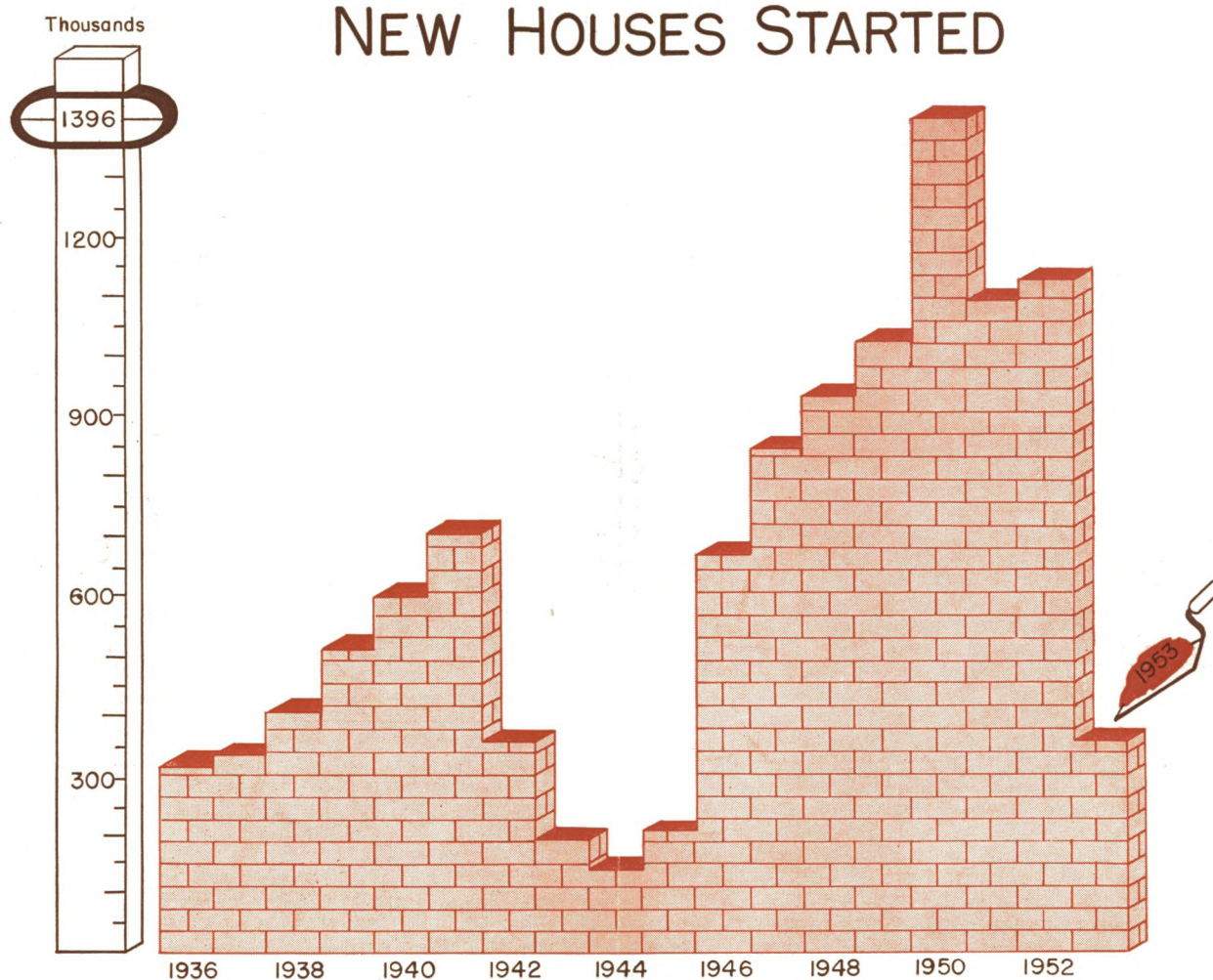


Monthly Review



July 1953



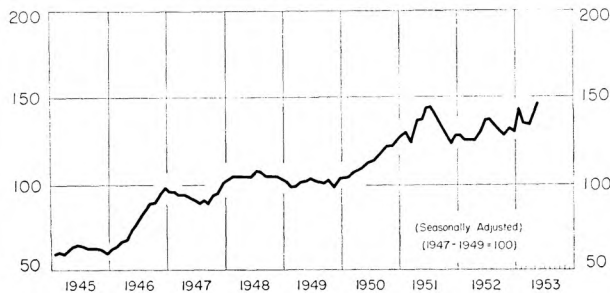
ACTIVITY in the industry which provides the nation's 160 million inhabitants with shelter has profound influences throughout the economy. Home builders have developed the capacity to supply well over a million new houses each year. Some of the factors which determine the level of activity in this sector of the economy are discussed in the article beginning on page 3.

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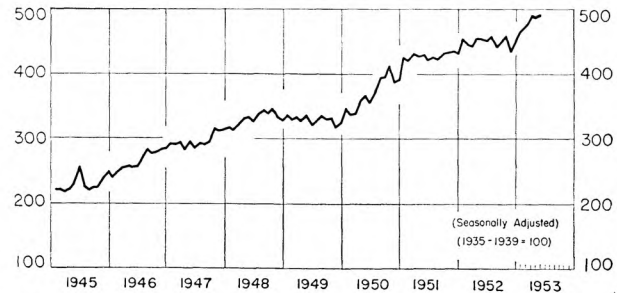
FIFTH DISTRICT TRENDS

DEPARTMENT STORE STOCKS



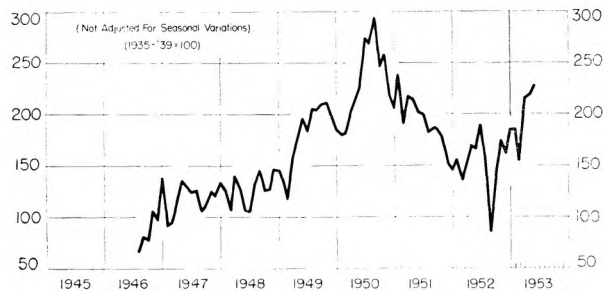
Department store stocks continued to move upward in May, gaining 5% on an adjusted basis from April and 13% over May 1952. Increases in stocks have been primarily on a voluntary basis as the stock gains were registered mainly in those departments where sales have been rising most prominently.

BANK DEBITS



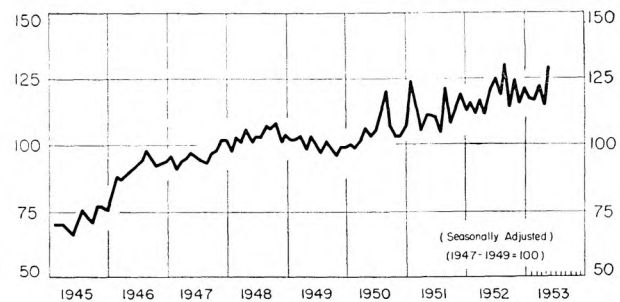
The moderate decline in Fifth District bank debits during April was recovered in May when the indexes rose 1% and were back to the March level. May debits were 8% ahead of a year ago and in the first five months of the year the gain was 7%.

