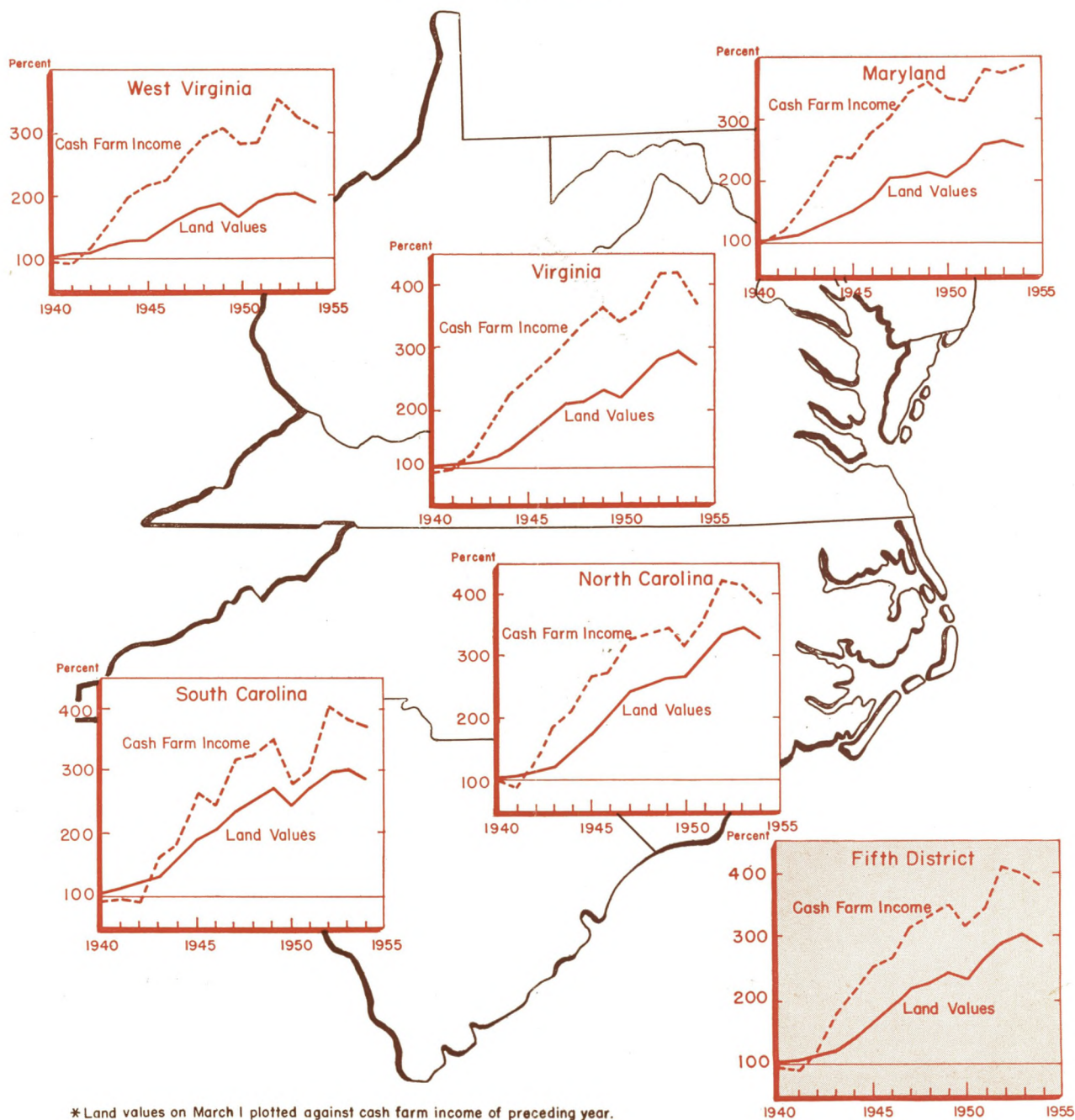


September 1954

FARM LAND VALUES AND INCOME *

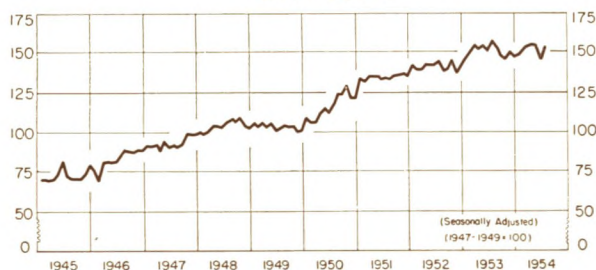
1935 - 1939 = 100



* Land values on March 1 plotted against cash farm income of preceding year.

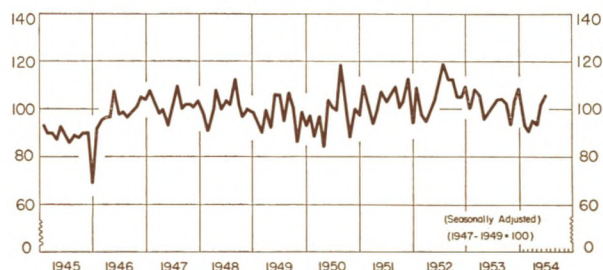
FIFTH DISTRICT TRENDS

BANK DEBITS



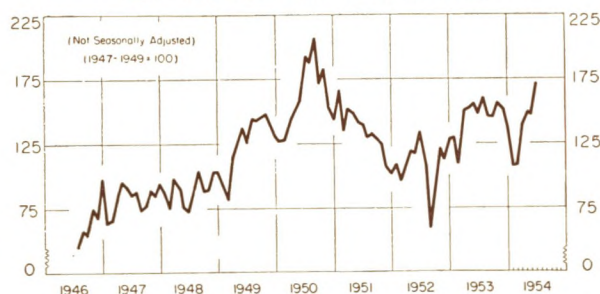
After declining sharply between May and June, debits in July rebounded 5% above the adjusted June level but still failed to equal the level of July 1953 by 3%.

CIGARETTE PRODUCTION



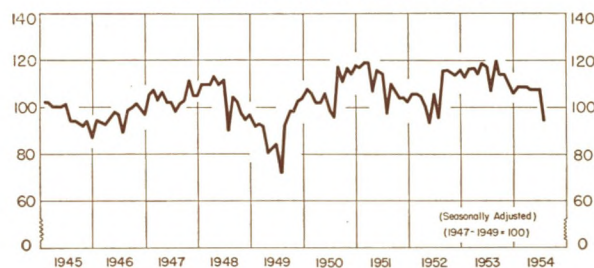
Latest figures (June) show output in the District up 4% from May and 5% ahead of a year ago. Man-hour figures from North Carolina indicate that improvement continued in July.

