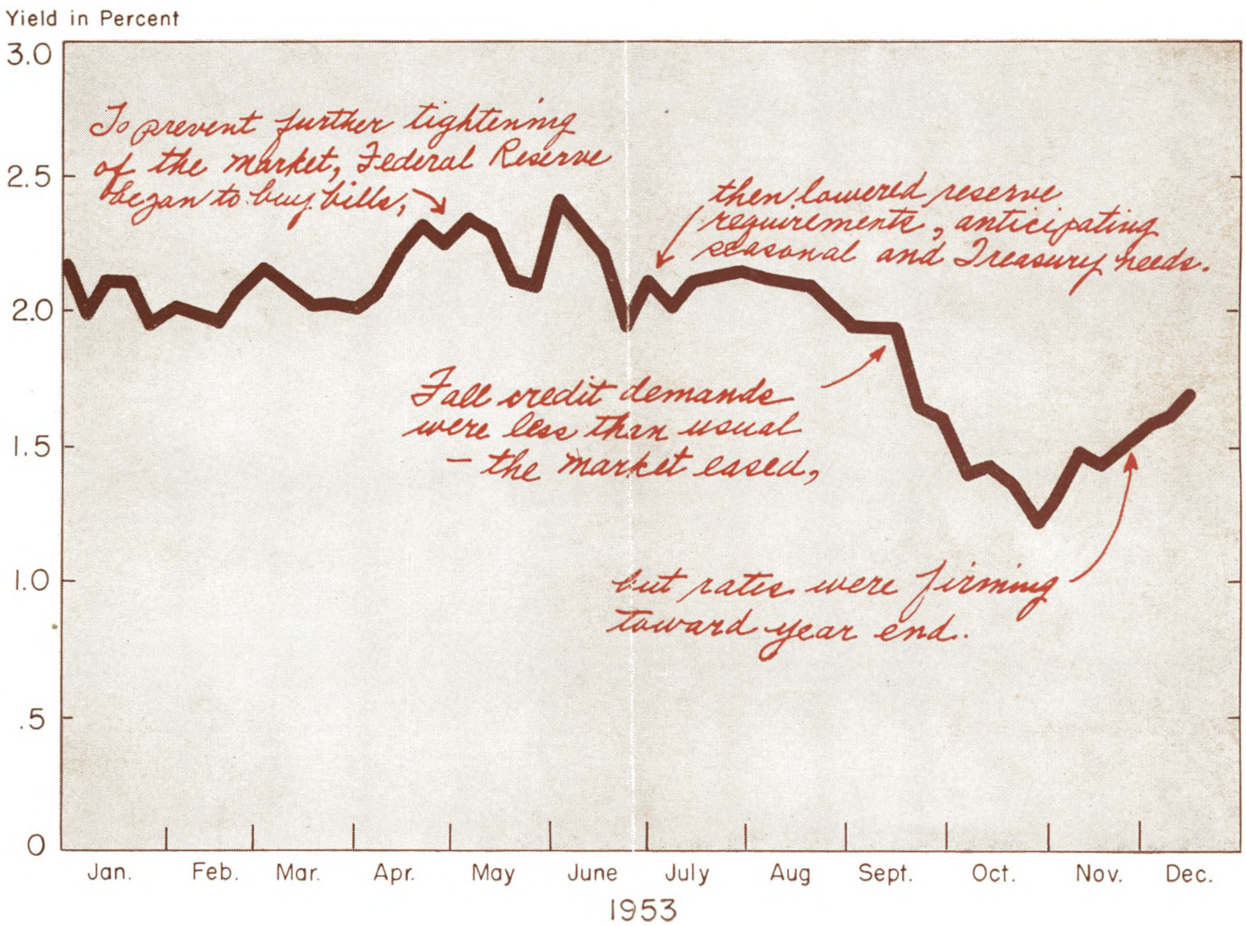
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

January 1954

TREASURY BILL RATE — MONEY MARKET BAROMETER

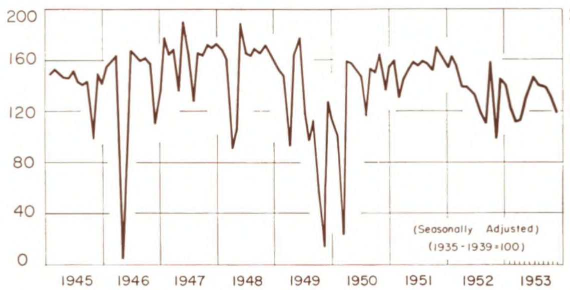


CHANGES in the price of money, reflected in the Treasury Bill rate shown in the above chart, are a good indicator of financial developments. Financial fluctuations during 1953 are discussed in the article beginning on page 3.

Also In This Issue - - -

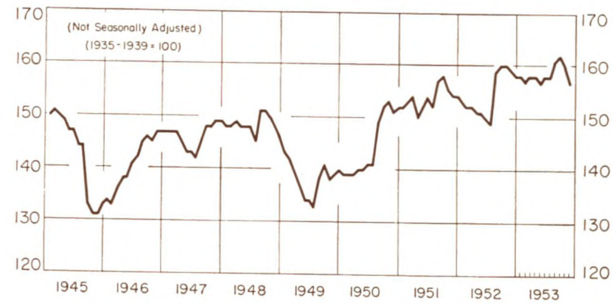
FIFTH DISTRICT TRENDS

BITUMINOUS COAL PRODUCTION



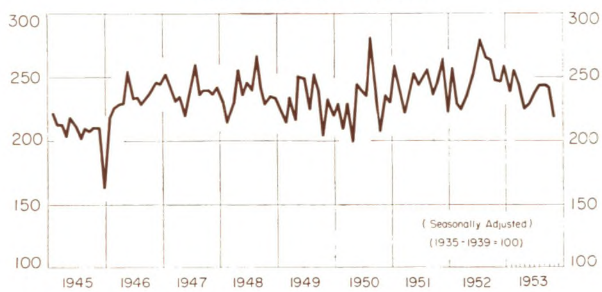
A combination of mild weather and slipping industrial production caused the output of bituminous coal in the District to drop 9% after seasonal correction from October to November. Output in November was 18% under November 1952, but for eleven months the decline was 6% from the same period last year.

