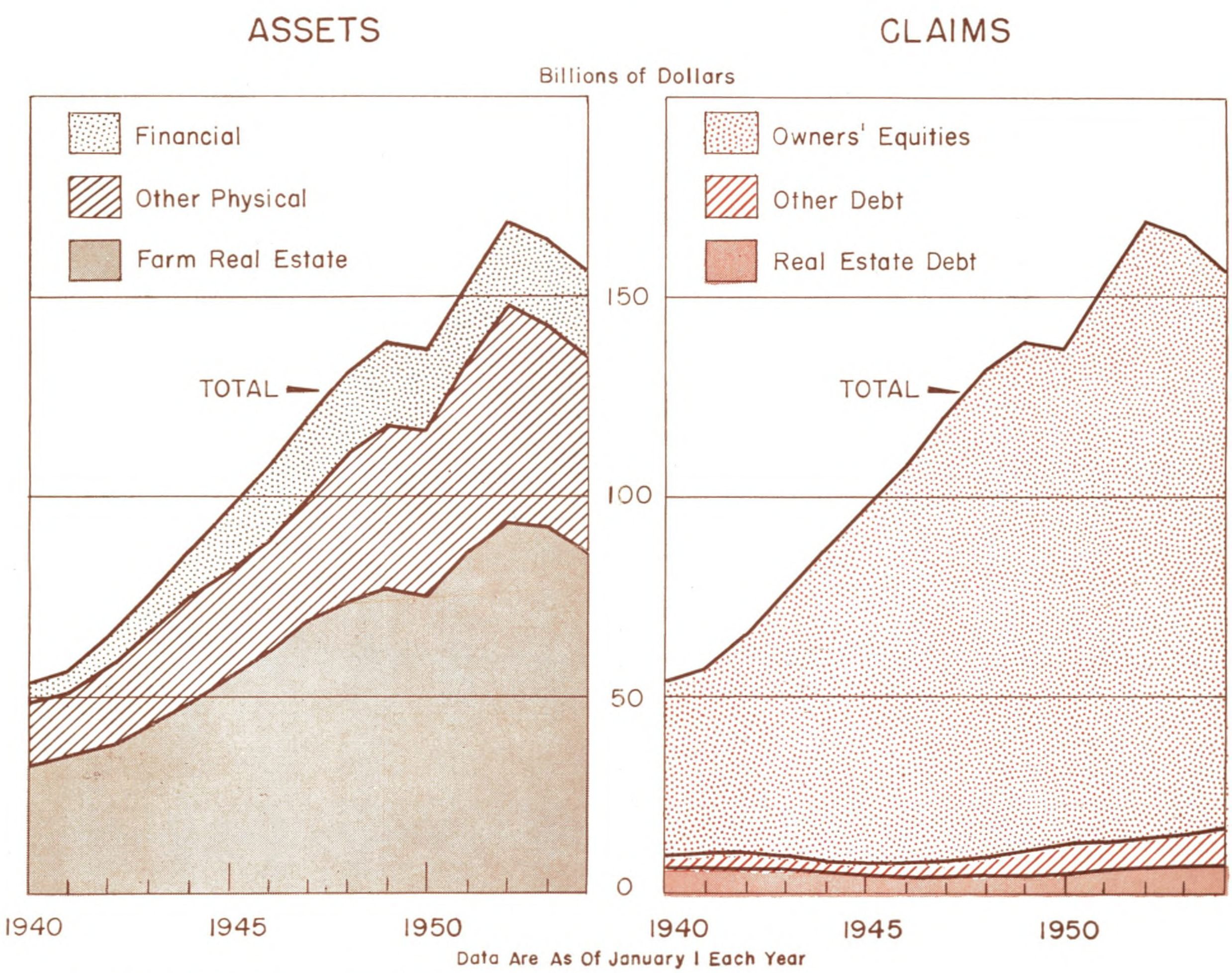
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

December 1953

THE FARM BALANCE SHEET



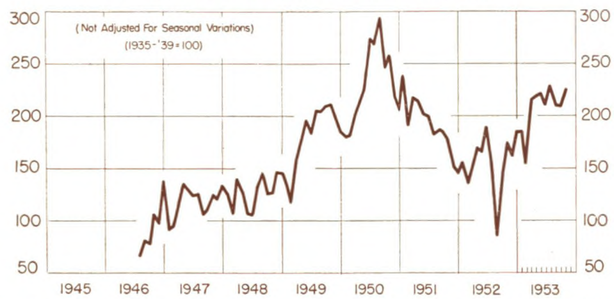
Source: Bureau of Agricultural Economics.

Fifth District farmers face a probable further drop in farm income in 1954—the third year in a row to show a decline. While both the total asset value of American agriculture and owners' equities also declined during 1953, the over-all financial position of agriculture continues generally favorable. The article beginning on page 3 discusses the agricultural outlook for 1954 in terms of the opportunities which exist for farmers and bankers to continue to develop sound farming programs.

Also In This Issue - - -

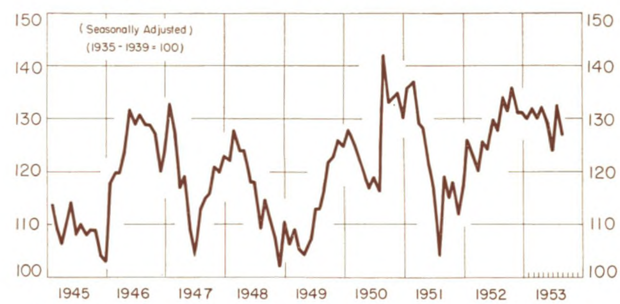
FIFTH DISTRICT TRENDS

NEW PASSENGER CAR REGISTRATIONS



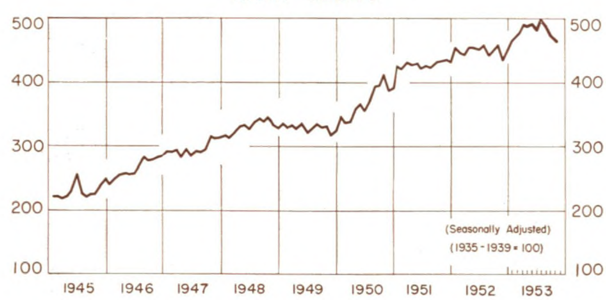
With only South Carolina missing, new passenger automobile registrations in October in the Fifth District rose 7% over those of September and were 29% ahead of a year ago. District sales are not quite as good as for the nation as represented by 35 states for October, showing a gain of 37% over a year ago. Ten months' figures for the five states in the District were up 38% compared with 44% for 35 states.

