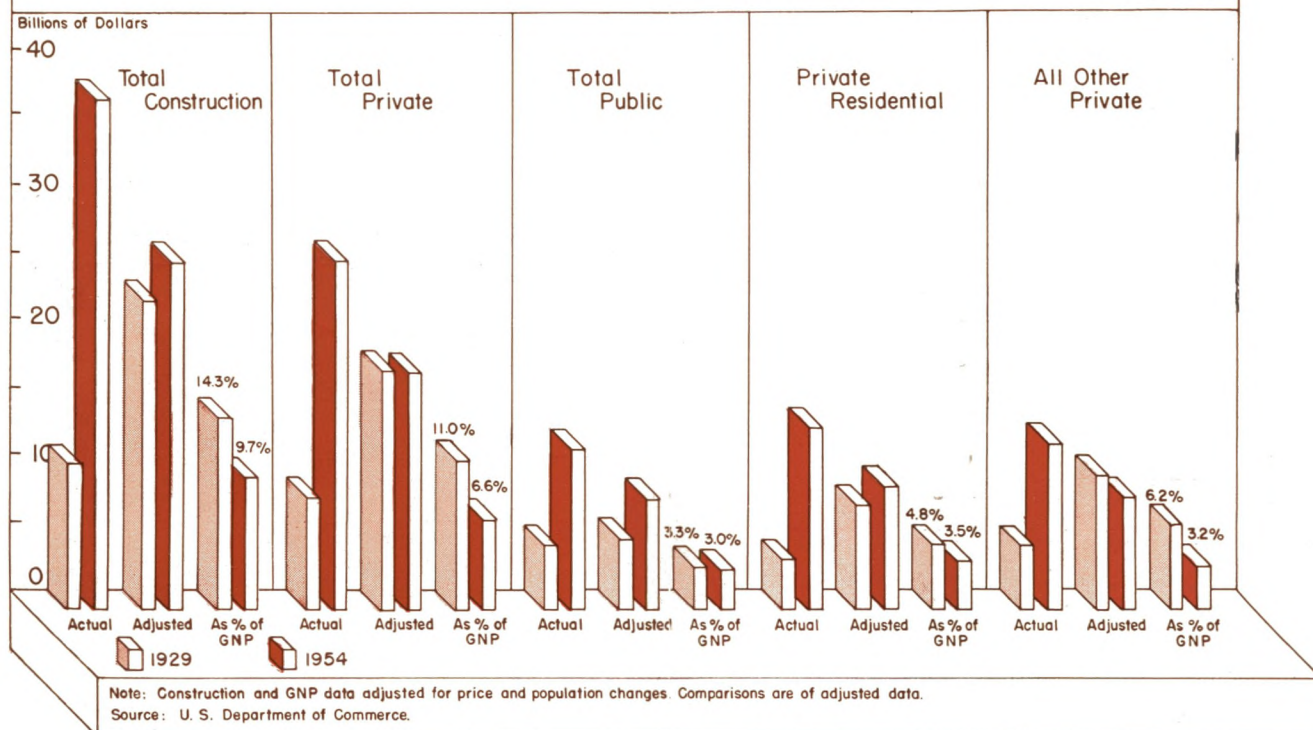


Monthly Review



July 1955

CONSTRUCTION OUTLAYS IN PERSPECTIVE



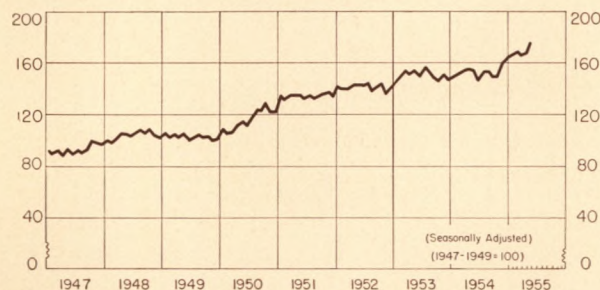
Outlays for new construction in the first half of 1955 rose to an all-time high of \$19.1 billion. These amounts need to be adjusted, however, for increased construction costs, for population gains, and for the growth of the economy to put the boom in proper perspective. The cover chart compares recent outlays with those in 1929, and the article on page 3 discusses important aspects of current construction activity.

