FEDERAL RESERVE BANK OF RICHMOND

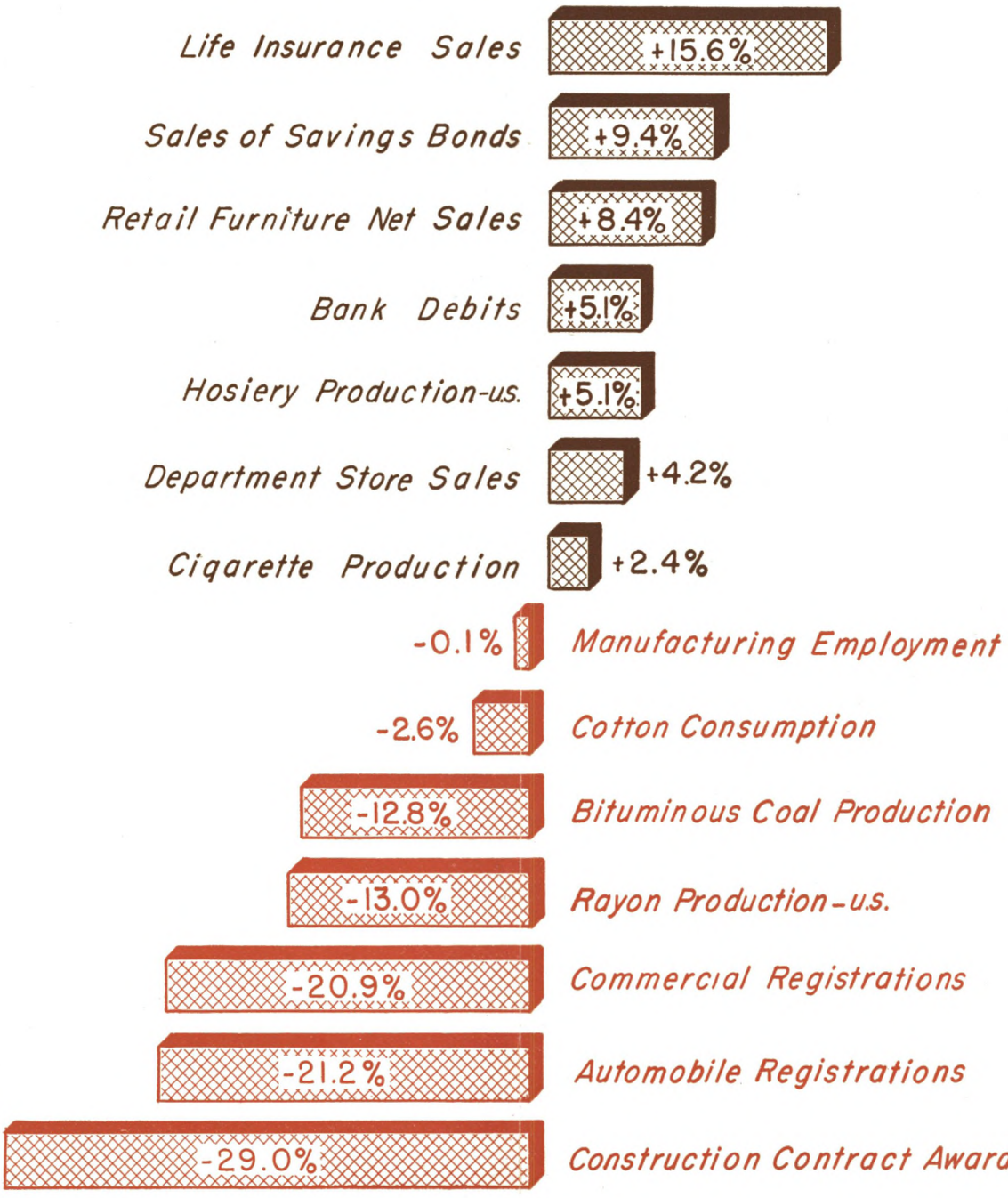
Monthly Review

FIFTH FEDERAL RESERVE DISTRICT

February 1953

Percentage Changes From 1951 to 1952

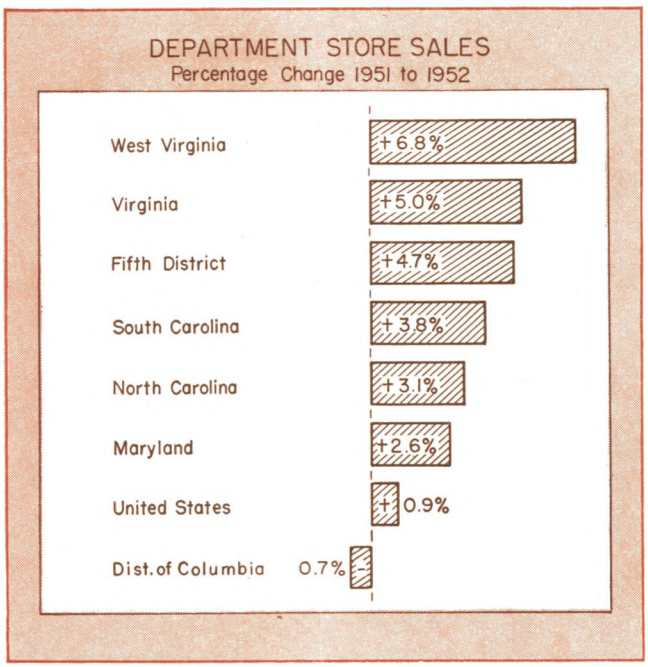
In Fifth District Business



Department Store Trade: New High For District

Sales of Fifth District department stores rose moderately (about 5%) in 1952 over 1951 to establish a new high record for these stores. Department store sales have shown a persistent upward growth since the war years, interrupted only in the minor recession of 1949, and the 1952 level was more than 28% higher than the first postwar year, 1946. The increased sales volume in the Fifth District contrasts with a national department store performance of less than 1% increase in 1952 over 1951.

Growth within the District, however, was not uniform — 27 department stores, located mainly in the large cities of the District, showed 1952 sales up only 1% from the same months of 1951. Cash sales of these stores were down 1%, open credit sales down 1%, and instalment sales up 8%.



Average total receivables of these large city stores during 1952 were nearly 9% above a year earlier, with instalment receivables up 9% and open credit receivables up 8%. Average collections during 1952 were up 5% from 1951 with collection on instalment receivables down 1% and those on open credit receivables up 7%. The figures seem to indicate some deterioration in the credit position since collections failed to keep pace with the growth in receivables. Outstanding orders in 1952 averaged 3% higher than in 1951.

The 19 department stores which report departmental figures show sales in 1952, 1% above 1951. The most prominent changes in the major departments show small wares, men's and boys' wear, and women's and misses' ready-to-wear apparel each up 3%; women's accessories up 1%; non-merchandise departments up 5%; miscellaneous departments up 7%; piece goods and household textiles off 4%; homefurnishings off 3%; and the basement departments showed no change.