MANUFACTURING EMPLOYMENT



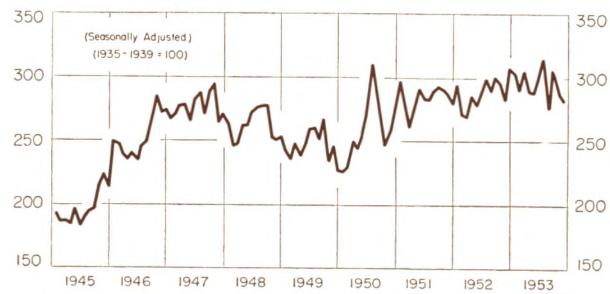
Partly estimated figures for November showed manufacturing employment in the District down 2% from October and 1% under November 1952. In the first eleven months of 1953 manufacturing employment has averaged 3% higher than in similar months of 1952.

CIGARETTE PRODUCTION



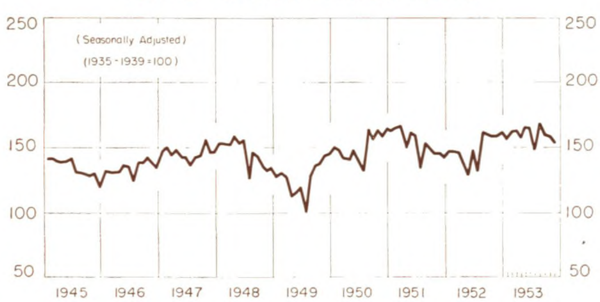
Cigarette production in the District (latest figure October) was down 10% from September and 11% under a year ago. In the first ten months of 1953 the District's output was down 5% from similar months last year. This is a somewhat poorer showing than the industry has made nationally.

WHOLESALE GROCERY SALES



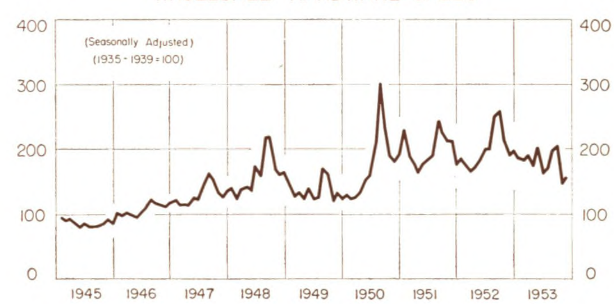
Despite the declining price trend in food products, sales of wholesale grocers in the Fifth District have made a remarkable showing in 1953. For eleven months of 1953 their sales showed an increase of 3% over similar months of 1952. Sales (seasonally adjusted) dropped 1% in November from October and were at the same level as in November 1952.

ACTIVE COTTON SPINDLE HOURS



After holding on an even keel at the postwar peak level for more than a year, cotton spindle hours in November declined 3% from October on a seasonally adjusted basis to a level 4% below November 1952. In the first eleven months of 1953 a gain of 8% was recorded over similar months of 1952.

WHOLESALE HARDWARE SALES

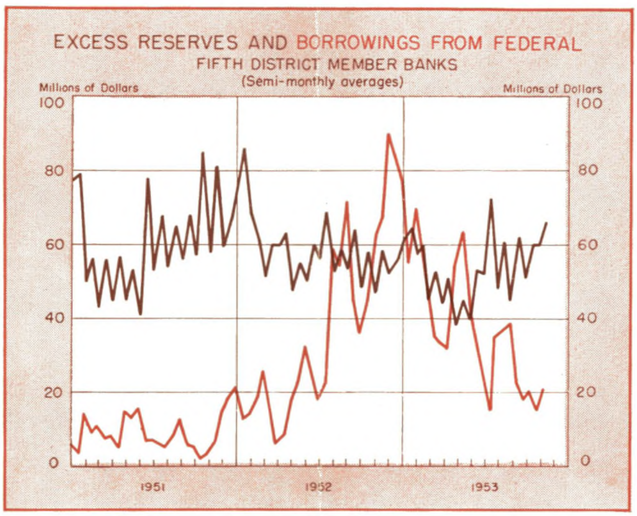


Sales of hardware wholesalers in the Fifth District, apparently affected by the letdown in residential construction, declined 11% in the first eleven months of 1953 compared with the same months of 1952. Moderate improvement, however, was recorded in November when adjusted sales rose 6% from October. November sales, however, were 19% under November 1952.

Finance In 1953—Wide But Orderly Fluctuations

THE early months of 1953 were characterized by a continued high and rising rate of economic activity. Production, sales, and money incomes moved to new peaks and employment continued far ahead of the comparable period in 1952. Only farm income ran counter to this trend and the decline in this sector occurred with little effect on the general level of business.

The credit demands associated with this increased business tempo exceeded the rate of saving, and pressure began to develop in the credit market. As a further tightening influence, demand for bank loans showed considerably more strength this year than last. From the first of January through the end of April total loans of weekly reporting member banks showed an increase of $333 million against a decline of $374 million in the like period last year. Over the same period business loans of these banks declined only $257 million as compared to $622 million in the similar period of 1952. The accelerated corporate tax payments under the Mills plan, which required the payment of 40% of the previous year's tax liability in the first quarter of 1953 as compared with 35% in the same period of 1952, contributed substantially to the higher demand for loans.



During the first few months of the year the Federal Reserve System followed its usual policy of allowing its holdings of Government securities to decline. From January through the end of April just under $900 million of securities held outright and under repurchase contract were released from Federal Reserve's Government portfolio. Although this was only about two-thirds the amount released in the same period in 1952, this action, coupled with the gold outflow that had continued since December, further increased the pressure on bank reserve positions. Member banks undertook a program of disinvestment in Government securities and maintained borrowings at the Federal Reserve at a level of about $1 billion. In 1952 average bank borrowings from the Federal Reserve during the first quarter of the year amounted to less than $300 million.

All these factors operating together exerted a strong upward influence on money rates, continuing the pressure felt during the last quarter of 1952. On January 16, Federal Reserve raised its discount rate from 1¾% to 2%, to bring this rate in line with other short-term money rates. The yield on Treasury bills, a sensitive barometer of money market conditions, fluctuated closely around 2% during January and February. Early in March the yield reached 2.164%, and this pressure was also felt in other sectors of the market. The price of long-term Treasury bonds, for example, declined from 95.92 in the first week in January to 93.59 at the end of March. Yields on high-grade corporate bonds rose from 3.02% in early January to 3.22% on March 31.

Extreme Tightness in May and June

By April it became apparent that Treasury receipts were not going to live up to expectations and that expenditures could not be reduced as rapidly as had been anticipated. It became evident that the Treasury would have to raise more money by borrowing to meet fiscal 1953 needs than had been estimated earlier. Knowledge that the Treasury would be selling securities to a greater extent than previously expected engendered some anxiety as to the future of interest rates, which had been rising for some months. This resulted in many business firms and some state and municipal authorities coming into the money market earlier than they might otherwise have done, to cover future needs before money rates advanced still further.