HOSIERY PRODUCTION - UNITED STATES



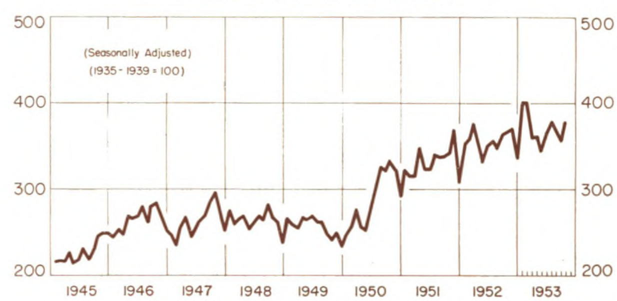
Latest figures (September) show national hosiery output down 5% from August on an adjusted basis and 4% under September 1952. Trade information indicates a lack of seasonal expansion during November until the last week of the month. This implies that November production will be down further after seasonal correction from October.

BANK DEBITS



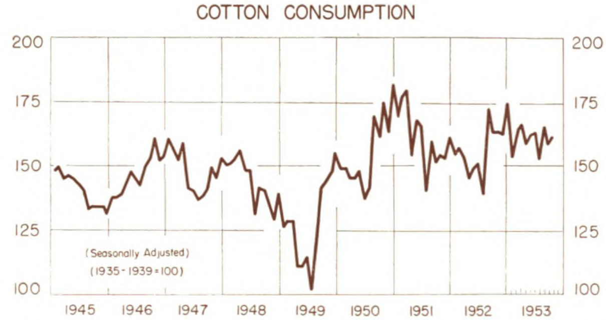
Bank debits, adjusted for seasonal variation, dropped 1% from September to October to mark the third straight decline and carried the adjusted index to the lowest level of the year. October debits, however, were still 2% ahead of October last year, and for ten months the gain over last year was 7%.

WHOLESALE DRUG SALES



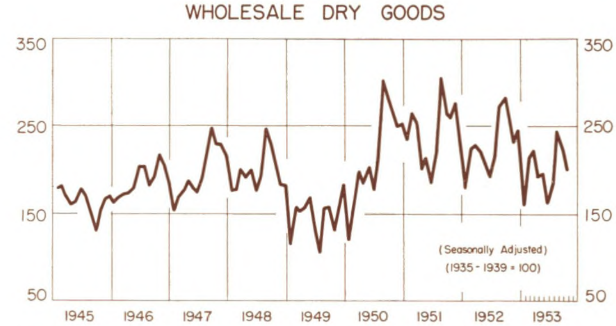
The wholesale drug trade was the only line of wholesale trade to show a better-than-seasonal rise in sales from September to October and to run ahead of a year ago. October adjusted sales were up 6% from September and 3% ahead of last year, and ten month sales are 4% ahead of last year.

COTTON CONSUMPTION



Despite conservative inventory and purchasing policies of converters and cutters, spot and nearby purchases were sufficient to raise the level of operations in the cotton textile industry of this District 2% on a seasonally adjusted basis from September to October. October consumption, however, was 1% lower than in October 1952.

WHOLESALE DRY GOODS

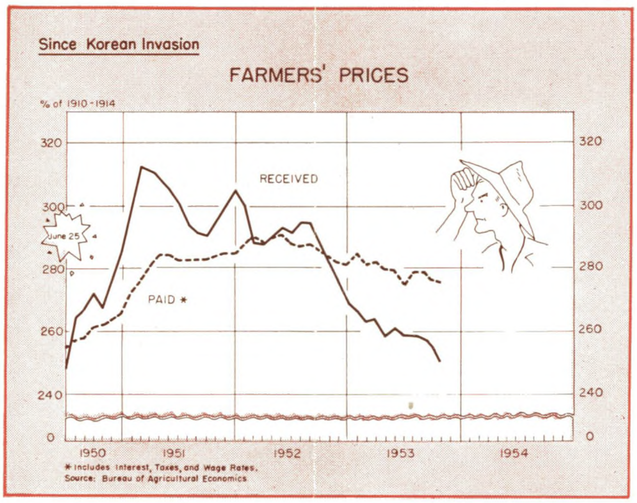


Wholesale trade figures in dry goods give a fairly good indication of the sales conditions and policies pursued by smaller retail concerns. Dry goods wholesalers in this District showed adjusted sales down 12% in October from September and down 24% from October 1952. This probably indicates both poor sales in the small retail stores and some living off of inventory.

Farmers May Find It Discouraging BUT HELPFUL to Look Ahead

TOTAL assets of American agriculture, including all physical as well as financial assets owned by farm operators, are expected to be valued at $156.4 billion on January 1, 1954—a decline of 5% from a year earlier. Declines are indicated in the value of both farm real estate and other physical assets. Farm financial assets on the other hand (primarily bank deposits, currency, and United States savings bonds) appear likely to total slightly more than $22 billion—up about 1% over 1953.

While the value of farm assets declined in 1953, the volume of farm debt increased about $800 million or 5%. Farm real estate debt is expected to total about $7.8 billion on January 1, 1954, or about 9% above a year earlier. In addition there will probably be a slight increase in farm non-real-estate debt, with all of the gain resulting from a sharp expansion of price support loans held or guaranteed by the Commodity Credit Corporation. Other non-real-estate debt is declining for the country as a whole—the result of lower livestock prices, fewer purchases of farm machinery, a more cautious attitude on the part of both borrowers and lenders, and some refinancing of short-term debt with real estate mortgages.



General Economy to Decline But Little

In the words of one of the speakers from the Bureau of Agricultural Economics at the recent National Agricultural Outlook Conference, "With demands from some segments of the economy leveling off and in a few instances declining, there is a real possibility that the total demands on the economy in 1954 may be less than in 1953. Yet, the total reduction in economic activity and employment that appears to be in prospect for 1954 is small." Although this analysis of future business conditions is relatively optimistic, it was within this framework that the analysis of the agricultural situation for 1954 was developed.

