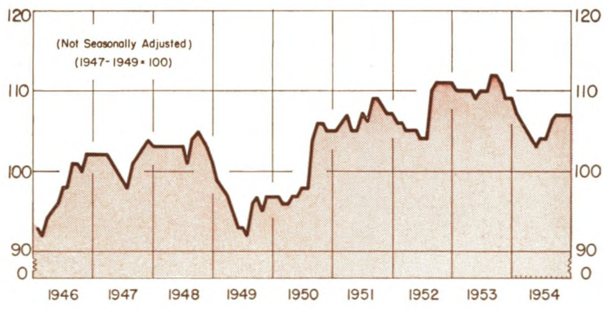
FEDERAL RESERVE BANK OF RICHMOND

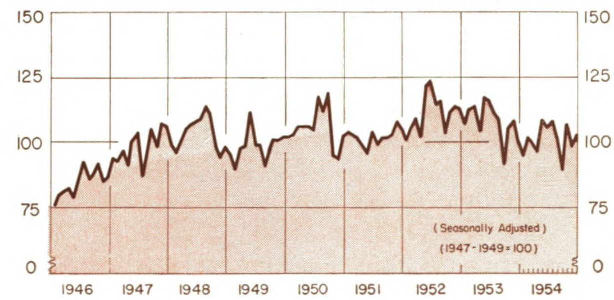
Monthly Review

February 1955

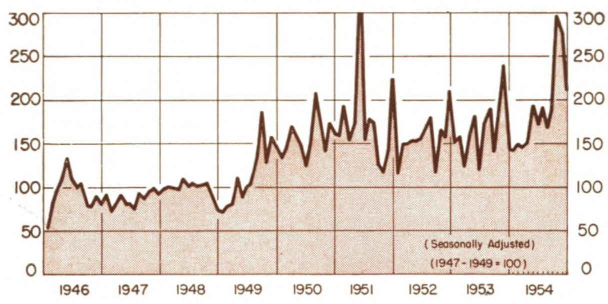
MANUFACTURING EMPLOYMENT



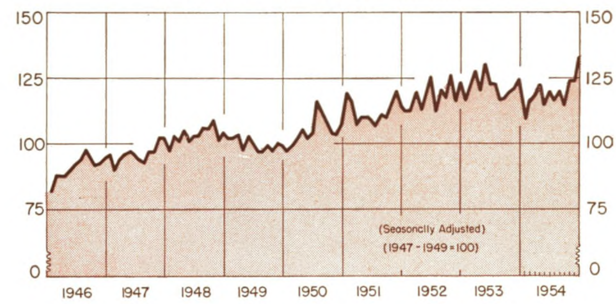
RETAIL FURNITURE STORES NET SALES



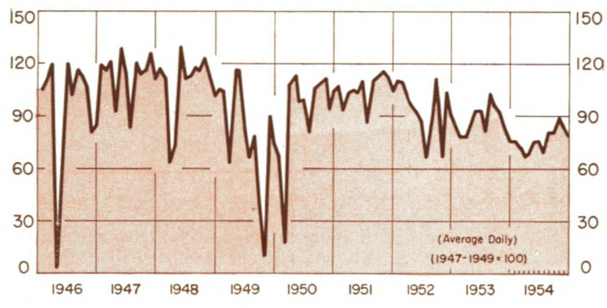
TOTAL CONSTRUCTION CONTRACT AWARDS



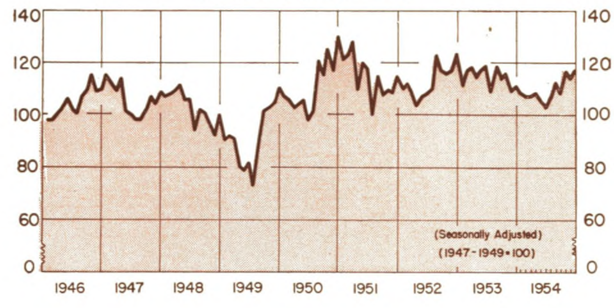
DEPARTMENT STORE SALES



BITUMINOUS COAL PRODUCTION



COTTON CONSUMPTION



This number of the MONTHLY REVIEW *is devoted chiefly to brief studies of performance in the major sectors of the Fifth District economy in 1954. The charts above illustrate some of the more important economic activities in this area.*

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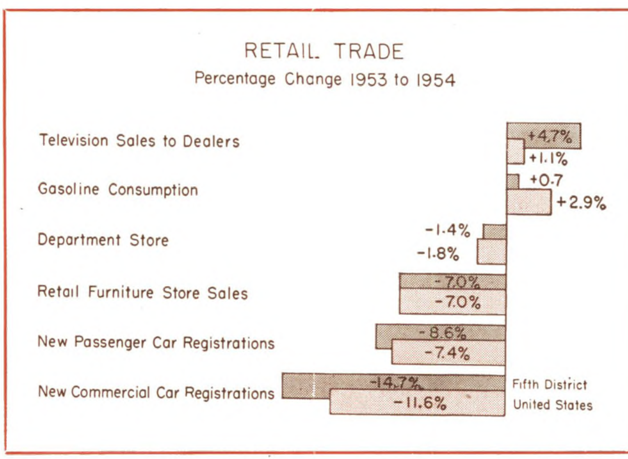
Retail Trade—the '54 Level Was Unexpectedly Good

Measurements of retail trade at the regional level, though admittedly inadequate, seem to indicate that this sector in the Fifth District economy did remarkably well in 1954—a year characterized by industrial recession and growing unemployment. The relatively good showing at retail undoubtedly acted as a strengthening factor for the whole economy.

In 1954 District department store sales were off about 1% from 1953's high level, as compared with a national decline of 1%. Excepting Winston-Salem, North Carolina, and Columbia, South Carolina, the sales level in 1954 was better sustained in the three large cities, Washington, Baltimore and Richmond, than elsewhere in the District. Most other areas of the District showed declines in sales ranging from 2 to 8%. Thus, while sales in the District in the aggregate were not far below last year, in many areas they suffered more than a nominal reduction.



On a major geographic breakdown, Washington, D. C., fared best in department store sales in this District with a gain of 2% in 1954 compared with 1953. Sales by Maryland stores broke even with 1953 while in Virginia they declined 3%, in West Virginia 8%, in North Carolina 3% and in South Carolina 1%.

During the first three quarters of 1954 average daily seasonally adjusted department store sales in the District seesawed back and forth at levels just below similar months of 1953. In the fourth quarter, however, sales began to pick up and by December had reached the all-time high established in May 1953. Sales in the Christmas shopping period were the greatest ever.

Furniture store sales in the Fifth District in 1954 were 7% lower than in 1953. In the first quarter they were 11% under that period of 1953. By the end of the second quarter the loss in sales had been reduced to 9% and by the end of the third quarter it had been reduced to 7%, which is also the reduction for the year as a whole. There has been no upward movement in sales of furniture stores resembling that of department stores in this District. On a state basis, furniture store sales fared poorest in West Virginia, where unemployment was greatest, and best in Maryland where the sales level in 1954 was even with that in 1953. Losses in other states varied between 3 and 6%.

Registrations of new passenger automobiles in the Fifth District in eleven months of 1954 were 9% smaller than in the same months of 1953, as compared with a 7% decline nationally. The best sales performance for new passenger cars came in Virginia which showed an increase of 3% in the eleven-month period compared with a year earlier. The District of Columbia showed a decline of 2%, Maryland 3%, South Carolina 20%, West Virginia 18% and North Carolina 17%.