The Treasury bill rate advanced sharply during April—from an average rate on new issues of 2.029% on the April 2 issue to 2.320% on the April 23 issue. The average declined slightly with the April 30 issue, to 2.243%, but climbed again with the May 7 issue, to 2.352%. As further evidence of growing credit tightness, many banks increased the rate on prime commercial loans from 3% to 3¼% during April.

Federal Reserve entered the money market to ease the growing tightness by purchasing bills on a modest scale during the first week in May, and continued purchasing small amounts of bills throughout May. As a result the bill rate eased almost to its first-of-April level. The protracted credit stringency of the first five months reached its climax during the first few days of June. The bids for the June 4 issue of bills yielded an average rate of 2.416%, highest since early 1932. In the ensuing two weeks, Federal Reserve holdings of Government securities increased over a billion dollars.

A more dramatic move toward easing credit conditions was made in late June. Anticipating seasonal and Treasury needs, a reduction in reserve requirements was announced effective July 1 for country banks and July 9 for reserve and central reserve city banks. Central reserve city banks' requirements were reduced from 24% to 22%, reserve city banks' from 20% to 19%, and country banks' from 14% to 13%. The difference in effective dates is related to the method of computing the required reserve. Country banks average their requirements over a semimonthly period while all other banks average theirs over a weekly period. Thus, reserves were freed for all banks during the reserve computation period ending on the same date, July 15. It is estimated that this reduction in requirements provided the banking system with $1.2 billion of free reserve funds providing the basis for from $4.5 billion to $5 billion of new credit expansion.

Eased Availability in Last Half

The build up of excess bank reserves which followed the heavy bill purchases by Federal in June and the lowering of the reserve requirements in July, enabled the commercial banks of the country to absorb $4.5 billion of the $5.9 billion of Tax Anticipation Certificates of Indebtedness sold by the Treasury early in July to meet its cash needs for the first quarter of the new fiscal year. It also enabled the banks to meet the seasonal loan demand which began with some strength in the latter part of July and remained strong through most of August.

The Treasury bill rate reflected these rapidly changing events. The average rate on new issues fell from its high point of 2.416% on June 4 to 1.954% on June 25. It rose moderately during July, reflecting competition from other Treasury and from private credit demands. Because of the strength of credit demand through July and early August and in anticipation of seasonal needs, Federal Reserve in mid-August resumed bill purchases, both in open market and under repurchase agreements, and continued to make relatively small purchases through the first half of October.

The expected Fall demand for bank loans failed to materialize in full. Business loans at weekly reporting member banks, for example, increased from mid-July to the end of October by only $650 million as compared with a $1,667 million increase in the comparable period last year. Consumer-type loans increased by $11 million this year as compared with $410 million last year.

This curtailed demand resulted from restraining influences in several sectors of the economy. Since April there has been a slight decline in business volume accompanied by a tendency to cut back inventories. The index of industrial production reached 243 in March and fell in succeeding months to 232 in September. Preliminary estimates show a still further decline to 228 in November. Total business sales have likewise shown a decline from approximately $50 billion in April to $47.6 billion in October.

Because of the concentration of tax payments and heavier-than-usual borrowing in the first half of the year, firms had accumulated cash reserves in the July-December period sufficient to reduce considerably their dependence on bank credit. The slackened rate of increase in consumer loans may be attributed in part to increased caution on the part of bankers, but it was probably due in some measure to a weaker consumer demand.

The bill rate reflected these easing developments. As funds became freer through September and October, the average rate on new issues declined. From 2.001% on August 27, the average rate began to slide off, slowly at first but gathering momentum rapidly after mid-September. It reached 1.220% for the issue of October 29, the lowest level since the Fall of 1950.

Member bank borrowing from Federal Reserve, another indicator of monetary ease or tightness, was reduced substantially in the last half of the year as compared with the first half. Discounts and advances on the books of the Federal Reserve Banks during January, February, and March averaged more than a billion dollars. In contrast, the daily average of borrowings during September and October fell below $500 million.

Member bank borrowing from the Federal Reserve Bank of Richmond paralleled that for the nation as a whole. The accompanying chart shows the pattern of member banks' borrowing in this District for 1951, 1952, and 1953. The borrowing pattern closely follows the conditions of credit tightness and ease which characterize the years shown.

Throughout 1953, and particularly during the last half, the size of the Federal debt in relation to its legal limit caused concern. The nearness to the limit produced at least two major actions to avoid expansion of the debt. The Commodity Credit Corporation offered Certificates of Interest in loans to farmers, for the purpose of carrying specified crops, to commercial banks, thereby avoiding a call upon Treasury funds for this purpose. Secondly, the Treasury sold $500 million of its free gold to the Federal Reserve System and used the proceeds to redeem Treasury notes held by the System.

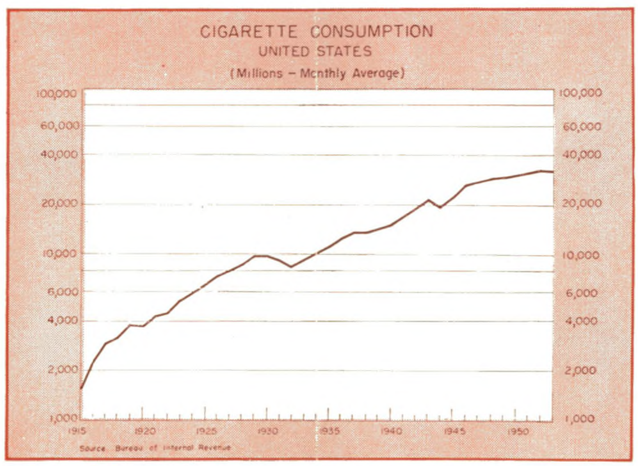
Breathing Spell

Credit conditions underwent wide fluctuations in 1953. Growing tightness in the first half was climaxed by the unusual stringency of early June; the slackening demand for credit in the third quarter was accompanied by growing ease in the market; the final quarter of the year saw a firming as the market adjusted to the changed—and constantly changing—money patterns. But these fluctuations were generally contained within the financial sector of the economy and did not spill over into substantial swings in business activity and in the nation's price structure. Toward year end, the demand for funds was exerting a moderate pressure on the supply, and short-term rates were firming.

Cigarettes

OVER the years the tobacco industry has had many "harmful effects" crusades leveled against it—indeed, they may have been initiated at the time Sir Walter Raleigh smoked his first pipeful. Books have been written telling of the evils of tobacco, people have gratuitously explained to their friends how to eliminate the "obnoxious," "expensive," or "harmful" habit of smoking, but heretofore per capita consumption of cigarettes has continued to rise.