Farm economists at the outlook conference were told that the indications are for a continuation of the cost-price squeeze on the American farmer. Both gross income and total farm production expenses are expected to be a little smaller in 1954 than in 1953. It is doubtful, however, that expenses will drop as much as receipts, so that a slight further reduction in realized net income may be expected.

Commodity Highlights

The demand for cigarette types of tobacco is expected to continue strong in 1954, even though the regular increase in cigarette production characteristic of recent years leveled off in 1953 and may change little in 1954. Cotton supplies are large, and acreage controls in 1954 appear likely to force a substantial reduction in cotton acreage.

According to the BAE, a continued large slaughter but more price stability for cattle is in prospect for 1954. Hog production will increase next year with some lowering in prices in the Fall as hogs from the larger Spring pig crop come to market. Prices of lambs are not likely to change much and may remain slightly above an average relationship to cattle prices. Retail prices for dairy products have declined only slightly in the past twelve months, while prices received by farmers for milk and butterfat have dropped 13%. Prices received by dairy farmers will be influenced to a considerable extent by the level at which dairy product prices are supported in the marketing year which begins April 1, 1954. The farm value of 1953 egg and poultry production will be a record high. If consumer demand holds up as expected, 1954 may almost repeat the 1953 pattern for poultry products.

Making Adjustments to the Cost-Price Squeeze

Farming is an industry widely known for its "ups and downs," though lately the "downs" have had a decided edge. A year ago those looking ahead to 1953 were concerned with the continuing cost-price squeeze and the prospects of a further reduction in net farm income; and well they may have been, since the cost-price squeeze has continued, with net farm income down 7% from 1952 to 1953. Much is concealed by this average situation, however, since some farmers fared very well in 1953 whereas others suffered severely.

Fifth District farmers—like others—have felt the effect of the economic forces which are reflected in the lower level of income in 1953 despite the larger over-all volume of farm products being marketed. Many farmers also had their production adversely affected by drought with a resulting further loss of income. In 1954 they will continue to feel the cost-price squeeze as well as the effects of acreage cutbacks on certain crops.

Some Items Much Better Buys Than Others

In the course of a crop year, farmers naturally buy many products. Compared with pre-World War II, the price of practically all items has risen—some of them much more sharply than others.

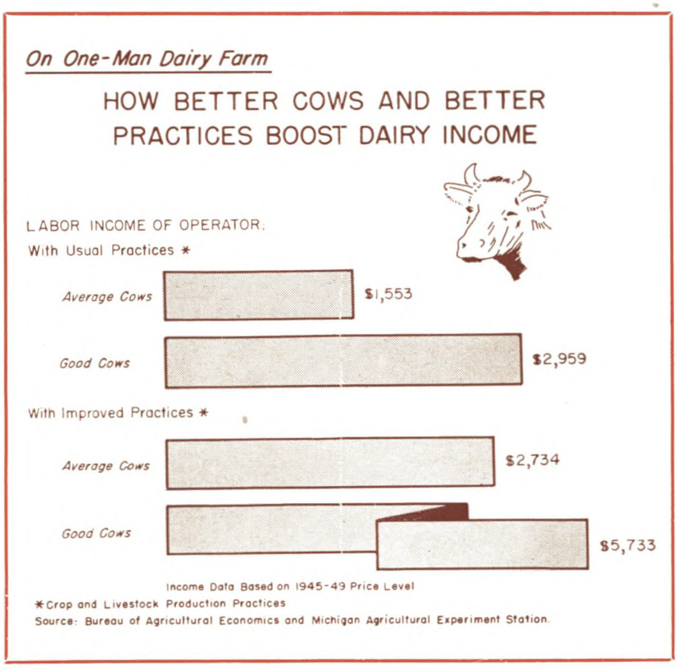
These divergent trends in prices are of significance to farm operators in planning ahead. For example, farm machinery prices have just about doubled since pre-World War II, whereas farm wage rates are over four times as high. This fact can well serve as a signal, warning them to re-examine their farm business with a view to discovering where it might be advantageous to use machinery instead of more expensive labor —the combine instead of the grain binder and threshing crew, the milking machine instead of hand milking. This is simply what good farm managers have been doing all along, and it has been evidenced by the marked trend toward mechanized farming for more than a decade.

Another "good buy" is fertilizer, the price of which has increased only about 50% since 1935-39, whereas the index of prices received by farmers is now about two and a half times the prewar level.

Although seed costs have increased nearly as much as all items used in family living and production, it is nevertheless true that good seed is a good buy. The difference in price between ordinary seed and high quality seed of an improved variety is so narrow on a per acre basis that the slight extra outlay frequently means a profitable investment.

Care and Management Important

Earnings of small dairy farms vary greatly, depending upon the quality of cows in the herd and the practices employed. Following recommended practices frequently pays big dividends over usual or older practices regardless of whether farmers have average or super-average producers in their herds. Similarly, good producers are more profitable regardless of the level of practices. The highest profit of all, that from good producing cows along with improved management practices, produces an income nearly four times as large as average quality herds with usual practices.



Necessary to Carry Through

In making plans for 1954, farmers have the incentive —in the form of economic pressure—to consider ways and means of increasing production efficiency. The individual practices referred to above are merely illustrative of the many which can be profitably employed by Fifth District farmers. It is important that whatever plan looks promising in a particular instance should be incorporated into a well-designed program and effectively carried through. For example, the greatest benefit from good seed is not obtained unless the farmer follows through with approved fertilization and cultural practices.

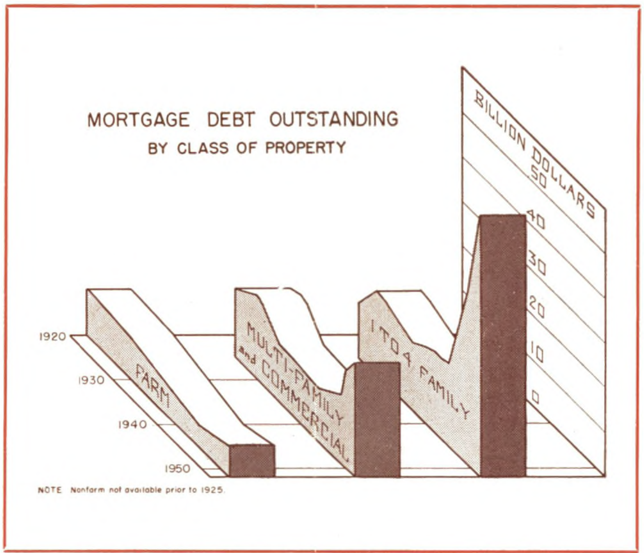
Many practices which will strengthen the income position of Fifth District farmers can be put into effect with little or no increase in cash outlay. Others, such as those which involve purchase of expensive machinery or construction of new buildings, would call on plowed back earnings or necessitate borrowing.