New commercial car registrations in 1954 did not fare as well as passenger cars. Fifth District registrations in eleven months of 1954 declined 15% while national registrations were off 12% from 1953. Virginia registrations held best of any of the District states with a decline of only 1%. West Virginia showed a drop of 28%, South Carolina 19%, the District of Columbia 15%, and Maryland 11%.

In the case of both passenger cars and trucks in 1954 the sales decline was indeed moderate compared with slack periods of the past, and there were impressions of high activity near year end as the new models appeared and were more aggressively promoted than ever before.

Household appliance store sales in the District increased 7% in 1954 compared with 1953. In the first quarter of 1954 sales of these stores were 10% smaller than the first quarter of 1953. By the end of the second quarter sales were only 3% under the first half of 1953 and by the end of the third quarter sales were 2% higher than in the nine months of 1953. Progressive improvement was thus shown throughout the year.

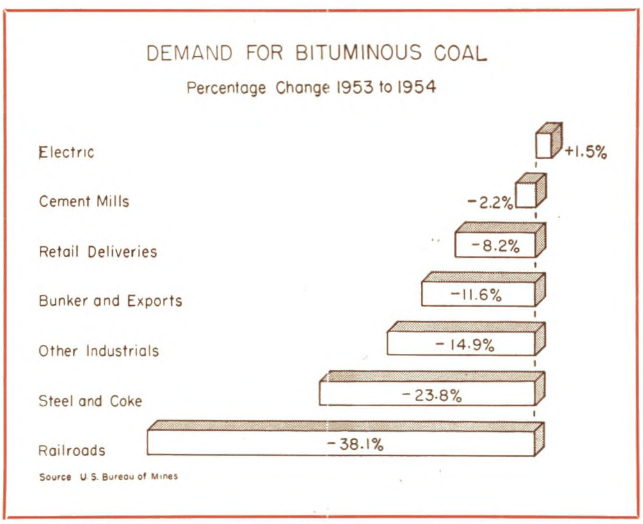
Retail sales of television sets are not available, but industry shipments to dealers are available on a state basis. In the first ten months of 1954 shipments to dealers in the Fifth District rose 4.7% over ten months of 1953 compared with a 1.1% national gain.

Stores reporting departmentally in the Fifth District showed a sales gain of 1.8% in 1954 compared with 1953 with both main store and basement showing the same increase. Departments which showed largest gains were headed by furs up 17.4%, major appliances up 9.8%, silverware and jewelry up 9.2%, cotton yard goods up 9.0%, toys and games up 8.7%, woolen yard goods up 7.6%, men's and boys' shoes up 6.4%, and candy up 6.3%. Losses in sales were also fairly prominent, but most of them were not large. The largest decrease in sales from 1953 to 1954 came in laces, embroideries, ribbons, and trimmings, off 9.6%.

Bituminous Coal—Dark First Half But Brighter Second

BITUMINOUS coal production in the Fifth District reflected quickly and fairly closely the declining rate of national industrial activity in late '53 and early '54. True, it accounted for 34.3% of the national output in 1954, or slightly more than the 33.2% share in 1953, but this seeming gain was deceptive since national output in 1954 was about 14% smaller than in 1953 and the District's output was more than 11% smaller.

Soft coal output in the District last year totaled 134,-400,000 tons of which West Virginia accounted for 116,300,000 or 86.5% of the District total. Virginia's output of 17,700,000 was 13.2% of the District total with Maryland accounting for the remaining portion. West Virginia bore the brunt of the decline with 1954 output 11.9% smaller than in 1953 while Virginia's output was off 9.2%.



This drop in District coal output hardly writes the story of what happened during 1954. In the first six months of 1954, output was running 20% behind the same months of 1953 but considerable improvement was experienced in the last half of 1954 which reduced the year's loss to 11.6%. Average daily production between July and December actually showed a sharp increase of 23%.

The competitive position of coal improved relative to fuel oil during 1954 but apparently remained unfavorable relative to gas. Bituminous coal prices in 1954, according to the U. S. Bureau of Labor Statistics, were 5.4% lower than in 1953 while bunker oil prices were up 6.3%. Consumption figures for the three fuels are are available for public utilities. They showed that for the first ten months of the year coal consumption increased 1.1% in all public utilities of the United States compared with a drop of 13.2% in the consumption of oil and an increase of 7.5% in the consumption of gas. Kilowatt-hour output generated by fuels in the first ten months of 1954 was 6.7% higher than in the same months of 1953, which indicates a continued marked increase in the efficiency of fuel burning when compared with fuel consumption figures.

Public utilities in the Fifth District showed an increase of 3.4% of fuel-generated kilowatt-hour output (first ten months of 1954 over the same period 1953), but consumption of coal was down 2.3%, consumption of oil was down 76.6%, and consumption of gas was up 72.7%. It may seem like carrying coals to Newcastle but the consumption of gas by public utilities in West Virginia in the first ten months of 1954 was 468% higher than in those months of 1953 while coal consumption by that state's utilities was down 7.5% and oil consumption was off 79.8%.

National consumption of bituminous coal, both domestic and export (partly estimated) was 399 million tons for 1954—a drop of 13.2% from 1953. Consumption in 1954 was 7 million tons larger than production, which therefore reduced stocks by the same amount. Last year's industrial consumption of 313 million tons was 40.2 million tons under a year ago. Retail deliveries of 56 million tons were down 8.2% and exports of 30 million tons were down 11.6%. Electric utilities, the largest coal consuming group in the country, utilized 114 million tons of coal in 1954, a gain of 1.5% from 1953. The steel industry's consumption of around 90 million tons was down 24%. Cement mills used 2% less, other industrials 15% less, and Railroads 38% less.

Average monthly employment in the coal mines of Virginia and West Virginia declined 19,900 or 18.3% in the first eleven months of 1954 compared with those months of 1953. Employment in Virginia mines averaged 12,000 in 1954 compared with 14,700 in 1953, a decline of 18.3%. In West Virginia 1954 employment averaged 72,700, also a decrease of 18.3% from 1953.

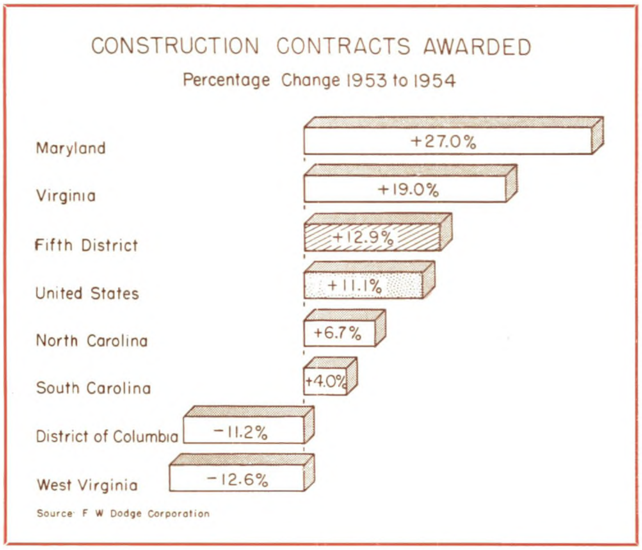
On the basis of total employment in the coal mines of the two states, output per man, for eleven months of 1954, was 136.9 tons, or 6.2% higher than in the same months of 1953. Output per man in Virginia in the same period was 133.7 tons or 9.0% higher; in West Virginia it was 137.4 tons or 5.9% higher.

