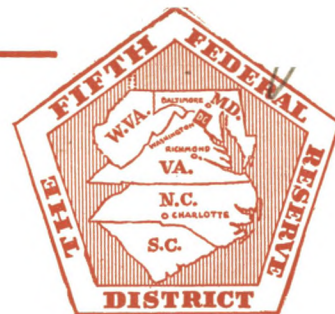
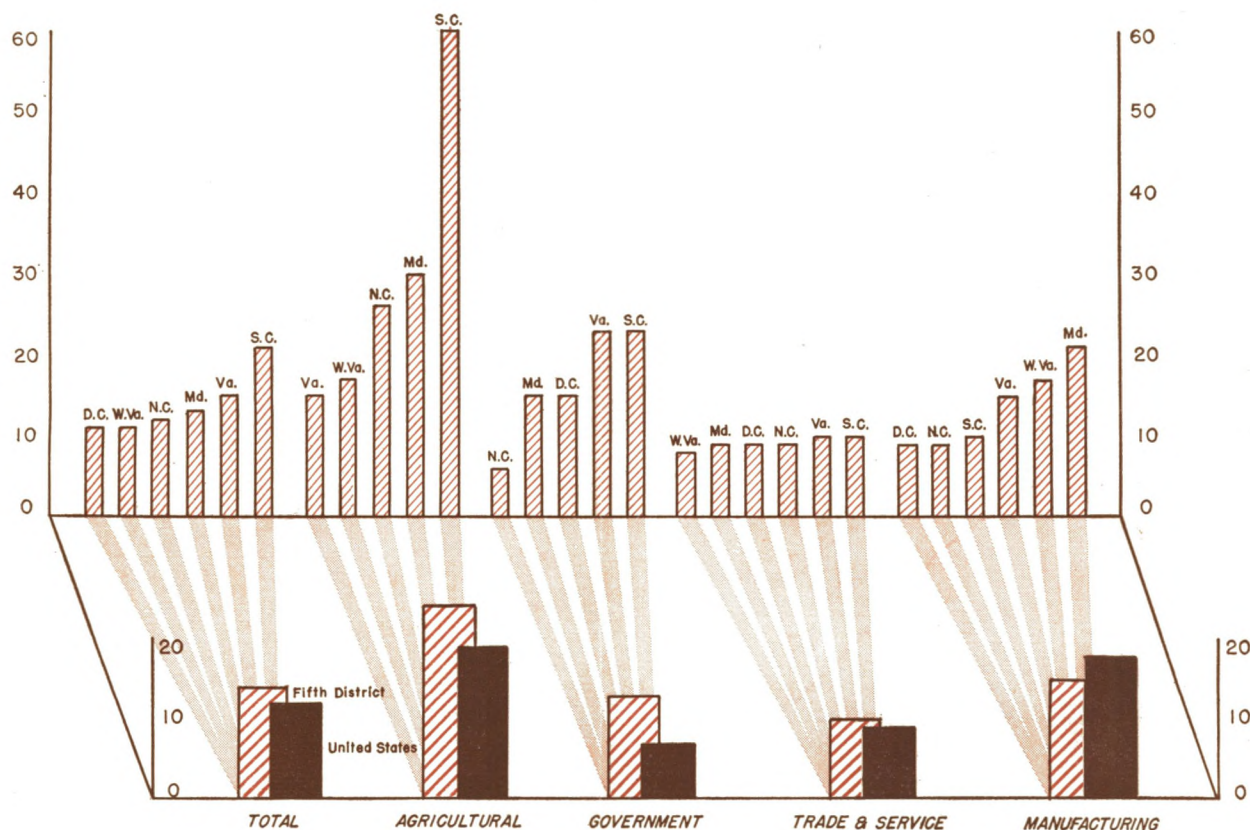


Monthly Review



October 1952

INCOME PAYMENTS PERCENT INCREASE, 1950-1951



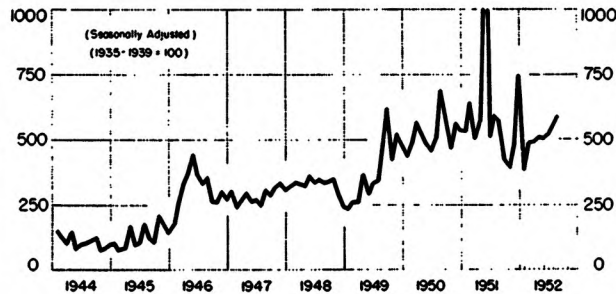
*I*ncreased production, employment, and prices pushed income payments in the Fifth District and the United States to an all-time high in 1951. As shown in the cover chart, the percentage increase from 1950 to 1951 was greater in the District than in the nation. The article on Page 3 includes a more detailed review of the changes in the major sources of income payments.

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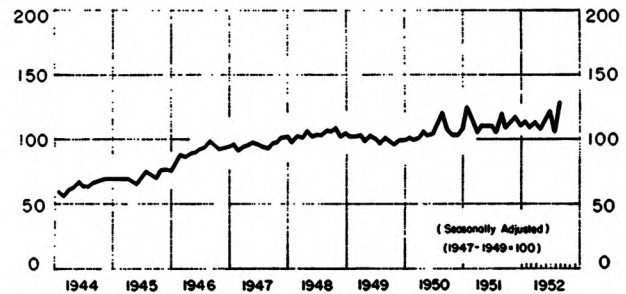
FIFTH DISTRICT TRENDS

TOTAL CONSTRUCTION CONTRACT AWARDS



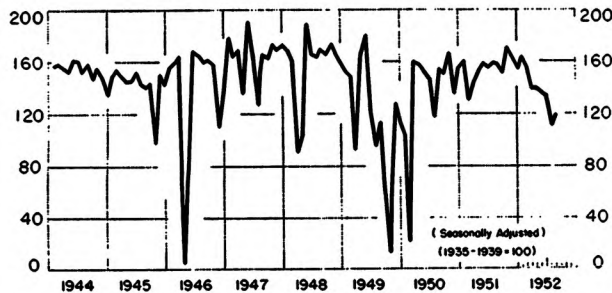
Construction contract awards show a seasonally adjusted rise of 9% from July to August, and the latter month was 5% ahead of a year ago. Gains from July to August were prominent in factory and residential construction with losses recorded in commercial buildings and public works and utilities.

DEPARTMENT STORE SALES



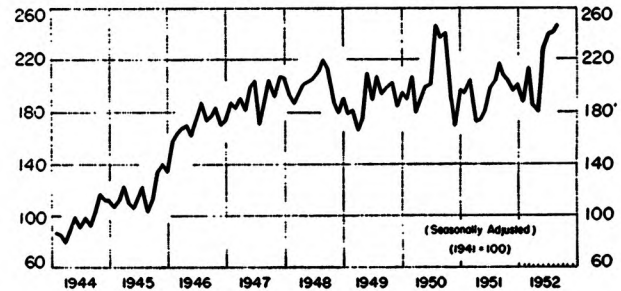
The July sales slump was more than compensated for by a rise in August in the adjusted index to a new high level. August adjusted sales were up 20% from July and up 5% from a year ago. Inventories dropped 8% during the month to a level of 2% below last year.