In this latter case the lender, as well as the farmer, is interested first in the need for new improvements on the particular farm and then in their effective incorporation into the farm business so that enhanced income will result. This being true, it follows that the borrower or lender who concludes that going into debt—say, to buy a tractor—will force reduction in other purchases (such as fertilizer or seed) should re-examine the full significance of the action and then conclude what is real and what is false economy.

Some Long Term Developments In Mortgage Lending

THE amount of mortgage debt owed by individuals and business firms at the end of June 1953 is estimated to have reached almost $96 billion. At the end of 1920 this type of debt stood at an estimated $31.3 billion —even then a hefty figure, but less than one-third the enormous sum owed to mortgage lenders today.

Of the almost $96 billion of mortgage debt outstanding, individuals owe $81.9 billion—over two-thirds of it on one- to four-family residences. Of the remaining one-third of mortgage debt of individuals, the nation's farmers owe $7.1 billion, and other individuals owe $19.5 billion of debt secured by mortgages on either multifamily residential or on commercial property.



Since 1920 some very significant changes have occurred in the structure of the nation's mortgage debt. Not only have the different classes of borrowers and the types of properties mortgaged changed in relative importance, but also different kinds of mortgage lenders have achieved importance in this kind of financial activity. In addition, the methods of handling mortgage loans have undergone a near revolution, particularly since the dark days of the Great Depression when the weaknesses of the lending methods used up to that time were brought to light in a flood of foreclosures leading to direct Government intervention.

If three broad categories of borrowers—corporate, noncorporate, and farm—are looked at, what do we find? The noncorporate group has grown from less than two-fifths of total borrowings outstanding in 1920 to over four-fifths at the end of 1952. The corporate and farm groups, over the same period, have declined from just under a third each to less than one-tenth.

The use of mortgage-secured loans by corporations experienced its most striking decline during the twenties. The markets for investment funds changed markedly during this post-World War I decade. There was a decided shift by business firms toward the more independent methods of financing provided by the open market and away from the judgment of a single lender or of a small group of lenders. For example, the number of bond issues brought out in the five-year period from 1920 through 1924 was four times the number issued in the preceding five years. From 1925 through 1929 the number of issues was almost four times the 1920-24 figure. Corporate mortgage loans outstanding fell from an estimated $9.4 billion at the end of 1920 to $5.7 billion in 1929. This decline in dollar amount continued, but more moderately, until 1937. The amount outstanding showed little change during World War II but since then has risen to $9.0 billion. In spite of this rapid postwar growth, corporate mortgage debt has not kept pace with noncorporate, and its share of the total has continued to decline.

Farm mortgage borrowings declined both in dollar amount and as a percentage of the total in almost every year from 1922 through 1945. The amount of such debt outstanding increased gradually from 1945 through 1952—from $4.8 billion to $7.1 billion. Nevertheless, this increase was so much below that in noncorporate mortgage debt that the farm share of the total continued to drop throughout the postwar years. Farm mortgage debt is now only 7.8% of total mortgage debt; it was 32.6% in 1920.

The most striking mortgage debt development since the early twenties has been the rapid growth of home mortgages in the post-World War II years. Because of the sustained high level of income over these years, the availability of investment funds for this use, the high rate of family formation, and, in particular, the willingness of mortgage lenders to extend loans on terms within the reach of the multitude of average- and low-income people, home builders have been hard pressed since the end of the war to meet the demand for more and better homes. At the end of 1945, noncorporate mortgages on one- to four-family nonfarm homes stood at $17.6 billion, at about the same level as that maintained just prior to the Great Depression. At the close of 1952 the figure had skyrocketed to $55.2 billion.

A near revolution has occurred in methods of mortgage financing since the 1920's, when three- to five-year mortgage loan maturities were common, and down payments (frequently financed by second and even third mortgages) ranged from one-third to one-half of the appraised value of the property. A strong influence has been exerted by Federal Government action toward longer maturities, smaller down-payments, and monthly payments which include not only interest and amortiza-

Continued on page 10

Tomorrow's Income—Today's Standard of Living

CONSUMERS are not borrowing as much now—or should we say lenders are not lending as much to consumers now? The difference in meaning is extremely important for it implies the wide gap between an "anti-inflationary" and a "deflationary" economic atmosphere. If lenders are not willing to lend as much, this may simply suggest that they are more cautious about meeting high demands for credit, are screening loan applications more carefully, or are refusing the more risky borrowers.

If borrowers are not willing to borrow as much as formerly, while credit is still available on easy terms, the connotation may be the opposite. People borrow to buy. If they are not borrowing, their desires to buy are not as great or they are being checked. When the people of the nation as a whole decide to reduce their borrowing, they are beginning to reduce the total spending that keeps industry humming—and, if continued, this could spell trouble.

Consumer Credit—Increasing Slower

Since the end of June, the amount of consumer credit outstanding has been increasing at a much slower rate than at any time since the removal of the consumer credit restraint measure, Regulation W, in May 1952—with one exception. The one exception was the normally expected after-Christmas reduction in new credit asked for.

The rate of new consumer credit extensions generally slackens in July—in July of this year the increase in total amount outstanding shrank to about half that in July 1952. August made a little better showing, but the increase was 15% less than that in August of last year. During September, the increase in consumer credit outstanding was 59% less than the increase in the same month in 1952. In amount, the September increase ($159 million) was the smallest dollar increase of any September in the postwar years.

Nevertheless, the amount of consumer credit outstanding *did* increase in each of these three slower-than-usual months. This means that banks, sales finance companies, department stores, credit unions, furniture stores, and others extended enough new credit to consumers during these months to *more than offset* the total amount of repayments during the months on money borrowed earlier. The extension of credit to consumers is still at a very high level—high enough to allay fears that the current slowdown portends a serious economic malaise.