These totals, of course, are in dollars and represent in most instances price reductions. The aggregate figures also hide some strong spots in this merchandising field. For example, women's and misses' coats in 1952 rose 6% above 1951; blouses, skirts and sportswear were up 7%; girls' wear rose 6%; aprons and housedresses rose 5%; stationery rose 7%; neckwear and scarfs rose 10%; luggage rose 6%; and boys' wear rose 5%. Weak spots were also shown—the most prominent being radios, phonographs, and televisions with 1952 sales off 11%; major household appliances off 13%; and floor coverings off 9%.

Price studies provided by the Bureau of Labor Statistics (for use by department stores in "Lifo" accounting) show prices in July 1952 down 2.6% from a year earlier and down 1.4% from January 1952, with piece goods, domestics, and draperies down 8.2% from a year ago, shoes down 5.4%, major appliances down 5%, and home furnishings down 4.1%. Only notions, toilet articles, and ladies' accessories were priced higher in July than a year earlier.

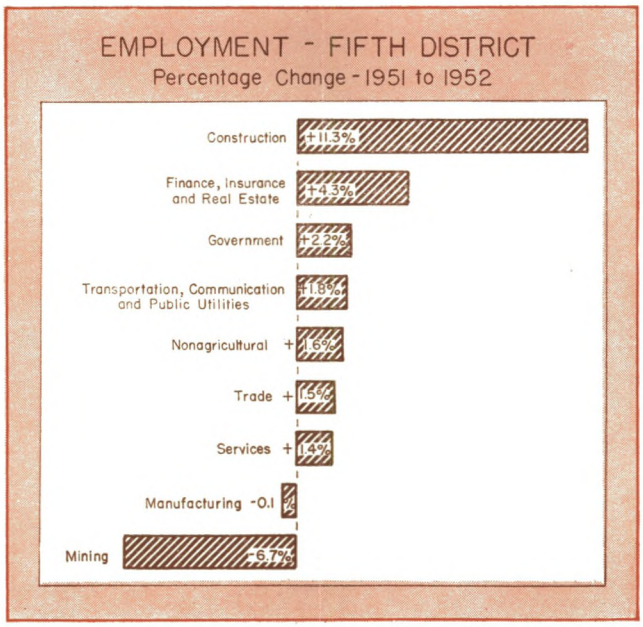
There has been considerable comment to the effect that department stores have been losing their relative position in total retail trade. In this District this appears to be due more to the changes that have taken place in the character of trade than to a basic shift; the changes including the increase in food demand and the heavy replacement of more or less obsolete durables. In 1952 the trend swung moderately in favor of soft goods lines, and this seemed to indicate that the department stores were in a slightly more favorable position than in earlier years. Indications are that durables will again fare better in 1953 than soft goods, again giving the appearance that department stores are falling behind relative to their trade competitors.

The accompanying chart shows that the best sales performance in 1952 relative to 1951 occurred in West Virginia, followed in order by Virginia, South Carolina, North Carolina, Maryland and the District of Columbia. The West Virginia sales gain was established despite the fact that 1952 was a bad coal year and that payrolls in 1952 were somewhat below 1951. Economic conditions in Maryland during 1952, aside from the effects of the coal strike, were the best in the District, but this did not show up in the sales of department stores. Sales changes in the District of Columbia are for identical stores in both years.

Employment: Record Level Reached

Among the more significant of statistical series are those which measure the ways by which the people of a region earn their livelihood. Such figures go beyond the mere measurement of employment and can reveal much about the composition of the area to which they are applied.

In November 1952 employment in the Fifth District (other than in agriculture) numbered 4,253,000, a gain of 63,900 or 1.5% over a year earlier. This was the highest level ever attained. In manufacturing industries of the District, November employment of 1,341,000 was nearly 3% higher than in November 1951 and at the highest level in history except for a few months during 1943 at the peak of war production and just prior to heavy withdrawals of manpower for armed services.



The average nonagricultural employment level in 1952 was likewise higher than it has ever been before. A look at the composition of average employment in the District last year shows manufacturing, trade and Government services accounting for nearly 70% of the total. Manufacturing alone accounted for 31%, trade 19%, and Government services 19%.

Expanding employment levels have been persistent in food products and in apparel industries of the District. South Carolina showed the greatest rate of growth in apparel lines. The tobacco industry employed more people in 1952, after having shown a moderate decline for several years. In the over-all, the nondurable goods industries have shown moderate growth over the past several years.

The durable goods industries have been responsible for the major part of the gain in manufacturing employment since the Korean War, particularly in employment at the shipyards, aircraft factories, and in machinery manufacturing concerns. Employment in transportation equipment industries, which rose markedly during 1951, has leveled out since the Spring of 1952 but still holds close to peak figures. A similar situation has occurred in the machinery industries where efforts are directed to defense. Machinery concerns in North and South Carolina engaged in making textile machinery were in a moderate downward employment trend during most of 1952.

Bituminous coal, one of the larger employers of manpower in the District, averaged 126,000 workers or 3% of the total. At this level, employment was 8% lower than a year ago and evidences the decreasing relative importance of coal mining that has gone on for several years—in 1949, the industry accounted for 3.7% of total nonagricultural employment; in 1950, 3.5%; and in 1951, 3.3%.

Construction was an important source of employment in 1952, with an average of 287,100 workers occupied in this industry, nearly 7% of the total. This industry, furthermore, has been an increasing source of employment for some time, its share having increased from 5% in 1949.

Transportation and communication occupied an average of 336,500 workers in 1952 or 8% of the total. Despite an increase of 28,100 between 1949 and 1952, the relation to total industry has declined slightly, from 8.3% in the former year to 8.1% in 1952.

The number of workers engaged in trade averaged 793,700 in 1952, a slight gain (1.5%) over 1951, and a gain of 9% over 1949. Despite these gains, the proportion of total nonagricultural employment engaged in trade has hardly held its own.

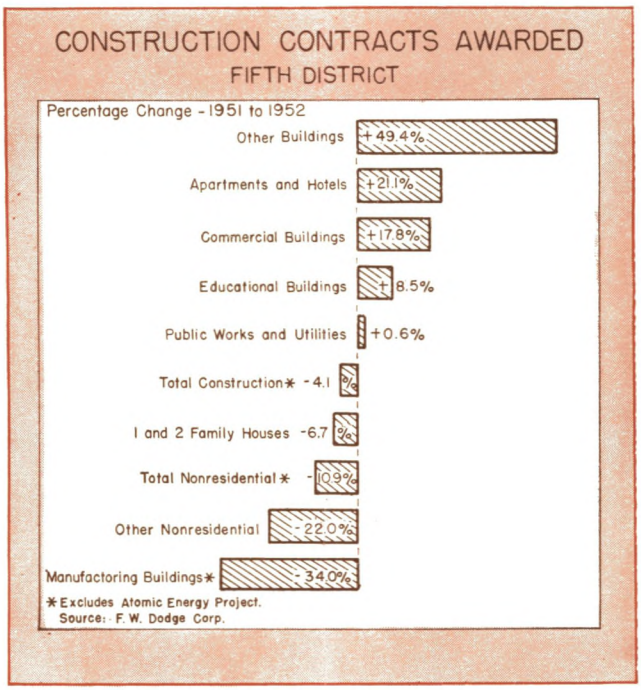
Finance, insurance, and real estate employed an average of 129,800 in 1952, an increase of 4% over 1951. Between 1949 and 1952 employment in this group showed a sharp increase of more than 17%. Miscellaneous employment in business services averaged 383,400 in 1952, again a slight gain over 1951 and 5% over 1949. Despite this increase, the group's proportion of total nonagricultural employment remained at the 1951 level—just over 9%.

