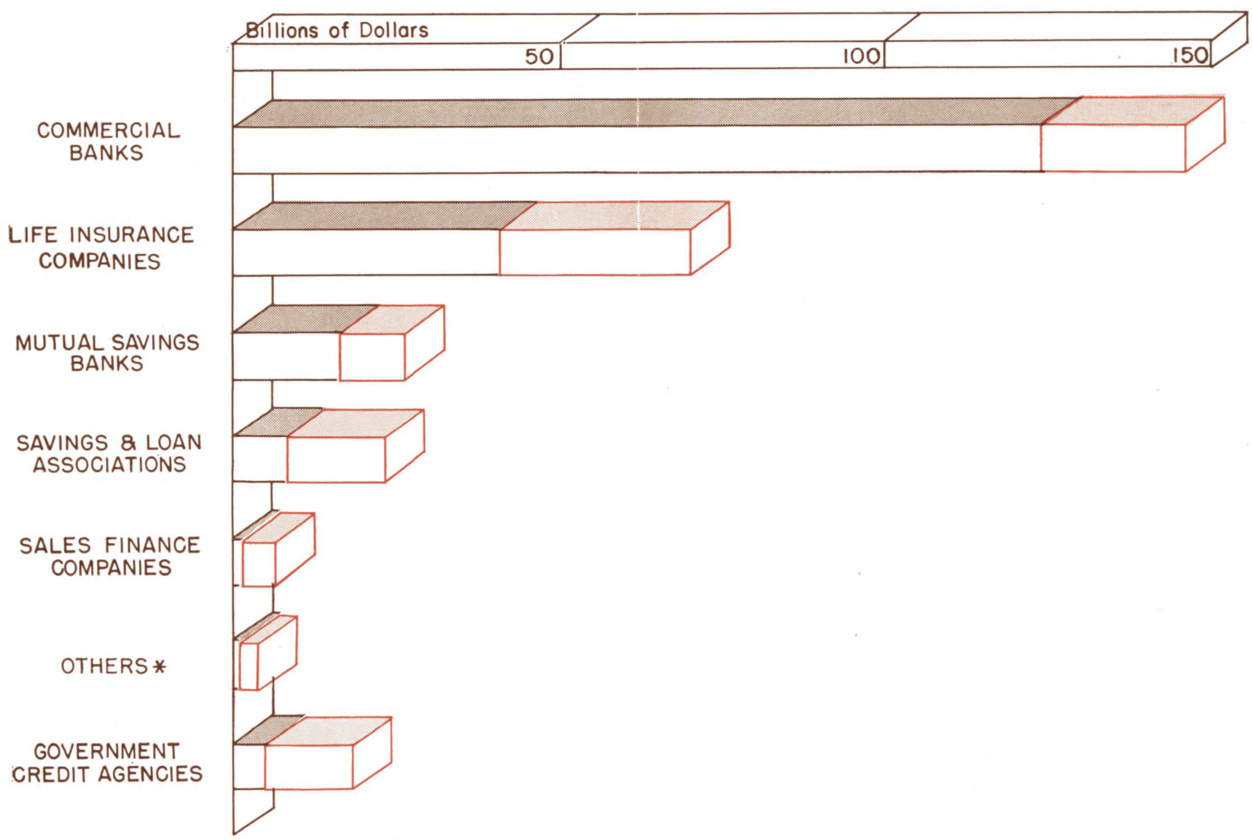
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

May 1954

PRINCIPAL INSTITUTIONAL LENDERS
CREDIT OUTSTANDING – END OF 1945 AND 1953



*Including Consumer Finance Companies, Credit Unions, and Industrial Loan Companies.

The lenders of money provide a very important share of the purchasing power that promotes high level business activity. Their activities encourage saving by making it profitable and prevent idle savings from acting as a drag on economic activity. A review of the more important lenders in our economy begins on page 3.

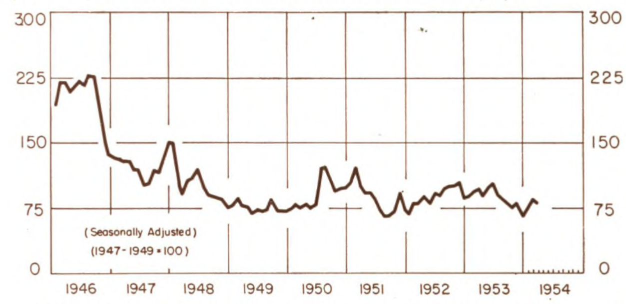
Also In This Issue - - -

FIFTH DISTRICT TRENDS

WHOLESALE SALES

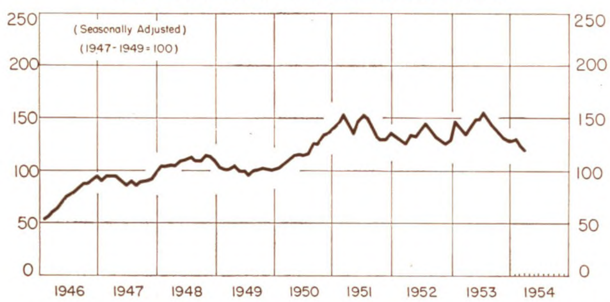
Dry goods wholesalers in the District experienced a drop in sales after seasonal adjustment of 3% between February and March, and their sales were 14% under March 1953. These figures are in line with the purchasing policies evidenced by District department stores and reflect an easier retail sales level in small independent stores as well as the ability of retailers to obtain quicker delivery.

DEPARTMENT STORE OUTSTANDING ORDERS



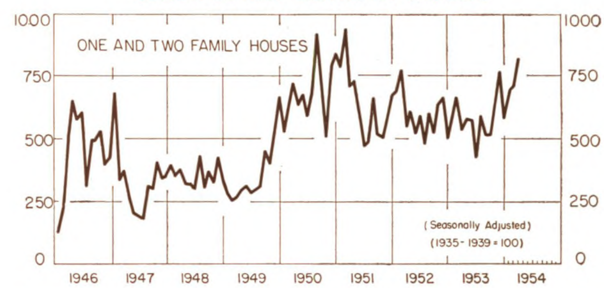
Although District department store inventories have been worked down considerably since last Summer, inventory policy is still on the conservative side as evidenced by a drop of 5% in seasonally adjusted outstanding orders between February and March to a level 17% under a year ago. This policy is no doubt a reflection of the ability to secure quick delivery.

RETAIL FURNITURE STORE INVENTORIES



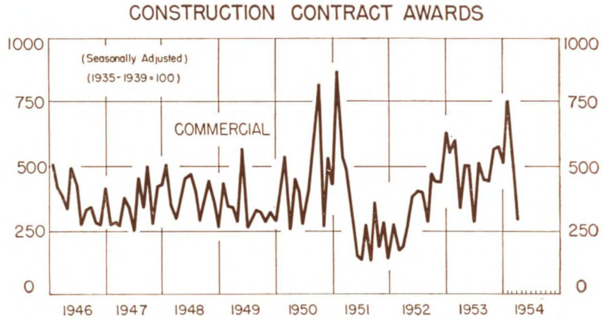
Furniture stores of this District are maintaining inventories at a level commensurate with declining sales. During March furniture store sales were down 12% from a year ago and inventories were down 10%. Inventories declined 2% after seasonal correction from February.

