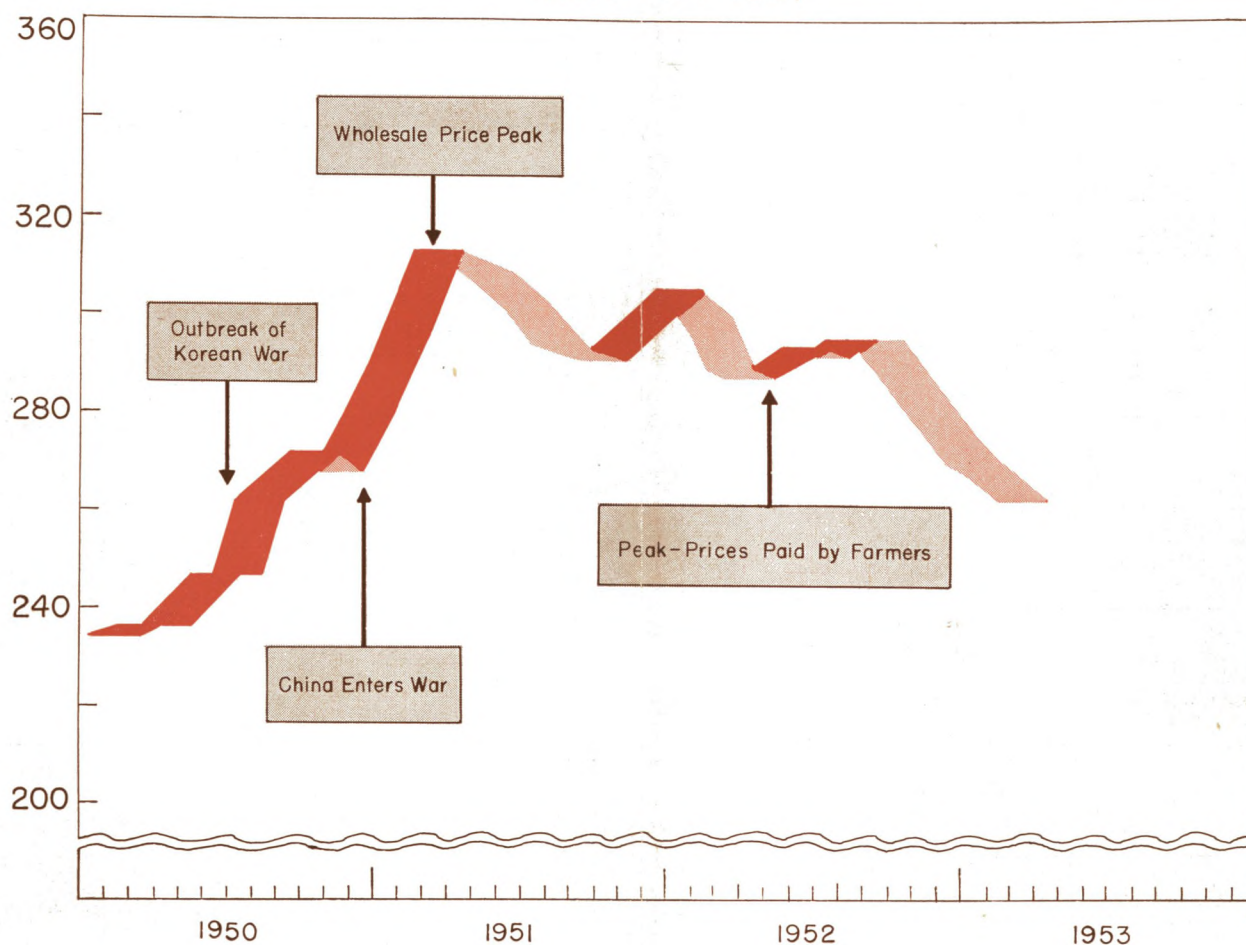


Monthly Review



April 1953

PRICES RECEIVED BY FARMERS (1910-1914=100)



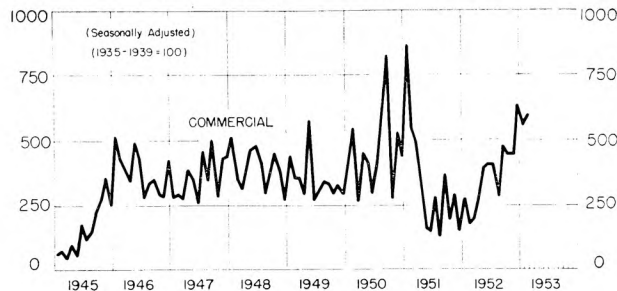
Farm prices rose sharply after Korea, reached their peak in early 1951, and have been declining for two years. Farm income in Fifth District states was less in 1952 and promises to drop again. These facts together with smaller tobacco and peanut allotments for 1953 provide the background against which farmers are mapping this year's operations. Their plans are discussed in the article beginning on page 3.

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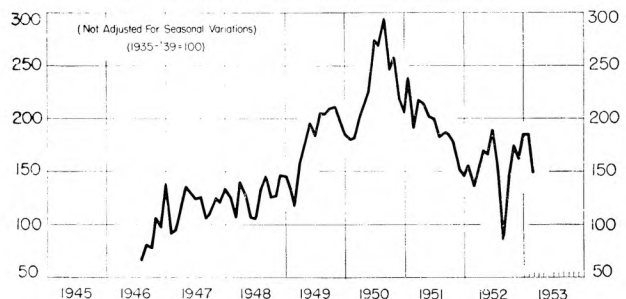
FIFTH DISTRICT TRENDS

CONSTRUCTION CONTRACT AWARDS



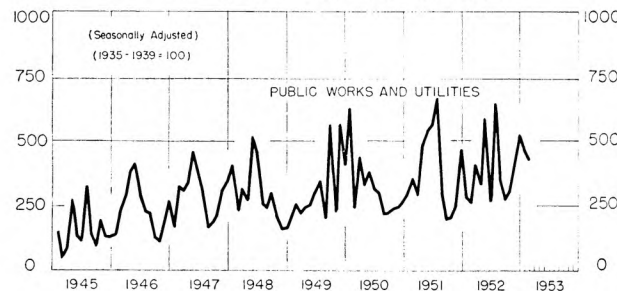
Higher level activity continued in commercial construction contract awards during February when the level rose 6% after seasonal correction to 248% ahead of a year ago. February awards recovered about half of the setback experienced between December and January. Elimination of materials controls should result in a high level of this type of construction during the current year.

