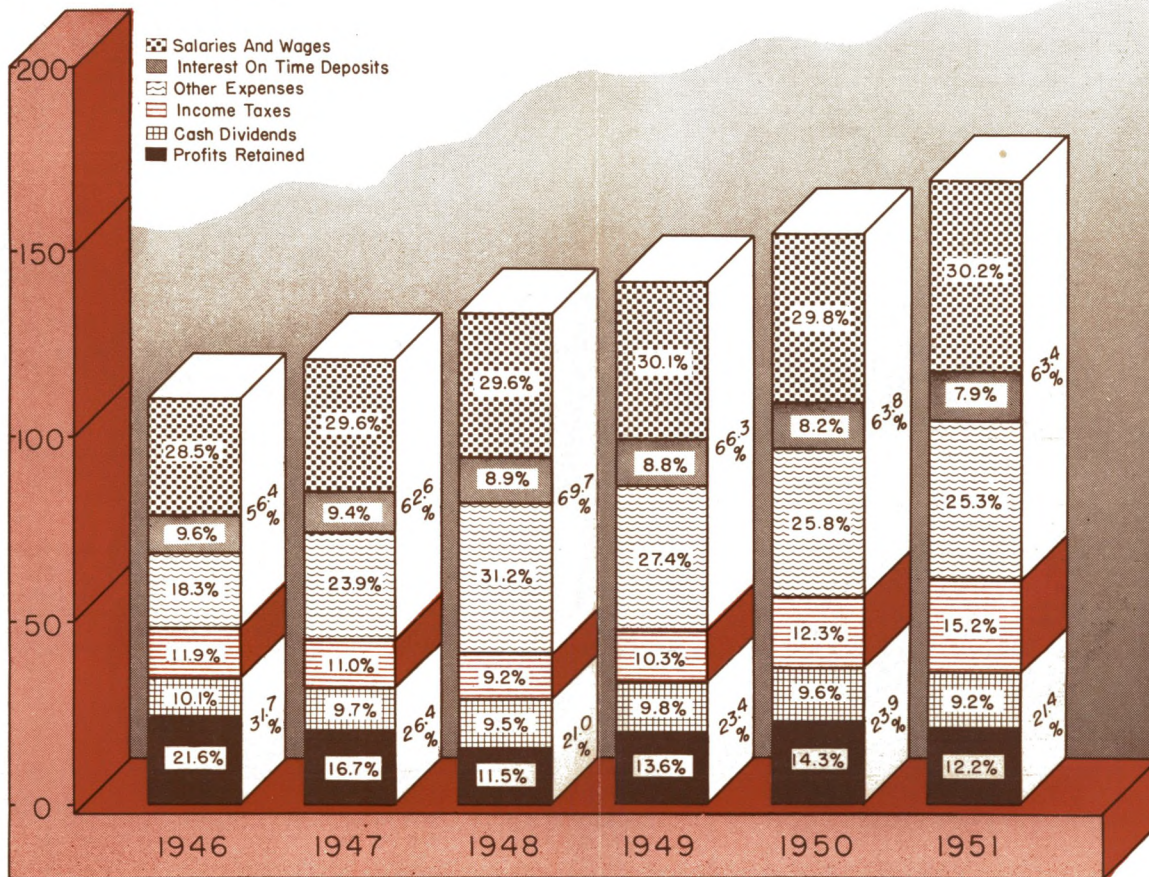


March 1952

## DISTRIBUTION OF EARNINGS FIFTH DISTRICT MEMBER BANKS 1946 - 1951

(MILLIONS OF DOLLARS)



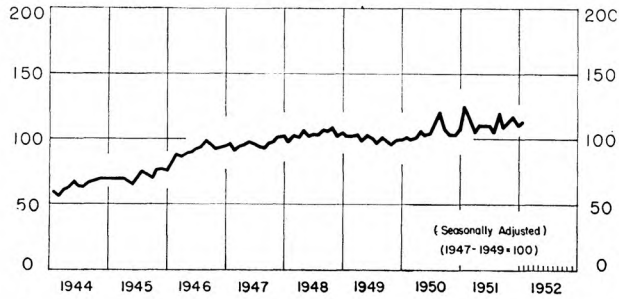
Gross earnings of Fifth District member banks reached a new high in 1951 as shown in the above chart. Net profits, however, declined, primarily as a result of increased taxes. The article on page 3 discusses 1951 operations of Fifth District member banks.

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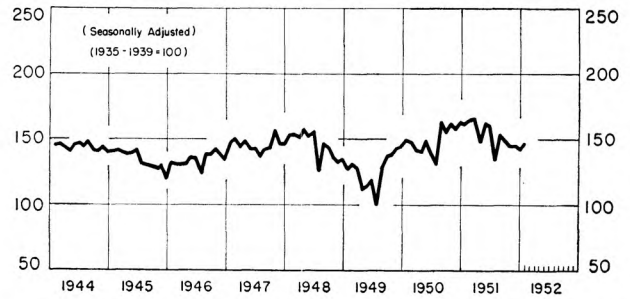
## FIFTH DISTRICT TRENDS

DEPARTMENT STORE SALES



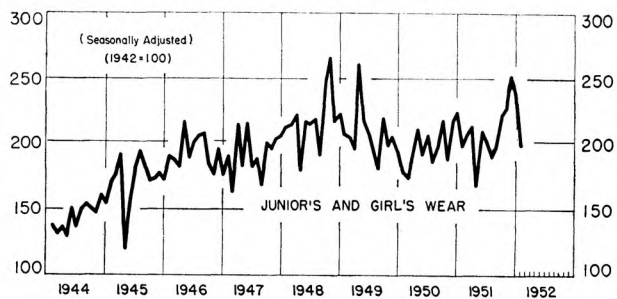
January adjusted department store sales rose 4% over those of December, but they did not quite return to the level established in November. The trend of department store sales since last spring has been raggedly upward. Department stores showed an increase of 2% in their adjusted inventories from December to January for the second gain in two months. This could be the end of the inventory liquidation that has taken place for several past months.

ACTIVE COTTON SPINDLE HOURS



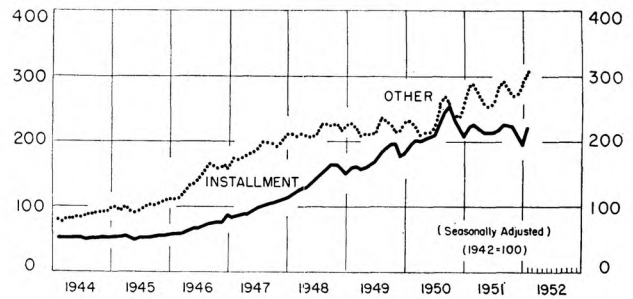
Cotton spindles were operated in a larger number of hours during January than is normally seasonal, the gain from December being 3%. Although cotton mill operations were 9% below a year ago, it has since become apparent in the market that this rate of production was higher than current conditions justified. It is apparent in trade reports that a rather substantial cutback will be effected in March.

