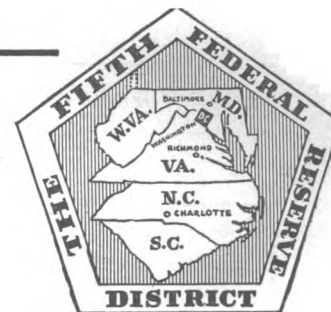
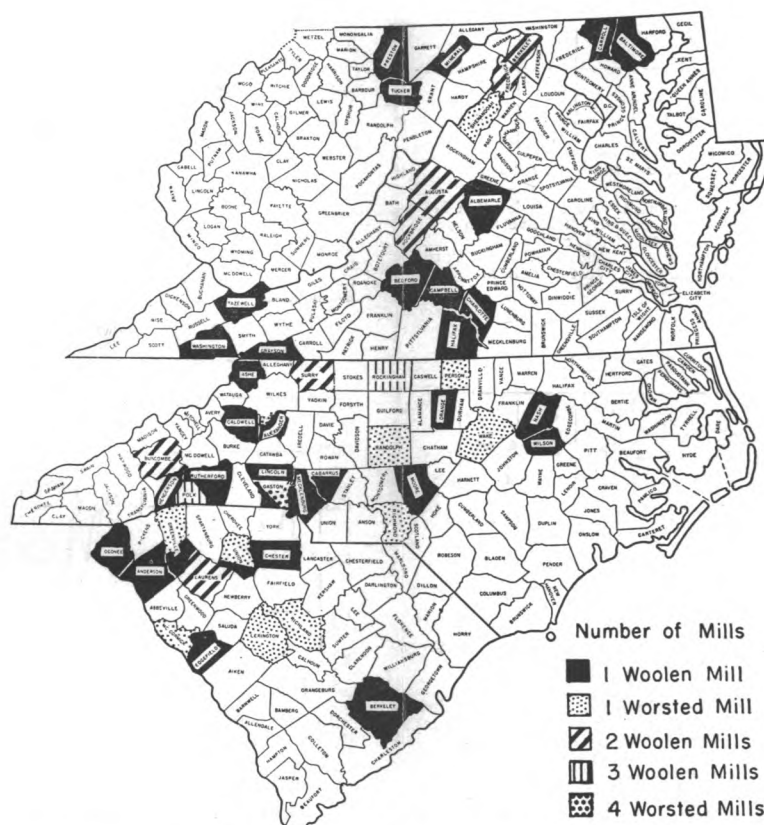


# Monthly Review



January 1952



## FIFTH DISTRICT INDUSTRY WOOLEN AND WORSTED MILLS

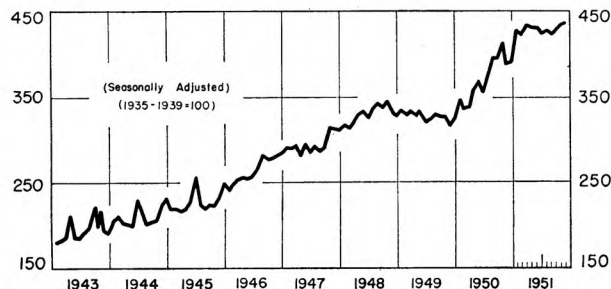
Woolen textiles have not usually been associated in the public mind with the South, which has long been the predominant cotton spinning section, and, in recent years, increasingly important in rayons and the newer synthetics. Lately there has been an increase in woolen and worsted yarn and fabric output, a trend that is mirrored in the chart above and described in the article beginning on page 3.

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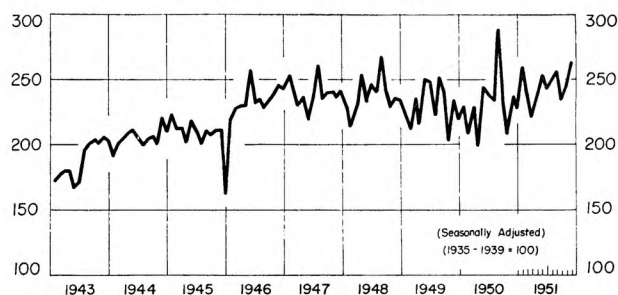
## FIFTH DISTRICT TRENDS

BANK DEBITS



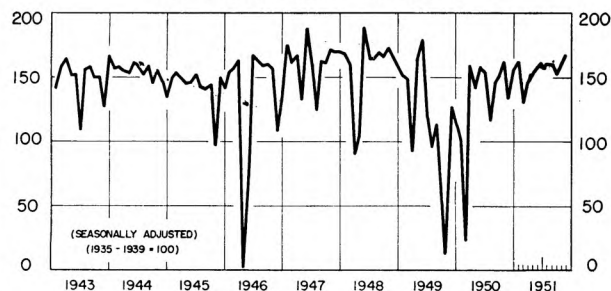
The adjusted index of bank debits rose to a new high level in November, but it was less than .5% above October. Relative to a year ago the District's gain in November was 12%. There were unusually large gains in tobacco marketing cities and in Columbia, South Carolina, Newport News, Virginia and Bluefield, West Virginia.

CIGARETTE PRODUCTION



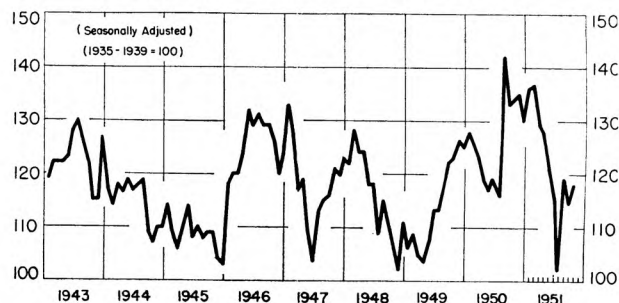
Despite the higher excise tax rate effective in November, cigarette production rose 8% more than seasonal from October to a level 12% ahead of a year ago. In the first 11 months of the year the District's output of cigarettes was 6% ahead of a year ago. It seems likely that a gain will be registered in 1952, but not quite as large as in 1951.

BITUMINOUS COAL PRODUCTION



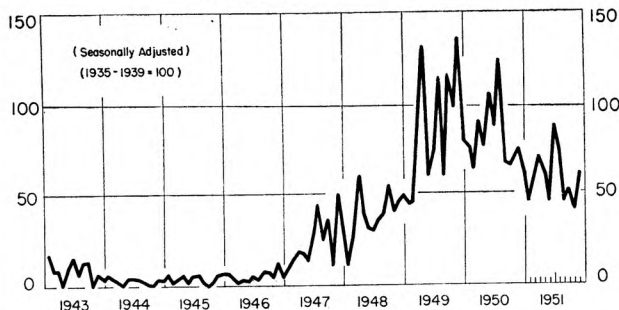
November output of bituminous coal (adjusted) was 4% higher than in October and 24% ahead of November 1950. The District output in the 11 months was 17% ahead of a year ago compared with a gain in the country as a whole of 5%. In the period January 1 through December 1 foreign cargo shipments have been responsible for the gain in loadings at the ports of Hampton Roads and Baltimore.

