pont plant at *Kinston, N. C.*, begins commercial production of another new miracle fiber, Dacron, in both continuous filament and staple form. Ground was broken for this \$32 million plant last April, and the construction schedule calls for production to begin in 1953. Estimates are that the *Kinston* plant will produce more than 12 million pounds of Dacron polyester yarn and 25 million pounds of staple annually.

November marked the 10th anniversary of du Pont's nylon plant at *Martinsville, Va.* This plant, which has more than doubled the acreage of its original site, will employ about 3,200 workers when the newest addition is completed around the end of this year. Its annual

payroll of almost \$11 million is estimated to provide between one-fourth and one-third of the personal income of the entire county in which this plant is located.

An interesting investment, in view of the current oil difficulties in the Middle East, is the pilot plant being built by Union Carbide and Carbon at *Institute, W. Va.*, for developmental work on synthetic fuels. This plant, estimated to cost about \$11 million, will be the only one of its kind in the country and is designed to use various types of coal in developing methods of commercial production of critical chemicals and synthetic petroleum by the hydrogenation of coal. This company will also build at *Institute* a \$5 million plant for the manufacture of Allethrin, a synthetic insecticide for essential civilian and military purposes.

In *Charlotte, N. C.*, it has been announced that the Reichhold Chemical Co. is spending \$2 million to enlarge its plant for the production of chemicals for the textile and plywood industries.

Indicative of the modern trend of locating industrial plants in rural areas is the new factory of Brunswick-Balke-Collender Co. at *Marion, Va.* This 330,000 sq. ft. plant for the production of reinforced plastic parts is scheduled to go into operation during December.

Other additions to the District's textile industry now under construction include the following: a million dollar synthetic sewing thread spinning plant now nearing completion by Belding-Hemmingway near *Hendersonville, N. C.*; a \$3 million nylon hosiery knitting mill being built by Berkshire Mills at *Andrews, N. C.*; the \$4 million Hatch mill of Deering-Milliken at *Columbus, N. C.*, for the production of fancy woolens; and a \$2 million rayon weaving plant of Peerless Mills at *Belton, S. C.* Designed in the modern industrial style of one-story buildings, the large cotton mill and bleachery now under construction by Utica & Mohawk Cotton Mills near *Clemson, S. C.*, will permit completely integrated operations from raw materials to finished products. Cost data are not available, but the plant will have about 550,000 sq. ft.

Tools for War and Peace

A very interesting addition to the industrial structure of the Fifth District may materialize in the near future

according to a report in the November 17 issue of *Business Week*. This source states that negotiations for a 1,300-acre site at *Asheville, N. C.*, for the location of the first plant of Oerlikon Tool & Arms Corp. of America are reaching the final stages. The new company, a subsidiary of a Swiss armament company called Oerlikon, will manufacture explosives, small and medium weapons, and, in peacetime, machine tools, electronic equipment, and business machines.

Armament-producing industries in West Virginia will be considerably augmented by the projected construction at Point Pleasant of a huge U. S. Army plant for the manufacture of gun barrels. The \$32 million installation will be erected on the site of the West Virginia Ordnance Works.

A million-dollar tool plant is under construction at *Hampstead, Md.*, by Black & Decker Mfg. Co. The company, largest manufacturer of portable electric tools in the world, expects to occupy the new quarters next spring.

New Trade and Distribution Facilities

W. T. Grant has opened to *Norfolk* shoppers a new \$1 million store. The four-story building has 65,000 sq. ft. of merchandising space and is one of the ten largest stores in the Grant chain. Another retail outlet in the Old Dominion is planned by Woodward & Lothrop for location in *Alexandria*. The two-story building and parking lot is scheduled to open next fall.

A new \$500,000 steel and aluminum distributing plant has been opened by Hill-Chase Steel Co. in Baltimore. The new 40,000 sq. ft. building is almost double the size of the original warehouse. Another distributing facility in the Baltimore area is planned by Alexander Smith & Sons Carpet Co. in the form of a \$250,000 office, showroom, and warehouse.

