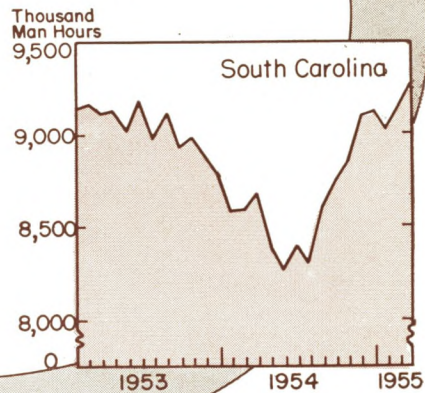
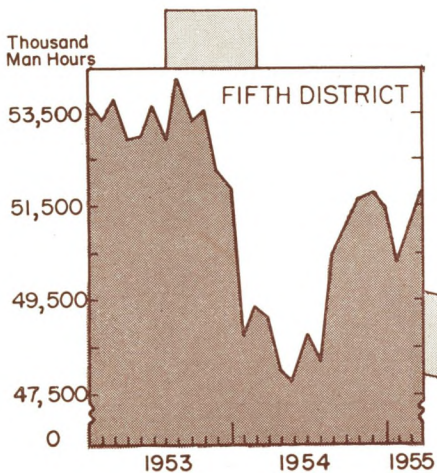
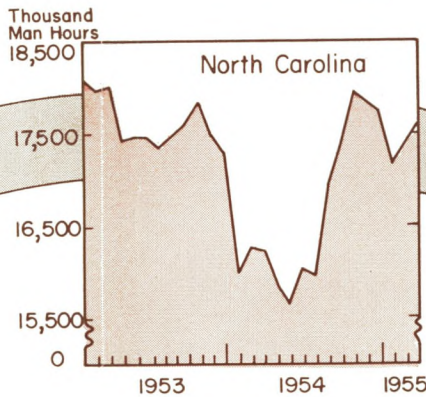
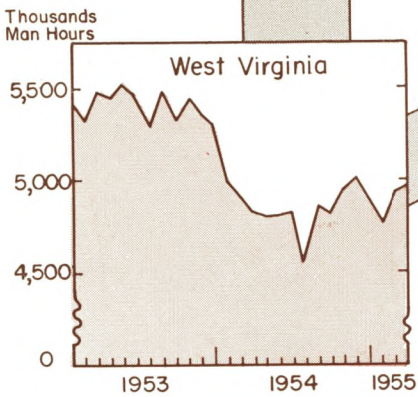
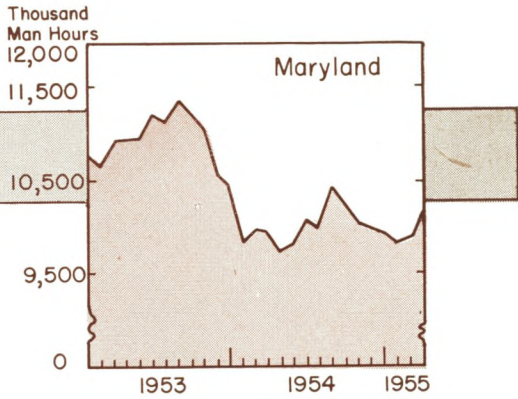
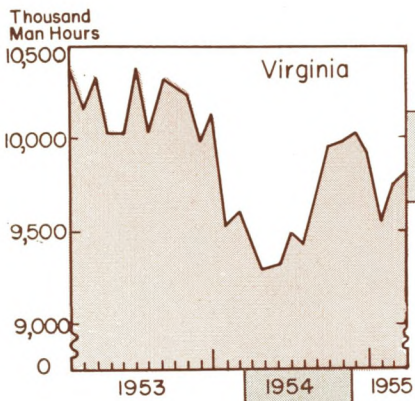


# Monthly Review



June 1955

## REVIVAL IN MANUFACTURING





## Arithmetic Of Business Recovery

**S**HARP business recovery or back to the Boom! Nearly everybody's talking about it. Some view it complacently, others with a growing concern that assumes it's too fervid to last. Those who are unemployed would aver that business is terrible while those working full-time or even over-time, and getting periodic wage raises, think business is fine. The fact is that in the economy as

Recession and revival are, however, very real terms and measure the total or average performance of individual industries or the economy as a whole. In this sense, they picture a recession which took place in the Fifth District as well as the nation from the Spring of 1953 until the Spring of 1954. In the overall, there has been sharp revival from the lowest levels; the amount of decline and the amount of recovery are the subjects of the following discussion.

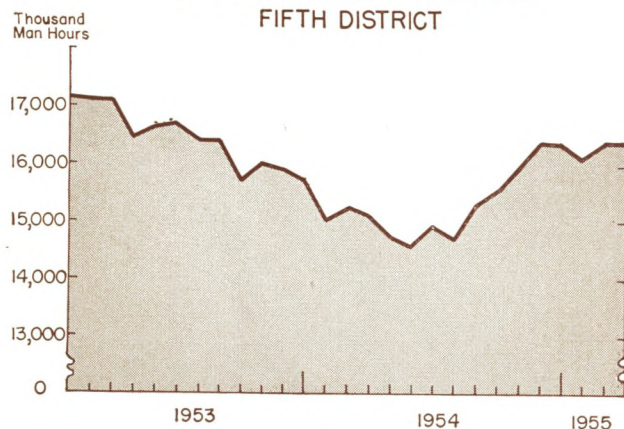
A clearer perspective can be obtained from the recession-revival process that has occurred since 1953 if the phenomenon be segregated into major divisions of production and distribution or service such as manufacturing, agriculture, mining, construction, and trade, transportation and services including government.

### Manufacturing

There are very few measures at the regional level of either volume or physical volume of production or sale of manufactured products. It is necessary, therefore, to utilize such information as is available and these are the man-hours in manufacturing industries. If the production process always remained the same and if workers always did their job with equal diligence, man-hours and production would show identical changes from one period to another.

Change, however, is the essence of progress and man-hour input into the production process is known from historical experience to come forth with a greater prod-

TEXTILE MILL PRODUCTS  
FIFTH DISTRICT

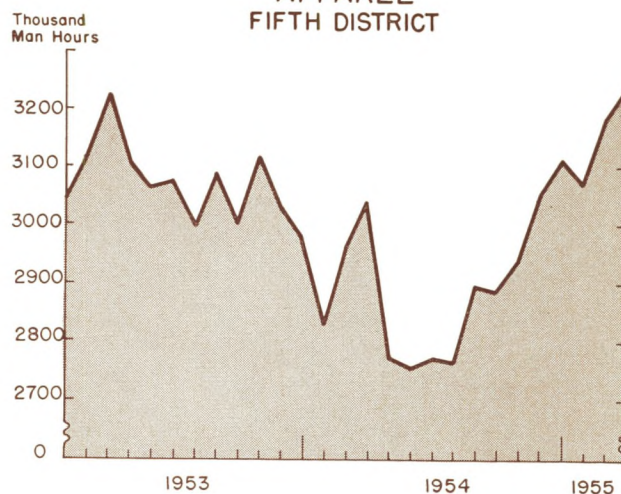


a whole, at almost any time and in any number of individual industries or segments, the same degree of variability is to be observed.

