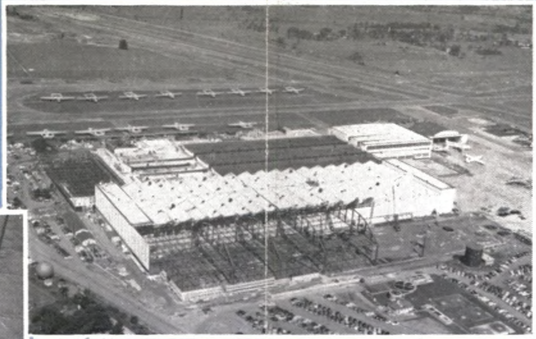
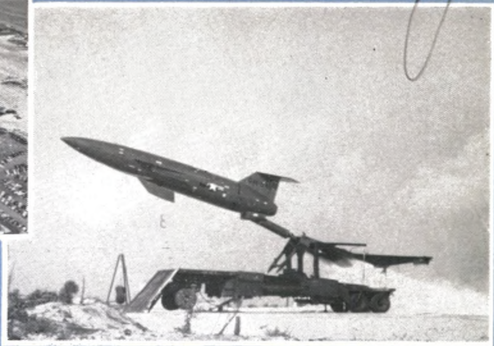
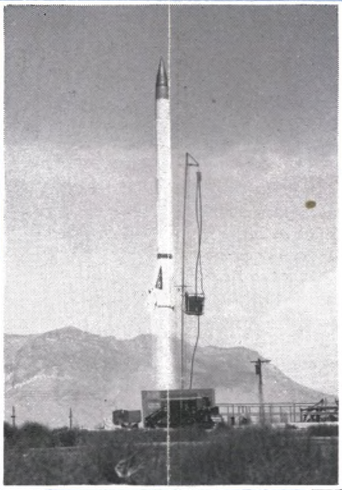
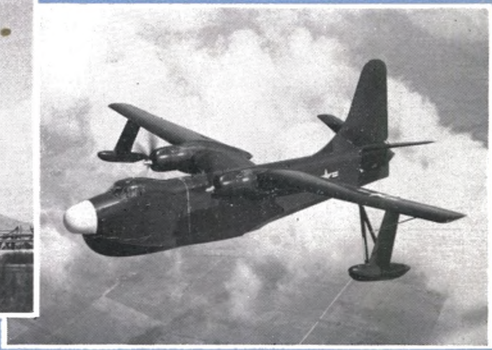
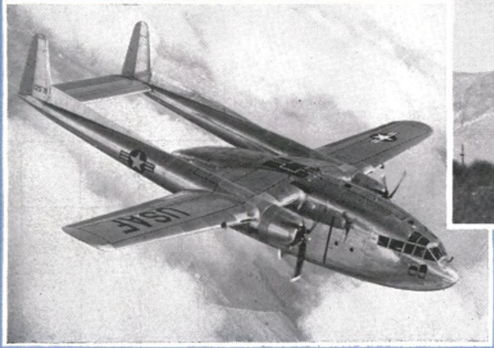


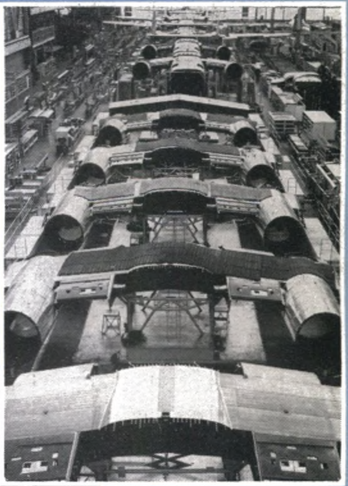








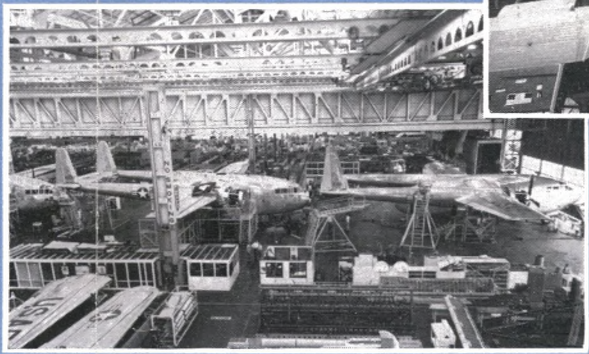
Monthly Review



FEDERAL RESERVE BANK OF RICHMOND

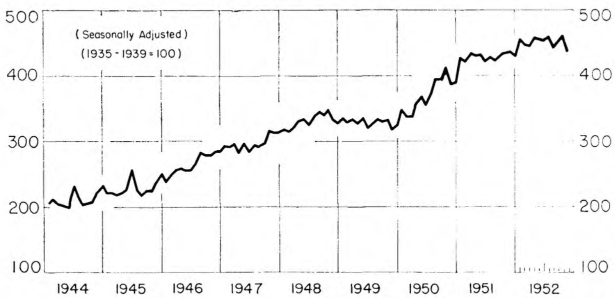
THE FIFTH FEDERAL RESERVE DISTRICT
W.VA. MD. VA. N.C. S.C.

January 1953



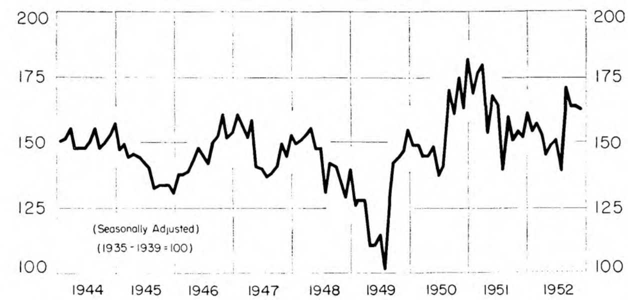
FIFTH DISTRICT TRENDS

BANK DEBITS



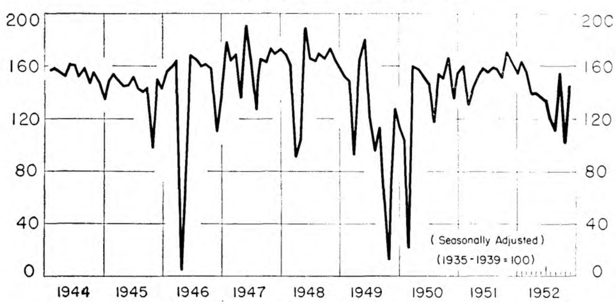
November witnessed the first sizable drop in adjusted indexes of bank debits, with a decline of 5% from October. Debits in November were at the same level as November 1951. The drop was accompanied by a similar drop in department and furniture store sales.