Additional textile storage facilities are being constructed by Spring Mills, *Lancaster, S. C.*, at its Grace plant. The three-story, 120,000 sq. ft. addition is expected to be completed by next spring.

Manchester Board & Paper Co. is building a \$100,000 waste-paper storage unit in *Richmond* that will increase its storage capacity by 30%. The steel and concrete structure is scheduled to be completed by next April.

“ . . . On the Land and in the Air ”

The Norfolk & Western has placed an order with the Virginia Bridge Co. of *Roanoke* for 1,000 70-ton, all-purpose gondola cars costing about \$6.5 million. In its own *Roanoke* shops, Norfolk & Western plans to build

15 more of its modern coal-burning steam switching locomotives involving outlays of about \$1.5 million. At present, the *Roanoke* shops are working on six new heavy-duty freight engines and a large number of 70-ton hoppers.

The C & O Ry. is spending over \$300,000 for construction of a 600-car storage yard at its *Newport News* docks. The additional facilities for coal and merchandise exports will be completed next February.

The Carolina Coach Co., affiliate of National Trailways, has acquired a site in Richmond for \$135,700 on which it plans to erect a bus terminal that will greatly enlarge the present center and services. The Gary Steel Products Corp., makers of steel plate products, will open a factory in Rocky Mount, N. C. for the manufacture of truck and trailer bodies. Operations are expected to begin early next year and employ about 150 workers.

The Glenn L. Martin Co. is moving back into the Signal Depot's plant in *Baltimore*, used in World War II for construction of B-26 Marauder bombers. In addition to the 200,000 sq. ft. of floor space the aircraft company is now using in this building, expanding defense orders will require it to take over another 250,000 sq. ft. by year end; by next summer almost 1.5 million sq. ft. of floor area will be utilized by the company in this plant which now employs about 2,000 workers. Martin is also expanding production space at its *Middle River* plant by over 1.5 million sq. ft. and its storage area in *Baltimore* by more than 220,000 sq. ft. at three different locations in the city.

The Impact of Rearmament on Capital Outlays

In order to accelerate expansion of productive facilities in those sectors of the economy where it is most needed for the defense program, certificates of necessity are issued by the Defense Production Administration. These certificates permit rapid tax amortization of the new facilities by authorizing the holders to deduct from taxable income 40% to 100% of the cost during the next five-year period. The first certificates were issued October 30, 1950; through November 5, 1951, authorizations have been granted for construction of facilities essential to the defense effort totaling over \$10 billion. Of this amount, almost \$500 million or 4.8% represented proposed investment in the Fifth District. This is a relatively small share of the national total since on the basis of number of production workers employed in manufacturing the District portion would approximate 8.5%. The actual data are primarily a consequence of the relative unimportance of heavy industry in this five-state area.

Business Conditions And Prospects

THE business situation in the Fifth District during October and the first half of November continued to show mixed trends. Manufacturing output on balance moved toward lower levels, while trade and construction continued to improve. Loss of employment in industries manufacturing consumers' goods was a little more than offset by rises in service industry and construction employment. Despite the operating setbacks that have occurred in the District since June, over-all manufacturing employment is now within 4% of its wartime peak in 1943.

The November 1 crop report reduced the estimated cotton crop to 15,771,000 bales, a sharp and unexpected drop of 1,160,000 bales, or 7%. The Fifth District crop estimate was reduced 46,000 bales, or 3%, in the same period. This reduction in the cotton crop changes the Fifth District business situation considerably. Domestic mill consumption of cotton in the first quarter of the crop year got off to a poor start, poor enough to indicate annual consumption of no more than 9.5 million bales. Even so total requirements, including exports, will probably leave a carry-over of considerably less than 3 million bales. Largely as a consequence of this situation combined with the holding movement, the price of cotton jumped above 43 cents a pound early in November, thus recovering most of the sharp price decline from July to September. As yet there has been little expansion in demand for goods and yarns. Prices of goods have failed to follow cotton prices, but yarns have taken a substantial jump. Mills were doing little better than breaking even before the latest rise in cotton prices took place, and, since demand for goods and yarns has shown little improvement, the current prospect points to further curtailment of mill operations to avoid operating losses. It is difficult to envision mill operations continuing for any period of time at current low levels, particularly when the offtake at the retail level continues in good and improving volume.