Department store operations in the Fifth Federal Reserve District offer a good illustration of variable economic performance. In the first quarter of 1955, sales of all department stores reporting to the Federal Reserve Bank rose 8% over the first quarter of 1954 but some stores showed increases in sales in this period of more than 50% while some showed losses running as high as 5%. To those stores whose sales were under a year ago, recovery is something that hasn't yet happened; to the others, operations are pleasant indeed.

Business recovery in the sense used here has no relation to the claiming of a by-product in the production process or to reclaiming for further use materials only partially spent in production processes. Recovery, in the sense here used, implies something from which to recover—before revival there must have been a recession. It would be difficult to say the construction industry had revived when, as a matter of fact, it hasn't had anything to revive from in many years—it has just kept on not running, but sprinting, up hill on the economists' charts. The bituminous coal industry, on the other hand, has much to revive from and, despite the substantial percentage recovery of recent months, is still not a healthy, flourishing industry. When farmers look at their cash income from marketings they are justified in asking, "What recovery?" On the other hand, bankers, looking at their earning assets, can very well ask, "Recovery from what?"

APPAREL  
FIFTH DISTRICT



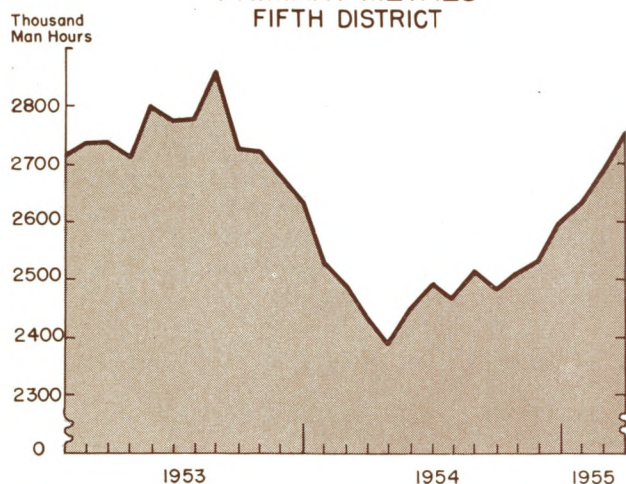
uct as improvements are made in either the machine output or the more efficient scheduling of labor input.

This is known as a gain in the efficiency of labor and by the amount that labor input becomes more efficient, man-hours fail to measure the full impact of production



changes. With this in mind and recognizing that changes in man-hours from one period of time to the next may overstate a cyclical recession and may understate a cyclical revival, we will proceed to tell you what has happened to man-hours in manufacturing industries in the Fifth Federal Reserve District.

### PRIMARY METALS FIFTH DISTRICT



Man-hour figures are not adjusted for seasonal variation and for this reason rather than taking the highest month of 1953 and the lowest month of 1954 we are comparing March 1955 with March 1954 and with March 1953. These three periods, in a general way, will approximate the peak of activity in 1953, the low of the recession in 1954 and currently so that the recession and recovery can be measured without influence of seasonal factors.

Man-hours in all manufacturing industries of the Fifth District (excluding the District of Columbia) declined 8.8% from March 1953 to March 1954. By March 1955, 56% of that decline had been recovered and total man-hours were within 4% of the 1953 level. There was, however, some variability among the states of the District. South Carolina showed a decline of only 5% between March 1953 and March 1954, and by March 1955 that state's man-hours in manufacturing industries was at a new high level. The rise from March 1954 to March 1955 was 136% of the amount of the decline from March 1953 to March 1954, and total man-hours in that state's manufacturing industries in March 1955 were 2% higher than in March 1953.

West Virginia showed the largest decline in man-hours of all manufacturing industries between March 1953 and March 1954 (11.8%). This state has also shown one of the smallest recoveries from March 1954 to March 1955. Only 20% of the loss has been recovered and that state's industries were still 9.4% below March 1953.

North Carolina also showed an above-average decline

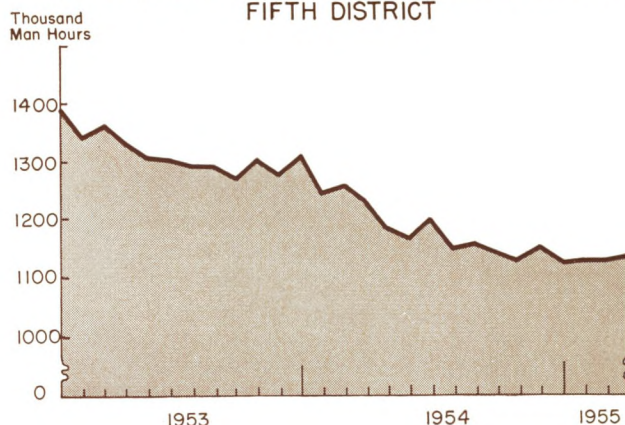
from 1953 to 1954 of 10.1%. From 1954 to 1955, 70% of that loss was recovered; in March 1955 it was only 2.4% under the March 1953 level. In Maryland the 1953-54 decline amounted to 8.6%, the amount of recovery from 1954 to 1955 has been 14% of that loss. March 1955 man-hours in Maryland, though 1.3% higher than in 1954, remained 7.4% lower than in 1953. The 1953-54 decline in Virginia was 8.6%. By March 1955, 42% of that decline had been recovered, with man-hours in that month standing 3.9% higher than in 1954 but 5% under 1953.

In the durable goods industries of the Fifth District, the 1953-54 recession produced a decline of 9.8%, with West Virginia shrinking most (15%) and North Carolina least (6%). Thirty-seven per cent of the decline experienced from 1953-54 had been recovered by March 1955, but this level was still 6.1% under March 1953.

Nondurable goods manufacturing industries showed a man-hour loss of 8% in the 1953-54 recession; between March 1954 and March 1955, 72% of that loss had been recovered, though the total was still 2.3% under March 1953.

The 1953-54 recession affected the manufacturing industries of the Fifth District in rather variable fashion. The lumber and timber products industries showed a 14% decline in man-hours between March 1953 and March 1954—largest decline of any of the major industries in the District. Transportation equipment industries, next in line, showed a decline of 13.9%, furniture and fixtures 13.8%, tobacco 11.5%, textile mill products 11.2%, primary metals 11.1%, machinery, excluding electrical, 9.5%, stone, clay and glass 8.6%, fabricated metals 7.8%, apparel 5.6%, chemicals 5.0%, and paper 4.4%. Food and kindred products were up 0.2%.