DEPARTMENT STORE SALES



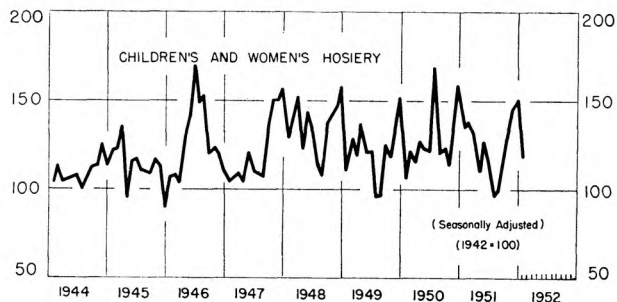
The juniors' and girls' wear departments of department stores had shown a very favorable sales trend in the late summer and fall months of 1951 as the chart indicates. The January figure, however, failed to maintain this trend and returned to the level existing a year ago. These departments normally account for 4% of total store sales. Sales in these departments over the Easter season should be considerably improved over those last year which would indicate a rise from January on a seasonally adjusted basis.

DEPARTMENT STORE RECEIVABLES



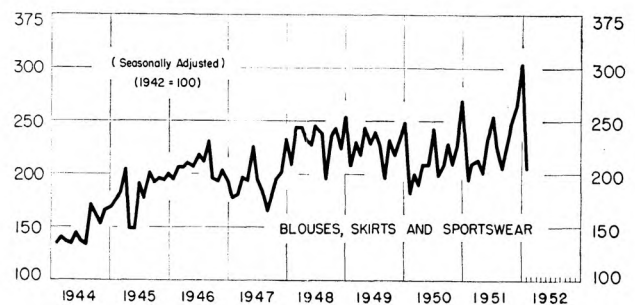
Installment accounts receivable in department stores had been rising quite rapidly up to the fall of 1950 when Regulation W became operative. Since September 1950 there has been a slight downward trend in these receivables in department stores, but January witnessed some recovery from the low levels of December. Open account receivables, on the other hand, have continued to rise. In fact, they have risen in the last year and a half at a more rapid rate than sales.

DEPARTMENT STORE SALES



Children's and women's hosiery sales in the fall and winter months of 1951 rose about as much as they fell in the first seven or eight months of the year. January, however, showed a substantial drop after seasonal correction from December and was well below the high levels of January 1951. Store stocks of hosiery, however, have been reduced and the inventory turnover in recent months has been faster than for some time past. This would indicate the need for a continuous rate of purchase from manufacturers.

DEPARTMENT STORE SALES



Blouses, skirts and sportswear sales in the fall and winter of 1951 established a new high record in this District, and while January receded substantially from the December level, it continued 6% above a year ago. There has been no change in style trend away from blouses and skirts and it should be expected that this business will show material improvement in the coming months. Inventories of these departments are running somewhat ahead of a year ago, but they have not risen as much as sales.

## Member Bank Operations in 1951

WITH gross earnings of \$168.7 million in 1951, Fifth District member banks topped the earnings of 1950 by 9% and thus set another record. In spite of this impressive gain, their net profits in 1951 were 2.8% below 1950 due to the sharp increase in income taxes.

Net current earnings of \$67.4 million in 1951 were 10.5% above 1950 and represented 40% of gross earnings. Profits before income taxes (net current earnings adjusted for recoveries and losses) were 10% higher than in 1950.

### Source of Earnings

Interest, discount and other charges on loans produced \$11.1 million more revenue in 1951 than in 1950, an increase of 13.6%. Earnings on loans accounted for 55.2% of total earnings of Fifth District member banks in 1951 having risen from 33.7% in 1946. Increasing loan portfolios and rising interest rates worked together to produce this sharp postwar change.

Earnings from U. S. Government securities in 1951 were only 0.5% above 1950 although member banks held 6.2% more of such securities on December 31, 1951 than at the end of the preceding year. This is partially accounted for by the pattern of Government holdings during the year. During the first five months, Governments declined from \$2,445 million to \$2,288 million; holdings then increased to \$2,596 million at the year's end. Again the slight increase in return from Government securities as compared to 1950 is explained by the shift during 1951 from higher yield securities to shorter-term, lower yield, bills and certificates. During the year, these short-term Governments held by Fifth District member banks increased by \$502.2 million while bonds and notes held decreased by \$350.6 million.

Although U. S. Government securities are still an important source of earnings for member banks, their relative importance has declined sharply since 1946. Interest from Governments, comprising 44.9% of the total earnings of Fifth District member banks in 1946, fell to 24.2% in 1951. In dollar amount interest received from this source declined from \$49.5 million in 1946 to \$40.8 million in 1951.

Interest on other investments earned for District member banks 14.8% more in 1951 than in 1950. They added \$67 million of these securities to their portfolios during 1951, so that year-end holdings were 20% greater than a year earlier. During the first five months of 1951, these holdings declined from \$336 million to \$317 million. The jump to \$403 million at year's end was largely in the last quarter.

Trust department earnings have maintained a relatively stable position in total earnings of Fifth District member banks throughout the postwar years. Dollar

Earnings	Total	% Change During Year
Interest and dividends on securities:		
U. S. Government .....	40,829	+ 0.5
Other .....	6,913	+14.8
Interest and discount on loans .....	92,305	+13.7
Other charges on loans .....	842	+ 7.4
Service charges on deposits .....	9,703	+ 9.1
Other charges, fees, etc. ....	5,245	+10.3
Trust department .....	6,975	+ 1.5
Other current earnings .....	5,875	+ 4.4
<b>Total .....</b>	<b>168,688</b>	<b>+ 9.0</b>
Expenses		
Salaries—officers .....	19,746	+ 9.4
Salaries and wages—other .....	31,204	+11.3
Directors' fees, etc. ....	1,313	+11.0
Interest on time deposits .....	13,295	+ 4.2
Taxes, other than income .....	5,148	+ 2.1
Recurring depreciation .....	3,285	+13.0
Other current expenses .....	27,255	+ 5.7
<b>Total .....</b>	<b>101,246</b>	<b>+ 8.0</b>
Net current earnings .....	67,442	+10.5
Recoveries, transfers from reserves, and profits .....	4,071	-13.4
Losses, charge-offs, and transfers to reserves .....	9,741	+ 1.6
Profits before income taxes .....	61,772	+10.0
Taxes on net income .....	25,722	+34.9
Net profits .....	36,050	- 2.8
Cash dividends declared .....	15,479	+ 3.9
Profits retained .....	20,571	- 7.4
Number of banks at year end .....	477	0

Note: May not add to totals because of rounding.

Fifth District member banks continued to earn a higher rate of return on invested capital than the national average of all member banks. The District ratio of net current earnings to total capital accounts was 15.0% in 1951, slightly above the 1950 ratio of 14.3%. The rate of return on capital for all member banks in 1951 was 14.5%. Net profits (after income taxes) were 8.2% of capital, compared with 1950's ratio of 8.7%. For all member banks, net profits were 7.6% of total capital accounts as against 8.3% in 1950.