NEW PASSENGER CAR REGISTRATIONS



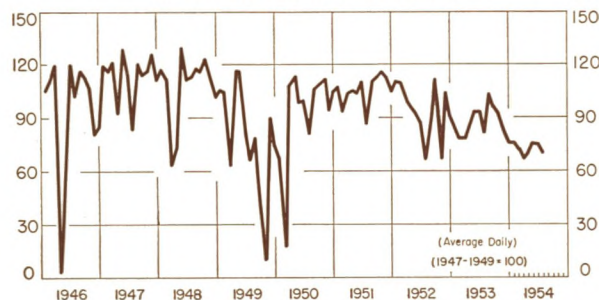
June set a record in new passenger car registrations at the highest level since the Fall of 1950. New registrations in June were 16% higher than in May and 16% higher than a year ago.

ACTIVE COTTON SPINDLE HOURS



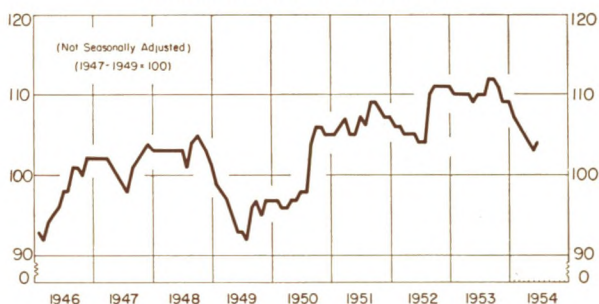
After holding on an even keel for the past several months, cotton spindle hours in July declined 13% from June to a level 12% below July 1953. Prices on goods and yarns have been steady to firm but new business has been slow.

BITUMINOUS COAL PRODUCTION



Reduction in domestic consumption and exports together with utilization from stock piles caused bituminous coal consumption in this District to drop 14% in July below that month last year. Average daily output in July was 5% smaller than in June.

MANUFACTURING EMPLOYMENT



Employment in manufacturing industries in this District in June rose 1% from the May level but was 6% under June 1953. Indications from four states available for July point to a drop in the level for that month.

Farm Real Estate—A Complicated Price Problem

BUY now, or wait? Here's a time-honored question thousands of farmers and would-be farmers are asking themselves. Year in and year out "competent" observers, when asked, confidently assert "Better wait—this is not the time" to buy a farm. This was their advice in 1932 and 1933, in 1941 and 1942, immediately after VJ-Day, and probably in the intervening years.

Does this mean that those who defied the advice and bought are worse off today for having gone ahead? Definitely not! Although some farmers have fallen by the wayside, the vast majority have fared quite well in spite of major ups and downs in the agricultural sector, the complicated nature of the farm economy and its vulnerability to business cycles, the dislocating influence of major wars and the multiplicity of motives that people exhibit in choosing "where" and "when" to buy farm land.

This brief discussion of fluctuating land values will probably raise more questions than it answers. It seeks merely to be thought-provoking and historically objective on a topic that means a lot, directly and indirectly, to a lot of people.

Collapse after World War I

Those who have made careful historical studies of farm income and debt and the prices of both farm products and farm land are keenly aware of the economic difficulties that wars create and accentuate. Take World War I for example: the index of farm land prices for the nation climbed from 62 in 1915 to 105 in 1920 (1947-49=100). This seemingly sharp rise was, however, modest when compared with realized net income from agriculture, which jumped from \$3.6 billion in 1914 to \$9.3 billion in 1919. Significantly, net income is always subject to much more violent year-to-year change than is the level of farm land prices. Yet many farmers who bought at the high levels of 1918 and 1919 and made moderate down-payments found themselves with mortgage payments which were difficult to meet after incomes dropped. Annual debt payments which were no particular burden in 1919 when tobacco was 44 cents per pound and cotton 35 cents were hard to meet the following year when tobacco dropped to 22 cents and cotton to 16 cents. The impact on farmers was more severe than the price-breaks indicate since the prices they paid for farm and household purchases continued to rise.

It is not surprising that many farmers fell by the wayside during the 20's and many more tumbled in the early 1930's. In view of these severe experiences, there is little wonder that people who observed and studied the strains and stresses of that period came up with ultraconservative answers when considering whether to buy a new, or to expand the old, farm.

Each Year Thousands Start Farming

Whether prospects are good or bad, thousands of young men start farming every year and other thousands buy farms or land to enlarge their farms. This leads to the oft-heard statement that the dominant factor affecting the success or failure of a farmer is the period in which he started farming. Certainly the farmer who bought his land in 1941 had a much more favorable period in which to start than the one who started in 1919 or 1920. Of course, many who started farming in those earlier years made good and, conversely, many who started in 1941 failed.

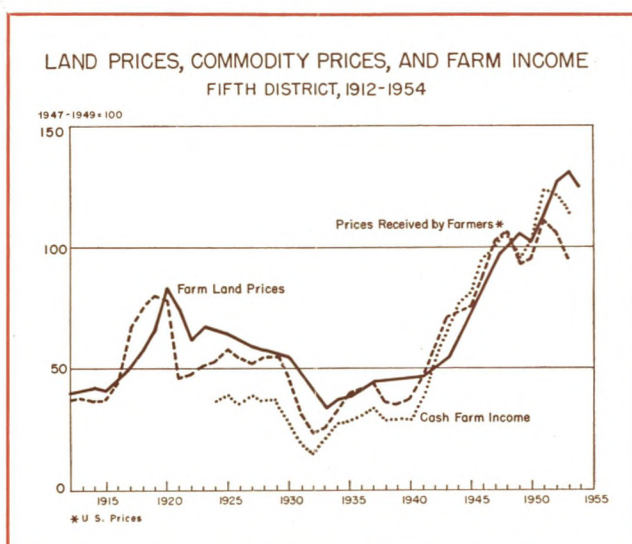
Several other factors add to the complexity of the farm real estate market. Farm-management studies

point out clearly that many farmers with limited capital would have higher incomes if they farmed as tenants. As tenants, their money would be invested in machinery, livestock, and other required items for farms large enough to employ effectively such equipment and some managerial ability. Instead, sentiment frequently prevails and many decide to own their own farms even though small and frequently poorly equipped. Closely related is the feeling on the part of many farmers that the best form for any sizeable investment is in farm land.

There are many farmers who regard a farm purchase as "buying a business" in which they can be self-employed. There is less concern with the percentage return on the investment, or how the amount will compare with other forms of investments. Others buy farms purely as investments, never expecting to operate them themselves, or to live on the land. Such differences in *objective* obviously have distinct effects upon the price a would-be buyer will pay for a farm.

Part-Time Farmers and Rural Residents

An important factor affecting land values in the Fifth District (and many other areas as well) is the residence



value of the farm dwelling. According to the latest Census of Agriculture, 293,000 or 42% of all farms in this District were classified as either part-time or residential farms. Prices of many of them were influenced to a greater extent by what the buyer would have had to pay for a house in the nearby city or town than the farm's capacity to produce crops and livestock at a profit.