Government services—Federal, State and local—provided jobs for an average of 793,800 persons in 1952. This represented a gain of 2% over 1951 and 15% over 1949, to account for 18.6% of total nonagricultural employment in 1949 and 19.1% in 1952.

Construction: Contract Awards Declined

CONSTRUCTION contract awards in the Fifth District during 1952 were valued at $1,531 million, some 30% below awards in 1951. A $600 million award for the Savannah River atomic energy project in 1951 makes up the chief difference between that year and 1952. If this special project is eliminated from the 1951 total, total construction contract awards in 1952 were within 5% of those in 1951.

Major change in the construction industry in this District during 1952 was the rather substantial drop in the construction of new factory buildings. Awards for this type of construction during the year were off 34% from 1951 exclusive of the atomic energy project. The last half of the year showed little activity in this line.



Commercial buildings increased rather sharply from the late Spring through the remainder of the year when the materials supply was relaxed for these purposes. In 1952 commercial contract awards gained 18% over the same months of 1951. The persistent expansion in the trade level and the relatively rapid growth in urban population obviously create a favorable climate for continued expansion in this type of construction.

Educational buildings in 1952 showed a gain of 8.5% over similar months of 1951, yet little seemed to be accomplished in meeting the over-crowded conditions of the schools. Current school construction has in many places failed to keep pace with the growth in school-age population, and a high birth rate still exists.

Other nonresidential construction in 1952 declined 22% from the same period of 1951. This again was due in part to materials restrictions, a relaxation of which has already occurred, and further relaxation is likely in the Spring. Total nonresidential construction in the 1952 period was down 11% from a year earlier (again with the atomic energy project excluded).

Contract awards for public works and utilities were at about the same level in 1952 as in 1951. Output of electric power in the District rose at a slightly faster rate in 1952 than in 1951. It is apparent that public utilities expansion was handicapped, along with many other types of construction, by a materials or equipment supply situation. Such growth in power output would logically point to a further continuation in expansion of power facilities.

Partly offsetting the declines in nonresidential construction was a small rise in total residential construction, with apartments and hotels gaining 21%, other shelter gaining 49%, and one- and two-family houses declining 7%. During 1952 eighteen public housing projects were started in this District valued at $39 million or $12 million greater than the increase in contract awards for apartments and hotels during the months of 1952.

Certificates of necessity permitting rapid amortization were approved for the Fifth District during 1952 in the amount of $681 million, for a gain of 77% over 1951. Transportation industries received certificates for construction valued at $221 million (28% of the total). Public utilities were responsible for $204 million (30% of the total). Manufacturing facilities were awarded certificates for $194 million of construction (28% of the total). The remainder was allocated to mining, storage, shipbuilding, and a group of miscellaneous industries which together accounted for 9% of the total.

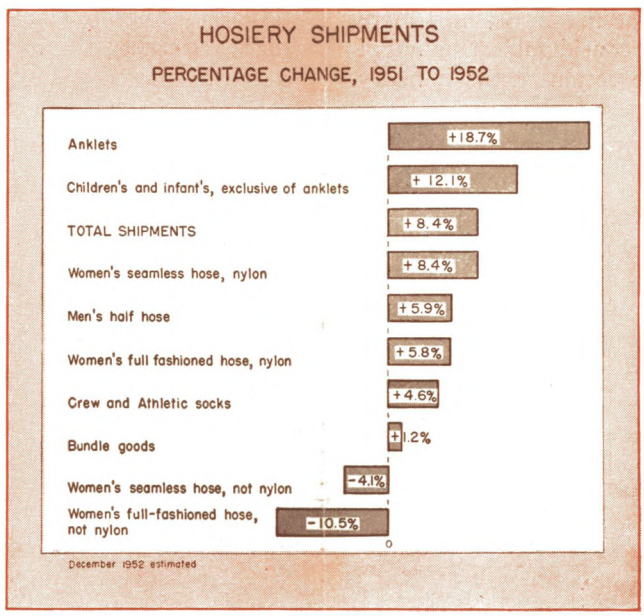
An interesting development in the construction situation during 1952 was that intentions of manufacturing firms regarding construction outlays (which may or may not have been started in 1952) showed a substantial shift from textiles to other types of manufacturing. In 1952 the value of proposed manufacturing plants, other than textiles, accounted for 77% of the projects valued at more than $100,000. This compared with a figure of 37% in 1951 and an average of 41% in the period from 1947 through 1952. These figures may imply that the District is trending towards a more diversified industrial economy.

Construction costs continued to rise during the first half of 1952, but leveled off after that time. A few materials showed a slightly easier tendency during the year.

Hosiery: Demand Exceeded Production

Hosiery production, indicated to total 162 million dozen pairs, in the United States during 1952 topped all previous years and even surpassed the previous record year 1950. The increase over 1951 was better than 5%. Hosiery demand at the mills was greater than the year's production; as a result, mill stocks declined a little more than 2 million dozen pairs during the year.

Two of the outstanding developments in the industry during 1952 were the continued price weakness early in the year and stability at the lower level in the latter part of the year. As a consequence of the price situation, a few mills in this District reduced wages around mid-Summer while a larger number of northern mills did likewise. Sixty-six gauge hosiery was introduced during 1952 and some were considering the introduction of 72 gauge and higher. Merchandising was extended to grocery supermarkets and late in the year a scarcity of skilled operators was noted. The chief innovation for 1953 will probably be the introduction of 12-denier nylon yarns.



The average work week in the full-fashioned industry in North Carolina during 1952 was 38.0 hours, some 5% higher than during 1951. In the seamless industry, the average work week was 36.5 hours, a gain of 8% over that of 1951.

Outstanding in 1952 was the demand for anklets which rose sharply (19%) to more than 35 million dozen pairs, and accounted for one-fifth of the total hosiery demand. Mill shipments of men's half hose and slack socks rose 6% in 1952 over the previous year to total nearly 47 million dozen pairs or slightly more than 28% of all hosiery shipments.

Shipments of women's full-fashioned hosiery (52 million dozen pairs) were up more than 5% from 1951, with the all-nylon more than offsetting sizable losses which occurred in rayon and silk stockings. In the women's seamless division, shipments were up only slightly from 1951 but the nylon seamless, with an 8% increase, did somewhat better than the nylon full-fashioned.

Sales of women's and children's hosiery at department stores of the United States in eleven months of 1952 were down 7% from a year ago. A small part of this drop was due to price reduction in women's hosiery which at the retail level was down 3.5%. Men's hosiery and children's sock prices at retail averaged fractionally higher in 1952 than in 1951. At the wholesale level, hosiery prices as measured by the Bureau of Labor Statistics dropped 5.5% in 1952 from 1951. Department store inventories of hosiery at the end of November were up only 4% from a year ago. However, this represents a rather substantial reduction from the seasonally adjusted peak of early 1951.