NEW PASSENGER CAR REGISTRATIONS



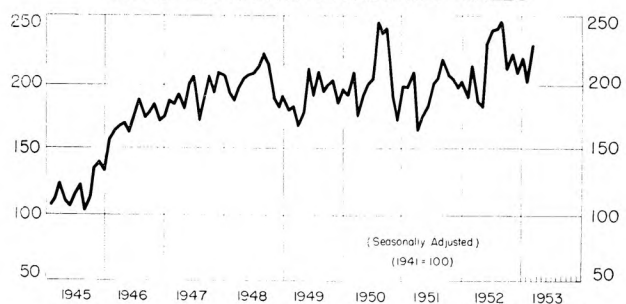
New passenger car registrations in February continued to do quite well but did not show as much gain over a year ago as in January. The short month of February showed new car registrations down 19% from January but 10% ahead of February 1952. Manufacturers' production of cars continues to rise and the outlook for sales during the first half year should continue to show sizable gains over similar months last year.

CONSTRUCTION CONTRACT AWARDS



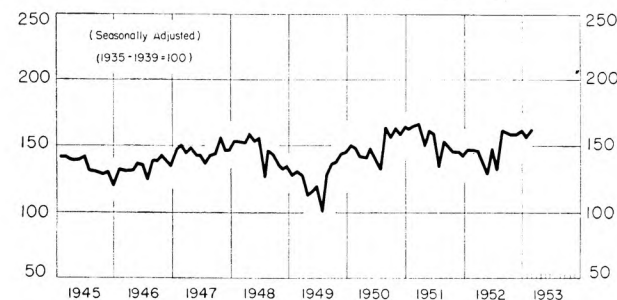
Although the adjusted value of contract awards for public works and utilities dropped 6% from January to February, these awards were 64% higher than in February 1952. Expansion of electric utilities continues, and substantial public works are necessitated by expansion of residential areas around most cities.

RETAIL FURNITURE STORES NET SALES



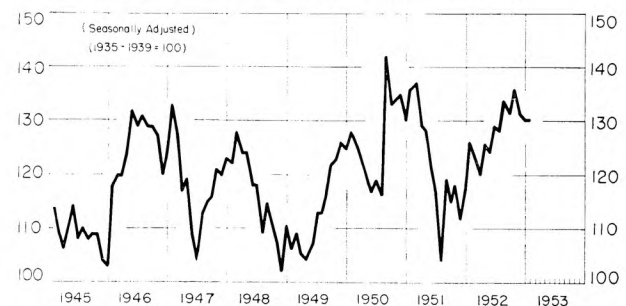
After backing down moderately for several months, adjusted furniture store sales in February recovered better than half of the loss experienced between August and January. February adjusted sales were up 14% from January to a level 7% ahead of a year ago. Furniture store inventories in February held at January adjusted level but were 8% ahead of a year ago or about in line with the sales gain.

ACTIVE COTTON SPINDLE HOURS



Operations in the District's cotton mills as measured by spindle hours rose 3% on an adjusted basis from January to February to within 2% of the postwar peak established in March 1951. Spindle hour operations in February were 10% higher than in February 1952. The amount of business booked makes it appear that the current or a higher level of operations will prevail during much of the first half of 1953.

HOSIERY PRODUCTION - UNITED STATES



The latest record of national hosiery production for January shows adjusted output held at the same level as in December but 3% ahead of a year earlier. Market indications seem to point to a maintenance of this level through March. A seasonal cutback in operations is now facing the industry but again it appears that this cutback will be somewhat less than is normally seasonal. Here and there prices give slight indications of a firmer trend.

Farmers Make 1953 Production Plans Against Background of Lower Farm Prices

FIFTH District farmers are planning a number of significant changes in their 1953 farming operations. Some shifts are mandatory because of smaller acreage allotments for some crops; others are voluntary actions based on growers' views on economic developments.

Flue-cured and Burley tobacco and peanuts are major crops for which allotments will be smaller than in 1952. Here the acreage reduction required puts the producers under pressure to make other changes in an effort to offset any loss of income that may result from the cut in allotments.

Among the major economic forces affecting farmers' production plans are the developments in farm prices and income. Prices received by farmers have been declining since reaching their post-Korean peak in February 1951. Now, two years later, the index of prices received by farmers is 16% below the peak and 7% below a year ago though still 6% above the pre-Korean level of June 1950. In recent weeks some firming has taken place, possibly indicative of an arresting of this long downward trend.

POST-KOREAN FARM PRICE BEHAVIOR, WITH COMPARISONS
(June 1950=100)

Indexes	June 1950	Low		High		Feb. 1953
		Index	Month first recorded	Index	Month first recorded	
Prices received by farmers, all farm products	100	106	July 1950	127	Feb. 1951	106
Crops	100	105	July 1950	126	Feb. 1951	110
Food grains	100	100	Oct. 1950	117	Feb. 1951	110
Feed grains and hay	100	99	Oct. 1950	123	Jan. 1952	108
Feed grains	100	99	Oct. 1950	124	Dec. 1951	106
Cotton	100	100	Jan. 1953	145	Apr. 1951	102
Tobacco	100	100	July 1950	115	Oct. 1951	109
Oil-bearing crops	100	105	July 1950	152	Mar. 1951	113
Fruit	100	81	Feb. 1952	106	June 1952	101
Truck crops	100	69	Sept. 1950	185	Jan. 1952	130
Other vegetables	100	76	Oct. 1950	211	June 1952	142
Livestock and products	100	103	Feb. 1953	128	Mar. 1951	103
Meat animals	100	85	Dec. 1952	125	Mar. 1951	89
Dairy products	100	102	July 1950	140	Nov. 1952	126
Poultry and eggs	100	111	July 1950	160	Dec. 1950	132
Wool	100	89	Apr. 1952	212	Mar. 1951	92
Prices paid, interest, taxes and wage rates	100	100	July 1950	113	Apr. 1952	110
Prices paid by farmers	100	101	July 1950	113	Feb. 1952	108
Family maintenance	100	101	July 1950	112	July 1952	109
Farm production	100	101	July 1950	114	Feb. 1952	106
Feed	100	100	Oct. 1950	120	Feb. 1952	113
Livestock	100	79	Dec. 1952	129	Apr. 1951	80
Fertilizer	100	100	Sept. 1950	109	Sept. 1952	109
Seed	100	97	Sept. 1950	117	May 1952	110
Interest	100	100	July 1950	128	Jan. 1953	128
Taxes	100	100	July 1950	116	Jan. 1953	116
Wage rates	100	100	Sept. 1950	120	Jan. 1953	120
Ratio, prices received to prices paid, interest, taxes, and wage rates	100	97	Feb. 1953	116	Feb. 1951	97
Wholesale prices	100	103	July 1950	116	Feb. 1951	110*
Wholesale prices other than farm and food	100	102	July 1950	115	Mar. 1951	110*
Consumer's prices	100	101	July 1950	112	Aug. 1952	112*

* January 1953.

Source: Compiled from official sources.

Prices paid by farmers reached their high in the Spring of 1952 and have since declined, though at a slower rate than the drop in farm prices. The "parity ratio" (ratio of prices received to prices paid, interest, taxes and wage rates) in mid-March stood at 94 (1910-14=100). This compares with a ratio of 100 in April 1952 when the high point in prices paid was reached, a post-Korean high of 113 in February 1951, a level of 97 in June 1950, and a 1935-39 average of 86.