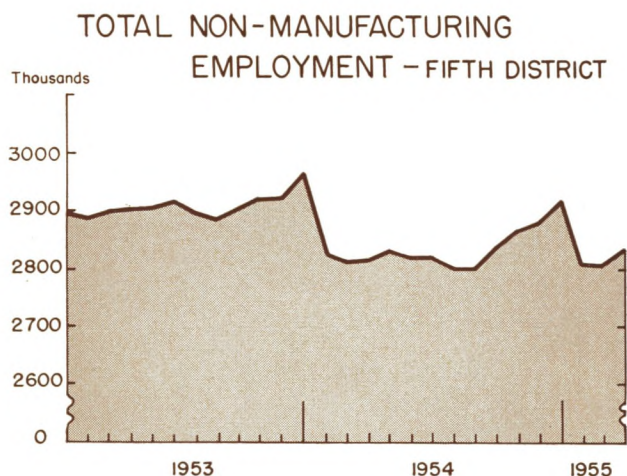
### MACHINERY EXCLUDING ELECTRICAL FIFTH DISTRICT



The paper, apparel and primary metals industries of the District have shown a larger gain from March 1954 to March 1955 than was lost between March 1953 and March 1954. Man-hours in the paper industries during March 1955 had more than recovered recession



losses, and stood 0.4% higher than in March 1953. The recovery in primary metals was more than the recession loss, and in March 1955 man-hours in these industries were 0.5% higher than in March 1953. Apparel industries likewise recovered more, up to March 1955, than their recession losses, with man-hours 0.2% higher than in March 1953.



Machinery, excluding electrical, and fabricated metals industries, instead of recovering between March 1954 and March 1955, have shown a further decline. And food and kindred products industries, which had shown a fractional rise between March 1953 and March 1954, showed a small decline between March 1954 and March 1955. Machinery industries, excluding electrical, had declined 9.5% between March 1953 and March 1954; from March 1954 to March 1955 a further decline of 8.2% occurred, leaving the latter level 16.9% under that of 1953.

The fabricated metals industries of the District showed a man-hour loss in the recession of 1953-54 of 7.8% ; from March 1954 to March 1955, a further drop of 1.5% has taken place, so the March 1955 level was 9.2% under March 1953.

### Agriculture

Agriculture in the Fifth District is one of the soft spots where no recovery has been witnessed thus far in 1955 and a further decline has taken place. Cash receipts from farm marketings in the first two months of 1955 are 11% smaller than in those months of 1954, and 18% smaller than in the same month of 1953. Income from livestock and products has declined somewhat less than income from crops. Livestock and products income (first two months of 1955) were off 10.9% from the same months of 1954 and 11.4% from the first two months of 1953—in other words, very little further decline in farmers' income from livestock and livestock products occurred between 1954 and 1955. Income from crops (first two months of 1955) was down 12%

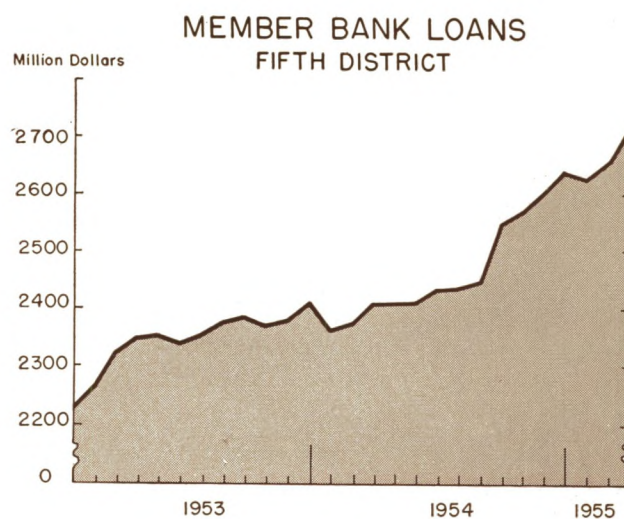
from the same months in 1954 and 28% from 1953. With acreage reductions in major cash crops, the District would require either a very high yield or a considerable rise in price to show an improvement in farm income this year, compared with last.

### Mining

Mining in the Fifth District is dominated by the bituminous coal mines mainly in West Virginia and Virginia. Coal production in the first quarter of 1955 amounted to 36.5 million tons in Virginia and West Virginia, an increase of 19.8% over the first quarter of 1954 and 4.3% over the first quarter of 1953, but a decline of 27.6% from the first quarter of 1947. Employment in these mines has averaged 16.6% smaller than in the first quarter of 1954 and 32.9% smaller than in the first quarter of 1953. These are startling changes, particularly when related to coal production—in the first quarter of 1955 production per man in West Virginia was 17% higher than in the first quarter of 1954 and 27% higher than in the first quarter of 1953.

### Construction

The construction industry as a whole not only did not contract between the first quarter of 1953 and the same quarter of 1954 but actually rose 2%. This, however, was due to residential construction contract awards which rose 26% in the period and more than offset declines of 10% in nonresidential construction and 20% in public works and utilities. Cyclical revival, therefore, has occurred in the nonresidential sec-



tors, and in public works and utilities. Sharp expansion, not revival, is the best description for nonresidential construction for in the first quarter of 1955 it was 61% higher than in the first quarter of 1953, while public works and utility awards were only 2% higher than in the same period. The decline from the first quarter of 1953 to 1954 in nonresidential construction contract



awards was due wholly to factory awards and to all other awards, except commercial and educational. Commercial awards and educational awards showed no decline from 1953 to 1954, in the first-quarter comparisons.

Residential construction contract awards in the first quarter of 1955 were a gaudy 119% higher than in the same quarter of 1953. Awards for apartments and hotels in this same period were up 49%, one- and two-family houses zoomed up 133% and other residential up 53%.

Commercial contract awards from 1953 to 1954 (first quarters) rose 3.8% and from 1953 to 1955 rose 63%. Awards for factory buildings declined 46% from 1953 to 1954, but rose 50% from 1953 to 1955. Educational buildings from the first quarter of 1953 to 1954 rose 9%, and from the first quarter of 1953 to 1955 rose 36%. Other nonresidential construction, which declined 15% in the 1953-54 period, rose 88% from 1953 to 1955. Public works and utilities awards were down 20% from the first quarter of 1953 to the same quarter of 1954; by the first quarter of 1955, however, the entire loss had been recovered and a 2% gain posted over the first quarter of 1953.

Construction placed under contract has clearly been an element of great strength in the District's economy, and one with potentially more stimulus. On a seasonally adjusted basis, however, contract awards in most types of construction made their high point in October 1954 and have been trending downward irregularly but sharply since that time. Despite the down-trend, however, the latest monthly level is still well above average awards of the past five years.

### Trade

Available trade level data indicate the recession between the first quarter of 1953 and the first quarter of 1954 was fairly sharp when compared with the decline in other segments of the economy. The only available series to withstand the recession was household appliance stores, sales of which from the first quarter of 1953 to the first quarter of 1954 were up 4.3%. The department stores in this same period showed a sales decline of 7.6%. Retail furniture sales were off 10.9%, new passenger car automobile registrations declined 8.8%, and new commercial car registrations 16.3%.

Household appliance stores, by the first quarter of 1955, had risen 19% above the first quarter of 1953. New passenger automobile registrations had recovered more than three times the previous loss, with new reg-

istrations in the first quarter of 1955 18% ahead. District department stores by the first quarter of 1955 had more than regained the 1953-54 loss and stood 1.4% higher than in the first quarter of 1953. Retail furniture stores, with a 10.9% loss in the recession of 1953-54, had recovered 93% of the loss by the first quarter of 1955 when sales stood within 0.8% of the first quarter of 1953. New commercial car registrations, however, in the first quarter of 1955 showed a further loss from the first quarter of 1954 and stood 19.5% under the first quarter of 1953.