COTTON CONSUMPTION



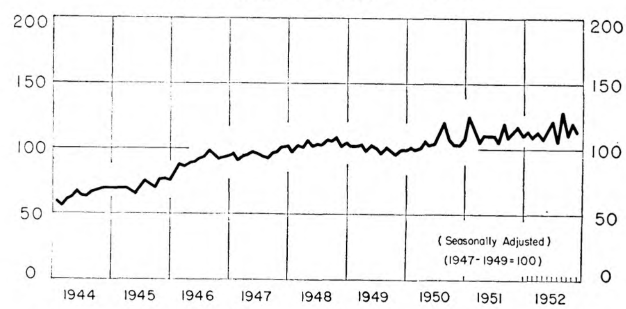
Cotton consumed in the mills of the District during November on an adjusted basis was down 1% from October but 6% ahead of a year ago. As a result of a loss of tire cord business to rayon, cotton consumption does not indicate the extent to which the industry has recovered. Loom operations are on a full time basis.

BITUMINOUS COAL PRODUCTION



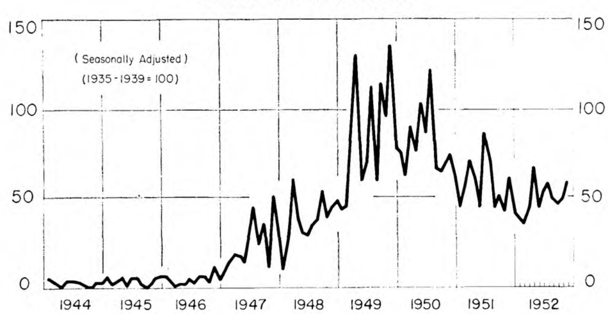
November's adjusted output was up 44% from the strike-ridden month of October, but the month's output failed by 11% to equal that of November 1951. Outlook for domestic consumption is improved but the export outlook is poor.

DEPARTMENT STORE SALES



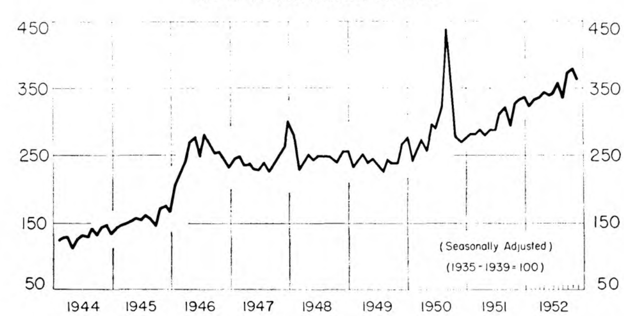
Adverse weather conditions were in large part responsible for a 5%, seasonally adjusted, drop in department store sales from October to November and for the 4% drop below a year ago. As a consequence, inventories at the end of November were up 2% from October on an adjusted basis to 7% ahead of a year ago. Departmentally, the decline was general.

BUSINESS FAILURES



Failures rose 18% in November as compared with October but were 5% under November 1951. The level of failures continues extraordinarily low by historical comparison, and the November rise is not particularly significant.

LIFE INSURANCE SALES



Much the same influence that caused a reduction in trade levels was responsible for an adjusted drop of 4% in sales of life insurance during November, but relative to a year ago these sales were up 9%. This indicates that a strong inducement still exists to adjust life insurance protection to the high price level.

The Aircraft Industry in the Fifth District

The war baby of just a few years ago has reached the full stature of an industrial giant. Growing at a faster clip than any other major industry, the aircraft plants of the nation are employing about 700,000 persons—far more than the postwar low of 225,000 in 1948 and almost 25% more than just a year ago. By next Spring aircraft and parts producers will have close to 800,000 people on their payrolls and may reach the million mark by the close of the year.

Automobile manufacturing is, in fact, the only single industry now employing more workers than aircraft. Apart from steel works, blast furnaces, and rolling mills, which together employ about the same number as aircraft, no other individual industry within the major manufacturing groups—food, chemicals, textiles, machinery, and the like—is furnishing employment to as many workers as aircraft and parts.

The production of aircraft is less important in the economy of the Fifth District than in the nation's, since over the nation roughly one out of every 25 manufacturing employees is currently employed by aircraft and parts manufacturers while in this five-state District only about one in every 40 manufacturing employees is similarly employed. The comparison does not belittle the importance of aircraft manufacture in this District. Although the large number of aircraft and parts subcontractors, suppliers, and specialized equipment makers precludes an accurate count of the number of workers in the District's aircraft industry, it is likely that the total is at least 45,000. This exceeds, for example, District employment by cigarette manufactures, paper mills, fabricated metal products companies, or the machinery industry.

Although the Fifth District is not marked by the heavy concentration of aircraft producing plants found on the Pacific Coast and Long Island, its two large plants, Fairchild at Hagerstown and Martin at Baltimore, account for a sizable share of the nation's aircraft business. It is estimated that their current output amounts to around 8-9% of the total airframe business. During the past year at least 90% of the two companies' shipments was on Government orders. It is likely that very soon practically 100% of their business will be with Uncle Sam.

The last census of manufactures classified producers of aircraft and component parts on the basis of their major activity and divided them into four separate industries: aircraft, aircraft engines, aircraft propellers, and aircraft equipment. The industry in the Fifth District, since the primary activity of the largest plants is manufacturing airframes and assembling complete aircraft, falls into the first category. The rest of the "industry" in the District, accounting for but a small percentage of total aircraft employment, is engaged in producing aircraft parts and specialized equipment, such as electrical apparatus, sub-assemblies of various kinds, and radar and other electronic equipment. For the most part, these plants serve as suppliers and subcontractors for the two large aircraft companies in Maryland as well as for similar plants outside the District.

A major problem is that of devising ways of enabling aircraft companies to develop airframes and engine models concomitantly with scheduling production for a greatly expanded output. Two techniques were employed during World War II that drew on personnel and facilities of outside industrial plants: subcontracting, in which the manufacture of parts and sub-assemblies was let out to outside companies, and licensing, under which an outside firm undertook the responsibility for making a complete unit, such as an airframe or engine. Licensing agreements were particularly important in the engine field, accounting for almost one-half of the total horsepower output, while subcontracting accounted for about 30% of the total airframe weight production of the war.

At present the District's two large aircraft makers are relieving the pressure of rapid expansion by placing orders with almost 1,000 suppliers and subcontractors located in the Fifth District, principally in Maryland, as well as with a much larger number located outside this area. Comparatively few of the major suppliers for the two companies are located in the District—in large part a consequence of the restricted nature of the District's durable-goods manufacturing structure.

Push-Button Products

In September 1951 the Air Force announced the formation of its first pilotless bomber squadron—to be equipped initially with the Martin B-61 Matador. Selection of the Martin weapon points up the leading position of the District industry in the expanding field of special weapons—guided missiles, rockets (that reach

On the Cover

The photographs are reproduced through the courtesy of Fairchild Engine and Airplane Corp. and The Glenn L. Martin Co. Top row, left to right: an English Electric-built Canberra jet bomber over the Chesapeake Bay Bridge. Martin is building a night intruder version of this plane at its Baltimore plant for the USAF. Fairchild's Hagerstown plant shortly after the start of the USAF $7 million expansion of facilities for production of C-119 planes. A pilotless bomber, the Martin B-61 Matador, launched from its own mobile platform. Middle row: Flying Boxcar on a test flight near the Fairchild plant. Destination stratosphere: a high altitude Martin Viking rocket taking off on a test flight. The Martin P5M-1 Marlin anti-submarine seaplane. Bottom: Fairchild Packets at the final assembly stage after passing along the production line shown in photo to right.

altitudes of over 100 miles at maximum velocities of more than 3,500 miles per hour), jet-propelled drones, and electronic systems and devices of a bewildering variety. The production of special weapons and electronic gear has become, in the last two years, a major enterprise of the two large Maryland companies, although actual missile production of one of the companies is carried on at a special plant outside the District.

