FEDERAL RESERVE BANK OF RICHMOND

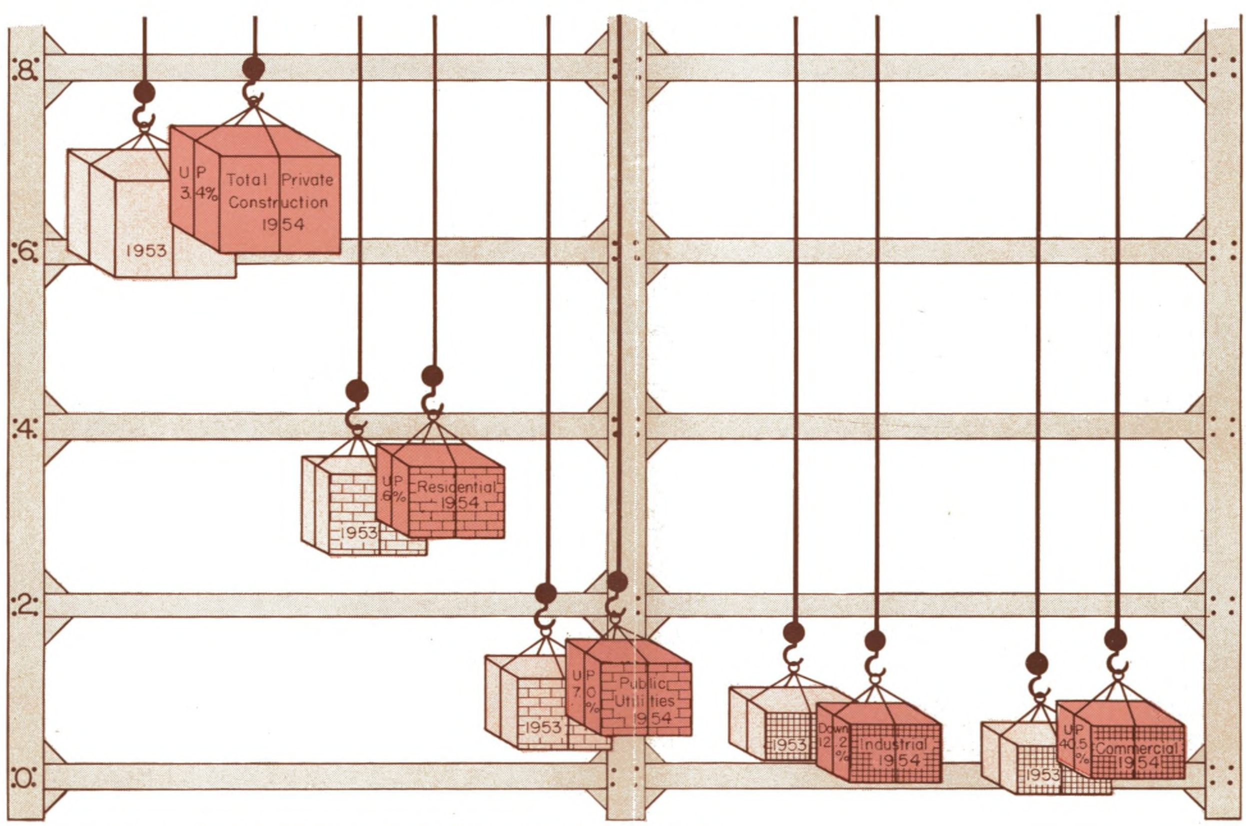
Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

June 1954

PRIVATE CONSTRUCTION OUTLAYS

UNITED STATES - JANUARY - APRIL, 1953 - 1954
(Billions of Dollars)



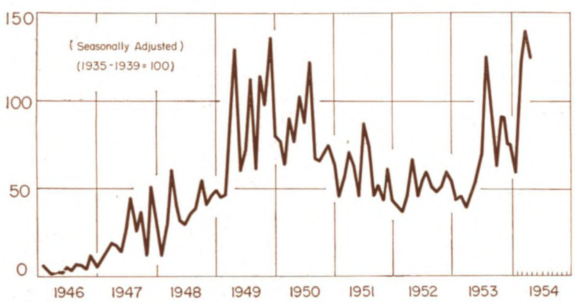
Source: Joint estimates May 4, 1954 of Department of Labor and Department of Commerce.

A record stream of spending on new construction has been providing a real source of strength for an adjusting economy. Some of the features of the "construction boom" and its prospects for the immediate future are examined in the article beginning on page 3.

Also In This Issue - - -

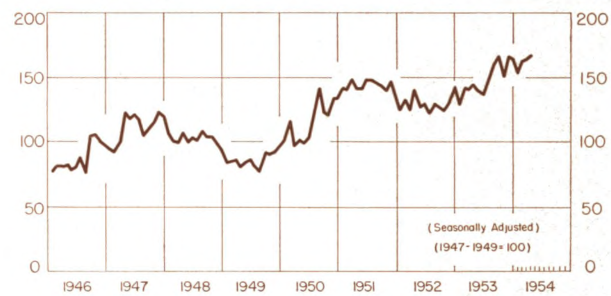
FIFTH DISTRICT TRENDS

BUSINESS FAILURES



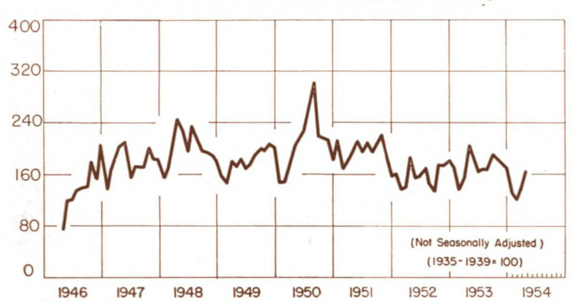
Although business failures dropped 13% in April from March on an adjusted basis, they were 168% higher than a year ago. Except for four postwar months they are the highest since the Summer of 1940.

WHOLESALE PAPER AND PRODUCTS SALES



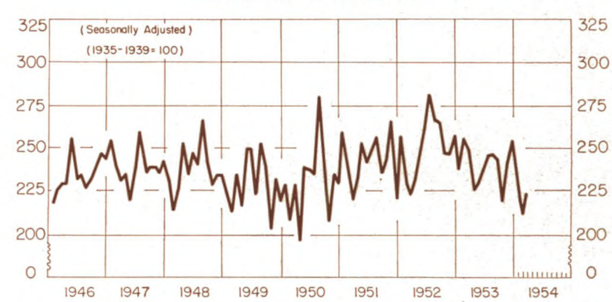
The paper business has been one of the strong factors in the economy of this District, and sales of wholesale paper dealers tend to confirm this fact. Adjusted sales in April were 2% higher than in March and 15% ahead of a year ago.