CONSTRUCTION CONTRACT AWARDS



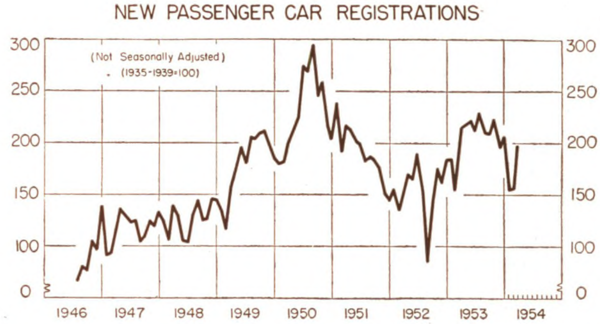
Contract awards for one- and two-family houses in this District in March were at the highest level since February 1950 and highest of any month of record except three. March awards were 15% higher than in February after seasonal correction and 52% higher than in March 1953. In the first quarter of 1954 these awards were 29% higher than in the first quarter of 1953.

CONSTRUCTION CONTRACT AWARDS



Contract awards for commercial buildings which reached a post-Korean high in January this year have since fallen sharply in both February and March. March awards after seasonal correction were 47% under those of February and 13% smaller than March 1953. The large January awards, however, were instrumental in raising the first quarter total 4% above that quarter of 1953.

NEW PASSENGER CAR REGISTRATIONS



Four Fifth District states and the District of Columbia showed registrations of new passenger cars in March 29% higher than in February, but 8% under March 1953. The accumulated registrations for the first three months of the year were also 8% smaller than in similar months last year. Virginia was the only state to show higher registrations in March than a year ago.

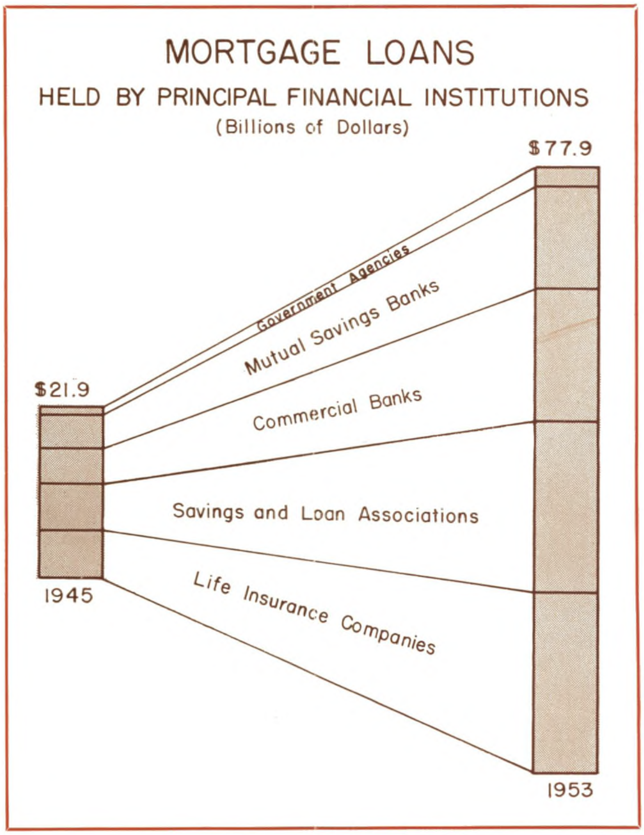
The Money Lenders
They Are the Catalysts in a Complex Economy

It has been truly said that the economic health of the nation rests essentially on faith since virtually every transaction that takes place involves trust and confidence. This is true because the prerequisite of every transaction—the means of making payment—is itself a form of credit. Furthermore, every delayed payment is in essence credit and a very substantial portion of all payments is delayed. The employee who receives payment for his services at the end of a period of service, the electric company that bills for power supplied in a past period, the supplier who bills the manufacturer for raw material after delivery—each has surrendered services or commodities on trust, with the faith, although buttressed by the force of law, that payment will be satisfied in the normal course of economic events.

Few pause to consider the magnitude of merely the more easily recognized forms of credit. An individual borrows money from his bank in order to purchase a home, an automobile, a refrigerator, a power mower. A retail merchant makes a loan to purchase inventory. A manufacturer procures money from the public by selling bonds. Uncle Sam borrows by issuing and selling bonds, notes, certificates of indebtedness or bills. In each case borrower and lender are easily recognized. The total amount owed by all borrowers at the end of 1952 is estimated by the Department of Commerce at $553 billion. This is 60% greater than the nation's gross national product—the market value of all goods and services produced—in the United States in that year.

For every borrower there must be a lender. This raises the query: Who are the lenders of money and what is the source of the money they lend? Initially we might say simply that loanable funds come either from money already in use but not being spent by its owners, that is, savings, past or present, or from money newly created by the lending process. The loan contract is the instrument not only for transporting idle funds from savers to those who can put them to current use but also for bringing into existence entirely new funds which are put to work and exert their influences, at times profound influences, on the economy.

In the present intricate economic structure, painfully evolved through centuries of trial and error, the saver of funds rarely comes in contact with the borrower. He deposits his funds in a savings account, pays an insurance premium, purchases shares in a savings and loan association, or contributes to a pension fund—in these and other ways he puts his funds in the hands of a financial middleman. The financial middleman then seeks to employ them in such a manner that he is always ready to meet demands made upon him by the savers who entrusted their funds to him, to pay them the agreed rate of return for the use of the money, and also to acquire a profit to the institution above the costs of its operation.



This generally smooth-working process of putting saved funds to work has important economic implications. It means that the saving of present income for future use need not cause a reduction in the over-all level of spending currently taking place. It means also that saving becomes profitable, that saved funds can be put to work to earn a return for their owners, thus providing an additional incentive to save.