Full-fashioned hosiery producers were able to effect operating economies during 1952 by increasing sales 5.5% with a total labor input (employment times hours worked) up 0.6%. This economy made the low price level somewhat more tolerable than it had been in the previous year.

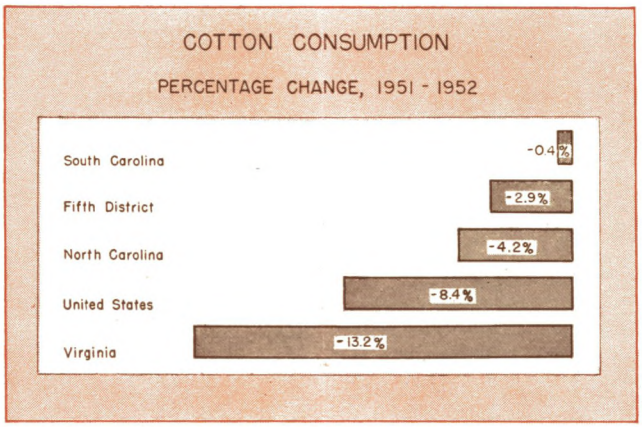
In the latest month of record, employment in the hosiery mills of North Carolina amounted to 51,500 workers with 23,200 of them in full-fashioned mills and 28,300 in seamless mills. Total employment was up 2,800 above a year ago, with all of the gain in the seamless branch of the industry. The trend of employment in the full-fashioned branch had been downward between February 1951 and July 1952. A moderate pick-up has occurred since that time. Employment in the seamless branch of the industry is normally a seasonal affair, with the Summer being the low period. Currently, employment is close to the all-time peak established in the Fall of 1950 and it will probably continue at this level through the first quarter of the year.

Despite the peak level of hosiery production in 1952, this output was not out of line with long-term growth in demand, nor is the industry's position weakened by the large output. Rather, the demand outlook appears sufficient to develop a firmer price structure.

Cotton Textiles: Notable Recovery From Slump

Of major importance in the cotton textile industry during 1952 was the fact that the slump which had prevailed for a year and a half was reversed and a substantial recovery in operations was witnessed. This turn around evoked a clear-cut change in the industry and substituted a high measure of confidence which the extended slump of 1951 had undermined.

In 1952 cotton consumption by Fifth District mills totaled 4,955 thousand bales or within 3% of the peak year 1951. This performance was considerably better than that of the industry as a whole, for the consumption of cotton in the mills of the nation declined more than 8% over 1951. Since a considerable amount of cotton is consumed outside the cotton textile industry proper — in the form of mattresses, padding, and the like— a better measure of the industry's operations is found in the number of hours of active spindle operation. Here the District total last year was 66.0 billion, a drop of 2.5% from 1951 (the industry as a whole declined nearly 8%). This situation raised the District's proportion of spindle hours from 57.2% in 1951 to 60.4% in 1952.



South Carolina consumed almost as much cotton in its mills in 1952 as in 1951; Virginia's decline was 13%, and North Carolina's just over 4%.

For the District as a whole, the mills operated more efficiently in the first eleven months of 1952 as compared with the same months of 1951. Total man-hours of labor in this period dropped 4%, while total output as measured by cotton consumed dropped 3.7%. South Carolina mills showed improvement, with labor input down 3% and production down only 1%. North Carolina showed labor input down 2.1% and production down 5%; while Virginia showed labor input down 3.5% and production down 14.7%.

The average mill margin on 17 constructions of cotton cloth in 1952 declined nearly 25% (29.42 cents compared with 38.91 cents in 1951). Mill margins in the last quarter of the year, however, were somewhat better (34 to 36 cents compared with 29 to 31 cents in the last quarter of 1951). Prices of cotton goods and yarns in 1952 averaged 11.5% below 1951—yarns were dow 13%, broad woven goods down 12%, and thread down 3%.

The dollar sales of predominantly cotton goods in department stores of the United States during the first eleven months of 1952 compared with the same months of 1951 showed piece goods off 1%; linens and towels off 9%; domestic muslin and sheeting off 15%; handkerchiefs off 6%; infants' wear up 5%; aprons, housedresses, and uniforms up 6%. Since retail prices were also considerably lower, unit sales of these cotton items were probably as high as 1951's.

Foreign trade in cotton goods and yarn held up much better than had been anticipated early in the year 1952. Exports of cotton manufacturers (ten months) were off slightly (around 4%). Total volume exported amounted to 635 million square yards (compared with 661 million square yards in the same period 1951) and exports of cotton semi-manufactures in ten months of 1952 amounted to 196 million pounds, up nearly 10% over the previous year. Since exports in the later months of the year were rising, total exports of cotton manufactures for the full year may have reached 775 million yards (compared with 802 million yards in 1951). Cotton semi-manufactures may have totaled 230 million pounds, or only some 3% under 1951.

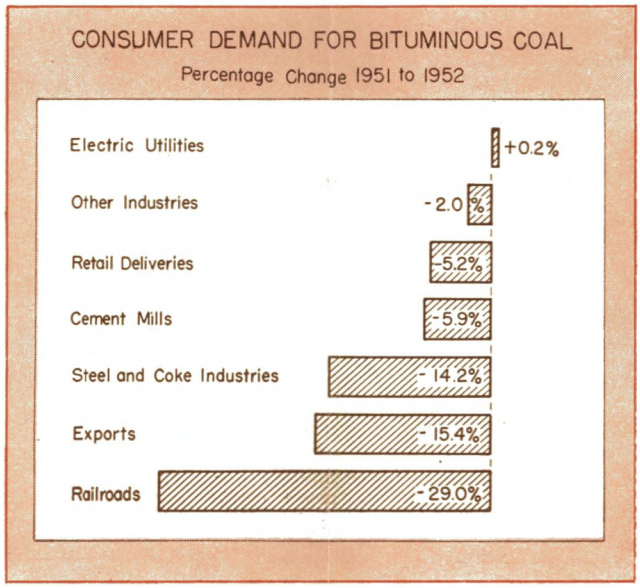
Cotton consumption in 1952 is estimated to have been moderately below the long-term trend of growth, which raises the interesting questions of productive capacity and what is happening and will happen to demand at current levels. In any event it is expected that some further rise in output will occur, at least during the first half of 1953.

With the raw material costs considerably reduced from where they were in both 1951 and most of 1952, the existing price structure makes operations profitable and at the same time, current prices are at a level conducive to the development of bigger retail volume.

Order backlogs improved notably during the Fall months, and, although new business since that time has come in spurts, backlogs continue to show a strong demand for goods and yarns. Selected selling has been done for the third quarter of the year, and style trends still point favorably toward cottons. Heavy industrial goods, sparked by rising automobile production, have been sold in better volume and improvement in demand for tire cords seems quite possible.