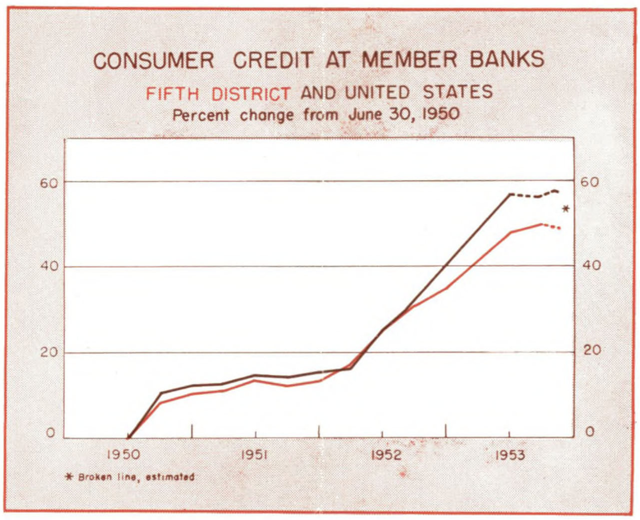
The less-than-usual extension of consumer credit during the period from June 30 through September 30 of this year is found in both the instalment component (monthly payment type of credit) and in the noninstalment component (consisting of charge accounts, single payment loans, and service credit). Instalment credit increased by 3.4% during the third quarter of 1953—the smallest percentage increase in any third quarter period since the end of World War II, except for 1951 when restraint of consumer credit extension was effective (see chart). Noninstalment type consumer credit outstanding actually declined during the period from June 30 to September 30, 1953. Such a decline has occurred during the third quarter of three other postwar years, but this year's over-all reduction was the largest since 1945.

Consumer Instalment Credit—Important Asset for Banks

The nation's commercial banks which are members of the Federal Reserve System held 39 cents of every dollar of consumer instalment credit outstanding on June 30, 1953—93% of the total of such loans held by all commercial banks. At the end of 1945, member banks held 28 cents of each dollar of instalment debt owed by consumers. Since then the amount on their books has increased nearly twelvefold—from $684 million to $8,062 million—from 3% of total loans to 14%. For member banks in this District the change is similarly striking: from $32 million of consumer instalment loans outstanding at the end of 1945 to $394 million on June 30, 1953, over a twelvefold increase. Consumer instalment loans of the District's member banks were 3.6% of total loans on December 31, 1945. On June 30 of this year, they made up 16.7% of the total.

This unusual growth in individual's instalment borrowings from banks, for the purchase of consumer goods, represents in some measure the correction of wartime distortions. Consumer durable goods—such as automobiles, refrigerators, washing machines—became almost unobtainable as war needs made greater and greater demands on basic materials and manpower. Concurrently, credit for consumer uses was severely restricted, not only by Regulation W's direct effects on down-payment and maturity requirements, but also by the unusually heavy demands for credit to support the war effort.

This "return to normalcy" is by no means the entire explanation of the extraordinary growth in consumer instalment credit extended by member banks—or by other types of lenders or sellers on a credit basis. In large part it represents a changing mode of living. Development and mass production of durable consumer goods both promoted and was promoted by the creation of mass consumer credit—the transfer of future purchasing power into present standard of living. Just prior to World War II, durable goods purchases made up less than 10% of total personal consumption expenditures. Such purchases dropped as low as 6% of the total during the war. The post-World War II years, however, brought to the market an ever-rising tide of one-time luxuries—new model cars, TV sets, new styles in furniture, garbage disposal units, dish washers, freezers, power mowers and numerous other entertaining or labor-saving devices. Consumer credit was the prime and absolutely essential mover. By the third quarter of 1953, purchases of durable goods were estimated to make up over 13% of the highest level of personal consumption expenditures ever achieved.



Consumer Loans at District Member Banks

Nearly half of all consumer instalment loans outstanding at District member banks on September 30, 1953 represented the purchase of automobiles. One-fifth of the total was for such retail purchases as household appliances and furniture. Loans for the repair or modernization of homes made up over one-tenth of total instalment loans on the banks' books. These three categories together accounted for three-fourths of all consumer instalment loans held by District member banks on that date. The remaining one-fourth of the total is not classified by purpose and undoubtedly includes some purchases which, if known, would have been included in the three categories above. Primarily, however, these "cash instalment loans" are thought to cover such payments as those for medical and hospital fees, personal debts, and payments for services or nondurable commodities.

South Carolina's member banks have experienced a faster rate of growth in consumer loans outstanding since the beginning of the Korean War than member banks in any other state in the District. Their total consumer loans increased 75% from June 30, 1950 to September 30, 1953. Member banks in the District of Columbia take second place and those in North Carolina are in third place with increases of 63% and 55% respectively. In South Carolina, the fastest growing category of consumer instalment loans was for repair or modernization of homes. In West Virginia, repair and modernization loans almost doubled during the period. North Carolina member banks showed the most rapid growth in loans for retail purchases, and those in South Carolina the fastest growth in automobile loans. Instalment loans for automobiles almost doubled at Maryland member banks over this period.

In spite of a faster rate of growth in other District states in recent years, Virginia member banks hold by far the largest share of consumer type loans outstanding at District member banks. These banks held 32% of the total outstanding on September 30, 1953—a slight decline from 33% on June 30, 1950. North Carolina follows with just over 20% of the total on both dates, but member banks in this state have the largest share (31%) of automobile instalment loans. South Carolina member banks hold the smallest—but a steadily increasing—share of the total. They advanced from 6.9% of the total in June 1950 to 8.0% on the more recent date. Member banks in Maryland hold 13% of total member banks' consumer loans in the District, while West Virginia has 12% and District of Columbia, 14%.

Business Conditions and Prospects

On balance, business activity in the Fifth District has improved moderately over the seasonally adjusted levels of September. A major part of the improvement came at the retail trade level, but the cotton textile and rayon industries also showed moderate improvement over September levels.

Employment in District manufacturing industries in September reached the all-time peak established in 1943 for the first time since that peak was established. While manufacturing employment was 2% higher than a year ago, other nonagricultural employment was down 2%.

Despite the favorable trade level and the moderate improvement in textiles, the underlying situation in the District was hardly one of strength. Business policies have turned extremely conservative and their purchases have been made accordingly. Numerous small layoffs and cutbacks have been noted, and department store outstanding orders have declined markedly. Bank debits declined 1% further to put the adjusted index at the lowest level of the year. Demands for bank credit have fallen far below normal seasonal proportions. Despite the still high dollar levels of construction activity, construction employment was no longer widespread and many areas have considerable unemployment resulting from building cutbacks. Except in drugs, electrical supplies, and paper, the wholesale trades were no longer showing exuberance. Other lines were running below a year ago from moderate to substantial proportions.