Movement of bituminous coal through Baltimore and Hampton Roads ports in 1954 through December 18 totaled 26,522,000 tons, a decrease of 7.1% from a similar period of 1953. Foreign cargo shipments in the same period amounted to 13,975,000 tons, a gain of 2.5%, with Hampton Roards ports accounting for 13,-373,000 tons (an increase of 11.2%) and Baltimore 601,000 tons (a 63% decrease). New England cargo out of Hampton Roads was 5,070,000 tons, a decline of 11.5%, while other coastal shipments amounted to 7,-477,000 tons, a decrease of 18.5%.

Construction's Banner Year Was '54

With money readily available in capital and mortgage markets and terms of financing quite easy, the construction industry in the Fifth District established an all-time record in 1954. Contract awards for all types of construction in 1954 were 13% larger than in 1953 and compares with a gain in 37 Eastern states of 11%.

The District gain over 1953 was not shared by all of its component states. Awards in the District of Columbia were off 11.2% and in West Virginia 13%. Gains were mainly accounted for in Maryland and Virginia, with the former showing an increase of 27% and the latter an increase of 19%. North Carolina's gain amounted to 7% and South Carolina's 4%.



The only sector of the construction industry in the Fifth District to show gains in all states was in one- and two-family houses. In all other types of construction, at least one of the District states showed a trend contrary to the average.

Seasonally adjusted contract awards for this District began moving up early in 1954, remained high throughout the Spring and Summer, and in the last quarter of the year established a new high level by a wide margin. Prospectively, this level will be difficult to sustain.

All types of residential construction in the Fifth District in 1954 shared in contract awards that ran 30% higher than in 1953 and compared with an increase in 37 Eastern states of 28%. Awards for one- and two-family houses in the District were up 42% compared with a 37 state increase of 34%. Awards for apartments and hotels declined 10%, the same decline as in the 37 states. The District of Columbia was the only major geographical area of the Fifth District to show a decrease in total residential construction awards from 1953 to 1954 and this was due to a 35% shrinkage in apartment and hotel awards. Virginia showed the largest percentage increase in residential awards from 1953 to 1954 with a gain of 39%. Maryland showed the second largest increase in residential awards with a gain of 37%, while South Carolina had the third largest increase, 27%. West Virginia marked up the fourth largest gain in residential contract awards, 21% in 1954 over 1953. North Carolina's increase, 1954 over 1953, was 10%.

For nonresidential building, contract awards in the Fifth District were down 2% in 1954 compared with 1953. In this sector of the industry some fairly violent differences were shown in the various types of construction. Awards for manufacturing plants were down 29%, and for educational buildings 11% despite a pressing need for this type of construction. Awards for commercial buildings were up 38% while all other nonresidential awards rose 11%. Virginia showed a 25% decline in nonresidential building awards from 1953 to 1954 and South Carolina showed a minus 8%. Other states had gains running from 5% in North Carolina to 26% in West Virginia; in Maryland they were up 9%, and in the District of Columbia 18%.

Commercial building awards in the District rose a sharp 38% in 1954 and were highlighted by West Virginia's 147% increase and Maryland's 101%. Gains in the District of Columbia were 19% and in South Carolina 19%. North Carolina had a modest 6% increase while Virginia actually declined 1%.

In the factory building sector contract awards in 1954 fell off 29% from 1953, with Virginia off 54%, Maryland 35% and West Virginia 21%. North Carolina gained 9% and South Carolina was about even with 1953. Though small in dollar total, awards in the District of Columbia were up 87%.

As noted, awards for educational buildings in the Fifth District were down 11% in 1954 from the previous year, but variations were marked—the District of Columbia showed a plus 58% and West Virginia was up 61%. Other states showed declines of 30% in Virginia, 21% in South Carolina, 15% in Maryland and 6% in North Carolina.

For public works and utilities there was a District increase of 13% from 1953 to 1954, largely accounted for by gains of 82% in Virginia and 36% in Maryland, North Carolina was up 6% and South Carolina 7%, while West Virginia declined 54% and the District of Columbia 46%.

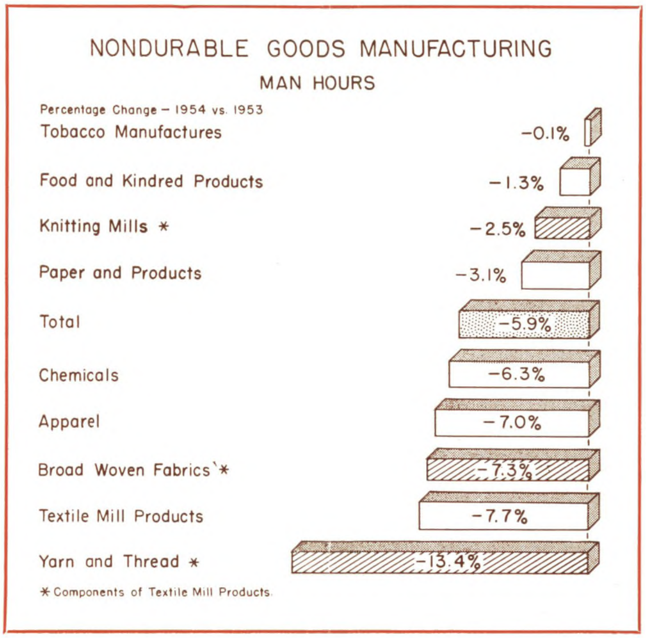
Industrial outlays for eleven new plants in excess of $5 million were announced in 1954 and most of these were in durable goods lines. Important among them were a $68 million aluminum plant in West Virginia, and a $34 million plate glass plant in Maryland.

Nondurable Goods—A Modest Slide In '54

NONDURABLE goods industries of the Fifth Federal Reserve District show a man-hour decline of just under 6% during the first eleven months of 1954 compared with those months of 1953. All states in the District showed declines ranging from 4% to nearly 7%. Maryland and West Virginia decreased 6.8%, North Carolina 6.6%, Virginia 5.6% and South Carolina 4.2%.

The smaller decline in nondurable goods (there was a 7.1% decrease in all manufacturing) brought the percentage of nondurable goods man-hours in 1954 to 64.4% of the total compared with 63.4% in 1953.

Largest decline in the nondurable goods sector was 7.7% in textile mill products. Here the largest portion of the decline took place in the yarn and thread mills —13.4%. Yarn and thread mills were not only affected by inventory and sales reduction at the customer level, but also faced competition from integrated mills which were sellers of yarn as a consequence of declining demand for broadwoven fabrics. The latter showed a decrease in man-hours in the eleven months of 1954 (compared with 1953) of 7.3%. This appears to have resulted from inventory liquidation and reduced industrial usage. Available figures on sales of textiles at the retail trade level do not reflect a decline of more than nominal proportions.



Knitting mills fared best among the textile groups. Their decline in the first eleven months was a mere 2.5%. Both fullfashioned and seamless hosiery mills in North Carolina managed to show small gains in 1954 over 1953.