Bituminous Coal: Consumer Demand Down

Several developments during 1952 adversely affected the demand for bituminous coal. The first of these was a mild winter in Europe and a considerable reduction in export requirements. Presumably, trade restrictions imposed by various European Governments and resulting from scarcity of dollar exchange played a part in the slackening use of American (and Fifth District) coal. An open winter, both at the beginning and end of the year, reduced domestic demand for heating requirements below what they otherwise would have been. And the two months' Summer strike in the steel industry reduced coal consumption around 20 million tons. The railroads, continuing their rapid rate of dieselization, used nearly a third less coal.



As a result of these developments, bituminous coal production nationally declined 70 million tons to a total of 463 million tons, or 13% below 1951. In the Fifth District, bituminous coal output in 1952 also declined sharply, to approximately 162 million tons. At this level, it still constituted more than a third of the nation's output.

West Virginia, the District's largest producer, accounted for seven-eighths of the output, with Virginia providing nearly all of the remainder. Largely as a result of the better performance in Virginia mines, the District's proportion of the national output in 1952 was 35%, slightly above the 1951 figure.

Total domestic utilization and exports in 1952 exceeded production by 6 million tons and, as a consequence, stocks were drawn on by this amount. Domestic consumption declined by 52 million tons, to approximately 420 million, while exports dropped 9 million tons to about 49 million, and stocks declined 6 million tons in 1952, compared with a rise of 4 million tons in 1951, which had the effect of reducing production 10.1 million tons.

As usual, industrial demand accounted for most of the soft coal used—and at 348 million tons, was off about 35 million tons from the previous year. Decreased demand from the steel industry accounted for about 17 million tons of the industrial decline, and railroad use fell by 16 million tons, or 29% below 1951 utilization. Cement mills reduced consumption last year by a half-million tons and other industrial concerns showed a drop of 2 million tons. Electric utilities were the only consuming outlet which showed a gain in 1952 over 1951, but this amounted to less than 200,000 tons, or a mere 0.2%.

Kilowatt-hour output of electric utilities in the first ten months of 1952 rose nearly 8% from 1951, with water power output up 9% and fuels output up 7%. Interestingly, consumption of fuel oil by electric utilities in the ten months of 1952 dropped slightly from 1951, while consumption of gas rose nearly a fifth.

The competitive relationship between oil and coal favored the former during 1952. Coal prices remained essentially the same as in 1951 throughout most of the year while oil prices declined about 10%. Another recent cut on the East Coast in the price of heavy fuel oil may accentuate the unfavorable competitive situation for coal.

The ports of the Fifth District handled much less coal in 1952 than in 1951 (41 million tons as compared with 51 million tons). The major portion of the decline occurred in foreign cargo through the ports of Hampton Roads. New England cargo handled through both Hampton Roads and Baltimore showed a small increase in 1952 over 1951.

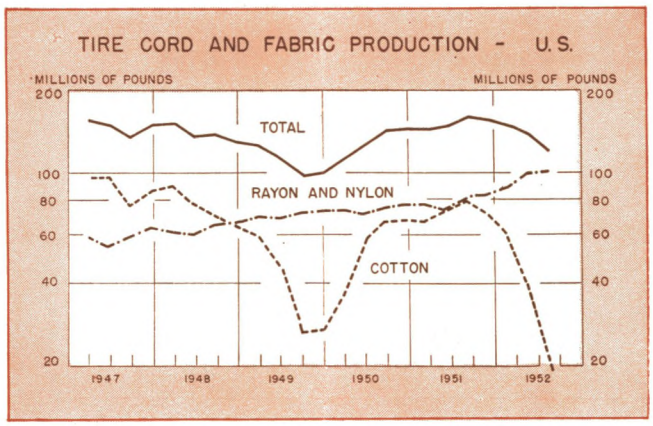
Employment in the mines of Virginia and West Virginia reflected the softening demand for coal and averaged 8% less than in 1951 (126,100 vs. 137,100)—an unpleasant augury for the industry in a period of booming industrial activity and near-full employment.

On top of such adverse factors to the coal business as increased use of diesel railroad locomotives, an unfavorable competitive position with fuel oil, a rapid growth in gas distribution, and declining exports came a season labeled Winter, but without cold weather. The removal of controls on petroleum products prices is expected to lead to a price rise in crude oil. If this should bring a strengthening in heavy fuel oil prices, oil would become more competitive with coal, particularly on the Eastern Seaboard.

Man-Made Fibers: Tire Yarns Fared Best

THE rayon and acetate industries in the United States made a substantial comeback during the greater part of 1952. Shipments, however, failed by a small margin to equal those of the year 1951 and were still 9% short of equalling the banner year, 1950. Total shipments of rayon and acetate amounted to 1,146 million pounds while production amounted to 1,136 million pounds. As a consequence, producers' stocks declined by more than 24 million pounds or approximately a fourth during the year.

High tenacity viscose tire yarn was the strong spot in the synthetic industry. In fact the gain in high tenacity shipments was nearly sufficient to offset a 15% reduction in regular and intermediate tenacity yarns of both rayon and acetate. The rise in shipments of rayon and acetate began in April 1952 and made a peak for the year in August. Since that month, there has been a modest setback in shipments, but in all months of the year from June forward shipments exceeded 100 million pounds monthly.



Total staple and tow shipments were 6% below 1951 with rayon showing a gain of 5% and acetate a decline of 22%. Of the regular and intermediate tenacity yarns, acetate fared better in 1952 than rayon with shipments for the year down 5% from 1951, while rayon shipments were down 26% in the same period.

In the tire cord field, rayon and nylon tended still further to displace cotton; in the third quarter 1952, only 19 million pounds of cotton cords were used compared with 101 million of rayon and nylon. This however, may present an unduly pessimistic picture of the cotton tire cord situation since over-all demand in the third quarter was at a cyclical low point. Shipments of tire yarns totaled over 400 million pounds or a gain of more than 24% over 1951. The tire industry outlook for 1953 is quite favorable and a total expansion of demand is in prospect. It has been estimated that approximately 75 million additional pounds of rayon tire cord would be used in preference to cotton if it were available.

Prices of rayon and acetate fabrics strengthened notably during the Summer of 1952 but receded somewhat in the later months of the year. Although prices appear to have stabilized, the demand outlook has not been exuberant enough to indicate substantial improvement from current levels. The weavers, however, are fairly optimistic on the Spring outlook and some improvement in demand may well occur.

Between November 1951 and November 1952 capacity of the rayon and acetate industries was expanded 75 million pounds, the greater part of it in the Fifth District. Expansion for 1953 and 1954 has been estimated at 206 million pounds, of which staple and tow will account for 143 million pounds, and high tenacity yarns 53 million.

Expansion in production facilities in the weaving trades slowed down to a walk in 1952 following the very substantial outlays of 1950 and 1951. Demand for woven fabrics, however, was at a much better level at the end of the year than at the beginning. It is probable, therefore, that new weaving plants will be started in 1953.

Prices of filament yarns and staple fiber were reduced during 1952, with rayon staple down from 40 cents to 30 cents (November) and acetate staple down from 48 cents to 42 cents in February, and a second reduction to 39 cents in November. Rayon filament yarn prices remained unchanged in 1952 while acetate filament yarn was reduced from 76 cents a pound to 70 cents a pound in March 1952 and raised to 73 cents a pound in July where they have remained ever since.