Banking

Aggregate expenditures in the District as represented by bank debits established a new high level in October, gaining 1% over September, on an adjusted basis, and running 5% ahead of a year ago. Loans at the weekly reporting banks have shown a belated seasonal rise, which continued through October, with commercial loans accounting for the bulk of the increase. Commercial loans, however, have failed early in November to carry through with the normal seasonal upsurge, due mainly to a failure of textile and apparel industries loans to follow through when food industries and commodity dealers reached their seasonal peaks. Trade loans have shown moderate expansion in recent weeks, but even these lack normal vigor at this time of the year.

Demand deposits of weekly reporting banks continue

in an upward trend, with gains being particularly marked in Washington, Richmond, and Roanoke. Time deposits, which had risen slightly from May through October, declined moderately in November. Time deposits have been showing an upward trend in Richmond, Lynchburg, and Roanoke; a downward trend in Baltimore, Charlotte, and Charleston, West Virginia; and no clearly defined trend in other cities.

Bituminous Coal

Bituminous coal production rose 5%, after seasonal adjustment, from September but failed by 4% to equal the level of a year ago. The employment level in bituminous mines of this District has been trending downward for three years while production has been increasing which reflects the improved productivity of greater mechanization. Domestic consumption of bituminous coal for September was running about 2 million tons under a year ago. This has been offset by expansion of the rising export demand. Overseas shipments through Hampton Roads ports alone have totaled over 20 million tons in the first nine months of this year, compared with only 1 million tons a year ago and with less than 16 million tons in the peak year 1947. Continuation of this export pace, owing to the recurrence of dollar exchange shortages in France and England, is contingent on funds supplied by the United States for these purchases.

Trade

Department store sales, after seasonal correction, rose 2% from September to October to a level 7% above a year ago and stocks dropped 2% in October from the previous month but continued 4% ahead of October 1950. District department store sales over the past year have been erratic, but the general trend is upward and has been moving at an annual rate of about 5%.

Furniture store sales held up well in October, having been within 1% of the September level, on an adjusted basis, and 8% ahead of a year ago. A gain in installment sales nearly offset a reduction in cash sales during the month. Collections of accounts receivable continued to improve, while inventories rose 1% for the first gain since February. Sales of household appliance stores in October rose 25% above the September level to within 10% of a year ago.

New passenger automobile registrations in September were within 1% of the August level and, while they were 24% under September 1950, they compare favorably with all previous years. Commercial car registrations gained 8% from August to September and were only 5% under a year ago.

Sales trends in the wholesale trades were mixed, with automotive supplies, drugs, electrical goods, and tobacco increasing, and dry goods, groceries, hardware, industrial supplies, and paper declining from September to

October, after seasonal correction. All lines except dry goods and automotive supplies were higher in October than a year ago but, in the case of dry goods, October a year ago was a very high figure, with current sales in this line being exceeded in only five previous months of record.

Savings Bonds

Redemptions are still running ahead of Savings Bond sales in this District, but the net redemption figure was reduced substantially in October when sales rose markedly and redemptions showed little change. October net redemptions of \$5.6 million compare with a figure of \$9.7 million in September. It is interesting to note that there has been an upward trend since 1947 in sales of Series E Savings Bonds in this District in the \$25 and \$50 denominations, while redemptions have trended downward in the \$25 denomination and held about flat in the \$50 denomination. There has been a downward trend in sales of \$100 bonds, with redemptions remaining about flat. Sales of the \$200 denomination have been moving downward during 1950 and 1951, with redemptions rising sharply to the spring of 1951 and since turning downward. Sales of the \$500 denomination have been downward since 1944. Redemptions, which rose rather sharply to 1946, have held about steady since that time. The sales trend of the \$1,000 denomination has been downward since 1943, with re-

demptions of this denomination rising rapidly through 1945 and rising more gradually since that time. Sales of the \$1,000 denomination had exceeded redemptions in all previous months until March of 1950 but since March of 1950 sales have exceeded redemptions only once.