Trade

Final figures on new passenger car registrations for September in the District were down 1% from August but 45% ahead of a year ago. This was essentially the same performance as shown nationally. Four states for October showed an unusual performance by gaining 7% over September and 29% over the first post steel strike month of a year ago. Nineteen states reporting thus far for October showed a gain over last year of 27%. This unusually good sales performance for passenger automobiles in October was done with both price concessions and liberal trade-in allowances. It remains to be seen whether these represent borrowing from next year.

Department store sales (adjusted) rose 2% from September to October, but the current level was 8% under a year ago. At the sales rate of the first three weeks of November, indications were that the level in that month will be back to that of September. Department store inventories, which had taken a fairly substantial drop from August to September, rose 2% to October to a level 6% ahead of a year ago. Outstanding orders of department stores declined 16% after seasonal correction from September to October, and in the latter month, a decline of 25% was registered from a year ago.

October adjusted sales of furniture stores in the District made a remarkable comeback (12%) from the September level, but were 5% below last year. Cash sales of stores reporting the figure showed a rise of 18% compared with an increase of 6% for credit sales from September to October. It is interesting to note that cash sales of the stores were 1% ahead of a year ago, whereas credit sales were down 6%. Furniture stores in the District have made considerable progress in reducing inventories during the last half of this year thus far. October inventories fell 1% from September (after seasonal correction) but continued 5% ahead of a year ago. Relative to the high point in May this year, October inventories (adjusted) were down 12%. Household appliance store sales rose, as was customary between September and October, but the October level was 13% under a year ago.

Sales of life insurance (adjusted) in October dropped 2% from September but held at a level 6% ahead of October 1952. October adjusted life insurance sales were within 2.9% of the year's peak which was established in July.

Seasonally adjusted sales of the wholesale trades in October showed gains over September of 19% in automotive supplies, 6% in drugs, 4% in electrical goods, and 7% in industrial supplies. Declines of 12% were recorded for dry goods, 6% for groceries, 29% for hardware, 13% for paper, and 6% for tobacco. Relative to October 1952, paper was the only wholesale line to show a substantial rise—21%. Small increases of 3% were recorded for drugs and 7% for electrical goods. All other lines showed decreases from last year, ranging from 3% to 37%.

Construction

The construction industry in October showed substantial strength with adjusted total contract awards 37% above September and 16% above a year ago. In the first ten months of the year these awards were 6% ahead of the like period of 1952. With the exception of factory buildings and public works and utility awards, all lines of construction contributed substantially to the September-October rise. Total construction contract awards rose $33 million from September to October. An increase of $23 million in residential awards and $19 million in nonresidential awards was offset in part by a drop of $9 million in awards for public works and utilities.

In the first ten months of 1953 residential construction contract awards were down 13%, nonresidential awards were up 17%, and public works and utilities were up 25%.

Textiles

Prices have continued to ease on cotton goods and synthetic fibers with only small transactions involved.

Despite this fact, the cotton textile industry in October showed moderate improvement after seasonal correction over September and as measured by cotton consumption. Textile yarn shipments also improved considerably in viscose rayon and in viscose and acetate staple and tow. Indications in the trade, however, are that business in both cotton and synthetic textiles is slow and that numerous small cutbacks have been effected in output. Moderate improvements in sales of print cloths and broadcloths have been effected, but these have hardly been sufficient to offset slowness in other types of goods. Yarn spinners, with backlogs practically depleted, are feeling somewhat optimistic about the outlook despite the continued lack of business. At the weaver level in synthetics, the situation appears to be worsening rather than improving—despite the October increase of yarn shipments from producers. In the hosiery industry, shipments of all types in September were down a little more than 1% below a year ago with women's full-fashioned hosiery shipments down 6% and all other types about the same as last year. In the first nine months of the year, total hosiery shipments were down 1.5% from last year—accounted for entirely by a drop in women's full-fashioned hosiery. All other types were at the same level as last year.

Agricultural Situation

September farm income in the District was 5% ahead of a year ago with crop income up 9% and that from livestock down 7%. In the first nine months farm income for the District was down 3%, with crop income down 4%, and livestock income down 2%. The September rise in farm income was no doubt strongly influenced by the increased marketings and the higher prices of tobacco in the Border and Eastern Carolina belts. Both quantity and prices of the middle belt and old belt were down substantially from a year ago and prices were also weaker. October farm prices in Maryland were down 10% from a year ago with the ten months' figures down 8%. In West Virginia farm prices were down 16% in October from a year ago and down 11% in the ten months. In South Carolina farm prices were down 15% from a year ago and down 14% in the eleven months.

Banking

Loans and discounts of all member banks in the Fifth District dropped 0.6% during October but remained 6.1% ahead of October last year. Holdings of U. S. Government securities dropped 0.2% to a level 4.3% below last year. Other security holdings rose 2.1% during October and stood 1.5% ahead of a year ago. Total loans and investments were down 0.2% but were 0.6% ahead of last year.

Total deposits of all member banks were down 0.1% in October and stood at the same level as in October 1952. Time deposits rose 0.8% further during October to a level 5.2% ahead of a year ago. Borrowings of member banks from the Federal Reserve Banks were down 21.6% during October and down 66.8% from a year ago. Borrowings from others were up 7.4% in October but 6.2% below a year ago. Member banks have increased their capital accounts over the past year by 6.4% which compares with no change in total deposits and 0.1% decline in total assets.

Business loans of the weekly reporting banks have failed to show substantial seasonal rise this Fall, falling in line with the more conservative policy of business concerns in this District. It also seems to indicate an unwillingness to make further inventory accumulation, and may herald some reduction in inventories. "Other" loans of the weekly reporting banks have shown a slightly rising trend since mid-Summer, indicating hesitancy on the part of both banks and consumers to expand consumer credit at the same rapid pace as earlier in the year. Real estate loans of these banks are just about holding their own in this District and have done so through most of the present year.