Declines in textile mill products man-hours in the period under review were largest in Maryland, down 25.8% due largely to a substantial reduction in the demand for cotton duck. North Carolina showed an 8.8% decline, to which broad-woven fabrics mills contributed 10.4% and yarn and thread mills 13.4%, and knitting mills only 2.0%. South Carolina's decrease in textile man-hours was 6.1%, with yarn and thread mills down 13.6% and broad-woven fabrics mills 6.4%. Virginia showed an increase of 0.1% in broad-woven fabrics mills but a decrease of 6.7% in knitting mills.

Chemical industries reduced man-hours 6.3% in the eleven months of 1954 compared with 1953. The main loss came in Virginia (15.7%) though West Virginia was down 5.7% and Maryland 3.4%. South Carolina showed an increase of 14.6% and North Carolina an increase of 0.7%. These latter increases undoubtedly resulted from expansion in output of synthetic fibers other than rayon.

Paper industries in the District recorded a slight slump of 3.1%. Declines of 5.7% were witnessed in South Carolina and 5% in Virginia, while Maryland was off 1.0% and North Carolina 0.8%.

The food industries operated fairly close to 1953 levels during the first eleven months of 1954 except in West Virginia and Maryland. Livestock slaughter in the former was off from a year ago and canning crops in both states were affected by drought. Man-hours in the food products industries of the District in the first eleven months of 1954 were but 1.3% smaller than in the same months of 1953. West Virginia recorded a decline of 6.5%, Maryland one of 2.8%, Virginia 0.8%, and South Carolina 0.7%. North Carolina showed a 2.0% gain.

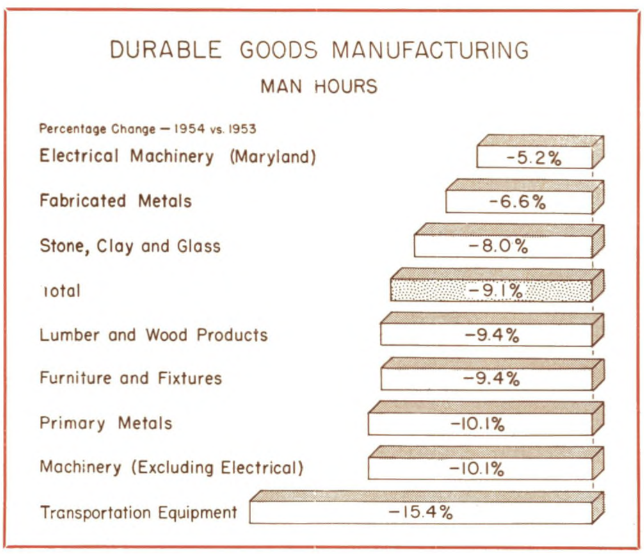
The District's tobacco industry, perhaps surprisingly, fared best of any of its manufacturing industries. Man-hours in Virginia and North Carolina plants (the only states where these industries are important) were down 0.1% in the first eleven months of 1954 from the same months of 1953. This near balance, however, represented an increase of 4.3% in Virginia and a decrease of 2.3% in North Carolina. The Virginia increase was probably due to increased labor demands to handle the larger crop of the Old Belt. Despite a decline of about 5% in cigarette output in the District, the man-hour total was 2.4% larger than in 1953—in Virginia, up 7.0%, and in North Carolina, down 0.3%. This implies some reduction in operating efficiency with the new filter tips having something to do with it.

Nondurable manufacturing industries of the District established their low point of the year in May, and by August a considerable recovery was under way. The high point of the recovery thus far was in October 1954 when operations were within 2.5% of the August 1953 peak. This pattern was characteristic of most of the individual industries.

Durable Goods—Output Fell During '54

In periods of recession, activity in manufacturing industries is customarily affected more substantially than in other areas of the economy. Historically, this has been particularly true in the durable goods industries for two reasons: first, in a period of falling sales business men in this area prefer to pare inventories with the consequence that production falls more than sales. Secondly, in unfavorable business weather manufacturers usually reduce their outlays for maintenance as well as new plant and equipment.

1954's business climate produced some of these traditional results, although it should be noted that the down-trend was halted in July and moderate recovery witnessed in succeeding months. Manufacturing activity in the Fifth District's durable goods industries (based on total man-hours for eleven months) was down 9.1% from the same period of 1953, and all manufacturing activity in the District declined 7.1%.



West Virginia showed the largest decline in durable goods, 12.8%, compared with 1953. This was due mainly to the fairly large declines in the primary metals, stone, clay and glass industries and to a lesser extent in fabricated metals.

South Carolina showed the second largest decline, 11.8%, due to a fairly substantial drop in lumber and wood products industries and lesser declines in furniture and fixtures and machinery.

Maryland's 11% decline resulted from a 26% drop in furniture and fixtures, 16% declines in machinery (other than electrical) and in transportation equipment, and a 7% downturn in primary and fabricated metals.

Virginia's 6.2% decline was exhibited in transportation equipment (off 14%), primary metals (off 6%), furniture and fixtures (down 7%), stone, clay and glass industries (down 3%), and fabricated metals (down 3%).

North Carolina's composite decline of 5.4% was headed by a drop of 8% in lumber, 8% in furniture, 7% in stone, clay and glass, 4% each in primary and fabricated metals, and only 1% in machinery. Since North Carolina's machinery industries, other than electrical, are largely textile machinery and since this decline in machinery man-hours was considerably slighter than that shown by the industry as a whole, it seems that North Carolina's newer plants were operating at higher capacity last year while those elsewhere were operating at a substantially lower rate.

Durable goods industries which showed the largest declines (again, eleven months of 1954 compared with 1953) were headed by the transportation equipment industries, important only in Maryland and Virginia. Here the decline was due chiefly to reduced employment in the shipyards of both areas and did not include a 11.6% decline in employment at the Navy Yards at Norfolk, Virginia, and Charleston, South Carolina.

A drop of 11.6% in average employment in the Navy Yards in the South Atlantic region was the same as that for all Navy Yards. In this area, private yards maintained a higher level of employment than did those in the nation as a whole. Employment in private yards in the Fifth District declined 10.3%, in the United States, 18.1%. Total employment in shipyards in this region fared better, therefore, than in the United States, showing a decline of 10.8% compared with a decline of 15% for the nation.

Machinery industries in the District showed a decline in activity of 10.1% and primary metals were down the same amount. The lumber and furniture industries each showed declines of 9.4%. Fabricated metals were off 6.6% and electrical machinery industries (represented only by Maryland) declined 5.2%.

Man-hours in the District's lumber and wood products industries made their low point in May of last year; by November they had risen approximately 9%. The furniture and fixtures industries also reached their low point in May 1954; by November they had jumped 17%. Stone, clay and glass industries established a low in July but had expanded 6% between that date and November. Primary metal industries were at the year's lowest level in April and rose 5% between then and November. Fabricated metal industries established their year's low in September and remained near this figure. The electrical machinery industries of Maryland reached their low point in October 1954. Transportation equipment industries established a low point in October 1954 and slight improvement occurred in November.