HOSIERY PRODUCTION - UNITED STATES



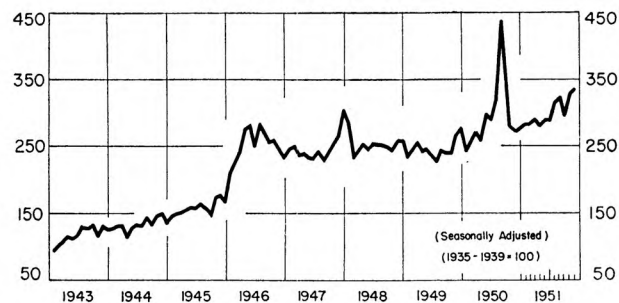
Hosiery production in the United States rose 3% from September to October after seasonal correction, but was 12% under October 1950. It appears from trade reports that both November and December will show rises from the October level, but these likewise will run considerably below a year ago. Hosiery prices are too low for the industry in general to operate profitably and unless improvement in retail demand continues, operations are likely to recede.

BUSINESS FAILURES



Business failures in the District turned upward in November, having risen 45% more than seasonal from October, but held at a level 18% under November 1950. Although operating conditions for financially weak concerns in several of our major industries have been such as to promote failures there is no evidence thus far that the November rise has established an upward trend. In fact, the rate of failures is still well below a level which might be anticipated by precedent.

LIFE INSURANCE SALES



Life insurance sales in the District during November rose 2% (adjusted) from October to a level 23% ahead of a year ago. Aside from August and September of 1950, in anticipation of a war clause November life insurance sales in this District are at an all-time high. This is a remarkable achievement in inducing people to save in a period when inflation has been threatening.

## Woolen and Worsted Textile Developments

ATTENTION has again been focused on the wool industry in the Fifth Federal Reserve District by the American Woolen Company's purchase of the Premier Mill in Raleigh, North Carolina. Such a development is interesting as another illustration of the current rapid industrial expansion of the South. And, collaterally, since, in this case, the biggest factor in the wool industry is involved, it accentuates the question: will the woolen and worsted industry move South as the rayon and cotton industries did?

### Wool Industry in the Fifth District

Production of raw wool is of relative minor importance in this area, with the Fifth District states accounting for less than 2% of the national production of shorn wool. More than 85% of Fifth District's wool production comes from Virginia and West Virginia.

While some wool mills have been located in this area since the early years of our nation, most of the growth has occurred during the past few years. In the Facts for Industry's latest report "Wool Manufacturing Equipment in the United States: 1949," the states of the Fifth District are listed separately for the first time. This publication, together with Facts for Industry's monthly publication, "United States Wool Manufactures," and *Davidson's Textile Blue Book*, provide sufficient data to study the wool industry in the Fifth District from 1939 to 1949. Since a few mills do not report the number of looms and spindles, figures for the Fifth District may be slightly understated.

Analysis of the wool industry normally concerns itself with woolen spinning spindles, worsted spinning

spindles, looms in place (woolen and worsted grouped together); for purposes of this analysis, the dates selected are 1939, 1943, 1945, and 1949.

One of the most significant trends indicated by the data is that the total number of woolen spinning spindles, worsted spinning spindles, and looms for the United States decreased each year from 1939 through 1949. On the other hand, the reverse situation prevailed in the Fifth District with the exception of looms, which were less in 1943 than in 1939. The net result has been that a steadily increasing per cent of the national wool machinery is to be found in the Fifth District. Worsted spinning spindles in this area amounted to a .72% of the national worsted spinning spindles in 1939 and 2.47% in 1949; woolen spinning spindles increased during the same period from 3.20% to 6.23% of the national total; and looms in this area from 3.49% to 7.36%. Even though the Fifth District wool industry has experienced large percentage gains relative to the total industry, it still accounts for only a small portion of the United States wool industry.

Most of the growth has occurred during the postwar period. Woolen spinning spindles in the Fifth District numbered 58.0 thousand in 1939, 64.3 thousand in 1943, 65.1 thousand in 1945, and 88.8 thousand in 1949. Worsted spinning spindles increased from 15.5 thousand in 1939 to 22.1 thousand in 1943, to 29.1 thousand in 1945 and 45.4 thousand in 1949. Woolen and worsted looms numbered 1.7 thousand in 1939, 1.6 thousand in 1943, 1.7 thousand in 1945, and 2.8 thousand in 1949.

As the following table shows, the growth has not been evenly distributed among the Fifth District states:

Woolen and Worsted Machinery in Place  
Fifth Federal Reserve District

	Woolen Spinning Spindles		Worsted Spinning Spindles		Woolen & Worsted Looms	
	(number)	(% of total)	(number)	(% of total)	(number)	(% of total)
	1939					
Maryland.....	8,520	14.7	-----	-----	167	9.6
Virginia.....	19,884	34.3	*	*	388	22.4
West Virginia.....	18,260	31.5	2,700	17.4	263	15.2
North Carolina.....	10,152	17.5	6,048	39.0	646	37.3
South Carolina.....	1,200	2.0	6,762	43.6	268	15.5
Fifth District.....	58,016	100.0	15,510	100.0	1,732	100.0
	1949					
Maryland.....	8,690	9.8	-----	-----	154	5.6
Virginia.....	22,954	25.8	*	*	851	30.8
West Virginia.....	9,650	10.9	-----	-----	143	5.2
North Carolina.....	38,060	42.9	18,072	39.8	1,134	41.1
South Carolina.....	9,442	10.6	27,360	60.2	479	17.3
Fifth District.....	88,796	100.0	45,432	100.0	2,761	100.0

\*Data withheld.

Source: *Davidson's Textile Blue Book*, and U. S. Department of Commerce—Facts for Industry.

The greatest growth has occurred in North Carolina and South Carolina, while the industry has suffered a decline in West Virginia.

Since 1949, two new woolen mills have been established in this area; expansion of the industry in the Fifth District has, however, not been limited to these new mills. Incomplete data as of July, 1951 show that worsted spinning spindles in North Carolina and South Carolina amount to 71.0 thousand or 3.99% of the national total, as compared with 2.47% of the national total in 1949.

### **Handling of Raw Wool**

In discussing the wool industry in the Fifth District, it may be useful to look into some general characteristics of the woolen and worsted industry. Many processes are required to move wool from the sheep's back to man's back. The first of these processes is shearing (cutting the fleece from sheep, most of them descendants of the Spanish merino sheep) which usually takes place once a year. The fleece is rolled into bundles, packed with other fleece in sacks, and shipped to a warehouse or market center where it is graded on the basis of average fineness of fiber, strength of fiber, and length of fiber, with many different grades, some attributable to breed and others to environment. While breed determines the possibility of a fleece, such things as weather, water supply, and type of soil have decided effects on wool grades. Four wool grading systems are in use—counts, blood, South American and pulled wool system, with the first mentioned system the most widely used.