ADDITION TO PAR LIST

* * *

The Bank of Norview, Norview, Virginia, a newly chartered nonmember bank located in the territory served by the Richmond Head Office, agreed to remit at par, effective at once, for checks drawn on it when received from the Federal Reserve Bank. The combined A.B.A. transit number-routing symbol of the bank is $\frac{68\text{-}743.}{514}$

Some Long Term Developments In Mortgage Lending

Continued from page 5

tion of principal but also insurance and real estate taxes. This influence has been exerted both by direct lending activity, such as that by the Home Owners Loan Corporation to families faced with foreclosure, and by indirect actions such as Government insurance or guarantee of privately made mortgage loans and Government participation in the secondary market for mortgages.

Mortgage Lenders

Since the early 1920's the more specialized institutional lenders, including life insurance companies, commercial banks, mutual savings banks, and savings and loan associations, have been extending a larger and larger share of total mortgage loans. Their share of total mortgage debt outstanding in 1922, the earliest date available, was 36%. At the close of 1952, these lenders had increased their share of a considerably larger debt to 74%. Other lenders, whose share of the total has been declining over this period, include individuals, trusts, trust departments of banks, pension funds, philanthropic and educational institutions, fraternal and beneficial organizations, casualty and fire insurance companies, and real estate and mortgage companies.

Life insurance companies and savings and loan associations have shown the greatest growth in their mortgage loans. These two types of lenders, taken together, held 44% of all mortgage debt outstanding at the end of 1952. In 1922 they held only 17%. Of the $21.2 billion of mortgage debt held by insurance companies at the end of last year, 43% were Government insured or guaranteed. The savings and loan associations held $18.4 billion of mortgages of which 24% were insured or guaranteed by the Government.

The important contribution of credit toward raising modern living standards to very high levels is exemplified by mortgage credit in the United States. In addition to its implications of increased ownership of homes, the mortgage debt picture reflects a very high level of activity in the building industry with repercussions reaching into almost every facet of the nation's economy. Through September of this year, mortgages recorded exceeded in dollar amount the mortgages recorded in the first nine months of either 1952 or 1951, both years in which over a million new homes were started. The indications are that real estate developments in 1953 will compare favorably with other boom years.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*
(000 omitted)

	October 1953	October 1952	10 Months 1953	10 Months 1952
Dist. of Columbia				
Washington	$1,111,041	$1,114,755	$10,796,980	$10,514,552
Maryland				
Baltimore	1,446,562	1,378,953	14,176,601	12,777,823
Cumberland	23,581	26,746	251,280	254,418
Frederick	23,886	23,997	233,618	223,175
Hagerstown	40,812	38,096	379,991	350,238
North Carolina				
Asheville	64,763	59,486	616,431	600,597
Charlotte	382,749	382,503	3,659,288	3,442,359
Durham	147,150	157,868	1,089,439	1,069,249
Greensboro	122,050	116,098	1,189,358	1,060,057
High Point	45,651**	NA	NA	NA
Kinston	52,685	53,563	288,523	273,194
Raleigh	226,642	223,440	1,911,097	1,780,112
Wilmington	50,915	47,729	475,292	452,131
Wilson	77,671	70,120	301,799	274,829
Winston-Salem	173,796	175,952	1,529,920	1,406,837
South Carolina				
Charleston	79,556	85,223	785,100	802,819
Columbia	181,254	161,660	1,610,233	1,433,187
Greenville	111,669	116,053	1,119,854	1,064,438
Spartanburg	80,409	84,392	670,623	702,324
Virginia				
Charlottesville	30,946	28,304	281,643	248,611
Danville	61,311	76,147	400,532	375,493
Lynchburg	52,945	51,516	489,620	446,240
Newport News	47,010	49,672	480,585	472,246
Norfolk	258,614	257,445	2,562,083	2,422,442
Portsmouth	31,442	29,537	306,854	270,032
Richmond	683,739	698,443	6,211,225	5,856,598
Roanoke	127,427	123,654	1,218,970	1,126,911
West Virginia				
Bluefield	46,951	49,442	440,919	476,674
Charleston	191,121	168,276	1,721,990	1,588,121
Clarksburg	35,231	33,823	336,603	341,219
Huntington	73,836	75,258	706,434	698,615
Parkersburg	34,483	30,833	309,399	293,886
District Totals	$6,072,247	$5,988,984	$56,552,284	$53,099,427

* Interbank and U. S. Government accounts excluded.
** Not included in District totals.
NA Not Available.

50 REPORTING MEMBER BANKS
(000 omitted)

Items	Nov. 11, 1953	Change in Amount from Oct. 14, 1953	Change in Amount from Nov. 12, 1952
Total Loans	$1,402,157**	+ 5,667	+ 79,912
Bus. & Agric.	640,907	+ 1,237	+ 13,285
Real Estate Loans	264,729	+ 391	+ 7,898
All Other Loans	512,826	+ 3,982	+ 59,100
Total Security Holdings	1,804,667	+ 38,071	− 56,709
U. S. Treasury Bills	111,727	+ 5,036	−154,036
U. S. Treasury Certificates	269,600	− 4,619	+129,191
U. S. Treasury Notes	351,281	− 10,607	+ 56,530
U. S. Treasury Bonds	838,302	+ 41,627	− 94,666
Other Bonds, Stocks & Secur.	233,757	+ 6,634	+ 6,272
Cash Items in Process of Col.	357,638	+ 10,362	− 8,344
Due From Banks	185,750*	− 23,567	− 29,231
Currency and Coin	81,295	− 1,238	− 3,168
Reserve with F. R. Banks	537,595	− 3,107	− 21,640
Other Assets	60,731	+ 2,182	+ 3,626
Total Assets	4,429,833	+ 28,370	− 35,554
Total Demand Deposits	3,385,637	+ 8,221	− 75,820
Deposits of Individuals	2,458,324	− 59,123	− 92,174
Deposits of U. S. Government	139,113	+ 35,174	+ 12,900
Deposits of State & Local Gov.	168,822	+ 5,256	− 13,837
Deposits of Banks	552,816*	+ 21,292	+ 2,116
Certified & Officers' Checks	66,562	+ 5,622	+ 15,175
Total Time Deposits	682,001	+ 1,992	+ 18,345
Deposits of Individuals	605,352	+ 1,946	+ 20,857
Other Time Deposits	76,649	+ 46	− 2,512
Liabilities for Borrowed Money	35,500	+ 14,500	− 4,800
All Other Liabilities	46,582	+ 1,301	+ 11,206
Capital Accounts	280,113	+ 2,356	+ 15,515
Total Liabilities	$4,429,833	+ 28,370	− 35,554