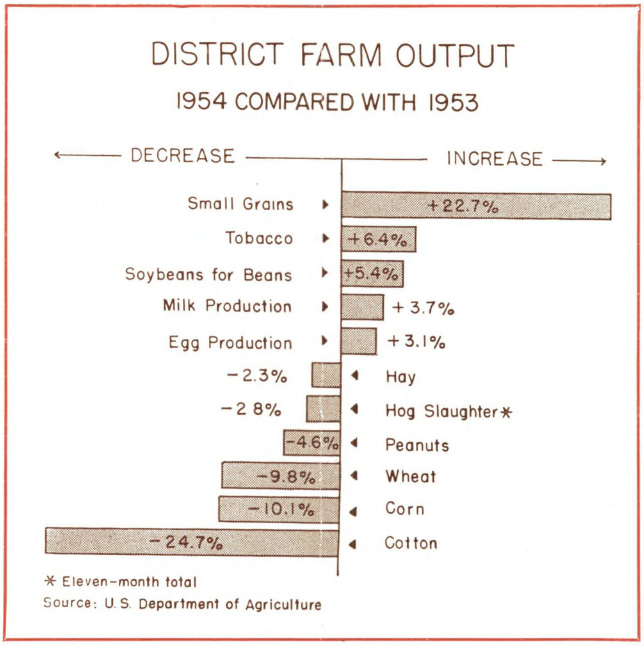
District Agriculture—Last Year's Results Were Varied

Mixed or varied are the only valid descriptives to apply to Fifth District farm performance during 1954. Both the range in conditions and the results achieved were unusually wide. Production of some farm commodities was higher in 1954 than in 1953; of others, smaller. Similarly, some prices were higher and others were lower. Farm income for many communities was larger; in others it was smaller, so differing were the impacts of drought, crop controls and recession influences on unit price and crop size.

Factors Affecting the Farm Scene

All of the above influences played important parts in the 1954 farm story. Smaller acreage allotments were almost entirely responsible for the 30% cut in harvested acreage of cotton and the 22% reduction in wheat. In the case of wheat, the decrease was largely offset by expanded acreage in oats and other small grains.

For cotton farmers, adjustment would have been very difficult. The harvested acreage of cotton was cut by 345,000 acres in South Carolina and 230,000 acres in North Carolina. To a considerable extent farmers in these states were either unable or unwilling to put the diverted acreage to another use, revealed by the fact that the total harvested acreage of principal reported crops declined 383,000 acres (9%) in South Carolina and 171,000 acres (3%) in North Carolina.



Weather's Role

Weather "played favorites" in a big way in 1954. On many thousands of Fifth District farms operators encountered dry spells which threatened serious damage to crops and profits. For others the rains came and the danger subsided or disappeared entirely. The Cooperative Crop Reporting Service, for example, stated that "the crop year of 1954 proved to be the most productive of record for crops produced by West Virginia farmers. . . .Record yields were obtained from all small grains, corn and tobacco. . . . Production of fruit was well above last season."

These conditions were in sharp contrast with those in South Carolina where the Service reported that "severe drought caused the smallest corn crop since 1901. . . only half that of 1953." The total outturn from all Fall-harvested crops in South Carolina was 36% less than in 1953 and 43% below average.

Price and Income Changes

During 1954 the national index of prices received by farmers averaged 3% below the level in 1953, with prices of crops showing an increase of 1% and livestock and livestock product prices a decline of 6%. Cotton prices increased about 2%, while flue-cured tobacco was down about 1%. Poultry and eggs dropped 21% and dairy products 8%.

Data on farm income for 1954 are not yet available for Fifth District states, but some interesting facts are revealed by data for the first 10 months. For the District as a whole, total cash returns from farm marketings were down about 5% with the relative income decline from both crop and livestock and livestock products being about equal. Each state showed declining income from livestock and livestock products and in total cash returns from farm marketings. In the case of crops, however, Maryland and Virginia had increases for the 10-month period, while West Virginia and the Carolinas registered declines.

In the aggregate, North Carolina fared better than the other District states, showing decreases of less than 1% in each of the categories of farm income. South Carolina, on the other hand, showed a drop of 19% for the 10-month period—4% for livestock and livestock products and 24% for crops. In total income for the 10 months, the other District states had declines of from 2% to 6%.

Serious declines in farm income affect not only the farms but also the communities where such farms are located. This is particularly true where income has been cut for two or three consecutive years by drought or other causes. In many Fifth District communities, some farmers have found it difficult to meet their obligations when due. Indications are, however, that the vast majority of farmers even in the drought areas have been able to meet or arrange for their obligations.

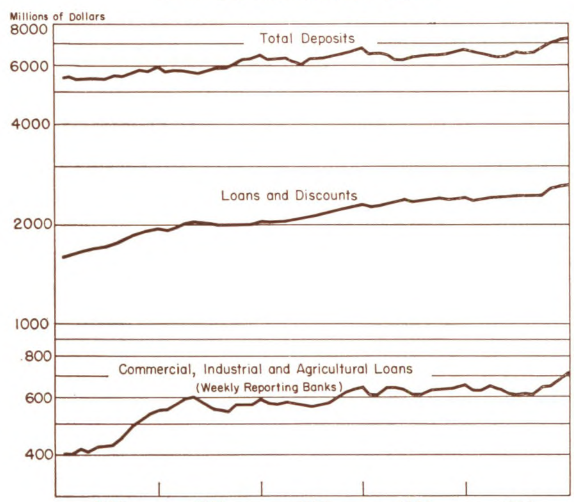
Banking Was Busy and Profitable In '54

ALTHOUGH business was a bit less active in the Fifth Federal Reserve District in 1954, this apparently did not handicap the member banks. They increased both time and demand deposits and added to loans and investments during the year.

Despite some inventory liquidation late in 1953 and early in 1954 (mainly at the trade level in this District), the manufacturing industries of the District, which are dominantly soft-goods producers, had no serious inventory problem in either year. As a consequence, the reduction in bank loans resulting from inventory liquidation was not very substantial.

Member bank reserves with the Federal Reserve Bank of Richmond were smaller than a year ago throughout the first nine months of 1954, but this did not prevent an expansion in loans; and holdings of securities showed a smaller seasonal drop in the early months of the year than was the case in 1953. Ease in the money market, initiated by Federal Reserve action, and the subsequent reactions of member banks toward their customers' loans were important factors in the voluntary and orderly inventory liquidation that took place. This, in turn, was an important element in preventing the minor recession from developing into something worse.

DEPOSIT AND LOAN TRENDS
FIFTH DISTRICT MEMBER BANKS



Source: Federal Reserve Bank of Richmond

During 1954 District member banks expanded their loans $229 million, compared with an increase of $135 million in 1953. The 1954 increase was almost as large as that of 1952 but $100 million smaller than that of 1950.

The seasonal expansion in business loans of weekly reporting banks from the end of July to year-end 1954 was greater than any of the postwar years, 1950 excepted. Real estate loans, which had shown very little change during 1953, began inching up in the Spring of 1954 and all during the second half expanded at a more rapid rate than in any year since 1948. "Other" loans (largely consumer loans), after having risen fairly steadily throughout the postwar period to the Fall of 1953, leveled off through the remainder of '53 and most of '54. In November and December, concurrent with the introduction of new-model automobiles, these loans started rising rather sharply; for the year as a whole, however, the gain was nominal.

Deposits of all member banks during 1954 rose $416 million compared with a modest $58 million the previous year. This is the second largest gain in deposits member banks of this District have ever experienced. Of the $415 million gain in total deposits, time deposits accounted for $153 million. This was the largest increase, by a wide margin, that these deposits have ever shown. The seasonal decline in deposits of member banks was not as large in the early months of 1954 as in the same months of 1953, and the subsequent gains, as the figures have indicated, have been much larger than in 1953 or any other year, for that matter.