At this stage of processing, the fleece is known as "grease wool" and allowance must be made for shrinkage (average 60%) which will occur when the fleece becomes "clean wool." A fleece is not a single grade but made up of several grades. The process of separating the fleece into grades is known as wool sorting. Wool may also be obtained from pelts of sheep slaughtered for mutton and then is known as pulled wool. Another class is carpet wool, which comes from primitive sheep which grow a hairy coat over the fine wool.

After the wool is cleaned by wool-scouring and carbonizing (chemical removal of vegetable matter), the fibers are blended in the desired combination and oiled. At this stage, the process divides into two separate operations—woolen and worsted. The preparation of woolen yarn is simpler than that of worsted yarn.

Woolen carding disentangles locks and bunches, straightens the individual fibers, removes impurities, mixes the stock, and arranges the fibers in a lap or rope ready for spinning. Woolen spinning then converts the fibers into yarn suitable for weaving. Worsted carding is more intensive than woolen carding and before spinning, worsted fibers undergo an operation known as combing, which gives the yarn a straight, smooth, clean

appearance as distinguished from the rough and bulky appearance of woolen yarn. The yarn may be dyed before or after weaving. Weaving converts the yarn into fabrics of varying designs and after several finishing operations, the cloth is ready for sale.

The location of the wool industry within the Fifth Federal Reserve District is seen in the map on the cover. Interestingly and contrary to what the layman would probably have guessed, the wool industry has frequently not followed the "beaten path" made by the other textiles—cotton and rayon. Mills are located as far north as Baltimore and are largely in the mountainous areas of Virginia and West Virginia. In North Carolina and South Carolina, the wool industry does tend to parallel the location of the cotton industry. One woolen mill and four worsted mills are located in Gaston County, North Carolina, which has the largest number of wool mills in any Fifth District county and is the center of the combed cotton yarn industry. Even in the Carolinas, however, wool mills have seemed to locate in the mountains further west than the cotton industry. Of the 67 wool mills in the area, only 15 manufacture worsted yarn or fabric. One worsted mill is located in Shenandoah County, Virginia, nine in North Carolina and five in South Carolina.

### **Probable Future Developments**

The future of the woolen and worsted industry in the Fifth Federal Reserve District probably will be affected by two sets of circumstances. First, should conditions in New England remain static and wages and other cost factors make it more difficult for wool manufacturers to operate, it seems logical that more northern plants will either move South or locate branches here. On the other hand, wool is indubitably facing increased competition from synthetic fibers. Not only has rayon shown marked ability to imitate wool, but more recent fibers such as nylon, orlon, and vicara give promise of a quality perhaps equal, if not superior in some ways to wool. The competition of synthetic fibers is not limited to improved quality. The higher price of wool in the international market, particularly following the outbreak of the Korean War, has given an added impetus to the use of synthetics.

Most new wool machinery is equipped to produce not only wool cloth but similar cloth made from synthetic fibers. New or modernized mills should, therefore, be in a position to switch from production of wool to synthetic fabrics with relative ease, should consumer demands so direct. The "natural" woolen and worsted industry in the Fifth District still represents a fairly small portion of the national industry, but there seem to be good basic reasons to believe that its growth in one form or another will continue and it may well be a relatively rapid one.



## The Agricultural Outlook for 1952

FARMERS in the Fifth District can reasonably expect another good year in 1952 for they should be operating in a high-level economy featured by large defense expenditures, full employment, a presumption of slowly rising prices, and hence a strong demand for farm products.

Since farm production is likely to be higher in 1952, average farm prices will not be very different from those witnessed last year. Gross farm income may be up as much as 5%, with most of the increase offset by higher farm costs. Realized net income of farmers in 1952 is estimated to be about the same as in 1951.

These were the general conclusions reached by farm and home economists at the Annual Agricultural Outlook Conference held at the Department of Agriculture in Washington.

### Strong Demand for Farm Products to Continue

Chief among the reasons for expecting high level business activity, employment, and consumer income this year is the defense program which is designed to total nearly a fifth of national spending for goods and services. As a result wages and incomes of city people are likely to increase, and unemployment will continue small. Export demand for cotton, tobacco, and some other farm products should be fairly good in 1952 despite fiscal difficulties and proposed import restrictions in some countries importing United States farm products.

Somewhat more food and other farm products will be available for consumers this year. Food prices may average a little higher than in 1951, chiefly because marketing and processing costs are expected to increase, but civilian food supplies and consumption per person will be a little higher. Retail meat prices in 1952 seem unlikely to average much different from 1951, although more beef and a little less pork will be available.

### Farm Income and Expenses to Rise

Farm production in 1951 will probably total 3% more than the year before when final figures are drawn. Continued high production is needed in 1952. Further

production gains are expected this year, although the increase is not likely to exceed the one made in 1951.

Increased production in 1952 will probably prevent any material increase in average prices of farm products, although higher production will raise gross farm income. Most or all of the increase will be needed to pay higher production costs. Net farm income in 1952 is estimated by the Bureau of Agricultural Economics at about \$15 billion—about the same as in 1951. BAE's estimate may be on the low side, but it does seem unlikely that net farm income in 1952 will have more purchasing power than in 1951 because of increases in prices paid by farmers.

### Financial Position of Farmers Generally Strong

Bankers and other farm lenders can expect an increased demand for farm loans this year. Although the general financial position of farmers is strong, rising production and living costs and the desire to make increased capital investments in land, buildings, machinery, and livestock are expected to cause many farmers to expand their borrowings.

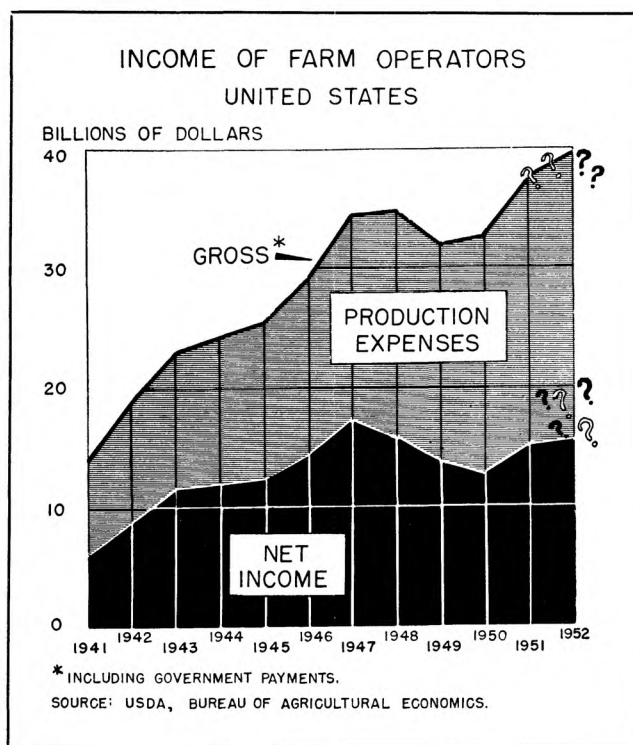
In 1951 the total assets of American farmers were about \$143 billion as compared to less than \$13 bil-

lion in debts. Most of the assets were in real estate, livestock, machinery and other physical goods which have been rising in value in terms of current prices. Financial assets alone totaled \$22 billion and were about 175% as large as total debts owed. This stands in sharp contrast with 1940 when farmers' debts were double their financial assets.