In the accompanying table on farm prices the pre-Korean date of June 1950 is taken as a base for comparing various price series. These data reveal that since the Korean conflict began the index of prices received by farmers rose much more rapidly than the other indexes—prices paid by farmers, wholesale prices, or consumer prices. While prices fell, they were nevertheless (February 1953 average) still 6% above June 1950. This compares with increases of 10% in prices paid, interest, taxes and wage rates, 10% in wholesale prices, and 12% in consumer's prices—in the over-all, a fairly neat alignment for a 32-month period.

Farm Income Lower

Prices are obviously only a part of the farm income situation. In 1952 lower commodity prices were more than offset for the country as a whole by an increase in the quantity of farm products sold. Preliminary estimates of income from farm products show that each Fifth District state fell below its 1951 level. The reduction was greatest in South Carolina where last Summer's drought caused considerable damage, especially to cotton. These data are shown in the table summarizing cash receipts from farm marketings.

According to outlook reports of the United States Department of Agriculture and various land-grant colleges, prospects are that both gross and net farm income will shrink moderately in 1953. Purchasing power of net income is also expected to be somewhat smaller in 1953 than in 1952.

1953 Planting Intentions

Farmers are thus planning their 1953 cropping patterns against a background of declining farm prices and the prospect of some further reduction in farm incomes. A clue to contemplated changes in this year's farm operations is contained in "Prospective Plantings for 1953" issued by the Bureau of Agricultural Economics, based on March 1 indications which are subject to change. Since the BAE report does not cover cotton, estimates of Fairchild Publications, Inc. (*Daily News Record*) are here used.

Total acreage of the 12 major crops shown in the table of prospective plantings is expected to be about 2% larger than in 1952 in the Fifth District, as against a 1% increase for the whole United States. In Maryland a decline of 1% is indicated, and in both Virginia and West Virginia there are prospective decreases of a

fraction of 1%. North Carolina farmers plan an increase of 1% and South Carolina farmers intend to boost plantings 8%. The acreage increase in South Carolina, in fact, accounts for about one-eighth of the United States total increase for the 12 crops.

Tobacco: Fifth District farmers are planning to reduce the acreage of both flue-cured and Burley tobacco about 7% in 1953. If present plans materialize, there will be substantially less underplanting of allotments this year than last. An 8% cut is indicated for Maryland tobacco, even though allotments would have permitted acreage to increase 4% over 1952. Acreages of Virginia fire-cured and sun-cured will increase.

Cotton: According to the *Daily News Record*, farmers in Fifth District states will increase cotton acreage more than for any other major crop, 276,000 acres, or about 15%. Practically all of the indicated increase is expected in South Carolina where, if intentions materialize, cotton acreage will be 24% larger than in 1952 and the largest since 1937. This increase of 15% for the District is in sharp contrast with the reduction of 17% recommended in the Goals Program for 1953.

Feed Crops: Corn acreage will be smaller, except in North Carolina where a small increase is indicated. Acreage of oats, on the other hand, will be up 7% over 1952. With average weather, feed grain production should be well above last season's depressed level. Hay acreage is expected to show a 2% increase in the District, with all states except North Carolina showing gains.

Livestock Plans

In the Fifth District both milk and beef cattle increased during 1952, and both classes were at record

CASH RECEIPTS FROM FARM MARKETINGS

State or Area	1951	1952	Per Cent Change
	\$000	\$000	
Livestock and Products			
Maryland	184,474	177,223	-3.9
Virginia	277,438	264,497	-4.7
West Virginia	115,074	107,921	-6.2
North Carolina	195,458	203,557	+4.1
South Carolina	84,425	81,430	-3.5
Fifth District	856,869	834,628	-2.6
Crops			
Maryland	85,185	91,955	+7.9
Virginia	228,354	237,063	+3.8
West Virginia	24,946	26,343	+5.6
North Carolina	751,838	726,391	-3.4
South Carolina	328,673	298,929	-9.0
Fifth District	1,418,996	1,380,681	-2.7
Total			
Maryland	269,659	269,178	-0.2
Virginia	505,792	501,560	-0.8
West Virginia	140,020	134,264	-4.1
North Carolina	947,296	929,948	-1.8
South Carolina	413,098	380,359	-7.9
Fifth District	2,275,865	2,215,309	-2.7

Source: USDA, BAE, *The Farm Income Situation*, December 1952—January 1953.

levels. On January 1, the 3.9 million head in the five-state area represented an increase of 9% over the number on January 1, 1952. This marks the fifth successive year in which the District's cattle numbers have increased since the recent low of 3.0 million was reached in 1948. The 1953 number exceeds the peak of the previous cattle cycle reached on January 1, 1944 by over 600,000 head and is 25% larger than the 1942-51 average.

About 16% fewer sows in the Fifth District states are farrowing this Spring than a year ago. This re-

flects the smaller corn crop in 1952 and the decline in meat animal prices during the past year.

Summary

Despite the background of sharply lowered farm prices and much understandable talk and misgiving as to its adverse implications, indications are that 1953 will still be a relatively good year for Fifth District farmers—even taking into account smaller allotments in tobacco and peanuts. The cost-price squeeze is likely to be tighter and, if this turns out to be the case, farmers will be under increasing pressure to make shifts in operations in order to achieve increases in net farm incomes.

PROSPECTIVE PLANTINGS OF SPECIFIED CROPS IN 1953

Crop	Fifth District		Maryland		Virginia	
	Indicated 1953	1953 as % of 1952	Indicated 1953	1953 as % of 1952	Indicated 1953	1953 as % of 1952
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	908.0	93	-----	-----	101.0	92
Va. Fire-Cured	10.0	101	-----	-----	10.0	101
Burley	27.6	93	-----	-----	13.2	93
Maryland	47.0	92	47.0	92	-----	-----
Va. Sun-cured	4.0	118	-----	-----	4.0	118
Total Tobacco	996.6	93	47.0	92	128.2	93
Cotton	2,100	115	-----	-----	25	109
Corn, All	5,152	99	469	99	954	98
Oats**	1,690	107	61	97	197	102
Barley**	240	97	64	93	84	95
Hay, All*	4,561	102	478	101	1,504	103
Peanuts***	327	95	-----	-----	117	96
Soybeans***	917	103	103	110	213	95
Sorghums	107	124	-----	-----	9	82
Irish Potatoes**	118.7	106	6.7	105	38	109
Sweet Potatoes	97.5	111	5.5	110	18	106
Wheat**	1,313	97	269	95	364	96
Total (12 Crops)	17,619.8	102	1,503.2	99	3,651.2	100

Crop	West Virginia		North Carolina		South Carolina	
	Indicated 1953	1953 as % of 1952	Indicated 1953	1953 as % of 1952	Indicated 1953	1953 as % of 1952
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	-----	-----	684.0	93	123.0	93
Burley	3.1	95	11.3	93	-----	-----
Total Tobacco	3.1	95	695.3	93	123.0	93
Cotton	-----	-----	725	102	1,350	124
Corn, All	196	94	2,262	101	1,271	98
Oats**	72	100	561	111	799	108
Barley**	12	100	53	100	27	108
Hay, All*	826	101	1,227	100	526	107
Peanuts***	-----	-----	200	95	10	83
Soybeans***	8	89	441	102	152	115
Sorghums	-----	-----	80	138	18	106
Irish Potatoes**	15	107	46	102	13	108
Sweet Potatoes	-----	-----	45	116	29	107
Wheat**	73	101	427	100	180	95
Total (12 Crops)	1,205.1	100	6,762.3	101	4,498.0	108

* Acreage harvested.