In one important respect, purchasers of farms are like purchasers of dwellings, automobiles, and the like. Frequently their prime concern is with the amount of the down-payment and the size of subsequent payments rather than total purchase price. The down-payment is naturally related to cash savings or readily convertible assets, whereas the subsequent payments are measured against income which can be allocated to that purpose.

This means that farmers who expect to meet mortgage payments out of farm income have to think in terms of how much they can produce for sale, cash operating costs, living expenses, necessary investments in livestock, machinery, and farm improvements, and the net amount remaining for debt service and other new investment. This really requires *forecasting*, although few farmers recognize it as such.

Government Programs Influence Land Values

Another considerable influence on farm land prices is government agricultural policy. The level of acreage allotments and price supports, if any, which exist or are likely to prevail in future years has a distinct bearing on farm land prices. This has been especially true in the bright tobacco areas. Obviously the location of a particular farm has an important bearing on its market price—the relative desirability of the community will add to or detract from its value. Quality of roads and location with respect to neighbors and community services are factors at point. In the event a neighboring farmer wishes to enlarge his farm (based on the anticipated greater efficiency of the larger unit) he is willing to pay a premium for the land. There are, of course, times when “defensive buying” occurs, to avoid the risk of the land being acquired by a person who would put it to an undesirable use and thus prove to be an unwelcome neighbor.

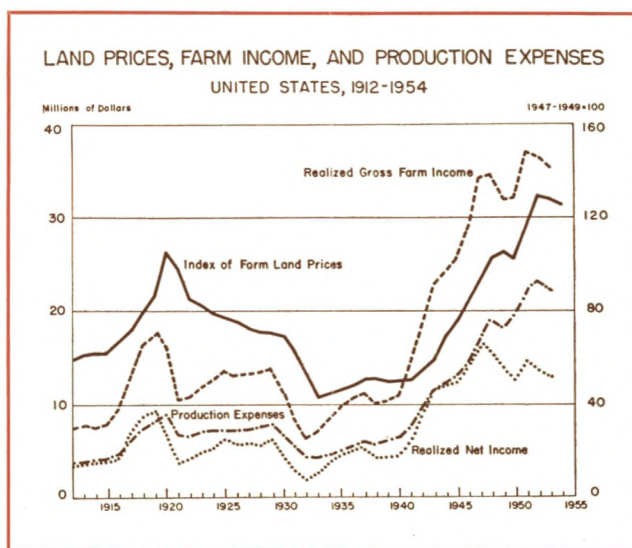
Historically there is a lag in the speed with which income changes are reflected in the level of farm real estate prices. This situation is clearly revealed in the accompanying charts.

It is evident that many factors—in addition to anticipated income—enter into the price people are willing to pay for farm land. In most cases, these “other factors” tend to raise the price rather than lower it. As a result, most of the research on the subject reveals that, in terms of their productive capacity, poor farms are overpriced relative to good farms.

Most of the factors mentioned as affecting farm land prices have been discussed from the standpoint of their effect on demand even though it is true that they also have an effect on the number of properties offered for sale and the price tags they bear.

Peak Prices Reached in 1953

The tendency of farm land prices to tag along belatedly after changes in commodity prices and farm incomes is in evidence at the present time. Farm-product prices hit their post-Korean peak in February 1951. Total cash farm income was also at a peak in 1951, and both have been declining since that time. Prices of farm land, on the other hand, continued to rise until late 1952 for the country as a whole and declined 7% by Spring of 1954. In the Fifth District, the peak in land values came in March 1953; in the fol-



lowing year they fell 5%.

According to the Agricultural Research Service, United States Department of Agriculture, the highest average land values in this five-state area are in Maryland, where the average value of farm land and buildings is \$155 per acre. This is followed by state-wide averages of \$122 in North Carolina, \$102 in Virginia, \$80 in South Carolina, and \$66 in West Virginia. These average values are below the post-Korean high in every District state as well as in all other states in the nation. The trends for the District states are shown in the cover-page chart.

What the index of land values will do in the months to come is an unanswered question. There is, however, little evidence that the decline has run its course. Both farm product prices and farm income are running slightly below a year ago and net incomes for the year as a whole will almost certainly be below last year's level. Barring the unforeseeable—which has a way of happening from time to time—further declines in land prices appear to be a distinct possibility.

District Banking—First Half 1954

IN spite of a moderate slowdown in business activity in the first quarter of 1954 and a leveling off thereafter, Fifth District member bank operations at record-breaking levels were more profitable over the first six months of the year than in any similar period in the post-World War II years.

Payments to Uncle Sam Were the Largest Ever—

Taxes on net income in the first half of this year were one-seventh larger than the amount paid in the same period last year. In spite of the unusually large payment made this year, Federal income taxes took a slightly smaller share of net profits before the payment of taxes than in the same period last year—47.9% as compared with 48.8%. Barring unforeseeable international crises, this percentage should be even smaller in the first half of next year because of the removal of the excess profits tax last January. The proportion of net profits before taxes which will go to Uncle Sam may continue to decline in 1956 and 1957 if the reduction in corporate tax rates scheduled for April 1955 takes place.

... But Net Profits Continued to Climb—

The District's member bankers realized a net profit after taxes from the half year's operations equal to an annual rate of 9.6% of their total capital accounts. This is a full percentage point above the return of 8.6% on stockholders' equity in the same period last year. Nearly one-third of net profits was paid out as cash dividends to stockholders, an amount 7.4% greater than the total in the first half of 1953.

... And Retained Earnings Contributed to an Improved Capital Position.

The banks retained over two-thirds of their net profits, one-fourth more than the amount they retained in the same period last year. The retained earnings plus some new stock issues raised stockholders' equity in total assets from 7.0% in June 1953 to 7.3% this June.

Earnings Came Predominantly from Loans—

As in immediate past years, loans and discounts continued to provide the backbone of District member banks' total earnings. Demand for bank credit evidenced considerable strength over the six-months' period in spite of the slackening in general business activity. New loans made more than offset the sum of all repayments on existing loans so that the record level of loans outstanding on the banks' books at the beginning of the year was nudged slightly higher. The banks realized an average annual return on loans outstanding over the period of 4.92%—slightly under the 4.96% average realized in the same period last year, but a return which compares favorably with any recent past period.

The over-all loan level was maintained primarily because of demands from farmers, from purchasers of real

estate, and from consumers. Farmers' needs for credit are generally greatest in the Spring and early Summer, and 1954 was no exception to this seasonal pattern. The increase in credit extended to farmers over the first half of this year was slightly less than last, but the level of such farm loans outstanding was much higher.