The vital part of electronics in the production of modern aircraft has removed it from the category of auxiliary equipment and has given it a status equal to that of designing and building the aircraft itself. Navy night fighters in World War II, for example, were equipped with an intercept radar system that weighed 182 pounds, cost $4,000, and contained 75 electronic tubes. Now, Navy night fighters take off with a radar system that weighs 650 pounds, costs $100,000, and requires 300 electronic tubes. It is obvious that electronics has been undergoing a tremendous expansion, and it is a significant part of the description of the aircraft industry in this District to note the leading positions held in this field by local companies.

Multi-Million Dollar Local Expenditures

The strength of the impact on the local, and state, economy resulting from the operations of the aircraft industry in this District is indicated by the estimate that the two major plants at Hagerstown and Baltimore spent at least $130 million in Maryland during the past year. In addition to this direct flow of funds into local and state trade channels, an indirect flow of income is generated within the same areas as a consequence of what is technically termed the "employment multiplier." Changes in the employment rolls of local industries selling the bulk of their output in other than local markets are generally accompanied, with a lag, by changes in employment in retail trade, residential construction, service industries, and other activities serving primarily the local market. The increase in total employment in the areas of the Martin and Fairchild plants resulting from an increase of almost 80% in the aircraft firms' employment over the last three years has undoubtedly added many dollars to the local income streams.

Not only does the aircraft industry, as an "export" industry selling its output in national and international markets, contribute heavily to a favorable "balance of payments" for the areas of its location, but it is also an industry which, with a relatively high ratio of skilled production workers, pays relatively high wages. The latest data show that average weekly earnings of aircraft production workers amount to $79.84, as compared with an average of $67.80 for all manufacturing industries and $72.92 in all durable goods manufacturing establishments.

The aircraft industry, moreover, employs a relatively large number of persons not directly on the production line, such as draftsmen, designers, engineers, and scientists, whose wages and salaries are higher than those of production workers. It has been estimated that the proportion of employees classified as other than "production workers" to total employment in all durable goods manufacturing industries has been about 1 to 6, while in the aircraft industry it has been running better than 1 to 4.

The Other Side of the Picture

Like everything else, the aircraft industry has unfavorable offsets to the advantages it affords communities in which it is located. The principal disadvantage to the locality is the risk of having too many eggs in one basket, since it has been demonstrated that the bottom of the aircraft basket tends to drop out every now and then. The memory of the drastic cancellations of Government orders shortly after the close of World War II and the large reduction of labor forces is still a painful one to aircraft plant communities and producers. By the end of 1949 aircraft employment in Maryland had fallen 62% under what it had been at the close of 1943. Such severe fluctuations—upward as well as downward—create problems even for large metropolitan areas like Baltimore, but they play havoc with a community the size of Hagerstown having a very high proportion of its labor force employed by the aircraft company.

Fortunately, Government orders for Fairchild's "Flying Boxcar" enabled the Hagerstown plant to avoid curtailing postwar operations as much as most of the industry and to retain its skilled personnel. Hence it has not been faced with the substantial build-up that has confronted other airframe companies since the outbreak of the Korean War. It does have the common difficulty of spot shortages of engineers, tool designers, and other technicians, but it is in a much more favorable position than during the early part of World War II when it was building up from a small operation at the terrific rate of growth imposed by an all-out war.

The situation is much different with most large aircraft producers located in metropolitan areas, where acute shortages of labor extend downward from engineers and skilled craftsmen to unskilled job classifications. Having suffered large reductions in their labor forces after World War II, many of these companies had to start almost from scratch again in manning their plants with sufficient workers to meet suddenly and tremendously expanded orders. In one respect the labor problem is more difficult than it was during the war. At the outset then there were substantial pools of unemployed workers to be tapped—a much different condition than the full employment that has marked most of the postwar period.

Turnover, although averaging slightly less than during the war, has been a delaying factor, as has the absence rate, now running as high as double the pre-Korea rate but still well under the World War II figure.

Once again women are being hired in increasing numbers, and at present they make up about one-fourth of total aircraft employment in the District as compared with almost one-third in 1943. The problem of rapidly expanding the labor force has required the re-institution of training programs for different classes of skills. Refresher courses have been set up for new employees with previous aircraft production experience. Special training courses have been instituted to meet the demands of the great increase in the amount of electronic installations in the latest aircraft models. All this requires the allocation of plant space and personnel otherwise devoted to production. Indicative of the size of the programs is the fact that in 1951 the training schools of one of the District plants processed more than 12,000 new employees.

A Plethora of Problems

The aircraft industry seems to be characterized by contrary and conflicting situations and developments. Consider, for example, the long period of time that must elapse between initiation of a new model and its quantity production. This "lead time" may be as much as seven years for combat planes. But once the green light is given to the production lines, output rolls at phenomenal speed. And well it must since the producers are given military production schedules to meet that require the impossible in an impossibly short time.

Geared for mass production, which requires a high degree of standardization and an uninterrupted flow of production lines, the aircraft industry is none the less subject to receiving changed specifications for models in production and even cancellations of orders for approved models because of new requirements of their military customer.

Another troublesome set of factors includes the lengthy lead time plus the high rate of obsolesence of aircraft models and the requirements of continuing development and research. During the long period of time that must elapse before quantity production of a new model is achieved, millions of dollars are tied up in inventories and expended for labor and other expenses. These outlays are based on subsequent large-scale production of the model being evolved. This production may be curtailed abruptly by rapid obsolesence due to new research developments or new requirements in the field.

There is still another angle to the problem of achieving a high volume of production. It has been pointed out that profit margins allowed under military contracts are rationalized by procurement agencies on the basis of high volume of production during the present rearmament program. According to one aircraft company official, his company was affected by this policy even though its output had not reached the volume upon which the policy was predicated.

Such problems, pointing up the great difficulty, or seeming impossibility, of financing a fair proportion of capital outlays and increased working capital requirements from internal sources, must be considered also against the background of the recent postwar period. While most other industries were able to expand production facilities and maintain satisfactory current positions, in part by drawing on retained earnings, the aircraft companies did not have this opportunity. Consequently they entered the present emergency without adequate finances or facilities for handling a rapidly expanding military business.