### Employment—Non-manufacturing

Employment in the District other than in agriculture and manufacturing declined 82,100 in the recession of March 1953-March 1954. By March 1955, 16% of this loss had been recovered with employment levels up 13,200 from a year ago. Employment in mining industries during the 1953-54 recession declined 24,100, and has declined an additional 11,700 between March 1954 and March 1955.

Despite the large gains witnessed in the construction industry, employment in contract construction between March 1953 and March 1954 declined 22,700 and from March 1954 to March 1955 an additional 2,900 loss has occurred.

Employment in the transportation, communication and public utilities fields declined 15,400 from March 1953 to March 1954 and has declined an additional 4,500 from March 1954 to March 1955. Trade firms in the District reduced their employment by 12,900 from March 1953 to March 1954 but increased the number by 7,100 from March 1954 to March 1955, a recovery of 55% of the loss. Employment in service and miscellaneous industries showed no decline for the District as a whole, though some states had moderate losses between March 1953 and March 1954. In the District as a whole there was a gain of 6,800 from March 1953 to March 1954, and an additional 5,200 were added to the payrolls in these industries to March 1955. Employment by Federal, state and local governments dropped 20,800 from March 1953 to March 1954, with the District of Columbia accounting for most of the decline. From March 1954 to March 1955 government payrolls expanded 18,000 to recover 87% of the year earlier decline. Increases were largely in state and local government offices. In all District states March 1955 was higher than March 1953. Only in the District of Columbia was this March lower than last or in 1953.



## Toll Roads—Expensive and Effective

THE first four months of 1955 saw a pause in the procession of securities for the financing of new turnpikes. The lone issue appearing in the period was the relatively small \$34 million offering for the New Jersey Turnpike expansion.

The absence of other turnpike bonds has been particularly surprising because a major feature of the municipal market at the close of 1954 was the tremendous volume of toll road issues scheduled for the 1955 market. Postponements of various kinds arose to delay financing, so that a substantial volume of such securities now overhang the market. If all the issues in the prospective stage were to roar into the market around the same time, the result would be an avalanche. This is highly unlikely, but it is certain that this type of financing will bulk large in the activities of the next twelve months.

Turnpike issues aggregating more than one billion dollars are in prospect by mid-1956, and a rush to the market may occur as soon as several pending issues clear legal and political road-blocks which have held them up. The more "iffy" issues should take tangible shape if and when the controversial Federal program for overcoming the nation's highway deficiencies becomes definite.

The cessation of toll road financing in early 1955 should not be interpreted as reflecting a declining interest in this development. Presently plans are reported for toll roads in Maryland, Virginia, and North Carolina, and in eight states outside the Fifth District, ranging from Connecticut to Texas and Washington. Legal approval has just been given to the \$74-million Miami-Fort Pierce turnpike in Florida; and the \$58.5-million Dallas-Fort Worth, Texas, turnpike bonds will be offered on June 14.

### First and Second Turnpike Eras

Turnpikes are an old story in this country. In the first era, roughly from the Revolution until the development of steam railroads, toll turnpikes were constructed and operated by private companies to meet the transportation needs of the new country. When railroad competition strengthened, most of the turnpikes were absorbed into the public road system of each state.

The "second" turnpike era began with the opening of the Pennsylvania Turnpike in 1940. During World War II, the Merritt Parkway, which had been built as a free road by Connecticut, became a toll road, and the revenue was used to finance the Wilbur Cross Parkway. Beginning in April, 1945, toll collections were permitted on two parkways in Westchester County, New York, as an additional source of revenue to finance maintenance and improvements on other county roads.

The first postwar toll road was the 44-mile Maine Turnpike. In 1946 \$20 million in bonds were sold, and the road was opened in late 1947. In the Summer

of 1950 a 14-mile turnpike was opened in New Hampshire, built at a cost of \$7,500,000.

Since the construction of these roads, more than a thousand miles of toll roads have been put into operation in 11 states. Total cost of all toll roads in service at the beginning of this year has been more than \$1.8



West Virginia Turnpike Commission--The Bender Bridge, highest bridge east of the Mississippi River, is named in honor of Congressional Medal of Honor winner Sergeant Stanley Bender. The entrance to the Memorial Tunnel is shown in the background.

billion. About 1,250 miles of toll roads are now under construction at an estimated cost of \$2 billion. Average cost per mile has increased from about \$1.3 million on the roads in service to \$1.6 million on the roads under construction.

In their book, *Toll Roads*, Wilfred Owen and Charles L. Dearing said, "The unique characteristic of a toll facility is that the money spent for it goes to build and maintain a specific project for which there is a need and prospective willingness to pay the cost." The traffic and engineering studies, conducted prior to issuing the revenue bonds, should determine the location of a new toll road and whether its construction in this location is justified by the traffic expected.

Criticism has been voiced of the whole concept of toll roads, as well as of particular toll projects. The American Automobile Association, for example, has consistently opposed toll roads as representing double taxation, since users must also pay gasoline and vehicle taxes. A system of lower tolls for state residents, as proposed in Maryland, would meet this criticism. The AAA and similar organizations have also been critical of the continued collection of tolls on some facilities as a source of revenue long after the costs of construction have been covered. Plans for individual projects have brought forth criticism of their economic justification as



well as stout opposition from owners of motels, restaurants, and filling stations who stood to lose customers from a diversion of traffic.

Other criticisms are that toll roads duplicate facilities already provided on parallel free roads and that the cost is too high for the limited mileage. To minimize duplication and permit integration with state and national highway systems, turnpike authority boards usually have officials of the state highway department as ex-officio members. Revenue bonds for toll roads carry higher interest rates than general obligation bonds of the same state. Wherever possible, state credit has been used to back revenue bonds to obtain lower interest rates. A public referendum or change in the state constitution is necessary to permit this in Fifth District States.

**Link with the Midwest**

There has been much discussion about toll roads in the Fifth District and several states have passed legislation creating authorities or permitting issuance of toll revenue bonds. To date, however, the only one actually financed and built is the West Virginia Turnpike, completed in 1954 at a total cost of \$133 million. Much of the original 88-mile section is only two-lane, although allowance was made in construction for paving two additional lanes. Plans are now being considered for extensions of this road, northward to connect with turnpikes in Pennsylvania and Ohio and southward to link up with proposed turnpikes in western Virginia and North Carolina. When finished this route is expected to be an important link between the Great Lakes area and the increasingly industrialized Southeast. The Old Dominion Turnpike Authority was created in 1954 by the General Assembly to construct and operate Virginia section of this turnpike system. The Pennsylvania legislature is considering proposals for an extension of that state's turnpike to the West Virginia line to meet the northern extension of the West Virginia Turnpike.

In 1952 the Virginia Highway Commission gained the authority to construct, maintain and operate turnpike projects, and to issue revenue bonds payable solely from tolls and other charges collected. The law provides that when funds are available for the retirement of bonds issued for a specific highway project, that turnpike becomes a part of the state system to be maintained by the Highway Commission free of tolls.