BITUMINOUS COAL PRODUCTION



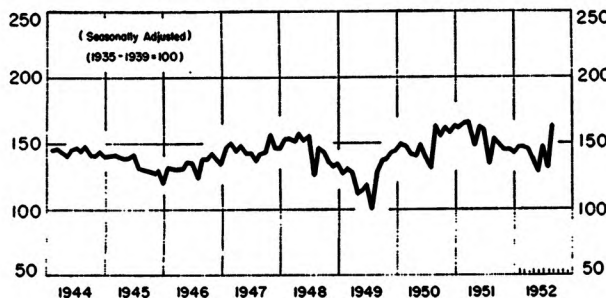
Small recovery of 3% in adjusted output of bituminous coal occurred during August despite the calling of a ten-day miners' holiday. August output relative to a year ago was down 25%. Wage settlement in northern mines points to higher prices.

RETAIL FURNITURE STORES NET SALES



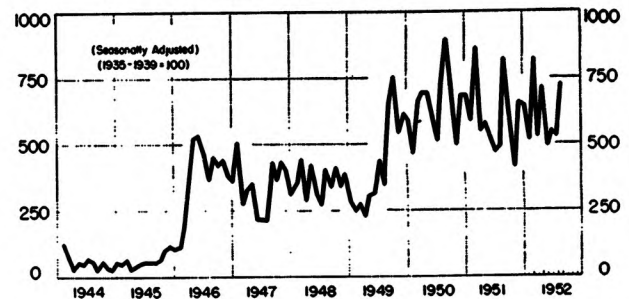
August furniture store sales, adjusted, rose 8% from July and 13% from August, 1951. Cash sales during August declined. Credit sales more than made up for the loss. Inventories dropped 2% from July, but were 1% above last year.

ACTIVE COTTON SPINDLE HOURS



Marked recovery occurred in the cotton textile industry during August when adjusted spindle hours operated rose 23% from July to a level of 6% above a year ago. New business is being written by the industry in rather substantial but unspectacular fashion.

BUILDING CONTRACT AWARDS-RESIDENTIAL



August contract awards for residential construction, adjusted, rose 36% from July, but fell 12% below the 1951 level. Apartments and hotels show an adjusted gain of 67% from July to August, while one- and two-family houses were up 25%.

1951 Income Payments At New Peak

TOTAL income payments to individuals, as well as income payments per capita, reached an all-time high in both the Fifth District and the United States in 1951. The upward movement of dollar income in all states of the country primarily reflected increases in production, employment, and prices, which were brought about by rising demands associated with the defense effort.

Income payments to individuals in the United States totaled \$243 billion in 1951, a gain of 12% over the previous high in 1950. Fifth District income payments ad-

vanced 14% during the year to a record of \$19 billion. Within the District, aggregate income payments rose 21% in South Carolina, 15% in Virginia, 13% in Maryland, 12% in North Carolina, and 11% in West Virginia and the District of Columbia. South Carolina's relative gain was exceeded only by Arizona, where income payments jumped 23% in 1951; in both states an upsurge in farm income was largely responsible for the above-average increases in total payments. Table 1 shows total income payments in the District and the nation for selected years from 1929 to 1951.

Table I
Total Income Payments to Individuals, Fifth District and United States
Selected Years, 1929-1951
(Millions of dollars)

Year	Md. ¹	D. C. ¹	Va. ¹	W. Va.	N. C.	S. C.	Fifth District	United States
1929	1,106	638	987	793	966	438	4,928	82,617
1933	720	495	639	474	677	299	3,304	46,273
1940	1,222	905	1,127	760	1,131	545	5,690	75,852
1945	2,539	1,617	2,679	1,497	2,651	1,319	12,302	157,190
1949	3,070	1,891	3,230	1,943	3,361	1,586	15,081	196,772
1950	3,417	2,072	3,556	2,117	3,887	1,756	16,805	217,672
1951	3,875	2,291	4,099	2,343	4,350	2,131	19,089	242,947

¹. Data are not strictly measures of income received by residents. Estimates for the District of Columbia include income paid to residents of Maryland and Virginia employed in the District of Columbia and exclude income of D. C. residents employed in Maryland and Virginia. In the computation of per capita income, totals for 1951 were adjusted by the Department of Commerce to a residence basis before division by population, as follows: (million \$) District of Columbia, -592; Maryland, +308; Virginia, +284.

The Fifth District's income per capita (total income payments divided by total population) reached an estimated \$1,282 in 1951, compared with \$1,584 for the country as a whole. Both figures exceed the previous records set in 1950; U. S. per capita income rose 10% during the year, while that of the Fifth District was 12% higher than in 1950.

Data on income payments by states are published annually by the U. S. Department of Commerce in the August issue of the *Survey of Current Business*. The Department defines "income payments to individuals" as a "measure of the income received from all sources during the calendar year by the residents of each state." It includes individuals' income in the form of wages and salaries after deduction of employees' contributions for social insurance programs; net income of proprietors, including farmers; dividends; interest; net rents and royalties; and other income such as social insurance benefits, public assistance, and veterans' pensions and benefits.

The data include only income payments made to actual residents of the continental United States. State figures are compiled on a "residence" basis with the exception of the wages and salaries component which is allocated

by state of employment. In this instance, the Department of Commerce assumes that the state of employment is the same as the state of residence in all but six states, including Maryland and Virginia, and the District of Columbia. However, figures for these states are adjusted to a residence basis before calculation of per capita income payments. (See footnote to Table I.) The statistics on Fifth District income, as shown in this article, include the entire state of West Virginia.

In 1951, residents of the Fifth District and of the U. S. received about two-thirds of their income in the form of wages and salaries, almost one-sixth in proprietors' income, about one-tenth in property income, and approximately one-twentieth in "other income." Table II shows that these proportions have been rather constant in recent years. However, the record on types of income reveals that since 1929 "other income" and wages and salaries have assumed greater importance in terms of their relation to total income while property income has declined. In the past three years, proprietors' income comprised a slightly smaller percentage of the Fifth District's income than it did in 1929; it accounted for the same proportion of U. S. income as it did in 1929.

Table II
Types of Income Payments as Percent of Total
Fifth District and United States
Selected Years, 1929-1951

Year	Wages and Salaries	Propri- etors' Income	Prop- erty Income	Other Income
Fifth District				
1929	65	19	15	1
1933	63	17	15	5
1940	66	16	13	5
1945	65	18	8	9
1949	69	16	10	6
1950	69	16	10	7
1951	69	16	9	6
United States				
1929	63	17	19	1
1933	62	14	19	5
1940	63	16	15	6
1945	63	19	10	8
1949	66	17	11	6
1950	65	17	11	7
1951	67	17	10	6

Sources of Income

The Department of Commerce data on income payments include a breakdown of the principal sources of income by agriculture, government payments, trade and service, manufacturing payrolls, and "all other." In both the Fifth District and the United States, income from all sources was larger in 1951 than in 1950. (See chart on cover.)

Agricultural income is the net income of farm proprietors (including the value of changes in inventories of crops and livestock), farm wages, and net rents to landlords living on farms. In 1951, income from this source (which accounted for less than one-tenth of total income payments) experienced a greater percentage rise over 1950 than income from any other major source in the Fifth District and in the nation.