### Good Demand Ahead for Cash Crops

Prices for the 1951 flue-cured tobacco crop are expected to average about 52 cents per pound as compared to 54.7 cents in 1950; flue-cured production, however, was up about 12%. More of the leaf fell in the lower grades in 1951 and this is believed to be chiefly responsible for the lower average price.

Total disappearance of flue-cured during July 1951-June 1952 will likely be higher because of larger



exports and increased consumption in this country.

In view of the strong demand in prospect, 1952 flue-cured prices should average near 1951 levels, or possibly a little higher if the grade distribution of the crop is more nearly normal. Flue-cured acreage allotments for most farmers will be unchanged in 1952.

In cotton, the outlook is for a continued tight supply situation. The 1951 crop, according to the December 1 estimate, totaled 15.3 million bales. With a carry-over on August 1 of about 2.2 million bales and small imports, the total supply for the year beginning August 1 is about 17.8 million bales.

Estimates of the 1951 crop have been materially reduced since last August, and cotton prices have risen sharply. In mid-December the 10-market average for Middling 15/16" was about 42 cents per pound, 8 cents higher than in August and only 3 cents under the ceiling price.

Exports and domestic mill consumption in the 1950-51 crop year totaled 14.6 million bales. In the 1951-52 crop year it is estimated that exports will be substantially above the 4.1 million bales exported last year and mill consumption may total 9.5 million bales. The result would be a carry-over next August 1 not much larger than last year.

In view of the small carry-over in prospect and the continued strong demand, it would appear that more cotton production is needed and that prices for the 1952 crop should be favorable. No quotas or acreage allotments will be in effect on cotton in 1952.

#### Meat Supplies to Increase

Consumers can expect somewhat more meat in 1952, but livestock prices should average about the same as last year.

Total meat production may be up about 5%, and civilian per capita meat consumption is likely to average 144-146 pounds in 1952 as compared to 141 pounds in 1951. Pork production will probably be a little less than in 1951 while an increase of around 10% in beef and veal production is expected.

Livestock feeding ratios in 1952 will be somewhat less favorable than in 1951 because of higher feed prices. Feed supplies for 1952 are somewhat smaller but still reasonably adequate.

Cattle prices in 1952, even with a higher slaughter, are expected to average about the same as last year in view of the strong demand. Larger marketings should ease some of the upward pressure on price ceilings.

Hog marketings during the first six to eight months of 1952 should be larger than in 1951, and prices are likely to be about the same or a little lower. The present hog-corn ratio is less favorable for hog production than it has been for nearly three years. As a result, the 1952 spring pig crop will be smaller, and hog prices in the fall of 1952 could be somewhat higher than a year earlier.

#### Egg and Poultry Production Higher

More layers will be on farms at the beginning of 1952, and egg production in the first three quarters of the year should be larger than in the same period in 1951. Egg prices no higher than in 1951 are expected during this period, and together with higher feed prices may result in farmers starting fewer chicks.

If farmers raise fewer pullets this year—as seems likely — lower egg production in the fall of 1952 could raise egg prices above the fall period of 1951 and make the egg-feed ratio more profitable.

Broiler prices are now about the same as a year ago, although feed prices are higher, and as a result profits of broiler producers have been severely reduced. It is expected that broiler prices in 1952 will average about the same as in 1951 but

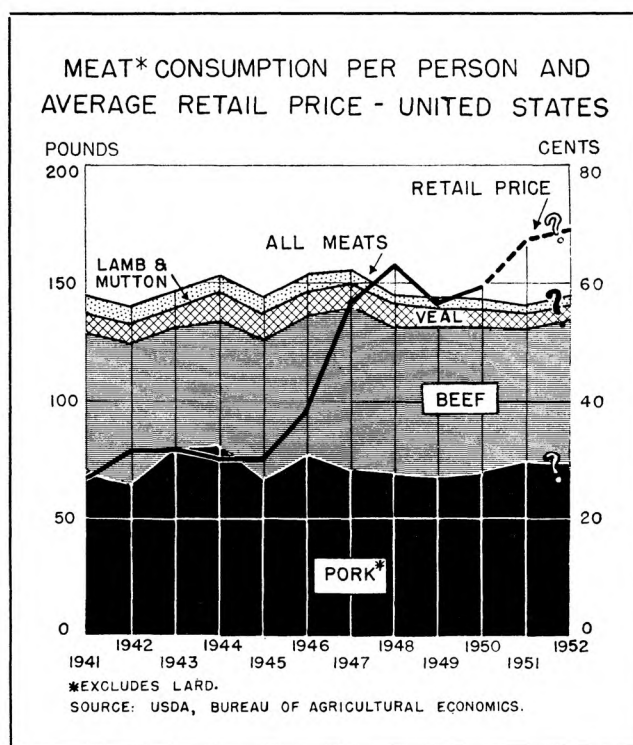
somewhat higher than the low levels of the last three months.

The supply of poultry meat will be larger in 1952. Although fewer farm chickens may be raised, increased broiler output and increased slaughter of mature chickens will offset the reduction in farm chickens raised.

#### Milk Production Steady

In 1952 consumer demand for milk will continue strong, milk production will be about the same, and average prices received by farmers should be somewhat higher. A part of the increase in the average prices will result from more milk being consumed in fluid form instead of going into manufacturing uses.

Rising feed and labor costs are expected largely to offset increases in milk prices in 1952, leaving milk production slightly more profitable than in 1951.



## FIFTH DISTRICT NEWSBRIEFS

### CURRENT DEVELOPMENTS IN —



**T**HE Newport News Shipbuilding and Dry Dock Co. began its second "mile-of-tankers" in the three years on November 29 with the laying of the keel of the first of a series of six super-tankers for the Esso Shipping Co. The vessel will be 628 feet long with a displacement of 26,800 tons. During 1949 and 1950 the Peninsula yard completed 10 super-tankers for Esso. Included in the new contracts will be four oil carriers for Texaco Oil Co.

Also in the Hampton Roads area—the Navy has announced contract awards for construction at the Norfolk Naval Air Station of turbo-prop engine test cells involving outlays of \$598,409.