In 1954 the Virginia General Assembly passed acts creating the Old Dominion Turnpike Authority and the Richmond-Petersburg Turnpike Authority. The latter authority was established specifically to construct a toll road between a point north of Richmond and a point south of Petersburg, to connect with routes 1, 301, and 460. Until 1954 the state could not construct or operate toll turnpikes within towns and cities of 3,500 population or over. Another act passed last year removed

this restriction, and a route passing through both cities is now being considered for this turnpike.

No authorities have been created in Maryland to construct highways and bridge and tunnel projects, though the state may charge tolls on all or any designated part of such projects. Under the 12-year plan proposed in 1952, \$330 million of a total cost of \$568 million may be borrowed. Recently Maryland's General Assembly approved the proposal of the State Roads Commission to build, at a cost of \$29.5 million, a 48-mile expressway from Baltimore to the Delaware line near Wilmington. This would accomplish more quickly part of the 12-year plan's construction. The commission has considered charging lower rates for Maryland users and making up the difference from state gasoline and motor vehicle taxes.

In North Carolina road bonds are included in the general-obligation debt of that state, but they are backed by specific gasoline and motor vehicle taxes distributed between state and county roads. The State Turnpike Authority is empowered to construct and operate turnpike projects subject to the approval, as to location, of the State Highway and Public Works Commission. The authority may issue revenue bonds, and neither the state nor the authority is obligated to pay the interest or principal except from these revenues.

**TOLL ROADS PARALLELING THE INTERSTATE SYSTEM**

	Miles	Cost (in millions)
<b>In Service:*</b>		
Merritt and Wilbur Cross Parkways, Conn. ....	67	\$ 38.0
Kittery-Portland, Me. ....	47	21.6
Seabrook-Portsmouth, N. H. ....	15	7.5
New Jersey Turnpike .....	118	285.0
New York Thruway .....	396	490.0
Tulsa-Oklahoma City, Okla. ....	88	38.0
Pennsylvania Turnpike .....	327	211.5
Total in Service .....	1,058	\$1,091.6
<b>Financed or Under Construction:</b>		
Greenwich-Killingly Expressway, Conn. ....	130	\$ 398.0
Indiana East-West Turnpike .....	157	280.0
Kansas City-Topeka-Wichita- Oklahoma line .....	234	160.0
Louisville-Elizabethtown, Ky. ....	40	38.5
Portland-Augusta, Me. ....	66	55.0
Weston-West Stockbridge, Mass. ....	123	239.0
New Jersey, link to Pa. Turnpike .....	6	27.2
New York Thruway .....	30	110.0
New York Thruway .....	133	300.0
Ohio East-West Turnpike .....	240	326.0
Tulsa-Missouri line, Okla. ....	88	68.0
Total Financed or Under Construc- tion .....	1,247	\$2,001.7

Source: *A Ten-Year National Highway Program, A Report to the President, January, 1955.*

\*In addition to the above list of toll roads in service, *Engineering News-Record*, December 30, 1954, listed over 400 miles of turnpikes costing about \$750 million which are not on the interstate system.



North Carolina created the Carolina-Virginia Turnpike Authority in 1953 to cooperate with Virginia's Coastal Turnpike Authority in building a toll road from Virginia Beach to Nags Head. No date has been set for a bond offering.

Up to the present time no plans have been made for a turnpike in South Carolina. Unless a large scale highway program is contemplated, the state does not need to resort to revenue bond financing. The limit on general obligation debt for highway purposes was set at \$70 million in 1950, and the net highway debt outstanding on June 30, 1954 totaled \$46.6 million.

### **Federal Policy on Turnpikes**

The Federal Government has long been opposed to toll roads. The Federal-Aid Road Act of 1916 stated "that all roads constructed under the provisions of this act shall be free from tolls of all kinds." This was restated in the Federal Highway Act of 1921, with the additional of the word "reconstructed." An exception to this policy occurred in 1927 when legislation was passed permitting Federal aid for state-owned toll bridges.

Federal aid outside the regular program was also given to the Pennsylvania Turnpike Commission to assist in building the original section of that road. The Public Works Administration granted \$28,250,000 to the commission, and the original bond issue was sold to the Reconstruction Finance Corporation.

In the report on a National Highway Program presented in January, the President's Advisory Committee proposed a plan for giving credit to states building new highways, free or toll, on the interstate system. Credit would be allowed only on roads meeting the new standards, and only up to 40% of the cost of roads built between 1947 and 1951, 70% of the cost of roads built before December, 1955, and the full construction cost of roads built at a later date. The credit should be used only in constructing other highways.

The committee estimated that economically feasible toll routes in 28 states, coinciding with the interstate system, total over 8,500 miles, out of 40,000 miles for the whole system. (Interstate toll routes completed or under construction are shown in the accompanying

table.) It is obvious that toll financing can meet only a small portion of the nation's highway needs.

The advisory committee felt that the Federal Government "should not enter into toll road construction nor provide funds for deficit financing of otherwise non-self-supporting projects."

### **The Case for the Turnpike**

The new turnpikes have typically been new roads placed on right-of-ways determined by modern highway engineering standards. As a result they have provided users with more than just limited-access roads that reduce crossing worries for they usually incorporate moderate grades and curves, median strips for greater safety and night-driving comfort, and attractive road-sides with severely limited commercial establishments. The attraction to private passenger travel has thus gone beyond economies of operation.

For the commercial user turnpikes offer savings in fuel, tires, and time that are frequently important. Truckers indicate that they check carefully the costs and gains of using toll facilities over free roads and in some instances the older highways win out. On the other hand, the New York Thruway Authority recently cited figures to support the case for using the New York-Buffalo Thruway instead of parallel free roads. Tests were conducted by the General Electric Corporation on runs between its Schenectady plants and Williamsville, near Buffalo. Use of the Thruway reduced the distance by 38 miles and gas consumption by 14.2 gallons. Drivers had to shift gears 298 times less on the Thruway, saved 142 brake applications, and eliminated 69 full stops. For a round trip, an average of four and one-half hours were saved. Clearly this provides an economic basis for the added cost of toll roads so far as this user is concerned.

Trucks played an important role in the early success of the Pennsylvania Turnpike and are generally counted upon as heavy users of all new toll roads. The rapid growth of the trucking industry highlights this type of use; if trucks in use actually triple in number (to 30 million by 1975) as forecast recently by a spokesman for the manufacturers, their role as users will obviously become yet more important.





## Banking In the First Quarter

ALTHOUGH demand deposits of the District's member banks fell \$254,000,000 (4.6%) between January 1st and April 11th, 1955\*, this decline was \$100,000,000 less than the amount lost in the comparable period in 1954. Last year the period was one of moderately declining business activity in contrast to the strongly flowing currents in the first quarter of this year. Since demand deposit changes are the result of over-all banking activities, the first quarter's demand deposit loss provides a convenient focal point through which other operations may be brought into perspective.