It is interesting to note the geographic shift of rayon and acetate shipments in 1952 compared with 1951. In filament yarns 1952 total shipments were down 1.8% from 1951. All geographic areas except the South showed reductions, ranging from 3.6% in Pennsylvania and Ohio to 25.9% in New England, with the largest consuming area (the Piedmont) down 4.9%. Shipments to the South (other than the Piedmont) rose 43.1% to make this area second in importance in 1952, and first in tire cord yarns.

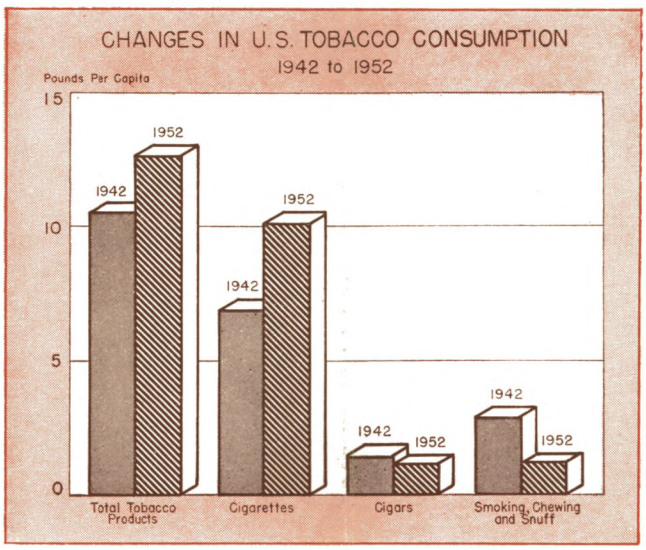
All geographic areas except the Midwest and West received larger shipments of tire cord yarns in 1952 than in 1951, percentage increases ranging from 10.1% in Pennsylvania and Ohio to 45% in the South. In textile filament yarns only the South, a relatively small user, showed a gain from 1951 to 1952. Losses in other areas ranged from 10% in the West and Midwest to 28% in New England.

Cigarettes: Industry Continued Growth

THE cigarette industry continued to grow during 1952, and accounted for 80% of total tobacco products used. Cigarette output in 1952 has been estimated at 431 billion cigarettes for the year, a gain of 3% over the output of 1951.

Manufacturers' tobacco costs were moderately higher last year. Based on three-year average prices, flue-cured tobacco costs of manufacturers were up approximately 2% in 1952 compared with 1951, while the cost of Burley was up about 4% higher than in 1951.

Employment in the tobacco industry of the District in the first eleven months of 1952 averaged 43,900, a gain of 1,000 over 1951, and the first uptrend in several years.



An interesting development in 1952 both to manufacturers and tobacco growers was the substantial growth of king size cigarettes. The "long smokes" increased 54% last year over 1951, as compared with an increase of 3% for domestic consumption of all cigarettes. Regular size cigarette sales actually declined 3% over the year, and accounted for 80% of total domestic consumption compared with 86% in 1951.

Domestic consumption accounted for more than 91% of the total, while exports accounted for about 4% of total output. Tax-free cigarettes for overseas forces, United States possessions, and ship stores have been estimated at 22 billion in 1952, or 5% of the total output in that year.

The Fifth Federal Reserve District produced the lion's share of national cigarette output—nearly 79%. Within the District, North Carolina, the leader, increased its proportion slightly, from 66.7% in 1951 to 67.6% in 1952. Meanwhile, Virginia's proportion declined from 33.3% in 1951 to 32.4% in 1952. Kentucky has continued to gain on both states. The production pattern during the year 1952 was persistently upward, a trend expected to carry into 1953 and produce a total some 3% or more ahead of 1952.

Cigarette prices in 1952 were about 5% higher than in 1951 because of an increase in Federal excise taxes and some increase in state and city levies. The manufacturers' price, however, remained unchanged in 1952 from 1951. Several manufacturers have requested price increases from the OPS but these have not been approved. If price ceilings expire at the end of April 1953, a price increase at the manufacturers' level may be expected at that time. Federal excise taxes were increased from 7 to 8 cents a package on November 1, 1951, and under the existing law the 8-cent rate will continue in effect until April 1, 1954, when it will fall again to 7 cents.

It would appear that the market preference is moving quite rapidly toward king size cigarettes, and if this proves to be a fact in coming years it will mean an added demand for both flue-cured and Burley tobacco to satisfy the same market. It will also present a problem to the manufacturers regarding their costs and prices. The king size market in 1952 accounted for 18.1% of total domestic consumption compared with 12.2% in 1951. Filter tip cigarettes also showed substantial increases in sales from 1951 to 1952, but these were relatively unimportant in the total.

Employment in cigarette manufacturing increased slightly last year—and thus reversed its downward trend. North Carolina's and Virginia's average employment each rose 300. Jobs in cigarette factories in the two states averaged 20,400 in the first eleven months of 1952, compared with 19,800 in the same months of 1951. Cigarette employment in the industry accounted for 46% of the total in 1952, compared with slightly less in 1951. The average work week in the first eleven months of 1952 was 38.9 hours, exactly the same as in 1952, compared with 19,800 in the same months of 1951. eleven-month period compares with an increase of 3% in man-hours expended in the industry. Man-hour output therefore declined 1% in the 1952 period from 1951.

The rate of growth in cigarette production in 1952 of 3% over 1951 is lower than the 7% shown in 1951 over 1950 but it compares fairly well with other postwar years of 1.8% in 1950 and a loss of 0.5% in 1949, a gain of 4.6% in 1948, 5.6% in 1947, and 5.4% in 1946. Cigarette usage has continued to expand in percentage of total tobacco consumption. In 1952 cigarettes accounted for 80.2% of all tobacco products consumed domestically, compared with 79.6% in 1951, 56.6% in 1940, 43.4% in 1930, and 21.8% in 1920.

Business Conditions and Prospects

THE most important aspect of the Fifth District economy during 1952 was that the year opened with a declining business trend and ended in a strong revival. This was particularly true of most lines of manufacturing and specifically of the cotton textile industry—last Spring the cotton textile industry was running between 15 and 20% below the previous year; at year end it was only 3.5% below.

On balance, the best appraisal that could be given of 1952 was that on a volume basis the year was about equal to 1951, but on a profit basis it was poorer. The high production levels in the defense-supporting industries and the continued expansion in the trade levels was just about an offset to those industries which did not fare so well.

Business activity in the Fifth District during 1952 was poorer or better than 1951 depending on the type of activity observed. On a volume basis, tobacco companies found the year to be better and so did most lines of retail trade. Life insurance sellers thought it was an extremely good year and so did the hosiery producers from a volume standpoint. The rank and file of the people found jobs equally as plentiful in 1952 as in 1951, and banks generally found 1952 to be a better year than 1951. Primary metal industries, machinery and transportation industries operated at their highest postwar levels. The household furniture industry did about as well in 1952 as in 1951.

On the other hand, the cotton textile industry found its year's volume somewhat below 1951. Bituminous coal, beset by a steel strike and a substantial reduction in exports, witnessed a considerably poorer year in 1952 than in 1951. The construction industry also failed to equal the levels established in 1951, mainly because of a setback in industrial construction. Lumber and paper industries did not fare as well in 1952 as in 1951, and the same was true of metal fabricators.