The Institutional Lenders

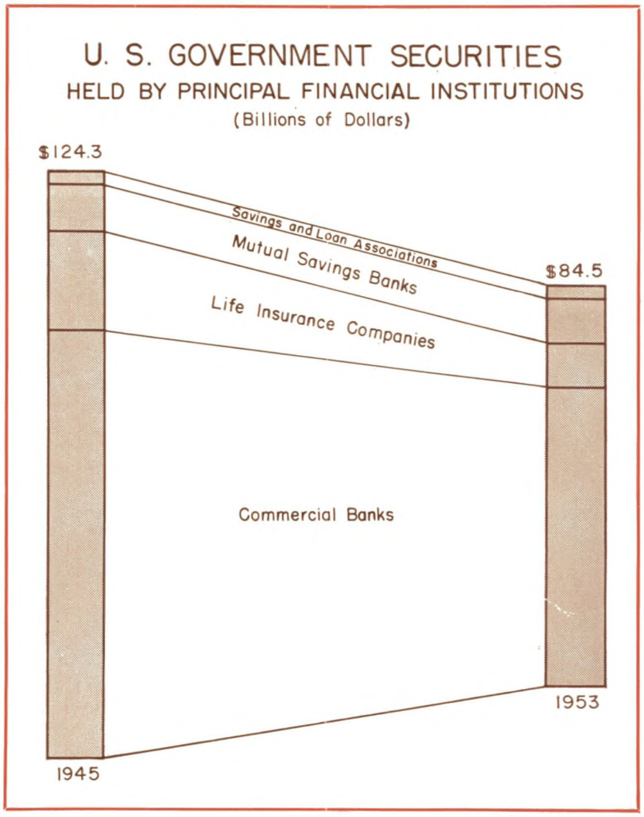
In the complex American economy are a great number of institutions whose primary function revolves around the borrowing and lending of money. Some of these act almost solely as intermediaries—they work to bring lender and borrower together. The securities exchanges are good illustrations of this sort of institution, where the borrowers of money offer their bonds, notes, and other evidences of indebtedness for sale and the lenders of money make their bids and their purchases.

Also included among the intermediaries are brokerage firms, investment bankers, factors, and similar firms.

Other institutions act as true middlemen—they receive funds from savers, the ultimate lenders, and on their own initiative and judgment lend these funds to a vast array of borrowers constantly seeking present use of their future income. This group of financial institutions we would like to explore in greater detail. Among them are specialists in the financial services they offer as, for example, sales finance companies, consumer finance companies, and credit unions which lend almost entirely to individuals for purposes of personal consumption, or savings and loan associations and mutual savings banks which invest most of their available funds in mortgage loans.

Other financial middlemen offer a much broader service and cater to almost all classes of loan demand. Included in this group are the commercial banks whose borrowers range from farmers to home owners, from individual consumers to business firms—the pygmy-sized as well as the corporate giants. Their investment portfolios include bonds of a varied assortment of corporate enterprises as well as obligations of the United States Government and of states and political subdivisions.

An understanding of the operations of these varied institutions is essential if an appraisal of the effects of their activities is to be attempted.



Commercial Banks. These financial institutions differ from all others by an extremely important attribute: Their demand deposit credit is in effect money and need not be converted into some other form to be used in buying and selling. Commercial banks can, therefore, lend their own credit whereas other lenders must make payment to their borrowers in the form of currency or of bank demand deposit money. Other lenders are restricted in their lending to the actual money they have at their command, while commercial banks may, within certain limits, create the funds—their own demand deposit credit—they lend.

The limits to deposit expansion are set by legally required reserves which, in effect, set the amount of cash the banking system must have for each dollar of bank credit extended. Thus, with a given amount of cash resources, the banking system can extend approximately five times the amount of credit to its customers that other types of lenders could extend with the same amount of cash available. (For an explanation of the deposit expansion process see the November 1952 issue of the *Monthly Review* of the Federal Reserve Bank of Richmond.)

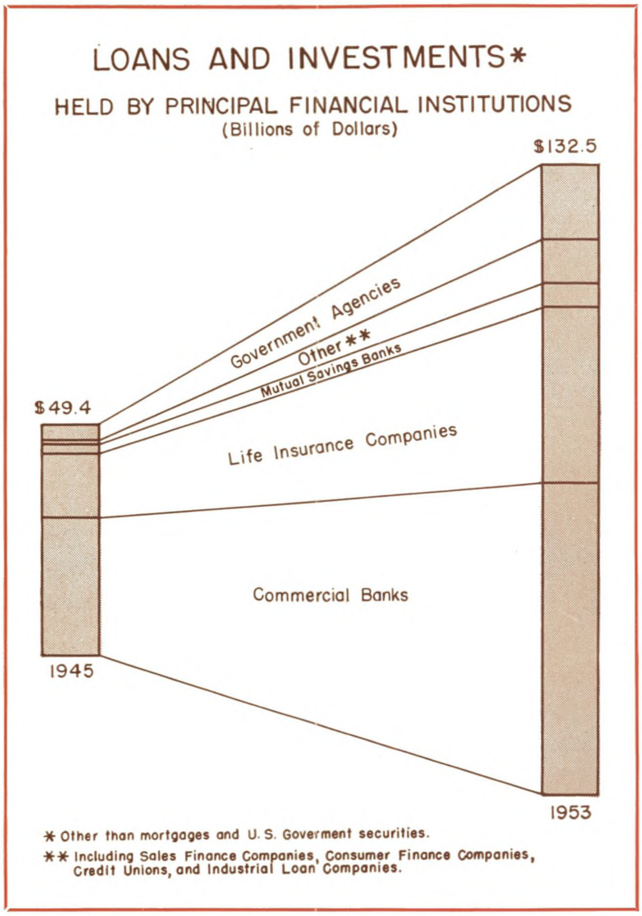
The principal source of banks' loanable funds then is in the ability to create new money, but this ability as well as the margin of funds other than bank credit which supports this complex superstructure rests on the savings of individuals and business firms. These savings may be very short term, as when funds are deposited with provision for withdrawal on demand, or longer term, in the form of time or savings deposits. In addition, a smaller amount of funds is provided by the owners of banks in the form of capital funds.

Bank lending is both broader in scope and greater in total amount than that of any other type of financial institution. Half of all the loans and investments held by the principal lenders are owned by commercial banks. Their lending ranges in maturity from one or two days (for example, Federal funds loaned to another bank to meet a temporary need), on up to from twenty to twenty-five years, as in the case of VA guaranteed mortgage loans or certain long-term bonds. Their borrowing customers may be consumers, farmers, home buyers, retail or wholesale merchants, construction firms, manufacturing and mining concerns, and many others including other financial institutions borrowing in order to be able to meet demands of their own borrowing customers. Commercial banks are truly the department stores of the financial field.

Life Insurance Companies. The second largest category of institutional lenders, life insurance companies, also offer an extremely variegated credit service. Their lending practices differ from those of the commercial banks in that more of their loan and investment assets are acquired in the financial markets although there are many direct lender-borrower transactions. Their loans to business and industry include vast quantities of corporate bonds and stocks purchased in the market, as well as many direct purchases and a large number of individual loan transactions. Even home mortgages are purchased in large blocks in the secondary market, but in this type of lending there is also a good deal of direct home buyer-lender transactions. Today, almost half of the credit extended by life insurance companies is in the form of securities of business and industry and one-third is in the form of mortgages. The remainder is almost entirely in the form of securities of the Federal Government or of the states and their political subdivisions.

The source of life insurance companies' investment funds is predominantly from policyholders. For many years premium income has provided approximately three-fourths of the total, the remainder coming from earnings on investments, income from rental properties, and other sources. In the case of stock companies, paid-in capital has provided a small margin of funds, but additions to capital in recent years have been insignificant as compared to premium and other income.