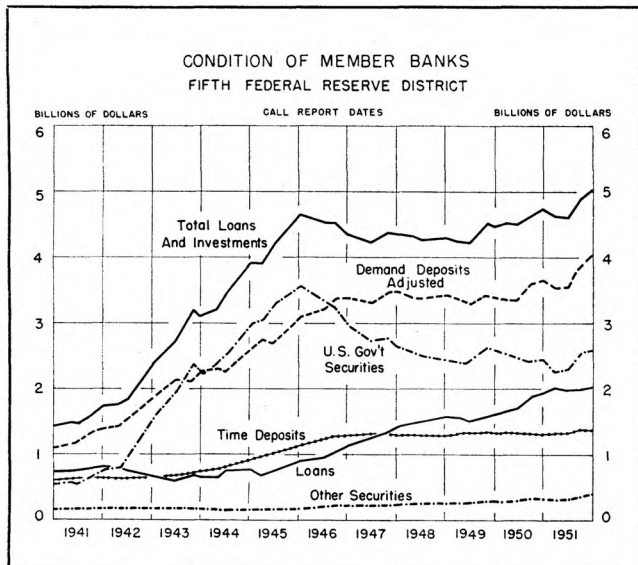
Member banks in the Fifth District continued to retain a larger share of net profits than the national average, although it was a smaller percentage (57.1%) in 1951 than in 1950 (59.8%). This compares with retained profits of all member banks of 51.1% in 1951 and 56.3% in 1950. In dollar amount, net profits retained by District member banks in 1951 were 7.4% less than the 1950 figure. For all member banks, the amount retained was 10.8% less than in 1950.

PROFITS OF FIFTH DISTRICT MEMBER BANKS, 1945-51  
(Dollars in Thousands)

Year	Gross Earnings	Profits Before Income Taxes	Profits After Income Taxes	Taxes on Income	Taxes as % of Profits Before Taxes
1945	93,643	41,544	30,108	11,436	27.5
1946	110,277	48,053	34,930	13,123	27.3
1947	121,342	45,362	32,075	13,287	29.3
1948	133,990	40,547	28,195	12,352	30.5
1949	141,125	47,433	32,936	14,498	30.6
1950	154,797	56,174	37,100	19,074	34.0
1951	168,688	61,772	36,050	25,722	41.6

## Federal Reserve Bank of Richmond

earnings from this source in 1946 were \$4.7 million (4.2% of total earnings in that year), while in 1951 they were \$7.0 million (4.1% of total earnings). All



other earnings of member banks in the District increased dollar-wise in 1951 but were of about the same relative importance as in previous postwar years.

### Operating Expenses

Total operating expenses of Fifth District member banks in 1951 rose 8% above 1950, thus continuing the pronounced upward trend of the postwar period. Operating expenses, plus net losses, took 63.4% of gross earnings in 1951. The relative share of these expenses rose from 56.4% of gross earnings in 1946 to 69.7% in 1948, as shown on the cover chart, but the percentage has declined in each year since 1948. Earnings after operating expenses (net current earnings) represented a larger share of gross earnings in 1951 than in any year since 1948 and, dollar-wise, were 10.5% above 1950. Net current earnings of all member banks in the United States were 16.1% above 1950 and were 39.1% of gross earnings.

Salaries and wages advanced to over 50% of total operating expenses in 1951 from 46% in 1946. District member bank employees were paid \$31.2 million during the past year, 11.3% more than in 1950 and 64.6% more than in 1946. Salaries paid to officers were 9.4% above 1950 and 58.8% higher than in 1946. Directors' and miscellaneous fees of \$1.3 million were 11.0% above 1950.

Interest paid on time deposits continued to decline as a percentage of total operating expenses but was 4.2% above 1950. Last year, interest on time deposits fell to 13.1% of total operating expenses from 15.7% in 1946. The dollar amount of interest paid in 1951 was 24.9% above 1946 while salaries and wages were 62.3%

higher and other current expenses exceeded 1946 by 46.3%.

Income taxes took a much larger bite from District member banks' profits in 1951 than in any other postwar year. In 1946, income taxes took 27.3% of profits; in 1951, the bite jumped to 41.6%. In dollar amount, income taxes paid in 1951 were 34.9% above 1950. For all member banks in the nation the figure was a plus 35.2% over 1950. After 1951's payment of \$25.7 million, District member banks had net profits of \$36.1 million, \$1.1 million less than in 1950. All member banks had net profits (after income taxes) of \$760 million, 2.7% less than in 1950.

Cash dividends of \$15.5 million were paid by District member banks during 1951, \$583,000 more than in 1950. The ratio of dividends to gross earnings has remained fairly stable in the postwar years—about 9½%. Maintenance of the dividend rate caused retained profits to be 7.4% lower in 1951 than in 1950.

### Assets

Total assets of Fifth District member banks topped \$7 billion at the end of 1951, \$546 million above December 30, 1950, and a new record high. Total assets have increased by \$1,094 million since the beginning of the Korean War.

Reserves, cash, and bank balances accounted for approximately two-fifths of this asset increase. Increased reserve accounts at the Federal Reserve Bank came primarily from relatively heavy transfers of Treasury funds to this District created by an excess of Federal expenditures over receipts in the region. Such transfers outweighed the loss of reserve balances due to adverse interdistrict clearings and to an increase in currency in circulation in the District. In addition, the Richmond

LOANS AND DISCOUNTS				
Fifth District Member Banks				
(Dollars in Millions)				
	June 30, 1950	Dec. 30, 1950	June 30, 1951	Dec. 31, 1951
Commercial and industrial loans	581	717	739	767
Loans to farmers	55	43	61	50
Loans to brokers and dealers in securities	13	12	9	15
Other loans for purchasing or carrying securities	45	57	68	72
Real estate loans:				
On farm land	44	44	47	54
On residential property	376	390	375	384
On other properties	129	136	139	146
Instalment loans to individuals:				
Retail automobile paper	107	117	117	116
Other retail paper	36	46	46	45
Repair and modernization loans	23	24	24	26
Cash loans	70	74	74	75
Single-payment loans to individuals:				
Less than \$3,000	81	84	88	85
\$3,000 and over	139	153	171	172
Loans to banks	3	2	6	2
All other loans	50	59	63	66
<b>LOANS—Gross</b>	<b>1,752</b>	<b>1,962</b>	<b>2,024</b>	<b>2,065</b>
Reserves	19	21	22	24
<b>LOANS—Net</b>	<b>1,733</b>	<b>1,941</b>	<b>2,002</b>	<b>2,041</b>
Number of banks	478	477	475	477

**ASSETS AND LIABILITIES**  
**FIFTH DISTRICT MEMBER BANKS**  
 December 31, 1951  
 (Millions of dollars)

ASSETS	Amount	\$ Change from Dec. 30, 1950	\$ Change from June 30, 1950 (Pre-Korea)
Loans and Investments.....	5,039.9	+317.8	+ 538.8
Loans and discounts (including overdrafts).....	2,041.0	+100.0	+ 308.0
U. S. Government obligations.....	2,596.3	+151.3	+ 125.3
Other securities.....	402.6	+ 66.6	+ 105.6
Reserves, Cash, and Bank Balances.....	1,908.9	+222.9	+ 500.9
Reserve with Federal Reserve Banks.....	855.0	+104.0	+ 197.0
Cash in vault.....	158.8	+ 33.8	+ 57.8
Balances with banks.....	496.7	+ 51.7	+ 148.7
Cash items in process of collection.....	398.5	+ 31.5	+ 97.5
Other Assets.....	85.7	+ 5.7	+ 8.7
<b>Total Assets.....</b>	<b>7,034.5</b>	<b>+545.5</b>	<b>+1,048.5</b>
<b>LIABILITIES</b>			
Demand Deposits.....	5,148.5	+454.5	+ 958.5
Individuals, partnerships, and corporations.....	3,911.7	+318.7	+ 633.7
U. S. Government.....	116.5	— 3.5	— 19.5
States and political subdivisions.....	414.8	+ 88.8	+ 94.8
Banks.....	599.9	+ 50.9	+ 215.9
Certified and officers' checks, etc.....	105.7	+ .7	+ 33.5
Time Deposits.....	1,384.5	+ 56.5	+ 43.5
Individuals, partnerships, and corporations.....	1,256.1	+ 21.1	— .9
U. S. Government and Postal Savings.....	49.9	+ 18.9	+ 19.9
States and political subdivisions.....	61.0	+ 11.0	+ 9.0
Banks.....	17.6	+ 5.6	+ 15.6
<b>Total Deposits.....</b>	<b>6,533.0</b>	<b>+511.0</b>	<b>+1,002.0</b>
Borrowings.....	3.4	+ 2.4	— 2.6
Other Liabilities.....	49.1	+ 8.1	+ 14.1
<b>Total Liabilities.....</b>	<b>6,585.5</b>	<b>+522.5</b>	<b>+1,013.5</b>
<b>Total Capital Accounts.....</b>	<b>449.1</b>	<b>+ 23.1</b>	<b>+ 35.1</b>
<b>Total Liabilities and Capital Accounts.....</b>	<b>7,034.5</b>	<b>+545.5</b>	<b>+1,048.5</b>
Demand Deposits Adjusted.....	4,033.7	+375.7	+ 664.7
Number of Banks.....	477	-----	-----