Developments most worthy of note during 1952 were the new high record production of hosiery, the continued expansion in apparel industries in the District, and a dominance of industries other than textiles in the year's industrial growth.

At the turn of 1953, the durable goods industries in the District were at postwar-peak employment levels and indications are that these levels will continue at least through the first half of 1953. The soft goods industry turned into 1953 in strong revival and demand for the products of these industries has continued in such a volume that it is conservative to anticipate rising levels of activity through the first quarter of 1953 and probably holding those levels in the second quarter.

Agriculture's contribution to the District's economy during 1952 was somewhat smaller than in 1951, with cash income from farm marketings down about 5% from the previous year. Production of cash crops was generally lower with tobacco down 5%; peanuts down 10%; and cotton down 13%. The chief effect of the Summer drought was to reduce the corn crop 27 million bushels or 17% and to cause some premature openings of cotton bolls which were later damaged by rain. Other feed grains were produced in about the same volume in 1952 as in 1951. The dairy situation was equally as good last year as in the previous one, and the corn crop in the principal dairying areas was not hurt as badly as in areas farther South.

Farm prices, particularly cotton and livestock, declined rather sharply in the last quarter of the year, providing an adverse influence on cash income during the early months of 1953.

The construction industry in the District wound up the year in a recovery trend. December contract awards were up 33% (seasonally adjusted) from November, and were within 6% of a year earlier. Primarily responsible for the rise during the month was a sharp increase in construction of factory buildings and in apartments and hotels as well as in commercial construction. Commercial construction may be headed for a new record in 1953. One- and two-family houses dropped considerably during December after adjustment, but still continue in high ground. G.I. home loans, which had been in a downward trend during the first half of the year, showed some tendency to level off during the last half. By contrast, G.I. loans in Maryland and North Carolina were trending upward during most of 1952.

Member banks of this District on December 31, 1952, held deposits of $6,746 million, a gain of $273 million or 4.2% over December 26, 1951. Of this gain, demand deposits, excluding interbank, rose $167 million or 3.7%; time deposits rose $84 million or 6.0%; while deposits of banks rose $22 million or 4.0%.

Loans and investments of the member banks rose $235 million or 4.6% during the year. Loans accounted for $227 million of this gain and were up a sharp 11% over a year ago. Loans of the weekly reporting banks in the District, which reached an all-time high level on December 31 of $1,358 million or 13% ahead of a year earlier, had dropped $23 million by January 21 or 1.7%. Commercial, industrial and agricultural loans were responsible for this January drop, having fallen $29 million from the year end to January 21. This compares with a drop of $11 million in the same period last year.

Bank debits in 31 reporting cities of this District totaled $66.8 billion in 1952 compared with $63.6 billion in 1951, a gain of 5%. Three cities in the District showed lower debits in 1952 than in 1951. But all the rest showed gains, with Durham, N. C. up 15%; Columbia, S. C. up 14%; Portsmouth, Va., up 14%; Norfolk, Va. and Hagerstown, Md. up 12%; Charleston, S. C. and Raleigh, N. C. up 10%; and other cities ranging from up a fraction of 1% to 9%.

Insured unemployment in the District in the last week of December totaled 64,100 or 10,000 below the same period a year earlier. Insured unemployment does not measure the total level of unemployment but the figure at the end of the year was approximately 1.5% of the number employed. Even if the actual number of unemployed were double that shown under the insured programs, it would still be of small proportions.

Of the 24 labor market areas of this District listed by the United States Bureau of Employment Security, 9 were classified as areas of substantial labor surplus, 7 were areas of moderate labor surplus, 7 were areas of balanced labor surplus, and 1, the Aiken-Barnwell area of South Carolina, was classified as a labor shortage area.

ADDITION TO PAR LIST

The New Ellenton Branch, Bank of Greenwood, New Ellenton, South Carolina, opened for business on February 2, 1953, and has agreed to remit at par for all checks drawn on it when received from the Federal Reserve Bank. This new banking office is located in the Charlotte Branch territory, and its combined A.B.A. transit number-check routing symbol is $\frac{67\text{-}754.}{532}$

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	Dec. 1952	Dec. 1951	12 Months 1952	12 Months 1951
Dist. of Columbia				
Washington	$1,140,602	$1,171,714	$13,015,168	$13,015,191
Maryland				
Baltimore	1,599,658	1,311,939	15,888,843	14,934,198
Cumberland	29,741	25,712	318,395	308,766
Frederick	26,303	21,958	278,622	257,356
Hagerstown	41,074	34,823	436,349	391,157
North Carolina				
Asheville	73,617	66,724	755,150	721,264
Charlotte	387,184	379,565	4,245,038	4,124,276
Durham	129,070	100,065	1,579,420	1,377,980
Greensboro	125,103	111,681	1,328,499	1,228,071
Kinston	23,661	20,121	330,328	310,854
Raleigh	199,690	178,227	2,230,095	2,033,101
Wilmington	46,162	45,735	554,175	517,724
Wilson	26,287	28,386	352,929	403,232
Winston-Salem	222,008	183,597	2,207,836	2,071,378
South Carolina				
Charleston	91,584	84,301	1,000,342	912,902
Columbia	157,471	151,199	1,776,788	1,557,431
Greenville	115,890	108,931	1,286,388	1,318,931
Spartanburg	71,104	76,127	851,358	835,148
Virginia				
Charlottesville	29,101	29,552	337,158	328,602
Danville	52,217	44,987	506,217	467,418
Lynchburg	55,856	49,158	571,637	553,400
Newport News	55,535	49,859	589,911	522,150
Norfolk	297,344	266,754	2,995,271	2,679,672
Portsmouth	35,431	28,711	349,090	305,586
Richmond	695,786	604,138	7,264,058	6,974,139
Roanoke	135,286	127,825	1,415,206	1,398,231
West Virginia				
Bluefield	61,577	55,652	584,680	579,842
Charleston	215,032	203,228	2,066,583	1,887,791
Clarksburg	43,163	41,311	428,781	417,243
Huntington	97,773	87,837	888,300	822,378
Parkersburg	34,262	33,853	368,333	375,219
District Totals	$6,314,572	$5,723,670	$66,800,948	$63,630,631