Bids are under consideration by the Navy for the construction of buildings to house its proposed radio receiving station at Northwest, Va. This station will be one of three installations composing a new Atlantic Fleet communications center. The over-all cost is reported at \$12 million.

Increased shipments handled by the Western Maryland Railway have led that carrier to undertake an extension of its *Baltimore* pier at a cost of \$1.5 million.

#### District Shares Growth of Chemical Industry

It has been reported that about one-half of the rearmament-induced chemical plant expansion will be located in the South. Participating in this program to an important extent is *West Virginia* which already has plants of most of the principal chemical companies in the country. One of the recent highlights of the capital-funds market was the \$300 million loan obtained by Union Carbide and Carbon Co. from two large insurance companies to finance new chemical plant construction during the next three years. In connection with this program, Union Carbide has applied for a certificate of necessity from the Government to build a \$33 million synthetic fiber plant near *Spray, N. C.* This company has already started construction of additional facilities at its *South Charleston, W. Va.* plant for the production of a plasticizer needed for military purposes. The new installation, which will more than double the present capacity for producing this chemical, is expected to be in operation before the end of 1952.

American Viscose Corp. has been granted a construction permit for a partially completed

\$32 million rayon staple plant at Nitro, W. Va. The permit did not contain an allotment of controlled materials, but it is understood that the company will apply for these in a second period allotment. Included in the initial period permit was approval to obtain over \$11 million in production machinery and equipment. Started in January 1951, the building is scheduled to be completed early in 1953.

It is reported that B. F. Goodrich Chemical Co. has perfected a new process that will augment the nation's rubber-producing capacity by over one-fourth. The new technique is in use at the world's largest rubber plant located in *Institute, W. Va.* which is operated by this company for the Government.

In another sector of the chemical industry, Davison Chemical Corp. of *Baltimore* has been granted a certificate of necessity for the construction of a plant to recover uranium from phosphate rock and for the production of triple super-phosphate.

The Baltimore Paint and Color Works reports that construction is under way on a 40,000 sq. ft. expansion of its new Annapolis Road plant in *Baltimore*. Units already completed at this 8-acre site include a resin and varnish plant and an industrial finishes division.

#### New Textile Facilities

Glen Raven Knitting Mills, Inc. has begun construction of a building to house its tricot division in *Burlington, N. C.* The new mill will provide 14,000 sq. ft. of floor space and is scheduled for completion during the first half of 1952. No cost figures are available. The Minette Mills of *Grover, N. C.* reports initial construction on new facilities for making bedspreads and upholstery fabrics. The new addition will expand present output by 20% and add 16 new jacquard-type looms to the present set-up of 26 machines.

The expansion program of Fieldcrest Mills is in various stages at its different plant locations. At *Fieldale, Va.*, a 30,000 sq. ft. addition to the finishing plant is under construction and is expected to be completed during the early part of 1952. At *Spray, N. C.* the company has finished remodeling its former woolen mill buildings and installing the machinery in the conversion to a rayon mill.



At *Union, S. C.*, the Run-Prufe Hosiery Mills is adding 6,000 sq. ft. of floor space to its present plant. The undisclosed capital outlay for the additional plant and equipment will create about 125 new jobs.

Belding-Heminway Co.'s new \$2 million plant at *Hendersonville, N. C.* began operations during December, producing Nymo Monocord thread from du Pont nylon. Employment at the new unit is expected to reach 100 within a few months.

#### **Utilities Continue to Blueprint Expansions**

At *Union, S. C.* the Lyes Ford Tri-County Power Authority has announced plans to construct a \$114 million hydro-electric installation on the Broad and Congaree Rivers. The application filed with the Federal Power Commission stated that two dams across the Broad River, at Blairs and Frost Shoals, and a regulating dam on the Congaree River near Columbia would be constructed. Combined output at the Blairs and Frost Shoals would be 380 million k.w. hours annually; the Columbia plant would generate about 115 million k.w. hours a year.

One project beyond the blueprint stage is the huge new steam generating plant to be built by the South Carolina Electric & Gas Co. on a 122-acre site on the Savannah River in Aiken County. Construction for the first two generating units will begin early in 1952. These 75,000 k.w. generators, capable of producing more than a billion k.w. hours of power annually, should be ready to go on line by April 1953 and will cost about \$25 million. It is intended ultimately to increase the total capacity of the plant to 300,000 k.w., involving an aggregate investment of about \$45 million. The president of the company stated that the new plant would have power available for the nearby Savannah River Atomic Energy Plant as well as for the Company's service area in 22 South Carolina counties.

The Blue Ridge Electric Corporation has announced its intention of building a \$15.5 million dam and hydro-electric plant on the South Fork River in *Ashe County, N. C.*

The addition of a third generating unit is planned by Monongahela Power Co. to its plant at *Albright, W. Va.* The cost of the new installation will be about \$17 million.

The Chesapeake & Potomac Telephone Co. plans capital outlays of about \$4.6 million for improvements and expansions. Included are additional facilities in *Silver Spring* and *Hyattsville, Md.* costing about \$1.8 million and installation of dial equipment in *Essex, Md.* at a cost of \$1.2 million.

#### **West Virginia Sells Bonus Bonds**

Employing the unique procedure of selling directly to the retail market, the state of West Virginia disposed of \$37.5 million of veterans' bonus bonds during the first two weeks of December. \$30,622,000 of the controversial bonds were acquired by banks of the state and other private investors and \$6,878,000 were bought by West Virginia state investment funds. The securities will pay the holders an average annual interest rate of 2.225%.

An issue of \$67.5 million of bonus bonds was offered to investment bankers last May, but in view of the statement by the National Voluntary Credit Restraint Committee that the offering did not conform to the Voluntary Credit Restraint Program, no bids were submitted. After subsequent unsuccessful attempts to clear the issue with credit restraint authorities, a plan was drawn up to sell the bonds on the open retail market, with banks within the state acting as agents during the subscription period and with state investment funds taking up the slack, if any, of unsold bonds.

Under authority of the constitutional amendment providing for the bonus bonds, statutes were enacted levying additional taxes on cigarettes and beer and increasing prices of alcoholic liquors. These revenue measures brought in \$2,634,603 during the first five months they were in effect. On an annual basis, the amount available for servicing the bonds would be over \$6.3 million. It is reported that when additional funds are needed for bonus payments to veterans of World Wars I and II, the state will offer a second installment of \$37.5 million of bonds.

#### **Income Tax Gains Importance in State Revenues**

A trend toward income taxes as producers of the greatest single source of state revenue is disclosed by recent data. Virginia, North Carolina, and Maryland—all in the Fifth District—increased from six to nine the number of states reporting income taxes as their largest sources of tax revenue in 1951. Virginia and North Carolina in the previous year had collected the largest amounts of revenue from gasoline taxes, while a sales tax had been the main revenue-producer in Maryland. However, the sales tax continues to be the chief reliance of many state revenue systems, 21 states reporting it as their top source of tax revenue in 1951.