Mutual Savings Banks. As the word *mutual* implies, these institutions are owned by and operated for the benefit of their depositor members. Loanable funds are derived almost entirely from the savings of members and earnings are shared on a mutual basis. Earnings, which are retained to provide appropriate reserves and for other purposes, provide a second source of funds to the savings banks.



* Other than mortgages and U. S. Goverment securities.
** Including Sales Finance Companies, Consumer Finance Companies, Credit Unions, and Industrial Loan Companies.

Credit policies of the mutual savings banks are traditionally conservative and every effort is made to reduce the risk element in their investments to a minimum. Mortgage loans provide their principal lending outlet, and these include mortgages on commercial properties as well as those on homes. Their other assets are almost entirely in the form of Government securities and the higher grade public utility and industrial bonds.

Savings and Loan Associations. The predominant source of funds to savings and loan associations is from the savings of their individual shareowners. Individuals who place their funds with these associations participate mutually in their ownership and in the distribution of net profits. Unlike the conventional owners of most corporations, however, these shareowners can normally redeem their shares on demand and the associations, in practice, anticipate a normal turnover of their share accounts. An additional source of investment funds is provided by earnings retained for reserves and other purposes.

The savings and loan associations extend credit almost exclusively to home buyers in the immediate and surrounding communities. Today, over 90% of their earning assets are in the form of mortgage loans. Over 28% of mortgage loans held by financial institutions are in the portfolios of the savings and loan associations. They are surpassed only by the life insurance companies in the amount of mortgage credit they have extended. The remainder of their earning assets are almost entirely in the form of U. S. Government securities.

Sales Finance Companies. These are the only important institutional lenders in our economy that do not rely upon the savings of a large number of individuals as their principal source of funds. An important margin of their loanable funds is derived from their owners' equity. The net worth of sales finance companies averages approximately 16% of total resources. In addition to owners' equity, which represents paid-in capital plus retained earnings, these companies provide themselves with a substantial amount of working funds by borrowing from banks, insurance companies, and other institutional investors. In addition, the larger companies frequently sell their own commercial paper in the open market.

The sales finance companies have grown up with the automobile. Loans for financing the purchase of automobiles account for the major portion of the business handled by them. Although these companies handle consumer-type loans almost exclusively, they are to be

(Continued on page 12)

A New and Fast-Growing Industry in North Carolina

NORTH Carolina has a healthy, lusty infant industry whose rapid growth is attracting to the state some of the most respected names in industry. The electrical and electronics equipment industry is the latest feather in North Carolina's industrial cap.

Prior to World War II this industry was practically nonexistent in North Carolina. According to the 1939 Census of Manufactures, there were only three establishments in the industry in the state, and they employed a mere 66 persons. The next Census of Manufactures in 1947 showed the infant industry had grown to eleven plants, and employment had risen to the respectable figure of 5,023. Its contribution to the flow of income in North Carolina had swelled from $77,000 of wage and salary payments to about $14 million.

The booming years of the postwar period stimulated further growth, and in 1953 alone eleven new electrical and electronics plants were constructed or planned for early construction in the Tarheel State. Since 1947 $42 million has been invested in new construction and expansion of plants in this industry in the state. According to a recent release of the North Carolina Department of Conservation and Development, there are now 40 plants with around 22,000 employees engaged in the production of electrical and electronics supplies and equipment.

These plants produce a wide variety of items, ranging from such familiar items as radio tubes, electric blankets, and air-conditioning units to lesser-known parts like capacitors and electrodes. As might be expected, some of the plants are working on defense contracts and their production is classified.

From the point of view of investment in plant and equipment, employment, and production, the industry in North Carolina is made up principally of plants of large, nationally-known companies. Seven companies account for 93% of the total employment in the state's electrical and electronics plants. They are Western Electric, Westinghouse, General Electric, Union Carbide & Carbon, Cornell-Dubilier, International Resistance, and Sprague Electric. One of the results of the prevalence of plants established by such companies in North Carolina is a very high average employment figure per plant. Somewhere between 500 and 600, it far exceeds the average for all manufacturing plants in the state (probably well under 100) and is perhaps higher than the average for any other manufacturing industry in North Carolina, including tobacco which hitherto has had the highest average.

Diversification—An Income-Raiser

In 1952 North Carolina ranked 45th among the states of the nation in per capita income. One of the principal reasons for this low position is found in the nature of North Carolina's manufacturing structure. In the aggregate, manufacturing accounts for a larger percentage of total employment in North Carolina than it does in the country as a whole. Based on the latest data available, the comparative figures are 28.4% and 26.3%. However, manufacturing employment in North Carolina is heavily concentrated in just a few industries. Plants producing textile mill products alone account for over half of the state's total manufacturing employment. North Carolina's "Big Four"—textile mill products, lumber and products, furniture and fixtures, and tobacco manufactures—account for about three-fourths of the total.

It is true that these industries are not high wage payers, but this is characteristic of the industries themselves and is not unique in North Carolina. According to the Bureau of Labor Statistics, average weekly earnings for production workers in all manufacturing industries in the United States in 1953 were $71.57. Comparable earnings in plants producing textile mill products were $53.44; in lumber and wood products (except furniture) $65.45; in furniture and fixtures plants $62.91; in all tobacco manufactures $47.30; and in cigarette plants $58.70.

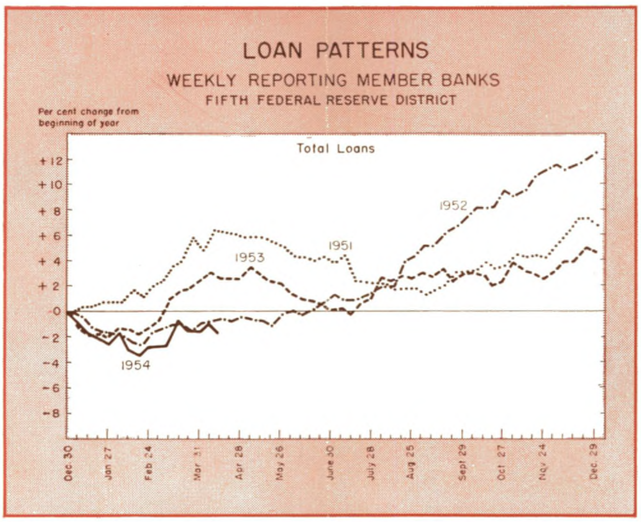
The "soft-goods economy" of North Carolina needs to be supplemented along lines other than those presently supplied by the manufacture of lumber and wood products and furniture and fixtures. The recent growth of plants making electrical supplies and equipment is an encouraging step in that direction. Average weekly earnings of production workers last year in the nation's electrical machinery industry were $71.55. Comparable earnings in component industries were $77.12 in electrical appliances, $62.47 in radio tubes, and $77.92 in the manufacture of carbon and graphite electrical products.