** Includes acreage planted in preceding Fall.

*** Grown alone for all purposes.

Sources: USDA, BAE: *Crop Production*, December 1952 and March 1953; *Cotton Production*, December 1952. Cotton intentions reprinted from *Daily News Record*, March 4, 1953, copyright Fairchild Publications, Inc.

RESERVES: Key Factor in Commercial Banking

This is the fourth of a series of articles dealing with money and the banking system. Earlier articles appeared in the August, October, and November 1952 issues of this Review.

RESERVE balances of Fifth District member banks have more than tripled since the outbreak of World War II. At the end of December 1939 the District's member banks held reserves accounts at the Federal Reserve Bank of Richmond totaling \$289 million. The sum of these accounts at year-end 1952 had reached \$849 million.

The availability of money to meet the constantly fluctuating needs of commerce, industry, and agriculture is perhaps the most important single factor in the smooth functioning of a modern economy. The availability of bank reserves is the principal factor affecting the availability of money. Because of this relationship, member bank reserves are the focal point of monetary policy. By affecting the availability of reserves, the monetary authorities are able to influence the availability of money.

Reserves are of prime importance to the banker. Whether it be the withdrawal or the acceptance of deposits, the making of a loan, or the purchase of a bond, the effect on the reserve position of the bank must be considered and steps taken to adjust it if required. The management of the reserve account is an important and complex assignment, and skillful handling of the account requires an intimate knowledge of the structure of the money market and of prevailing money rates.

Approximately 85% of the nation's commercial banking business is done by member banks of the Federal Reserve System. What happens to their reserves pretty well determines the monetary ease or tightness in the economy as a whole. Attention may be focused, therefore, on member banks in considering the nature of reserves, the factors which affect their level, and the manner in which adjustments are made.

The Nature of Reserve Funds

Each member bank is required by the Federal Reserve Act to maintain with the Federal Reserve Bank of its district an actual net balance equal to certain percentages of its demand deposits and its time deposits. The percentages required are set by the Board of Governors of the Federal Reserve System within limits established by the Act. Today, the effective reserve requirements

are 6% of time deposits, applicable to all member banks wherever located, and of net demand deposits, 24% for central reserve city banks, 20% for reserve city banks, and 14% for other banks. The amount of required reserves is computed on the basis of a weekly average of deposits if the bank is located in a central reserve or a reserve city and on the basis of a semimonthly average for banks located elsewhere.

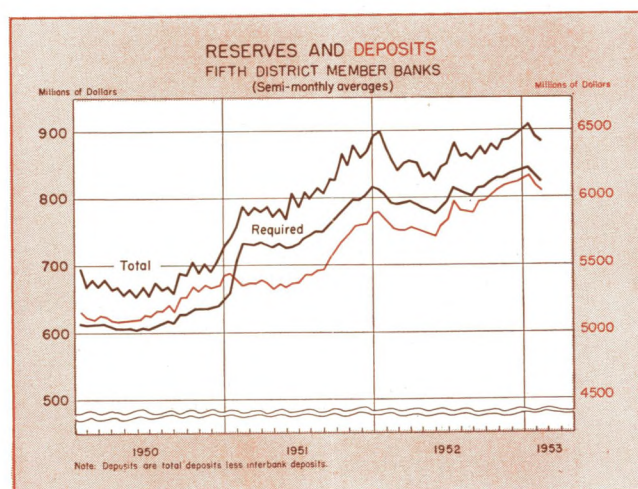
The Federal Reserve Act defines "net demand de-

posits" as total demand deposits minus cash items in process of collection and demand balances due from domestic banks. It follows that, where correspondent balances are concentrated, additional required reserves are maintained, while outlying banks which carry large balances in the money centers have their required reserves eased. Balances that a bank carries on deposit at other banks ("due from") rarely equal balances that other banks carry on deposit with it ("due to").

Banks carrying balances "due to" other banks larger than their balances "due from" must maintain a reserve against the difference between the two. On the other hand, banks carrying larger balances with other banks than other banks carry with them have their total required reserves reduced in proportion.

Member bank reserve balances appear as a liability on the balance sheets of the Federal Reserve Banks, being promises to pay legal tender money on demand. The Federal Reserve Banks can acquire Federal Reserve notes, which are legal tender money, by pledging gold certificates equal to 25% of the notes and other specified collateral. This gold certificate requirement is the same as that for reserves against member bank reserve balances, and there is no problem in maintaining convertibility of reserve balances into legal tender money. Federal Reserve notes are a liability of the Reserve banks, and a conversion of their demand deposits (reserve balances) into legal tender money simply represents a shift from one form of liability to another.

Dollars in balances at the Reserve banks have a special significance which distinguishes them from dollars in the form of deposits at commercial banks. The former



can be used by the commercial banks as reserve funds which enable them to expand the number of dollars in the form of their own deposits manifold.

Factors Affecting Reserves

For the country as a whole the principal factors which create or destroy member banks reserves are:

1. Changes in the monetary gold stock.
2. Changes in Federal Reserve credit outstanding.
3. Changes in the amount of currency and coin in the hands of the public and commercial banks.
4. Treasury transactions.

Changes in the monetary gold stock affect member bank reserves because such changes take place through the Treasury's general account at the Federal Reserve Banks. When newly mined or imported gold is turned over to the Treasury, the Treasury makes payment by drawing a check against its "General Account." This check is deposited in a commercial bank, thus increasing the level of bank deposits. When the check is presented to a Federal Reserve Bank for payment, the amount is credited to the reserve balance of the depositing bank and charged against the Treasury's "General Account." Demand deposits in the hands of the public and member bank reserve balances have been increased by the amount of the gold purchased by the Treasury. The reverse happens when gold is purchased from the Treasury; privately held demand deposits will decrease and so will member bank reserve balances.