In the other states of the Fifth District, gasoline taxes accounted for the largest percentage of tax revenue in South Carolina, while West Virginia again led the nation with the highest percentage—58%—of revenue from the sales tax. In this state the sales tax total includes a mining severance tax which is reported separately in other states.



## *Business Conditions and Prospects*

THE business situation in the Fifth Federal Reserve District continues to exhibit the mixed trends so evident during the past two or three months. The trade level in November continued to be the strong factor. Production of soft goods, in a moderately depressed state in much of the last half-year, is consolidating and somewhat better operations appear in prospect for the early part of the new year. Seasonal factors have retarded the construction industry, while the financial situation displays evidence of a strengthening economy. Prices of the commodities produced in the District are either stabilizing or rising moderately. Although some prices are at a no-profit level, the outlook is more hopeful.

### **Trade**

Department stores in the District gave a wholesome performance in November when sales rose from October 4% more than is normally seasonal to a level 15% ahead of November 1950. Owing partly to very sloppy weather conditions in two weeks of December the Christmas trade has apparently fallen below expectations and the adjusted index of December sales will probably show a decline from November. This, however, would hardly indicate a reversal in the upward trend of sales in evidence since the fall of 1949. Department store stocks continue their downward trend and declined 2% (adjusted basis) from October to November to a level only 2% ahead of a year ago. Considering the general upward trend in sales stocks can no longer be considered uncomfortably high.

Although sales of furniture stores dropped 3% (seasonally adjusted) from October to November, they remain at high levels and 2% ahead of November 1950. Furniture store inventories, now well in line with the going sales volume, have ceased declining and orders to manufacturers may be expected more in line with the retail sales volume. This would indicate some improvement at the manufacturer's level.

Household appliance store sales in November failed by 2% to equal seasonal performance and ran 10% under a year ago. It is noteworthy that sales of this type of goods are five times higher than in prewar years. Inventories of household appliances remain high, but they are not large in relation to current sales and production of such items may well fall in the coming year due to the defense program. Passenger automobile registrations in October declined 4% from September to a level 32% below October 1950, but truck sales rose 6% during October to a level 3% ahead of a year ago. There has been a fairly good balance between the supply and demand in automobiles despite the fact that production in 1952 is expected to be considerably below 1951.

### **Production**

Although consumption of cotton in the District mills declined 1% (after seasonal adjustment) from October to November and to a level 7% below November 1950, numerous mills stepped up their working time in both November and December. It is probable, however, that long holidays will put December operations under those of November. The market situation, however, evidences more stability and a considerable amount of new business, though selective, has been written for the first quarter. Textile prices are generally firmer and appear more likely to rise than fall. In other words, some improvement can be expected in cotton textile operations, though it is not likely that the high rate of last spring will be soon witnessed.

Operations improved somewhat in the hosiery industry in November and in early December largely as a result of fill-in requirements for the Christmas trade. Sales of hosiery at the retail level have been good but not spectacular and the store inventory situation is in a more satisfactory position. It seems likely that purchasing policies of retails and wholesales will be on a hand-to-mouth basis for some months, or until some extraordinary factors combine to give more impetus to retail demand; but even so, demand on the hosiery producers should be at a better level than prevailed in the summer and fall of 1951. The price structure in the hosiery industry is still inordinately low and must rise soon in order to prevent serious difficulties for many units in the industry.

Despite an increase in excise taxes from \$3.50 to \$4.00 a thousand, cigarette production in November rose 8% from October (after seasonal correction) to a level 12% ahead of a year ago. There is reason to believe that a further increase in cigarette demand will occur in 1952 although the gain will probably be very moderate.

Bituminous coal production in November rose 4% (adjusted basis) over October and was 24% ahead of November 1950. This is the highest adjusted output since May 1949. The demand outlook on the domestic front indicates some further improvement and the export level is approaching the 1947 record. A continuance of this trend is likely in 1952. As the miners' contract expires at the end of March it is logical to anticipate a further building of stock piles. Coal prices are rising and any further increase in wages will probably cause them to rise further.

The furniture industry improved its operations moderately this fall and with retail inventories well worked down from the high levels early in the year, it is quite possible that furniture factories will secure a volume of

## Federal Reserve Bank of Richmond

business in coming months comparing favorably with all but the inordinately high months of late 1950 and early 1951.

### Banking

Total loans of the weekly reporting banks reached a peak of \$1,204 million on April 11, 1951 and had declined \$154 million by August 15. By December 19 they had risen to \$1,213 million, a new high level. Commercial, industrial and agricultural loans had regained the greater part of their loss from the spring peak while "other" loans, or those largely to consumers, showed a steady upward trend throughout most of the year. Real

estate loans, which had been in a moderate down trend during most of the year, moved upward quite sharply in the last half of November and early December. Although demand deposits dropped \$20 million in the week of December 19 from the previous week they were \$287 million higher than a year ago and the trend is still upward.

It should be noted that the adjusted index of bank debits established a new high level in November 1951. Although November's gain over October was nominal, this index of total payments stood 12% higher than a year ago and with a price level averaging only 3-4% higher.