NOTE: May not add to totals because of rounding

Reserve Bank's participation in the System's Open Market Account was increased during the year. A portion of these Open Market purchases, which are all made by the New York Reserve Bank, could be from Fifth District holders of Government securities and could result, to that extent, in an increase in member banks' reserve accounts here. Such gains, however, are reflected in the total of interdistrict clearings and serve to reduce the loss of reserve balances from this source.

**Bank Lending in 1951**

Commercial and industrial loans accounted for half of the total increase of \$100 million in loans and discounts during 1951. The very rapid rate of growth of business loans during the last six months of 1950, however, was not matched in 1951. The more steady growth during 1951 followed the rapid build up of inventories immediately after the outbreak of the Korean War and the steady or declining consumer demand during the year. Real estate loans made only slight gains during the past year, an increase of \$5 million over December 30, 1950. Withdrawal of Federal Reserve support in the Government securities market, voluntary credit restraint on the part of bankers, and the fairly tight

financing terms under Regulation X, all acted together to restrain activity in this area. The very small increase (\$1 million) in installment loans to individuals reflects the caution shown in consumer buying since early in 1951. This caution is shown to be nation-wide by the behavior of consumer loans of all member banks, which increased by only \$37 million during the year. This is in sharp contrast with the \$70 million increase in the Fifth District alone during the first nine months of 1950, before the imposition of Regulation W.

Loans for the purchasing or carrying of securities and single-payment loans over \$3,000 to individuals are the only categories showing increases comparable to preceding years. Loans to farmers followed the conventional seasonal pattern of rising appreciably to mid-year and declining at year end.

Fifth District member banks increased their holdings of U. S. Government securities by \$151.3 million during 1951 and made a marked change in the pattern of their holdings. They increased their holdings of Treasury Bills and certificates of indebtedness by \$502.1 million and decreased their holdings of notes and bonds

Continued on page 11

## State and Municipal Borrowing at Record Level In Fifth District

ONE for only \$7,000 and another for \$75,000,000—these were the extremes, and in between were 243 other bond issues offered during 1951 by state and local governments of the Fifth District. The total was more than \$409 million. In contrast to the national volume, which was slightly lower than the 1950 total, the District figure was 12% higher than in the preceding year and an all-time record for this group of public borrowers.

The widespread participation in the District bond offerings had the usual outstanding exception—the State of Virginia for the 15th consecutive year found it unnecessary to raise funds by the sale of general obligation bonds. Two other features of the 1951 offerings in the District are worth noting. West Virginia sold \$37.5 million of Veterans' Bonus bonds—the first issue for this purpose in the District since the years immediately following World War I. This sale attracted national prominence since an offering earlier in the year had failed to receive any bids from investment bankers following a statement by the National Voluntary Credit Restraint Committee that the issue did not conform to the credit restraint program. As a consequence the State decided to sell the bonds directly to the retail market, and during the first two weeks in December, with banks in the State acting as selling agents, \$30,622,000 was sold to banks and other investors. The remaining \$6,878,000 was taken down by State investment funds. The average annual interest rate on this first of two issues to raise \$75 million was 2.225%.

A second feature of the municipal market the past year was the long-awaited debut of the new local hous-

ing authority bonds. Two issues totaling \$334,106,000 were marketed representing obligations of 138 local housing authorities (11 in the Fifth District for a total of \$24,869,000) at average interest costs ranging from 2.073% on the first sale in July to 2.052% on the October bonds. The success that marked the marketing of both issues, the subsequent small "float" of housings in the secondary market, and the growing recognition that they are tax-exempts of top quality—backed unconditionally by an agency of the Federal Government—led to a third successful issue in January at a lower average interest cost than for the first two flotations. This issue totalled \$133,786,000, included 31 local housing authorities in 14 states, and carried an average interest cost of 1.959%. The largest single borrowing was \$25,109,000 by the Baltimore Authority which swelled the Fifth District total for the five participating authorities to \$42 million.

### Investors Slow to Evaluate New Housing Bonds

The Public Housing Administration has stated that a fourth sale will probably be made this April and that under present plans offerings will run at an annual rate of around \$700 million—a substantial reduction from earlier estimates of about \$1,160,000 a year for a six-year period. This may not be too important since subsequent offerings could be increased but it is another favorable factor likely to contribute to the success of the April sale. It may be, however, that the net interest cost will be somewhat higher than on the January sale since, unlike that sale, the next one will face a much larger "float" of housings.

Some dealers and analysts have held that the hous-

### STATE AND MUNICIPAL BOND OFFERINGS—1951

	Maryland		Virginia		West Virginia		North Carolina		South Carolina		Fifth District		Per Cent
	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	No. of issues	Amt. \$000	
School Building and Improvements	11 2*	26,970 6,604	16 ---	17,310 -----	9 ---	5,687 -----	31 ---	14,482 -----	37 1*	8,432 12,500	104 3*	72,881 19,104	} 22.5
Water, Sewer, and Drainage Systems	10	21,240	15	18,175	6	3,240	32	9,168	16	2,228	79	54,051	
Street, Highway and Bridge Building and Improvement	5 1*2	8,250 25,000	1 ---	1,318 -----	2 1*	2,525 7,500	8 1*	1,643 75,000	2 ---	450 -----	18 3*	14,186 107,500	} 29.7
Public Improvement	14 3*	14,547 17,872	7 ---	9,737 -----	2 ---	1,255 -----	2 ---	350 -----	5 ---	797 -----	30 3*	26,686 17,872	
Public Utility Systems (Excl. water systems)	---	---	2	591	---	---	1	25	3 1*2	2,560 15,300	6 1*	3,176 15,300	} 4.5
Hospitals	1*	2,800	---	---	1	50	4	2,665	2	1,271	7 1*	3,986 2,800	
Refunding	2	583	1	250	2	233	19	765	1	93	25	1,924	} 0.5
Public Housing Auth.	1	911	2	5,875	---	---	4	9,829	5	9,454	12	26,069	
Veterans' Bonus	---	---	---	---	1*	37,500	---	---	---	---	1*	37,500	} 9.2
Miscellaneous	4 1*	3,225 560	1 ---	450 -----	3 ---	850 -----	8 ---	324 -----	4 ---	586 -----	20 1*	5,435 560	
<b>Total<sup>1</sup></b>	<b>23</b>	<b>128,562</b>	<b>41</b>	<b>53,706</b>	<b>25</b>	<b>58,840</b>	<b>81</b>	<b>114,251</b>	<b>75</b>	<b>53,671</b>	<b>245</b>	<b>409,030</b>	<b>100.0</b>

\*State issues.