NEW COMMERCIAL CAR REGISTRATIONS



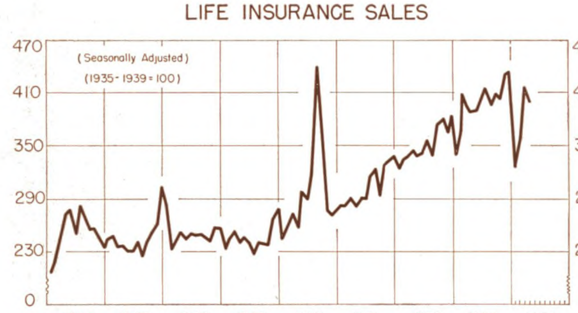
All Fifth District states in March showed new commercial car registrations up 14% from February but 12% under a year ago. Three states and the District of Columbia for April showed registrations 19% under a year ago, and for the first four months they were down 17%.

CIGARETTE PRODUCTION



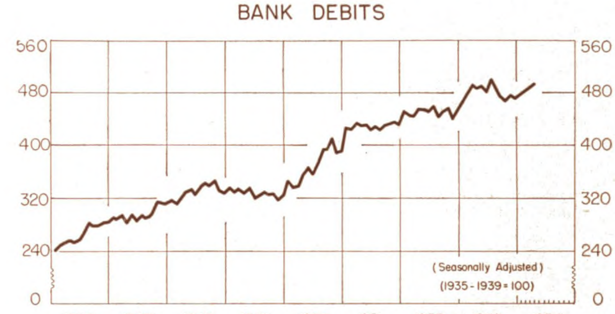
March figures—the latest available on cigarette production in this District—showed output adjusted for seasonal variation up 6% in March from February but 10% under March 1953. In the first quarter of the year output in the District was down 11% from last year.

LIFE INSURANCE SALES



Sales of life insurance in the Fifth District were down 5% after seasonal correction in April over March, but April was still 3% ahead of April 1953. After an almost uninterrupted three-year rise to a peak in December 1953, life insurance sales have given some indication of leveling off. First four months' sales gained 1% over a year ago.

BANK DEBITS



The adjusted index for bank debits for the Fifth District declined 7% between July and October last year. This index has been rising consistently since October. In April it was 1% higher than March and 1% ahead of a year ago and within 1.5% of the July 1953 peak.

The Private Construction Boom—Happy Anomaly

THE face of America—particularly the suburban face of urban America—is in process of rapid and drastic change. New concepts and new attitudes, presumably spawned from the desperate economy of the 1930's and the war-restricted economy of the early '40's, are now firmly rooted in the minds of home buyers, home builders, and home lenders. Home buying is no longer a process of patient waiting and painful saving. Traditional frugality is being relegated to the past, and "Buy! Live! and Pay as you go!" are the attractive slogans of the present era. Apparently, all major groups involved vote aye. The home buyers like it. The home builders like it. The mortgage lenders like it. The ultimate savers, who supply the funds, add their approval as well as their savings to the unmistakable merry whirl of construction activity.

Industrial production dipped in late '53 and early '54. Did it mean "recession" for the home builders? Hardly. They are still going strong and the construction boom proceeds in this year with undiminished vigor. 1953 was the fifth year in succession in which over a million new homes were started. 1954 looks like the sixth straight year. Through April of this year, construction had started on 341,400 private homes, just 4,100 short of the number started in the same period last year. If this rate continues throughout the year, over 1,100,000 new dwellings will be added to the nation's stock of houses.

Source: Survey of Current Business February 1954, March 1953, August 1951, and the 1953 Supplement to the Survey of Current Business, U. S. Department of Commerce.

If it be true, as many believe, that "You can't have a depression as long as the construction industry is busy," then the American economy doesn't require some of the tears being shed, despite some weak spots as compared with last year. Private construction activity in recent months has been boomingly busy—in the aggregate, construction expenditures are running slightly ahead of last year. And the comparison is with a period when an all-time record was in the process of being established.

The construction boom may be an anomalous feature of the recession, but it is a highly significant irregularity. Construction activity, accounting for over 7% of the gross national product and about 5% of total nonagricultural employment, may well be providing the necessary margins of employment and income needed to offset the effects of declines in other major lines of activity observable in recent months.

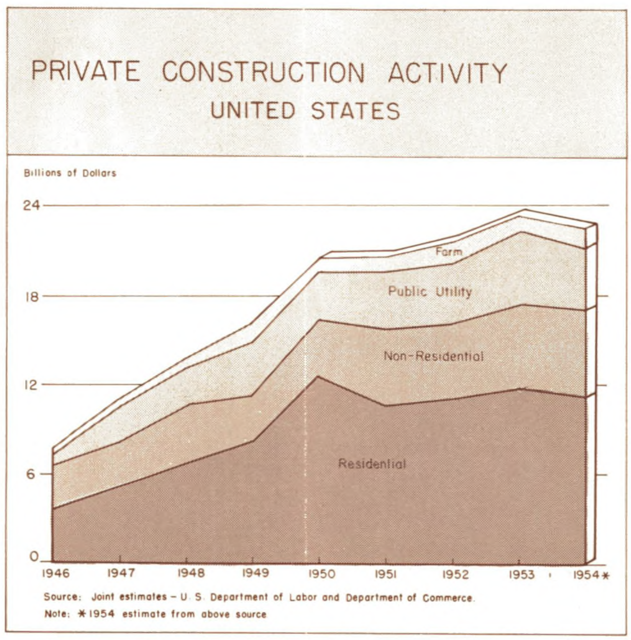
Contracts awarded for total construction in the first four months of 1954, as compiled and reported by the F. W. Dodge Corporation, reached $5.6 billion. This is the highest figure ever reported by Dodge for this period of the year. Awards in Fifth District states generally account for 8% to 10% of the 37-state total reported by this source. The record level of awards so far this year gives promise of a record or near-record volume of expenditures this year, both in the Fifth District and the nation.

In the Fifth Federal Reserve District, according to the Dodge reports, contracts awarded for home construction in the first quarter of 1954 were 26% larger in amount than in the same quarter last year. Thus, indications are that in this District as well as in the nation, home construction will continue to hum along this year at the unusually high level characteristic of the past five years.

Will the nation's builders find enough home buyers to maintain a firm market for all these new houses? The question focuses attention immediately on financing. Since most home purchases involve borrowed money, two queries arise: (1) Will the mortgage lenders make sufficient money available to finance the homes that must be sold this year? (2) Will prospective home buyers avail themselves of these funds, permitting builders to redeem their investments and thus clear the decks for further projects? It's safe to say that builders will provide homes so long as there is reasonable expectation that buyers can be found. Theoretically, the builders are on the right track if for no other reason than the basic fact that nearly half of all American families are still *not* home owners. In any event, demand is today the principal factor in the prosperity of the home building industry—and financing is a crucial factor in the shaping of this demand.