Real estate loans rose strongly at District member banks over the first half year in keeping with the contradictory boom that has held residential and other construction on an even keel throughout the modest recession the economy has just weathered. Consumers' demands for credit were generally strong, although automobile and other retail instalment loans outstanding declined moderately over the six months.

Commercial and industrial loans were the only category at District member banks which reflected the recent mild downturn. The amount of such loans outstanding fell by 5% over the first six months of the year but was still near the unusually high level which has characterized the past three years.

... But Earnings from Government Securities Were Still at a High Level—

A slightly higher average amount of U. S. Government securities held during the first six months of the year and an average rate of return a tiny fraction under last year's kept earnings on these investments almost at the 1953 level. They accounted for nearly one-quarter of total earnings. All other earnings—service charges, trust department operations, safe deposit box rentals, and others—were nearly 10% above last year and accounted for just over one-fifth the total.

... And Profits from the Sale of Securities Provided a Needed Margin—

The concomitant of lower interest rates—hallmark of

EARNINGS AND EXPENSES
Fifth District Member Banks
(Dollars in thousands)

Earnings	First Half 1954	First Half 1953	% Change
Interest and dividends on U. S. Government obligations	25,122	25,488	— 1.4
Interest and discounts on loans	60,277	57,721	+ 4.4
All other earnings	22,023	20,170	+ 9.2
Total earnings from current operations	107,422	103,379	+ 3.9
Expenses			
Total current operating expenses	65,549	59,365	+ 10.4
Net current earnings	41,874	44,015	— 4.9
Recoveries, transfers from reserves, and profits	11,920	1,189	+902.5
Losses, charge offs, and transfers to valuation reserves	6,105	4,473	+ 36.5
Profits before income taxes	47,689	40,731	+ 17.1
Taxes on net income	22,837	19,896	+ 14.8
Net profits	24,852	20,834	+ 19.3
Cash dividends declared	7,655	7,128	+ 7.4
Net profits after dividends	17,197	13,706	+ 25.5

Federal Reserve Bank of Richmond

the first half of the year—is higher prices of securities. Many of the District's member banks were able to profit by these changes in prices by disposing of securities purchased earlier at lower prices. Without this margin of funds the net profits figure would have been well under last year's in spite of a higher earnings figure which would have resulted if prices of securities had been lower—that is, if interest rates had been higher.

... To Absorb the Larger Tax Payments and Higher Operating Costs.

Income taxes paid in the first half of this year were at a record level and operating costs also reached a high point. This year's experience reversed a trend in evidence since 1947. The cost of each dollar of gross earnings had been declining persistently since that year. Over the first six months of this year the cost of each dollar of income rose to 61.0 cents from 57.4 cents in the same period last year. A portion of the higher operating costs was due to increasing salary and wage payments, but a predominant share can be laid at the door of interest to savings depositors. The rising interest rate tide, which pushed to a crest in June of 1953, caused many financial institutions to increase interest payments to their customers as a means of attracting a larger share of their funds. These higher interest payments were generally not effective in the first half of 1953 but were fully effective in the first six months of this year.

EARNING ASSETS Fifth District Member Banks (Dollars in millions)				
	June 30, 1954	June 30, 1953	% Change	
			First Half 1954	First Half 1953
Loans and investments	5,367.2	5,163.4	- 1.2	- 3.2
Loans and discounts:				
Commercial and industrial loans	786.4	795.1	- 4.9	- 3.9
Loans to farmers	112.9	71.5	+28.3	+ 31.0
Loans to brokers and dealers in securities	20.9	18.1	-21.1	+ 35.1
Other loans for purchasing or carrying securities	88.8	87.5	+ 1.8	- 14.6
Real estate loans:				
On farm land	53.4	50.1	+ 5.5	+ 5.9
On residential property	442.1	419.3	+ 3.0	+ 0.7
On other properties	166.9	157.0	+ 4.7	+ 2.8
Other loans to individuals:				
Retail automobile installment paper	181.6	175.8	- 2.2	+ 16.5
Other retail installment paper	73.2	78.3	- 7.1	+ 27.9
Repair and modernization installment loans	51.0	39.1	+ 3.7	+ 8.9
Installment cash loans	113.0	100.2	+ 6.4	+ 7.5
Single-payment loans	294.1	285.7	+ 4.7	+ 3.0
Loans to banks	7.7	15.3	+30.5	+183.3
All other loans	66.8	65.4	+ 3.4	+ 7.9
Loans—gross	2,458.8	2,358.4	+ 0.8	+ 2.6
Reserves	29.0	26.3	+ 4.7	+ 3.1
Loans—net	2,429.8	2,332.1	+ 0.8	+ 2.6
U. S. Government securities	2,472.5	2,403.9	- 4.0	- 8.7
Treasury bills	160.0	180.2	-36.4	- 49.0
Treasury certificates of indebtedness	228.7	224.1	-44.1	- 5.0
Treasury notes	464.8	465.1	- 4.0	- 1.7
U. S. nonmarketable bonds	140.2	142.0	0.0	+ 0.1
Other U. S. Bonds—5 years or less	565.5	862.0	-24.4	+ 4.0
Other U. S. Bonds—over 5 years	913.3	530.5	+68.9	- 11.4
Other securities ¹	464.9	427.4	+ 4.2	- 0.3

¹ Includes U. S. guaranteed obligations.