<sup>1</sup> Totals will not equal the sum of the individual items as some issues are divided among more than one category.

<sup>2</sup> A revenue issue, and not a direct obligation of the State.

Source: Weekly listings in "The Commercial and Financial Chronicle."

ing bonds represent credits that so far have been under-priced, pointing out the increased value of tax-exempt investments to a wider field of investors than hitherto and to the fact that the basic security for the obligations stems from an iron-bound guarantee of a Federal agency rather than from the name of the issuer on the face of each bond. The housing bond is, however, a new type investment, and it is traditional for the demand side of the market to take time to assimilate new features and advantages and weigh them against better known investments.

**New Tax Bill Enhances Value of Tax-Exempts**

Another feature of the tax-exempt market introduced last year, with effects yet to be fully felt, was the Revenue Act of 1951 which caused municipals to become more valuable to more investors. It not only enhanced the attractiveness of these securities to existing holders of such bonds, but extended the field of interest to individuals with relatively moderate incomes and to many savings banks which as a group are now subject for the first time to income taxation. At present savings banks may be said to be a new factor in the market in the sense of potential buyers, for to date acquisitions of municipal bonds by these investors have been of only moderate proportions and highly selective. It is expected that these banks will come into the market more and more if their deposits continue to grow. Obviously,

the extent of their active interest in tax-exempts will depend largely upon the availability and effectiveness of alternative methods of minimizing the impact of the new taxes—such as the percentage of earnings paid out in dividends to reduce the tax base. A possible alternative outlet for investment funds of New York banks might develop from a bill just introduced in the State Legislature to permit New York savings banks to invest in preferred and common stocks.

**Needs for Large Financing to Continue**

The postwar increase in long-term financing by state and local governments to an annual volume some three times greater than the prewar rate has been a consequence of the backlog of war-deferred maintenance and additions and of the new needs of an expanding economy. The latter has begun to create a new backlog of projects which, if materials are available, promises to help maintain the annual volume of debt financing around the \$3 billion mark.

Both factors have been particularly noticeable in the field of road and highway construction. The largest sin-

gle issue offered in the Fifth District last year was the final installment of \$75 million of the \$200 million issue for road building authorized by North Carolina voters in 1949. In fact, almost one-third of all borrowings in the District last year was for the purpose of building and improving streets, highways, and bridges. And it is quite likely that this purpose will maintain its paramount position this year in view of the pending \$90 million turnpike issue of West Virginia. So far this year the largest District sale has been a \$6 million issue of road bonds by West Virginia.

As shown in the accompanying table, the second main reason for borrowing by the states and municipalities of the District last year (and during the postwar period) was additions and improvements to public schools. The important point here is that, despite the heavy volume of expenditures since the end of World War II for school building, a crucial period of required expansion is still ahead of the country

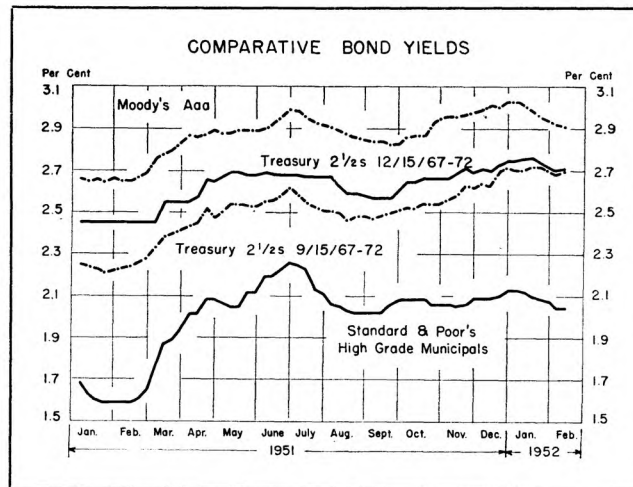
—and not too far distant. In a recent series of lectures at the University of Virginia, President Conant of Harvard stated that the nation's school problems are growing because of an expanded school-age population. Noting that the high birth rate of the 1940's had produced about 50% more children under 6 years of age than there are between 10 and 16, the noted educator warned that the most serious problems will arise when the secondary schools

begin to feel the impact of the increased birth rate.

**Cost of Borrowing Rises**

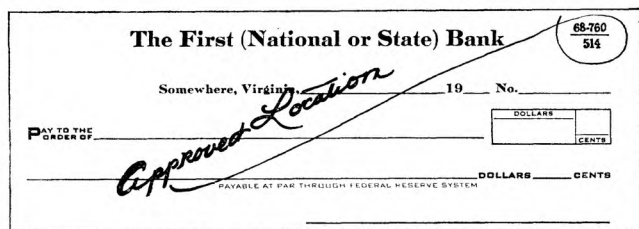
As shown in the accompanying chart, the amplitude of swings in yields during the past year on high-grade, long-term municipals was greater than it was for long-term Governments. Also noteworthy, was the rise in yields from municipals during the first half of 1951, which was much greater, despite the increasing value of tax-exemption to individual and corporate investors. Although there was but a slight rise in the average yield on high-grade municipals for 1951 over the preceding year, the average interest cost of all tax-exempts sold in the District last year was about 13.5% higher than in 1950. It should be noted, however, that the District average is computed on all grades of credits; for example, the spread of interest costs on District issues in 1951 ranged from 1.17% (\$17.6 million Maryland issue of certificates of indebtedness, 3-15 years, March 1, 1951) to 3.95%.

—E. M. D.

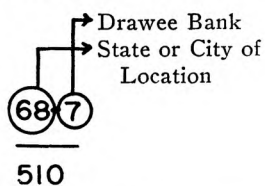


## The Check Routing Symbol Program

THE purpose of the check routing symbol plan, jointly sponsored in 1945 by the American Bankers Association and the Federal Reserve System, is to aid in the more rapid and accurate sorting of out-of-town checks in terms of both routing and credit availability. Universal acceptance of the plan is essential if its full benefits are to be realized. This involves not only agreement to use the designated symbol but also agreement to place it properly on checks. The location approved by the Bank Management Commission of the American Bankers Association and the Federal Reserve banks is in the upper right-hand corner of the check, as indicated in the diagram below.



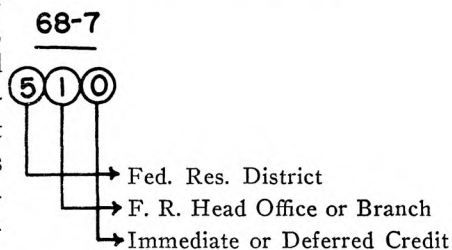
The check routing symbol was designed to be used in conjunction with the long-established ABA numerical system. The ABA transit number identifies the



drawee bank by state or city of location and name. This was sufficient in the days when out-of-town checks were still cleared through correspondent banks.