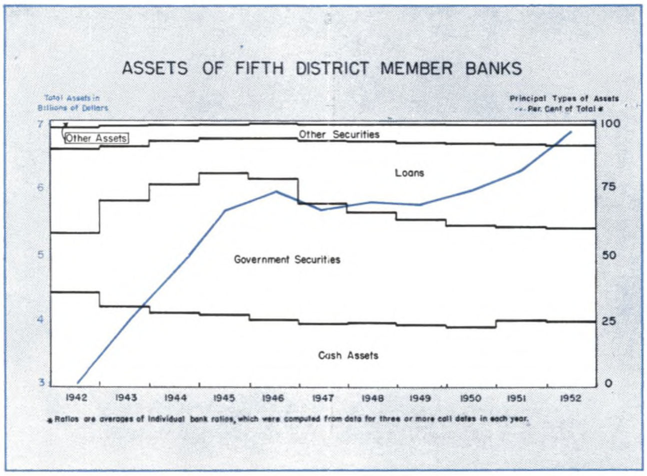
Aircraft companies have been forced, therefore, to effect their current facilities expansion with assistance from military agencies, a good part of which has taken the form of facilities contracts and certificates of necessity. The action taken by Congress on the current Air Force budget providing for financing average lead time of two years for aircraft manufacturing enabled the Air Force to extend to the industry a relatively firm basis for scheduling production over the next few years.

Bank loans have been the other major source of funds to the aircraft companies. In view of the instability of the industry, its feast and famine experience, it would be expected that the capital structures of the individual companies would be models of conservatism, emphasizing equity funds for permanent investment in fixed assets and regular working capital. But efforts in this direction in "normal" times are badly upset in times of emergencies. Working capital needs become so great that normal financing sources and facilities cannot meet them, and long-run financial programs give way to whatever expedient measures can be effected to enable the producer to get on with the job. Little wonder is it that so many aircraft companies fail to differentiate between needs for facilities expansion and for working capital. It would be difficult to think of an industry in which capital budgeting poses more problems and faces more vicissitudes than it does in the aircraft business.

For the time being, however, risks of unemployment and lack of business are not problems of the aircraft industry. At the beginning of 1952 aircraft companies in this District had backlogs amounting to over $615 million, and it is likely that this did not include all the orders that might be received under the $16 billion appropriated for aircraft procurement in fiscal year 1952. Nor did it include any orders stemming from a similar amount appropriated for the current fiscal year. Current backlog figures for the companies in the District are not available, but it is reasonable to assume that they are substantially in excess of the preceding amount. It seems that the aircraft industry will almost certainly be a major element of strength in the economies of Baltimore and Hagerstown for the next few years.

"Average" Fifth District Member Bank Reports Loan/Assets Ratio Down

DESPITE the sharp increase in the volume of loans outstanding, loan portfolios of the "average" Fifth District member bank assumed a lesser importance relative to assets in 1952. This seeming contradiction is explained by three factors. First, total assets were considerably higher in 1952 than in 1951, and only part of the increase in assets went into loans. Second, loan expansion was generally concentrated in larger banks, which strongly influence the dollar totals but do not influence figures of the "average" bank any more than the smaller banks do. Third, in order to approximate asset distribution throughout the year, figures for the "average" bank were computed from averages of year-end, mid-year and Fall call reports. Much of the 1952 loan expansion occurred after the September 5 call, and was excluded from computations of "average" bank data.



Ratios of the "average" bank are computed for each individual bank and then averaged, so that each bank is given equal weight regardless of size. The resultant ratios are more nearly representative of an "average" bank than are data computed from all-bank dollar totals, which are strongly influenced by the larger banks. The operating ratios of the "average" bank are more useful in looking at the operations of banks as individual businesses; dollar aggregates are more useful in evaluating the impact of banking developments on general business conditions. A more comprehensive study of operating ratios will be published when tabulations of 1952 earnings data become available.

The movement away from liquid assets and Government securities and into higher yielding assets, which began in 1945, was repeated in 1952. However, the shift in the composition of portfolios took a substantially different form in 1952. In all other postwar years, most of the increase in assets went into loans, with non-Government securities showing a consistent but smaller increase. Post-Korea tax increases made the tax-exempt feature of state and municipal bonds more attractive, leading member banks to acquire a substantially larger volume of these securities, particularly in the last half of 1951. Holdings of non-Government securities jumped from 6.1% to 6.8% of total assets in 1952. The increase was most pronounced in West Virginia, where the issue of bonds to finance the veterans' bonus reinforced the incentives given by tax advantages. Only in South Carolina was a decline in this ratio reported.

Loans dropped from 32.6% to 32.2% of assets in 1952, the first declines since the end of World War II. This change was more closely related to size than to location of banks. This ratio was up slightly for banks with deposits of \$5-\$25 million and deposits of more than \$50 million. Banks in the \$25-\$50 million group (whose loans had jumped sharply relative to assets in 1950 and 1951) reported a substantial decline in this ratio, as did the smaller banks.

The minor decline in the ratio of Governments to total assets (from 35.1% to 35.0%) was fairly uniform, with the notable exception of banks in the \$25-\$50 million group, which increased Governments portfolios in almost the same degree in which they reduced the share of assets held in loans.

The smaller share of cash assets (down from 25.1% to 24.9% of assets) was mainly due to the tight money market of most of 1952; bankers were keeping a closer eye on reserves.

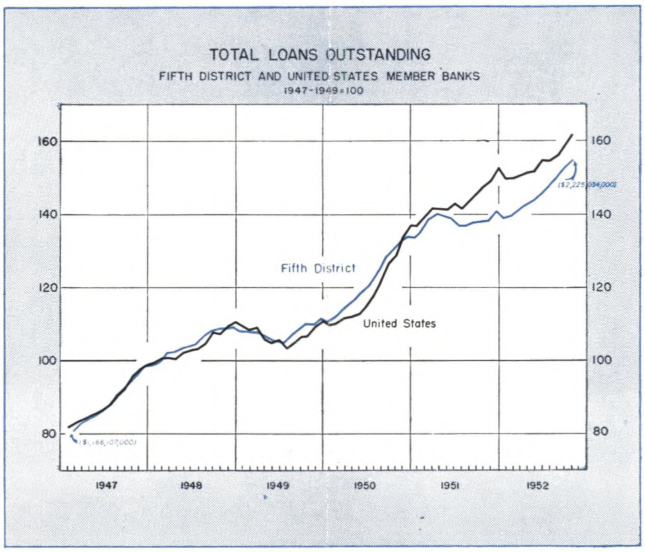
Capital ratios were slightly lower in 1952, as the growth of assets and deposits outpaced new capital and retained earnings. Capital accounts as a ratio to assets and as a ratio to deposits fell off slightly, the first decline since 1946, with capital accounts in 1952 at an average of 8.0% of assets and 8.8% of deposits. The ratio of capital to "risk" assets (total assets less U. S. Government securities and cash assets) has fallen continuously since 1945, as holdings of loans and non-Government securities have grown much more rapidly than total assets. This ratio declined again in 1952, from 21.5% to 20.9% of "risk" assets.