These Savings Bond trends are significant. They indicate that the holders of the two smallest bonds are increasing their purchases and that purchases may even overtake redemptions. In the denominations of \$100 and above the evidence seems clear that, in periods of substantial retail trade rises, redemptions did not increase in proportion but rather the new bond sales fell, which would indicate a preferred utilization of income for goods and services over savings. In the case of the \$500 and \$1,000 denominations, other investment outlets seem to have been preferred to Savings Bonds.

In spite of the drop in wholesale prices and the reduction in manufacturing activity for some months past, the cost of living in Baltimore, Maryland, the only District city available for September, showed a rise of four-tenths of 1 per cent from June and 5½% from September 1950. This is an all-time high peak and is probably indicative of changes occurring in other cities of the District. The increased cost of living is an important factor in tempering the demand for goods and services at the present time.

DEBITS TO INDIVIDUAL ACCOUNTS					51 REPORTING MEMBER BANKS—5TH DISTRICT			
	(000 omitted)				(000 Omitted)			
Dist. of Columbia	Oct. 1951	Oct. 1950	10 Months 1951	10 Months 1950	ITEMS	Nov. 14, 1951	Oct. 17, 1951	Nov. 15, 1950
Washington	\$ 1,199,192	\$ 1,034,945	\$ 10,703,824	\$ 8,695,022	Total Loans	\$1,179,948**	+ 4,642	+ 76,524
Maryland					Business and Agriculture	568,271	- 3,329	+ 47,307
Baltimore	1,321,338	1,243,477	12,362,212	10,640,534	Real Estate Loans	236,156	+ 1,630	+ 147
Cumberland	28,440	25,831	256,771	229,981	All Other Loans	390,094	+ 6,377	+ 31,463
Frederick	24,292	18,771	213,170	180,147	Total Security Holdings	1,845,123	+ 51,424	+142,527
Hagerstown	33,026	31,775	322,992	282,186	U. S. Treasury Bills	277,586	+ 35,100	+160,281
North Carolina					U. S. Treasury Certificates	127,583	- 1,918	+105,385
Asheville	61,042	56,423	594,613	511,641	U. S. Treasury Notes	316,429	+ 5,948	- 14,577
Charlotte	370,749	377,754	3,391,739	2,950,142	U. S. Treasury Bonds	930,559	+ 5,123	-130,216
Durham	122,247	170,731	1,138,006	1,084,609	Other Bonds, Stocks & Secur.	192,966	+ 7,171	+ 21,654
Greensboro	109,798	105,033	1,008,287	864,154	Cash Items in Process of Col.	335,936	+ 31,998	+ 12,750
Kinston	59,618	44,747	261,771	216,446	Due from Banks	213,210*	- 5,023	+ 28,511
Raleigh	184,246	177,245	1,680,678	1,420,111	Currency and Coin	84,170	+ 7,343	+ 14,059
Wilmington	45,333	39,948	429,981	354,326	Reserve with F. R. Bank	581,133	+ 4,058	+108,387
Wilson	110,889	76,831	324,620	284,325	Other Assets	54,735	+ 1,296	- 150
Winston-Salem	204,507	193,971	1,692,899	1,469,378	Total Assets	4,294,255	+ 95,738	+382,608
South Carolina					Total Demand Deposits	3,344,330	+ 63,267	+314,443
Charleston	84,140	72,354	754,632	629,200	Deposits of Individuals	2,467,374	+ 47,946	+211,093
Columbia	138,670	118,541	1,271,079	1,057,913	Deposits of U. S. Government	81,250	- 5,839	+ 2,660
Greenville	112,818	106,404	1,100,308	913,673	Deposits of State & Loc. Gov.	167,275	- 960	+ 24,744
Spartanburg	84,428	72,201	684,737	527,890	Deposits of Banks	570,137*	+ 24,542	+ 72,898
Virginia					Certified & Officers' Checks	58,294	- 2,440	+ 3,048
Charlottesville	28,463	26,526	271,918	241,188	Total Time Deposits	637,841	+ 3,673	+ 28,831
Danville	54,968	75,498	326,549	317,125	Deposits of Individuals	566,031	- 683	+ 3,158
Lynchburg	46,857	47,281	456,594	401,061	Other Time Deposits	71,810	+ 4,356	+ 25,673
Newport News	46,864	34,019	424,947	303,264	Liabilities for Borrowed Money	27,500	+ 27,500	+ 22,500
Norfolk	232,421	201,264	2,184,019	2,018,867	All Other Liabilities	31,763	+ 528	+ 5,751
Portsmouth	26,669	22,415	249,575	214,691	Capital Accounts	252,821	+ 770	+ 11,083
Richmond	713,126	612,243	5,752,478	5,058,210	Total Liabilities	\$4,294,255	+ 95,738	+382,608
Roanoke	122,745	109,479	1,148,178	1,003,679				
West Virginia								
Bluefield	49,719	44,079	470,782	410,377				
Charleston	165,708	146,929	1,522,073	1,307,206				
Clarksburg	36,272	33,280	341,881	302,177				
Huntington	68,811	65,769	662,642	585,800				
Parkersburg	34,641	29,550	310,537	267,745				
District Totals	\$ 5,922,037	\$ 5,415,314	\$ 52,314,492	\$ 44,743,068				