DEBITS TO INDIVIDUAL ACCOUNTS					51 REPORTING MEMBER BANKS—5TH DISTRICT			
(000 omitted)					(000 Omitted)			
Dist. of Columbia	Nov. 1951	Nov. 1950	11 Months 1951	11 Months 1950	ITEMS	Dec. 12, 1951	Nov. 14, 1951	Dec. 13, 1950
Washington	\$ 1,139,653	\$ 955,058	\$ 11,843,477	\$ 9,650,080				
Maryland								
Baltimore	1,260,047	1,166,593	13,622,259	11,807,127	Total Loans	\$1,199,799**	+ 19,851	+ 70,748
Cumberland	26,272	26,220	283,043	256,201	Business & Agricultural	582,892	+ 14,621	+ 40,427
Frederick	22,228	19,118	235,398	199,265	Real Estate Loans	241,242	+ 5,086	— 2,991
Hagerstown	33,342	30,979	356,334	313,165	All Other Loans	390,313	+ 219	+ 35,739
North Carolina					Total Security Holdings	1,860,049	+ 14,926	+170,576
Asheville	59,927	57,523	654,540	569,164	U. S. Treasury Bills	303,085	+ 25,499	+192,198
Charlotte	352,972	340,553	3,744,711	3,290,695	U. S. Treasury Certificates	126,507	— 1,076	+ 92,619
Durham	139,762	107,216	1,277,768	1,191,825	U. S. Treasury Notes	308,176	— 8,253	— 30,457
Greensboro	108,103	99,666	1,116,390	963,820	U. S. Treasury Bonds	918,233	— 12,326	—113,682
Kinston	28,847	19,464	290,618	235,910	Other Bonds, Stocks & Secur.	204,048	+ 11,082	+ 29,898
Raleigh	174,196	178,580	1,854,874	1,598,691	Cash Items in Process of Col.	294,952	— 40,984	+ 12,100
Wilmington	42,059	40,096	472,040	394,422	Due from Banks	198,538*	— 14,672	— 9,049
Wilson	50,226	28,658	374,846	312,983	Currency & Coin	85,311	+ 1,141	+ 6,239
Winston-Salem	194,882	179,532	1,887,781	1,648,910	Reserve with F. R. Bank	585,812	+ 4,679	+114,931
South Carolina					Other Assets	56,157	+ 1,422	— 357
Charleston	73,969	67,837	828,601	697,037	Total Assets	4,280,618	— 13,637	+365,188
Columbia	138,543	110,427	1,409,622	1,168,340				
Greenville	109,692	106,383	1,210,000	1,020,056	Total Demand Deposits	3,332,140	— 12,190	+294,059
Spartanburg	74,284	69,863	759,021	597,753	Deposits of Individuals	2,498,492	+ 31,118	+205,013
Virginia					Deposits of U. S. Government	52,182	— 29,068	— 10,643
Charlottesville	27,939	25,949	299,857	267,137	Deposits of State & Loc. Gov.	197,653	+ 30,378	+ 43,646
Danville	54,888	56,784	341,437	373,909	Deposits of Banks	529,949*	— 40,188	+ 51,516
Lynchburg	47,648	46,586	504,242	447,647	Certified & Officers' Checks	53,864	— 4,430	+ 4,527
Newport News	47,709	39,810	472,656	343,074	Total Time Deposits	629,772	— 8,069	+ 22,152
Norfolk	228,899	196,511	2,412,918	2,215,378	Deposits of Individuals	557,270	— 8,761	+ 5,588
Portsmouth	26,840	24,004	276,415	238,695	Other Time Deposits	72,502	+ 692	+ 16,564
Richmond	617,523	534,077	6,370,001	5,592,287	Liabilities for Borrowed Money	33,800	+ 6,300	+ 31,900
Roanoke	122,228	107,793	1,270,406	1,111,472	All Other Liabilities	31,915	+ 152	+ 5,994
West Virginia					Capital Accounts	252,991	+ 170	+ 11,083
Bluefield	53,408	42,636	524,190	453,013	Total Liabilities	\$4,280,618	— 13,637	+365,188
Charleston	162,490	149,246	1,684,563	1,456,452				
Clarksburg	34,051	31,877	375,932	334,054				
Huntington	71,899	64,174	734,541	649,974				
Parkersburg	30,829	26,752	341,366	294,497				
District Totals	\$ 5,555,355	\$ 4,949,965	\$ 57,869,847	\$ 49,693,033				

\* Net figures, reciprocal balances being eliminated.

\*\* Less losses for bad debts.



# SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Nov. 1951	Oct. 1951	Sept. 1951	Nov. 1950	% Change—Latest Month Prev. Mo.	% Change—Latest Month Year Ago
Automobile Registration <sup>1</sup>	—	177	185	217	— 4	— 32
Bank Debits	435	433	430	388	0	+ 12
Bituminous Coal Production	168	161	153	136	+ 4	+ 24
Construction Contracts Awarded	469	391	420	569	+ 20	— 18
Business Failures—No.	61	42	50	74	+ 45	— 18
Cigarette Production	263	244	235	235	+ 8	+ 12
Cotton Spindle Hours	145	145	149	158	0	— 8
Department Store Sales*	118	114	109	103	+ 4	+ 15
Electric Power Production	—	368	354	343	+ 4	+ 13
Employment—Manufacturing Industries <sup>1</sup>	—	154	156	151	— 1	+ 1
Furniture Manufacturers: Shipments	—	327	316	440	+ 3	— 16
Life Insurance Sales	334	329	294	271	+ 2	+ 23

<sup>1</sup> Not seasonally adjusted.

\*1947-1949=100.

Back figures available on request.

## WHOLESALE TRADE

LINES	Sales in Nov. 1951 compared with		Stocks on Nov. 30, 1951 compared with	
	Nov. 1950	Oct. 1951	Nov. 30 1950	Oct. 31 1951
Auto supplies (13)	+ 5	+ 1	+ 8	— 2
Electrical goods (6)	+ 5	0	+ 30	—14
Hardware (12)	+ 6	—10	+ 21	+ 2
Industrial supplies (7)	0	—15	+ 41	0
Drugs & sundries (16)	+19	+ 4	+ 9	— 7
Dry Goods (12)	+ 5	— 6	— 14	—12
Groceries (60)	+ 9	— 5	+ 7	+ 1
Paper & products (6)	+ 4	— 4	—	—
Tobacco & products (11)	+ 4	— 6	+ 7	+ 6
Miscellaneous (75)	— 5	—18	+ 21	+ 1
District Totals (218)	+ 5	— 8	+ 14	— 2

Number of reporting firms in parentheses.

Source: Department of Commerce.

## RETAIL FURNITURE SALES

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

STATES	Nov. 1951	11 Mos. 1951
Maryland (6)	+ 25	— 2
District of Columbia (7)	+ 8	+ 1
Virginia (18)	+ 3	— 5
West Virginia (9)	+ 47	+ 2
North Carolina (14)	+ 24	— 4
South Carolina (6)	+ 9	— 9
District (60)	+ 16	— 1

### INDIVIDUAL CITIES

Baltimore (6)	+ 25	— 2
Washington, D. C. (7)	+ 8	+ 1
Richmond, Va. (6)	0	— 11
Charleston, W. Va. (3)	+ 29	+ 2

Number of reporting firms in parentheses.

## DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	District Total	
Sales, Nov. '51 vs. Nov. '50	+11.9	+13.2	+11.8	+11.6	+12.1	
Sales, 11 Mos. '51 vs. 11 Mos. '50	+ 6.5	+ 6.4	+ 4.1	+ 4.0	+ 4.9	
Stocks, Nov. 30, '51 vs. '50	— 8.3	+ 0.1	+ 5.6	— 6.6	— 0.9	
Outstanding orders, November 30, '51 vs. '50	— 8.6	— 1.6	—10.9	— 3.9	— 7.3	
Current receivables Nov. 1 collected in Nov. '51	30.6	49.2	47.4	45.2	43.8	
Instalment receivables Nov. 1 collected in Nov. '51	16.1	17.5	20.1	20.6	18.7	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Nov. '51 vs. '50	+13.1	+11.8	+12.6	+22.3	+ 6.3	+ 5.4
Sales, 11 Mos. '51 vs. 11 Mos. '50	+ 6.1	+ 4.1	+ 6.7	+ 7.1	0.0	+ 4.1