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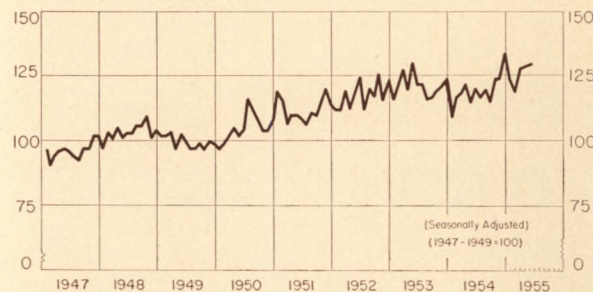
FIFTH DISTRICT TRENDS

BANK DEBITS



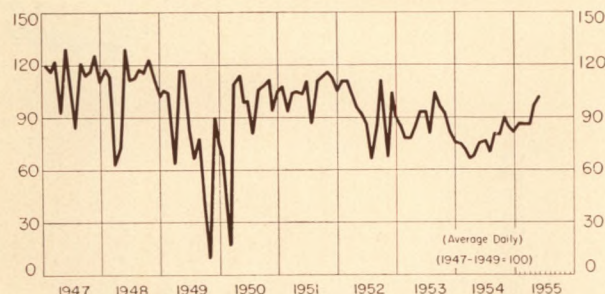
Bank debits of Fifth District reporting banks continues to indicate an active business situation. May figures, seasonally adjusted, were 5% higher than April, 14% higher than a year ago; and the five month's accumulation is up 10%.

DEPARTMENT STORE SALES



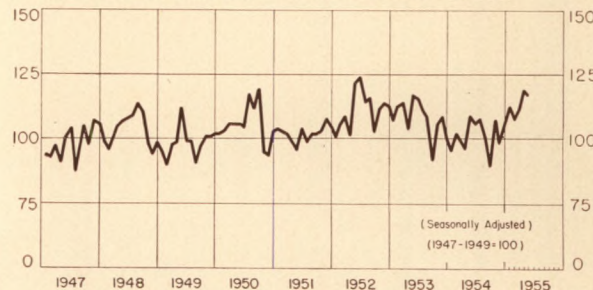
An active trade level during May is indicated by a rise in department store sales after seasonal correction of 1% from April. While May was the second poorest month last year the increase from May to May was 13% and in the first five months of the year a gain of 9% was recorded.

BITUMINOUS COAL PRODUCTION



Vigorous recovery in the output of bituminous coal was still underway in May when Fifth District production rose 4% on an average daily basis over April to a level 35% ahead of a year ago. In the first five months of the year output is up 28%.

RETAIL FURNITURE STORES NET SALES



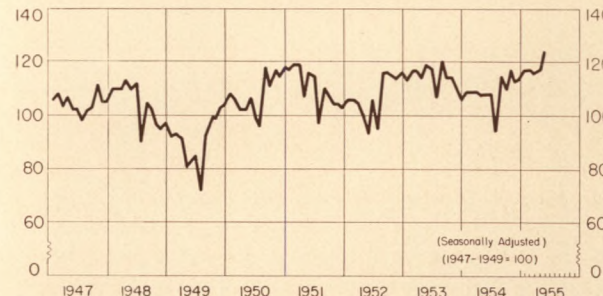
Furniture stores showed a moderate reduction in sales from April to May after accounting for seasonal factors, but this was a moderate drop and does not signify a turn of events. May sales dropped 2% from April. They were 7% ahead of a year ago and the first five months shows an increase of 13%.

TOTAL CONSTRUCTION CONTRACT AWARDS



Total construction awards are still in boom area during May 1955, but after seasonal correction they were down 26% from April. Relative to a year ago total awards were up 7% and in the first five months of the year, they record a gain of 56%.

ACTIVE COTTON SPINDLE HOURS



Cotton spindle hours and cotton consumption in the mills of the Fifth District both showed a good rise on an adjusted basis from April to May, but shifts in the constructions from heavy to lighter weight yarns required more expansion in the hours operated by spindles. In May these were 6% higher than in April on an adjusted basis, 15% higher than a year ago with the first five months up 8%. The May adjusted level reached the all-time war peak established in 1942.