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

SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Oct. 1951	Sept. 1951	Aug. 1951	Oct. 1950	% Change—Latest Month	
					Prev. Mo.	Year Ago
Automobile Registration ¹.....	.....	185	187	259	— 1	— 24
Bank Debits.....	433	430	423	411	+ 1	+ 5
Bituminous Coal Production.....	161	153	160	166	+ 5	— 3
Construction Contracts Awarded.....	391	420	571	462	— 7	— 15
Business Failures—No.....	42	50	45	68	— 16	— 38
Cigarette Production.....	244	235	250	207	+ 4	+ 18
Cotton Spindle Hours.....	145	149	153	163	— 3	— 11
Department Store Sales.....	337	328	350	313	+ 3	+ 8
Electric Power Production.....	.....	.....	352	327	.....	.....
Employment—Manufacturing Industries ¹.....	.....	156	156	152	0	+ 3
Life Insurance Sales.....	329	294	322	279	+ 12	+ 18

¹ Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in		Stocks on	
	Oct. 1951		Oct. 31, 1951	
	Oct. 1950	Sept. 1951	Oct. 31 1950	Sept. 30 1951
Auto supplies (9).....	-16	+27	+ 12	- 2
Electrical goods (6).....	+ 5	+10	+ 14	-25
Hardware (13).....	+ 8	+26	+ 26	0
Industrial supplies (6).....	+19	+12	+ 41	- 5
Drugs & sundries (13).....	+10	+ 6	+ 9	0
Dry goods (12).....	- 3	+ 6	+10	-14
Groceries (48).....	+20	+12	+ 4	+ 7
Paper & products (6).....	+15	+14	.....	.....
Tobacco & products (9).....	+21	+12	+ 11	- 2
Miscellaneous (87).....	+ 3	+17	+12	- 4
District Totals (209).....	+ 8	+14	+ 14	- 4

Number of reporting firms in parentheses.

Source: Department of Commerce.