ASSETS AND LIABILITIES Fifth District Member Banks by States June 30, 1954p (Dollars in millions)								
ASSETS	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	Fifth District	
							June 30, 1954	June 30, 1953r
Loans and investments	1,064.1	920.2	1,539.6	596.7	836.7	410.0	5,367.2	5,163.4
Loans and discounts (including overdrafts)	424.4	398.9	747.1	235.3	452.0	172.2	2,429.8	2,332.1
U. S. Government obligations	540.0	463.7	655.9	315.1	306.1	194.1	2,475.0	2,405.6
Other securities	99.7	57.6	136.6	46.2	78.6	43.7	462.4	425.7
Reserves, cash, and bank balances	314.4	283.4	464.3	181.0	322.6	154.6	1,720.3	1,718.0
Reserve with Federal Reserve Banks	160.3	155.8	193.9	79.1	129.0	56.9	775.1	792.4
Cash in vault	29.8	21.5	43.1	18.6	21.8	16.4	151.2	147.2
Balances with banks	54.8	54.3	118.6	63.7	75.2	46.9	413.5	388.2
Cash items in process of collection	69.5	51.8	108.7	19.5	96.6	34.4	380.5	390.2
Other assets	19.4	22.4	27.9	9.3	18.0	6.4	103.4	91.8
Total Assets	1,397.9	1,225.9	2,031.9	786.9	1,177.3	571.1	7,191.0	6,973.2
LIABILITIES								
Demand deposits	967.4	897.6	1,224.9	522.3	877.6	453.0	4,942.8	4,890.3
Individuals, partnerships, and corporations	716.8	780.8	913.5	393.8	612.1	340.5	3,757.4	3,791.4
U. S. Government	49.6	35.5	47.9	17.2	38.2	21.0	209.5	146.8
States and political subdivisions	109.1	.1	99.3	64.0	75.5	63.9	411.9	417.6
Banks	84.9	66.3	141.7	37.0	128.4	15.4	473.8	456.7
Certified and officers' checks, etc.	7.0	14.9	22.5	10.3	23.4	12.1	90.2	77.7
Time deposits	324.8	240.1	636.0	195.1	191.3	76.7	1,664.1	1,532.4
Individuals, partnerships, and corporations	294.9	206.7	568.5	193.0	150.1	67.0	1,480.1	1,374.5
U. S. Government and postal savings	6.4	15.6	20.9	1.6	5.6	8.6	58.6	61.2
States and political subdivisions	23.6	—	46.3	.2	34.0	.9	105.0	77.6
Banks	—	17.8	.3	.3	1.6	.3	20.4	19.1
Total deposits	1,292.2	1,137.7	1,860.9	717.4	1,068.9	529.7	6,606.9	6,422.7
Borrowings	.4	.5	2.6	.3	.8	—	4.6	6.3
Other liabilities	7.8	6.9	13.9	3.4	18.2	5.3	55.5	53.3
Total Liabilities	1,300.5	1,145.1	1,877.5	721.1	1,087.9	534.9	6,667.0	6,482.3
Total Capital Accounts	97.4	80.8	154.4	65.8	89.4	36.1	524.0	490.9
Total Liabilities and Capital Accounts	1,397.9	1,225.9	2,031.9	786.9	1,177.3	571.1	7,191.0	6,973.2
Demand deposits adjusted	763.4	744.0	926.6	448.6	614.4	382.1	3,879.0	3,896.5
Number of banks	72	15	205	99	55	34	480	476

p Preliminary. r Revised. Note: May not add to totals because of rounding.

Markets Move to the Customer

THE wave of prosperity that rolled over this country after World War II helped stimulate and finance an unprecedented trek of the population to the suburbs. In turn, suburbanization has been one of the greatest stimulators the national economy has ever known. The result has been a near-revolution in markets and in marketing methods and techniques.

There's hardly a form of business activity that has not been beneficially affected, directly or indirectly, by the suburban migration. It has even been a dominant factor in the baby boom—in fact, the two are practically inseparable and are part and parcel of the same stimulative forces. These forces stemmed from the preceding periods of war and depression, when both births and homebuilding lagged markedly, as well as from the overall prosperity of the postwar period.

It was estimated by *Fortune* in late 1953 that the number of suburbanites increased from 18 million in 1940 to about 30 million in 1953. This increase of 12 million people represented almost one-half of the total growth of the nation's population during the period. The 20% increase in the latter was overshadowed—in significance as well as size—by the 67% increase in persons residing in the residential rings immediately within and without the city limits of cities in the 50,000-and-over size group.

An important point is that most of this suburban growth has occurred in recent years. Three-fourths of the 12 million increase from 1940 to 1953 dates from 1947. Thus, while the entire population of the country was increasing 11% from 1947 to 1953, the suburban count rose about 43%.

Market Growth Even Greater

As fast as the population has been increasing, the retail market has been growing still faster. And the suburban market is topping the total retail market. There's no simple arithmetical relationship between increases in population and retail sales. The latter, particularly in the suburbs, have already grown far beyond the point indicated by the actual increase in consumers. The leverage has come from a number of factors—rising incomes, growing size of a more affluent middle class, price inflation, marketing developments such as the supermarket, and, of course, the shift to the suburbs. New families, new residential areas, new houses, new furnishings, new ideas about size of families, about where and how to live—all these have contributed to the making of a new market, the size and nature of which are growing and changing every day.

Unfortunately, no business census has been taken since 1948; hence no comprehensive measures of the recent growth of suburban markets exist. Although the centrifugal dispersion of population from central cities and the growth of suburbs did not begin to approximate

present proportions until after World War II, market shifts between central cities and suburbs were readily discernible in the 1948 census.

The ring areas—the parts outside central cities—of the 17 standard metropolitan areas in the Fifth District were rapidly becoming retail trade centers for their mushrooming population in a number of important lines. In the aggregate, the ring areas accounted for a larger proportion and the central cities a smaller proportion of the total standard metropolitan area market than in 1939. In only four of the 17 areas did the rings have a smaller share of the area market. In Roanoke, Virginia, this was due to an extension of the city limits by annexation. In Richmond, and in Winston-Salem and Asheville, North Carolina, it reflected relatively slower suburban area growth. Since 1948, however, suburban growth in the latter areas has been relatively rapid, and the next census probably will show that the suburbs in each of these areas have increased their share of the market at the expense of the downtown areas.

For the most part, the ring areas with the greatest population gains from 1940 to 1950 had also the fastest growing markets in the period 1939-48. Norfolk-Portsmouth had the largest population increase, 139%, and the second largest gain in retail sales, 567%. The Maryland and Virginia ring areas of the District of Columbia increased 115% in population and 389% in sales; Charleston, South Carolina, 90% and 574%—the latter the largest gain in the District—Durham 51% and 468%; and Baltimore 73% and 311%.

With but two exceptions, percentage gains in food sales were greater in ring areas than in corresponding central cities of the Fifth District. Indicative also of shifting markets were the greater gains in nearly every ring area of drug and proprietary stores and furniture, household furnishings, and appliance stores.

The last Census of Business showed that the share of the metropolitan area market held by suburban stores was largest in such businesses as food stores, drug stores, and filling stations. If recent reports of retail tax receipts in Maryland, for example, are typical, the next census will show marked suburban inroads into such lines as apparel—particularly children's—hardware, gift shop items, household furnishings, and appliances. Reflecting rapid development of suburban market outlets, Baltimore City's share of total sales tax receipts in Maryland fell from 60% in 1949 to 51% in 1953.

Suburban branches of department stores and supermarkets and king-size shopping centers in suburban areas are the most noticeable marks of the mid-century market revolution. With the trek to the suburbs likely to be a long-continuing, if not permanent, development, further radical revamping of the market structure is a practical certainty.

Fifth District Industry Briefs

INDUSTRIAL construction in the Fifth District is not quite so active at the present time as it was a year ago, but some interesting new developments are taking place—for the most part, off the beaten path. Illustrative are a new plate-glass factory, an aluminum rolling mill, a steel rolling mill, a titanium producing facility, and a plant for wooden screw manufacturing.