1953 provided another chapter in the long-term record, and as the year drew to a close there was a continuing and far from closed argument over what was happening in the cigarette industry and why. The "unusual development" of 1953 was that instead of the expectable 3-4% rise in cigarette consumption, there was apparently a slight decline, say 2%. This came at a time when cigarette manufacturers were engaged in an intense new competitive struggle — new brands, king size, filters—all designed to meet the real or fancied consumer demand for a longer smoke, a "safer" smoke.



The failure of total cigarette sales to rise despite impressive increases in king size and filter tips is also unusual, in that 1953 was, in the over-all, another boom year and that historically it is only in years of economic adversity that cigarette consumption declines. In the whole postwar era, 1949, which provided a short but snappy recession, was the only year in which cigarette consumption fell off, and that by a mere 1%.

All manner of explanations for 1953's moderate cigarette decline have been bandied about, and have ranged from the more startling insinuations as to possible connection between smoking and cancer to the more drab, but probably significant, economic factors which include excise taxes, prices, and population changes. Some believe that cigarette advertising has, ironically, tended to promote less cigarette consumption because it generally points out harmful effects that may be eliminated by using this, that or the other brand. Since firm scientific conclusions on the relation of smoking to bodily health or harm are as yet unavailable, the discussion which follows will concern itself essentially with some economic and sociological facts which appear to be pertinent.

In the tax realm, it is interesting to note that Federal excise taxes on cigarettes rose from $3.50 to $4.00 per thousand, effective November 1, 1952, and the Office of Price Stabilization permitted an increase in prices to cover the higher tax.

Tobacco wholesalers' sales as well as the tax-paid withdrawals showed a considerable bulge for several months prior to November 1, 1952. In March 1953 price control expired and cigarette prices rose 10.7%. There was no prior bulge in sales at this time, and it may be assumed that consumers were unaware of the impending change.

Population in the United States has been rising faster than in earlier years, but the 15-19 year age group (the "new crop" of smokers) has been falling for several years. This in itself should have caused cigarette consumption to slow its rate of growth or level off, and this is exactly what happened between 1946 and 1950. In 1951 and 1952 cigarette consumption began to rise sharply—perhaps due to the Korean War since wars usually inflate even tobacco consumption. Interestingly, the rate of growth in cigarette consumption slowed down after both the first and second World Wars, and it may well be that the current trend is a return to a more normal situation.

In the first nine months of 1953 total tax-paid and tax-free cigarettes in the Fifth District declined 4.5% from similar months in 1952; in this period the national decline was 2.2%. Tax-paid cigarette withdrawals in the nine months were down 3.6% in the Fifth District and down 1.3% in the United States. Tax-free cigarettes were down 12.7% in the Fifth District and 10.8% in the United States.

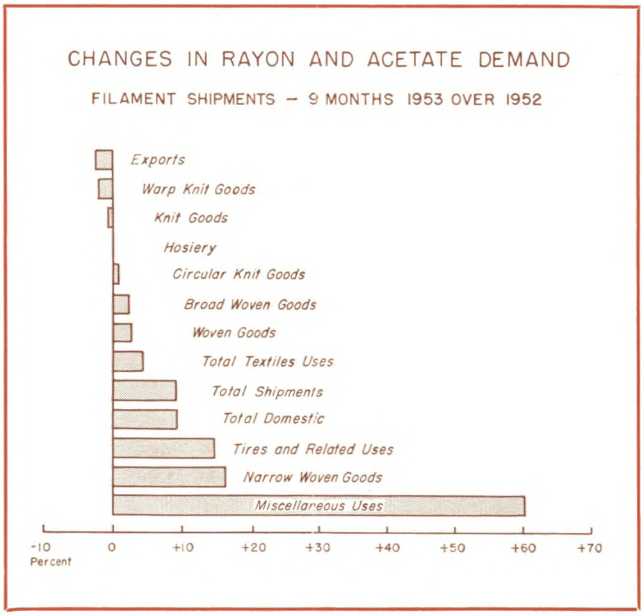
In 1952 the Fifth District accounted for 78.7% of the total cigarette output of the country, and in the first nine months of 1953 the District's share was 77.1%, a continuation of the slight decline in the District's contribution which has been in evidence for several years.

In the first nine months of 1953 employment in the manufacture of cigarettes in the Fifth District averaged 20,700, an increase of 1.5% over similar months of 1952. Average working time in the first nine months of 1953 was 37.7 hours or 2.6% less than a year earlier. Total man-hours in this same period were down 1.2% from a year earlier and, with production down 4.5%, output per man-hour was down 3.3%. Cigarette exports in the nine months were up 1.9%, but total tax-free cigarettes were off 10.8%.

Rayon and Acetate

Rayon and acetate producers in the United States sold 1,080 million pounds of yarn in the first eleven months of 1953, a gain of 2.8% over the same period of 1952. From these indications it might appear that the rayon and acetate industries did well last year. Actually, total shipments (eleven months of 1953) were 1.7% below similar months of 1951 and 5.1% below the same period of 1950.

The total shipment figures conceal much that has happened in these industries in recent years. The highest level of shipments ever attained came in the first eleven months of 1950. The drop between 1950 and 1953 of only 5.1% fails to disclose the fact that rayon high tenacity yarn shipments in this period were up 49%, whereas rayon textile yarn shipments were down 34% and acetate filament yarn shipments were down 30%, while staple and tow shipments were down 3%. Here again the changes in total staple and tow fail to reveal actually what has happened. Between 1950 and 1953, eleven months, rayon staple and tow shipments were up 9%, whereas acetate staple and tow shipments were down 22%.



Perhaps a better idea of the current position of the industry can be had by relating November production figures to capacity. Rayon textile yarn plants were operating at 74% of capacity while acetate yarn plants were operating at 42% of capacity. Rayon tire cord producers, operating at 79% of capacity in November, have for the first time in their history run into a period where they have been subject to the seasonal and cyclical requirements of demand. Rayon staple and tow producers were operating at 64% of capacity in November, whereas the acetate staple and tow operators were at 38% of capacity, with the industry over-all operating at 62% of capacity.

In the first eleven months of 1953 production exceeded shipments by nearly 20 million pounds and producers' inventories during 1953 rose by this amount. In November production was cut back below shipments and stocks were reduced nearly 7 million pounds, but they are still not far below the high point established in the Spring of 1951.