The ratio of time deposits to total deposits, which rose to a postwar peak of 34.2% in 1950 and dropped to 33.0% in 1951, eased off to 32.9% in 1952. The only large decline was in the \$25-\$50 million group, where time deposits dropped from 24.3% to 20.4% of total deposits. In contrast, this ratio increased substantially at banks with deposits of more than \$50 million.

A Review of Loan Trends in the Fifth District

On November 26, 1952, total loans of member banks in the Fifth District stood at $2,255,034,000—the highest level attained up to that time. Loans outstanding have increased in every month of 1952 except January, when repayments exceeded new loans by $31.6 million. Increases through June were moderate, amounting to only $59.2 million for the six months, but were contrary to the decline which is generally expected over that part of the year. After June the rate of increase quickened considerably bringing the total increase from June through November to $148.2 million—an average monthly increase of about $30 million.

The increase during November in total loans outstanding at the District's member banks was $20.7 million — 1%. Last year the November increase was only $6.5 million—0.3%. The total 1952 growth, however, has not equalled the rapid loan expansion which occurred in the half-year following the outbreak of the Korean War. From June through December 1950 loans outstanding at Fifth District member banks increased by $214 million—12.4%. The increase from June through December of 1951 was only 1.6%, while that from June through November of this year has been 7.0%. The accompanying chart provides a basis for comparing 1952 with other years and makes possible a comparison of loan growth in the District with that in the United States as a whole.



In spite of unusual growth in the last half of 1952, the District's member banks have fallen behind the average for all member banks in the nation. Using the average amount outstanding from 1947 through 1949 as a comparison base, the District's loans outstanding had increased by 55% at the end of November 1952. For all member banks in the nation, the increase was 65% through November. The District's growth from the base period fell below the nation's in November 1950 and has remained below it since then. During the last half of 1951 the District's growth was much less than the national average and by the end of December the District's index stood at 140.8 while the United States figure was 152.2. Since then the District's loan expansion has been at a more rapid pace than the nation's but its index of loans is still about 10 percentage points below the U. S.

Current Developments

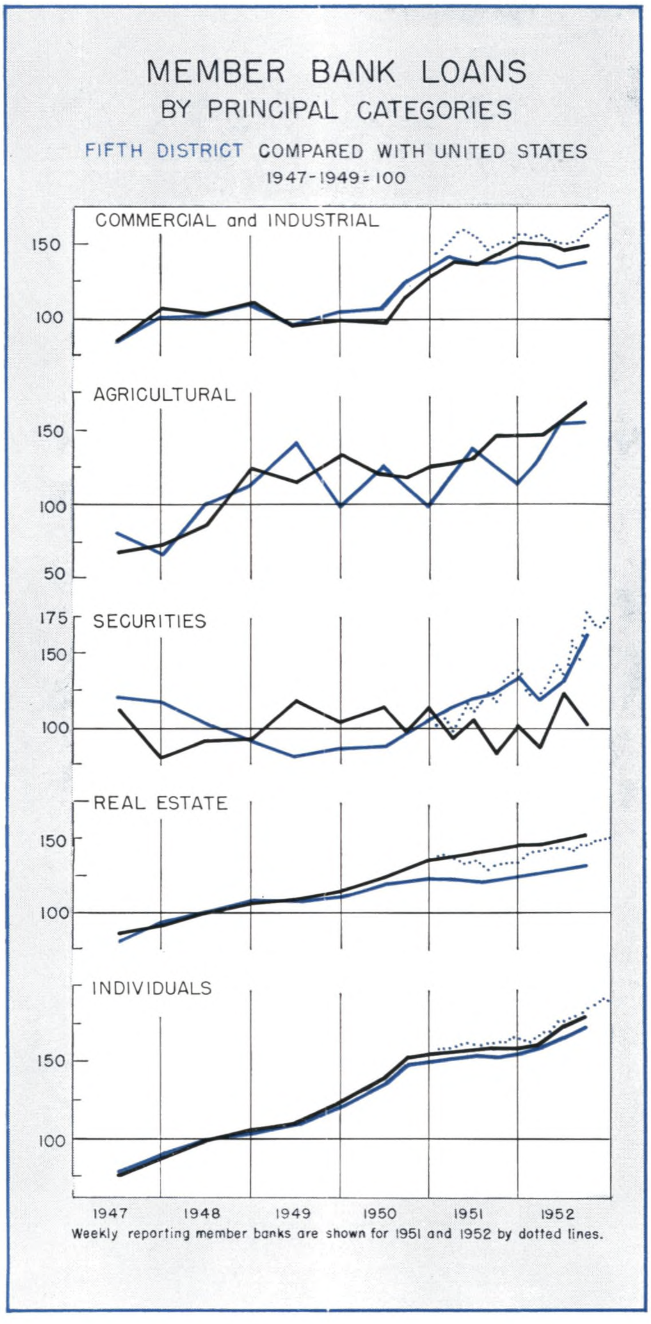
Fifty of the District's member banks report loan changes by principal types of loans weekly thus providing more recent data which are fairly representative of over-all changes in the area. The weekly reporting banks, which on the last call date, September 5, 1952, held almost 60% of total loans outstanding in the District, had loans outstanding totaling $1,363 million on December 17, an increase of only 0.4% since the end of November. These banks showed increases in total loans outstanding of 1.5% during November, 2.1% during October and 2.9% during September. The indication is that the December increase will be less than would normally be expected by comparison with the immediately preceding months.

The chart on page 8 compares each of the principal categories of loans made by Fifth District member banks with those made by all member banks in the United States. The basis for comparison is the average amount outstanding from 1947 through 1949. The condition reports provided by member banks on call dates gives loans outstanding by principal categories, thus providing complete data for the District and the U. S. on those dates. The District's weekly reporting banks' figures are also shown on this chart for 1951 and 1952 in order to show more current changes and to indicate how closely the weekly reporting bank series parallels the series for the District as a whole.

The only category in which the District growth in 1951 and 1952 was greater than that for the country as a whole is "Loans for Purchasing and Carrying Securities," a relatively insignificant item accounting for only 4% of total loans in the District at the September 5 call report date. In all other categories, although the District has lagged behind the nation over the past two years, the growth over the base period, 1947-49, has been significant. Outstanding loans to individuals at Fifth District member banks in September were 77% greater than the average amount outstanding from 1947 through 1949. Real estate loans outstanding were 31% greater; commercial and industrial loans, 38%; and agricultural loans, 55%.

Slower Loan Growth in December

Business loans of the weekly reporting banks, which accounted for 70% of the District's total on the last call date, experienced a moderate decline during the first half of 1952 and reached their lowest level of the year on July 23. This corresponds closely with the changes as shown on the call report dates. From July 23 through December 3 these loans maintained a persistent and sharp rate of increase, continuing the movement experienced by all member banks in the District between June 30 and September 5, the two most recent call report dates for which data are available.



Weekly reporting member banks are shown for 1951 and 1952 by dotted lines.

Business loans declined during the week ended December 10—the first weekly decline since July 23 of this year—but resumed their upward trend during the week ended December 17. The latter rise, however, was not sufficient to offset the decline of the previous week, and business loans outstanding on December 17 were still below the level at the beginning of the month.