Federal Reserve credit affects member bank reserves in exactly the same manner as commercial bank credit affects bank deposits. When a Reserve bank makes a loan to one of its member banks or purchases Government securities, it pays with a claim against itself. In the case of a loan, the member bank's reserve balance is credited with the proceeds. In the case of the purchase of securities, the Reserve bank's check is ultimately deposited in a member bank which gains reserve funds when the item is presented to the Reserve bank. Other forms of Federal Reserve credit affect member bank reserves in a similar fashion.

A member bank can receive additional currency and coin from its Reserve bank only by surrendering reserve balances. In turn, it may build up its reserve balances by delivering currency and coin to its Reserve bank. The amount of currency and coin withdrawn or deposited, however, is largely determined by factors other than reserve needs.

Treasury expenditures and receipts provide another source or loss of reserve funds. Treasury expenditures are generally made from the "General Account" at the Federal Reserve Banks. When a payment is made by the Treasury, its check will be deposited in a commercial bank which will forward it—directly or through a correspondent—to a Reserve bank for payment. Payment

will be made by credit to a member bank's reserve account.

Payments made to the Treasury result in a loss of reserves. The payment may go directly to the Treasury and be deposited in a Reserve bank, which will collect it through a charge against the reserve balance of a member bank. Or it may be deposited in an account maintained by the Treasury at a commercial bank. In the latter case, reserve funds will be lost when the Treasury calls down its balance at the commercial bank.

Although the level of total reserves of all member banks is altered primarily through one of these four factors, each individual bank can gain or lose reserves through other types of transactions. Check clearing is one of the principal of these. To the extent that deposits are drawn out of one bank and deposited in another, reserves are lost to the other bank. The bank will gain reserves to the extent that it gains deposits from other banks.

Transfer of funds between banks is another important factor causing a gain or loss of reserves for the individual bank. When a bank needs funds in one of the money centers, it will generally wire the amount needed through the Federal Reserve System. The bank sending the funds loses reserves to that extent while the bank receiving them gains reserves.

Finally, borrowing or lending Federal funds directly affects the level of reserves of an individual bank. A bank with excess reserves may earn a return on these funds, which would otherwise lie idle, by lending them to other banks which are temporarily short. However, this sort of transaction is well within the control of the individual bank and not subject to unpredictable fluctuations as in the case with the other factors.

How Banks Adjust Their Reserve Accounts

All banks, from time to time, are faced with the need of raising additional reserve funds, either because they have suffered losses through one or more of the factors enumerated above or because the expansion of their deposits resulting from an increase in earning assets raises the amount they need to meet the legal requirements.* There are three principal ways in which an individual bank raises additional reserve funds:

1. By selling securities,
2. By borrowing reserve (Federal) funds from other banks, or
3. By borrowing from a Federal Reserve Bank.

The choice between these methods of raising reserve funds rests in part upon the costs involved and the length of time the funds are expected to be needed. If the need for additional funds is expected to be of short duration, a bank may first try to borrow Federal funds

*For a discussion of the relationship between asset expansion and deposits, see "Demand Deposits in the Money Supply," this *Review*, November 1952.

from another bank. If an adequate amount is not available at a suitable price, it may borrow from its Reserve bank or sell securities depending upon which operation is less costly—the interest paid for the use of the funds or the interest lost by the sale of securities. If the need for the reserve funds is expected to be a lasting one, the bank will probably sell securities although it may borrow temporarily until a suitable market develops.

“Federal funds” are principally reserve balances held by banks in excess of their reserve requirements, although they may be in the form of drafts drawn on a Federal Reserve Bank and held by a nonbanking institution. The rate on Federal funds varies from day to day but never exceeds the current Federal Reserve discount rate. In the Fifth District, a bank wanting to borrow Federal funds (or having funds to lend) generally contacts nearby institutions which may have funds available (or be in need of them) and thus handle the transaction directly with the lender (or borrower). If no funds are available or if no outlet for surplus funds is open, the bank may then work through a New York dealer who acts purely as a middleman, bringing buyers and sellers together, or through a Government security dealer who acquires Federal funds on his own account in selling Government securities to the Federal Reserve System.

A member bank may borrow from its Reserve bank in one of two ways: it may rediscount eligible paper, or it may obtain a direct advance on its own promissory note, which is secured by Government securities or by eligible paper. Today, nearly all the banks employ the direct advance method since it is much simpler than the rediscount procedure and more flexible in the event renewals are needed. Since 1932 member banks are permitted, in case of emergency, to borrow against *any* asset acceptable to the Reserve banks.

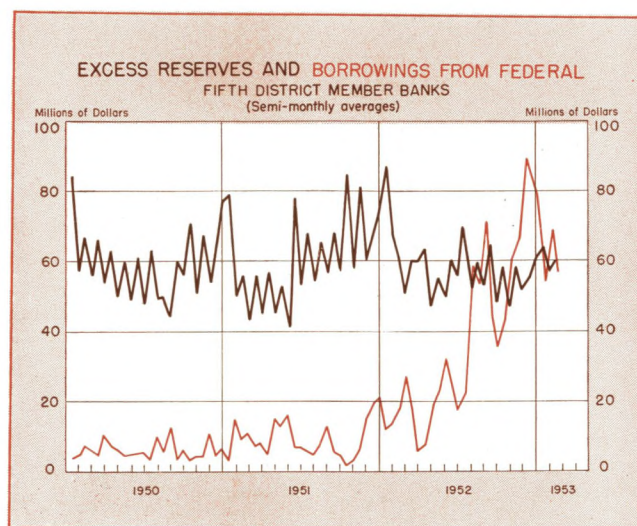
The rate that bankers pay in borrowing from their Reserve banks is not a market rate. In each District, it is established by the Board of Directors of the Reserve bank subject to review and determination by the Board of Governors of the Federal Reserve System, and the guiding principle is “the advancement of the public interest.” The Reserve banks, in extending credit to a member bank, are required to have “due regard to the demands of other member banks, as well as to the main-

tenance of sound credit conditions and the accommodation of commerce, industry, and agriculture.” Thus, the discount rate is recognized as a tool of monetary policy to be used by the Reserve banks to influence the cost of credit.

There was rather limited use of borrowing from the Reserve banks from the early 1930's to 1951. From the mid-thirties to early in World War II the level of excess reserves made borrowing unnecessary. During the war there were special arrangements to ease the reserve positions of banks, such as, reserve-free Government deposits and the repurchase option accompanying sales of Treasury bills to the Reserve banks. In a large part of the period it was more profitable to sell Government securities than to borrow from the Reserve banks.

Beginning late in 1951 member bank borrowings nationally reached significant proportions for the first time in two decades, approaching \$1 billion during the first week of December 1951. Borrowing was also a significant factor providing reserve funds to member banks throughout 1952. It passed \$1 billion in early May 1952 and again late in July. The highest amount outstanding in the year was about \$2.3 billion in late December.

The accompanying chart shows the weekly average of daily borrowings of Fifth District member banks from Federal Reserve Bank of Richmond since the beginning of 1950. The District pattern closely parallels that for the nation as a whole. Declining excess reserves in 1952, accompanied by increasing required reserves and increasing borrowings, all reflect the tight money market conditions prevailing during the last half of 1952.