To a considerable extent, industrial areas of the country are characterized by specialization. There are, for example, automobile areas, iron and steel areas, meatpacking areas, and chemical areas. North Carolina's economy is heavily influenced by its textile, furniture, and tobacco manufacturing areas. So far, the growth of electrical and electronics equipment plants in North Carolina has not progressed far enough to have affected materially the flow of income payments in the state. It is highly likely that nationally this industry will continue to be a relatively fast-growing industry. Should this infant industry continue to grow at a faster-than-average rate in North Carolina, it will assist in bringing about a basic redistribution of manufacturing employment and this in turn would have a favorable effect on the state's per capita income position.

Bank Lending—Stability at a High Level

Loans extended by member banks in the Fifth District stood at $2,408.8 million at the end of the first quarter of 1954—just under the all-time peak reached at the end of last year. Total loans outstanding dropped seasonally in January, experienced very little change for the month of February, then rose moderately through March.

The loan experience of member banks in this District shows very little evidence of economic weaknesses which have been apparent in some other economic indicators. True, loans have not shown the growth this year that they experienced last year. But the banks have maintained a record loan level over the past year with considerable stability. The accompanying chart shows the loan experience of fifty of the District's member banks which report weekly on their activities, thus providing a valuable current indicator of lending developments which, in turn, offers another useful measure of business trend in a sensitive period.



A look at the components of the total loan figures plotted in the chart will be helpful in interpreting the importance of the trends. Commercial, industrial and agricultural loans make up nearly half of all the loans extended by the weekly reporting banks. What happens in this group of borrowers will have a profound effect on the over-all total.

Commercial, industrial and agricultural loans outstanding declined fairly sharply through January, but not as sharply as in January 1953. They showed very little net change for February and then jumped above their level at the beginning of the year during the first two weeks in March. This early March rise also characterized the same period in 1953 and is generally recognized as borrowing by business firms to meet the March 15 installment of their current year's Federal income tax bill. This year, 45% of the total bill had to be paid by the March date in keeping with the acceleration of corporate tax payments under the Mills Plan. Since mid-March, commercial, industrial and agricultural loans have declined moderately but persistently.

Manufacturing and mining firms, one of the components of the commercial and industrial group of borrowers, have made more active use of bank credit in this District through mid-April of this year than in the comparable period of 1953, but they failed to match their borrowing record for the 1952 period. Within this group of users of bank credit, textile, apparel and leather manufacturers increased their bank indebtedness substantially this year over last. Processors of metals and metal products and petroleum, coal, chemicals and rubber borrowed new money in both periods, but to a lesser extent this year than last. Food, liquor and tobacco firms repaid bank indebtedness on balance in both periods, but net repayments were somewhat smaller this year than last.

Wholesale and retail traders have, on balance, borrowed considerably less money from their banks over the first three and a half months of this year than in the comparable period in both 1953 and 1952. Over the first two months of the year loan repayments by such firms were much larger than new loans made and the total outstanding declined sharply. Since the first of March trade firms have made net new borrowings, but the amount of such loans has not yet reached the level at the beginning of the year.

Sales finance companies reduced their bank loans substantially in January and have maintained them at about this level since then. This experience is very similar to that in 1952 but represents a greater reduction in loans on the banks' books than in the same period in 1953.

Construction firms made less use of bank credit through mid-April this year than in either 1953 or 1952. The loan decline here might be interpreted as a sign of weakness in this economic sector. Actually, such indicators as mortgage recordings, contracts awarded, and housing starts point to a high level of activity, and there is evidence that considerable optimism exists in this field. Here is a reminder that our complex economy is extremely variegated in its composition and that each major sector, though closely interrelated with other sectors, may at times show surprising independence.

Loans to consumers make up another important segment of the loan portfolios of District member banks. According to the weekly reporting banks, the indications are that borrowing by consumers is at a very slow pace this year relative to immediate past years, including 1951 and 1952 when the consumer credit restraint measure, Regulation W, was in effect. Nevertheless, consumer loans are still being held at a record level.

Fifth District News Briefs

Textile plants in Greenville, South Carolina, in March showed gains in employment over the previous month. Manufacturers of apparel and finished products hired 200 persons, and textile producers added 100 during the month. Despite this increase, manufacturing employment in Greenville was still 2,000 below a year ago.

A construction and modernization program at the Baltimore refinery of the Standard Oil Company (New Jersey) will involve an expenditure of $15 million. The program will include three of the most modern refining processes in the industry: fluid coking, hydrofining, and hydroforming.

Herman Cone, president of Cone Mills, stated at the annual meeting of the company early in April that business was unsatisfactory and no signs of a pickup were then discernible. Cone Mills is one of the country's largest makers of denim and also manufactures other cotton cloths. It is the largest supplier to the work clothing trade where, according to Mr. Cone, there are no signs of improved demand.

A spokesman for J. P. Stevens & Company announced on April 7 that the company would close down virtually all its production facilities for rayon, acetate, and synthetic woven fabrics for one week beginning April 19. Since this announcement, several other weavers of synthetic fabrics have also announced intentions to shut down for one week.

The Union Carbide and Carbon Corporation announced on April 8 the start of commercial production of fluorothene resins at its continuous process plant in South Charleston, West Virginia. The material is a specialty-type plastic, able to withstand corrosive chemicals and to resist high temperatures. A large part of current production is absorbed by the military, the rest being used in the electrical and chemical industries.

The Southern Furniture Exhibition building in High Point, North Carolina, is adding 60,000 square feet of space in a ten-story building which will adjoin the present structure. The new space, designed for bigger and better furniture displays, is expected to be completed in January 1955.

The Pittsburgh Coke and Chemical Company's office, warehouse, and laboratory now under construction at Spartanburg, South Carolina, and estimated to cost $100,000, is due to be completed in August. The company will make Spartanburg its national sales headquarters for the fine chemicals division, supplying dyestuffs and chemicals to textile manufacturers throughout the South.

The Celanese Corporation of America has started production of a new heavy denier voluminized acetate yarn at its Cumberland, Maryland, plant. The yarn is used in the manufacture of drapery, upholstery, and other fabrics, and gives a novelty handloomed appearance.

Sidney Blumenthal and Company of New York has purchased 100 acres of land near Scotland Neck, North Carolina, where it plans to build a plant for weaving pile fabrics. The first unit, a 30,000-square-foot building, is expected to be ready for occupancy about July 1. Eventually, the plant will contain 150,000 square feet and employ more than 300 people.

Textile Machine Works' Statistical Survey for 1953 presents this interesting textile information: (1) 87 mills liquidated during 1953 and 45 new ones began operating. North Carolina had 10 liquidations and 7 new formations; (2) full-fashioned knitting machines in the United States decreased by 452 to 9,017 during the year, with North Carolina at the end of 1953 accounting for approximately 28% of the national total (compared with 20% a year earlier) and all other southern states for around 27% (compared with 19% a year earlier); (3) 66-gauge machines introduced during 1953 replaced 60-gauge machines in popularity and for the first time in many years Pennsylvania replaced North Carolina as leading purchaser.