What are the causes of demand deposit declines at the member banks? Several well defined and fundamental influences work toward this end:

1. When bank customers call for currency and coin, demand deposits decline. The customers make payment for the currency and coin they receive from the banks by surrendering demand deposit balances.

2. When customers transfer demand balances over to savings deposit accounts, demand deposits decline.

3. When customers make payments to the banks themselves by checks drawn against their accounts, the banks' liability in the form of demand deposits is reduced. For example, when a loan is repaid or when some security is purchased by a customer, the banks experience a reduction in their deposit liabilities.

4. The banks themselves may reduce the amount of funds carried on deposit with other banks. Since deposits due to banks are included in total demand deposits, such withdrawals reduce the total figure.

5. When the banks' customers make payments to the U. S. Treasury by checks drawn against their demand deposit accounts, these accounts and the Treasury's account at the Federal Reserve Bank or at commercial banks increase. There may be a temporary offsetting change in this case—a transfer from a private account to the Treasury's Tax and Loan Account at the group of banks considered. However, this would be short-lived since the Treasury eventually transfers balances from the commercial banks to the Treasury's account at the Federal Reserve Bank.

6. When customers of District member banks make payments by checks to the customers of banks outside the District or of nonmember banks in the District, demand deposits decline at this group of banks.

### The First Quarter Demand Deposit Decline

During the first quarter this year, currency and coin in circulation declined, that is, currency and coin were redeposited in the commercial banks. Customers' needs for currency and coin, therefore worked to *increase* demand deposits in this period.

Savings and time deposits at the District's member

banks increased by \$47,000,000 (2.7%) over the period covered and may be said to account for this much of the net reduction in demand deposits. True, deposits to savings accounts are frequently in the form of currency and coin, but the action which made the currency and coin available for this use, caused a reduction in demand deposits at that time.

Repayments on loans to District member banks during the first quarter of the year were at records levels—but new loans extended by the banks were greater, with the result that total loans expanded by \$72,000,000 (2.7%). Lending activities of the banks, therefore, added to rather than subtracted from demand deposits.

The fourth of the above listed causes for demand deposit declines is the change in interbank deposits. Actually this factor accounted for approximately one-third of the total demand deposit decline over the first quarter of the year. Nonmember banks in the Fifth District and commercial banks in other districts reduced the amount of balances carried at District member banks by \$82,000,000 between January 1 and April 11, 1955.

Payments to the U. S. Treasury were noted as a fifth factor influencing the level of demand deposits. In the period under review, however, direct Treasury expenditures from the General Account at the Federal Reserve Bank of Richmond exceeded Treasury receipts here and the effect of this was to *increase*, not decrease, demand deposits in the District.

There remain payments made by the member banks' customers—to the customers of banks located outside the Fifth District or of nonmember banks in the District. Interdistrict Settlement Fund data reveal a sizable net flow of funds from the District for commercial and financial transactions in this period. The preponderance of the net deposit loss over the first quarter of the year, therefore, is found to be due to the geographical patterns of payments established by the member banks' customers. Purchases of goods and services and a multitude of other financial transactions between District residents and those outside the area resulted in a net loss of demand deposits.

In summary, the demand deposit decline at District member banks in the first quarter of 1955 was caused by:

1. A transfer of funds to savings and time deposits,
2. The calling down of interbank balances held by outside banks or by nonmember banks in the area,
3. Payments by checks to customers of banks located outside the area or of nonmember banks in the area.

These drains on District demand deposits were larger than the net deposit decline by the amount of those transactions which tended to add to demand deposits, notably the return of currency and coin to the banks, the increase of bank loans outstanding and net Treasury expenditures in the District.

\*April 11, 1955 is the date of the most recent Call Report. For convenience the period from January 1 to April 11 will be referred to as the first quarter of the year.



## Business Conditions and Prospects

**B**USINESS conditions in the Fifth District in April showed—as usual—strength, weakness and stability at the same time. The trade level continued to display its strength but shifts were evident in its composition. Construction contract awards, after trending downward since October, experienced a sharp rise in April with the emphasis on sectors other than residential.

Although cash income from farm marketings was 10% under a year ago in the first quarter, seasonal improvement was noted in March as a result of expanded livestock slaughter. Bituminous coal mining rose sharply during April, part of which was probably due to the L & N strike. Loans of member banks rose unseasonally but the trend of bank debits leveled off. While the number of GI home loans guaranteed and insured declined moderately from February to March, they stood 64% ahead of a year ago and in the first quarter an amazing 80%.

Confidence in the business outlook remained strong, as evidenced by a 26% increase in new incorporations during the first quarter of the year compared with last year. Production of electric power was off 2%, February to March (adjusted), but up 7% from a year earlier; the first quarter was up 9%. In the first two months of 1955, sales of electric energy to ultimate consumers in the South Atlantic region were 10.4% higher than in the first two months of 1954. Industrial utilization showed the largest increase, 12.2%. Residential usage was up 10.5%, commercial up 9.9%, and other utilization off 5.8%.

### Trade

Department store sales in April, after correction for the shift in Easter and seasonal factors, rose 1% from March to a level 6% ahead of a year ago. Strength was shown in adjusted sales in South Carolina and West Virginia, but elsewhere they were somewhat behind March.

Retail furniture store sales (preliminary and adjusted) spurted 6% in April to a level 23% ahead of a year ago. April was just short of the all-time peak. Furniture store inventories (adjusted) rose 4% during April but were still 6% under a year ago.

Household appliance store sales (unadjusted) were down 5% from March to April to the same level as a year ago. For the first four months they were 10% ahead of 1954.

Latest complete District data on new passenger car registrations (March) show an increase of 27% from February, 33% from March 1954, and first-quarter registrations up 29%. District figures are about the same as national. April registrations of new passenger automobiles for North Carolina and the District of Columbia were up 2% over March and 47% over a year ago; the District of Columbia figure increased 15%

during the month, while North Carolina declined 2%.

New commercial car registrations (all Fifth District States—March) were at February's level and 8% under March 1954. The first quarter was off 5% from a year ago. In the District of Columbia, West Virginia, and North Carolina registrations were 11% above March and 12% over a year ago, with West Virginia and North Carolina showing increases in both periods while the District of Columbia showed losses in both periods. In Richmond, Virginia, April registrations of new passenger automobiles were down 20% from March but 26% ahead of a year ago, and the first four months' registrations were up 31%.

### Construction

Construction contract awards in the Fifth District, after trending downward on an adjusted basis between October and March, rose 27% in April to the third highest monthly record in history. This was due mainly to a 209% increase in public works and utilities awards, a 91% increase in factory buildings and a 55% increase in commercial awards. Residential awards were down 3%, due mainly to a 41% decline in apartments and hotels and a drop of 1% in one- and two-family houses. In contrast to the 27% adjusted rise in total awards from March to April, building permits in the principal cities of the District showed a 41% drop in valuation on an adjusted basis in this period—meaning that awards were principally made outside corporate limits.

Although the number of GI loans guaranteed and insured in Fifth District States slipped 6% between February and March, they were 64% ahead of a year ago and the first quarter was up 80%. Value of loans was also down 6% from February to March, but March was 87% ahead of a year ago and the first quarter was up 104%.