Mortgages are currently an attractive outlet for long-term investment funds. Interest rates on alternative outlets for such funds began declining last July and had reached a point by the first of the year which gave the return on mortgage loans (which remained relatively unchanged over this period) a distinct competitive advantage. Since the first of the year many lenders have been actively seeking new mortgage loan outlets.

Accompanying this increased availability of money for home purchases has been a congealing of new attitudes of lenders. New norms have been gaining acceptance as to the appropriateness of lending terms—twenty-five years ago they would have been widely dubbed as extremely imprudent. Today, mortgage maturities of twenty-five years and down-payments as low as 5% are becoming normal. Some loans are being made to home buyers with no equity in the property and with up to thirty years to repay their indebtedness. In many cases, the choice between renting and owning no longer rests on financial consideration. Buyers frequently find their monthly installments no larger than rental payments.



Are prospective home buyers willing to avail themselves of the flood of funds being diverted to this industry? Available figures reveal no reluctance on the part of home buyers to play their role in the beneficent revolution. Applications for guarantee of mortgages by the Veterans Administration were higher in March and April of this year than in both 1953 and 1952. Total applications in the first four months of the year compare favorably with the similar period in immediate past years. Mortgages of $20,000 or less recorded in the first quarter of 1954 exceeded in total amount those recorded in the same period in the last two years.

With builders eager and money available, there is little reason to doubt that 1954 will chalk up another spectacular year for home construction. Current trends imply that personal incomes will remain at their present high level, or even rise moderately as the year progresses. In this event, it is expected that the optimism generated by high and stable incomes will influence large numbers of people to avail themselves of the ready sources of mortgage funds to secure that tangible exhibit of the world's highest standard of living, a modern Home, Sweet Home—complete with gadgets.

Nonresidential Construction—
A Different Kind of Adjustment

Private nonresidential building is currently exceeding the comparable year-ago volume by a wider margin than is residential building. Whereas total private construction outlays in the United States for the first four months of this year were only 3.4% greater and residential building only 0.6% greater than in the comparable period last year, expenditures on nonresidential projects were up a sturdy 10%. (The Departments of Labor and Commerce, collaborating in new construction estimates, separate private construction into five major categories: residential (nonfarm), nonresidential, farm construction, public utilities, and "all other private"—distinctions which are here followed.)

The nonresidential sector is currently accounting for over 25% of all outlays for private construction and around 19% of the total for private and public. Commercial building has been the star performer—spending for new office buildings and warehouses was up 44% while outlays for stores, restaurants, and garages were 38% greater than they were in the first four months of 1953. Other nonresidential categories that have shown sharp increases are religious building with a gain of 22%, educational 24%, and social and recreational projects topping all increases with a gain of 52%. The only category of nonresidential building for which spending declined in the first four months of this year was industrial. Reflecting an earlier decline in contract awards, outlays for industrial facilities were 12% less than they were a year earlier.

These construction gains are in sharp contrast to declines in other major fields of activity from peak levels reached last year. The boom in commercial building and in the other nonresidential lines noted are also adjustments to previous conditions, but unlike other major adjustments so far this year, those occurring in nonresidential building are upward rather than downward.

Construction of commercial facilities has been on a roller-coaster throughout the postwar period. Away up in 1946 following the abandonment of wartime restrictions on building, outlays for commercial building dropped the following year as limitations were reimposed on the use of scarce building materials in accordance wth the Veterans' Emergency Housing Program. Removal of these controls led to another rise in 1948 only to be followed by another decline the next year. The rise in 1950 continued into 1951, but reimposition of construction controls as a consequence of the Korean War produced a downturn that ran through the last half of 1951 and early 1952. The gradual relaxation of restrictions in the second half of 1952 on the availability of steel, copper and aluminum, and the removal of credit restrictions under Regulation X set the stage for the present uptrend. This start-and-stop pattern of postwar expenditures on commercial building undoubtedly produced a backlog of projects contributing generously to the current commercial building boom.

Analysts frequently point out that commercial building tends to follow residential building activity. This tendency has been accentuated in recent years by the pronounced growth of suburban areas and the wider geographical shifts of the population. Adding to the strength of demand so originated is the trend toward larger and more expensive retail outlets—larger supermarkets and elaborate shopping centers with underground truck tunnels, covered walkways, parcel pickup stations, and other costly innovations.

Indications of the strength of projected activity in this field were noted at the recent annual convention of the Supermarket Institute. A survey of the membership disclosed that almost half (47%) of the operators plan to build new supermarkets this year, and 29% plan to carry out major remodeling of existing properties.

Among the less essential types of building hit hardest by construction controls, office buildings and warehouses have lagged behind most other forms of private building. Where, for example, a company had to assign priorities to its building needs, warehouses have generally played second fiddle to production facilities. One of the factors accounting for the relative delay in office building has been the lag of rental charges behind new construction costs. This discouraged construction of new office structures and frequently led to provision of additional office space by conversion of former residential quarters that had become casualties of the residential trek to the suburbs. However, as vacancy rates continued to remain low, as the business population grew, and as the demand for office space in suburban areas rose, a pressure for new office buildings developed that is now being reflected in the increase in outlays noted earlier.

No Early Slump in Sight

In view of its late start and intensity, the end of the boom in nonresidential construction does not appear to be on this year's calendar. Contract awards for private nonresidential building (Dodge reports for 37 eastern states) were 20% greater in dollar value for the first four months of this year than for the same period last year. The Departments of Commerce and Labor have jointly estimated that actual outlays in this category would decline 2% this year. They estimated also that expenditures for commercial building would increase about 10% in 1954, but for the first four months contract awards as reported by Dodge were running 27% ahead of the 1953 period.

Despite considerable store and office building activity in Baltimore, Washington, D. C., and Charlotte, contracts awarded for commercial building in the Fifth District in the same period were only 2.4% ahead of a year ago. (Figures given here for commercial building and, below, for industrial building in the Fifth District include the six West Virginia panhandle counties in the Fourth Federal Reserve District. Data are not available to permit adjustments for these counties.) Dodge reports of contract awards for commercial building lump together private and public projects for office buildings, warehouses, and garages. It is believed, however, that the percentage gain cited is applicable to private awards. Similarly, private awards for religious, educational, recreational, and other nonresidential building are thought to be ahead of the pace indicated by the earlier forecasts for 1954.