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales	
	in periods named with sales in same periods in 1950	
	Oct. 1951	10 Mos. 1951
Maryland (7).....	+ 16	— 3
District of Columbia (7).....	+ 14	+ 1
Virginia (18).....	+ 2	+ 6
West Virginia (9).....	+ 28	— 1
North Carolina (15).....	+ 17	— 7
South Carolina (6).....	+ 8	— 11
District (62).....	+ 14	— 3

INDIVIDUAL CITIES		
Baltimore (7).....	+ 16	— 3
Washington, D. C. (7).....	+ 14	+ 1
Richmond, Va. (6).....	+ 3	— 12
Charleston, W. Va. (3).....	+ 22	0

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	District Total	
Sales, Oct. '51 vs. Oct. '50.....	+ 7.4	+17.7	+14.2	+11.6	+13.3	
Sales, 10 Mos. '51 vs. 10 Mos. '50.....	+ 5.7	+ 5.4	+ 3.0	+ 3.1	+ 3.9	
Stocks, Oct. 30, '51 vs. '50.....	+ 3.3	+ 1.8	+ 9.7	+ 1.4	+ 3.7	
Orders outstanding, Oct. 30, '51 vs. '50.....	-21.5	-27.5	-24.4	-25.0	-24.9	
Current receivables Oct. 1 collected in Oct. '51.....	28.2	49.8	44.2	47.4	42.5	
Instalment receivables Oct. 1 collected in Oct. '51.....	15.9	17.8	19.7	21.2	18.7	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Oct. '51 vs. '50.....	+17.2	+14.2	+11.1	+16.8	+ 4.6	+11.3
Sales, 10 Mos. '51 vs. 10 Mos. '50.....	+ 5.1	+ 3.0	+ 5.8	+ 5.4	- 0.9	+ 3.9

BUILDING PERMIT FIGURES

	Oct. 1951	Oct. 1950	10 Months 1951	10 Months 1950
Maryland				
Baltimore.....	\$ 7,145,835	\$ 5,396,460	\$ 73,184,255	\$ 70,393,880
Cumberland.....	186,689	103,850	2,031,253	1,027,750
Frederick.....	343,975	103,375	2,060,855	1,780,366
Hagerstown.....	193,241	614,997	3,855,620	3,866,673
Salisbury.....	79,355	34,599	1,450,558	1,585,830
Virginia				
Danville.....	1,078,800	153,772	3,406,621	2,877,350
Lynchburg.....	220,034	184,797	2,717,649	5,662,397
Newport News.....	269,194	296,597	1,594,147	1,699,698
Norfolk.....	824,000	2,123,960	21,064,971	13,833,838
Petersburg.....	177,745	219,173	2,990,457	4,952,042
Portsmouth.....	233,565	210,545	5,071,087	3,721,491
Richmond.....	2,673,695	1,567,792	24,742,673	25,178,158
Roanoke.....	652,787	1,665,281	14,711,643	15,676,082
West Virginia				
Charleston.....	555,341	1,181,314	5,494,301	12,134,812
Clarksburg.....	68,932	211,700	1,098,053	1,559,248
Huntington.....	211,410	720,727	7,202,112	6,727,994
North Carolina				
Asheville.....	203,210	218,210	6,274,244	3,868,702
Charlotte.....	1,216,261	2,107,622	18,538,096	24,658,475
Durham.....	331,895	1,806,663	7,335,058	15,750,530
Greensboro.....	626,067	856,325	7,483,314	14,637,299
High Point.....	203,210	242,426	2,870,569	4,005,956
Raleigh.....	484,055	1,835,685	10,426,754	14,749,050
Rocky Mount.....	279,457	116,825	3,559,532	3,685,163
Salisbury.....	63,340	1,120,100	1,072,038	3,704,087
Winston-Salem.....	391,652	1,299,313	13,607,895	10,703,064
South Carolina				
Charleston.....	173,823	474,948	1,558,662	2,735,078
Columbia.....	617,360	1,130,063	11,026,295	9,430,030
Greenville.....	456,070	506,210	8,677,749	9,908,574
Spartanburg.....	173,807	1,048,468	2,434,215	5,747,393
Dist. of Columbia				
Washington.....	3,637,505	7,650,458	54,745,177	61,337,344
District Totals	\$23,777,580	\$35,202,255	\$322,285,853	\$357,598,354