The amount of real estate loans outstanding at the weekly reporting banks has increased steadily throughout 1952, closely paralleling the change reflected in the condition reports of all the District's member banks on call dates and indicating a continuation of the trend experienced by these banks through September 5.

Until December, outstanding loans to individuals at the weekly reporting banks increased more rapidly in 1952 than real estate loans. During the week ended December 3, 1952 repayments slightly exceeded new loans, calling a halt to the rapid rate of growth up to that date. In the following week new loans just about equalled repayments, and the amount outstanding remained unchanged. During the week ended December 17 a small excess of new loans raised the total outstanding to $371 million, just equal to the amount outstanding at the end of November.

Loans to individuals and commercial and industrial loans together make up over 60% of total loans held by the District's member banks. Real estate loans account for approximately 28% of the total. What happens to these loans, therefore, will give significant reflection of economic developments in the District. The first two categories experienced spirited growth during the past year, commercial and industrial loans beginning to increase about mid-year and loans to individuals rising throughout the entire year. In both categories figures of the weekly reporting banks indicate that this rapid growth was checked early in December, and amounts outstanding have changed very little since then. Real estate loans, on the other hand, have shown a steady but slower growth throughout the entire year. It should be remembered that "no change" indicates a continuing high level of activity—new loans are being made at a rate sufficient to offset repayments. It is only when repayments show a continuing tendency to outweigh new loans that a deflationary influence is indicated—a portion of the nation's income is being used to retire debt rather than to purchase goods and services.

Business Conditions and Prospects

LEVELS of Fifth District business activities in November either remained at the seasonally adjusted levels of October or showed a moderate rise. Trade levels however, were easier, in part because of inclement weather. Employment in manufacturing industries continued at peak levels, while construction activities receded somewhat more than is seasonally normal. Two new plants involving substantial capital outlays have been scheduled for the District, one to manufacture nylon and the other aluminum. The labor market has tightened considerably in the past month, but most cities of the District continue to show moderate to substantial labor surpluses. Only the Aiken, South Carolina area is classed as having a labor shortage, while seven of the larger cities are classed as areas of balanced labor supply. Expansion in bank credit has been persistent this Fall with very few interruptions in the rising trend. Perhaps the most outstanding development in the District has been the substantial recovery in the production of hosiery. Based on the prospects of the District's major industries, the outlook is for a further rising of activity during the coming months, very likely continuing in some industries into the second quarter.

Banking

Although the seasonally adjusted figures of Fifth District banks' debits for November dropped 5% from October to the same level as November 1951, this was largely a result of the temporary setback in trade levels. The banking situation as a whole continues to evidence rising business activity. Loans of all member banks rose 0.9% during November to a point 12.3% ahead of a year ago. Holdings of Government securities rose 3% to a level 2.8% above last year. Total demand deposits were up 2.6% and 5.1% ahead of a year ago. Withdrawals of Christmas savings deposits caused time deposits to drop 1.2% during the month, but these deposits remained 6.2% ahead of November 1951. The tight money situation found reflection in unusually heavy borrowings from the Federal Reserve Bank, both to replenish reserves and to repay borrowings from others. Total borrowings at the end of November were 46% higher than a month earlier and 4.3 times higher than a year ago.

Textiles

Consumption of cotton in the District's mills in November dropped 1% on an adjusted basis from October but was 7% ahead of a year ago. The price of cotton dropped more than two cents in November and an additional drop of about the same amount has occurred thus far in December. This price drop slowed new business within the cotton textile industry and had the further effect of moderately reducing prices of some cotton goods constructions. The price structure as of late December appeared to have steadied, considerably brightening the new business prospect. Print cloth constructions are fairly well sold for the first quarter of 1953 and some of the larger mills have sold well into the second quarter. Industrial goods, which had been lagging, have been placed under contract in larger amounts and the entire industry, with the exception of bag sheeting, duck, and osnaburg, faces a bright prospect for the first quarter of 1953.

The output of broad woven goods in the third quarter of 1952 of 2,323 billion yards was up 3% from the preceding quarter and 2% ahead of the third quarter of 1951. Tire cord and fabric in the third quarter dropped 24% from a year ago, with cotton showing a drop of 76% and rayon and nylon a gain of 26%.

Output of hosiery on a nationally adjusted basis in October was 3% ahead of September and 15% ahead of October last year. Year-end figures are certain to show a new high record of output; in fact, the first ten months showed total shipments of the industry within 17 million dozen pairs of equalling the full year of 1951. In the first ten months, full-fashioned shipments were up 5% and circular knit shipments were up 9%. In spite of the industry's high level of sales, however, there has been no improvement in the price structure. Some drop in yarn prices has benefited the circular knitters but the full-fashioned industry is still concerned over its low price level.

Some slackening in the rate of circular knit operations occurred in the first two weeks of December but the industry expects a resumption of full operations after the holidays and anticipates that it will continue through the first quarter.

Bituminous Coal

November output in the District rose 44% on an adjusted basis from October, reflecting in part the resumption of operations following the strike, but was 11% under November 1951. For the first eleven months output was down 13%. This compares with a drop of 14% nationally. Through December 6, overseas exports of coal totaled 25 million tons compared with 31 million tons a year ago, with current figures running less than one-half those of last year.

Domestic consumption in October was 22% ahead of a year earlier, but the first ten months of the year showed a drop of 9.4%, with all consuming industries except electric utilities sharing in the decline. The current trend of consumption, however, is upward and the Winter and Spring outlook points to an improved demand at the domestic level. Bituminous prices, which had risen 6% from the Summer low as a result of the miner's wage contract, showed further slight strengthening during November. The present coal price is at a competitive disadvantage with fuel oil, and this shows up in the consumption of coal by electric utilities, which is up less than their KWH output.

Trade

Department store sales in November were down 5% after seasonal adjustment from October and were 3% below the relatively good November of 1951. December trade got off to a slow start but in the two weeks prior to Christmas gains appeared to be sufficient to bring the month well ahead of last year. The Christmas trade, however, did not appear to be quite as exuberant as merchants had anticipated and January clearances will probably be larger than a year ago. Department store stocks in November rose 2% on an adjusted basis to a level 10% ahead of a year ago and it seems likely that final December figures will show a further stock rise. Despite the fact that adjusted outstanding orders at the end of November dropped 27%, they continued 13% ahead of a year ago.

Preliminary departmental figures showed women's and misses' ready-to-wear sales in November 9% below a year ago, with coats and suits down 12%, dresses down 5%, men's clothing down 12%, furniture and furnishings down 5%, floor coverings down 3%, major appliances down 5%, and radios, televisions, and musical instruments down 6%.

Furniture store sales were affected much the same as department store sales during November. Adjusted sales dropped 8% during the month but continued 7% ahead of a year ago. The drop was mainly in cash sales, as credit sales were well sustained and continued to run ahead of a year ago. Although accounts receivable, adjusted, declined 1% during the month, they were 17% ahead of last year, indicating a slowing down in collections. Stores continued a conservative inventory policy, with November showing a reduction of 3% on an adjusted basis and 4% under last year. Household appliance stores showed a somewhat more than seasonal drop in sales during November, with the level 3% under last year.