An Important Announcement — to Users of Debits Statistics

BEGINNING with the March 1953 report, the Monthly Debit Series—one of the most widely used of the statistical series maintained by the Federal Reserve System—will be revised to exclude debits to time deposit accounts and debits to U. S. Government accounts.

This announcement is significant to users of statistics on debits at the national, regional, state, and city levels, primarily because the revised series—debits to demand deposit accounts of individuals, partnerships, and corporations and of States and political subdivisions—will indicate the use which these depositors make of their checking accounts. It should, therefore, be a more sensitive barometer of business activity.

Since the debits series is widely used by business economists, market analysts, State and city planning agencies and others in analyzing local business conditions and of studying intercity differences, this improvement in the basic data (change to a debits series for demand deposits of individuals, partnerships, and corporations and States and political subdivisions) would seem to outweigh the disadvantage of a break in continuity.

In the revised debit series, the erratic movements of U. S. Government deposits caused by changes in the technique of collecting taxes, purchases of Government securities by and through the commercial banks, and Government disbursements will be eliminated. A new series on Government payments at Federal Reserve Banks is planned by the Board of Governors.

U. S. Government accounts at commercial banks were about 3% of total debits reported in the District during 1952. By individual cities, the ratio of debits of Government accounts to all debits (less interbank) ranged from 20% in Winston-Salem and Durham, N. C. to only 1% in Bluefield, W. Va. and Kinston, N. C.

Since time deposits vary little when business expands or contracts, these are also being eliminated in the revised series. In 1952 debits to time deposits accounted for less than 1% of debits to total accounts (less interbank) whereas time deposits accounted for more than one-fifth of total deposits of District banks reporting. Elimination of debits to these accounts, therefore, has little effect on the total volume of debits but has a tremendous effect on the rate of deposit turnover (debits divided by deposits).

In this District the time deposit dollar was used on an average once every two years, (estimate based on 1952 data), whereas demand deposits, less interbank and U. S. Government accounts, turned over an average of 19 times during 1952. Because of the varying proportion of time deposits to total deposits at banks reporting in the Fifth District debit series, the inclusion of these accounts in the former series has clouded intercity comparisons. For example, in Danville, Va. over 50% of total deposits at banks reporting in the

series were time accounts, and by deleting time accounts, the rate of turnover in 1952 rose from 11 times per year to 27: on the other hand, in Columbia, S. C. only 6% of total deposits were time accounts and the turnover rate, by deleting these accounts, rose only slightly—from 15 to 16 per year.

By eliminating debits to time deposits and debits to U. S. Government accounts, the 1952 volume of debits in this District was lowered by 4%. The relation of 1952 estimated debits on the revised basis to debits as previously reported varied substantially among the 31 Fifth District cities included in this series (Table I). Future issues of the *Monthly Review* will publish the dollar amount of debits on the revised basis for individual cities, comparing 1953 figures with the corresponding month of 1952. For years prior to 1952, however, debits on the revised basis will not be available for individual centers. The dollar amount of debits to demand deposits of individuals, partnerships, and corporations and of State and political subdivisions for the District by months, for the period 1942 through 1951 will be published in a subsequent issue of this *Review*.

BANK DEBITS			
Revised Series and Former Series			
(Amounts in millions of dollars)			
	Former ¹ Series	Revised ² Series	Per Cent Drop in Revised Series
District of Columbia			
Washington	\$13,015	\$12,496	4.0
Maryland			
Baltimore	15,889	15,551	2.1
Cumberland	318	302	5.0
Frederick	279	271	2.9
Hagerstown	436	427	2.1
North Carolina			
Asheville	755	731	3.2
Charlotte	4,245	4,157	2.1
Durham	1,579	1,285	18.6
Greensboro	1,328	1,294	2.6
Kinston	330	325	1.5
Raleigh	2,230	2,166	2.9
Wilmington	554	537	3.1
Wilson	353	343	2.8
Winston-Salem	2,208	1,746	20.9
South Carolina			
Charleston	1,000	971	2.9
Columbia	1,777	1,723	3.0
Greenville	1,286	1,285	0.1
Spartanburg	851	840	1.3
Virginia			
Charlottesville	337	302	10.4
Danville	506	487	3.8
Lynchburg	572	547	4.4
Newport News	590	571	3.2
Norfolk	2,995	2,946	1.6
Portsmouth	349	331	5.2
Richmond	7,264	7,118	2.0
Roanoke	1,415	1,369	3.3
West Virginia			
Bluefield	585	578	1.2
Charleston	2,067	1,935	6.4
Clarksburg	429	413	3.7
Huntington	888	854	3.8
Parkersburg	368	354	3.8
District Totals	\$66,801	\$64,255	3.8

¹ Bank debits to total deposit accounts, less interbank accounts as previously reported.

² Estimated bank debits to demand deposit accounts of individuals, partnerships, and corporations and of States and political subdivisions.

Note: Sum of individual items will not necessarily add to total because of rounding.

Business Conditions and Prospects

A STRONG trade level, mainly in durable lines, and an improved level of operations in the cotton textile industry, when normal seasonal factors are taken into account, characterized February business in the Fifth Federal Reserve District.

Construction moved slightly up from the January level; hosiery output was maintained at its seasonal peak; bank debits continued their upward trend, with member bank loans regaining nearly two-thirds of their January decline and continuing to rise in March; and sales of life insurance improved markedly. However, rayon yarn shipments declined, wholesale trade showed mixed trends, and installment sales in department stores failed to maintain the pace set in January though continuing well ahead of a year ago. Public contract awards for supplies to firms in the Fifth District amounted to \$21 million in February compared with \$34 million in January and \$56 million in February a year ago. The lumber industry, moderately less active than a year ago, witnessed a pick-up in new orders and an improved level of operations is expected since retail stocks are generally low and the construction outlook favorable.

Heavy Industries

Renewed though moderate expansion has taken place in the output of the hard goods industries in recent months. Prominent in this expansion have been the fabricated metals products, primary metals, furniture and fixtures, transportation equipment, and electrical machinery. Part of this gain has been a result of expansion in productive capacity, particularly in electrical equipment and primary metals. The improvement in transportation equipment has been in automobile assembly plants and selected private shipyards and aircraft factories. Navy yards in this District have somewhat fewer employees than during the peak established last Summer. Moderate expansion is anticipated in the saw mill and planing mill business during the next several months.

Construction

The value of total construction contract awards in this District during February rose 2% on an adjusted basis from January to a level 7% ahead of a year ago. Outstanding in the adjusted changes between January and February was a drop of 70% in factory awards, a further rise of 6% in commercial awards and an increase of 14% in one- and two-family houses. In comparison with a year ago, February contract awards showed the following changes: commercial up 248%, factories off 5%, other nonresidential up 38%, residential off 29%, apartments and hotels down 52%, one- and two-family houses down 14%, and public works and utilities up 64%.