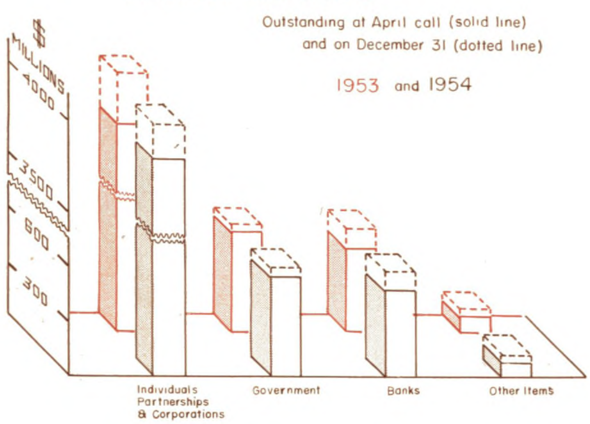
The slight decline forecast for this year in private outlays for nonresidential building was based mainly on an anticipated reduction of 14% in industrial building. The principal factor here is the declining volume of construction for defense purposes. Stimulated by the issuance of certificates of rapid tax amortization, industry greatly expanded its investment in additional capacity after Korea. Up to the end of the first quarter of this year about $30 billion of projected plant expansion had been covered by tax amortization certificates. The Office of Defense Moblization recently estimated that over two-thirds of this amount had been expended by the end of 1953.

Figures are not available showing contract awards for private industrial building, but the latest Dodge reports for private and public industrial awards show a decline of 27% for the first four months of this year as compared with the same period last year. Preliminary reports for May, however, indicate a decided pickup over the preceding month in contracts let for industrial projects. District awards for industrial building (first four months of this year) lagged even more and were 42% behind the comparable 1953 period. Important factors here were the relatively early completion of the postwar expansion of the textile industry, the District's leading industry, and the relatively small amount of defense-related industrial projects in the District covered by certificates of necessity.

The April Call Report—*Implications Are Favorable for '54*

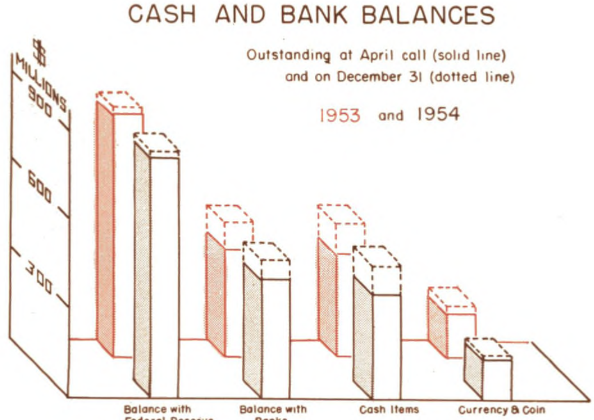
District banking figures reflect the strength underlying the high though moderately declining level of business activity during the first three and a half months of 1954. Total assets of District member banks fell over the period, but by no more than seasonal expectations. The accompanying charts compare this year's changes from December 31 to the April call with those in the similar period last year.

DEMAND DEPOSITS



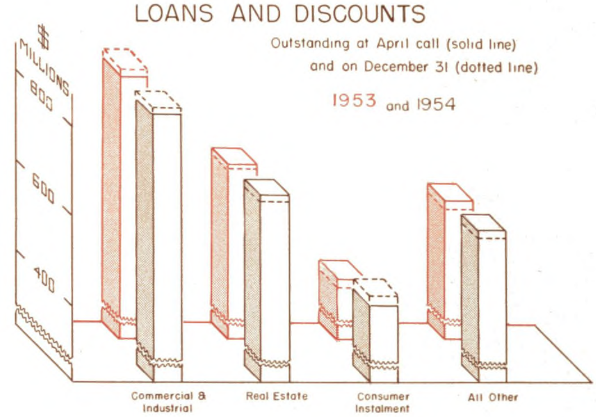
The decline in demand deposits was smaller this year but exhibited a pattern quite similar to that of the comparable 1953 period. The slight shrinkage was predominantly in demand deposits of individuals, partnerships, and corporations while the reduction in interbank deposits was almost identical in the two periods. Deposits of Federal, state and local governments fell moderately in both years.

CASH AND BANK BALANCES



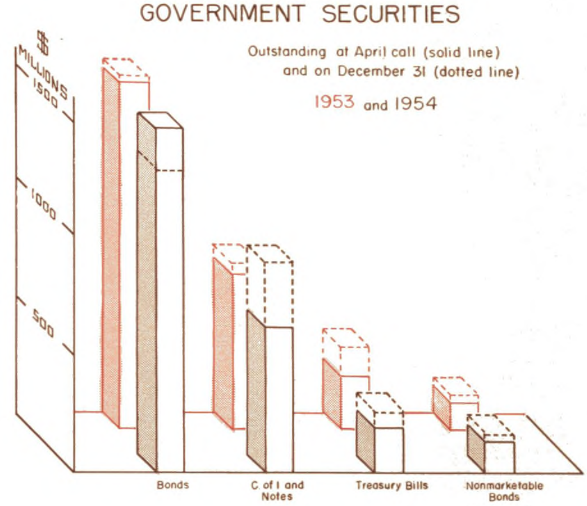
As a consequence of the smaller deposit decline, cash accounts were reduced by a smaller amount this year than last. Balances with the Federal Reserve declined more than in the similar period last year, although the total amount called down from balances with other banks was one-third less than for last year's comparable period. Currency and coin held by the banks increased slightly in the 1954 period whereas they declined by almost 6% last year.

LOANS AND DISCOUNTS



Loans over the first three and a half months of this year were increased by only one-tenth as much as in the similar 1953 period, but the amount maintained on the banks' books is at a record high. Consumer loans and loans to commercial and industrial firms declined this year whereas they increased moderately in the 1953 period. Real estate loans have grown more rapidly this year than last.

GOVERNMENT SECURITIES



Government securities holdings exhibited a decidedly different pattern of change this year. Bill holdings were reduced by only half as much while bond holdings increased by more than 15% compared with last year's decline. This development was more than offset by a 30% reduction in combined holdings of certificates of indebtedness and notes.

Treasury Financing—Expanded Activity Is In Prospect

Budget expenditures will again exceed budget receipts when the Treasury's current fiscal year ends on June 30. Recent official estimates place the deficit at $3.5 billion, $200 million above the January budget projection. Should there be a shortfall in receipts not matched by reductions in expenditures during the final quarter of the fiscal year the figure would again rise. In the period July 1953 through March 1954 Treasury receipts ran $1.4 billion below Treasury estimates for the first three quarters of the fiscal year, but this decline was offset by a similar reduction in expenditures.

With the refunding in May of $7.3 billion Treasury certificates and bonds and the raising of $2.2 billion in cash, the Treasury completed financing operations for the current fiscal year. During this fiscal year the Treasury undertook five refunding operations (not including the weekly rollover of 91-day bills) involving $46.6 billion in maturing debt, and in four of these five exchanges some progress was made in the Treasury's announced goal of extending the maturity distribution of the public debt. The most successful debt-lengthening operation took place in February 1954, when in refunding some $20.8 billion of securities, the Treasury was able to place about $11 billion in issues not due until 1961. Cash redemption on the entire fiscal 1954 refundings totaled $1.2 billion or about 2.5%. This compares with refundings of $34.1 billion in fiscal 1953 on which cash redemption amounted to a little over 6%.