The accompanying chart shows the yarn shipments to the various users during the first nine months of the year in comparison with the same period last year. The figures are for filament yarn and the total shipments for nine months show an increase of 9.2% over a year ago, compared with a gain of 4.9% in eleven months. Shipments to the broad woven goods trade in the first nine months of 1953 rose 2.3%, while those to knit goods producers dropped 0.9%. Miscellaneous textile users were shipped 60.2% more, while all textile yarn users were shipped 4.3% more. Shipments to tire and rubber companies rose 14.8% over the previous year while exports dropped 2.6%.

A little clearer picture of the current trend may be gained by comparing third quarter shipments in 1953 with those of the same quarter in 1952. In this period knit goods shipments were down 24%, woven goods down 32%, miscellaneous uses up 45%, tire and rubber companies' uses up 7.5%, and exports down 23%. Total shipments in this period were down 13.9%.

In the first nine months of 1953, rayon and other synthetic fibers lost ground in men's Summer weight suits, sport dresses and sport trousers, women's untrimmed coats, women's suits, unit-priced dresses, dozen-priced dresses, blouses, waists and shirts, and skirts. Again the most prominently mentioned factor responsible for the shift in consumer demand from rayon and acetate to wool or cotton or other synthetic fibers was washability.

Utilization of rayon in the manufacture of carpets and rugs rose to 37.1% of the total fibers used for these purposes in July 1951. It declined consistently to the figure of 9.6% in July 1952 and has since risen to a figure between 13% and 15%.

In 1950 and 1951 new synthetic weaving facilities in this District were constructed in substantial volume. During 1953 only two instances of expansions in this type of facility have been noted and these were designed to spin both wool and synthetics in combination. In recent weeks it has been announced that the Industrial Rayon Corporation will expand staple fiber facilities at Covington, Virginia, with a new plant costing $5 million.

Manufacturing Progress in the Fifth District

Manufacturing in the five states of the Fifth District has grown at a faster rate in most respects than it has in the nation. A useful measuring rod is income payments from manufacturing which rose 402% from 1929 through 1952 in the District as against a 285% rise in the United States. Despite this relatively sharp gain, however, manufacturing payrolls as a percentage of total income payments remain lower in the District than the country as a whole. Compared with the District change from 16% in 1929 to 20% in 1952, the national proportion rose from 20% to 25%.

Another indicator of the rise in the relative importance of manufacturing in this District is the growth of industrial employment. Here, the District gained 74% from 1929 to 1952, well above the increase of 56% in the national economy. As a consequence, manufacturing employment rose from 20% to 23% of total employment in the District from 1930 to 1950.

A third measure of better-than-average progress in Fifth District manufacturing activity is value added by manufacturing. From 1929 to 1952, District figures show a gain of 269% in this respect as against a rise of 240% for the United States. Value added by manufacturing measures values actually created within an industry and excludes materials, fuels and energy purchased from other industries. In general, it is the amount by which value of shipments exceeds cost of materials and supplies. Thus value added by manufacturing measures the direct contribution of manufacturing activity to total income through wages and salaries paid, remuneration of capital, rentals and taxes paid, and profits earned. Measuring quality as well as quantity of output, value added by manufacturing is a significant measure of the relative importance of manufacturing in different geographical areas.

Maryland—Balanced Manufacturing Structure

So far as the division of manufacturing workers between durable and nondurable goods industries is concerned, Maryland has the most even distribution of all Fifth District states. The latest available data show that about 52% of all manufacturing workers in the Old Line State were engaged in durable goods production and 48% in nondurable. This balance is, however, marked by high concentration of the heavy industries in the Baltimore metropolitan area. Only one-fourth of total manufacturing employment in the rest of the state is accounted for by durable goods makers.

Although the largest center of heavy industry in Maryland, in fact, in the Fifth District, is the Baltimore area, the manufacturing structure of the latter is not characterized by a heavy preponderance of durable goods industries. The latter accounts for about 60% of total manufacturing employment in the area, but Baltimore is recognized nationally also as a leading producer of food products and apparel. All told, manufacturing in the Baltimore metropolitan area accounts for around three-fourths of the state total of manufacturing employment and value added by manufacturing.

From 1929 to 1952 manufacturing employment in Maryland increased 73% as compared with a gain of 56% for the nation, and value added by manufacturing increased 304% against the national gain of 240%. Income payments from manufacturing increased 385% from 1929 to 1952, also well above the average rise for the country of 285%. Due principally to large employment gains in wholesale and retail trade and in public administration, manufacturing employment in Maryland declined from 26% of total employment in 1930 to 25% in 1950. This trend was contrary to changes in the rest of the District and in the nation.

Chemicals Pace Virginia's Growth

It is possible that when all the "returns" are in for 1953, the chemical industry will have moved up from second place to become the largest single employer in Virginia. The principal factor here has been the growth of synthetic fibers. During 1953 employment in the latter industry peaked at around 20,000, approximately 45% of total employment in Virginia chemical plants.

The better-than-average gains realized by Virginia since 1929 in manufacturing employment and value added by manufacturing rest heavily on the growth of synthetic fibers. In the early part of the period rayon scored large gains in production and employment, and when its rate of growth began to slacken newer synthetic fibers stepped into the lead. Compared with the annual rate of growth of 5% in the nation's production of all goods and services since 1940, rayon and acetate production has grown at an annual rate of 9.6%, and other synthetic fibers have zoomed at a 40.5% clip.

From 1929 to 1952 manufacturing employment in Virginia rose 77% and value added by its manufacturing plants increased 279%. These gains were substantially higher than the national increases of 56% and 240%. The rise in total income payments in Virginia since 1929, which narrowed the gap between the state's per capita income and the national average, has been due in large part to the growth in income payments from manufacturing. This source of income in Virginia increased 430% as compared to a rise of 285% in the United States.

The decline of agricultural employment from 32% to 15% of total employment in Virginia in the two decades following 1930 was not offset by a rise in the relative position of manufacturing. Despite its sizable growth manufacturing employment rose only from 18% to 21% of total employment in the state. This was due principally to large gains in the relative positions of wholesale and retail trade and government employment.

West Virginia—High Value Added by Manufacturing

Value added by manufacturing in West Virginia factories increased 301% from 1929 to 1952, well above the national gain of 240%. This was a consequence of the heavy representation in West Virginia's manufacturing structure of industries that were among the leaders in the country in gains in value added. Included here were chemicals, stone, clay and glass, and primary metals. Not only do these three industries account for almost 60% of total manufacturing employment in West Virginia, but chemicals and primary metals have been fast-growing industries in the state. Since the Census of Manufactures was taken in 1947, chemicals have moved up from third position among manufacturing employers to first place. In fact, the industry has grown to such proportions in the Kanawha Valley that the latter is sometimes referred to as the chemical center of the United States.