NEW PASSENGER CAR REGISTRATIONS



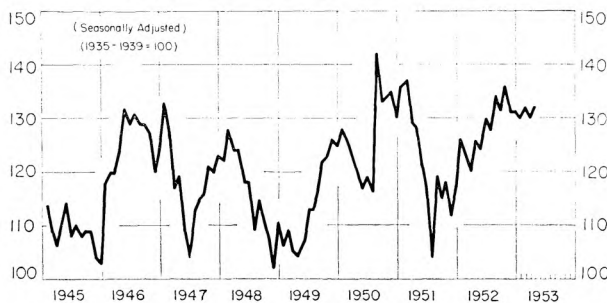
New passenger car registrations in this District during April were 1% higher than in March and 29% ahead of a year ago. May figures in three states showed a gain of 7% over April and 38% over a year earlier. Commercial car registrations are running ahead of a year ago but the gains are not nearly so pronounced.

DEPARTMENT STORE SALES



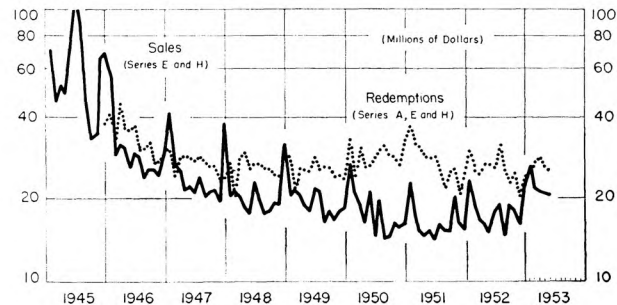
Dollar sales of department stores in May were 2.5% higher than a year ago but owing to fewer working days average daily sales were up 7%. Adjusted average daily sales in May were 12% higher than in April and approximately at the all-time peak established in August 1952.

HOSIERY PRODUCTION - UNITED STATES



Hosiery production in the nation during April was moderately below that in March but it did not fall by seasonal proportions and as a consequence the adjusted index rose 2%. April output was 5% ahead of a year ago. Circular knit production and sales have continued strong up to mid-year while the full-fashioned business has slumped more than seasonally.

SAVINGS BONDS



Sales of series E and H savings bonds in the District in May were 3% ahead of April and 42% ahead of a year ago. In the first five months sales of these bonds were up 26%, while redemptions in this same period were down 3%. May redemptions, however, were still \$3 million larger than sales.

Houses for Sale—How Many? And How Long?

A MILLION or more new homes have been started in the United States each year since 1948. 1950 set the all-time record with 1,396,000 new starts, a figure which has not yet been surpassed. Through May of this year, work was begun on 463,000 new houses. If this rate of building continues, 1953 will be another million plus year, though some doubts have been recently expressed as to the continuation of this level of activity.

Prevailing conditions in the housing market have profound influences throughout the economy. The home building industry employs approximately 900,000 on-the-site construction workers who derive a total annual income of nearly \$4 billion from their productivity. Building materials used provide a stimulus to countless subsidiary industries. Producers of home appliances and furnishings have faced capacity operations supplying the durable goods needed to equip new homes. The financing of homes has supplied commercial banks with approximately 10% of their total earning assets, insurance companies with over 25%, mutual savings banks with nearly 36%, and savings and loan associations with almost 90%.

What are the factors which maintain a high level of operations in the housing field and what are their prospects over the near future? As in any free market, the level of activity in housing rests on the interaction of supply and demand and the adjustments that are made to bring about mutually profitable relationships between buyers and sellers. Although this old economic standby, the law of supply and demand, is the first step toward understanding changes in the level of housing activity, the only meaningful answer is found in a breakdown of the factors which point up the nature of home supply and home demand.

Since the close of World War II, erection of new homes has been greatly stimulated by such conditions as an overhang of unfulfilled demands from the war years, by "super-normal" demands brought about by the extraordinary rate of family formation, by rising incomes providing both "wherewithal" and confidence on the part of purchasers, by rising prices leading to confidence in the profitability of building, by an adequate flow of building supplies and a sufficient supply of labor, and by easy financing at both builder and purchaser levels.

Builders were able to meet an effective demand for new homes in 1951 and 1952 which, except for 1950, outstripped all previous years, although the Korean War brought shortages of some building materials and restrictions on mortgage lending. Because of the post-war experience our building industry now has a capacity for well over a million new homes each year. At current prices, there is little doubt that builders will

continue to supply new homes so long as they believe there are buyers to take them. It is the home purchaser who decides, in the final analysis, how many new homes will be produced. Builders will cut production only when it becomes unprofitable, as during a period of declining prices, when costs are not falling as rapidly as prices and when profit margins shrink or disappear. Prices, of course, reflect the state of the market—falling prices mean not enough demand to keep sales at desired levels. The strength of the demand becomes the key to the outlook. The factors that influence the decisions of individuals to buy or not to buy homes are the factors which will determine the level of activity in the months ahead.

The Demand for Houses

In estimating the future course of demand for houses at least five principal factors must be appraised: (1) the rate at which new households are being formed, (2) changes in housing standards, (3) the existing stock of houses, (4) changes in the level of personal income, and (5) the availability of mortgage money and the terms under which it can be obtained. Each of these factors exerts an important influence on demand trends whether we apply them to the country as a whole or to a particular state or locality. Different circumstances prevail however, when considering demand in a particular city or state than when considering the nation as a whole. For example, for the nation, net additions to households* may be estimated by considering the number of marriages each year, the establishment of separate households by couples formerly living in shared quarters, the increase in the number of families not headed by a married couple, and the establishment of households by individuals. When estimating changes in the number of households for some specific geographic subdivision of the nation, it is necessary also to consider the migration of households to and from the area in addition to each of the factors above.

In the case of changes in housing standards for the nation as a whole, an average applies which may not fit any specific locality. When a given area is considered, its standard is the one to be appraised because changes to a higher standard of housing—even though below the national average—may represent a strong housing demand in that community. And so it is with each of the other factors; local conditions must always replace or be added to the generalized characteristics underlying the particular aspect of demands being studied.

*A "household" comprises all persons who occupy a dwelling unit, that is, a house, an apartment or other group of rooms, or a room that constitutes "separate living quarters."