50 REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Jan 14, 1953	Change in Amount From Dec. 17, 1952	Change in Amount From Jan. 16, 1952
Total Loans	$1,333,381**	— 13,559	+141,585
Bus. & Agric.	620,471	— 16,786	+ 38,419
Real Estate Loans	261,269	+ 1,189	+ 22,088
All Other Loans	467,659	+ 2,176	+ 81,728
Total Security Holdings	1,902,258	+ 33,107	+ 50,387
U. S. Treasury Bills	268,496	+ 12,336	— 34,323
U. S. Treasury Certificates	158,301	+ 17,505	— 19,193
U. S. Treasury Notes	289,018	— 3,640	+ 3,482
U. S. Treasury Bonds	961,692	+ 3,911	+ 85,905
Other Bonds, Stocks & Secur.	224,751	+ 2,995	+ 14,516
Cash Items in Process of Col.	299,980	— 3,641	+ 23,698
Due From Banks	198,286*	+ 17,727	+ 652
Currency and Coin	83,095	— 4,860	+ 7,816
Reserve with F. R. Banks	569,079	— 29,196	— 44,166
Other Assets	55,881	+ 1,233	+ 1,600
Total Assets	4,441,960	+ 811	+181,572
Total Demand Deposits	3,431,310	+ 9,469	+107,919
Deposits of Individuals	2,558,019	+ 22,528	+ 74,182
Deposits of U. S. Government	116,106	— 12,670	+ 56,565
Deposits of State & Local Gov.	167,714	+ 8,250	— 23,199
Deposits of Banks	527,257*	— 9,298	— 7,280
Certified & Officers' Checks	62,214	+ 659	+ 7,651
Total Time Deposits	657,968	+ 4,463	+ 22,987
Deposits of Individuals	579,890	+ 5,817	+ 19,486
Other Time Deposits	78,078	— 1,354	+ 3,501
Liabilities for Borrowed Money	49,600	— 14,000	+ 31,150
All Other Liabilities	37,615	— 488	+ 7,113
Capital Accounts	265,467	+ 1,367	+ 12,403
Total Liabilities	$4,441,960	+ 811	+181,572

*Net figures, reciprocal balances being eliminated.

**Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Dec. 1952	Nov. 1952	Dec. 1951	% Chg.— Latest Mo. Prev. Mo.	% Chg.— Latest Mo. Yr. Ago.
Automobile Registration*	.....	161	145	— 9	+ 6
Bank Debits	454	437	431	+ 4	+ 5
Bituminous Coal Production	133	143	156	— 7	—15
Construction Contracts	694	520	740	+33	— 6
Business Failures—No.	53	58	42	— 9	+26
Cigarette Production	.....	246	221	0	— 8
Cotton Spindle Hours	161	159	143	+ 1	+13
Department Store Sales**	122	115	113	+ 6	+ 8
Electric Power Production	.....	399	355	0	+ 7
Manufacturing Employment*	.....	158	154	— 1	+ 3
Retail Furniture: Net Sales	217	207	201	+ 5	+ 8
Life Insurance Sales	383	364	338	+ 5	+13

*Not seasonally adjusted.

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

WHOLESALE TRADE

LINES	Sales in Dec. 1952 compared with Dec. 1951	Sales in Dec. 1952 compared with Nov. 1952	Stocks in Dec. 31, 1952 compared with Dec. 31 1951	Stocks in Dec. 31, 1952 compared with Nov. 30 1952
Auto supplies (8)	+ 3	—11	— 2	— 4
Electrical goods (4)	+24	+24	— 5	+ 9
Hardware (17)	+ 7	— 7	.....	.....
Industrial supplies (5)	+13	+13	.....	.....
Drugs and sundries (10)	+17	— 3	— 8	— 1
Dry goods (14)	+12	—16	+ 4	+ 2
Groceries (52)	+11	+ 5	— 3	—11
Paper & products (6)	+11	+ 8	.....	.....
Tobacco products (11)	+17	+17	+ 6	—23
Miscellaneous (91)	+13	+ 7	+11	+13
District Totals (218)	+13	+ 4	+ 7	+ 5

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, Dec. '52 vs Dec. '51	+ 8.9	+ 9.2	+ 8.4	+ 9.0	+ 8.8
Sales, 12 Mos. '52 vs 12 Mos. '51	+ 4.0	+ 3.1	— 0.7	+ 5.7	+ 3.0
Stocks, Dec. 31, '52 vs '51	+ 1.7	+ 6.2	— 4.1	+ 6.0	+ 1.9
Outstanding orders Dec. 31, '52 vs '51	+ 8.7	+22.5	+18.5	+ 9.4	+16.9
Open account receivables Dec. 1 collected in Dec. '52	31.8	45.6	42.2	40.5	40.8
Instalment receivables Dec. 1 collected in Dec. '52	13.4	13.4	14.0	18.7	14.1

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Dec. '52 vs Dec. '51	+9.1	+8.4	+9.4	+10.7	+7.4	+8.3

BUILDING PERMIT FIGURES

	Dec. 1952	Dec. 1951	12 Months 1952	12 Months 1951
Maryland				
Baltimore	$ 4,518,105	$ 4,249,905	$ 56,844,150	$ 81,653,750
Cumberland	20,180	21,800	607,086	2,066,128
Frederick	52,300	257,000	2,243,252	3,065,041
Hagerstown	88,460	952,775	1,595,218	4,900,845
Salisbury	103,541	77,205	1,478,756	1,597,700
Virginia				
Danville	104,442	132,421	4,675,647	3,763,200
Lynchburg	32,887	276,935	2,393,729	3,185,569
Newport News	2,794,237	105,306	9,387,547	2,102,827
Norfolk	595,874	1,632,325	19,832,862	23,526,026
Petersburg	60,400	138,760	2,020,772	3,332,735
Portsmouth	165,355	87,955	6,922,340	5,392,332
Richmond	4,737,159	1,669,749	23,254,331	27,689,800
Roanoke	413,052	472,628	9,788,457	15,605,548
West Virginia				
Charleston	678,075	226,720	12,057,040	6,091,163
Clarksburg	33,250	2,900	1,234,880	1,175,793
Huntington	351,014	203,099	7,258,988	8,130,942
North Carolina				
Asheville	162,312	114,956	3,515,584	6,507,991
Charlotte	1,320,778	936,641	20,652,303	20,490,486
Durham	179,520	181,152	9,273,077	9,287,845
Greensboro	541,085	233,147	8,466,669	14,702,980
High Point	185,400	66,800	3,541,315	3,072,154
Raleigh	1,572,450	554,407	17,558,803	12,928,653
Rocky Mount	318,544	187,584	2,885,834	3,924,219
Salisbury	353,838	24,900	2,458,650	1,404,237
Winston-Salem	508,407	171,210	11,395,682	14,074,084
South Carolina				
Charleston	99,904	90,809	1,865,844	1,744,755
Columbia	446,695	346,755	10,383,804	11,730,287
Greenville	561,400	664,386	9,317,675	9,772,985
Spartanburg	62,660	52,370	1,990,497	2,571,150
Dist. of Columbia				
Washington	4,715,747	2,420,252	54,268,951	61,241,369
District Totals	$25,777,071	$16,552,852	$319,169,743	$366,722,594

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1951: December 1952	12 Mos. 1952
Maryland (6)	+ 21	+ 7
Dist. of Col. (7)	+ 13	— 5
Virginia (18)	+ 13	+ 8
West Virginia (10)	+ 13	+13
North Carolina (14)	+ 6	+12
South Carolina (5)	+ 12	+13
District (60)	+ 13	+ 4
INDIVIDUAL CITIES		
Baltimore, Md. (6)	+ 21	+ 7
Washington, D. C. (7)	+ 13	— 5
Richmond, Va. (6)	+ 15	+ 8
Charleston, W. Va. (3)	+ 31	+27

Number of reporting firms in parentheses.