Other industries in West Virginia did not follow the lead of chemicals, and as a result manufacturing employment increased only 44% from 1929 to 1952. This was the smallest gain in the Fifth District and below the nation's growth of 56%. The result put a damper on the rise of income payments from manufacturing, limiting the gain to 268% which was less than the average for the country and the smallest in the District.

Because of the relatively low rate of growth and the importance of coal mining, manufacturing employment in West Virginia constitutes a smaller percentage of total employment than it does in any other state of our District or in the United States. Amounting to 17% in 1930, it had risen to only 19% in 1950. This is an important factor in the relatively low position of West Virginia with respect to total and per capita income payments to individuals.

North Carolina Leads the District

Among Fifth District states, North Carolina has: the largest number of manufacturing employees, the highest value added by manufacturing, the greatest amount of income payments from manufacturing, and the highest percentage of total employment engaged in manufacturing.

In the period under review, manufacturing employment in North Carolina increased 85%, the largest gain in the District and well beyond the national average of 56%. Income payments from manufacturing increased 449%, second to South Carolina's 558%, and more than one and a half times the increase in the United States.

Only in its increase in value added by manufacturing did the Tar Heel State relinquish its position at the head of the parade. Here it realized a gain of 191%, the lowest in the District and the only District state increase that failed to exceed the national average of 240%. This was a consequence of the industrial make-up of North Carolina. Heavy industries and durable goods manufacturers are conspicuous by their small numbers, while nondurable goods manufacturers blanket the Piedmont region of the state. With about one-half its total value added created by the textile industry, which did not enjoy the growth characteristic of synthetic fibers and most durable goods lines, North Carolina realized only the moderate increase noted in its value added by manufacturing.

Although North Carolina has the largest number of manufacturing workers in the District, about three-fourths of the total is concentrated in textiles, lumber, furniture, and tobacco products—all relatively low wage-paying industries. This is a significant factor in the relatively low income-payments position of the state.

South Carolina—A State of Change

Two decades of economic changes in South Carolina have, figuratively speaking, moved the mules from the farms to the textile mills. No longer does agriculture dominate the economy as it did back in 1930 when farming provided a livelihood to half the total employed in the state. Now only about one-fourth of all the employed in South Carolina follows the plow. The other side of this change has been the growth of manufacturing activity which now accounts for almost 30% of the total employed in all activities, as compared to only 19% in 1930.

South Carolinians are the first to admit that there are many industrial achievements yet to be checked off, but the surge of industrialization has been strong and progress has been above average. In the periods indicated earlier, manufacturing employment increased 78% in South Carolina as against 56% in the nation; value added by manufacturing rose 479%, and income from manufacturing grew 558%. The latter two increases were much the largest in the Fifth District and almost double the rates of growth in the United States.

The manufacturing structure of the state lacks balance since 60% of the industrial workers are turning out textile mill products. Diversification is needed, particularly in the direction of durable goods industries and the manufacturing of finished goods. It needs the addition of industries with a high ratio of value-added to value-of-products to enlarge labor opportunities, particularly for high labor skills, and boost income payments to individuals. That some progress is being made is indicated by South Carolina's rank among the states of the nation with respect to percentage increases in total income payments and per capita income payments from 1929 to 1952: fourth and first respectively.

Business Conditions and Prospects

THE Fifth District business situation statistically looked better in November than October, after normal seasonal correction. The better appearance came mainly at the trade level, sparked by a continued high level of sales of new automobiles. Interestingly, the spending rate as represented by bank debits rose 2% from October to November and was 9% ahead of a year ago. Wholesalers generally enjoyed better business in November than in October.

On the other hand, production, employment, and distribution of primary products, which had been relatively stable most of the year, deteriorated considerably in November. The factory work week came down approximately two hours. Insured unemployment, which on October 3 was at 62,000, rose by December 5 to 107,000. Bank lending to business concerns in the District, which ordinarily rises rather markedly to the end of the year, leveled off during the fourth quarter. October farm income took a very substantial dip, though for ten months the District's loss over a year ago was smaller than for the United States as a whole.

Banking

Loans of all member banks in the Fifth District on November 25 totaled $2,376 million, a gain of 0.3% from a month earlier and a gain of 5.4% from a year earlier. This is a considerably smaller increase than usually takes place at this season. Total member bank deposits rose 1.3% during November, and holdings of U. S. Government obligations rose 2.3%, and other security holdings increased 1%.

The rise of 1.3% in total deposits was occasioned by a gain of 2% in demand deposits (excluding interbank), a gain of 0.9% in deposits of banks, and a drop of 0.7% in time deposits. The drop in time deposits reflected the withdrawal of Christmas savings accounts for which checks went out in late November.

Member bank borrowings rose $5 million, or 10% during November, with borrowings from the Reserve Bank up $8 million and those from others down $3 million. Total borrowings at the end of November this year, however, were down 61% from a year ago.

Demand deposits of banks reporting debits turned over at an annual rate of 19.3 times in November, which compares with a rate of 17.5 times in November 1952. Considerably lower rates of turnover in demand deposits this year than last were witnessed in Hagerstown, Md.; Durham, N. C.; Greensboro, N. C.; Kinston, N. C.; Wilson, N. C.; Spartanburg, S. C.; Danville, Va.; and Newport News, Va. Other cities throughout the District either had a turnover rate equal to that of last year or considerably above it.

The rate of spending or paying debts in the District as represented by bank debits in November showed a rise of 2% after seasonal correction above October, and 9% ahead of a year ago. This is a turnabout in this index which has been declining since July.

Textiles

The steady attrition in prices of cotton goods and yarns over the last several months finally found its reflection in reduced operations in the industry during November. Cotton consumption, seasonally adjusted, dropped 6% in November from October and was also 6% under November 1952. Trade indications point to a further lessening of activity during December.

The industry, however, continues to voice a considerable degree of optimism over the outlook, even though contract business has not appeared in volume. Naturally, if national business conditions deteriorate, further reduction may be expected in cotton textiles. If, on the other hand, the business situation in the nation takes a turn for the better, the cotton textile industry will improve its position from current levels.

Total deliveries of rayon and acetate in November were down 11% from a year ago with rayon filament shipments down 8% and acetate filament shipments down 27%. Total staple and tow shipments in November were down 2%, with rayon shipments up 13%, and acetate shipments down 35%. Deliveries of yarn do not necessarily measure changes already made in the weaving of these fabrics, but they usually move in the same direction.