Since December 1953 the Treasury has been able to refund maturing debt at constantly declining interest rates. The 1⅛% paid for one-year certificates in the May refunding was the lowest rate for this length security since 1949, and was less than half the rate paid for one-year money in the June-September 1953 period. Last month the Treasury's four-year nine-month notes bore the same rate (1⅞%) as that paid for one-year money in December 1953.

In addition to the refundings accomplished in fiscal 1954, the Treasury went into the market for about $13.4 billion in new money. Net cash realized from these operations, however, was quite small. Of the $10.2 billion securities offered in the first three quarters of the fiscal year to raise new money, the Treasury realized net cash of only $2.7 billion. Receipts from the new securities were offset by redemption of two issues of tax anticipation bills totaling $6.7 billion, by net redemptions of nonmarketable debt, and attrition on exchanges of marketable securities. In the fourth quarter of the fiscal year there have been two issues for cash totaling $3.2 billion, but in this quarter net cash realized will again be small because the Treasury experienced over a half billion attrition on the May refunding operation, and two issues of tax anticipation securities amounting to $2.5 billion must be redeemed in June.

The first half of fiscal 1954, July-December 1953, produced a budget deficit of $9.1 billion which was partially offset by a surplus of $6.8 billion in the January-March 1954 quarter. The resulting $2.3 billion deficit for the first three quarters was met, and the General Fund balance of the Treasury built up almost $1.7 billion above the level at the beginning of the fiscal year, by an increase in the public debt of just over $4 billion.

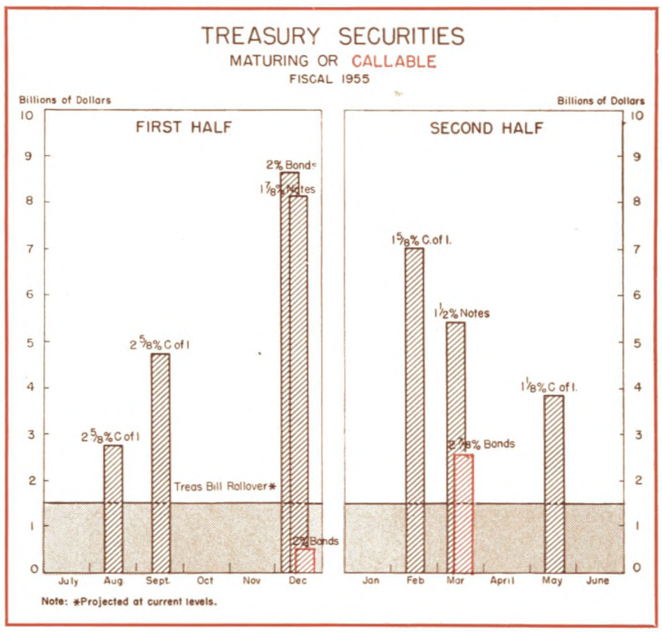
Treasury Needs in Fiscal 1955

Although the budget document presented to Congress in January forecast a deficit of $2.9 billion for fiscal 1955, it is now widely thought that the shortage will be somewhat larger than this. Excise tax reductions, effective in April, are expected to add at least $1 billion to the deficit figure, and the business decline of recent months with its resulting loss in income tax receipts may add still more. These estimates of an increased deficit in fiscal 1955 do not take into account the possibility that Congress may make tax reductions in excess of those recommended by the President or that defense spending might be stepped up as a result of recent developments in Southeast Asia.

Because of the Mills plan, with its concentration of corporate income tax payments in the first half of the calendar year, the burden of financing the Treasury's needs for fiscal 1955 will fall in the first half of the new fiscal year, July-December 1954. During this period only 10% of all corporate taxes due on 1953 income remain to be paid, and the prospects are that it will be necessary for the Treasury to raise a minimum of $10 billion in new money simply to finance its cash operating deficit through December. In addition it must refinance a minimum of $24.4 billion in maturing securities and roll over weekly about $1.5 billion in 91-day Treasury bills. The accompanying chart shows marketable securities maturing or callable during fiscal 1955.

The Treasury's new money needs in the July-December period must take into account not only the heavy Fall borrowing arising from the unequal distribution of tax receipts, but also the financing of a possible "cash" deficit for the fiscal year as a whole. With the $2.9 billion budget deficit originally forecast for fiscal 1955, it was anticipated that there would be a small "cash" surplus. Any increase in the deficit above this figure would produce a corresponding shortage in the cash position. The "cash" budget differs from the conventional budget primarily in that Trust Fund operations are included in the cash budget figures. Since these trust accounts are now receiving more money from the public than they are disbursing, this excess cash accumulated is made available to the Government.

Any net redemption of nonmarketable debt and any cash attrition on refunding operations that the Treasury experiences will increase the amount of new money to be raised. Of the $24.4 billion maturing issues to be refunded, something over $16 billion are held outside the Federal Reserve System and the Government investment accounts. Some attrition on these securities is to be expected. Between now and the end of calendar 1954, a large block of F and G Savings bonds will be maturing, and some of these will be redeemed for cash. In May 1952 these two series were replaced by series J and K bearing higher interest rates. Holders of F and G bonds maturing in calendar 1953 were given an opportunity to exchange them for a long-term marketable bond, but holders of those maturing after January 1, 1954 have been offered the option of exchanging them only for other series savings bonds or redeeming them for cash. Although redemptions of all series of savings bonds (at issue price) have exceeded sales in the first ten months of the current fiscal year, this has been largely the result of net redemptions of F and G bonds. Sales of series E bonds have been above redemptions (at issue price) in each month since October 1953. Since February the trend has been toward net sales for all series combined which gives hope that cash needs from this source can be minimized during the remainder of calendar 1954.



At the end of October the sale of Treasury savings notes was discontinued. Since that time $827 million of the $6.3 billion outstanding at the end of October have been redeemed either for cash or in payment of taxes. As of April 30, $5.5 billion were still outstanding, and some part of this amount will doubtless be used for taxes or redeemed for cash during the remainder of the calendar year.