Fewer Households vs. Higher Housing Standards

From the close of World War II to mid-1948, new households were formed in this country at an unusually high rate. The Bureau of the Census estimates that 1,582,000 new households were formed in the year ending April 1948—an all-time record. Annual housing starts also climbed rapidly in this period. Since 1948, new household formation has dropped almost as rapidly as it climbed in the preceding period. New household formation for the year ended in April 1952 is put at 900,000, over 40% below the 1948 figure. The Bureau of the Census estimates that this decline will continue throughout this decade, the average annual increase in households to 1955 being placed at approximately 700,000. The outlook beyond mid-1960 gives rise to optimism, the large number of children born in the late 1940's will then be reaching marriageable age with a resulting sharp rise in family formation. For the immediate future, however, the outlook for the nation as a whole is that a sharp drop in demand will result from the decreasing household formation factor.

Rising housing standards may well provide a stimulus to housing demand which will offset the dampening effect of declining household formation. The desire for a higher quality house or for a more suitable neighborhood, or the need for more rooms and facilities because of increasing families, exerts a very real influence on the home building industry, all the more important because it represents higher expenditures per housing unit than formerly with resulting repercussions throughout the economy.

The ever-rising share of total income received by the lower income groups, a tendency much in evidence in this country over the past two decades, has played an important role in developing higher housing standards for larger groups of people. Larger families have been an important factor recently in the desire of families to improve their housing standards. The level of economic activity exerts a very real influence on family formations and birth rates. The prosperous postwar years are no exception and the trend toward larger families among the younger couples is exerting its influence; the five-room home is already being thought of in many quarters as a curiosity of the immediate postwar years.

The Liberalization of Mortgage Lending

"Only \$300 down and monthly payments just like rent" is a phenomenon of the post-World War II period. Extended maturities and monthly principal and interest payments were developed by a number of lenders in the 1920's. It was not, however, until the depression of the 1930's brought mass foreclosures that the trend was broadened and became a firmly established mortgage lending practice. The advent of the VA guarantee carried the development to its present liberalization, where 5% down and 25 years to pay is the accepted

standard for low price homes. Federal Government insurance or guarantee has been an important factor in inducing private lenders to grant such terms.

The terms under which mortgage money is made available has a significant influence on housing demand. With the threat of inflation following the outbreak of hostilities in Korea, tightening mortgage loan terms was considered to be the most effective way of curbing demand in this sector of the economy. As inflationary pressures have subsided a relaxing of terms has been demanded, particularly by builders and realtors, in order to stimulate activity in the housing field.

Loan terms obviously affect the borrowers' willingness to incur a mortgage debt. The willingness of lenders to make funds available rests on interest rates, and in particular on the relationship between mortgage loan rates and the rates available from alternative types of investments. Generally rising rates in all sectors of the market have been apparent since the unpegging of Government security prices in 1951. As a result of this movement, and in response to strong demands from lenders, builders, and realtors, rates on FHA and VA loans were raised to 4½% effective May 2, 1953 for FHA and May 6 for VA. The FHA rate is 5% so far as the borrower is concerned because of a ½% insurance premium which is generally passed on to the borrower.

When these rates were raised, it was thought that lenders would find them attractive and as a result would pour additional funds into mortgage lending. It is perhaps too soon to determine whether this result will materialize. The number of new houses started in May of this year, however, was slightly below the number started in April, the first time in the postwar years that May production has fallen below that of April. A sampling of opinion in this District indicates that lenders are not finding the 4½% rate as attractive as formerly since yields on other investments have also risen. It takes time, however, for such adjustments to permeate the economy permitting an appraisal of their influences.

Houses and the Nation's Economy

The demand for houses is but one of the major economic uncertainties of the times. However, activity in the industry which provides shelter for the nation's 160 million people reaches so deeply into so many facets of our economy that changes there might well bring about like changes in the economy as a whole.

Improving housing standards and ever-widening home ownership could provide an impetus to the industry over the next decade which would offset declining demand stemming from the expected decrease in the formation of new households. One important factor in making these demands effective is the availability of mortgage money on terms attractive to home purchasers. Of even greater importance is the continuation of a high level of employment and income in all other sectors of the economy.

District Agriculture Shows Important Long-Run Gains

FIFTH District farmers have made important strides during the past two decades in improving farm organization and developing more efficient production. Much of the improvement has occurred in livestock production. Before the great depression, livestock and livestock products accounted for 28% of the income from the sale of farm products. By last year livestock enterprises accounted for 38% of a sharply increased total.

By states, Maryland has shown the greatest increase, with the share of the total cash farm income coming from livestock and livestock products increasing from a 1924-29 level of 49% to a 1952 level of 66%. Corresponding percentages for the other states are: Virginia from 39% to 53%; West Virginia from 66% to 80%; North Carolina from 14% to 22%; and South Carolina from 12% to 21%.

From some standpoints, a better indicator of the expansion in livestock is actual production rather than income. This arises both because of the sizable share of production that does not enter commercial channels and because of variations in prices. As a further means of achieving comparability in the data on livestock production, they are expressed in this article on the basis of liveweight pounds produced per capita.

Hogs Lead in Livestock Production

Hogs are the leading livestock enterprise on Fifth District farms in terms of pounds produced. They are followed in importance by chickens, cattle and calves, and sheep.

In 1952 Fifth District farms produced an average of 59.3 pounds (liveweight basis) of hogs for each of the 15.1 million men, women, and children in the District, 6% more than in 1940. North Carolina was the leading pork producer—averaging 82.6 pounds per capita. South Carolina averaged 78.9 pounds. Both of these states showed sizable increases between 1940 and 1952,

but the other states showed decreases. Even so, Virginia produced an average of 69.9 pounds; West Virginia, 31.5 pounds; and Maryland, 30.6 pounds per capita.

Chickens Show Most Rapid Gain

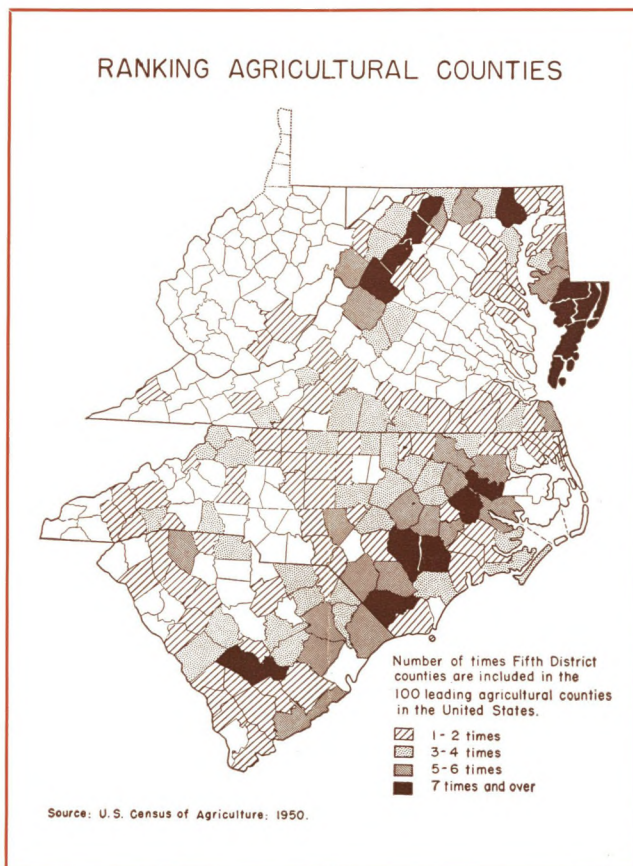
Chickens (including broilers) are second only to hogs in the District and production has risen rapidly. In 1952 chicken production averaged 47.1 pounds per capita, considerably more than double the 1940 average of 20.7 pounds. Maryland leads with 77.8 pounds per capita in 1952. Virginia follows with 55.0; North Carolina with 43.3; West Virginia, 40.4; and South Carolina, 29.7 pounds per capita. Each state has made remarkable gains since 1940, but all of the increase has been in broilers. Farm chickens—as distinguished from broilers—declined substantially from 1940 to 1952 in each state except North Carolina where a moderate increase occurred.