Construction—A Reappraisal

ALTHOUGH it seemed like a case of staring down the throat of a gift-horse, the high and rising level of construction activity has had an uneasy acceptance—especially during the 1953-54 recession, when it was the brightest spot in the economic picture. Record-setting outlays for construction and of increasing contract awards when announced drew frequent statements that a downturn might be in the offing.

Such misgivings were based largely on the construction industry's traditional role of prince or pauper. Its history has certainly been marked by alternating peaks of high activity and periods of idle capacity. To many, construction activity which had been rising sharply and steadily since 1946 could not be expected to go on rising forever. Wasn't residential building outrunning household formation? Hadn't industrial building already turned down? Certainly the impetus given by the migration to the suburbs must soon begin to peter out. These and other indications caused many analysts to envisage the end of almost a decade of rising outlays for construction.

Rather than declining, however, construction expenditures continued to expand and became a major force in the vigorous 1954-55 recovery. In turn, this led to renewed insistence in many quarters that construction has reached the boom stage—with a you-know-what-follows-a-boom implication.

As far as the dollar amount of outlays for construction is concerned—both the current volume and the spectacular increase over the past decade—there is no gainsaying the zooming boom. From 1950-54 expenditures for new construction averaged \$32 billion per annum. Last year the total rose to \$38 billion, and this year the \$42 billion mark may be reached. These are stratospheric heights compared to the \$12 billion spent in the first postwar year and the \$8 billion spent in 1939.

Put in Perspective

If these figures were accepted as the whole story, they would present a distorted record of real construction activity. They need to be whittled down by allowances for increased construction costs, for population growth, and for the growth in the economy as a whole. When this is done, construction activity in

recent years is not the rip-snorting, record-breaking boom it appears to be.

Eliminating the effect of increases in costs, for example, deflates considerably the dollar volume of postwar expenditures. Last year's \$38 billion outlay, in 1947 prices, is reduced to about \$29 billion. Making costs a neutral factor surely has a marked effect on comparisons of prewar and postwar spending for new construction. Actually the 1954 dollar total was three and one-half times larger than the \$11 billion spent in 1929, but in constant dollars (corrected for cost increases) was only half again 1929's similarly adjusted \$19 billion.

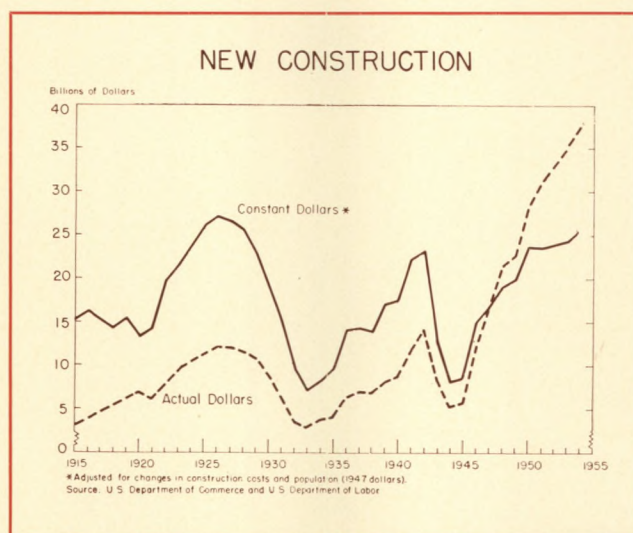
This type of deflating is even more striking in the case of private construction. Outlays of \$26 billion for private projects in 1954 seem to overshadow the \$8 billion spent in 1929, but when costs are equalized the comparable amounts become \$20 billion and \$15 billion.

Another adjustment to the raw dollar figures aiding better appraisal of the current construction picture is allowing for obviously rapid population growth. Other things being equal, the current volume should be much larger than the

1929 total with 43 million more people and about 18 million more households on the demand side of the equation.

Adjusting, then, dollar outlays in terms of constant (1947) population further deflates the boom size of recent construction outlays. Whereas unadjusted expenditures last year were three and one-half times the 1929 outlays, corrected for population changes, the 1954 figure is only two and one-half times as large as the 1929 amount. And if other major divisions of construction are so treated, a similar narrowing of numerical differences is achieved.

Adjustments for up-changes both in costs and population take much of the zoom out of the current construction boom. As shown by the solid curve on the accompanying graph, the real volume of new construction in 1954 was only a little larger than the adjusted volume in 1929—a very different picture from that painted by the unadjusted dollar amounts which were 245% greater in 1954 than in 1929.