In view of size of the Treasury's financing job in the period July-December, some action on the present $275 billion legal debt limit can probably be expected. At the end of the current fiscal year only about $5 billion of borrowing authority will remain, and even with the use of devices similar to those employed in the Fall of 1953 to avoid piercing the limit, it is extremely unlikely that the Treasury could squeeze by another year end under the present restriction. In the final quarter of calendar 1953, as the public debt rose dangerously close to the $275 billion limit, the Treasury suspended the sale of savings notes. In the same month the Commodity Credit Corporation began selling to commercial banks certificates of interest in a pool of its price support loans. Although this action had no effect on the public debt, it did relieve the drain on the Treasury cash balance. Finally, in November the Treasury issued gold certificates against $500 million of the free gold in the General Fund and used these certificates to purchase and retire notes held by the Federal Reserve System. This reduced the public debt by $500 million but did not affect the Treasury's working balance. These steps enabled the Treasury to slide by the end of 1953 with the debt at $274.7 billion.

In the second half of the 1955 fiscal year the Treasury's financing schedule will be considerably lighter than in the July-December period. Issues of securities maturing or callable from January through June amount to about $19 billion, some $6 billion less than in the first half of the fiscal year. Moreover, a portion of this debt can be met by the cash surplus of several billion dollars expected in the first half of calendar 1955.

Financing requirements of the magnitude scheduled for the Treasury in the July-December 1954 period will put considerable pressure on the money market, especially since this is the time of year in which private credit demands rise as a result of the seasonal expansion in business activity. Beginning in May 1953 the Federal Reserve System, through open market operations and a reduction in reserve requirements for member banks, supplied a substantial amount of reserves to the banking system in order to prevent the combination of the autumnal loan expansion and the Treasury financing needs from causing undue tightness in the money market. During the second half of calendar 1953, however, the usual seasonal rise in business activity failed to materialize and as a result, money rates fell sharply. Precise effects of Treasury operations of such magnitude on the money market during the coming six months cannot be foretold. They obviously depend on the future business level and the total demand for loans, governmental and private, and on flotation of new issues by business enterprises and state and local governments, in relation to the supply of funds available to the nation's lending institutions.

Business Conditions and Prospects

A turnabout in the business situation in both the District and the nation hinges heavily on the retail trade level. Here April figures for the District lend encouragement. Department store sales continued to inch up after seasonal and Easter adjustments. New passenger automobile sales in the states reporting thus far were even with April a year ago. Household appliance stores showed an increase of 10% over a year ago and furniture store sales showed a smaller loss than in any other month this year. Sales of wholesalers in the District showed increases in seasonally adjusted sales from March to April in five lines and reductions in three.

Other encouraging trends include the construction industry where April contract awards (adjusted) were up 4% from March although 6% under a year ago. Bank debits continued the upward trend of several months by rising 1% on an adjusted basis between March and April and were 1% ahead of a year ago.

Bituminous coal output made a small recovery in April compared with March, but was still 18% under a year ago. March cigarette production was also encouraging, having risen 6% after seasonal correction from February, though still 10% below a year ago. In cotton textiles adjusted consumption was up 1% in April from March, although spindle hours were down 1%. Business failures dropped 13% from March to April, on a seasonally adjusted basis, but were sharply higher than a year ago. Insured unemployment (week of May 8) at 187,500 was 5.4% below a month earlier. This favorable development was due largely to a substantial decline in the state of Virginia.

On the adverse side, inventories were still being liquidated and production levels slipping. During April, man-hours in all manufacturing industries of the Carolinas declined 2.7% from March to a level 8.6% below a year ago. The only major industries in these two states to show gains both from March and from April a year ago were food and kindred products—interesting evidence that in this District, as well as the nation, people continue to eat well.

On the financial side, loans of all member banks in the District (April 28) were $2 million higher than a month earlier, and $64 million higher than a year ago. On the same date, loans of the weekly reporting banks were up $4 million from last year, due in large part to gains in consumer loans and real estate loans. Commercial loans in the weekly reporting banks reached a peak around the middle of March, and declined $35 million between that date and May 19. Last year, business loans reached their peak in the week of April 8 and by May 20 had declined only $5 million.

Farm prices in the first quarter of 1954 tended to stabilize in most states of the District, but they continued to decline in Maryland. Farm income in the District in March was down 9% from a year ago and the first quarter showed a reduction of 8%.

Trade

Dollar sales of department stores in the Fifth District during April were 8% higher than a year ago; average daily figures, seasonally adjusted and corrected for the Easter shift, rose 2% from last year's high level. Combined March and April sales were 1% under those of a year ago, but this level compares with a decline of 3% in the first four months of the year. Prominent in the April sales gain over last year were silverware and jewelry up 12%, women's accessories up 18%, women's and misses' dresses up 14%, men's clothing up 8%, major household appliances up 15%, radios, televisions, phonographs, etc., up 16%. Poorer performance than anticipated was witnessed in women's and misses' coats and suits, but these departments still showed a 4% gain over last year. Furniture and bedding and domestic floor coverings did poorly during April, with declines of 14% and 8%, respectively.

Furniture store sales (adjusted) in April eased off 4% from March to a level 8% under a year ago. April adjusted sales returned to the January level after having shown some moderate increase between those months. Although furniture store inventories rose 10% from March to April, on an adjusted basis, they were 6% under a year ago and about in line with sales. Store receivables have leveled off (April was only 2% under a year ago) while collections declined 5% from a year ago.

New passenger car registrations for all states of the District in March were down 8% from a year ago. April reports from four states showed new passenger car registrations even with a year ago; three of the states, however, showed decreases ranging from 4% to 13%, and one state a gain of 15%. This sales level was achieved by sharp cuts in dealers' profit margins.

Favorable April sales levels in department stores of major household appliances were reflected also in the household appliance store sales. These stores showed an unadjusted increase between March and April of 12% to a level 10% ahead of a year ago.

Among the wholesale trades of the District, automotive supplies showed a seasonally adjusted rise of 10% from March to April, but these sales were still running 12% under a year ago. Drug sales rose 2% from March to April, adjusted, and were 4% ahead of a year ago. Grocery wholesalers showed a sales rise of 3%, adjusted, in April over March and the same percentage increase over last year. Hardware wholesalers showed an adjusted increase of 20% in sales from March to April, but these still ran 21% under last year. Paper wholesalers' sales were up 2%, adjusted, in April and 15% above a year ago. Although wholesale dry goods declined 3%, adjusted, from March to April and were 6% under a year ago, there is some evidence of stability. Industrial supply wholesalers showed a further drop of 1% in April adjusted sales to a level 34% under a year ago. The trend of these sales is still downward.

Manufacturing

As previously noted, man-hours in all manufacturing industries of the Carolinas (only states for which April figures are available) were down 2.7% from March and 8.6% below April 1953. Declines in the lumber industry from March were 2.8% and 16.1% from a year ago. Furniture factories showed man-hours in April 8% below March and 11.4% below a year ago. Machinery industries, excluding electrical, showed a decline of 1.3% in man-hours from March to April and 5.1% from a year ago. Food and kindred products industries rose 3.2% from March to April and 2.4% from a year ago. Textile mill products showed a man-hour decline from March to April of 3.2% and 9.9% from a year ago. Yarn and thread mills continued to show up poorer than broad woven fabrics with April man-hours down 3.6% from March and 15.7% from a year ago. Broad woven fabrics showed a decline in man-hours of 2.8% from March to April and 10.4% from a year ago. Apparel industries were off 5.1% in man-hours from March to April and 8.5% from a year ago. Chemical industries showed a man-hour reduction of 3% from March to April but a gain of 1.7% from a year ago.