Lansburgh's department store in Washington, D. C., is launching a multimillion dollar expansion program beginning with excavation of a new $600,000 service building adjacent to the main store. Plans are to complete this building by October.

Pickens Manufacturing Company will build a textile plant in Pickens, South Carolina, to cost in excess of $1 million. The plant will be a 50,000-square-foot one-story building employing around 200 workers. It has been reported that the new plant will manufacture woolen fabrics and that the principals will transfer operations from Philadelphia, but this has not been confirmed officially.

Jefferson, South Carolina, an agricultural trading center, has secured two new industries, making three for a community which had none a year ago. Jefferson Mills will construct a 25,000-square-foot factory which will cost $400,000 when equipment is installed. Initial employment is expected to total 75 workers but will probably rise later to between 150 and 200. Monticello Knitting Mills will install equipment in an existing building at a cost of $100,000 and will employ around 125 persons initially, perhaps 300 to 400 later on, in the knitting of athletic shirts.

Business Conditions and Prospects

THE moderate improvement witnessed during February over January failed to carry through in March. Bright spots included department store sales, which were somewhat better than seasonally expected, a decline in insured unemployment in three Fifth District States—though there were increases in the other two—a sharp increase in construction contracts for one- and two-family houses which rose 15%, seasonally adjusted, from February, and an unexpectedly good March for hard goods though a relatively poor one, strange to say, for soft goods. Construction, coal mining, cotton textiles, hosiery, lumber, and tobacco industries did not rise to their expected seasonal levels during March. Department store sales were somewhat better but furniture stores and most lines of wholesale trade turned in a poorer than seasonally expected performance.

In wholesale trade grocery and tobacco concerns showed superseasonal increases. Compared with a year ago, automotive sales were up 1%, paper up 16%, and tobacco up 4%. All other lines were down.

Farm income in the District continued to reflect the long price decline, and for the first two months of the year was 7% under a year ago, though it is noteworthy that conditions appear favorable for optimum production.

Lower levels of economic activity are hardly reflected in the financial figures. Loans and discounts of member banks were higher on March 31 than a month earlier, and well above their high level of a year ago. Total deposits at the end of the first quarter were down slightly during the month and less than 1% under a year ago. Business loans—of the weekly reporting banks—on April 21 were $26 million higher than the year's low and near last year's level.

Manufacturing Industries

March man-hours in the important manufacturing industries of the Carolinas show textiles down 9.9% from a year ago, broad woven goods down 9.0%, knitting mills down 8.1%, lumber and timber industries down 10.5%, tobacco manufacturing down 18.3%, and all manufacturing industries in these states down 8.1%. These declines were not far out of line with those shown in the first three months of the year. In some cases they were slightly smaller and in others, slightly larger. March man-hours in West Virginia's important industries show primary metals down 16.6% from a year ago, chemicals down 4.0%, and stone, clay and glass industries down 12.0%. Man-hours in the bituminous coal mining industry in this state during March were 19.7% lower than a year ago. Average daily seasonally adjusted consumption of cotton in the mills of the District declined 1.0% from February and 9.0% from a year ago. The number of cotton spindles in place times the number of hours worked during March on an average daily seasonally adjusted basis declined 1.0% from February and 7.0% from a year ago.

Construction

The substantial volume of construction contract awards in March was still not of seasonal proportions, and consequently the adjusted index dropped 2% from February. Total contract awards, however, in March were 19% ahead of a year ago.

Major elements of strength in the March construction contracts were one- and two-family houses which rose superseasonally 15% from February and nonresidential structures (other than commercial and factory) which were up 29% from February after seasonal correction. Increased weakness was displayed in adjusted commercial construction awards which dropped 47% in March from February to a level 13% below a year ago; first quarter commercial awards, however, were 4% over last year. Weakness also continued in the awarding of contracts for factory buildings. These dropped 36% on an adjusted basis from February to March, were 61% under a year ago, and first quarter figures were down 46% from a year ago. Public works and utilities awards were likewise on the negative side, adjusted awards in March having dropped 16% from February and 16% from a year ago. First quarter figures were down 20% from last year. Despite the rather marked crosscurrents in the construction picture, the total awards for the first quarter are 1% higher than a year ago, and within 15% of the all-time high first quarter established in 1951.

Unclassified contracts awarded under the Walsh-Healey Public Contract Act to prime contractors in the Fifth District rose 578% from the fourth quarter to the first quarter of 1954, and the first quarter was 371% higher than in the first quarter 1953. These Federal contracts in the United States as a whole during the first quarter of 1954 rose 142% from the fourth quarter of 1953 but were 32% smaller than in the first quarter 1953. First quarter gains occurred primarily in Virginia and to a lesser extent in the District of Columbia and Maryland. Other States in the District show smaller contract awards in this period.

Bituminous Coal

Bituminous coal output in the Fifth District continued its downward trend in March by dropping 10% after seasonal correction from February to a level 17% below a year ago. The recession in the steel industry has been a particularly heavy blow for the coal industry to take. Latest figures on coal consumption show only the electric utilities with increased use over a year ago.

Competition from residual fuel oil imports is at about the same level as a year ago, but industrial uses of natural gas continue to increase. Employment in the bituminous coal mines of West Virginia during March was 2.3% smaller than in February and 17% smaller than a year ago. Hours worked in March were down 7.7% from February and down 3.3% from a year ago.

Insured unemployment in West Virginia has been contributed to substantially by the bituminous coal industry. In the week of April 3, West Virginia, with a total nonagricultural employment of 479,000, had insured unemployment of 47,300. Bituminous coal prices (BLS) in March dropped more than 3% from February and were nearly 7% under a year ago. The combination of price weakness and reduction in demand is taking a continuous toll of marginal operators.

Trade

Department store sales in the Fifth District, on an average daily seasonally adjusted basis, rose 2% from February to March but continued 7% under a year ago. Actual dollar sales in the District in March were down 11% from a year ago, but the combination of difference in business days and the effect of the shift in Easter to late April brought the adjusted reduction to 7%. In the first quarter of 1954 dollar sales were down 8% from a year ago, but correcting for the shift of Easter in March, the first quarter shows a drop of 5%.

The Washington, D. C. Metropolitan Area shows a gain in average daily seasonally adjusted sales corrected for shifting Easter of 0.8% in March 1954, compared with March 1953. All other major political subdivisions of the District show decreases in sales similarly adjusted, ranging from 4.9% in Maryland to 13.9% in South Carolina. In the first quarter of 1954 sales (with all corrections) show Maryland down 2.7%, Washington Metropolitan Area down 0.8%, Virginia down 7.0%, West Virginia down 8.4%, North Carolina down 10.0%, and South Carolina down 6.7%.

March was a poor month for soft goods but a relatively good one in hard goods in department stores of this District. Dollar sales without correction show women's and misses' accessories down 14%, coats and suits down 22%, dresses off 2%, men's clothing off 12%, furniture up 11%, floor coverings up 13%, major appliances up 24%, radio, television, etc., up 36%.