A high production volume and increased prices for farm products pushed U. S. agricultural income up 19% during 1951. Agricultural income in the District moved up 24% above 1950 and reflected increases of 60% in South Carolina, 30% in Maryland, 26% in North Carolina, 17% in West Virginia, and 15% in Virginia. The greater-than-average gains from this source in the Fifth District resulted in part from a bumper tobacco crop and a 142% increase in District cotton production.

Government income payments include the pay of state, local, and Federal civilian employees; net pay of the armed forces; family-allowance payments to dependents of enlisted military personnel; voluntary allotments of military pay to individuals; mustering-out payments to discharged servicemen; veterans' benefit payments; interest payments to individuals; public assistance and other direct relief; and benefit payments from social insurance funds. On a national basis, 1951 income from this source was 7% above that of 1950, largely because of the substantial increases in Federal civilian payrolls and in military pay. The corresponding increase in the

District was 13%, with gains ranging from 23% in South Carolina and Virginia (largest relative gains from government in the U. S.) to 6% in North Carolina. West Virginia's income from government payments showed no change from 1950. The Fifth District's relatively greater increase in income from this source is attributable primarily to the concentration of military installations in the South, the expansion of Federal payrolls in Washington, D. C., and the construction of the Savannah River Atomic Energy Commission plant in South Carolina. In 1950 and 1951, government payments comprised almost one-fourth of total income payments in the Fifth District, compared with about one-sixth in the nation.

Manufacturing payrolls showed the largest increases from 1950 to 1951 in those states where defense and defense-related industries are important. The 1950-51 gain in factory payrolls was 18% in the U. S. compared with 15% in the Fifth District. Maryland, where factory payrolls rose 21%, was the only District state with a percentage increase above the national average in income from this source. Income from manufacturing payrolls was up 15% in Virginia. Located in these two states are this District's main defense industries—shipbuilding and aircraft. A large part of the 17% increase in West Virginia's manufacturing payrolls may be attributed to expansion in defense and defense-related industries in the Northern Panhandle which is located in the Fourth Federal Reserve District.

Manufacturing payrolls are not as large a component of total income payments in the Fifth District as in the nation. In 1951, they accounted for less than one-fifth of aggregate District income, compared with almost one-fourth in the U. S. However, in recent years, North Carolina and South Carolina residents have received a larger proportion of their income payments from factory payrolls than have residents of the country as a whole. That their rate of growth in income from this source was below the national average in 1951 may be due to the fact that their dominant industries are textiles, which have not been greatly stimulated by defense purchases and have borne the brunt of a severe slump in consumer demand.

Trade and service income, which consists of wages and salaries and proprietors' income, rose 9% in the United States and 10% in the Fifth District from 1950 to 1951. Relative gains were comparatively uniform in the various states of the District and the District of Columbia.

"All other" income includes income payments from businesses such as mining, finance, and utilities. It rose 11% in the nation and 13% in the District from 1950 to 1951. Within the Fifth District, increases in "all other" income were 27% in South Carolina, 14%

in Virginia, 13% in North Carolina and West Virginia, 11% in Maryland, and 5% in the District of Columbia.

On balance, then, the increase in total income payments to individuals from 1950 to 1951 was slightly more, in relative terms, in the Fifth District than in the United States. Among the sources of income, the greatest differences in percentage increases as between the District and the nation occurred in the two most volatile—government income payments and agricultural income. The record of changes in income payments from the prewar year 1940 to 1951 also reveals a somewhat higher rate of growth in aggregate income in the District (235%) than in the nation (220%). In this period too, government payments rose at a faster rate in the District than in the U. S. and faster than any of the other sources of income. Income payments from trade and service and "all other" sources also increased faster in this area than in the nation. Growth in District manufacturing payrolls and agricultural income did not keep pace with that of the U. S. between 1940 and 1951.

Table III highlights the District's above-average growth in several income components. In 1951, government income payments in this area accounted for 11.8% of such income in the nation; the Fifth District's share of income from government was 11.0% in 1950 and 10.2% in 1940. Fifth District agricultural income amounted to 8.9% of U. S. agricultural income in 1951 and 8.1% in 1950; but both of these figures are below 1940's 9.0%. The District's share of all manufacturing payrolls declined from 6.6% of U. S. in 1950 and 6.5% in 1940 to 6.4% in 1951.

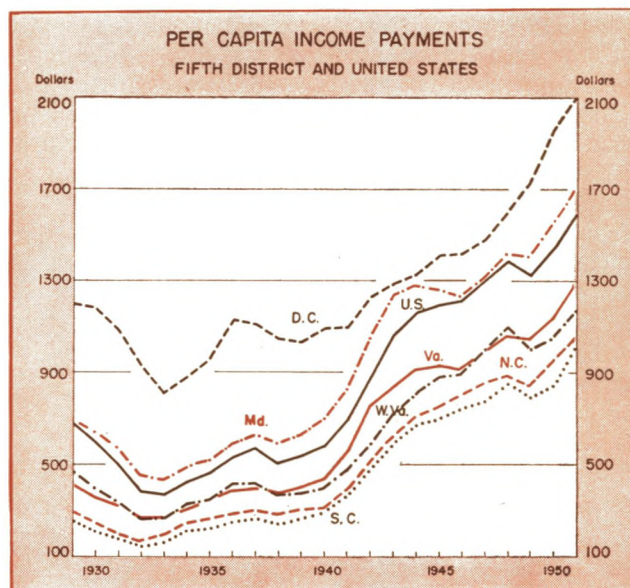
	1940	1950	1951
Total income payments	7.50	7.72	7.86
Agricultural income	9.01	8.13	8.91
Government income payments	10.17	10.96	11.79
Trade and service income	6.74	7.10	7.13
Manufacturing payrolls	6.51	6.56	6.38
All other income	7.19	7.24	7.34

Per Capita Income Payments

The District's position with regard to per capita income is considerably below the average for the United States, but it has improved slightly since 1940. In 1951, District income per capita (\$1,282) amounted to 81% of the U. S. figure (\$1,584), compared with 78% in 1940, and 80% in 1945 and 1950. The District's low income status is further illustrated by the fact that the area accounted for 9.7% of the nation's population in 1951 and only 7.9% of the total income payments.

As shown in the chart, below-average incomes do not prevail throughout the District. Consistently above-average incomes in the District of Columbia and Maryland are outweighed by low per capita income payments

in the other states. Residents of Washington, D. C., on the average, received the highest incomes in the country in 1951—\$2,095, or 132% of the U. S. average. On the other hand, South Carolina's per capita income payments in 1951 amounted to \$1,003, or 63% of the U. S. figure. Only Mississippi (\$771), Arkansas (\$926), and Alabama (\$950) had lower average incomes than South Carolina last year.



However, the District states with the lowest per capita income payments have shown the greatest improvement, relatively, since the Commerce Department began compiling the data. For example, South Carolina's per capita income in 1951 was 298% above that of 1929, 249% above the 1940 level, and 20% above 1950. During the same periods, the District of Columbia had increases of 76%, 93%, and 7%, respectively.