Cattle Production Increases 18%

In 1952 District farmers produced cattle and calves amounting to 45.4 pounds per capita compared with 38.5 pounds in 1940—an

18% increase. Virginia is the leading cattle producer, with 78.5 pounds per capita in 1952. Following are West Virginia with 64.3 pounds; Maryland with 37.9; South Carolina with 31.9; and North Carolina with 29.3 pounds per capita. Increases over 1940 ranged from a high of 27% in North Carolina to a low of only 2% in West Virginia.

Sheep have never been very important in the Fifth District as a whole, though they are important on many farms. For the entire District, sheep and lambs produced averaged 2.8 pounds per capita in 1952, a reduction from the 3.9 pounds in 1940. West Virginia is the leading District producer having an average per capita production of 9.9 pounds. Virginia follows with 5.4 pounds.



Virginia Leads in Total Per Capita Production

If the four classes of livestock (hogs, chickens, cattle and calves, and sheep and lambs) are added together on a pound for pound liveweight basis, the average for the District is 154.6 pounds per capita. Virginia leads with an impressive 208.8 pound average, other states show: 155.6 pounds for North Carolina; 147.2 for Maryland; 146.1 for West Virginia; and 140.6 in South Carolina.

Rapid expansion in broiler production in Maryland largely accounts for that state's sharp percentage increase in per capita production of livestock, 1940-1952. Following Maryland's increase of 49%, was North Carolina with an increase of 42%; South Carolina with 28%; and West Virginia and Virginia, both with 18%. These compare with a 30% increase in per capita production for the District as a whole—a notable accomplishment.

Ranking Agricultural Counties

Consideration now shifts to the relative national position of Fifth District counties. A recent Census Bureau bulletin reveals that over one-half of the counties in the District rank among the leading agricultural counties of the nation in one or more characteristics. The 100 leading counties are listed for each of 87 general farm characteristics, and Fifth District counties are included in half of the items.

Southampton County, Virginia, ranks first in the nation in quantity of peanuts harvested; Pitt County, North Carolina, ranks first in acres of tobacco harvested and second in the quantity harvested; Robeson County, North Carolina, has more mules than any other county in the nation; Spartanburg County, South Carolina, more peach trees; and Barnwell County, South Carolina, leads in watermelon acreage.

Accomack County Leads

Accomack County, Virginia, leads all District counties in the number of characteristics in which it ranks among the first 100—13 times. Two other Eastern Shore counties are runners-up: Wicomico, Maryland, 12 times, and Northampton County, Virginia, 11 times. Leading counties in the other District states were Duplin, North Carolina (8 times) and Berkeley, West Virginia, and Orangeburg, South Carolina, each 7 times. For the 43 characteristics in which District counties are included among the top 100 in the nation, Fifth District counties appear a total of 534 times.

Counties High in Field Crops

Of the country's 100 leading counties in both acreage and quantity of tobacco harvested, 56 are located in the District. In acreage alone, 41 of these also rank among the top 50 counties in the nation. In peanuts picked and threshed, 16 counties from this area—10 in North

Carolina and 6 in Virginia—rank among the top 100 counties in the nation in both acreage and production.

Cotton is especially important in sections of the Carolinas, but only 4 counties—2 in each state—are ranked in the 100 leading cotton-growing counties. Data for other field crops show 8 Fifth District counties ranking among the leading 100 in the acres of Irish potatoes harvested and 5 of these 8 counties also included among the top 100 in bushels of potatoes produced. Thirty-five District counties rank among the nation's first 100 counties in acres of sweet potatoes, and all but one of these qualify among the top in quantity harvested.

Fruits and Vegetables Also Important

In dollar sales of all fruits and nuts, 4 counties in the District—Spartanburg, South Carolina; Frederick, Virginia; Jefferson, West Virginia; and Washington, Maryland—are among the country's 100 leading counties. In number of apple trees, 24 District counties are in the top 100, and of these, 15 are in Virginia. Just over a fifth of the 100 top peach counties are located in Fifth District states.

Other areas of concentration include the following from this area: 9 counties in the acres of strawberries harvested for sale; 7 counties in cherry tree numbers of all ages; and 2 counties each in the number of grapevines and in the dollar value of horticultural specialties sold.

Acreage of vegetables harvested for sale indicates the significance of truck-crop farming in many parts of the District. According to this measure, the District has 11 high-ranking counties scattered over Maryland, Virginia, and the Carolinas.

According to acreage harvested, ranking-county data for specific crops reveal the following: more than a fourth (27) of the country's 100 leading counties which grow green beans are in the Fifth District; of the top intensive areas of cultivation of sweet corn, 9 counties—all in Maryland—are in this District; areas of concentration of cabbage acreage list 15 of the District's counties (9 in North Carolina) among the leading 100; 9 counties on the Eastern Shore are among the first 100 counties in tomato acreages; and of the nation's top counties producing watermelons, 12 are Fifth District counties, 9 being in South Carolina.

Rank High in Poultry and Turkeys

Among the 100 leading counties in value of poultry and poultry products sold are 12 Fifth District counties. In the number and value of chickens sold, 18 of the 100 leading counties are in the District. Worcester County, Maryland, is second in the nation in both items. Seven District counties are among the top 100 in the number of turkeys raised. Frederick County, Maryland, is the only one in the District included in the leading dairy counties.

Factors Influencing District Employment

SUBSTANTIAL changes have taken place in the national economy since the advent of the Korean War. From the first quarter of 1950 until the first quarter of 1953, the gross national product rose 37%. Industrial production in March 1953 was up 30% from the same month in 1950 and in this same period total non-agricultural employment in the United States rose 14%. Much of the original impetus of the rise that began in 1950 was occasioned by the increase or anticipated increase in defense expenditures. These expenditures have had no extraordinary expansionary effect for a good many months.