With the exception of drugs and paper, wholesalers in this District showed adjusted sales losses during November and all lines except drugs show November sales smaller than a year ago.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	Nov. 1952	Nov. 1951	11 Months 1952	11 Months 1951
Dist. of Columbia				
Washington	$ 923,104	$1,139,653	$11,874,566	$11,843,477
Maryland				
Baltimore	1,247,787	1,260,047	14,289,185	13,622,259
Cumberland	20,996	26,272	288,654	283,054
Frederick	22,780	22,228	252,319	235,398
Hagerstown	36,805	33,342	395,275	356,334
North Carolina				
Asheville	61,586	59,927	681,533	654,540
Charlotte	347,370	352,972	3,857,854	3,744,711
Durham	135,684	139,762	1,450,350	1,277,915
Greensboro	115,250	108,103	1,203,396	1,116,390
Kinston	29,629	28,847	306,667	290,733
Raleigh	192,773	174,196	2,030,405	1,854,874
Wilmington	42,948	42,059	508,013	471,989
Wilson	45,954	50,226	326,642	374,846
Winston-Salem	195,928	194,882	1,985,828	1,887,781
South Carolina				
Charleston	81,389	73,969	908,758	828,601
Columbia	142,845	138,543	1,619,317	1,406,232
Greenville	105,121	109,692	1,170,498	1,210,000
Spartanburg	68,243	74,284	780,254	759,021
Virginia				
Charlottesville	27,730	27,939	308,057	299,050
Danville	62,877	54,888	454,000	422,431
Lynchburg	50,022	47,648	515,781	504,242
Newport News	46,916	47,709	534,376	472,291
Norfolk	233,131	228,899	2,697,927	2,412,918
Portsmouth	28,664	26,840	313,659	276,875
Richmond	584,578	617,523	6,568,272	6,370,001
Roanoke	116,335	122,228	1,279,920	1,270,406
West Virginia				
Bluefield	40,995	53,408	523,103	524,190
Charleston	157,785	162,490	1,851,551	1,684,563
Clarksburg	31,722	34,051	385,618	375,932
Huntington	67,301	71,899	790,527	734,541
Parkersburg	28,545	30,829	334,071	341,366
District Totals	$5,292,743	$5,555,355	$60,486,376	$57,906,961

50 REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Dec. 17, 1952	Change in Amount from Nov. 12, 1952	Dec. 12, 1951
Total Loans	$1,846,940**	+ 24,695	+147,141
Bus. & Agric.	637,257	+ 9,635	+ 54,365
Real Estate Loans	260,080	+ 3,249	+ 18,838
All Other Loans	465,483	+ 11,757	+ 75,170
Total Security Holdings	1,869,151	+ 7,775	+ 9,102
U. S. Treasury Bills	256,160	— 9,603	— 46,925
U. S. Treasury Certificates	140,796	+ 387	+ 14,289
U. S. Treasury Notes	292,658	— 2,093	— 15,518
U. S. Treasury Bonds	957,781	+ 24,813	+ 39,548
Other Bonds, Stocks & Secur.	221,756	— 5,729	+ 17,708
Cash Items in Process of Col.	303,621	— 62,361	+ 8,669
Due From Banks	180,559*	— 34,422	— 17,979
Currency and Coin	87,955	+ 3,492	+ 2,644
Reserve with F. R. Banks	598,275	+ 39,040	+ 12,463
Other Assets	54,648	— 2,457	— 1,509
Total Assets	4,441,149	— 24,238	+160,531
Total Demand Deposits	3,421,841	— 39,616	+ 89,701
Deposits of Individuals	2,535,491	— 15,007	+ 36,999
Deposits of U. S. Government	128,776	+ 2,563	+ 76,594
Deposits of State & Local Gov.	159,464	— 23,195	— 38,189
Deposits of Banks	536,555*	— 14,145	+ 6,606
Certified & Officers' Checks	61,555	+ 10,168	+ 7,691
Total Time Deposits	653,505	— 10,151	+ 23,733
Deposits of Individuals	574,073	— 10,422	+ 16,803
Other Time Deposits	79,432	+ 271	+ 6,930
Liabilities for Borrowed Money	63,600	+ 23,300	+ 29,800
All Other Liabilities	38,103	+ 2,727	+ 6,188
Capital Accounts	264,100	— 498	+ 11,109
Total Liabilities	$4,441,149	— 24,238	+160,531

*Net figures, reciprocal balances being eliminated.

**Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED FIFTH DISTRICT INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Nov. 1952	Oct. 1952	Nov. 1951	% Chg.— Latest Mo. Prev. Mo.	% Chg.— Latest Mo. Yr. Ago
Automobile Registration*	----	176	152	+23	− 1
Bank Debits	437	458	435	− 5	0
Bituminous Coal Production	145	101	163	+44	−11
Construction Contracts	521	549	467	− 5	+12
Business Failures—No.	58	49	61	+18	− 5
Cigarette Production	----	247	266	− 6	+ 1
Cotton Spindle Hours	----	159	145	− 1	+10
Department Store Sales**	114	120	119	− 5	− 4
Electric Power Production	----	398	374	− 1	+ 8
Manufacturing Employment*	----	159	155	0	+ 3
Retail Furniture: Net Sales	207	222	196	− 7	+ 6
Life Insurance Sales	364	380	334	− 4	+ 9

*Not seasonally adjusted.

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

WHOLESALE TRADE

LINES	Sales in Nov. 1952 compared with Nov. 1951	Sales in Nov. 1952 compared with Oct. 1952	Stocks on Nov. 30, 1952 compared with Nov. 30, 1951	Stocks on Nov. 30, 1952 compared with Oct. 31 1952
Auto supplies (7)	−19	−30	+ 9	+ 3
Electrical goods (8)	−19	−11	− 6	+ 3
Hardware (20)	−14	−22	−13	+ 2
Industrial supplies (7)	+ 4	−13	+ 3	+ 5
Drugs & sundries (13)	− 1	− 6	− 3	− 1
Dry goods (14)	−13	−25	+ 6	−10
Groceries (50)	− 7	−12	+ 6	+ 5
Paper & products (6)	−15	− 9	----	----
Tobacco products (10)	+ 6	−14	+49	0
Miscellaneous (92)	− 8	−14	+ 1	− 1
District Totals (227)	− 8	−15	0	0

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, Nov. '52 vs Nov., '51	− 4.8	− 7.8	− 8.8	− 1.0	− 5.4
Sales, 11 Mos. '52 vs 11 Mos. '51	+ 3.1	+ 2.1	− 2.3	+ 5.0	+ 2.0
Stocks, Nov. 30, '52 vs '51	+ 1.0	+ 7.7	+ 2.4	+ 7.0	+ 5.0
Outstanding Orders Nov. 30, '52 vs '51	+ 9.1	+12.8	+15.6	+ 8.7	+12.9
Open account receivables Nov. 1 collected in Nov. '52	32.5	47.6	44.1	41.9	42.5
Instalment receivables Nov. 1 collected in Nov. '52	12.6	14.0	14.4	18.9	14.4