Department stores as a whole in this District no longer have a problem of excess inventories despite the fact that adjusted inventories of stores rose 4% between February and March; they were 2% smaller than a year ago. With the intense competition for consumers' dollars in the current market, current inventories are probably needed to give the proper selection and style necessary to induce the consumer to purchase.

Outstanding adjusted orders of department stores in March, however, dropped 5% from February to a level 17% below a year ago, an indication of conservative inventory policy.

Sales of District furniture stores (adjusted) fell 2% from February to March and were down 12% from a year ago. Year-to-year changes in cash sales show a drop of 22%, whereas credit sales were down only 11%. Furniture store inventories, seasonally adjusted, fell 2% from February to a level 10% under a year ago.

Among the wholesale trades, sales of grocery and tobacco concerns showed increases after seasonal adjustment from February to March. All other lines were either even with March or down. Relative to a year ago, wholesalers' sales of automotive supplies were up 1%, paper up 16%, tobacco up 4%; all other lines were down from 5% to 37%.

March registrations of passenger automobiles are available for Virginia, North Carolina, West Virginia and the District of Columbia. These registrations were 29% higher than in February, but 8% smaller than in March a year ago, and down 8% for the first quarter.

Agriculture

Cash farm income in Fifth District states during February was 6% smaller than a year ago, and in the first two months of the year was down 7%. In the first two months, cash income in Maryland was down 13%, Virginia down 13%, West Virginia down 1%, North Carolina down 1%, and South Carolina up 2%.

In the first two months of 1954, prices received by farmers in Virginia averaged 8% below those months of 1953, those in West Virginia were down 9%, North Carolina down 4%, and South Carolina down 2%. The growing season thus far has been favorable.

Banking

Total loans and investments of all member banks in the Fifth District of $5,311 million on March 31 were down $97 million or 1.8% from February 24, but were up $27 million or 0.5% from March 25, 1953. Loans and discounts of $2,409 million were $34 million higher on March 31 than a month earlier, and $85 million higher than a year ago. Total security holdings of $2,902 million were down $131 million during the month and down $58 million from a year ago.

Total deposits on March 31, 1954 of $6,420 million were down $114 million during the month and down $55 million from a year ago. Time deposits of $1,605 million were up $19 million during the month and up $103 million from a year ago. Demand deposits of $4,815 million were down $133 million during the month and down $158 million during the year. Borrowings of $21 million were down $12 million during the month and down $49 million from a year ago.

Commercial, industrial and agricultural loans of the weekly reporting banks reached a low point for 1954 on January 27 and again on February 17. Between February 17 and March 17 these loans had risen $26 million; by April 21 they had dropped $9 million but were still $26 million higher than the year's low point and $3 million lower than in the same week last year.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Mar. 1954	Feb. 1954	Mar. 1953	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New Passenger Cars[1]	----	156	215	+ 2	+ 1
Bank Debits	488	481	490	+ 1	0
Bituminous Coal Production[2,3]	65	72	78	— 10	— 17
Construction Contracts	480	489	405	— 2	+ 19
Business Failures—No.	144	124	40	+ 16	+260
Cotton Spindle Hours	151	152	163	— 1	— 7
Department Store Sales[2]	119p	117	128r	+ 2	— 7
Electric Power Production	----	416	404	0	+ 3
Manufacturing Employment[1,2]	----	106	111r	— 1	— 4
Retail Furniture: Net Sales[2]	100	102	114	— 2	— 12
Life Insurance Sales	417	358	394	+ 16	+ 6

[1] Not adjusted.

[2] 1947-1949=100.

[3] Not seasonally adjusted. Back figures available on request.

WHOLESALE TRADE

LINES	Sales in March 1954 compared with Mar. 1953	Sales in March 1954 compared with Feb. 1954	Stocks on March 31, 1954 compared with Mar. 31, 1953	Stocks on March 31, 1954 compared with Feb. 28, 1954
Auto supplies (8)	+ 8	+18	+ 4	0
Electrical goods (5)	—11	— 1	+ 3	— 4
Hardware (9)	—21	+11	— 5	— 2
Industrial supplies (9)	— 9	— 4	0	+ 3
Drugs and sundries (11)	+ 4	+10	0	— 1
Dry goods (15)	—16	+ 6	— 2	+ 3
Groceries (39)	+ 3	+18	+ 5	0
Paper and its products (5)	+ 7	+15	----	----
Tobacco products (11)	+ 4	+20	—24	—29
Miscellaneous (93)	— 4	+ 6	— 5	— 5
District totals (205)	— 4	+10	— 3	— 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, Mar. '54 vs Mar. '53	—12	—10	— 4	—14	—11
Sales, 3 Mos. ending Mar. 31, '54 vs 3 Mos. ending Mar. 31, '53	— 8	— 6	— 3	—11	— 8
Stocks, Mar. 31, '54 vs '53	+ 8	— 4	— 1	— 1	— 1
Outstanding Orders Mar. 31, '54 vs '53	—26	—17	—15	—12	—17
Open account receivables Mar. 1 collected in Mar. 1954	31.9	51.2	43.0	37.0	41.7
Instalment receivables Mar. 1 collected in Mar. 1954	10.6	15.3	12.6	16.3	13.7

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Mar. '54 vs Mar. '53	—10	—4	—13	—15	—14	—14

BUILDING PERMIT FIGURES

	March 1954	March 1953	3 Months 1954	3 Months 1953
Maryland				
Baltimore	$ 3,424,820	$ 4,605,700	$14,754,160	$15,929,325
Cumberland	41,550	49,225	72,900	130,825
Frederick	152,642	55,750	309,792	795,457
Hagerstown	471,914	54,528	680,449	916,263
Salisbury	149,728	81,912	402,078	212,124
Virginia				
Danville	363,058	518,119	587,314	1,522,576
Hopewell	197,209	332,529	407,966	787,712
Lynchburg	813,525	360,840	1,518,166	853,901
Newport News	186,711	334,739	355,517	567,634
Norfolk	868,814	4,415,289	2,820,261	5,982,506
Petersburg	158,700	188,200	436,500	352,400
Portsmouth	302,614	269,980	3,113,504	770,210
Richmond	2,901,886	1,868,256	6,265,109	4,121,573
Roanoke	967,973	1,196,489	2,577,097	2,621,500
Staunton	125,675	205,425	325,640	378,325
West Virginia				
Charleston	762,920	766,514	1,714,799	1,982,444
Clarksburg	633,050	79,136	820,921	1,038,586
Huntington	453,515	590,609	941,169	1,208,074
North Carolina				
Asheville	279,666	300,730	771,053	545,214
Charlotte	1,642,897	3,157,921	4,478,684	9,189,553
Durham	367,379	407,153	1,162,995	2,079,770
Greensboro	1,570,650	1,121,469	2,884,200	3,360,330
High Point	348,637	231,503	789,667	1,293,808
Raleigh	409,319	1,010,860	3,278,921	3,018,045
Rocky Mount	326,446	152,666	821,628	1,808,775
Salisbury	138,900	129,080	567,402	450,081
Wilson	295,800	60,100	699,400	482,790
Winston-Salem	1,524,799	736,588	4,152,022	1,828,972
South Carolina				
Charleston	69,620	102,464	387,176	834,112
Columbia	856,264	569,492	2,324,585	1,466,427
Greenville	582,440	457,450	2,116,695	1,465,950
Spartanburg	280,130	100,592	1,143,681	243,688
Dist. of Columbia				
Washington	10,364,199	6,233,838	16,152,170	15,350,152
District Totals	$32,033,450	$30,745,146	$79,833,621	$83,589,102