Likewise, the Fifth District's per capita income has been growing faster than that of the country as a whole. Per capita income in the District in 1951 was up 188% from 1929, 184% from 1940, and 12% from 1950. In the United States, gains for the same periods were, respectively, 133%, 175%, and 10%. —O. B. S.

	Per Capita Income Payments 1951 (\$)	1950	Percent Increase Since:				
			1949	1948	1944	1940	1929
Maryland	1,714	10	22	20	33	142	144
District of Columbia	2,095	7	21	31	58	93	76
Virginia	1,295	13	24	22	40	190	207
West Virginia	1,174	12	17	7	45	195	153
North Carolina	1,052	10	23	17	48	233	240
South Carolina	1,003	20	27	17	49	249	298
Fifth District	1,282	12	19	14	42	184	188
United States	1,584	10	20	15	37	175	133

Currency and Coin in the Money Supply

Do you have \$166.02 in cash? You would, if all the currency and coin in circulation in the United States today were divided equally among all the people. In 1900 your share would have been only \$17.50. Not only would each person's share today be nine times as great as in 1900, but over twice as many people would participate in this "share the cash" plan.

The growth of currency and coin in circulation has not been evenly distributed over this fifty-two year period. More than two-thirds of the increase took place during World War II. Applying the equal distribution illustration, in 1940 each person's share of the total in circulation would have been \$50.88. In June 1945 this per capita share had jumped to \$189.93. Since then, on a per capita basis the amount has declined, not because of a decline in the amount of currency and coin in circulation (it has actually increased) but because the population has grown relatively faster.

An article in the August issue of the *Monthly Review* of the Federal Reserve Bank of Richmond examined the concept of money and defined it as currency and coin, demand deposits, and time deposits in the hands of the public. Let us take a look now at what to many persons is the most tangible component of the nation's money supply—currency and coin.

Significant Changes Since 1900

Today only a slightly smaller proportion of the money supply is in the form of currency and coin (cash) than in 1900, about 14% now as compared to 15% then. If time deposits are eliminated as a part of the total, currency and coin now represent about 21½% of the total, whereas they represented 23% in 1900. Although this period began and ended with currency and coin in about the same position relative to the total money supply, significant changes have occurred since the turn of the century. As the accompanying chart indicates, the amount of currency and coin outstanding relative to other forms of money has a persistent tendency to decline during periods of somewhat "normal" economic activity.

From 1900 to 1915 currency and coin declined from 15% of the total money supply (including time deposits) to 7.6%. World War I brought with it an increase in

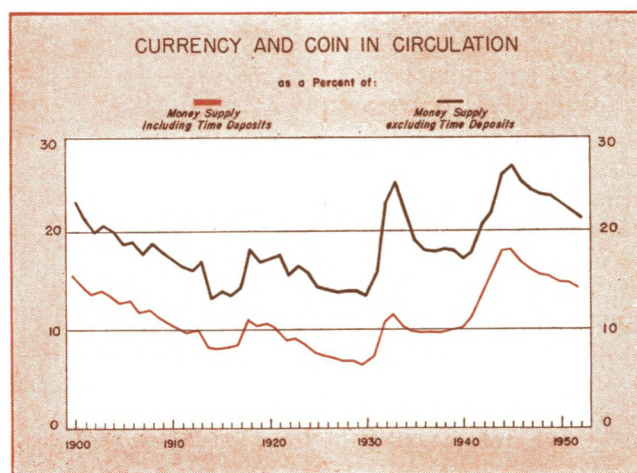
the relative importance of currency and coin to 10.5% of the total. From this high point, as the country returned to "normalcy," the relative importance of currency and coin steadily declined until in 1930 it was only 6.2% of the total—the lowest position it has ever reached. The depression of the early 1930's brought an increase in the holdings of currency and coin relative to other forms of money and by 1933 cash accounted for 11.4% of total money outstanding. As the country grew more confident the persistent decline again set in, reducing the relative importance of currency and coin to 9.6% at the end of 1938—but then the prelude to

World War II began to exert its influences. By 1945, the relative importance of currency and coin in the total money supply reached 18.1%, its highest point since 1900. The basic factors leading to a decline in the use of currency and coin as compared to other forms of money again became effective after the war and by June of this year the component had dropped to 14% of the total money supply.

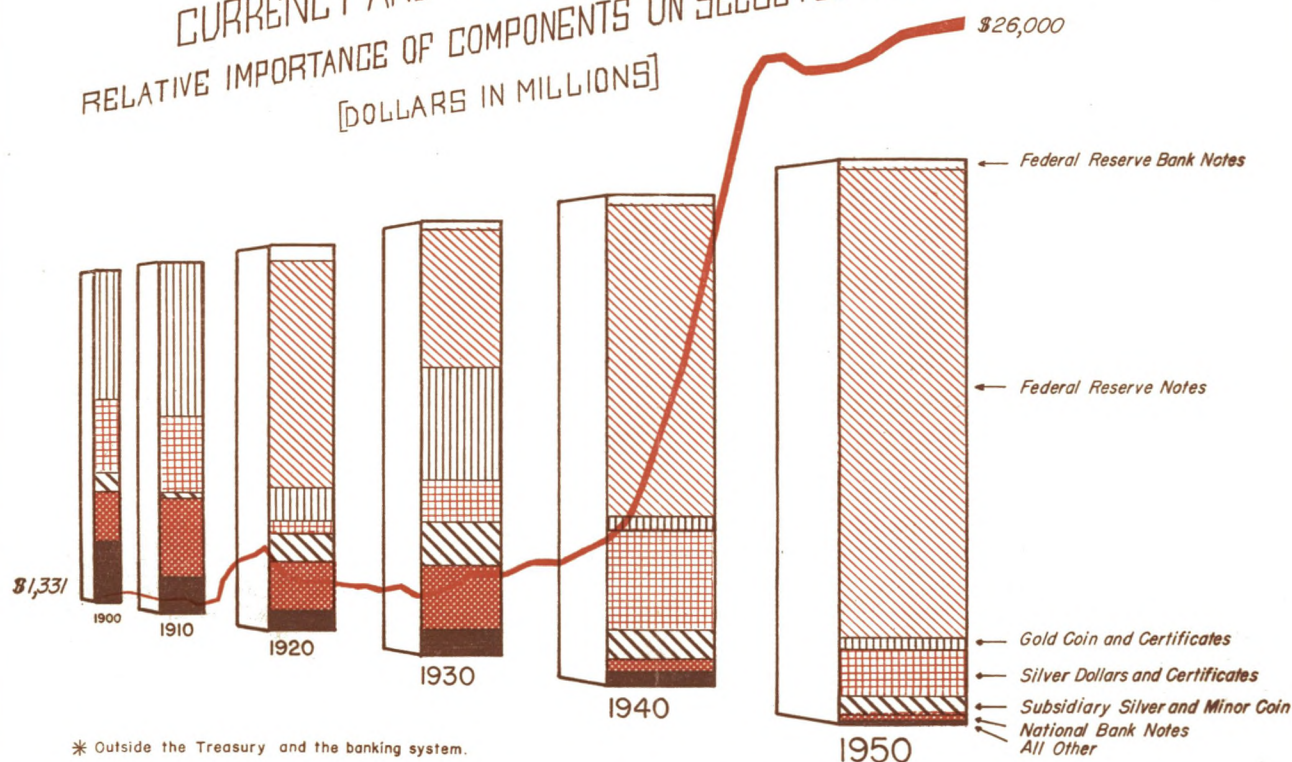
Little can be said, of course, about the relative importance *in use* of the various components of the money supply. The amount outstanding is only one aspect of use. Also of importance is the number of times each unit is used in transactions during a specified period of time. Nevertheless, since the different forms of money (currency and coin, demand deposits, and time deposits) are freely interchangeable, the relative amounts outstanding do reflect to a certain extent the preferences of the public.