Strength in the construction industry is currently exhibited in commercial, other nonresidential, and public works and utilities, and these are the types expected to maintain the high-level activity. It is noteworthy that residential building, though still at a very high level, is running considerably under a year ago. This trend can be expected to continue unless some special influence, such as a change of rates on FHA and GI loans, enters the picture.

Certificates of Necessity for construction valued at \$34 million were granted to Fifth District concerns between the 29th of January and the 25th of February, compared with \$31 million in the first 28 days of January and \$54 million from February 2 to February 29, 1952. Among the larger February certifications were an \$11 million electrical instrument plant in Raleigh, North Carolina, \$11 million for railroad transportation in the Baltimore area, \$7 million for railroad transportation in North Carolina, \$2 million for a manufacturing plant for cellulose products in Hopewell, Virginia, and \$2 million for a nylon plant at Enka, North Carolina. Large contracts in the February awards included a \$2.5 million park in Prince Georges County, Maryland, a \$2 million office building and a \$2 million theater in Washington, D. C., apartments valued at \$2.7 million in Warwick, Virginia, and a \$2.3 million hospital in Richland County, South Carolina. Other important projects announced were a \$31 million expansion of electric power in Baltimore and an \$8 million residential and shopping center in Charlotte, North Carolina.

Textiles

The cotton textile industry in the Fifth District during February operated at a seasonally adjusted level 3% higher than in January and 10% ahead of a year ago as measured by spindle hours. At the February rate operations were within 2% of the postwar peak established in March 1951.

In the yarn spinning industry backlogs have been worked down to some extent, but enough new small-lot business has come in to continue operations at a high level. Industrial demand for yarn has substantially improved and the general outlook is favorable at least through May. New business in gray goods has been slow for some weeks but this is a more or less normal in-between season situation. Mills have sold a substantial part of their production for the second quarter and indications point to high-level output through June. Trade reports show the industry optimistic regarding the outlook for Fall business, contracts for which should be forthcoming soon.

The situation in rayon and acetate suffers by comparison with cotton. Gray goods continue to be purchased on a hand-to-mouth basis. Credit terms by most

of the weavers have been extended from 30 to 60 days. Yarn shipments from producers to mills showed a decline of 9% from January to February, due in part to the shorter month. Relative to a year ago, total producers' shipments were up 13%, with filament up 24% and staple and tow off 12%.

The hosiery industry's production in January was sustained at the December level, with market indications of moderate improvement during February and some reduction in March. The circular knit end of the business, which has been mainly responsible for the high-level output, is facing some contraction, though indications are that this curtailment will be less than seasonal. Hosiery prices, according to the BLS index, were slightly higher in January than in December, and the January level was sustained in February.

Trade

Retail sales gains during February are noted in hard goods particularly in furniture and automotive lines. Furniture store sales in February were 7% higher than a year ago and up 14% from January after seasonal correction. Cash and credit sales showed about the same

percentage change from January but the rise from a year ago was more in cash than in credit sales. Furniture inventories remained at the same seasonal level in February as in January and 8% ahead of a year ago. February automotive registrations for D. C., W. Va., N. C., and S. C. showed gains over last year ranging from 1% to 49%. These year-to-year increases were not quite as large as in January.

Department store sales in the District (adjusted) moved slightly downward (1%) from January to February, though the February figures were 5% ahead of last year. Store inventories (adjusted) were 6% lower during February but were 9% higher than last year. The sales level in February was sustained mainly by good demand for soft goods and major household appliances. Sales of other hard goods were considerably under a year ago. Seasonal influences, however, should produce more active trade in durables—automotive dealers are notably increasing their stocks, and television shipments to dealers in this area were 87% higher than a year ago, in anticipation of active Spring volume. How these relatively rosy estimates of second-quarter business will work out remains to be seen.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	February 1953	February 1952	2 Months 1953	2 Months 1952
Dist. of Columbia				
Washington	\$ 980,711	\$1,044,976	\$ 2,035,803	\$ 2,303,154
Maryland				
Baltimore	1,284,577	1,178,552	2,675,301	2,446,282
Cumberland	24,795	23,166	53,525	50,185
Frederick	22,411	21,760	45,856	44,245
Hagerstown	33,544	31,304	71,613	67,845
North Carolina				
Asheville	55,151	58,244	123,454	127,239
Charlotte	337,065	340,650	719,202	701,371
Durham	106,130	95,968	220,247	205,562
Greensboro	107,490	101,253	230,929	214,027
Kinston	19,062	17,535	42,705	39,054
Raleigh	158,681	163,313	390,805	337,749
Wilmington	40,383	43,027	90,393	91,156
Wilson	15,207	17,251	35,926	39,003
Winston-Salem	170,441	155,318	361,334	326,191
South Carolina				
Charleston	82,144	67,589	173,290	153,010
Columbia	156,513	137,237	318,085	281,818
Greenville	106,722	100,437	223,760	209,606
Spartanburg	59,091	66,041	132,001	140,483
Virginia				
Charlottesville	25,655	25,887	53,683	53,656
Danville	35,505	33,789	80,530	73,027
Lynchburg	45,221	42,834	97,364	90,709
Newport News	44,413	45,708	98,132	93,975
Norfolk	237,543	226,737	495,307	471,974
Portsmouth	23,220	26,739	60,576	55,222
Richmond	553,344	524,875	1,177,410	1,114,173
Roanoke	111,168	109,448	238,695	227,035
West Virginia				
Bluefield	39,240	54,348	88,887	107,748
Charleston	151,745	148,438	343,392	352,899
Clarksburg	33,262	35,710	75,285	86,439
Huntington	66,925	65,620	149,725	144,987
Parkersburg	25,804	28,207	57,789	59,435
District Totals	\$5,159,163	\$5,031,961	\$10,961,004	\$10,709,259

50 REPORTING MEMBER BANKS

(000 omitted)