Cotton consumption, average daily seasonally adjusted, rose 1% from March to April but was 6% under a year ago. Cotton spindle hours declined 1% on a seasonally adjusted average daily basis and were 5% under a year ago. Forward coverage of important broad woven fabrics was substantial during May and strengthens the feeling that the industry's operations will at least continue at current levels for some months to come. Although the amount of yardage sold was substantial, and has filled the production schedule of several concerns on a full-time basis for the remainder of the year, it has been selective and by no means covers the entire full-time output of the industry. Prices of the constructions purchased in May firmed moderately during the buying period.

Rayon and acetate shipments declined 1% from March to April and were 13% below a year ago. Filament yarn shipments were 23% under the previous year, but staple and tow shipments rose 20%. High tenacity filament yarn shipments declined 4% from March to April to a level 24% under a year ago.

Construction

Construction contract awards, seasonally adjusted, in April rose 4% above March, but were 6% under April 1953. The gain during the month was in the nonresidential sector and the decline from a year ago was also in this area. Residential construction contract awards, seasonally adjusted, dropped 1% from March to April but were a sharp 18% ahead of a year ago. Much of this gain represents speculative building activity—and a selling problem is created, though this should not be particularly difficult if the hundred per cent mortgage becomes accepted practice.

Agriculture

A bird's-eye view of leading District crops—as of late May—reveals the following: Flue-cured tobacco is reportedly off to one of the earliest and best starts in several years. Cool, wet weather has hurt cotton in many areas, causing poor stands and resulting in some replanting. Small grain, hay and pastures are in generally good condition.

For the first quarter of 1954 cash farm income was off 8% in the District, with crop income down 15% and livestock income down 3%. Cash income in March was 9% under last year, but the breakdown shows crop income down 35% and livestock income up 4%.

Cash farm income in Maryland during March was down 7% and for the first quarter down 11%. In Virginia, March income declined 1% from last year while the first quarter was down 10%. In West Virginia, March income was up 4% and the first quarter was up 1%. In North Carolina, March income was down 15% and the first quarter was down 6%. In South Carolina, March income was down 23% and the first quarter was down 7%.

For the first four months of 1954 farm prices in all District states were down from a year earlier—Maryland was off 9.8%, Virginia 8.4%, West Virginia 7.9%, North Carolina 3.4%, and South Carolina 1.8%.

FIFTH DISTRICT STATISTICAL DATA

SELECTED INDEXES

Avg. Daily 1935-39=100—Seasonally Adjusted

	Apr. 1954	Mar. 1954	Apr. 1953	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New Passenger Cars[1]	......	198	217	+ 27	— 8
Bank Debits	492	488	486	+ 1	+ 1
Bituminous Coal Production[2,3]	70	65	72	+ 8	— 3
Construction Contracts	499	479r	533	+ 4	— 6
Business Failures—No.	126	144	47	— 13	+168
Cigarette Production	......	238	229	+ 20	— 6
Cotton Spindle Hours	150	151	158	— 1	— 5
Department Store Sales[2]	122	118	120	+ 3	+ 2
Electric Power Production	......	426	415	+ 2	+ 5
Manufacturing Employment[1,2]	......	105	110r	— 1	— 5
Retail Furniture: Net Sales[2]	96	100	104	— 4	— 8
Life Insurance Sales	398	417	388	— 5	+ 3

[1] Not adjusted.

[2] 1947-1949=100.

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

WHOLESALE TRADE

LINES	Sales in April 1954 compared with Apr. 1953	Sales in April 1954 compared with Mar. 1954	Stocks on April 30,1954 compared with Apr. 30, 1953	Stocks on April 30,1954 compared with Mar. 31, 1954
Auto supplies (7)	—18	— 5	— 3	— 1
Electrical goods (5)	—21	— 8	— 1	+ 1
Hardware (10)	— 6	+13	— 7	— 5
Industrial supplies (11)	—17	— 7	— 4	— 4
Drugs and sundries (11)	+ 4	— 2	— 5	— 1
Dry goods (15)	— 9	—14	— 6	— 4
Groceries (47)	+ 8	— 2	+ 4	— 2
Paper and its products (6)	+ 1	— 5	......	......
Tobacco products (12)	— 9	—10	—23	— 1
Miscellaneous (99)	— 7	— 6	0	+ 3
District totals (223)	— 4	— 5	— 3	0

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, Apr. '54 vs Apr. '53	+11	+13	+ 7	+ 7	+ 8
Sales, 4 Mos. ending Apr. 30, '54 vs 4 Mos. ending Apr. 30, '53	— 3	0	0	— 6	— 3
Stocks, Apr. 30, '54 vs '53	0	— 6	— 4	— 5	— 5
Outstanding Orders Apr. 30, '54 vs '53	—28	—14	+ 1	—16	—11
Open accounts receivables Apr. 1 collected in Apr. '54	31.3	46.5	42.0	35.3	39.8
Instalment receivables Apr. 1 collected in Apr. '54	11.6	14.2	13.7	15.9	13.9

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Apr. '54 vs Apr. '53	+13	+7	+ 7	+10	+ 7	+10

BUILDING PERMIT FIGURES

	April 1954	April 1953	4 Months 1954	4 Months 1953
Maryland				
Baltimore	$ 4,572,715	$ 8,737,535	$ 19,326,875	$ 24,666,860
Cumberland	97,000	57,075	169,900	187,900
Frederick	96,900	133,840	406,692	929,297
Hagerstown	189,130	107,000	869,579	1,023,263
Salisbury	468,760	193,802	870,838	405,926
Virginia				
Danville	175,033	243,453	762,347	1,766,029
Hopewell	121,111	365,425	529,077	1,153,137
Lynchburg	528,541	327,015	2,046,707	1,180,916
Newport News	888,049	173,853	1,243,566	741,487
Norfolk	2,883,523	1,329,054	5,703,784	7,311,560
Petersburg	243,600	354,500	680,100	706,900
Portsmouth	495,176	191,955	3,608,680	962,165
Richmond	1,348,797	1,176,795	7,613,906	5,298,368
Roanoke	1,924,370	1,159,256	4,501,467	3,780,756
Staunton	109,530	98,110	435,170	476,435
West Virginia				
Charleston	981,050	652,774	2,695,849	2,635,218
Clarksburg	387,246	133,307	1,208,167	1,171,893
Huntington	552,855	472,500	1,494,024	1,680,574
North Carolina				
Asheville	635,986	481,239	1,407,039	1,026,453
Charlotte	1,825,706	2,912,957	6,304,390	12,102,510
Durham	317,534	395,662	1,480,529	2,475,432
Greensboro	1,343,220	1,085,653	4,227,420	4,445,983
High Point	302,275	499,675	1,091,942	1,793,483
Raleigh	1,442,905	11,332,625	4,721,826	14,350,670
Rocky Mount	353,879	320,982	1,175,507	2,129,757
Salisbury	102,450	117,290	669,852	567,371
Wilson	174,350	432,775	873,750	915,565
Winston-Salem	787,840	1,013,160	4,939,862	2,842,132
South Carolina				
Charleston	374,119	1,013,867	761,295	1,847,979
Columbia	1,038,669	771,090	3,363,254	2,237,517
Greenville	648,950	777,250	2,765,645	2,243,200
Spartanburg	213,745	82,455	1,357,426	326,143
Dist. of Columbia				
Washington	4,384,658	4,862,967	20,536,828	20,213,119
District Totals	$30,009,672	$42,006,896	$109,843,293	$125,595,998