... Show Interesting Seasonal Patterns

In addition to the longer range changes in the percentages of the total money supply held by people in the form of currency and coin, striking short-term (seasonal) changes are of interest. The principal seasonal changes which are characteristic of currency and coin circulation stem from periodic wage payments and retail expenditures for which currency is principally used. The daily flow of currency and coin to and from the Federal Reserve banks shows a clear-cut weekly pattern. On Mondays and Tuesdays, the commercial banks draw currency and coin from the Reserve banks in anticipation of customers' week-end pay roll needs. On Thursday and Fridays, there is a return flow to the Reserve



CURRENCY AND COIN IN CIRCULATION * RELATIVE IMPORTANCE OF COMPONENTS ON SELECTED DATES [DOLLARS IN MILLIONS]



banks. Further, there is a distinct tendency toward heavy withdrawals at the end of the month for monthly pay rolls and, to a lesser degree, around the fifteenth. Withdrawals are larger just before holidays, and deposits thereafter. Christmas always brings the biggest demand of the year.

A Recognized Medium of Exchange

In the August *Monthly Review* money was defined in terms of acceptability—those things most widely and readily accepted in exchange for commodities or services. Paper bills account for nearly 95% of total currency and coin in circulation. Why are people willing to part with useful things in exchange for pieces of paper which, as paper, have little or no usefulness at all?

The answer must rest on the confident recognition by each person in the economy that the pieces of paper he accepts in exchange for his services or goods will in turn be as freely accepted when he offers them to someone else in exchange for services or goods that he desires. That is to say, each person must have confidence in the universal acceptability of an article before it can serve efficiently as money. The question then becomes: How is confidence in the acceptability of paper bills maintained?

The Government may add greatly to the measure of confidence by endowing printed paper with "legal tender" qualities; that is, by agreeing to accept it in payment for any obligation due the Government (taxes, license fees, fines) and by insuring that any private financial obligation incurred may be legally discharged through this medium. An act of Government, however, although it may add greatly to the acceptability of paper money, cannot with certainty assure ready acceptability at all times and under all conditions. It cannot assure this because the Government is not in a position to determine the value (the purchasing power) of money merely by accepting it, making payments in it, and decreeing it acceptable to others. The degree of stability in the value of paper money in the final analysis determines the degree of confidence in its universal acceptability.

It is commonly (and justifiably) said that inflation is the result of too many dollars chasing too few goods. One of the factors influencing the number of dollars being spent is their availability. If everyone were permitted to print his own money whenever he felt a need

for it the number of dollars that people tried to spend would increase enormously—and so would the prices that people would have to pay. Recent history shows an example of just this sort of thing. Shortly after World War I, the German Government printed great quantities of paper money in order to carry out its various expenditure programs. Dumping more and more paper money into the market place while creating no goods to meet the increasing demands of the people receiving the new money caused prices to be bid up in one of the wildest runaway inflations of all times. The increase in Germany's wholesale prices from 1919 through 1923 was over 30,000,000,000%.

Control of the supply of money is therefore an essential element in maintaining its value. Control, however, does not apply only to expansion of the supply. Undue contraction may have equally bad effects. Put simply, the money supply must be flexible enough to expand or contract with the fluctuating needs of the economy which may incorporate seasonal changes as well as long-term growth trends.

In the United States the money supply has been developed to meet this particular requirement. It is based on a system of *required reserves* which causes increasing pressure to be exerted on the issuers of money as the money supply grows beyond certain levels. In addition, in the normal course of economic events, money comes into being as a result of the economic decisions of private citizens (through borrowings from banks) and is retired when these economic decisions have worked themselves out. Money may also be brought into being through Government borrowing from the banks; witness the tremendous increase during World War II.

Currency and coin make up a relatively small portion of the total money supply—a mere 14%—but the principles of issue are similar to those affecting the other forms of money, demand and time deposits. A description of the different kinds of currency and coins issued in the United States together with the issuing agent, and the reserve base will be found at the end of this article.

Federal Reserve Notes constitute about 85% of the total of currency and coin in circulation today. They are the principal point of contact between the man in the street and the Federal Reserve System. Almost every day nearly every adult handles Federal Reserve Notes. As shown in the chart on page seven, the composition of currency and coin in circulation has been changed substantially since the turn of the century, when gold coins and gold certificates were the principal component. This component maintained its predominant position through 1917, by which time Federal Reserve Notes had taken the lead in relative importance. Since then Federal Reserve Notes have remained the most important segment of currency and coin in circulation, although their position declined somewhat from 1924

through 1931 when gold coins and certificates staged a significant comeback. Beginning in 1933, gold coins and certificates were taken from general circulation and the amount now outstanding accounts for less than one-tenth of one per cent of the total of all currency and coin. National Bank Notes, which have been in process of retirement since 1935, reached their peak of importance in 1915, accounting for over 25% of the total circulation. Since then they have declined steadily and now make up only three-tenths of one per cent of the total.

—R. P. L.

Kinds of Currency and Coin

Federal Reserve Notes

Method of Issue. Issued through local Federal Reserve agents on request of local Federal Reserve bank to agent.

Reserve. Secured by a like amount of gold certificates, eligible discounted or purchased paper, or direct Federal Government obligations, but at least 25% of this collateral must be gold certificates which constitutes the reserve. "Gold certificates" includes credits with the Treasury payable in gold certificates.

Silver Certificates

Method of Issue. Issued by the Treasury and placed in circulation through the Federal Reserve banks. Silver certificates must be issued to match the cost of silver purchased by the Treasury (which must be at not less than 90.5 cents an ounce). Additional certificates may be issued up to the monetary value of the silver stock, \$1.29+ an ounce.

Reserve. Silver bullion or silver dollars of equal monetary value.

United States Notes

Method of Issue. No authority to issue new notes. Circulation held constant at \$347 million.

Reserve. \$156 million of gold bullion (which includes gold backing for Treasury notes of 1890).

Treasury Notes of 1890

Method of Issue. No authority to issue. Currently being retired on receipt.

Reserve. Silver bullion or silver dollars of equal monetary value. Also shares reserve of \$156 million of gold bullion with United States notes.

Federal Reserve Bank Notes

Method of Issue. No authority to issue. In process of retirement.

Reserve. Deposits of lawful money of equal monetary value to redeem outstanding notes. When last authorized to be issued, the reserve was: a.) any direct obligation of the United States or b.) any notes, drafts, bills of exchange, or bankers' acceptances acquired by the Federal Reserve banks.

National Bank Notes

Method of Issue. No authority to issue. In process of retirement.

Reserve. Deposits of lawful money of equal monetary value to redeem outstanding notes.