In view of the prospective leveling off in defense expenditures, or even a moderate decline a little later on, it seems useful to look at what has happened to the economy of the Fifth Federal Reserve District to see what the consequences of developments thus far might be.

Changes Since 1950

The District's economy has risen in about the same proportion as the national economy in the period under review. From March 1950 to March 1953, total nonagricultural employment in the District increased a half million, or 13.5%. This rise compares with a gain of 15% for the nation as a whole. Of the half million added, 277,000 or 55% of the total increase was accounted for by manufacturing industries and Government payrolls. Manufacturing industries accounted for 160,000 of the increase and Government payrolls, 117,000. Construction, which has been importantly affected though not dominated by the defense effort, showed an increase in employment of 62,000, or 33%. Finance, insurance and real estate concerns increased their employment by 20% and concerns engaged in trade increased theirs almost as much as the percentage increase in total nonagricultural employment, namely 12.9%.

Transportation, communication and public utilities

increased employment 11.6% while service and miscellaneous industries have increased theirs by 10.9%. Only mining showed a reduction in employment from March 1950 to March 1953. This decline of 28,000, or 17.3%, was due primarily to the lower demand for bituminous coal as a result of continued improvement in combustion efficiency and greater competition from oil and gas.

Nonagricultural employment levels in the Fifth District in March 1950 and March 1953, together with the change both in number and in percentage, are shown in Table I.

Direct Effects of Defense Effort

Direct effects of the defense program on the economy of the Fifth District are not readily discernible, but a few pertinent figures should give some idea of their importance.

The value of military prime contract awards in the Fifth District aggregated \$4,598 million in the period from July 1, 1950 through March 1953. This amount was 5.0% of the national total of such contracts of \$92,693 million. It was readily apparent that the Fifth District did not share in this military business in the same proportion as it did in the national economy, since income payments of the Fifth District have been running for a number of years between 7.6% and 7.9% of the national total.

In the construction amalgam reported regionally by the Department of Commerce—residential buildings, military and Naval, miscellaneous public service, conservation development, and other public construction—the District fared much better than the nation as a whole. From the fourth quarter 1950 to the fourth quarter 1952 this type of construction in the Fifth District rose 199% compared with the increase nationally of 65%. As a proportion of total construction activity in the District, the mentioned types accounted for 4.1% in the fourth quarter of 1950 and 10.6% in the fourth quarter of 1952.

As regards Government employment, the increase in the District between March 1950 and March 1953 amounted to 117,000, or 17.3%, which compared with an increase of 751,000 for the nation as a whole, or a gain of 14%. Government employment cannot be segregated in the District as a whole as between Federal and other Government. But based on such segregation for the states of Virginia and South Carolina, it was evident that the great bulk of the increase in the District was occasioned by an increase in Federal Government employment. Such employment in the Fifth District, which showed an increase of 117,000 between March 1950 and March 1953, accounted for 23.4% of the half million rise in total nonagricultural employment in this period.

Table I
NONAGRICULTURAL EMPLOYMENT
FIFTH DISTRICT
(in thousands)

	March 1950	March 1953	Change	
			Number	%
Total nonagricultural	3,694.2	4,194.2	+500.0	+13.5
Mining	161.8	133.8	- 28.0	-17.3
Contract Construction	186.9	248.5	+ 61.6	+33.0
Manufacturing	1,177.3	1,336.9	+159.6	+13.6
Durable*	391.2	481.7	+ 90.5	+23.1
Nondurable*	786.1	849.7	+ 63.6	+ 8.1
Transportation, communication and public utilities	299.8	334.6	+ 34.8	+11.6
Trade	718.1	810.4	+ 92.3	+12.9
Financial, insurance and real estate	115.1	138.6	+ 23.5	+20.4
Service and miscellaneous	356.5	395.5	+ 39.0	+10.9
Government	678.7	795.9	+117.2	+17.3

*Complete breakdown not available.

It should be noted that while employment in manufacturing industries in this District increased 159,600, or 13.6%, between March 1950 and March 1953, durable goods industries showed an increase in this period of 23% compared with 8.6% for nondurable goods industries. The extraordinary gain in employment in durable goods industries was primarily connected with the defense program since over 60% of the rise was accounted for by transportation equipment industries and machinery industries. In both instances these industries increased their employment basically as a result of defense orders.

In spite of the fact that the defense program directly has accounted for only 12% to 14% of the District's business in 1951 and 1952, the employment level in such areas as construction, durable manufacturing, and Government employment seems vulnerable as a result of the leveling out process or moderate reduction in defense and other Government expenditures. No great decline in employment in the nondurable goods manufacturing industries is anticipated in case of an adverse blow in the business weather. Although employment in these industries was at an all-time high level, seasonal factors taken into account, the amount of decline from the high point in 1948 to the low point in 1949 was only 7% and a part of this was seasonal in nature. Thus, considerably more adversity than affected the District's economy between 1948 and 1949 could be witnessed without having very great impact on the employment levels in those sectors of the economy.

Contract Construction

Value of construction contract awards in the Fifth District in the first five months of 1953 is running 9% ahead of the same months last year reflecting chiefly gains in awards for nonresidential construction. Residential contract awards during the first five months of 1953 were 17% smaller than in the same months a year ago. Major gains in the nonresidential sector occurred in awards for public utilities, commercial buildings, and for "other" nonresidential buildings which include military construction. The backlog of nonresidential construction under way and new awards during the first four months of the current year, may be sufficient to maintain employment levels in this industry at seasonal levels through the Summer.

It should be remembered that new construction money not already committed is scarce and the price has risen. Ordinarily when this happens, it has a tempering effect on new projects still on the drawing boards. There is, furthermore, some evidence that public utilities will not expand as rapidly as heretofore due to higher money costs and the problem of securing rate increases. In fact the public utilities may not be willing to utilize the certificates of necessity any further, since there is some contention regarding reduction of electric rates in con-

nection with these certificates. The military services in their economy program are cutting back on construction which can be delayed for some period, perhaps indefinitely. At this stage it appears that construction already contracted in the nonresidential sector may offset the employment reduction in residential construction through the Summer and perhaps into the Fall. But beyond that point, something more than seasonal reduction in construction employment may occur.

Durable Goods Manufacturing

Employment in the manufacture of durable goods in the Fifth District normally accounted for about one-third of the manufacturing employment, but between March 1950 and March 1953, it accounted for 60% of the rise in manufacturing employment and for 18% of the rise in total nonagricultural employment.

Current Tendencies

Fifth District employment in the durable goods industries at the present time is at its postwar peak and some 25,000 higher than a year ago. Employment in the transportation equipment industries, including the Navy yards, is essentially at its peak level where it has been for the past twelve months. Employment in the machinery industries of the District is currently only a shade below its highest figure in the postwar period, a level prevailing for nearly two years. Employment in the Fifth District by Federal, State, and local governments, currently at 793,000, is moderately below its highest point of the last two years. In the main, however, this level of employment has been prevailing since the Fall of 1951. There is a slight downward tendency shown in the direction of this employment, as reductions in Federal Government employment have more than offset increases in local governments. Some further small attrition seems likely in view of the economy wave in the Federal Government.