Latest figures available for the hosiery industry show the work week in North Carolina full-fashioned hosiery mills in November down 3% from a year ago, though slightly above October levels. Hours worked in the seamless hosiery industry in November were moderately lower than in October and 8% under last year.

Tobacco

In the cigarette industry the work week in North Carolina cigarette factories (November) dropped 4% from a year ago and in Virginia the decline was 5%. In Richmond, preliminary Chamber of Commerce figures show cigarette production 2.6% under November 1952 and eleven-month figures down 3.5%.

Bituminous Coal

Output of bituminous coal in the Fifth District dropped 9% from October after seasonal correction and was 18% under November 1952. Normally there is a seasonal rise in coal demand between October and November, but this year there has been more moderate weather and some easing in industrial requirements. For the first ten months of 1953, total domestic demand for bituminous coal increased 3.4% over the same months last year. In the first eleven months of 1953, coal output in the District totaled 141 million tons, a drop of 9 million tons or 6% from the same period of 1952.

Trade

Department store sales (adjusted), which had shown moderate improvement in October over September, showed further moderate improvement in November. November sales rose 2%, adjusted, from October and were 2% ahead of November 1952. Adjusted sales were about 8.5% under the year's peak level established in May. Current indications, based on weekly figures, are that the December sales level will show still further moderate improvement from November.

New passenger automobile registrations for all states in the District during October were up 7% from September and 26% ahead of a year ago. For the first ten months registrations were 35% ahead of last year, with a gain of 49% being shown in South Carolina, 46% in North Carolina, 38% in West Virginia, 37% in Maryland, 24% in Virginia, and 16% in the District of Columbia. Figures for five states are available for November, and together these registrations show a drop of 1% from October but 35% ahead of a year ago.

Furniture stores did not do so well in November. Their adjusted sales were down 6% from October and 5% under a year ago. Some further progress was made in reducing inventories, which declined 3% (seasonally corrected) from October to November, though still 4% ahead of November 1952. Although accounts receivable in furniture stores in November were 4% higher than a year ago, their collections were down 2%.

Shipments of television sets to dealers in the Fifth District during October 1953 were down 33% from a year earlier; for ten months shipments were up 19%.

Agriculture

For the first ten months of 1953 cash receipts from farm marketings in the Fifth District had not fallen as much as the national total—the District figure was 4.9% compared with a national decline of 5.3%. October, however, changed the comparison substantially—in this month, the District's total cash income was down 20.5% compared with a national drop of 7.7%. The reason for the District's poorer showing was a drop of 24% in income from crops compared with a drop of 2% in the nation. The District did somewhat better in income from livestock and products than the nation as a whole in October, showing a drop in cash receipts from these sources of 9% compared with 15% for the nation. Both cotton and tobacco are responsible for the District's greater decrease in crop income in October, with prices and quantities marketed down.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	November 1953	November 1952	11 Months 1953	11 Months 1952
Dist. of Columbia				
Washington	$1,054,552	$ 883,102	$11,851,532	$11,397,654
Maryland				
Baltimore	1,410,078	1,218,777	15,586,679	13,996,600
Cumberland	22,883	19,752	274,163	274,170
Frederick	22,549	22,113	256,167	245,288
Hagerstown	35,416	36,087	415,407	386,325
North Carolina				
Asheville	59,630	60,017	676,061	660,614
Charlotte	363,683	340,078	4,022,971	3,782,437
Durham	102,310	111,342	1,191,749	1,180,591
Greensboro	113,431	113,063	1,302,789	1,173,120
High Point	43,019**	NA	NA	NA
Kinston	24,177	28,818	312,700	302,012
Raleigh	205,210	187,837	2,116,307	1,967,949
Wilmington	43,534	42,158	518,826	494,289
Wilson	32,531	43,893	334,330	318,722
Winston-Salem	159,148	158,907	1,689,068	1,565,744
South Carolina				
Charleston	69,379	79,346	854,479	882,165
Columbia	150,457	139,153	1,760,690	1,572,340
Greenville	104,251	105,067	1,224,105	1,169,505
Spartanburg	63,981	67,569	734,604	769,893
Virginia				
Charlottesville	29,370	26,391	311,013	275,002
Danville	55,127	61,643	455,659	437,136
Lynchburg	48,642	47,701	538,262	493,941
Newport News	44,069	45,270	524,654	517,516
Norfolk	257,943	230,263	2,820,026	2,652,705
Portsmouth	30,821	27,037	337,675	297,069
Richmond	626,499	570,534	6,837,724	6,427,132
Roanoke	116,848	113,670	1,335,818	1,240,581
West Virginia				
Bluefield	41,195	40,660	482,114	517,334
Charleston	186,974	148,491	1,908,964	1,736,612
Clarksburg	30,440	30,779	367,043	371,998
Huntington	66,651	64,860	773,085	763,475
Parkersburg	33,744	27,513	343,143	321,399
District Totals	$5,605,523	$5,091,891	$62,157,807	$58,191,318

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

50 REPORTING MEMBER BANKS

(000 omitted)

Items	Dec. 16, 1953	Change in Amount from Nov. 11, 1953	Change in Amount from Dec. 17, 1952
Total Loans	$1,413,931**	+ 11,774	+ 66,991
Bus. & Agric.	645,988	+ 5,081	+ 8,731
Real Estate Loans	266,014	+ 1,285	+ 5,934
All Other Loans	518,170	+ 5,344	+ 52,687
Total Security Holdings	1,809,100	+ 4,433	— 60,051
U. S. Treasury Bills	124,520	+ 12,793	—131,640
U. S. Treasury Certificates	261,459	— 8,141	+120,663
U. S. Treasury Notes	316,791	— 34,490	+ 24,133
U. S. Treasury Bonds	873,368	+ 35,066	— 84,413
Other Bonds, Stocks & Secur.	232,962	— 795	+ 11,206
Cash Items in Process of Col.	308,149	— 49,489	+ 4,528
Due From Banks	195,299*	+ 9,549	+ 14,740
Currency and Coin	82,531	+ 1,236	— 5,424
Reserve with F. R. Banks	563,738	+ 26,143	— 34,537
Other Assets	62,435	+ 1,704	+ 7,787
Total Assets	4,435,183	+ 5,350	— 5,966
Total Demand Deposits	3,404,184	+ 18,547	— 17,657
Deposits of Individuals	2,529,440	+ 71,116	— 6,051
Deposits of U. S. Government	106,552	— 32,561	— 22,224
Deposits of State & Local Gov.	180,402	+ 11,580	+ 20,938
Deposits of Banks	526,038*	— 26,778	— 10,517
Certified & Officers' Checks	61,752	— 4,810	+ 197
Total Time Deposits	679,262	— 2,739	+ 25,757
Deposits of Individuals	601,505	— 3,847	+ 27,432
Other Time Deposits	77,757	+ 1,108	— 1,675
Liabilities for Borrowed Money	22,900	— 12,600	— 40,700
All Other Liabilities	48,822	+ 2,240	+ 10,719
Capital Accounts	280,015	— 98	+ 15,915
Total Liabilities	$4,435,183	+ 5,350	— 5,966