### Manufacturing

Man-hours in all manufacturing industries of West Virginia and the Carolinas declined 4% from March to April but April was 5.8% higher than April 1954. Durable goods showed a 2.1% decline in man-hours from March to April, with the Carolinas down and West Virginia up. In each State, man-hours in April were higher than a year earlier, with not much deviation from the average increase of 7.7%. Man-hours in the nondurable goods industries in April were 4.8% under March, but 5.1% over a year ago.

Textile mill products man-hours in April in the Carolinas were down 5.9% from March, with broad-woven fabrics down 3.4%, yarn and thread mills down 6.2%, and knitting mills down 14.4%. Since cotton consumption in District mills after seasonal correction was 1% higher in April than in March, it is apparent that in cotton the decline in man-hours was about seasonal.



Other textile products appear to have declined somewhat more than seasonally.

**Agriculture**

Cash income from farm marketings in April was 10% higher than in February, as a result of a 14% increase from livestock and products; this more than offset a decline of 1% in crop income. Relative to a year ago, March cash income was down 6%, with crop income down 5% and livestock and products income down 6%. In the first quarter of 1955, total cash income from farm marketings was down 10% from a year ago, with crop income down 10% and livestock and products income off 9%.

Farm prices during April declined from March in three States and held even in two others. Relative to a year ago, all States of the District except West Virginia showed farm prices about even. West Virginia's decline was 8%.

**Banking**

Loans and investments of Fifth District member

banks rose \$12 million during the month of April and stood \$508 million above a year ago. During the month, loans increased \$31 million while reductions in security holdings were \$19 million. Loans were \$337 million and security holdings were \$171 million above a year ago.

Total deposits of member banks increased \$56 million during April, with demand deposits increasing \$57 million and time deposits declining \$1 million. Total deposits were \$510 million higher than last year, with demand deposits up \$343 million and time deposits \$167 million. Member bank reserve balances increased \$22 million during April, and member bank borrowings were reduced \$21 million during the same period. Member bank borrowings, however, were \$17 million higher at the end of April than a year earlier.

Bank debits in District reporting banks during April were 1% higher than March, after seasonal correction, and 8% higher than April 1954. The first four months showed an increase of 9%.

**FIFTH DISTRICT BANKING STATISTICS**

**DEBITS TO DEMAND DEPOSIT ACCOUNTS\***  
(000 omitted)

	April 1955	April 1954	4 Months 1955	4 Months 1954
<b>Dist. of Columbia</b>				
Washington .....	\$1,261,386	\$1,252,680	\$ 5,235,247	\$ 4,640,628
<b>Maryland</b>				
Baltimore .....	1,508,119	1,425,792	6,032,671	5,615,042
Cumberland .....	24,398	22,394	93,365	87,825
Frederick .....	23,209	24,690	90,217	89,350
Hagerstown .....	43,622	33,875	166,410	142,333
Total 4 Cities .....	1,599,348	1,506,751	6,382,663	5,934,550
<b>North Carolina</b>				
Asheville .....	64,810	57,844	264,746	237,743
Charlotte .....	381,440	334,554	1,597,745	1,398,753
Durham .....	78,601	84,363	314,531	335,495
Greensboro .....	140,871	113,065	571,827	463,563
High Point** .....	50,578	41,084	197,721	167,201
Kinston .....	21,324	19,032	89,570	81,039
Raleigh .....	212,026	167,206	872,029	737,132
Wilmington .....	54,285	44,858	207,714	180,853
Wilson .....	159,272	16,279	82,316	71,754
Winston-Salem .....	159,882	141,064	667,702	590,627
Total 9 Cities .....	1,132,511	978,265	4,668,180	4,096,959
<b>South Carolina</b>				
Charleston .....	87,731	72,732	331,462	287,740
Columbia .....	195,614	181,916	696,131	677,379
Greenville .....	127,881	106,927	505,094	429,194
Spartanburg .....	63,640	60,273	262,277	250,273
Total 4 Cities .....	474,866	421,848	1,794,964	1,644,586
<b>Virginia</b>				
Charlottesville .....	35,637	31,027	142,469	121,799
Danville .....	36,732	32,559	155,677	139,344
Lynchburg .....	53,731	49,918	209,058	192,240
Newport News .....	55,137	47,488	213,408	185,593
Norfolk .....	276,556	249,957	1,114,925	1,020,959
Portsmouth .....	34,703	32,108	141,877	125,978
Richmond .....	612,917	599,686	2,542,994	2,350,469
Roanoke .....	125,543	115,924	497,037	455,486
Total 8 Cities .....	1,230,956	1,158,667	5,017,445	4,591,868
<b>West Virginia</b>				
Bluefield .....	42,415	37,887	171,625	158,978
Charleston .....	164,799	171,193	678,914	695,364
Clarksburg .....	34,909	30,939	140,607	129,316
Huntington .....	73,648	66,565	288,944	275,985
Parkersburg .....	32,898	30,549	123,818	119,584
Total 5 Cities .....	348,669	337,133	1,403,908	1,379,227
<b>District Totals .....</b>	<b>\$6,047,736</b>	<b>\$5,655,344</b>	<b>\$24,502,407</b>	<b>\$22,287,818</b>

\* Interbank and U. S. Government Accounts excluded.

\*\* Not included in District totals.

**50 REPORTING MEMBER BANKS**  
(000 omitted)

ITEMS	Change in Amount from		
	May 11, 1955	April 13, 1955	May 12, 1954
<b>Total Loans .....</b>	<b>\$1,605,651**</b>	<b>+ 27,313</b>	<b>+208,191</b>
Bus. & Agric. ....	726,306	+ 10,487	+ 98,159
Real Estate Loans .....	315,096	+ 5,800	+ 46,113
All Other Loans .....	586,422	+ 10,942	+ 68,519
<b>Total Security Holdings .....</b>	<b>1,769,978</b>	<b>- 70,566</b>	<b>+ 39,339</b>
U. S. Treasury Bills .....	61,538	- 35,735	- 62,042
U. S. Treasury Certificates .....	50,677	- 17,575	-102,627
U. S. Treasury Notes .....	364,646	+ 3,395	+139,856
U. S. Treasury Bonds .....	1,026,334	- 4,936	+ 35,029
Other Bonds, Stocks & Secur. ....	266,783	- 8,925	+ 29,123
Cash Items in Process of Col. ..	317,259	- 13,935	+ 22,895
Due from Banks .....	164,370*	- 1,710	- 28,653
Currency and Coin .....	80,653	- 666	+ 2,171
Reserve with F. R. Banks .....	532,495	+ 38,471	+ 11,081
Other Assets .....	71,200	+ 2,374	+ 6,670
Total Assets .....	\$4,541,606	- 18,719	+261,694
<b>Total Demand Deposits .....</b>	<b>\$3,389,475</b>	<b>- 36,698</b>	<b>+169,462</b>
Deposits of Individuals .....	2,544,441	- 36,081	+113,272
Deposits of U. S. Government .....	111,832	+ 5,728	+ 45,031
Deposits of State & Local Gov. ....	217,516	+ 12,555	+ 15,218
Deposits of Banks .....	455,315*	- 28,521	- 10,328
Certified & Officers' Checks .....	60,371	+ 9,621	+ 6,269
<b>Total Time Deposits .....</b>	<b>761,439</b>	<b>- 3,214</b>	<b>+ 49,696</b>
Deposits of Individuals .....	679,458	- 1,111	+ 43,916
Other Time Deposits .....	81,981	- 2,103	+ 5,780
<b>Liabilities for Borrowed Money .....</b>	<b>38,300</b>	<b>+ 16,970</b>	<b>+ 30,900</b>
All Other Liabilities .....	45,029	+ 2,569	- 4,554
Capital Accounts .....	307,363	+ 1,654	+ 16,190
Total Liabilities .....	\$4,541,606	- 18,719	+261,694

\* Net figures, reciprocal balances being eliminated.