Possibilities in Recession

Opinion on the business outlook at the present time is divided as it usually is, but majority opinion seems to anticipate some setback from current levels, whether late in 1953 or deferred to 1954. The differences of opinion are mainly over the degree of setback. Most industrialists who are expressing opinions seem to think any future decline will be very moderate.

In the event of no setback in business activity on a national scale, those areas of the Fifth District economy which are moderately vulnerable are construction and shipbuilding. Shipbuilding currently is mainly a function of Federal Government policy regarding outlays for the Merchant Marine and for the Navy. Currently outlays for the Merchant Marine are insignificant and there seems little prospect of change in the near future. As regards Naval outlays, goals already seem to have been established and the greatest amount of effort to-

ward their fulfillment is probably behind us rather than in front of us. There is a moderate downward tendency in employment in shipyards, and as work is completed, a further decline is likely. Unless new contracts are forthcoming, employment in shipyards in this District could decline by as many as 15,000 within the next year. The bulk of any decline would come in private yards unless, for example, Naval yards shift part of the Naval work to private yards, in which instance a drop would be divided.

There is no concern at this time regarding the employment at the aircraft factories in the District as this employment is expected to continue full during the remainder of this year and perhaps well into next year.

A substantial part of the new manufacturing plant construction in this District in the past year or two has been in industries other than those which are traditional to this area. It is difficult to gauge the future of this type of business. Many of these plants are built because District costs are low in relation to those of other areas. About all that could be said of this type of construction is that the climate of the District is still favorable but that a general setback in the nation's business would probably retard it about as much here as elsewhere in the country. In view of current narrow profit margins in the textile industry and the fact that capacity is more than adequate for current needs, it is doubtful that much new plant construction will be witnessed in the near future. Military and Naval construction is being cut back from projected levels, but even so, a fairly substantial amount of this type of construction is expected to be put in place during the remainder of this year and next year. The level of residential construction has recently turned down and in the event of a business recession, moderate or otherwise, it would be expected that a considerable reduction in employment in the construction industry as a whole would be witnessed.

The economy move in the Federal Government has had no drastic effect on Government employment in this District, but the trend is moderately downward. Unless some Federal Government functions are eliminated, the amount of reduction in this sector will probably be moderate. The best appraisal at this time would seem to indicate that the nation is saddled with a defense economy for many years to come. Despite current cut-backs in outlays for defense, there seems little doubt that these outlays will continue at a very large volume. In this setting, it seems unlikely that much of a cut could be made in Government personnel. In fact, states and municipalities could very well expand their employment levels to offset any reduction in the Federal Government in the short run of 9 to 12 months. Reduced state and local revenues would result from a business recession and such reduction has usually caused lower capital outlays of these governments.

The machinery industries have had a rather substan-

tial rise in employment levels since the advent of the Korean War and a business recession even as moderate as the one in 1949 could cut back the employment levels in these industries rather substantially. Machinery is not an important part of the Fifth District economy, the employment total accounting for only 0.8% in 1953 of all nonagricultural employees. Such a reduction in employment might run to 5,000 or 10,000.

A general business recession in the nature of that in 1949 would probably have no more consequence on the employment of nondurable manufacturing industries than it had in that year and maybe even less. In that moderate recession nondurable goods industries in this District showed an employment reduction from peak to trough of approximately 7%. This decline was accentuated in part by an inventory readjustment, and a readjustment at this time might not be affected to the same extent by inventory as it was in 1949. Furthermore, there has been considerable growth in the apparel segment of the textile industries and this uptrend is still in evidence.

Over-all it appears that while a few segments of the District's employment level are somewhat vulnerable to a recession, others are vulnerable even without a recession, but in the main this latter type of industry does not bulk large in the Fifth District. In a recession era the District's total nonagricultural employment level could be expected to hold up as well as or better than that nationally, even though employment in shipyards, machinery industries and construction dropped more substantially than over-all employment.

The precarious balance between peace and war in the world today obviously can move in one direction or the other rather quickly. The economic consequences would be felt more quickly in case of a shift to war than to peace. It should be borne in mind, that shifts toward war or peace can cause quick economic changes throughout the world and that such developments can take place with little or no advance notice.



Business Conditions and Prospects

PRODUCTION and distribution of goods in the Fifth District remained high during the month of May. Improved levels of business were general in the District with retail trade acting as bellwether. New passenger car and truck sales both expanded notably from the previous month and from last year. Department store sales were close to the all-time high record of last August. Furniture store sales were improved from the previous month, on an adjusted basis, but failed to equal the high levels of a year ago, while household appliance store sales showed a substantial gain from last year. For the most part wholesalers' sales, adjusted, were higher than in the previous month and a year ago.

Agriculture, on which the Fifth District leans so heavily for economic health and progress, has been hurt by the nationwide deflationary trend in farm prices. It is yet too early to determine either the influence, weather-wise, on farm output or how much hurt to farm income and hence spending, has accrued—to say nothing of the possibility of further declines in farm prices in the third quarter. Significantly, trade volume and bank debits in urban centers highly dependent upon rural patronage do not yet reflect important grounds for pessimism. Farm prices in this District tend to be more stable than on a national basis, and the 4-5% decline of January-May, if not carried considerably further, can hardly justify heavy concern in the event that weather conditions permit normal yields.

Bank loans of all member banks registered a further small increase. Business loans of the weekly reporting banks, however, reached their high late in April, and since the middle of May these have turned sharply downward. The drop thus far has not offset the unseasonal rise that occurred in March and April and has not been of seasonal proportions relative to the year end. Some further drop may occur in business loans through July as retail dealers' sales of automobiles, in particular, expand. Further drops should also occur in loans to commodity dealers before new agricultural crops begin to move to market.

Although new passenger automobile sales continued to rise through May, there has been little expansion in consumer loans of the weekly reporting banks over the past month and a half. Although these loans were at an all-time high level in this District, the impression is that banks are screening their credit lines more carefully and favoring the prime risks.

Despite the tightness in mortgage money and complaints regarding home financing, real estate loans at the weekly reporting banks turned moderately upward in May and continued to rise through the middle of June.

Construction volumes, after seasonal correction, improved in May over April. Bituminous coal output

made a fairly marked recovery both from April 1953 and May 1952. Both cotton consumption and cotton spindle hours, adjusted, were higher in May than in April and higher than a year ago. In fact, spindle hours were back within a fraction of the postwar peak level. Hosiery production in April, the latest month of record, improved moderately after correction for seasonal variation. Life insurance sales maintained April seasonal levels, while bank debits showed a slight improvement during the month.