Although holdings of Government securities by Fifth District member banks recorded a seasonal decline in the early months of 1954, the increase in holdings for the year amounted to $106 million. This compared with a decline of $35 million during 1953 and $25 million during 1952, a gain of $159 million during 1951 and a gain of $126 million during 1949. Holdings of other securities increased $59 million during 1954, compared with an increase of $23 million in 1953 and an increase of $71 million during 1951. The latter was the largest increase of these security holdings for the whole postwar period.

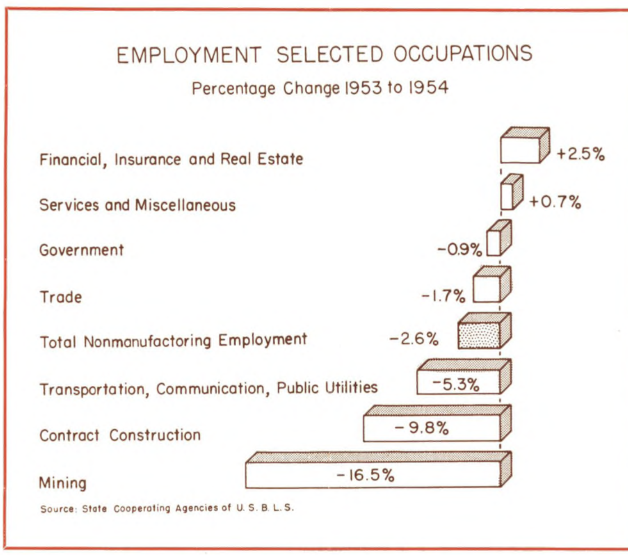
Banking, in the overall, was apparently more profitable in 1954 than in 1953. Net profits after taxes during the first six months of 1954 were 18.6% higher than in the similar period of 1953 and this took place before the sharp loan expansion which occurred in the second half. Security holdings, furthermore, averaged lower in the first half of 1954 than in that period of 1953, while in the last half these holdings increased considerably. Despite some reduction in interest rates on Government securities, it is probable that the banks' rate of return on securities rose because of a substantial shift in holdings from certificates to bonds.

Reductions in reserve requirements and a 6% increase in deposits was accompanied by a decline of $15.3 million in borrowing of member banks between December 30, 1953 and December 29, 1954.

Nonmanufacturing Employment Dipped Slightly

THE recession of 1954 had only a moderate adverse effect on the overall employment level in the Fifth District. Nonagricultural employment in the first eleven months of 1954 averaged 4,114,300, a minor dip of 3.3% from 1953. Employment in manufacturing industries averaged 1,287,900 in the same period, or 4.3% lower than in 1953. Nonagricultural, nonmanufacturing employment averaged 2,826,400 for eleven months of 1954, 2.6% less than the previous year.

The slight decline of 75,000 jobs in the nonagricultural, nonmanufacturing sector was mainly in mining, construction, transportation and trade. Small gains were recorded in finance, insurance, real estate concerns and in the broad list of service and miscellaneous concerns. Largest decline in employment other than in agriculture and manufacturing occurred in West Virginia, where the total was 6.3% less in 1954. South Carolina slipped 5.3 and the District of Columbia 4.1%. Virginia's decline was 2.1% and North Carolina's 0.7%, while Maryland had an increase of 0.2%.



Mining industries in 1954 showed a decline in average employment from 1953 in all states, with the coal mining states of West Virginia and Virginia accounting for the bulk of the decrease. In West Virginia mining employment was down 17.5% in the period under review. In Virginia it was down 15.4%, in Maryland 8.3%, in North Carolina 7.9% and in South Carolina 8.3%.

Surprisingly, in view of very high-level building activity, average employment levels of contract construction in all Fifth District states declined in 1954. Largest decline occurred in South Carolina (22.4%), occasioned for the most part by completion of the Savannah River Atomic Energy project. North Carolina and West Virginia showed declines of slightly more than 9% each. The District of Columbia was off 6.1%, Virginia 5.4% and Maryland 1.3%, with the District total being down 8.9%. It should be noted that the employment record in contract construction probably fails to include many employees of small contractors.

The transportation, communication and public utility industries employed an average of 321,000 in the first eleven months of 1954, 5.4% less than in the same months of 1953. Decreases of over 7% were recorded in South Carolina and West Virginia, with other states hovering around a 5% decline. Interstate railroads were primarily responsible for the decrease in average employment of this group. They accounted for 12,100 or 73% of the 16,500 decline in the total. The percentage decline in average employment of interstate railroads was 11.9% compared with declines of 4.1% in other transportation, 1.6% in communication, and 0.6% in public utilities.

Concerns engaged in retail and wholesale trade employed an average of 821,500 workers in the first eleven months of 1954, 1.7% less than in 1953. The District of Columbia led with 4.3% fewer workers. West Virginia showed 4% less, South Carolina 3.2%, Virginia 2.0%, and North Carolina 0.7%. Trade employment in Maryland showed an increase of 1.1%. Wholesalers employing an average of 163,700 workers in eleven months of 1954 showed a decline of 1.8% from a year earlier. Retailers employed an average of 570,000 workers, a decline of 1.2% from a year earlier.

Concerns engaged in finance, insurance and real estate employed an average 145,200 workers in the first eleven months of 1954, which was a gain of 2.5% over 1953. All District states showed increases with the exception of West Virginia, which held even with last year. The largest increase was 5% in South Carolina, the smallest 0.3% in Virginia.

The broad group of service industries which include filling stations, repair shops, laundries, etc., employed an average of 406,500 workers in the first eleven months of 1954, up 0.7% over 1953. Small increases were shown in Maryland, District of Columbia, Virginia and West Virginia, and minor declines were shown in North Carolina and South Carolina.

Declining employment by the Federal Government—in the District of Columbia for the most part and to a lesser extent in Virginia—was responsible for a decline in average Government employment in the Fifth District of 0.9% in the first eleven months of 1954 compared with those months of 1953. Employment in state and local governments was responsible for offsets in some of the Federal Government reductions and found reflection in increases in total Government employment of 0.3% in Maryland, 4.3% in West Virginia, and 4.0% in North Carolina. Government employment in South Carolina was at the same level as in 1953.

Business Conditions and Prospects

If there were questions regarding the vigor of economic recovery in the Fifth District, the month of December largely answered them. Strength was noted in many quarters—sales of department stores, for example, established an all-time high record and operations in the manufacturing industries of the District were at the highest level of the year and back to practically the same level as a year ago. The value of construction contract awards, though unable to maintain the high adjusted levels of November, were nevertheless 45% above a year ago. Bank debits adjusted for seasonal changes established all-time highs both in November and December, and sales of retail furniture stores were at the highest since Summer of 1953.

Consumption of gasoline in November, normally declining about 4%, was actually higher than in October, and the adjusted index was at a brand-new high. December sales of household appliance stores in the District were higher than at any time since July 1950. Sales of passenger cars in November, though failing to move up sharply, were, according to trade information, substantially improved in December.

Adverse factors in the District's economy were conspicuous by their dearth. The agricultural situation continued in a down trend but there was some tendency for agricultural prices to bottom out. Unemployment was substantially larger than a year ago, and considerable ground needs to be retraced before either the bituminous coal industry or the shipbuilding industry could be considered operating at good, healthy levels.