* Net figures, reciprocal balances being eliminated.
** Less losses for bad debts.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Oct. 1953	Sept. 1953	Oct. 1952	% chg.— Latest Mo. Prev. Mo.	% chg.— Latest Mo. Yr. Ago.
New Passenger Cars*	......	207	176	0	+45
Bank Debits	466	472	458	— 1	+ 2
Bituminous Coal Production	131	139r	99	— 6	+32
Construction Contracts	636	463	549	+37	+16
Business Failures—No.	89	62	49	+44	+82
Cotton Spindle Hours	158	159	159	— 1	— 1
Department Store Sales**	116	114	126	+ 2	— 8
Electric Power Production	......	431	398	+ 4	+ 8
Manufacturing Employment*	......	162	161	+ 1	+ 2
Retail Furniture: Net Sales	210	188	221	+12	— 5
Life Insurance Sales	403	410	380	— 2	+ 6

* Not seasonally adjusted.

** 1947-1949=100.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in Oct. 1953 compared with Oct. 1952	Sales in Oct. 1953 compared with Sept. 1953	Stocks on Oct. 31, 1953 compared with Oct. 31, 1952	Stocks on Oct. 31, 1953 compared with Sept. 30, 1953
Auto supplies (8)	—30	+28	+14	+14
Electrical goods (4)	— 9	— 7	......	......
Hardware (15)	—14	— 9	+ 8	0
Industrial supplies (8)	+ 5	+16	— 3	+ 4
Drugs and sundries (12)	+ 9	+ 7	+15	+ 3
Dry goods (13)	—16	— 9	+ 6	— 5
Groceries (43)	— 1	+ 1	+ 5	+ 4
Paper and products (6)	+11	+ 1	......	......
Tobacco products (11)	— 9	— 4	+10	+ 1
Miscellaneous (90)	— 8	— 2	+30	+ 7
District Totals (210)	— 7	— 1	+17	+ 3

Number of reporting firms in parentheses.
Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Oct. '53 vs Oct. '52	— 3.2	— 7.7	— 6.9	— 4.3	— 5.6
Sales, 10 Mos. ending Oct. 31, '53 vs 10 Mos. ending Oct. 31, '52	— 0.1	— 2.0	— 2.6	+ 1.1	0.0
Stocks, Oct. 31, '53 vs '52	+ 6.4	— 0.6	+ 5.0	+ 3.1	+ 3.0
Outstanding orders Oct. 31, '53 vs '52	—17.9	—27.9	—25.2	—18.8	—24.0
Open account receivables Oct. 1 collected in Oct. 1953	32.7	48.2	42.1	41.8	41.9
Instalment receivables Oct. 1 collected in Oct. '53	12.2	14.9	13.3	18.2	14.2

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Oct. '53 vs Oct. '52	—7.6	—6.9	—3.9	—5.2	—3.8	—4.2

BUILDING PERMIT FIGURES

	October 1953	October 1952	10 Months 1953	10 Months 1952
Maryland				
Baltimore	$ 3,257,095	$ 5,125,815	$ 71,010,575	$ 47,436,390
Cumberland	79,750	27,800	566,990	286,256
Frederick	171,185	66,179	2,161,452	2,083,902
Hagerstown	153,243	213,625	2,152,545	1,370,758
Salisbury	45,709	244,095	968,856	1,305,040
Virginia				
Danville	240,914	294,682	3,264,955	4,433,498
Hopewell	131,784	301,745	3,340,662	1,649,564
Lynchburg	345,839	363,825	3,900,406	2,193,317
Newport News	83,875	167,574	1,993,044	6,539,536
Norfolk	1,975,883	2,449,780	15,348,504	17,270,160
Petersburg	156,800	112,598	1,643,350	1,896,372
Portsmouth	125,167	218,230	6,332,638	6,613,460
Richmond	1,134,935	2,052,282	16,328,126	17,453,955
Roanoke	1,023,343	870,712	14,325,207	8,534,205
Staunton	202,225	82,250	1,801,402	1,200,605
West Virginia				
Charleston	501,949	334,737	11,135,467	11,011,645
Clarksburg	76,208	71,175	2,056,869	1,130,655
Huntington	3,057,467	441,513	8,024,427	6,741,979
North Carolina				
Asheville	249,408	430,726	3,063,765	3,074,029
Charlotte	1,300,628	1,286,817	28,475,588	16,945,658
Durham	1,048,856	736,146	6,097,224	8,810,736
Greensboro	748,696	431,000	8,889,735	7,556,534
High Point	354,676	263,220	4,424,175	2,988,725
Raleigh	1,119,762	2,147,509	19,539,664	15,030,403
Rocky Mount	608,550	143,335	4,175,185	2,427,207
Salisbury	228,255	84,610	1,937,184	1,890,560
Wilson	68,600	74,300	1,692,531	1,974,025
Winston-Salem	906,396	801,982	7,737,399	10,362,469
South Carolina				
Charleston	195,076	164,058	4,808,178	1,669,500
Columbia	1,213,588	550,859	7,970,163	8,818,726
Greenville	321,350	769,630	4,859,492	8,061,202
Spartanburg	78,405	104,225	877,700	1,874,936
Dist. of Columbia				
Washington	3,687,255	6,448,678	64,512,274	47,199,617
District Totals	$24,892,872	$27,875,712	$335,415,732	$277,835,624

RETAIL FURNITURE SALES

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

STATES	October 1953	10 Mos. 1953
Maryland (6)	— 3	+1
Dist. of Col. (7)	—15	—9
Virginia (23)	— 8	—4*
West Virginia (10)	— 4	+2
North Carolina (14)	— 3	—5
South Carolina (6)	— 8	—6
District (66)	— 9	—5*
INDIVIDUAL CITIES		
Baltimore, Md. (6)	— 3	+1
Washington, D. C. (7)	—15	—9
Richmond, Va. (12)	—14	—7*
Charleston, W. Va. (3)	—17	+1

Number of reporting firms in parentheses.

* Cumulative sales figures based on a slightly smaller sample than monthly sales figures.

FEDERAL RESERVE BANK OF RICHMOND
FIFTH DISTRICT