Industrial employment declined slightly (1%) from March to April, but stood 5% higher than a year ago. Part of the decline during the month was seasonal in nature. Employment in shipyards is trending downward and cutbacks have been experienced in numerous Federal Government installations in the District including construction on the atomic energy project in South Carolina. Employment in contract construction in four states (April figure) showed for each state lower levels than a year ago.

Textiles

Cotton consumption (adjusted) during May rose 3% above April and was a net 10% above a year ago. Spindle hours (adjusted) were up 5% from April and a sharp 29% ahead of a year ago. Concurrently, the cotton fabricators received substantial future purchases of cotton goods, especially in print and broad cloth, extending in some cases into the first quarter of 1954. The first quarter Census report on cotton broad woven fabrics showed a rather marked rise in print cloths, colored yarn fabrics, wide cotton fabrics and fine cotton fabrics. Only cotton ducks and narrow sheetings failed to continue the recovery under way since mid-1952, and these were held back by declines in military procurement of cotton duck and strong competition from other fibers in the case of narrow sheetings.

Conditions in the rayon industry continue to be mixed. Rayon yarn shipments in May were 5% higher than April and 20% higher than May 1952, but 2% under May 1951. In the filament yarn sector, shipments in May 1953 showed 0.2% increase over the all-time high period of May 1951, but this was due to an increase of 58% in high tenacity (tire cord) which raised total filament rayon 8% above the May 1951 level. Regular and intermediate tenacity rayon yarns were down 36% in this period and acetate yarns were down 15%.

Staple and tow shipments in May were 9% ahead of April and 11% ahead of May 1952, but 8% under May 1951. Again performance by various types has varied widely—between May 1951 and May 1953, shipments of rayon staple and tow have risen 3% while acetate staple and tow have dropped 26%.

Trade

A high trade level is obviously important if today's high rate of output is to be maintained. Here the Fifth District made a distinct contribution during May, in all segments of retail trade where current information is available. Improvement was noted both relative to April and a year ago.

New passenger car registrations in April were 1% above March and 29% above a year ago. Three states of the District for which May figures were available showed a gain of 7% over April and 38% over a year ago. Information on used car sales is inadequate, but for the city of Richmond May sales were approximately three times those of new cars, a normal situation.

Average daily department store sales in this District in May came within 1% of equaling the all-time high record of August 1952. They were 12% higher than in April, after seasonal correction, and 7% ahead of May 1952. Department store stocks continued to move upward, gaining 5%, adjusted, from April and 13% from a year ago. Confidence in the trade outlook, in addition to the rise in department store stocks, was evidenced by a gain of 1% in outstanding orders from April to May and 21% from a year ago.

District furniture store sales improved notably from

April to May, on an adjusted basis, though the figures were 4% under the boom level of last year. Adjusted inventories of these stores rose moderately from April to May, and were 13% ahead of a year ago, which may retard new purchases in the July markets.

Construction

Total construction contract awards, adjusted, recovered notably in May over April and were 19% ahead of a year ago. Relative to a year ago, nonresidential construction awards were up 21%, residential up 10%, and public works and utilities up 38%. In the first five months of the year, however, total construction contract awards were up 9% with a drop of 17% in residential awards more than offset by rises of 28% in residential and 39% in public works and utilities.

Gains over a year ago in May were pronounced in commercial building awards and in factory building awards and the same was true for the five-month total. In the residential sector from May to May, one- and two-family houses showed a rise of 9% in awards, and other shelter was five times greater than a year ago, while those for apartments and hotels dropped 15%. In the first five months, however, awards for apartments and hotels were down 46%, one- and two-family houses down 5% and other shelter down 30%.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

	(000 omitted)			
	May 1953	May 1952	5 Months 1953	5 Months 1952
District of Columbia				
Washington	\$1,091,523	\$ 967,849	\$ 5,220,166	\$ 5,317,950
Maryland				
Baltimore	1,348,082	1,304,894	6,878,702	6,275,963
Cumberland	23,570	23,211	124,954	122,058
Frederick	22,317	22,065	114,331	109,868
Hagerstown	36,936	36,046	184,092	178,526
North Carolina				
Asheville	57,033	58,507	299,204	299,225
Charlotte	353,806	358,905	1,801,976	1,704,646
Durham	98,005	80,215	435,074	393,235
Greensboro	118,097	107,743	588,831	527,924
Kinston	18,952	15,608	99,321	95,574
Raleigh	168,817	167,678	967,094	876,835
Wilmington	44,047	46,070	225,732	219,998
Wilson	15,227	16,142	82,588	87,423
Winston-Salem	137,208	131,268	716,078	646,241
South Carolina				
Charleston	79,048	85,288	401,116	383,177
Columbia	159,004	141,857	791,785	708,496
Greenville	109,380	104,144	559,607	518,302
Spartanburg	63,240	67,315	323,948	337,380
Virginia				
Charlottesville	28,026	24,396	129,055	121,364
Danville	32,632	27,700	184,067	159,669
Lynchburg	46,764	45,455	239,570	219,581
Newport News	46,420	47,041	241,316	230,607
Norfolk	248,200	251,349	1,268,661	1,202,689
Portsmouth	30,225	26,941	152,485	132,267
Richmond	560,829	578,096	2,980,181	2,793,690
Roanoke	119,417	114,748	596,322	565,381
West Virginia				
Bluefield	41,951	45,632	217,829	249,510
Charleston	169,152	167,779	827,264	807,633
Clarksburg	30,923	32,375	169,440	179,505
Huntington	68,756	72,685	354,558	353,320
Parkersburg	29,315	29,877	146,605	147,442
District Totals	\$5,390,902	\$5,176,879	\$27,319,447	\$25,963,979

* Interbank and U. S. Government accounts excluded.