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

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Nov. 1953	Oct. 1953	Nov. 1952	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago.
New Passenger Cars*	......	222	161	+ 7	+26
Bank Debits	475	466	437	+ 2	+ 9
Bituminous Coal Production	119	131	144	— 9	—17
Construction Contracts	792	635	520	+25	+52
Business Failures—No.	74	89	58	—17	+28
Cigarette Production	......	219	246	—10	—11
Cotton Spindle Hours	153	158	159	— 3	— 4
Department Store Sales**	118	116	116	+ 2	+ 2
Electric Power Production	......	424	399	— 2	+ 7
Manufacturing Employment*	......	160	159	— 1	0
Retail Furniture: Net Sales	198	210	208	— 6	— 5
Life Insurance Sales	430	403	364	+ 7	+18

* Not seasonally adjusted.
** 1947-1949=100.
Back figures available on request.

WHOLESALE TRADE

LINES	Sales in Nov. 1953 compared with Nov. 1952	Sales in Nov. 1953 compared with Oct. 1953	Stocks on Nov. 30, 1953 compared with Nov. 30, 1952	Stocks on Nov. 30, 1953 compared with Oct. 31, 1953
Auto supplies (9)	—25	+ 3	+ 6	— 2
Electrical goods (4)	+ 2	0	....	....
Hardware (9)	+ 1	— 8	+ 4	— 1
Industrial supplies (11)	— 3	—14	+20	— 3
Drugs and sundries (11)	+ 5	— 5	+ 9	— 6
Dry goods (11)	— 2	—11	+ 6	—14
Groceries (49)	+ 2	— 9	0	— 1
Paper and its products (6)	+18	— 4	....	....
Tobacco products (10)	— 2	— 5	— 5	— 4
Miscellaneous (95)	— 4	— 7	+24	+ 1
District Total (215)	— 1	— 8	+14	— 2

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, Nov. '53 vs Nov. '52	+ 1.4	+ 0.8	— 2.8	— 3.9	— 1.4
Sales, 11 Mos. ending Nov. 30, '53 vs 11 Mos. ending Nov. 30, '52	+ 0.1	— 1.7	— 2.7	+ 0.5	— 0.2
Stocks, Nov. 30, '53 vs '52	+ 8.7	— 3.5	+ 6.3	+ 5.3	+ 3.4
Outstanding orders Nov. 30, '53 vs '52	—20.7	—17.6	—27.0	—25.2	—23.2
Open account receivables Nov. 1 collected in Nov. 1953	36.0	48.8	42.2	42.3	42.8
Instalment receivables Nov. 1 collected in Nov. 1953	12.4	15.2	12.8	15.3	13.8

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Nov. '53 vs Nov. '52	+0.5	—2.8	—2.8	+3.6	—4.8	+3.8

BUILDING PERMIT FIGURES

	November 1953	November 1952	11 Months 1953	11 Months 1952
Maryland				
Baltimore	$ 8,165,085	$ 4,889,655	$ 79,175,660	$ 52,326,045
Cumberland	12,630	300,650	579,620	586,906
Frederick	12,000	107,050	2,173,452	2,190,952
Hagerstown	73,240	136,000	2,225,785	1,506,758
Salisbury	121,600	70,175	1,090,456	1,375,215
Virginia				
Danville	203,005	137,707	3,467,960	4,571,205
Hopewell	41,698	156,490	3,382,360	1,806,054
Lynchburg	241,900	167,525	4,142,306	2,360,842
Newport News	238,518	53,774	2,231,562	6,593,310
Norfolk	699,055	1,966,828	16,047,559	19,236,988
Petersburg	82,550	64,000	1,725,900	1,960,372
Portsmouth	978,760	143,525	7,311,398	6,756,985
Richmond	2,131,913	1,063,217	18,460,039	18,517,172
Roanoke	1,663,951	841,200	15,989,158	9,375,405
Staunton	105,000	85,150	1,906,402	1,285,755
West Virginia				
Charleston	494,440	367,320	11,629,907	11,378,965
Clarksburg	109,565	70,975	2,166,434	1,201,630
Huntington	662,065	165,995	8,686,492	6,907,974
North Carolina				
Asheville	256,892	279,243	3,320,657	3,353,272
Charlotte	1,089,611	2,385,867	29,565,199	19,331,525
Durham	714,933	282,821	6,812,157	9,093,557
Greensboro	612,407	369,050	9,502,142	7,925,584
High Point	128,359	367,190	4,552,534	3,355,915
Raleigh	2,276,695	955,950	21,816,359	15,986,353
Rocky Mount	482,139	140,083	4,657,324	2,567,290
Salisbury	139,292	214,252	2,076,476	2,104,812
Wilson	288,100	394,800	1,980,631	2,368,825
Winston-Salem	394,054	524,806	8,131,453	10,887,275
South Carolina				
Charleston	151,939	96,440	4,960,117	1,765,940
Columbia	926,980	1,118,383	8,897,143	9,937,109
Greenville	237,700	695,073	5,097,192	8,756,275
Spartanburg	52,685	52,901	930,385	1,927,837
Dist. of Columbia				
Washington	4,608,387	2,353,587	69,120,661	49,553,204
District Totals	$28,397,148	$21,017,682	$363,812,880	$298,853,306

RETAIL FURNITURE SALES

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

STATES	November 1953	11 Mos. 1953
Maryland (6)	— 5	+ 1
Dist. of Col. (7)	—16	—10
Virginia (23)	— 1	— 4*
West Virginia (10)	— 2	+ 2
North Carolina (14)	—12	— 6
South Carolina (6)	— 1	— 5
District (66)	— 8	— 5*
INDIVIDUAL CITIES		
Baltimore, Md. (6)	— 5	+ 1
Washington, D. C. (7)	—16	—10
Richmond, Va. (12)	+ 1	— 7*
Charleston, W. Va. (3)	— 1	+ 1

Number of reporting firms in parentheses.
* Cumulative sales figures based on a slightly smaller sample than monthly sales figures.