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: March 1954	Percentage change with corresponding period a year ago: 3 Mos. 1954
Maryland	+11	+ 1
Dist. of Columbia	+ 8	— 8
Virginia	— 6	—10
West Virginia	—12	—16
North Carolina	—13	—14
South Carolina	— 5	+ 2
District	0	— 8
INDIVIDUAL CITIES		
Baltimore, Md.	+11	+ 1
Washington, D. C.	+ 8	— 8
Richmond, Va.	—11	—13
Charleston, W. Va.	— 3	— 7

* Data from furniture departments of department stores as well as furniture stores.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	March 1954	March 1953	3 Months 1954	3 Months 1953
Dist. of Columbia				
Washington	$1,292,166	$1,123,291	$ 3,387,948	$ 3,094,557
Maryland				
Baltimore	1,525,959	1,484,472	4,189,250	4,134,952
Cumberland	23,187	23,892	65,431	75,900
Frederick	23,653	24,344	64,660	69,141
Hagerstown	38,094	37,849	108,458	108,198
North Carolina				
Asheville	61,583	62,975	179,899	183,522
Charlotte	391,798	382,515	1,064,199	1,094,107
Durham	89,037	87,489	251,132	257,185
Greensboro	124,723	119,346	350,498	346,516
High Point	44,779**	NA	126,117**	NA
Kinston	20,116	19,634	62,007	61,703
Raleigh	222,297	238,958	569,926	618,015
Wilmington	49,284	45,850	135,995	134,012
Wilson	18,272	17,309	55,475	52,317
Winston-Salem	167,543	158,722	449,563	440,119
South Carolina				
Charleston	76,792	75,374	215,008	243,674
Columbia	179,846	152,933	495,463	466,236
Greenville	114,118	115,136	322,267	338,672
Spartanburg	62,024	67,602	190,000	198,342
Virginia				
Charlottesville	33,000	27,418	90,772	72,971
Danville	35,304	36,985	106,785	114,438
Lynchburg	49,408	49,610	142,322	143,966
Newport News	50,171	51,427	138,105	146,910
Norfolk	283,118	269,211	771,002	757,821
Portsmouth	34,766	33,097	93,870	90,069
Richmond	651,976	648,702	1,750,783	1,807,062
Roanoke	123,453	124,652	339,562	357,282
West Virginia				
Bluefield	40,966	45,248	121,091	133,304
Charleston	167,262	166,714	524,171	493,783
Clarksburg	30,995	32,481	98,377	105,733
Huntington	70,514	69,500	209,420	215,845
Parkersburg	30,613	30,282	89,035	86,588
District Totals	$6,082,038	$5,823,018	$16,632,474	$16,442,940

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

50 REPORTING MEMBER BANKS

(000 omitted)

Items	April 14, 1954	Change in amount from March 17, 1954	Change in amount from April 15, 1953
Total Loans	$1,401,058**	— 12,313	+ 7,075
Bus. & Agric.	644,615	— 8,181	+ 954
Real Estate Loans	266,359	+ 2,489	+ 7,399
All Other Loans	507,555	— 6,578	— 73
Total Security Holdings	1,724,671	— 74,473	— 17,324
U. S. Treasury Bills	116,447	— 39,599	— 52,912
U. S. Treasury Certificates	151,713	— 62,756	+ 28,498
U. S. Treasury Notes	228,142	+ 5,801	— 54,053
U. S. Treasury Bonds	991,599	+ 13,241	+ 53,556
Other Bonds, Stocks & Secur.	236,770	+ 8,840	+ 7,587
Cash Items in Process of Col.	297,202	+ 2,831	— 32,344
Due From Banks	199,469*	+ 14,571	+ 17,722
Currency and Coin	80,451	+ 3,535	+ 3,027
Reserve with F. R. Banks	535,759	— 12,924	— 17,807
Other Assets	62,988	+ 1,204	+ 6,887
Total Assets	4,301,598	— 77,569	— 32,764
Total Demand Deposits	3,250,917	— 82,223	— 76,260
Deposits of Individuals	2,419,472	— 42,623	— 23,779
Deposits of U. S. Government	108,435	— 9,955	— 35,994
Deposits of State & Local Gov.	209,735	— 666	+ 8,839
Deposits of Banks	454,659*	— 22,275	— 6,849
Certified & Officers' Checks	58,616	— 6,704	— 18,477
Total Time Deposits	706,649	+ 8,214	+ 34,245
Deposits of Individuals	629,627	+ 5,470	+ 36,336
Other Time Deposits	77,022	+ 2,744	— 2,091
Liabilities for Borrowed Money	7,375	— 8,975	— 15,825
All Other Liabilities	47,828	+ 3,789	+ 4,730
Capital Accounts	288,829	+ 1,626	+ 20,346
Total Liabilities	$4,301,598	— 77,569	— 32,764

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

The Money Lenders—They Are the Catalysts in a Complex Economy

(Continued from page 5)

distinguished from other consumer credit institutions in that they deal primarily with automobile and other consumer durable goods dealers rather than with the consumer. They, in effect, purchase instalment notes or credit instruments in other forms from the dealers who have themselves arranged the credit purchase with the customer. At the present time, sales finance companies hold over one-fourth of all the consumer instalment credit outstanding in the country.

Other Institutional Lenders. The picture of this segment of our financial structure would be incomplete without mention of the relatively smaller organizations engaged in supplying the credit needs of a varied group of borrowers. Though of less importance by comparison with the billions of dollars of credit extended annually by the larger institutions, they nevertheless perform a vital role within their limited spheres of influence.

This wide and varied group of lenders includes credit unions, consumer loan companies (sometimes called personal finance companies or small loan companies), mortgage companies, stock savings banks, industrial banks, trust companies, and cash depositories. In addition to the multitude of private lenders, a number of Government agencies are active in the lending field. Among their borrowers are farmers, financial institutions, exporters and importers, and foreign governments.

The complexity of the American economy, which provides the highest living standard yet achieved, is well illustrated by the above brief survey of the institutions which promote both saving and spending by their financial activities. It is not too much to say that without our highly organized saving-lending process our present level of living would be impossible.