50 REPORTING MEMBER BANKS

	(000 Omitted)			
	June 17, 1953	May 13, 1953	June 13, 1952	Change in Amount from
Items				
Total Loans	\$1,371,108**	— 27,427	+161,890	
Bus. & Agric.	619,334	— 26,977	+ 56,207	
Real Estate Loans	261,052	+ 1,780	+ 14,138	
All Other Loans	506,454	— 2,214	+ 92,005	
Total Security Holdings	1,675,339	— 3,372	—155,762	
U. S. Treasury Bills	118,334	+ 7,655	—150,470	
U. S. Treasury Certificates	133,490	+ 13,921	— 31,746	
U. S. Treasury Notes	291,090	+ 5,630	+ 15,461	
U. S. Treasury Bonds	904,076	— 37,195	+ 14,590	
Other Bonds, Stocks & Secur.	228,349	+ 1,067	— 3,597	
Cash Items in Process of Col.	293,689	— 18,873	+ 12,886	
Due From Banks	201,362*	+ 23,291	+ 13,083	
Currency and Coin	76,821	— 5,334	+ 2,326	
Reserve with F. R. Banks	586,553	+ 23,903	— 2,912	
Other Assets	56,034	— 2,333	+ 2,332	
Total Assets	4,261,201	— 11,150	+ 33,843	
Total Demand Deposits	3,243,968	+ 17,468	— 20,262	
Deposits of Individuals	2,462,513	+ 21,812	+ 33,391	
Deposits of U. S. Government	78,535	— 3,291	— 42,181	
Deposits of State & Local Gov.	194,725	+ 3,417	+ 4,668	
Deposits of Banks	434,358*	— 15,704	— 21,860	
Certified & Officers' Checks	73,837	+ 11,234	+ 5,720	
Total Time Deposits	675,773	+ 433	+ 25,037	
Deposits of Individuals	596,809	+ 843	+ 25,495	
Other Time Deposits	78,964	— 415	— 453	
Liabilities for Borrowed Money	29,250	— 27,450	+ 7,650	
All Other Liabilities	40,655	— 2,539	+ 8,536	
Capital Accounts	271,555	+ 983	+ 12,837	
Total Liabilities	\$4,261,201	— 11,150	+ 33,843	

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	May 1953	Apr. 1953	May 1952	% Chg.— Latest Mo. Prev. Mo.	Yr. Ago.
Automobile Registration*	218	166	166	+1	+29
Bank Debits	490	486	455	+1	+8
Bituminous Coal Production	149	112	136	+83	+10
Construction Contracts	600	533	503	+13	+19
Business Failures—No.	55	47	45	+17	+22
Cigarette Production	224	246	246	-10	-4
Cotton Spindle Hours	166	158	129	+5	+29
Department Store Sales**	129	115	121	+12	+7
Electric Power Production	415	379	379	+3	+9
Manufacturing Employment*	157	150	150	-1	+4
Retail Furniture: Net Sales	219	183	223	+20	-4
Life Insurance Sales	383	383	339	0	+14

* Not seasonally adjusted.

** 1947-49=100. Back figures available on request.

WHOLESALE TRADE

LINES	Sales in May 1953 compared with May 1952	Apr. 1953	Stocks on May 31, 1953 compared with May 31, 1952	Apr. 30, 1953
Auto supplies (8)	-1	+8	-4	0
Electrical goods (6)	-4	-9	+6	-3
Hardware (7)	+6	+8	+15	-2
Industrial supplies (8)	+13	+4	-1	-1
Drugs and sundries (11)	-3	-9	+6	-3
Dry goods (16)	+7	-3	+3	-3
Groceries (47)	-1	-1	-1	-6
Paper and products (7)	+5	-7	-	-
Tobacco products (11)	+1	-2	+24	0
Miscellaneous (84)	+12	-5	+18	+2
District Totals (205)	+6	-4	+10	-1

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

BUILDING PERMIT FIGURES

	May 1953	May 1952	5 Months 1953	5 Months 1952
Maryland				
Baltimore	\$ 4,257,600	\$ 7,427,355	\$ 28,924,460	\$ 26,091,120
Cumberland	103,500	85,225	291,400	123,875
Frederick	103,225	143,710	1,037,522	1,198,473
Hagerstown	196,050	180,290	1,219,313	638,088
Salisbury	144,025	193,695	549,951	587,856
Virginia				
Danville	181,207	399,626	1,947,236	2,859,260
Lynchburg	1,169,914	313,329	2,350,330	1,030,530
Newport News	152,061	786,042	893,548	5,654,490
Norfolk	1,083,853	4,317,664	8,395,418	10,601,333
Petersburg	265,000	154,195	971,900	776,994
Portsmouth	673,413	214,090	1,635,573	5,106,997
Richmond	1,123,065	1,377,969	6,426,433	7,791,859
Roanoke	2,159,337	793,463	5,940,093	4,359,270
Staunton	607,085	88,645	1,033,520	612,480
West Virginia				
Charleston	639,312	917,518	3,274,530	2,976,184
Clarksburg	102,122	42,492	1,274,015	360,197
Huntington	375,414	404,210	2,055,983	1,772,175
North Carolina				
Asheville	227,796	259,949	1,254,249	1,496,835
Charlotte	2,106,470	1,657,334	14,203,980	10,376,471
Durham	660,337	582,397	3,136,269	3,926,563
Greensboro	1,123,655	504,035	5,574,633	2,973,663
High Point	780,951	445,565	2,574,434	1,436,230
Raleigh	1,013,400	1,019,650	15,369,070	7,536,233
Rocky Mount	389,656	227,233	2,519,413	1,527,413
Salisbury	170,443	134,131	737,314	1,057,163
Winston-Salem	569,344	516,674	3,411,476	4,109,105
South Carolina				
Charleston	1,392,325	162,602	3,240,304	633,637
Columbia	2,140,149	3,123,923	4,377,666	5,439,244
Greenville	500,117	339,645	2,743,317	4,392,305
Spartanburg	61,530	730,193	337,673	1,340,967
District of Columbia				
Washington	9,133,023	3,397,963	29,396,147	20,165,830
District Totals	\$33,676,339	\$31,296,332	\$157,203,635	\$139,013,510

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Metropolitan Areas			Other	Dist.	
	Rich.	Balt.	Wash.	Cities	Totals	
Sales, May '53 vs May '52	+ 4.0	+ 0.7	- 2.5	+ 4.6	+ 2.5	
Sales, 5 Mos. ending May 31, '53 vs 5 Mos. ending May '52	+ 2.0	+ 0.9	- 0.4	+ 4.3	+ 2.3	
Stocks, May 31, '53 vs '52	+ 9.1	+ 7.5	+ 3.6	+ 3.3	+ 3.3	
Outstanding Orders May 31, '53 vs '52	+ 1.0	+44.5	+22.2	+13.1	+23.5	
Open account receivables May 1 collected in May '53	31.4	45.5	42.6	37.4	40.4	
Instalment receivables May 1 collected in May '53	12.3	13.2	12.9	17.0	13.4	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, May '53 vs May '52	+0.6	-2.5	+5.4	+1.3	+4.6	+14.5

RETAIL FURNITURE SALES

	Percentage comparison of sales in periods named with sales in same periods in 1952	
STATES	May 1953	5 Mos. 1953
Maryland (6)	-11	+ 5
Dist. of Col. (7)	-19	-12
Virginia (17)	- 3	+ 1
West Virginia (10)	-10	- 1
North Carolina (14)	- 3	0
South Carolina (6)	+ 6	+ 7
District (60)	-11	- 4
INDIVIDUAL CITIES		
Baltimore, Md. (6)	-11	+ 5
Washington, D. C. (7)	-19	-12
Richmond, Va. (6)	-10	- 3
Charleston, W. Va. (8)	-16	+ 9
Number of reporting firms in parentheses.		

Number of reporting firms in parentheses.