Gold Certificates

Method of Issue. Issued by the Treasury and paid to Federal Reserve banks only. These certificates are not permitted to enter the currency circulation of the country. The small amount now shown as outstanding is an overhang from pre-1934 days when gold coins and certificates circulated freely.

Reserve. Gold bullion of equal monetary value.

Standard Silver Dollars

Method of Issue. Issued by the Treasury through the Federal Reserve banks in lieu of silver certificates if desired.

Reserve. No reserve. Total weight of coin is 412.5 grains 90% silver and 10% copper alloy.

Subsidiary Silver Coins

Method of Issue. Issued by the Treasury through the Federal Reserve banks as demanded by the public.

Reserve. No reserve. The weights of the coins (which are 90% silver and 10% copper alloy) are: Half dollars: 192.9 grains; Quarter: 96.45 grains; Dime: 38.58 grains.

Minor Coins

Method of Issue. Issued by the Treasury through the Federal Reserve banks as demanded by the public.

Reserve. No reserve. Nickel 77.16 grains, 75% copper and 25% nickel. Penny: 48 grains, 95% copper and 5% tin or zinc.

Business Conditions and Prospects

LATEST available statistics give indication that the District's soft spots of the past year have improved. Sales of both furniture stores and department stores in this District established seasonally corrected new high levels during August, and that means they were higher than during the January 1951 scare-buying peak. Furthermore, adjusted cotton consumption by Fifth District mills rose substantially from July to August to a level within 5% of the postwar high of December 1950. Other evidences of a substantially better business outlook are a further rise in construction volumes, a greatly improved level of shipments in the rayon industry, a rise in business loans of the weekly reporting banks to the highest level since the spring of 1951, and a decline in the number of business failures.

If the announced stretch-out in the defense program continues next year, only moderate further stimulus to the District's economy can be expected from its defense industries. Although military construction has been in substantial volume, it is running considerably below what might have occurred if a greater degree of urgency had been called for.

It is clear, therefore, that so long as current defense policy continues, further recovery of business activity in the Fifth District will affect mainly soft goods industries.

Bituminous Coal

Output of bituminous coal in the District during August showed a small recovery of 3% on an adjusted basis from July, despite the fact that a miners' "memorial" holiday of ten days was called in the latter part of August. The United Mine Workers had not signed a contract with southern operators as of September 29, but the prospect that a new contract would be signed without work stoppage was strengthened by the fact that northern operators settled with the union. Should southern operators sign a similar contract, this would only mean a rise in the price of coal, which already is at a competitive disadvantage on the Atlantic Seaboard with fuel oil. It is estimated that the new contract will cost operators about forty cents a ton. There are further indications that much of the southern production in the past several months has been done at a loss of some fourteen cents a ton. With industry in general reviving, a higher level of operations should ensue which may permit operators to absorb part of the increased cost. Coal supplies at the ports have been short in recent weeks, and many vessels in the export trade have been forced to wait as long as six days before loading.

Construction

Total contract awards in the District during August were 9% higher than in July, after seasonal correction,

and 5% ahead of a year ago. Notable increases were witnessed in factory construction and in residential building of one- and two-family houses and multiple structures. Seasonally adjusted declines occurred in commercial construction and in public works and utilities. Relative to a year ago, however, commercial construction in August was more than double and factory construction was up a third, while residential was off 12% and public works and utilities were up 20%.

Thus far in 1952, publicly announced construction of military facilities in the Fifth District has totaled \$154,000,000, most of which was concentrated in the May-August period. Much more of this type of construction remains to be placed under contract, as the \$154,000,000 is only a fraction of the funds appropriated for such purposes.

Based on certificates of necessity between December 22, 1951 and September 10, 1952, \$635,000,000 of industrial facilities has been approved, but the trend of these approvals has been downward. In the first quarter of the year, around \$310,000,000 was approved; in the second quarter, \$204,000,000; and in the third quarter to September 10, \$122,000,000.

Textiles

Cotton consumption in August, adjusted, rose 24% from July to a level 8% ahead of August 1951 and only 5% under the postwar peak in December 1950. Adjusted spindle hours operated in August rose 23% to a level 6% ahead of a year ago and to within 3% of the postwar peak in March 1951.

Mill inventories of cotton goods have been reduced to more comfortable levels. It should be noted that all through this period of recession the inventory problem has never become burdensome to the extent that it was during the early 1930's.

Demand continues to improve for cotton goods and yarns in most counts in construction, with the exception of low-count yarns and bag sheetings. In the case of bag sheeting, a rise in the utilization of burlap has cut importantly into the use of this commodity.

Such strength in cotton textiles implies that the recovery is more than a flash in the pan, and that this rate of activity will continue throughout the rest of the year and possibly into the first quarter of 1953.

Operations in the hosiery industry have improved notably, with seamless doing considerably better than full-fashioned. The price structure of the latter is still unfavorable, and something more could be asked in seamless.

Shipments of rayon and acetate yarn and staple during August reached the second highest monthly total on record, having gained 3% over July and 15% over a year ago. Activity in finished rayon and acetate fabrics

is, however, not sufficient to justify this level of shipments. With the stronger retail trade in evidence, new business in these finished fabrics seems likely to improve.

Lumber

Shipments of southern pine by reporting mills in this District in July were slightly ahead of those a year ago and were higher than production. New orders exceeded both shipments and production and were 17% ahead of a year ago. Pine prices continue to show firmness, and considerable confidence is expressed in the demand outlook. The elimination of Regulation X is expected to assist in moving unsold houses from the market, and military construction will probably offset any softening that might occur in the housing market.

Banking

The improved business activity in this District, and the uptrend in commercial loans which September brought, make it probable that by year end these loans will equal or exceed the high level established in the spring of 1951. "Other" loans, which are largely personal, have shown a sharp upward trend since the demise of Regulation W, but an upward trend had been in evidence in these loans since the end of February. Real estate loans, which had been moving moderately higher and had established a new high level around midyear,

have moved up at an accelerated rate in recent weeks.

Total loans and investments of the weekly reporting banks on September 17 were 8% higher than a year ago and within 1% of their all-time high on July 14, 1952. Demand deposits of individuals, partnerships, and corporations on September 17 of \$2,470,000,000 were 5% ahead of a year ago and within \$28,000,000 or 1% of their all-time peak on December 8, 1951. Time deposits of \$579,000,000 on September 17 were at a record high, about 3% ahead of a year ago. Time deposits of all member banks in the District were up 7.7% on August 27, the latest date available, compared with August 29, 1951.