Trade

As throughout 1954, the December trade level continued to be one of the strongest factors in the Fifth District economy. Seasonally adjusted sales of an identical group of department stores rose 7% from November to December, to a level 7% ahead of December 1953. For all of 1954 this group showed sales within 1% of the 1953 level.

The December performance of department store sales in the Fifth District was apparently unanticipated and resulted in a seasonally adjusted inventory reduction of 5% from November. Further evidence along this line is found in the 21% decline in adjusted outstanding orders during the month.

Silverware and jewelry, men's clothing, and floor coverings were prominent in the December rise, though most departments showed an improved level of sales over last year. Best sales increases in December over a year ago were shown in Greenville, South Carolina, followed in turn by Baltimore, Maryland; Richmond, Virginia; Lynchburg, Virginia; and Winston-Salem, North Carolina—all with gains better than 5%.

Sales of retail furniture stores in December were at the best adjusted level of any month since June 1953. December corrected sales rose 13% to a level 12% ahead of a year ago, with credit sales rising 17% during the month and cash sales rising 5%. Store inventories, which had been declining since May, rose 18% after seasonal correction from November to December and were 4% ahead of a year ago. December inventories regained about half the loss between their peak in 1953 and their low point in November 1954.

Apparently new passenger car automobiles were not available in quantity during November for sales in that month rose only 6% from October and were still 21% under the 1953 month. South Carolina's sales more than doubled from October to November, and a rise of 9% occurred in Maryland but elsewhere losses were recorded ranging from 19% in the District of Columbia to 2% in Virginia. In Richmond, new passenger car sales in December were 105% higher than last year.

Banking

Deposits of member banks on December 29, 1954, of $7,119 million, were $415 million higher than on December 30, 1953, but owing to a drop of $23 million in interbank deposits the total deposit level at the end of December was $14 million lower than at the end of November. Time deposits rose $8 million during December to $1,738 million, a hefty gain of $183 million over December 1953. Demand deposits of $5,381 million were $232 million higher than a year ago, with interbank deposits up $11 million and other demand deposits up $221 million.

Total loans and investments of member banks declined $8 million from November 24 to December 29 but were $393 million higher than on December 30, 1953. Loans rose $41 million during December and were $229 million higher than in December 1953. Government security holdings were $53 million less during December but $105 million higher than a year ago. Other security holdings rose $4 million during December to a level $59 million ahead of a year ago. Bank borrowings rose $17 million during December but were $15 million smaller than a year earlier.

Business loans of the weekly reporting banks continued their greater-than-seasonal rise beyond the normal year end peak into the first week of January. Declines during the following two weeks were considerably smaller than has been customary in recent years.

Construction

Construction contract awards in the Fifth District during December did not maintain November's dizzy pace and dropped 26% after seasonal correction. The December level was, however, a husky 45% higher than a year ago and the year as a whole showed a rise of 15%.

Interestingly, the only two segments of the building industry with losses for 1954 over 1953 showed substantial increases in contract awards after seasonal correction from November to December. Apartment and hotel awards, with a reduction in year 1954 over 1953 of 13%, showed a 61% adjusted gain from November to December. Awards for factory buildings, down 22% for the year, show an increase in adjusted awards of 70%.

December factory awards were 107% higher than a year ago. Such performance in factory construction raises the question whether capital outlays of business concerns have not also turned the corner. Despite a drop of 41% in contract awards for commercial buildings, these awards were 24% ahead of December last year and the 1954 total was 26% higher than in 1953.

Residential contract awards took a slight breather during December and were off 4% after seasonal correction; but they were still 50% ahead of a year ago. One- and two-family houses, though down 3% during the month of December, were a hefty 86% higher than a year ago.

Manufacturing

Cotton consumption (adjusted) in the Fifth District mills rose 4% in December to a level 7% ahead of a year ago. This brought the year 1954 to a level only 4% below the previous year, a level, incidentally, hardly suspected six months ago.

Man-hours in all District manufacturing industries during November were a fraction higher than in October and about 1% under a year ago. Durable goods industries in November rose 1.7% but remained 3.7% under a year ago. Nondurable goods industries, on the other hand, were down 0.5% from October but stood 1.1% ahead of a year ago.

In December, man-hours in all manufacturing industries of the Carolinas were maintained at the November level; that is, 3.3% ahead of a year ago. Durable goods industries were about the same level as in November and a year ago. Nondurable goods stood a fraction under November, 3.9% ahead of November 1953 and very close to the 1953 peak.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	Dec. 1954	Dec. 1953	12 Months 1954	12 Months 1953
Dist. of Columbia				
Washington	$1,364,527	$1,195,992	$14,155,513	$13,047,524
Maryland				
Baltimore	2,045,750	1,553,197	17,706,008	17,139,876
Cumberland	27,748	25,107	290,277	299,270
Frederick	27,668	26,007	273,286	282,174
Hagerstown	42,517	40,875	442,882	456,282
Total 4 Cities	2,143,683	1,645,186	18,712,453	18,177,602
North Carolina				
Asheville	80,035	69,492	764,374	745,553
Charlotte	421,157	391,741	4,320,665	4,414,712
Durham	85,746	96,586	1,151,682	1,288,335
Greensboro	153,443	120,123	1,495,313	1,422,912
High Point**	52,543	45,089	527,539	NA
Kinston	24,372	22,735	338,538	335,435
Raleigh	208,859	245,691	2,322,519	2,361,998
Wilmington	50,964	48,071	571,999	566,897
Wilson	27,274	20,645	389,352	354,975
Winston-Salem	206,069	184,376	1,924,480	1,873,444
Total 9 Cities	1,257,919	1,199,460	13,278,922	13,364,261
South Carolina				
Charleston	80,406	75,479	893,459	929,958
Columbia	178,575	197,701	2,004,621	1,958,391
Greenville	147,219	116,549	1,381,451	1,340,654
Spartanburg	75,394	69,184	785,111	803,788
Total 4 Cities	481,594	458,913	5,064,642	5,032,791
Virginia				
Charlottesville	38,048	31,487	391,115	342,500
Danville	47,443	50,770	518,003	506,429
Lynchburg	57,375	51,956	604,170	590,218
Newport News	58,881	53,370	581,553	578,024
Norfolk	325,262	293,263	3,307,472	3,113,289
Portsmouth	38,326	34,984	393,995	372,659
Richmond	750,425	692,722	7,657,777	7,530,446
Roanoke	143,583	134,939	1,439,889	1,470,757
Total 8 Cities	1,459,343	1,343,491	14,893,974	14,504,322
West Virginia				
Bluefield	47,834	52,636	472,590	534,750
Charleston	211,450	227,246	2,028,358	2,136,210
Clarksburg	43,447	41,331	386,393	408,374
Huntington	89,501	84,794	840,060	857,879
Parkersburg	35,587	35,100	363,802	378,243
Total 5 Cities	427,819	441,107	4,091,203	4,315,456
District Totals	$7,134,885	$6,284,149	$70,196,707	$68,441,956