## BUILDING PERMIT FIGURES

	Nov. 1951	Nov. 1950	11 Months 1951	11 Months 1950
<b>Maryland</b>				
Baltimore	\$ 4,219,590	\$ 6,078,195	\$ 77,403,845	\$ 76,472,075
Cumberland	13,075	27,840	2,044,328	1,055,590
Frederick	747,186	207,050	2,808,041	1,987,416
Hagerstown	92,450	441,427	3,948,070	4,308,100
Salisbury	69,937	977,525	1,520,495	2,563,355
<b>Virginia</b>				
Danville	224,158	2,759,913	3,630,779	5,637,263
Lynchburg	190,985	229,175	2,908,634	5,891,572
Newport News	403,374	36,803	1,997,521	1,736,501
Norfolk	828,730	930,555	21,893,701	14,764,393
Petersburg	193,518	76,483	3,183,975	5,028,525
Portsmouth	233,290	132,650	5,304,377	3,854,141
Richmond	1,277,378	5,828,536	26,020,051	31,006,694
Roanoke	421,277	413,852	15,132,920	16,089,934
<b>West Virginia</b>				
Charleston	370,142	590,998	5,864,443	12,725,810
Clarksburg	74,840	62,800	1,172,893	1,622,048
Huntington	725,731	171,000	7,927,843	6,898,994
<b>North Carolina</b>				
Asheville	118,791	121,193	6,393,035	3,989,895
Charlotte	1,015,749	3,522,861	19,553,845	28,181,336
Durham	1,771,635	487,337	9,106,693	16,237,867
Greensboro	6,986,519	727,151	14,469,833	15,364,450
High Point	134,785	150,970	3,005,354	4,156,926
Raleigh	1,947,492	1,127,185	12,374,246	15,876,235
Rocky Mount	177,103	291,384	3,736,635	3,976,547
Salisbury	307,299	53,660	1,379,337	3,757,747
Winston-Salem	294,979	819,763	13,902,874	11,522,827
<b>South Carolina</b>				
Charleston	95,284	276,085	1,653,946	3,011,163
Columbia	357,237	342,960	11,383,532	9,772,990
Greenville	430,850	475,050	9,108,599	10,383,624
Spartanburg	84,565	56,015	2,518,780	5,803,408
<b>Dist. of Columbia</b>				
Washington	4,075,940	4,396,728	58,821,117	65,734,072
District Totals	\$27,883,889	\$31,813,144	\$350,169,742	\$389,411,498





## **NATIONAL SUMMARY OF BUSINESS CONDITIONS**

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

General business activity continued to show little change at the end of 1951. Industrial output, construction activity, employment, retail sales, and wholesale prices remained somewhat below the peaks reached earlier in the year and were at about the same levels as at the end of 1950. Consumer incomes and prices were above year-ago levels. Total bank credit outstanding and the privately-held money supply were also larger than at the end of 1950.

### **Industrial Production**

The Board's index of industrial production in November held steady at the October level of 218 per cent of the 1935-39 average. Nondurable goods output remained at the reduced October rate, while a small increase in production of durable goods was offset by a decline in mining.

Steel production was at a new record as electric furnace utilization in November reached rated capacity for the first time since early 1949 and despite scrap shortages, steel mill activity increased slightly further in early December. Refinery output of nonferrous metals was practically unchanged from the postward high of October. Over-all activity in producers equipment and munitions industries continued to expand somewhat. Auto assembly declined further in November and December; assemblies will be close to 1.1 million units in the fourth quarter, about one-third below the corresponding period last year.

Output of the textile and leather industries was unchanged in November following sharp curtailment in previous months. Paperboard production, however, continued to decline in November, while output at most paper mills apparently remained at very high levels.

Reduced minerals production in November reflected largely a cut in crude petroleum which more than offset further expansion in bituminous coal mining. Iron ore mining decreased somewhat more than seasonally from earlier record levels.

### **Construction**

Value of construction contract awards declined seasonally in November, reflecting decreases in most categories of private awards. The 76,000 housing units started in November brought the 11-month total to 1,023,000 units, 21 per cent less than the record started in the comparable 1950 period. Expenditures for construction put in place, allowing for seasonal influences, were little changed from October, and about as large as in November 1950.

### **Employment**

Seasonally adjusted employment in most nonagricultural lines in November remained at or close to October levels, and total nonagricultural employment continued slightly below the mid-1951 peak. At 40.3 hours, the average work-week at factories was little changed from October, while average hourly earnings rose slightly to a new peak of \$1.62. Unemployment increased by 200,000 to 1.8 million, reflecting to some extent the seasonal curtailment of outdoor activities.

### **Agriculture**

Crop prospects declined further during November and output for the year is now estimated to be only 2 per cent larger than in 1950. Grain production is indicated to be 6

per cent smaller, while cotton output, though substantially below early estimates, was reported to be 53 per cent greater than last year's small harvest. Meat production has been increasing seasonally and is now at about year-ago levels; egg production in November was 6 per cent above last year.

### **Distribution**

Seasonally adjusted department store sales showed little change from the third to the fourth quarter and the value of holiday sales was about the same as in 1950. Dollar volume of sales for the year is expected to be approximately 3 per cent larger than in 1950. Inventories held by department stores showed a further decline in the fourth quarter, after seasonal adjustment.

### **Commodity Prices**

The average level of wholesale commodity prices continued to show relative stability from mid-November to the fourth week in December. Changes have been largely among agricultural commodities and seasonal in character. Although the December 10 Government cotton crop estimate of 15.3 million bales was 480,000 below the November estimate, in the week following release of the report raw cotton prices declined about 1½ cents per pound, about as much as they had advanced in late November.

The consumers price index advanced .6 per cent from mid-October to mid-November reflecting chiefly a rise in food prices and increased excise taxes.

### **Bank Credit**

Total bank credit outstanding at banks in leading cities increased further in November and the first half of December. The increase was dominated by a continued rise in bank loans to business, particularly to commodity dealers; food, tobacco, and liquor manufacturers; and metal and metal products manufacturers. The rise in business loans was particularly marked in the first half of December. Deposits and currency of individuals and businesses continued to increase in November and early December, largely because of expansion in bank loans and investments.

Banks in the larger financial centers increased their interest rates on new loans to prime business borrowers by ¼ per cent, from 2¾ to 3 per cent, in December. This was the second increase in the rate on these loans in two months.

Member bank reserve positions have generally been under some pressure since late November due in part to seasonal factors. Federal Reserve holdings of Government securities were unchanged until late December when short-term securities were purchased to maintain orderly market conditions.

### **Security Markets**

Yields on U. S. Government and high-grade corporate securities were steady during the first half of December and rose thereafter. In late December, yields on most types of bonds were considerably higher than a year ago and money market tightness was reflected in higher rates on all types of short-term paper. On December 3 the Treasury announced the offering of new 1½ per cent certificates of indebtedness to holders of the 1.1 billion dollars of 2¼ per cent Treasury bonds of 1951-53 maturing December 15.