Pittsburgh Plate Glass Company had for sometime been looking over Cumberland, Maryland, industrial sites with the idea of locating a plate-glass plant in this area. Official announcement came in late August that the company would construct a \$34 million plant on a 600-acre tract of land on the Potomac River above Cumberland. The new plant will employ 2,000 in construction and require approximately two years to complete. Employment will be provided for approximately 1,000 people and thus aid Cumberland substantially since it has been classed for sometime as an area of substantial surplus labor supply.

Announcement was made on August 25 that the Kaiser Aluminum and Chemical Corporation had purchased 2,500 acres of land on the Ohio River near Ravenswood, West Virginia, and would build an aluminum sheet and foil rolling mill to cost approximately \$66 million, and a mill to produce aluminum-welded tubing to cost \$1,734,000. Work will begin around the first of the year and require approximately 2,500 construction employees. The completed plants will give employment to between 2,500 and 2,600 workers.

The Glidden Company has acquired 100 acres of land in the Baltimore, Maryland, area to be used as a site for the construction of facilities to produce titanium dioxide and sulphuric acid. The company will also build on the same site a plant to manufacture titanium metal by a new electrolytic process. Cost of the two plants will total about \$12 million. Construction was scheduled to begin around September 1, and the new facilities to be in production in mid-1955. If the pilot plant to manufacture titanium metal proves commercially feasible, the company plans to spend \$8 million in additional plants by 1956 and eventually to build a \$30 million plant.

The Alexander Smith & Sons Carpet Company of Yonkers, New York, is considering moving to Liberty, South Carolina, in a building formerly occupied by the Kaiser Hosiery Company. Should this deal be consummated it is expected that the size of the building will be doubled.

The Harde Manufacturing Company which had been looking over industrial sites in Black-

stone, Virginia, is considering a move to another southside Virginia area where more workers are available. Immediately, the concern, which is to establish a plant for manufacture of boys' ready-to-wear clothing, is to employ about 200 workers. Eventually, the company plans to build four or five plants within a radius of fifty miles of Richmond, Virginia.

The Firestone Tire and Rubber Company's textile plant in Gastonia, North Carolina, was forced to curtail August operations and temporarily lay off 1,500 workers as a result of strikes in the company's tire plants in Akron and elsewhere.

The DuPont nylon plant at Martinsville, Virginia, which has been operating on a reduced schedule since June 13 in an effort to spread available work will return the plant to a 40-hour work week on August 29 and lay off 300 workers. After the layoff, the company will be employing about 2,700 workers. Unfavorable textile market conditions are blamed for the cutback.

The Southern Screw Company of Statesville, North Carolina, broke ground late in July for a \$2 million 500,000 square-foot plant to expand its operations from the manufacture of wood screws into machine screws, sheet metal screws, leg screws, and bolts. When expansion is completed, work will be provided for an estimated 600-800 people.

The Bendix Aviation Corporation (Radio Division) of Towson, Maryland, announced last month a doubling of its assembly line for automobile radio production. The company will manufacture one-half of the radio requirements for 1955 Ford cars and all radios for Lincoln and Mercury cars. Current employment at the plant is more than 6,000.

The Armco Steel Corporation (Rustless Division) of Baltimore, Maryland, plans immediate construction of a new bar mill to be housed in a 60,500 square-foot building and costing \$5.5 million. The new facility is designed to roll stainless steel in a wide variety of sizes and grades. It is expected to be completed in 18 months. Present employment at the plant is around 1,500.

The Runnymede Corporation of Pickens, South Carolina, will open its new \$1 million worsted manufacturing plant in the near future. The plant of 52,000 square-feet of floor space will make French-spun worsted yarn and will employ about 200 workers when in full operation.

Business Conditions and Prospects

ALL has not been quiet below the Potomac during recent weeks but economic changes of note have been relatively few. Manufacturing production receded further during July, but in large part this was seasonal. Trade levels which had been quite good in June eased somewhat. Construction activity continued to lend strength to the District's economy with July adjusted contract awards increasing 12% over June and 10% over last year. Bituminous coal output, the District's major mining operation, dropped in July from the June level to the lowest average daily figure since March. On the other hand, both passenger car and truck registrations were sharply higher in June.

Bank lending to business borrowers has begun to show seasonal expansion, and loans on real estate have turned sharply upward in the past two months. Sales of ordinary life insurance are somewhat harder to make and the trend gives evidence of leveling off. Sales of Series E and H savings bonds which had been running ahead of a year ago in most months this year were even with last year in July. In the first seven months of the year these sales, however, were some 5% ahead of a year ago, compared with a gain of 12% for the nation.

New savings in savings and loan associations in the five states of the District amounted to \$85 million in July, a gain of 13% over a year ago. Withdrawals of \$73 million were, however, up 16% from a year ago. Bank debits which had declined rather sharply on a seasonally adjusted basis between May and June showed a 5% rally from June to July and were 3% under July a year ago.

Trade

Department store sales in this District during July dropped 3% on an average daily seasonally adjusted basis from June to a level 5% below July 1953. Stores reporting departmentally show good gains in sales in July over a year ago in major household appliances and in radios, phonographs, and televisions. Among the soft goods, piece goods and household textiles showed the best performance with small gains recorded in small wares and women's and misses' ready-to-wear accessories. Women's and misses' ready-to-wear apparel, however, showed a rather sizable decline from a year ago and basement departments were also smaller. Department store inventories seasonally adjusted held in July at June levels but were 5% smaller than a year ago, the same decline as was shown in sales.

Sales in retail furniture stores which had shown considerable recovery during May declined slightly in June and picked up again in July. July sales were, however, 3% smaller than a year ago, when the downward trend in furniture store sales had already set in. Stores are

operating on a conservative inventory policy with July adjusted figures down 1% from June and 15% from a year ago. Collections and receivables are keeping pace with the changes of sales.

Promotions and price concessions assisted household appliance stores in increasing July sales 13% over a year ago. Similar trends were shown for major appliance sales in department stores in the same month.

"Deals" were the watchword in the automobile business during June, latest month of record, but they certainly paid off in terms of sales. Fifth District new passenger car registrations in June were 16% higher than in May and 16% higher than in June 1953. Sales of new commercial cars were up 25% in June over May and 20% ahead of June 1953. June sales of passenger cars in this District established a new high record since the Fall of 1950. Reports from the field indicate that July sales of automobiles were not as good as June's, but may have been equal to a year ago.

Manufacturing Activity

Man-hours in all manufacturing industries in the Carolinas slipped 1% from June to July to a level 8.7% below a year ago. Durable goods industries were even in July with June, but 8.3% below a year ago while nondurable goods industries were down 1.5% from June and 9% below a year ago.

Textile mill products declined 1.8% from June to July and stood 11.3% from a year ago. Yarn and thread mills had the largest year-to-year drop of 16.2% while broad-woven fabrics mills were down 12.3% and knitting mills 4.0%. Full-fashioned hosiery mills in North Carolina showed man-hour operations in July even with those in June but 4.1% below a year ago. Seamless mills showed a rise of 0.6% from June to July and were 0.6% ahead of a year ago. Apparel mills recorded a drop of 1.4% from June to July and 8.5% from a year ago.