Trade

Sparked mainly by women's clothing and by sales in the smaller cities of the District, department store sales in August, seasonally adjusted, rose 20% over those in July to a level 5% ahead of a year ago. The August index establishes a new high level, 2.5% above the previous all-time peak established in the scare-buying period of January 1951. Part of this rise was undoubtedly due to a shopping carry-over from July, when the televised political conventions and the torrid temperatures kept many people at home. Current indications are

Continued on page 11

DEBITS TO INDIVIDUAL ACCOUNTS (000 omitted)

Dist. of Columbia	August 1952	August 1951	8 Months 1952	8 Months 1951
Washington	\$ 980,427	\$1,039,157	\$ 8,706,947	\$ 8,461,592
Maryland				
Baltimore	1,188,988	1,257,054	10,274,144	9,893,147
Cumberland	23,915	25,593	212,766	204,016
Frederick	23,036	22,239	182,656	167,332
Hagerstown	35,817	33,517	283,827	259,147
North Carolina				
Asheville	58,763	58,798	489,063	471,529
Charlotte	327,287	333,335	2,745,265	2,676,052
Durham	169,281	141,952	948,271	839,729
Greensboro	103,546	98,834	856,439	802,772
Kinston	30,337	31,463	165,646	144,304
Raleigh	181,997	170,836	1,411,390	1,320,501
Wilmington	44,961	45,518	364,997	340,025
Wilson	25,164	27,394	149,692	151,500
Winston-Salem	173,572	167,140	1,382,435	1,316,979
South Carolina				
Charleston	87,812	75,104	654,612	595,956
Columbia	137,780	127,846	1,151,337	1,000,582
Greenville	102,228	102,069	835,925	879,977
Spartanburg	68,012	67,382	537,287	525,506
Virginia				
Charlottesville	26,816	26,881	221,499	214,417
Danville	32,831	32,948	263,934	260,994
Lynchburg	42,226	44,245	363,640	365,842
Newport News	55,036	43,428	389,823	334,096
Norfolk	226,744	218,005	1,948,137	1,720,031
Portsmouth	26,154	24,518	227,310	199,733
Richmond	562,297	573,647	4,591,421	4,381,174
Roanoke	109,847	115,371	920,297	904,781
West Virginia				
Bluefield	41,412	47,449	387,864	373,954
Charleston	162,027	162,660	1,350,628	1,211,027
Clarksburg	32,482	32,498	286,612	273,305
Huntington	70,961	65,101	576,817	527,772
Parkersburg	29,743	32,036	244,103	245,722
District Totals	\$5,181,569	\$5,234,021	\$43,124,784	\$41,066,494

50 REPORTING MEMBER BANKS—5TH DISTRICT (000 omitted)

ITEMS	Sept. 10, 1952	Aug. 13, 1952	Sept. 12, 1951
Total Loans	\$1,270,889**	+ 41,747	+120,404
Bus. & Agric.	578,315	+ 13,455	+ 27,272
Real Estate Loans	253,803	+ 6,530	+ 21,033
All Other Loans	454,657	+ 21,700	+ 73,451
Total Security Holdings	1,860,696	- 40,442	+114,618
U. S. Treasury Bills	213,995	- 55,878	- 29,446
U. S. Treasury Certificates	195,414	+ 17,290	+108,501
U. S. Treasury Notes	265,416	+ 262	- 51,220
U. S. Treasury Bonds	943,161	- 5,869	+ 19,485
Other Bonds, Stocks & Secur.	242,710	+ 3,753	+ 67,298
Cash Items in Process of Col.	278,202	- 2,440	- 20,465
Due From Banks	188,070*	+ 972	- 10,868
Currency and Coin	81,196	+ 4,629	+ 4,356
Reserve with F. R. Banks	570,712	+ 3,205	+ 22,741
Other Assets	57,609	+ 1,346	+ 2,181
Total Assets	4,307,374	+ 8,917	+232,967
Total Demand Deposits	3,311,836	+ 20,972	+149,223
Deposits of Individuals	2,467,850	+ 52,481	+ 71,793
Deposits of U. S. Government	117,835	- 49,554	+ 55,468
Deposits of State & Local Gov.	170,379	- 11,334	+ 24,841
Deposits of Banks	502,449*	+ 31,497	- 3,944
Certified & Officers' Checks	53,323	- 118	+ 1,065
Total Time Deposits	659,386	+ 3,650	+ 32,922
Deposits of Individuals	579,137	+ 2,739	+ 20,291
Other Time Deposits	80,249	+ 911	+ 12,631
Liabilities for Borrowed Money	41,000	- 16,792	+ 34,500
All Other Liabilities	33,372	- 233	+ 5,163
Capital Accounts	261,780	+ 1,320	+ 11,159
Total Liabilities	\$4,307,374	+ 8,917	+232,967

*Net figures, reciprocal balances being eliminated.

**Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

(Average daily 1935-39=100—seasonally adjusted)

	Aug. 1952		July 1952		Aug. 1951		% Change Latest Mo.	
	1952	1952	1952	1952	1951	1951	Prev. Mo.	Yr. Ago
Automobile Registration*		154	187				-19	-16
Bank Debits	441	458	423				-4	+4
Bituminous Coal Production	119	115	158				+3	-25
Construction Contracts	599	549	571				+9	+5
Business Failures—No.	49	58	45				-16	+9
Cigarette Production	255	280	250				-9	+2
Cotton Spindle Hours	162	132	153				+23	+6
Department Store Sales**	127	106	121				+20	+5
Electric Power Production		381	352				+2	+12
Manufacturing Employment*		149	156				0	-1
Retail Furniture: Net Sales	246	240	217				+3	+13
Life Insurance Sales	337	356	322				-5	+5

*Not seasonally adjusted.

**1947-1949=100. Back figures available on request.

WHOLESALE TRADE

LINES	Sales in August 1952 compared with		Stocks on August 31, 1952 compared with	
	Aug. 1951	July 1952	Aug. 31 1951	July 31, 1952
Auto supplies (6)	+4	-18	+7	+3
Electrical goods (7)	-10	-23	-2	+10
Hardware (12)	-1	+2	-14	-4
Industrial supplies (7)	-8	-18	+6	-13
Drugs & sundries (10)	-1	-3	3	0
Dry goods (13)	-9	+38	-6	+4
Groceries (50)	-1	-4	+7	+2
Paper & products (6)	-14	+10		
Tobacco products (12)	-7	-2	0	-2
Miscellaneous (91)	0	-1	-2	-4
District Totals (214)	-2	0	-5	-2

Number of reporting firms in parentheses.

Source: Department of Commerce

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals	
Sales, Aug. '52 vs Aug. '51 ..	+ 2.9	+ 1.3	- 2.6	+11.5	+ 4.8	
Sales, 8 Mos. '52 vs 8 Mos. '51	+ 3.4	+ 2.2	- 1.6	+ 5.4	+ 2.4	
Stocks, Aug. 31, '52 vs '51 ..	- 7.3	- 8.6	- 3.3	- 8.2	- 6.6	
Outstanding Orders, Aug. 31, '52 vs '51	+38.4	+43.9	+49.7	+21.6	+42.5	
Open account receivables Aug. 1 collected in Aug. '52	24.8	45.5	43.4	38.8	38.7	
Instalment receivables Aug. 1 collected in Aug. '52	15.7	14.7	15.4	17.8	15.4	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Aug. '52 vs Aug. '51 +2.0	-2.6	+6.1	+5.8	+10.9	+22.2	