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

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	Jan. 12, 1955	Change in amount from Dec. 15, 1954	Change in amount from Jan. 13, 1954
Total Loans	$1,527,783**	+ 3,782	+129,500
Bus. & Agric.	698,870	+ 8,003	+ 61,163
Real Estate Loans	301,119	+ 1,530	+ 36,267
All Other Loans	547,894	− 3,999	+ 35,161
Total Security Holdings	1,903,447	− 22,147	+ 85,346
U. S. Treasury Bills	89,230	− 16,980	− 98,953
U. S. Treasury Certificates	89,712	− 7,632	−162,245
U. S. Treasury Notes	359,669	+ 9,320	+ 64,807
U. S. Treasury Bonds	1,096,174	+ 1,345	+241,631
Other Bonds, Stocks & Secur.	268,662	− 8,200	+ 40,106
Cash Items in Process of Col.	328,087	− 40,043	+ 34,208
Due from Banks	179,783*	− 15,823	− 5,855
Currency and Coin	82,522	− 1,635	+ 2,435
Reserve with F. R. Banks	521,761	− 19,897	− 38,761
Other Asstes	63,961	− 723	+ 4,151
Total Assets	$4,607,344	− 96,486	+211,024
Total Demand Deposits	$3,488,289	− 86,008	+143,539
Deposits of Individuals	2,640,947	+ 7,501	+107,855
Deposits of U. S. Government	67,995	− 68,790	− 12,616
Deposits of State & Local Gov.	205,665	+ 6,855	+ 39,914
Deposits of Banks	524,186*	− 23,673	+ 8,848
Certified & Officers' Checks	49,496	− 7,901	− 462
Total Time Deposits	755,109	+ 18,371	+ 70,683
Deposits of Individuals	666,561	+ 21,134	+ 59,890
Other Time Deposits	88,548	− 2,763	+ 10,793
Liabilities for Borrowed Money	16,700	− 19,135	− 23,800
All Other Liabilities	49,047	− 10,980	+ 4,624
Capital Accounts	298,199	+ 1,266	+ 15,978
Total Liabilities	$4,607,344	− 96,486	+211,024

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

FIFTH DISTRICT STATISTICAL DATA

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Dec. 1954	Nov. 1954	Dec. 1953	% Chg. Latest Mo. Prev. Mo.	% Chg. Latest Mo. Yr. Ago
New passenger car registration*	......	120	136	+ 6	—21
Bank debits	164	159	147	+ 3	+12
Bituminous coal production*	80	85	75	— 6	+ 7
Construction contracts	206	277	142	—26	+45
Business failures—number	227	242	153	— 6	+48
Cigarette production	......	96	108	+ 9	— 7
Cotton spindle hours	114	113	106	+ 1	+ 8
Department store sales	133	124	123r	+ 7	+ 8
Manufacturing employment*	......	107	109	0	— 3
Furniture store sales	112	99	100	+13	+12
Life insurance sales	186	193	176	— 4	+ 6

* Not seasonally adjusted.

Back figures available on request.

WHOLESALE TRADE

LINES	Sales in December 1954 compared with Dec. 1953	Sales in December 1954 compared with Nov. 1954	Stocks on December 31, 1954 compared with Dec. 31, 1953	Stocks on December 31, 1954 compared with Nov. 30, 1954
Auto supplies	+19	—22	NA	NA
Electrical goods	+15	+12	+25	— 2
Hardware	+ 8	— 8	— 8	—10
Industrial supplies	+15	— 3	— 5	+ 5
Drugs and sundries	—17	— 1	+ 4	— 1
Dry goods	NA	NA	NA	NA
Groceries	— 4	+ 2	—10	— 2
Paper and its products	+58	—12	— 9	— 1
Tobacco products	+ 4	+24	NA	NA
Miscellaneous	— 8	—22	— 6	—10
District total	— 4	—12	+ 4	— 8

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Dec. '54 vs Dec. '53	+ 7	+ 8	+ 3	+ 4	+ 5
Sales, 12 Mos. ending Dec. 31, '54 vs 12 Mos. ending Dec. 31, '53	+ 1	+ 2	+ 2	— 3	0
Stocks, Dec. 31, '54 vs '53	— 3	+ 5	+ 5	— 1	+ 2
Outstanding orders Dec. 31, '54 vs '53	+24	+13	+10	0	+12
Open account receivables Dec. 1, collected in Dec. '54	31.4	50.2	42.7	42.9	42.7
Instalment receivables Dec. 1, collected in Dec. '54	12.3	14.8	14.0	17.1	14.4

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Dec. '54 vs Dec. '53	+8	+3	+5	+ 1	+7	+3

BUILDING PERMIT FIGURES

	Dec. 1954	Dec. 1953	12 Months 1954	12 Months 1953
Maryland				
Baltimore	$ 5,888,475	$ 3,282,570	$ 74,939,543	$ 82,458,230
Cumberland	38,475	18,775	708,561	598,395
Frederick	247,935	70,775	1,541,041	2,244,227
Hagerstown	73,105	198,315	3,237,659	2,424,100
Salisbury	125,035	41,065	1,762,421	1,131,521
Virginia				
Danville	146,598	185,327	2,822,400	3,653,287
Hopewell	168,455	112,040	2,472,620	3,494,400
Lynchburg	190,360	202,800	8,894,483	4,345,106
Newport News	125,935	106,334	2,798,812	2,337,896
Norfolk	382,281	2,216,315	12,697,628	18,263,874
Petersburg	102,500	59,000	2,068,536	1,784,900
Portsmouth	72,355	264,311	6,212,445	7,575,709
Richmond	3,528,941	1,524,599	32,108,928	19,984,638
Roanoke	345,321	533,839	11,029,916	16,522,997
Staunton	81,500	425,500	2,404,860	2,331,902
West Virginia				
Charleston	257,074	246,985	9,716,733	11,876,892
Clarksburg	58,691	6,384	1,876,238	2,172,818
Huntington	415,258	315,620	7,374,450	9,002,112
North Carolina				
Asheville	224,403	134,562	3,609,515	3,455,219
Charlotte	1,387,009	1,372,185	22,104,406	30,937,384
Durham	330,927	274,502	5,821,139	7,086,659
Greensboro	650,695	318,542	11,082,050	9,820,684
High Point	375,500	136,475	6,035,342	4,689,009
Raleigh	1,819,219	745,346	14,429,498	22,561,705
Rocky Mount	138,878	725,244	2,728,316	5,382,568
Salisbury	16,400	63,975	1,748,774	2,140,451
Wilson	105,900	87,600	2,824,050	2,068,231
Winston-Salem	841,619	690,014	12,526,673	8,821,467
South Carolina				
Charleston	137,759	200,557	2,840,783	5,160,674
Columbia	1,050,595	412,814	10,255,522	9,309,957
Greenville	284,813	414,390	7,710,502	5,511,582
Spartanburg	40,134	134,945	2,439,913	1,065,330
Dist. of Columbia				
Washington	5,708,068	4,329,979	55,705,131	73,450,640
District Totals	$25,360,213	$19,851,684	$346,528,888	$383,664,564

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: December 1954	Percentage change with corresponding period a year ago: 12 Mos. 1954
Maryland	+ 2	0
Dist. of Columbia	+ 4	— 3
Virginia	+ 4	— 3
West Virginia	— 9	—15
North Carolina	+ 6	— 5
South Carolina	— 2	— 4
District	+ 2	— 4
INDIVIDUAL CITIES		
Baltimore, Md.	+ 2	0
Washington, D. C.	+ 4	— 3
Richmond, Va.	— 2	— 4
Charleston, W. Va.	— 6	—12

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