As clearings became more and more concentrated in the Federal Reserve System, and as the number of par banks whose checks clear through the System grew steadily larger, it became increasingly urgent to devise a plan to enable banks, in forwarding checks to their various Federal Reserve and correspondent banks, to sort such items not only for direct handling but also for immediate or deferred availability. To accomplish this, a denominator consisting of a three or four digit code is placed under the ABA transit number. The first digit designates the Federal Reserve District (the first two digits in the case

of the tenth, eleventh, and twelfth Districts). The next digit designates the Federal Reserve office serving the territory, that is, whether head office or branch. The final digit



designates credit availability, whether immediate or deferred, and also serves to identify the location of the drawee bank within the Reserve District. A routing symbol is assigned only to those banks whose items are collectible through Federal Reserve banks.

The first digit of the check routing symbol for all par banks located in the Fifth Federal Reserve District identifies their District and is the figure 5. Banks served by the head office of the Federal Reserve Bank of Richmond have 1 as the second digit in their routing symbol. Those served by the Baltimore branch have 2 as the second digit, and those served by the Charlotte branch are identified by the digit 3. The final digit of the routing symbol is 0 if credit is immediately available upon receipt of the check by the Federal Reserve Bank or branch in whose territory the drawee bank is located. If credit is deferred, the final digit will range from 1 to 5 according to the location of the drawee bank. This final digit does not indicate the length of time for which credit is deferred. The routing symbols for checks drawn on par banks in the Fifth Reserve District are shown in the following table:

Head Office Territory			
Symbol	Location of Bank	Symbol	Location of Bank
510	Richmond, Va.	513	South Carolina
511	Washington, D. C.	514	Virginia
512	North Carolina	515	West Virginia
Baltimore Branch Territory		Charlotte Branch Territory	
Symbol	Location of Bank	Symbol	Location of Bank
520	Baltimore, Md.	530	Charlotte, N. C.
521	Maryland	531	North Carolina
522	West Virginia	532	South Carolina

According to a survey made by the Federal Reserve Banks as of December 1, 1951, 85% (84% in the Fifth District) of all checks collected through the Reserve banks have the routing symbol in the approved location. The savings in terms of sorting time, fewer sorting errors, and check "travel time" resulting from the use of a uniform routing symbol are widely recognized among bankers and their cooperation in support of the program has been good. However, examination of checks passing through the hands of the Federal Reserve Bank of Richmond and discussions with bankers disclose that many business concerns, both large and small, order their check stock directly from suppliers and frequently overlook requesting inclusion of the correct routing symbol and specifying its location in the upper right-hand corner. In order to increase the percentage of checks drawn on par banks which bear the routing symbol, it is essential to have the cooperation of all customers of banks as well as the banks themselves, and it is hoped that all concerned will put forth their best efforts to make this program fully successful.



## *Business Conditions and Prospects*

**I**N the overall, business in the Fifth District, as of late February, was high in dollar volume, though exhibiting considerable spottiness, particularly in fabricated lines. The forecasted recovery in the cotton textile industry is still to be described as "expected." Sales have improved in the hosiery industry, but prices continue low and unsettled.

In kraft paper and boxboard, where prices have held fairly steady, there are signs of weakness. Sales of automobiles and trucks continue to recede, and construction contract awards have declined further.

In the financial sectors, it is interesting to note that District bank debits, a good measure of overall spendings, continue at a very high level—January totals, for example, were only 1% below December's and 6% over January of 1951. Demand deposits of member banks declined 4.5% during January; in the same period, time deposits rose 1.2%. Loans declined 1.5% in the month, but were still 4% ahead of a year ago. Series E Savings Bonds sales have been running somewhat ahead, and redemptions considerably below, the figures for a year ago, though redemptions still exceed sales.

Employment levels have eased somewhat—part of the easing being seasonal and part due to further layoffs. Bituminous coal output continues at a high level, but failed to maintain seasonal gains in January.

Department store sales held better than seasonally in January, though inventories, after a long period of decline, rose for the second consecutive month. Sales of wholesalers were better than seasonally expected for most lines of trade, though this was not true in dry goods, paper, and industrial supply lines. Retail furniture sales declined moderately, on an adjusted basis, during January, while inventories rose.

### **Cotton Textiles**

Although seasonally adjusted cotton consumption and spindle hour operations in January improved over the December level, the markets for both goods and yarns continued in the doldrums. Selected prices have eased somewhat in February, and further curtailment is likely before improvement is seen in the market.

Oddly, demand for cotton goods has remained at lower levels while consumers' incomes have continued to rise. Present levels of consumption have not even taken into account the growth in population relative to a year ago or to a decade ago. Since there are no signs that a basic change in consumer usage of cotton textiles is taking place, it seems reasonable to assume that a better level of demand is ahead, though as yet it has not asserted itself.

The production scene in cotton textiles is somewhat mixed. Step-ups are taking place in some plants, while curtailment is effected in others. Carded yarn spinners

in January report a drop in their backlog of 34% from a year ago but report the production rate at the beginning of 1952 only slightly below that a year ago.

There is normally a moderate rise in cotton consumption between January and February, but this year a decline may have taken place.

### **Rayon**

It appears that little or no improvement has taken place in rayon yarn production and the market for goods still remains in a depressed state, despite a fairly good retail sales performance of apparel made from rayon during 1951. That the primary market for rayon fabrics has not improved can only be attributed to heavy inventory in the hands of cutters and converters.

The high tenacity rayon business and that of staple fiber continue at good levels. It has been pointed out by NPA officials that the cut back in sulphur usage will not apply to high tenacity yarn production.

The most interesting recent development in rayon circles was a reduction of six cents a pound in acetate staple fiber. This makes the acetate staple price competitive with the viscose staple price, and is believed in market circles to be a bid by acetate producers for a larger share of the expanding staple fiber market. Thus far, viscose producers have given no indication that they will maintain the previous differential. Improved spring trade in rayon apparel could improve the entire rayon situation considerably.

### **Hosiery**

Many full fashioned hosiery mills were operating in January on more or less normal production schedules, but these schedules are subject to change without notice, depending on market demand. Mills will probably curtail rather than increase their inventories should demand fail to come up to seasonal expectations. The spring season is ahead and this is ordinarily a very good season for the hosiery producers. Some manufacturers look for an improvement in the price situation within the next 60 days.

Operations have stepped up in the seamless hosiery industry. Whether they continue into the second quarter will depend largely on retail store inventories. Reports are coming from the field that store inventories for seamless hose are relatively low, and mill stocks are likewise at a low level. Under these circumstances, a considerable improvement could occur in production in the second quarter of the year.

Hosiery buyers are keeping their commitments on a short-term basis, and some are not purchasing their requirements as far ahead as 30 days. A good retail response, therefore, would find a quick reflection in production schedules.

Unionized northern hosiery mills have taken a cut in wages of as much as 25%. This, however, is not ex-

pected to have adverse effects on southern mills unless further curtailment in output is found necessary.

### **Agriculture**

Cash farm income in the Fifth District in 1951 rose 20% over 1950, with both crops and livestock showing similar gains. January 1952 farm prices in Maryland, Virginia and West Virginia were from 1 to 5% ahead of a year ago. In the Carolinas, they were 2 to 4% under a year ago.

Acreage goals of crops other than cotton, tobacco and peanuts are generally higher this year than a year ago. It is not yet known what planting intentions will be, but clearer indications will be forthcoming this month. It is too early to give any appraisal of the crop outlook, but preliminary work is moving along on normal schedule.