BUILDING PERMIT FIGURES

	August 1952	August 1951	8 Months 1952	8 Months 1951
Maryland				
Baltimore	\$ 2,308,625	\$ 8,448,765	\$ 38,588,935	\$ 63,328,340
Cumberland	3,480	1,115,159	187,781	1,574,389
Frederick	288,500	332,670	1,919,473	1,681,255
Hagerstown	154,670	2,344,172	1,058,058	3,427,452
Salisbury	99,197	52,276	923,216	1,239,145
Virginia				
Danville	214,240	222,856	3,888,809	1,804,878
Lynchburg	174,225	249,911	1,734,642	2,459,129
Newport News	143,108	80,962	6,176,627	1,023,707
Norfolk	933,605	701,980	13,183,395	19,256,721
Petersburg	123,365	140,090	1,292,098	2,617,459
Portsmouth	237,020	271,791	6,091,605	4,296,471
Richmond	1,748,736	771,024	12,569,762	19,865,821
Roanoke	512,288	956,972	6,952,765	13,266,927
West Virginia				
Charleston	887,120	855,329	10,236,258	4,079,275
Clarksburg	193,935	75,471	846,992	848,979
Huntington	359,120	1,974,237	3,109,081	6,772,157
North Carolina				
Asheville	242,852	165,565	2,149,208	4,172,080
Charlotte	1,319,556	1,097,405	14,110,931	15,031,650
Durham	2,401,855	420,567	7,607,558	3,690,988
Greensboro	469,370	700,678	6,388,093	5,951,218
High Point	403,465	314,075	2,429,310	2,442,979
Raleigh	1,120,195	1,917,745	11,690,174	8,843,559
Rocky Mount	182,823	1,026,144	2,126,788	2,626,431
Salisbury	424,035	84,747	1,658,650	915,978
Winston-Salem	2,400,204	455,411	8,688,554	12,323,677
South Carolina				
Charleston	187,569	103,934	1,407,696	1,105,315
Columbia	523,433	755,708	6,900,342	9,972,004
Greenville	812,609	444,700	6,429,927	7,601,329
Spartanburg	74,259	167,775	1,631,261	2,015,015
Dist. of Columbia				
Washington	4,263,552	5,698,374	34,404,125	44,233,797
District Totals	\$23,212,011	\$31,946,493	\$216,382,114	\$268,468,155

RETAIL FURNITURE SALES

Percentage comparison of sales in periods named with sales in same periods in 1951

STATES	August 1952	8 Mos. 1952
Maryland (7)	-7	+2
Dist. of Col. (7)	-7	-7
Virginia (18)	+8	+9
West Virginia (10)	-9	+18
North Carolina (14)	+17	+18
South Carolina (6)	+43	+9
District (62)	0	+3
INDIVIDUAL CITIES		
Baltimore, Md. (7)	-7	+2
Washington, D. C. (7)	-7	-7
Richmond, Va. (6)	-4	+10
Charleston, W. Va. (3)	+9	+25

Number of reporting firms in parentheses.

Business Conditions and Prospects

Continued from page 10

that the September seasonally adjusted level of trade will not be as high as that in August, but such a drop would not be a reversal of the upward trend of sales.

Furniture stores in the District likewise established a new high level in August, when seasonally adjusted sales rose 3% from July to a level 13% ahead of a year ago. Interestingly, the entire August rise was due to credit

sales, as cash sales, adjusted, dropped 6% during the month. Furniture store inventories, adjusted, declined 2% during August but were 1% higher than in August 1951. It should not be expected that furniture stores will continue this level of business for long, but there is nothing to indicate any serious setback. In fact, the new homes being set up should insure a high level of furniture sales in the months ahead. —B. P. C.

National Summary of Business Conditions

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

Industrial production recovered sharply in August and rose further in September to its previous postwar high. In September, seasonally adjusted sales at department stores are estimated to have declined following a marked rise in August, while expanded output has permitted some recovery in automobile sales. Wholesale prices declined somewhat after mid-August, reflecting largely heavy marketings of livestock. Consumers' prices continued at record levels.

Industrial Production

The Board's index of industrial production increased to 215 in August from 193% of the 1935-39 average in July, reflecting mainly the rapid return to full-scale operations at steel mills and a marked gain in nondurable goods output. According to preliminary estimates industrial production has risen further in September to 223.

Steel production rose in August to 92% of rated capacity and by late September was scheduled at a new record rate of 104%. Activity in machinery and transportation equipment industries showed only a limited recovery in August but has apparently increased substantially in September. Passenger auto assemblies are estimated to have totaled about 445,000 units, the largest monthly output since June 1951. A substantial pick-up in production of television sets and major household appliances in August and September reflected earlier large inventory declines and increased consumer buying.

Expansion in nondurable goods output in August reflected principally greater than seasonal increases at textile and paperboard mills. There was also a sharp recovery in coke output, and petroleum refining, which was already close to earlier peak rates in August, rose further in September. Total meat production since mid-August has averaged 8% above a year ago, with production of beef and veal up by about a fourth and pork down considerably.

Mineral output increased sharply in August and September with resumption of iron ore mining and marked gains in output of crude petroleum and coal.

Construction

Value of construction contract awards declined slightly in August as awards for public nonresidential work dropped sharply after three months of steady increases. Value of new construction put in place was the same as in July, after allowance for seasonal influences. The numbers of housing units started in August declined more than seasonally to 99,000 from 104,000 in July, but was 11% larger than in August 1951.

Employment

Employment in nonagricultural establishments, after allowance for seasonal changes, rose in August to 46.8 million, an all-time high. In steel-consuming industries the number employed and employee working time in-

creased but remained below pre-strike levels. Average hourly earnings of factory workers were up about 1% from July to \$1.66—the level of other recent months. Unemployment declined in August to 1.6 million, reflecting in part the end of the steel strike and in part seasonal factors.

Distribution

Sales at department stores, which had shown a greater than seasonal rise in August, increased less than seasonally in the first three weeks of September but remained close to year-ago levels. Reflecting in part the rise in sales, seasonally adjusted stocks at department stores are estimated to have declined somewhat in August. Sales of new passenger cars have risen from the sharply reduced August rate and, with output considerably expanded, dealers' stocks are being replenished.

Commodity Prices

The general level of wholesale commodity prices declined somewhat from mid-August to the third week of September. The major decreases were in livestock and products owing partly to a considerable expansion in marketings of cattle. Prices of industrial commodities generally showed little change.

The consumers' price index rose further by .2% in August. Average prices of foods again advanced and rents and fuel prices increased, while prices of apparel declined slightly further.

Bank Credit

Total bank credit outstanding at weekly reporting banks showed little change between mid-August and mid-September. All major types of loans increased, but holdings of U. S. Government securities declined. Business loans increased about three-quarters of a billion dollars, reflecting largely credit for marketing crops as well as some borrowing in connection with tax payments in mid-September.

Bank reserve positions continued tight until mid-September and borrowings from the Federal Reserve generally exceeded excess reserves. Thereafter, borrowings were reduced as banks obtained reserve funds as a result of a decline in Treasury balances at the Reserve Banks and System purchases of U. S. Government securities in connection with the October 1 certificate refinancing.

Security Markets

Yields on Treasury bills declined during the first three weeks of September, while yields on long-term Treasury bonds rose somewhat. The Treasury offered 2½% per cent 14-month notes in exchange for the 10.9 billion dollars of certificates maturing October 1, 1952, and has also announced an offering of 2.5 billion of 161-day tax anticipation bills to be dated October 8 and to mature March 18, 1953.