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: April 1954	4 Mos. 1954
Maryland	— 8	— 2
Dist. of Columbia	—13	— 9
Virginia	— 7	—10
West Virginia	—24	—18
North Carolina	—13	—14
South Carolina	— 3	+ 1
District	—12	— 9
INDIVIDUAL CITIES		
Baltimore, Md.	— 8	— 2
Washington, D. C.	—13	— 9
Richmond, Va.	—14	—14
Charleston, W. Va.	—17	—10

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

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*
(000 omitted)

	April 1954	April 1953	4 Months 1954	4 Months 1953
Dist. of Columbia				
Washington	$1,252,680	$1,034,086	$ 4,640,628	$ 4,128,643
Maryland				
Baltimore	1,425,792	1,395,668	5,615,042	5,530,620
Cumberland	22,394	25,484	87,825	101,384
Frederick	24,690	23,373	89,350	92,514
Hagerstown	33,875	38,958	142,333	147,156
North Carolina				
Asheville	57,844	58,649	237,743	242,171
Charlotte	334,554	354,563	1,398,753	1,448,670
Durham	84,363	82,884	335,495	340,069
Greensboro	113,065	124,218	463,563	470,734
High Point	41,084**	NA	167,201**	NA
Kinston	19,032	18,666	81,039	80,369
Raleigh	167,206	180,762	737,132	798,777
Wilmington	44,858	45,673	180,853	179,685
Wilson	16,279	15,044	71,754	67,361
Winston-Salem	141,064	138,746	590,627	578,865
South Carolina				
Charleston	72,732	78,394	287,740	322,068
Columbia	181,916	166,545	677,379	632,781
Greenville	106,927	111,555	429,194	450,227
Spartanburg	60,273	62,366	250,273	260,708
Virginia				
Charlottesville	31,027	28,058	121,799	101,029
Danville	32,559	36,997	139,344	151,435
Lynchburg	49,918	48,840	192,240	192,806
Newport News	47,488	48,486	185,593	195,396
Norfolk	249,957	262,640	1,020,959	1,020,461
Portsmouth	32,108	32,191	125,978	122,260
Richmond	599,686	612,290	2,350,469	2,419,352
Roanoke	115,924	120,123	455,486	477,405
West Virginia				
Bluefield	37,887	42,574	158,978	175,878
Charleston	171,193	164,329	695,364	658,112
Clarksburg	30,939	32,784	129,316	138,517
Huntington	66,565	69,957	275,985	285,802
Parkersburg	30,549	30,702	119,584	117,290
District Totals	$5,655,344	$5,485,605	$22,287,818	$21,928,545

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

50 REPORTING MEMBER BANKS
(000 omitted)

Items	May 12, 1954	Change in amount from April 14, 1954	Change in amount from May 13, 1953
Total Loans	$1,397,460**	— 3,598	— 1,070
Bus. & Agric.	628,147	— 16,468	— 18,664
Real Estate Loans	268,983	+ 2,624	+ 9,711
All Other Loans	517,903	+ 10,348	+ 9,235
Total Security Holdings	1,730,639	+ 5,968	+ 45,928
U. S. Treasury Bills	123,580	+ 7,133	+ 12,901
U. S. Treasury Certificates	153,304	+ 1,591	+ 33,735
U. S. Treasury Notes	224,790	— 3,352	— 60,620
U. S. Treasury Bonds	991,305	— 294	+ 50,034
Other Bonds, Stocks & Secur.	237,660	+ 890	+ 9,878
Cash Items in Process of Col.	294,364	— 2,838	— 18,198
Due From Banks	193,023*	— 6,446	+ 19,952
Currency and Coin	78,482	— 1,969	— 3,473
Reserve with F. R. Banks	521,414	— 14,345	— 41,236
Other Assets	64,530	+ 1,542	+ 5,658
Total Asses	4,279,912	— 21,686	+ 7,561
Total Demand Deposits	3,220,013	— 30,904	— 6,487
Deposits of Individuals	2,431,169	+ 11,697	— 9,532
Deposits of U. S. Government	66,801	— 41,634	— 15,025
Deposits of State & Local Gov.	202,298	— 7,437	+ 10,990
Deposits of Banks	465,643*	+ 10,984	+ 15,581
Certified & Officers' Checks	54,102	— 4,514	— 8,501
Total Time Deposits	711,743	+ 5,094	+ 36,403
Deposits of Individuals	635,542	+ 5,915	+ 39,581
Other Time Deposits	76,201	— 821	— 3,178
Liabilities for Borrowed Money	7,400	+ 25	— 49,300
All Other Liabilities	49,583	+ 1,755	+ 6,339
Capital Accounts	291,173	+ 2,344	+ 20,606
Total Liabilities	$4,279,912	— 21,686	+ 7,561

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

Additions To Par List

* * *

The Citizens Bank, Marshall, North Carolina, which also operates tellers' windows at Hot Springs and Mars Hill, North Carolina, agreed to remit at par, effective May 24, 1954, for all checks drawn on it when received from the Federal Reserve Bank. Marshall is located in the territory served by the Charlotte Branch, and the combined A.B.A. transit number-check routing symbol of the Citizens Bank is $\frac{66\text{-}277.}{531}$

The Columbus, North Carolina, Branch of the Tryon Bank and Trust Company, Tryon, North Carolina, opened for business on May 18, 1954 and agreed to remit at par for checks drawn on it when received from the Federal Reserve Bank. Columbus is in the territory served by the Charlotte Branch, and the combined A.B.A. transit number-check routing symbol of the Branch of the Tryon Bank and Trust Company located there is $\frac{66\text{-}1012.}{531}$