### **Bituminous Coal**

Bituminous coal production in this District eased 3% on a seasonally adjusted basis from December to January and was 9% under a year ago. Foreign cargo coal shipments through Hampton Roads, Baltimore and Charleston ports amounted to 4,900,000 tons from January 1 to February 9. This compares with 1,900,000 tons in the same period last year. Exports have eased somewhat in February, and a number of ships commissioned to haul these cargoes have been retired from service. The slackening in foreign demand was due mainly to a very mild European winter. It is believed, however, that exports will continue at a high level during the current year.

Domestic consumption has thus far shown little improvement except in steel and electric utilities. Generally, industrial demand awaits further expansion in production levels. Domestic stocks have shown only small changes over the past seven or eight months. Interestingly, the figures show that a substantial concentration of total stocks is held by the public utilities.

### **Construction**

District construction contract awards declined 49% (seasonally adjusted basis) from December to January and were 28% under a year ago. Commercial awards rose 88% from December to January, and one- and two-family houses rose 1%. All other classifications showed substantial reductions.

Factory construction in January was 68% over a year ago: apartments and hotels were up 8%, and public works and utilities were up 6%; all other, down from 13 to 68%.

Military construction in the three months ended January approximated \$38 million, indicating that appropriations made for this type of construction would be stretched out for a longer period than 1952.

Certificates of necessity granted between December 22nd and January 25th totaled more than \$117 million. Some construction is still being projected in textile and hosiery lines, but the amount is quite small.

### **Trade**

Department store sales made a better than seasonal performance between December and January with a gain of 4%. January sales came within 10% of the all-time "scare-buying" peak of January, 1951. The January sales record would have been better except for a paralyzing transit strike in Baltimore, Maryland, which caused that city's sales to drop 12% from a year ago compared with a drop of 10% for the District. Although the January level was not quite as high as November's, the trend of sales continues to move upward in this District.

Department store stocks, after reaching a low point in November, have risen in both December and January after seasonal correction. These were hardly involuntary accumulations and the probability is that they rose as a matter of policy.

In this District, home furnishings in general have been showing an upward sales trend (adjusted basis) since the spring of 1951, despite a considerable setback in December. Sales of furniture and major household appliances seasonally adjusted declined quite sharply from November to December, the latest data available on a departmental basis, but other lines of home furnishings showed modest gains. Radio and television lines were also cut back sharply, but the general line of housewares was up notably.

Men's and boys' clothing, corsets and brassieres, infants' wear, juniors' and girls' wear, blouses, skirts and sportswear, aprons, housedresses and uniforms all stood at record high adjusted levels.

Furniture store sales adjusted during January dropped 4% from December to a level 2% under a year ago, and January inventories rose 7% over December. At this level they were 5% under a year ago. Furniture store inventories in the past three months have regained approximately half of the reduction experienced between February and September, 1951.

—B. P. C.



Member Bank Operations in 1951

Continued from page 5

by \$350.6 million. Bills and C of I's jumped during the year from 9.9% of total Government securities held to 28.7%.

Liabilities

Total liabilities of Fifth District member banks increased by \$511 million to over \$6¼ billion in 1951. The largest increase occurred in demand deposits of individuals, partnerships, and corporations, which rose from \$3,593 million to \$3,912 million, and have shown an increase of \$634 million since the beginning of the Korean conflict. Total demand deposits rose by \$455 million in 1951, principally during the last six months of

the year. Deposits of banks showed only a small gain during the year while U. S. Government deposits declined by \$3.5 million.

Time deposits at the end of 1951 were 4.3% above a year ago, the principal increase (dollar-wise) being in deposits of individuals, partnerships, and corporations. Fifth District member banks increased their capital accounts by \$23 million during the year, \$20.6 million of this increase being derived from retained earnings. In spite of this increase the ratio of capital to total deposits declined to 6.9% from 7.1% at the end of 1950.

—R. P. L.

Study of Bank Debits and Clearings

The Board of Governors of the Federal Reserve System has published a technical study on *The Development of Bank Debits and Clearings and Their Use In Economic Analysis*, by George Garvy of the Federal Reserve Bank of New York. This study combines a statistical review of debits and clearings statistics in the United States with a critical review of their use by monetary analysts to interpret and project economic developments. The purpose of the study is to provide a basis for better understanding of debts and the velocity of deposits and hence of the appropriateness of these series for different types of economic analysis.

The pamphlet may be purchased for 25 cents or 15 cents in group purchases of 10 or more for single shipment. All orders should be sent to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.

DEBITS TO INDIVIDUAL ACCOUNTS (000 omitted)			50 REPORTING MEMBER BANKS—5th DISTRICT (000 omitted)			
	January 1952	January 1951		Feb. 13, 1952	Jan. 16, 1952	Change in Amount from Feb. 14, 1951
Dist of Columbia			ITEMS			
Washington .....	\$ 1,258,178	\$ 1,131,278	Total Loans .....	\$1,177,284**	-14,512	+ 29,798
Maryland			Business & Agricultural .....	571,908	-10,144	+ 14,345
Baltimore .....	1,267,730	1,281,586	Real Estate Loans .....	241,259	+ 2,078	- 5,176
Cumberland .....	27,019	28,343	All other Loans .....	379,559	- 6,372	+ 22,051
Frederick .....	22,485	19,173	Total Security Holdings .....	1,865,861	+13,990	+220,883
Hagerstown .....	36,541	33,110	U. S. Treasury Bills .....	293,549	- 9,270	+194,014
North Carolina			U. S. Treasury Certificates .....	184,830	+ 7,336	+184,830
Asheville .....	68,995	63,804	U. S. Treasury Notes .....	288,387	+ 2,851	-103,655
Charlotte .....	360,721	364,985	U. S. Treasury Bonds .....	879,677	+ 3,890	- 96,122
Durham .....	109,594	108,422	Other Bonds, Stocks & Sec. ....	219,418	+ 9,183	+ 41,816
Greensboro .....	112,774	106,701	Cash Items in Process of Col. ....	275,858	- 424	+ 2,972
Kinston .....	21,519	18,245	Due from Banks .....	203,397*	+ 5,763	+ 4,493
Raleigh .....	174,436	149,534	Currency & Coin .....	79,584	+ 4,305	+ 9,146
Wilmington .....	48,129	42,837	Reserve with F. R. Bank .....	531,341	-81,904	+ 19,295
Wilson .....	21,752	23,608	Other Assets .....	56,837	+ 2,556	+ 2,603
Winston-Salem .....	170,873	170,082	Total Assets .....	\$4,190,162	-70,226	+289,190
South Carolina			Total Demand Deposits .....	3,238,835	-84,556	+237,518
Charleston .....	85,421	80,404	Deposits of Individuals .....	2,430,330	-53,507	+145,278
Columbia .....	144,581	121,356	Deposits of U. S. Govt. ....	80,718	+21,177	- 2,530
Greenville .....	109,169	121,866	Deposits of State & Loc. Gov. ..	185,573	- 5,340	+ 29,563
Spartanburg .....	74,442	76,193	Deposits of Banks .....	487,398*	-47,139	+ 56,851
Virginia			Certified & Officers' Checks ...	54,816	+ 253	+ 8,356
Charlottesville .....	27,769	27,423	Total Time Deposits .....	638,021	+ 3,040	+ 30,548
Danville .....	39,238	35,012	Deposits of Individuals .....	561,570	+ 1,166	+ 9,142
Lynchburg .....	47,875	45,396	Other Time Deposits .....	76,451	+ 1,874	+ 21,406
Newport News .....	48,267	38,208	Liabilities for Borrowed Money ..	23,600	+ 5,150	+ 650
Norfolk .....	245,237	211,200	All Other Liabilities .....	35,362	+ 4,860	+ 9,629
Portsmouth .....	23,483	25,670	Capital Accounts .....	254,344	+ 1,280	+ 10,845
Richmond .....	589,298	572,892	Total Liabilities .....	\$4,190,162	-70,226	+289,190
Roanoke .....	117,587	113,547				
West Virginia						
Bluefield .....	53,400	51,155				
Charleston .....	204,461	167,234				
Clarksburg .....	50,729	38,634				
Huntington .....	79,367	72,159				
Parkersburg .....	31,228	30,932				
District Totals .....	\$ 5,677,298	\$ 5,371,009				