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Nov. '52 vs Nov. '51	−7.5	−8.8	−2.8	−5.6	−0.6	+3.2

BUILDING PERMIT FIGURES

	Nov. 1952	Nov. 1951	11 Months 1952	11 Months 1951
Maryland				
Baltimore	$ 4,889,655	$ 4,219,590	$ 52,326,045	$ 77,403,845
Cumberland	300,650	13,075	586,906	2,044,328
Frederick	107,050	747,186	2,190,952	2,808,041
Hagerstown	136,000	92,450	1,506,758	3,948,070
Salisbury	70,175	69,937	1,375,215	1,520,495
Virginia				
Danville	137,707	224,158	4,571,205	3,630,779
Lynchburg	167,525	190,985	2,360,842	2,908,634
Newport News	53,774	403,374	6,598,310	1,997,521
Norfolk	1,966,828	828,730	19,236,988	21,893,701
Petersburg	64,000	193,518	1,960,372	3,183,975
Portsmouth	143,525	233,290	6,756,985	5,304,377
Richmond	1,063,217	1,277,378	18,517,172	26,020,051
Roanoke	841,200	421,277	9,375,405	15,132,920
West Virginia				
Charleston	367,320	370,142	11,378,965	5,864,443
Clarksburg	70,975	74,840	1,201,630	1,172,893
Huntington	165,995	725,731	6,907,974	7,927,843
North Carolina				
Asheville	279,243	118,791	3,353,272	6,393,035
Charlotte	2,385,867	1,015,749	19,331,525	19,553,845
Durham	282,821	1,771,635	9,093,557	9,106,693
Greensboro	369,050	6,986,519	7,925,584	14,469,833
High Point	367,190	184,785	3,355,915	3,005,354
Raleigh	955,950	1,947,492	15,986,353	12,374,246
Rocky Mount	140,083	177,103	2,567,290	3,786,635
Salisbury	214,252	307,299	2,104,812	1,379,337
Winston-Salem	524,806	294,979	10,887,275	13,902,874
South Carolina				
Charleston	96,440	95,284	1,765,940	1,653,946
Columbia	1,118,383	357,237	9,937,109	11,383,532
Greenville	695,073	430,850	8,756,275	9,108,599
Spartanburg	52,901	84,565	1,927,337	2,518,730
Dist. of Columbia				
Washington	2,353,537	4,075,940	49,553,204	58,821,117
District Totals	$20,381,242	$27,883,889	$293,392,672	$350,169,742

RETAIL FURNITURE SALES

	Percentage comparison of sales in periods named with sales in same periods in 1951: November 1952	11 Mos. 1952
STATES		
Maryland (6)	+ 10	+ 6
Dist. of Col. (7)	− 8	− 7
Virginia (18)	+ 3	+ 8
West Virginia (10)	+ 2	+13
North Carolina (13)	− 13	+11
South Carolina (6)	+ 8	+13
District (60)	− 2	+ 3
INDIVIDUAL CITIES		
Baltimore, Md. (6)	+ 10	+ 6
Washington, D. C. (7)	− 8	− 7
Richmond, Va. (6)	+ 4	+ 7
Charleston, W. Va. (3)	+ 31	+26

Number of reporting firms in parentheses.

National Summary of Business Conditions

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

INDUSTRIAL production, employment, and incomes increased somewhat further in November and December, and Christmas retail sales were in record volume. Wholesale prices of agricultural commodities declined further, while industrial commodities continued to show little change. Consumer prices in November increased slightly and were back at their August high. Bank credit expansion continued after mid-November, and common stock prices rose further.

Industrial Production

The Board's industrial production index rose 4 points in November to a postwar record of 233% of the 1935-39 average. Output of both durable and nondurable goods expanded moderately further, and minerals production recovered sharply to the high September level. Industrial production in December was maintained at about the November rate and was about 7% above a year ago.

Activity in machinery industries generally expanded further in November. Output of household appliances and radio and television showed substantial gains, with television output continuing at unusually high levels in December. Despite some interruptions owing to model changeovers, passenger auto assembly during November and December was maintained at advanced rates. Steel production continued at peak rates. Output of nonferrous metals except aluminum expanded further in November, and lumber production showed much less than the usual seasonal decline.

Nondurable goods production rose somewhat further in November to a level 5% above a year ago and close to earlier highs. Activity in the textile, shoe, paper, and rubber products industries increased and was substantially greater than in the same period last year. Output of industrial chemicals and petroleum products rose to new record levels. Production of meat and other manufactured food products was maintained in large volume.

Coal output recovered in November following the work stoppages in late October, and crude petroleum production rose somewhat further. In early December, however, output of mineral fuels declined moderately. Iron ore production since August has been in record volume for this season.

Construction

Value of contract awards declined slightly in November, reflecting decreases in most types of awards for private construction. Total new construction work put in place declined less than seasonally from the advanced October level. Housing starts were at a seasonally adjusted annual rate of 1,160,000, about the same as in October and substantially higher than a year ago.

Employment

Seasonally adjusted employment in nonfarm establishments rose again in November and was at a new high of 47.5 million. Average hours of work at factories were close to the high October level, and average hourly and weekly earnings continued to rise. Unemployment was little changed in November and at 1.4 million was close to the postwar low reached in October.

Distribution

Seasonally adjusted sales at department stores in November were a little below their high October level but rose again in December. For the Christmas season, department store sales were at a record and considerably above a year ago. Sales of automobiles continued unusually large for this time of the year and dealers' stocks increased only moderately in November.

Commodity Prices

The average level of wholesale prices continued to decline in December, reflecting mainly decreases in prices of foodstuffs. Lead prices were raised, while prices of other industrial materials and finished goods generally continued little changed.

The consumer price index in November rose very slightly to return to its August peak. Further increases in rents and prices of services in November were largely offset by decreases in apparel.

Bank Credit

Business, consumer, and real estate loans at commercial banks continued to increase in the latter part of November and the first half of December. Banks also added to their holdings of U. S. Government securities, largely through purchase of tax anticipation bills in the latter part of November.

Member bank reserve positions tightened further in late November and early December, due principally to a seasonal flow of currency into circulation and an increase in required reserves. Member bank borrowings averaged above $1.5 billion during the period. The Federal Reserve also supplied some reserves through purchase of Government securities, including some securities acquired under repurchase agreements with dealers. In mid-December, reserve positions temporarily became somewhat easier as a result of the usual large pre-Christmas expansion in Reserve Bank float.

Security Markets

Common stock prices advanced during the first three weeks of December to their highest level since October 1929. Yields on high-grade corporate bonds and long-term Government securities rose somewhat. Treasury bill rates increased sharply and reached 2.23% on the new issue awarded on December 22.