Food industries in July showed man-hours 1.4% under June and 0.9% under a year ago. These industries had been bettering last year's performances but the drought has apparently had some adverse effect on their operations.

Latest available figures on cigarette production in the District (June) show a rise of 4% after seasonal correction over May and 5% ahead of June 1953. Man-hours in the cigarette industry in North Carolina during July rose 3.1% from June and 5.8% from a year ago.

Man-hours in the paper industry during July were up 0.9% from June but 4.4% under a year ago. North Carolina showed an increase from June to July of 3% while South Carolina showed a drop of 2.5%.

In the chemical industries July man-hours rose 0.6% in the Carolinas compared with June and 11.4% compared with a year ago. South Carolina man-hours were up 2.2% during the month, while those in North Carolina were off 1.3%. Relative to a year ago South Carolina operations were up 20.4% and North Carolina up 2.2%.

Nationally, rayon and acetate shipments receded 9% from June to July, and were off a sharp 19% from a year ago. For the first seven months they were off 15% over the 1953 period. July filament yarn shipments were down 33% from a year ago, due mainly to declines of 48% in high-tenacity tire yarn and 26% in acetate yarn. Rayon regular and intermediate-tenacity yarn shipments were down 6%. Staple and tow shipments rose 19% in July from a year ago with viscose up 48% and acetate down 41%.

Man-hours in the lumber industry of the Carolinas rose 0.3% from June to July but were 9.7% under a year ago. The extended West Coast strike has not been felt substantially in this area.

In line with furniture store policy, furniture manufacturers reduced their operations by 0.5% from June to July and 12.4% from a year ago. Stores apparently still carry substantial inventory and thus far are not pressing manufacturers for new supplies.

Bituminous Coal Production

Average daily coal output in July was down 5% from June in this District and 14% under July a year ago. Industrial consumption of coal in the nation was down 19% in June from a year ago and retail deliveries were down 20%. In the first six months of the year, industrial consumption was off 14% and retail deliveries 4%. Total consumption in this period was down 13% from a year ago. Exports of coal in May were 12% under a year ago, and in the first five months of the

year were 17% less than in 1953. Utilization of stock piles has also had an adverse effect on production. Total stocks at the end of June were 69.6 million tons, 6.4 million tons or 8% less than a year ago.

Insured Unemployment

Insured unemployment in the Fifth District in the week of August 7 totaled 167,900, a 13% decline from the week of July 10, but more than double the year ago level. The District decline during the month of August 7 compares with a 7% drop nationally. Relative to a year ago, the District's rise of 122% compares with a national rise of 112%. Peak insured unemployment in the Fifth District occurred in the week of May 22 when 209,300 were receiving unemployment insurance. Between May 22 and August 7 insured unemployment declined 20%. In this same period insured unemployment in the United States declined 14%.

Agriculture

Farm prices in Fifth District states showed mixed changes from June to July. Maryland rose 4.2% and South Carolina 0.4%. Declines were shown in Virginia of 4.6% and in West Virginia 2.1%. North Carolina prices remained at the same level. In the first seven months of the year North Carolina showed an average increase of 2.2% over those months last year. Other states showed declines ranging from 0.7% in South Carolina to 8.8% in Virginia.

Drought conditions in July failed to take much toll of District crops as indicated by August 1 condition reports. Corn was retarded somewhat, but the tobacco crop actually improved 8% during the month. Cotton production first indicated in August shows probable District production of 935,000 bales, a 19.2% decline from a year ago. This was a combined result of drought and acreage reduction.



FIFTH DISTRICT STATISTICAL DATA

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	% Chg.—				
	Latest Mo.				
	July 1954	June 1954	July 1953	Prev. Mo.	Yr. Ago
New passenger car registra- tions*		172	161	+16	+16
Bank debits	153	146	157	+5	-3
Bituminous coal production*	70	74	81	-5	-14
Construction contracts	191	170	174	+12	+10
Business failures—number	226	250	266	-10	-15
Cigarette production		106	104	+4	+5
Cotton spindle hours	94	108	107	-13	-12
Department store sales	116	120	122r	-3	-5
Electric power production		170	170	+5	+2
Manufacturing employment*		104	110	+1	-6
Furniture stores sales	108	106	111	+2	-3
Life insurance sales	165	172	168	-4	-2

* Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in July 1954 compared with		Stocks on July 31, 1954 compared with	
	July	June	July 31,	June 30,
	1953	1954	1953	1954
Auto supplies	+127	-8	-11	-8
Electrical goods	-24	0	+4	-6
Hardware	+6	0	-3	-3
Industrial supplies	-13	-6	+1	-4
Drugs and sundries	-2	-3	+1	+2
Dry goods	-19	+20		
Groceries	-8	0	+9	+1
Paper and its products	NA	NA		
Tobacco products	-7	-7	-32	0
Miscellaneous	-7	-18	+5	+8
District Total	-9	-9	-1	+1

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

BUILDING PERMIT FIGURES

	July 1954	July 1953	7 Months 1954	7 Months 1953
Maryland				
Baltimore	\$ 6,425,630	\$13,169,295	\$ 36,615,310	\$ 52,984,820
Cumberland	48,900	33,950	443,475	404,165
Frederick	134,964	58,960	714,146	1,847,142
Hagerstown	178,842	293,675	1,547,381	1,654,638
Salisbury	29,940	17,455	1,109,886	794,292
Virginia				
Danville	418,164	235,539	1,736,513	2,602,840
Hopewell	179,612	103,736	1,033,347	1,871,067
Lynchburg	323,320	148,668	3,083,869	2,932,018
Newport News	622,417	153,472	2,172,023	1,458,945
Norfolk	2,256,681	680,843	9,324,810	10,122,411
Petersburg	213,336	87,000	1,336,236	1,235,800
Portsmouth	380,625	3,859,625	4,489,114	5,806,341
Richmond	2,165,410	2,692,140	16,310,717	11,565,275
Roanoke	700,486	3,081,073	7,026,745	9,779,288
Staunton	108,975	190,567	861,250	1,398,487
West Virginia				
Charleston	597,085	5,555,534	5,000,457	9,478,509
Clarksburg	144,073	185,250	1,555,948	1,682,981
Huntington	1,682,726	727,870	4,706,065	3,140,331
North Carolina				
Asheville	294,910	311,209	2,305,514	1,770,777
Charlotte	1,482,755	5,705,274	11,526,471	21,588,124
Durham	549,394	381,933	3,535,840	3,936,923
Greensboro	913,622	660,019	6,754,609	6,936,607
High Point	407,444	533,405	3,137,573	3,389,401
Raleigh	1,005,129	531,980	7,874,706	16,902,275
Rocky Mount	147,353	279,519	1,871,453	3,040,041
Salisbury	349,938	550,982	1,284,350	1,504,806
Wilson	559,800	76,501	1,769,200	1,280,131
Winston-Salem	615,031	452,512	7,476,989	5,130,482
South Carolina				
Charleston	797,209	190,685	1,901,462	3,755,375
Columbia	540,146	573,948	6,057,742	5,555,216
Greenville	351,300	634,400	4,557,060	3,878,292
Spartanburg	195,104	106,425	1,724,674	571,674
Dist. of Columbia				
Washington	2,991,650	8,051,518	35,719,614	46,365,737
District Totals	\$27,811,971	\$50,314,962	\$196,564,549	\$246,365,211