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

**SELECTED FIFTH DISTRICT BUSINESS INDEXES**  
**AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED**

	Jan. 1952	Dec. 1951	Nov. 1951	Jan. 1951	% Change—Latest Month Prev. Mo.	% Change—Latest Month Year Ago
Automobile Registrations <sup>1</sup> .....	.....	145	152	238	+ 5	+ 29
Bank Debits.....	453	431	435	426	+ 5	+ 6
Bituminous Coal Production.....	148	152	162	162	— 3	— 9
Construction Contracts Awarded.....	381	740	467	531	— 49	— 28
Business Failures—No.....	39	42	61	46	— 7	— 15
Cigarette Production.....	.....	221	266	259	— 17	— 4
Cotton Spindle Hours.....	147	143	145	162	+ 3	— 9
Department Store Sales*.....	113	109	117	124	+ 4	— 9
Electric Power Production.....	.....	355	374	338	— 5	+ 4
Employment—Mfg. Industries <sup>1</sup> .....	.....	153	153	151	0	+ 1
Furniture Mfgs: Shipments.....	.....	.....	356	341	+ 9	— 19
Life Insurance Sales.....	323	338	334	283	— 4	+ 14

<sup>1</sup>Not seasonally adjusted.  
 \*1947-1949=100. Back figures available on request.

**WHOLESALE TRADE**

LINES	Sales in Jan. 1952 compared with		Stocks on Jan. 31, 1952 compared with	
	Jan. 1951	Dec. 1951	Jan. 31, 1951	Dec. 31, 1951
Auto supplies (7).....	-39	+ 3	+ 11	+ 6
Electrical goods (4).....	- 9	+ 4	.....	.....
Hardware (10).....	-22	+32	+ 12	+ 1
Industrial supplies (5).....	-16	+16	+ 25	+ 9
Drugs and sundries (11).....	+ 9	+27	+ 10	- 3
Dry goods (10).....	-26	+11	- 14	+15
Groceries (47).....	+ 3	+18	+ 9	+ 7
Paper & products (5).....	-15	+13	.....	.....
Tobacco & products (13).....	+12	- 2	+ 6	+ 4
Miscellaneous (57).....	-16	- 1	+ 5	+ 4
District Totals (199).....	-10	+ 9	+ 4	+ 5

Number of reporting firms in parentheses.  
 Source: Department of Commerce.

**RETAIL FURNITURE SALES**

STATES	Percentage comparison of sales in period named with sales in same period in 1951				
	January 1952				
Maryland (7).....	.....	.....	.....	.....	- 7
Dist of Col. (7).....	.....	.....	.....	.....	-11
Virginia (18).....	.....	.....	.....	.....	- 3
West Virginia (10).....	.....	.....	.....	.....	+16
North Carolina (15).....	.....	.....	.....	.....	+ 3
South Carolina (5).....	.....	.....	.....	.....	-22
District (62).....	.....	.....	.....	.....	- 6
<b>INDIVIDUAL CITIES</b>					
Baltimore, Md. (7).....	.....	.....	.....	.....	- 7
Washington, D. C. (7).....	.....	.....	.....	.....	-11
Richmond, Va. (6).....	.....	.....	.....	.....	+ 5
Charleston, W. Va. (3).....	.....	.....	.....	.....	+35

Number of reporting firms in parentheses.

**DEPARTMENT STORE OPERATIONS**  
 (Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	District Total
Sales, Jan. '52 vs. Jan. '51 ..	- 8.6	-12.4	- 8.7	- 5.6	- 8.5
Stocks, Jan. 31, '52 vs. '51 ..	- 5.4	+ 1.9	+ 4.6	- 2.1	+ 0.8
Outstanding orders,					
Jan. 31, '52 vs. '51 .....	-43.7	-42.8	-40.1	-14.4	-38.9
Current receivables Jan. 1					
collected in Jan. '52 .....	27.3	45.0	37.1	39.9	37.6
Instalment receivables Jan. 1					
collected in Jan. '52 .....	15.2	16.0	16.6	18.8	16.5
Md. D.C. Va. W.Va. N.C. S.C.					
Sales, Jan. '52 vs. '51 .....	-12.3	- 8.7	- 6.0	- 7.2	- 7.8
					- 2.7

**BUILDING PERMIT FIGURES**

	January 1952	January 1951
<b>Maryland</b>		
Baltimore .....	\$ 3,312,555	\$11,006,455
Cumberland .....	10,950	96,760
Frederick .....	356,782	261,225
Hagerstown .....	106,170	84,225
Salisbury .....	63,294	202,525
<b>Virginia</b>		
Danville .....	242,742	110,735
Lynchburg .....	142,794	472,583
Newport News .....	216,624	292,868
Norfolk .....	1,488,385	1,714,710
Petersburg .....	143,304	330,952
Portsmouth .....	4,091,860	302,505
Richmond .....	1,128,485	1,801,479
Roanoke .....	637,704	2,868,724
<b>West Virginia</b>		
Charleston .....	174,350	508,346
Clarksburg .....	83,885	128,900
Huntington .....	125,471	785,000
<b>North Carolina</b>		
Asheville .....	142,662	2,173,397
Charlotte .....	3,853,077	2,198,867
Durham .....	400,077	694,292
Greensboro .....	825,454	1,063,360
High Point .....	257,260	452,309
Raleigh .....	2,239,827	1,130,581
Rocky Mount .....	326,321	346,050
Salisbury .....	85,600	206,040
Winston-Salem .....	531,043	637,695
<b>South Carolina</b>		
Charleston .....	133,598	199,694
Columbia .....	643,010	2,154,625
Greenville .....	756,487	797,457
Spartanburg .....	125,489	101,805
<b>Dist of Columbia</b>		
Washington .....	3,494,060	6,648,291
District Totals .....	\$26,139,320	\$39,772,455

**ADDITIONS TO PAR LIST**

The Scottish Bank, Lumberton, N. C., a nonmember bank, has assumed the deposit liabilities of the First National Bank, Salisbury, N. C., and will operate it as the Salisbury Branch of the Scottish Bank. Salisbury is in the territory served by the Charlotte Branch, and this newly established branch has agreed to remit at par, effective March 3, for checks drawn on it when received from the Federal Reserve Bank. The combined A. B. A. transit number-routing symbol of the branch is 66-90.

531

The State Bank, York, S. C., located in the territory served by the Charlotte Branch, has agreed to remit at par, effective March 3, for checks drawn on it when received from the Federal Reserve Bank. This is a new nonmember bank which is a conversion of the York Depository. The combined A. B. A. transit number-routing symbol of the bank is 67-518.

532