	March 11, 1953	Feb. 11, 1953	Change in Amount From March 12, 1952
ITEMS			
Total Loans	\$1,370,857**	+ 31,058	+177,765
Bus. & Agric.	630,774	+ 18,771	+ 47,855
Real Estate Loans	260,370	— 115	+ 17,319
All Other Loans	495,951	+ 12,617	+113,244
Total Security Holdings	1,781,880	— 31,184	— 65,675
U. S. Treasury Bills	200,891	— 26,147	— 74,083
U. S. Treasury Certificates	131,299	— 11,427	— 44,211
U. S. Treasury Notes	284,272	— 1,988	— 1,587
U. S. Treasury Bonds	942,444	+ 10,972	+ 58,159
Other Bonds, Stocks & Secur.	222,974	— 2,594	— 3,953
Cash Items in Process of Col. ...	288,903	— 5,021	+ 14,044
Due From Banks	172,689*	+ 6,603	+ 1,149
Currency and Coin	78,839	+ 1,513	+ 3,118
Reserve with F. R. Banks	560,863	— 21,194	— 5,638
Other Assets	58,664	+ 418	— 19
Total Assets	4,312,695	— 31,013	+124,744
Total Demand Deposits	3,302,700	— 33,057	+ 80,051
Deposits of Individuals	2,482,590	+ 11,240	+ 27,560
Deposits of U. S. Government	103,743	— 41,790	+ 36,956
Deposits of State & Local Gov.	197,078	+ 9,386	+ 18,790
Deposits of Banks	463,347*	— 8,324	— 1,686
Certified & Officers' Checks	55,942	— 3,569	— 1,569
Total Time Deposits	661,078	+ 1,033	+ 21,435
Deposits of Individuals	583,092	+ 1,005	+ 21,545
Other Time Deposits	77,986	+ 28	— 110
Liabilities for Borrowed Money	37,100	— 1,000	+ 4,950
All Other Liabilities	43,859	+ 721	+ 5,799
Capital Accounts	267,958	+ 1,290	+ 12,509
Total Liabilities	\$4,312,695	— 31,013	+124,744

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Feb. 1953	Jan. 1953	Feb. 1952	Latest Prev. Mo.	% Chg.— Yr. Ago.
Automobile Registration*	477	185	136	+ 1	+19
Bank Debits	477	467	446	+ 2	+ 7
Bituminous Coal Production	111	129	156	-14	-29
Construction Contracts	520	511	484	+ 2	+ 7
Business Failures—No.	45	43	36	+ 5	+25
Cigarette Production	258	240	229	- 7	- 7
Cotton Spindle Hours	162	157	147	+ 3	+10
Department Store Sales**	118	119	112	- 1	+ 5
Electric Power Production	395	372	372	- 2	+10
Manufacturing Employment*	158	152	152	- 1	+ 3
Retail Furniture: Net Sales	227	200	213	+14	+ 7
Life Insurance Sales	368	337	335	+ 9	+10

* Not seasonally adjusted.

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

WHOLESALE TRADE

LINES	Sales in Feb. 1953 compared with Feb. 1952	Jan. 1953	Stocks on Feb. 28, 1953 compared with Feb. 29, 1952	Jan. 31 1953
Auto supplies (8)	- 7	+ 1	- 1	+ 1
Electrical goods (5)	- 9	+ 1	+16	+14
Hardware (11)	- 7	- 5	+13	+15
Industrial supplies (9)	-19	- 9	- 2	+ 2
Drugs & sundries (10)	+14	-14	+ 1	+ 6
Dry goods (12)	+ 4	+17	+ 1	+ 4
Groceries (49)	- 6	-15	- 4	- 1
Paper & products (7)	- 3	- 8	- 4	- 1
Tobacco products (10)	+ 6	- 3	+45	+14
Miscellaneous (84)	0	+ 3	+14	- 1
District Totals (205)	- 1	- 4	+ 9	+ 3

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, Feb. '53 vs Feb. '52 ..	+ 3.7	- 3.5	- 2.8	+ 4.0	+ 2.0	
Sales, 2 Mos. ending Feb. 28, '53 vs 2 Mos. ending Feb. 29, '52	+ 1.3	+ 0.8	- 1.4	+ 5.1	+ 3.4	
Stocks, Feb. 28, '53 vs '52 ..	+ 7.2	+ 6.7	+ 1.7	+ 4.5	+ 4.5	
Outstanding orders Feb. 28, '53 vs '52	+19.3	+17.0	+16.7	- 1.1	+14.6	
Open account receivables Feb. 1 collected in Feb. '53	33.0	43.6	41.3	35.6	39.4	
Instalment receivables Feb. 1 collected in Feb. '53	12.3	13.2	12.6	15.3	13.0	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Feb. '53 vs Feb. '52 ..	-3.6	-2.8	+7.8	+4.6	+3.5	+15.8

BUILDING PERMIT FIGURES

	February 1953	February 1952	2 Months 1953	2 Months 1952
Maryland				
Baltimore	\$ 6,073,800	\$ 7,065,375	\$11,323,625	\$10,377,930
Cumberland	64,650	19,250	81,600	30,200
Frederick	647,257	146,925	739,707	503,707
Hagerstown	812,620	86,485	861,735	192,655
Salisbury	50,032	145,668	130,212	208,962
Virginia				
Danville	279,531	286,444	1,004,457	529,186
Lynchburg	153,420	153,420	493,061	296,214
Newport News	116,880	4,341,954	232,895	4,558,578
Norfolk	618,877	1,364,375	1,567,217	2,852,760
Petersburg	103,700	194,315	164,200	337,619
Portsmouth	223,845	260,150	500,230	4,352,010
Richmond	1,308,832	1,450,762	2,253,317	2,579,247
Roanoke	816,213	1,429,804	1,425,011	2,067,508
Staunton	117,400	172,475	172,900	311,875
West Virginia				
Charleston	881,628	306,123	1,215,930	480,473
Clarksburg	864,950	62,535	959,450	146,420
Huntington	396,800	349,380	617,465	474,851
North Carolina				
Asheville	115,591	255,433	244,484	398,095
Charlotte	1,470,856	1,354,722	6,031,632	5,207,799
Durham	393,241	439,168	1,672,617	839,245
Greensboro	1,025,947	579,920	2,238,861	1,405,374
High Point	470,450	248,810	1,062,305	506,070
Raleigh	570,125	1,775,300	2,007,185	4,015,127
Rocky Mount	1,472,230	290,076	1,656,109	616,397
Salisbury	257,026	56,450	321,001	142,050
Winston-Salem	591,763	1,079,293	1,092,384	1,610,336
South Carolina				
Charleston	531,423	133,829	731,648	267,427
Columbia	366,090	474,185	896,935	1,117,195
Greenville	389,000	538,690	1,008,500	1,295,177
Spartanburg	44,781	154,825	143,096	280,314
Dist. of Columbia				
Washington	6,191,247	4,398,000	9,116,314	7,892,060
District Totals	\$27,420,205	\$29,614,141	\$51,966,083	\$55,892,861

RETAIL FURNITURE SALES

Percentage comparison of sales in periods named with sales in same periods in 1952

STATES	February 1953	2 Mos. 1953
Maryland (6)	- 6	+ 5
Dist. of Col. (7)	-16	-12
Virginia (16)	- 3	- 1
West Virginia (10)	+ 4	+ 8
North Carolina (14)	- 1	+ 5
South Carolina (6)	0	+ 4
District (59)	- 8	- 4
INDIVIDUAL CITIES		
Baltimore, Md. (6)	- 6	+ 5
Washington, D. C. (7)	-16	-12
Richmond, Va. (6)	- 5	- 4
Charleston, W. Va. (3)	+81	+64

Number of reporting firms in parentheses.