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals	
Sales, July '54 vs July '53 ..	+ 5	- 2	+ 4	- 1	0	
Sales, 7 Mos. ending July 31, '54 vs 7 Mos. ending July 31, '53	- 3	- 2	0	- 6	- 4	
Stocks, July 31, '54 vs '53 ..	- 2	- 6	- 3	-10	- 6	
Outstanding orders, July 31, '54 vs '53	-14	- 9	- 9	- 6	- 9	
Open account receivables, July 1, collected in July '54	30.6	44.9	38.9	36.3	38.3	
Instalment receivables, July 1, collected in July '54	9.5	13.9	13.5	15.8	13.4	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, July '54 vs July '53	-2	+4	0	-9	+3	+6

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with correspond- ing period a year ago	
	July 1954	7 Mos. 1954
Maryland	-1	-4
Dist. of Columbia	+2	-6
Virginia	-6	-6
West Virginia	-11	-16
North Carolina	-6	-5
South Carolina	+4	-2
District	-3	-7
INDIVIDUAL CITIES		
Baltimore, Md.	-1	-4
Washington, D. C.	+2	-6
Richmond, Va.	-13	-9
Charleston, W. Va.	-19	-11

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

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

Dist. of Columbia	July 1954	July 1953	7 Months 1954	7 Months 1953
Washington	\$1,155,123	\$1,108,373	\$ 8,080,065	\$ 7,516,146
Maryland				
Baltimore	1,459,255	1,526,524	10,068,789	9,966,153
Cumberland	25,155	27,344	162,943	180,647
Frederick	22,215	23,962	156,976	164,492
Hagerstown	39,360	41,437	251,957	264,845
Total 4 Cities	1,545,985	1,619,267	10,640,665	10,576,137
North Carolina				
Asheville	62,454	65,115	425,109	429,383
Charlotte	330,420	364,329	2,417,668	2,543,240
Durham	106,666	110,594	626,723	638,027
Greensboro	123,239	122,800	824,136	837,869
High Point**	41,159	42,431	292,248	NA
Kinston	21,447	22,095	140,236	144,372
Raleigh	219,261	176,506	1,323,037	1,333,498
Wilmington	51,030	52,190	324,735	324,191
Wilson	20,211	19,533	126,145	119,179
Winston-Salem	143,947	149,907	1,031,550	1,022,132
Total 9 Cities	1,078,675	1,083,069	7,239,339	7,391,891
South Carolina				
Charleston	79,584	77,202	516,586	557,139
Columbia	171,769	167,241	1,164,831	1,119,406
Greenville	114,797	113,351	753,084	787,691
Spartanburg	64,232	62,727	433,158	449,726
Total 4 Cities	430,382	420,521	2,867,659	2,913,962
Virginia				
Charlottesville	32,453	31,008	218,687	190,701
Danville	35,384	35,446	238,324	255,440
Lynchburg	49,124	48,867	341,238	339,507
Newport News	48,053	49,987	327,359	341,024
Norfolk	247,127	267,326	1,780,115	1,799,603
Portsmouth	31,858	31,069	223,598	216,482
Richmond	603,288	619,899	4,075,642	4,228,561
Roanoke	116,437	122,938	807,857	847,020
Total 8 Cities	1,163,724	1,206,540	8,012,820	8,218,338
West Virginia				
Bluefield	37,466	42,425	270,046	304,959
Charleston	164,888	179,033	1,188,475	1,183,087
Clarksburg	31,704	34,224	218,653	237,654
Huntington	67,771	70,874	482,403	496,727
Parkersburg	30,622	31,636	210,231	209,529
Total 5 Cities	332,451	358,192	2,369,808	2,431,956
District Totals	\$5,706,340	\$5,795,962	\$39,210,356	\$39,048,430

* Interbank and U. S. Government accounts excluded.

** Not included in District totals.

NA Not Available.

50 REPORTING MEMBER BANKS

(000 omitted)

Items	Aug. 11, 1954	Change in Amount from	
		July 14, 1954	Aug. 12, 1953
Total Loans	\$1,394,409**	— 5,339	+ 3,111
Bus. & Agric.	602,592	— 9,048	— 20,488
Real Estate Loans	281,075	+ 3,353	+ 18,959
All Other Loans	528,824	+ 462	+ 6,427
Total Security Holdings	1,867,309	+ 82,924	+ 61,241
U. S. Treasury Bills	125,229	+ 16,540	— 31,793
U. S. Treasury Certificates	186,678	+ 39,666	— 43,005
U. S. Treasury Notes	294,507	+ 993	+ 19,838
U. S. Treasury Bonds	1,004,573	+ 19,805	+ 88,281
Other Bonds, Stocks & Secur	256,322	+ 5,920	+ 27,920
Cash Items in Process of Col.	286,587	— 28,299	— 9,346
Due from Banks	188,549*	— 1,389	+ 9,428
Currency and Coin	75,963	— 3,636	— 1,553
Reserve with F. R. Banks	518,560	— 28,007	— 37,226
Other Assets	63,455	+ 1,849	+ 4,604
Total Assets	4,394,832	+ 18,103	+ 30,259
Total Demand Deposits	3,293,869	— 10,864	— 15,506
Deposits of Individuals	2,458,235	+ 5,880	+ 29,249
Deposits of U. S. Government	106,519	— 3,778	— 51,765
Deposits of State & Local Gov.	183,737	— 17,969	— 15,102
Deposits of Banks	496,470*	+ 16,474	+ 31,444
Certified & Officers' Checks	48,908	— 11,471	— 9,332
Total Time Deposits	744,737	+ 13,432	+ 64,660
Deposits of Individuals	663,094	+ 13,929	+ 61,574
Other Time Deposits	81,643	— 497	+ 3,086
Liabilities for Borrowed Money	13,000	+ 10,000	— 43,800
All Other Liabilities	48,060	+ 2,809	+ 4,974
Capital Accounts	295,166	+ 2,726	+ 19,931
Total Liabilities	\$4,394,832	+ 18,103	+ 30,259

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.