\*\* Less losses for bad debts.



FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES\*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	Percentage change with corresponding period a year ago	
	April 1955	4 Mos. 1955
Maryland .....	+17	+ 5
Dist. of Columbia .....	+17	+13
Virginia .....	+15	+ 8
West Virginia .....	+30	+22
North Carolina .....	+17	+14
South Carolina .....	+11	+10
District .....	+17	+11

INDIVIDUAL CITIES		
Baltimore, Md. ....	+17	+ 5
Washington, D. C. ....	+17	+13
Richmond, Va. ....	+14	+11
Charleston, W. Va. ....	+46	+15
Greenville, S. C. ....	+ 7	+ 7

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

BUILDING PERMIT FIGURES

	April 1955	April 1954	4 Months 1955	4 Months 1954
<b>Maryland</b>				
Baltimore .....	\$ 7,781,235	\$ 4,572,715	\$ 27,549,292	\$ 19,326,875
Cumberland .....	224,483	97,000	653,291	169,900
Frederick .....	209,750	96,900	696,205	406,692
Hagerstown .....	221,785	189,130	715,020	869,579
Salisbury .....	209,150	468,760	970,167	870,838
<b>Virginia</b>				
Danville .....	703,531	175,033	3,091,911	762,347
Hampton .....	868,097	536,365	6,693,128	3,360,521
Hopewell .....	291,492	121,111	1,291,163	529,077
Lynchburg .....	960,614	528,541	3,546,617	2,046,707
Newport News .....	118,391	888,049	612,752	1,243,566
Norfolk .....	984,951	2,883,523	4,382,678	5,703,784
Petersburg .....	89,500	243,600	1,403,400	680,100
Portsmouth .....	280,930	495,176	1,250,840	3,608,680
Richmond .....	2,466,223	1,348,797	6,999,108	7,613,906
Roanoke .....	1,265,184	1,924,370	4,106,843	4,501,467
Staunton .....	193,775	109,530	1,201,055	485,170
Warwick .....	686,272	1,095,735	3,270,956	2,704,051
<b>West Virginia</b>				
Charleston .....	561,515	981,050	2,180,971	2,695,849
Clarksburg .....	181,118	387,246	673,313	1,208,167
Huntington .....	440,923	552,855	1,491,871	1,494,024
<b>North Carolina</b>				
Asheville .....	355,972	635,986	1,076,287	1,407,039
Charlotte .....	1,535,750	1,825,706	9,961,946	6,304,390
Durham .....	694,484	317,534	5,587,873	1,480,529
Greensboro .....	982,125	1,343,220	3,618,105	4,227,420
High Point .....	638,611	302,275	3,112,729	1,091,942
Raleigh .....	666,828	1,442,905	7,236,014	4,721,826
Rocky Mount .....	299,266	353,879	1,282,711	1,175,507
Salisbury .....	131,060	102,450	380,468	669,852
Wilson .....	171,500	174,350	1,481,675	873,750
Winston-Salem .....	1,006,482	787,840	4,950,404	4,939,862
<b>South Carolina</b>				
Charleston .....	236,338	374,119	775,221	761,295
Columbia .....	663,012	1,038,669	2,683,114	3,363,254
Greenville .....	820,350	648,950	2,275,148	2,765,645
Spartanburg .....	330,477	213,745	831,445	1,357,426
<b>Dist. of Columbia</b>				
Washington .....	3,265,493	4,384,658	23,380,260	20,536,828
District Totals .....	\$30,536,667	\$31,641,772	\$141,413,981	\$115,907,865

WHOLESALE TRADE

LINES	Sales in April 1955 compared with		Stocks on April 30, 1955 compared with	
	Apr. 1954	Mar. 1955	Apr. 30, 1954	Mar. 31, 1955
	Auto supplies .....	+ 5	+ 6	NA
Electrical, electronic and appliance goods .....	+13	- 1	+ 1	0
Hardware, plumbing and heating goods .....	+ 6	- 5	- 8	- 9
Machinery equipment supplies .....	+ 2	0	- 1	+12
Drugs, chemicals, allied products .....	+20	- 1	+ 2	+ 2
Dry goods .....	+ 8	-19	NA	NA
Grocery, confectionery, meats .....	-10	- 8	-10	- 5
Paper and its products .....	+75	+21	-16	-17
Tobacco products .....	NA	NA	NA	NA
Miscellaneous .....	+ 2	- 9	+ 8	+ 6
District Total .....	+ 7	- 5	- 2	- 1

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Percentage change					% Chg.—Latest Mo.				
	Rich.	Balt.	Wash.	Other Cities	Dist. Total	Apr. 1955	Mar. 1955	Apr. 1954	Prev. Mo.	Yr. Ago.
Sales, Apr. '55 vs Apr. '54 ..	+ 5	- 3	+ 2	+ 7	+ 4					
Sales, 4 Mos. ending Apr. 30, '55, vs 4 Mos. ending Apr. 30, '54 .....	+10	+ 4	+ 4	+10	+ 7					
Stocks, April 30, '55 vs '54 ..	+ 4	+ 5	+ 2	- 1	+ 2					
Outstanding Orders										
Apr. 30, '55 vs '54 .....	+46	+ 6	-7	+ 9	+ 6					
Open account receivables Apr. 1, collected in Apr. 1955 ..	30.7	47.0	42.5	39.5	40.8					
Instalment receivables April 1, collected in Apr. 1955 ..	15.1	14.4	14.5	15.8	14.7					
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.				
Sales, Apr. '55 vs Apr. '54 .....	- 2	+ 2	+ 5	+ 8	+ 7	+ 9				
New passenger car registration*							185	149	+28	+33
Bank debits .....							167	155	+ 1	+ 8
Bituminous coal production*							97	84	+15	+43
Construction contracts .....							279	220	+27	+86
Business failures—number .....							183	224	-18	-30
Cigarette production .....							99	95r	+ 3	+ 4
Cotton spindle hours .....							117	116	+ 1	+ 8
Department store sales .....							129	128	+ 1	+ 6
Electric power production .....							179	165	- 2	+ 7
Manufacturing employment*							106	104	0	+ 1
Furniture store sales .....							119	112	+ 6	+23
Life insurance sales .....							181	194	- 7	+13

\* Not seasonally adjusted.

Back figures available on request.

r Revised.