Clearer Picture

A completely different picture is obtained if the adjusted figures are related to aggregate economic activity. One indication of the existence and extent of a construction boom is the relative importance of the construction industry in the economy. As shown in the bar chart on the cover, recent construction activity is relatively of considerably less importance than it was in the boom-and-bust year of 1929!

Although construction expenditures have been increasing steadily for the last 10 years, adjusted outlays in 1954 were still only 9.7% of aggregate economic activity (represented by gross national product adjusted to constant 1947 population and prices). In 1929, the final year of the previous peacetime construction boom, they were 14.3%.

As shown in the bar chart, construction activity in every major category last year was still short of the heights reached in 1929 relative to total economic activity. Despite the second highest number of starts in the nation's history last year, private non-farm residential building outlays were only 3.5% of the gross national product, as compared to almost 5% in 1929 (dollar amounts adjusted as indicated in the chart). Spending for residential building in 1929, however, was well below the 1926 peak. Outlays for all other private construction projects during the "Roaring Twenties" peaked in 1929 and accounted for over 6% of GNP. Such expenditures last year—for all the new supermarkets, motels, utilities, and office buildings—amounted to only a little more than 3%.

The fact that the real (adjusted) volume of current construction is short of the heights (relative to aggregate output) reached during the booming Twenties is no proof that construction activity still has lots of growth ahead or that there are no weaknesses in the picture.

Adjusting construction expenditures for changes in costs and population and comparing current activity with that in a previous boom-year may help to place the current situation in clearer perspective.

Clue: Backlogs

Earlier reference was made to 1929, final year of the last peacetime construction boom. Therein lies the

initial explanation of today's grandiose construction activity. That building boom came to a close over a quarter-century ago, and in the interim the volume of private construction was cut to the bone first by the Great Depression and next by World War II. While effective demand was drastically reduced, needs continued in their inexorable way, and backlogs of construction projects piled up to the point where a decade of application by a greatly expanded industry has not erased them.

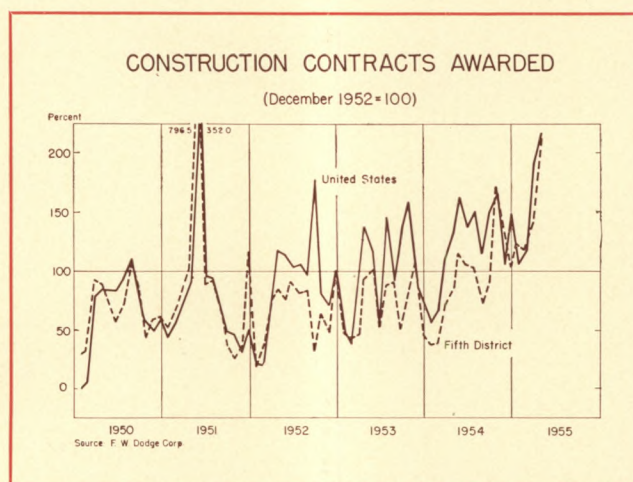
Added to that have been the vast construction requirements of an economy experiencing a decade of unprecedented growth—more recently manifesting an earlier intense replacement demand as competition and technical improvements shortened the economic life of the old.

Breathing life into these building requirements has been a prosperity-high-and-rising flow of income. As a consequence, there has probably been a narrower gap in the last ten years between needs and effective demand for construction than in any previous decade.

Most impressive aspect of the postwar construction story has, therefore, been its relatively restrained nature.

It is no wonder that aggregate outlays have reached such large amounts; the real wonder is that current levels are not much higher than they are.

In some respects too much restraint has been exercised. In many instances, "too little—too late" has characterized spending by state and local governments for expansion and improvement of schools, highways, and intracity expressways. As did everyone else, many public planners underestimated the ability of the economy to continue expanding at the rate it has and consequently set their requirements too low. Even those requirements have not always been approved by the public for many proposed bond issues to finance needed public projects have been rejected by the voters. Indignation expressed over the back fence about inadequate educational facilities, traffic jams, and water shortages is not always carried to the polls or the point where the necessary money is provided.



Nonresidential Construction Still Strong

The argument that the nation is overbuilding ought to get short shrift with respect to nonresidential construction. In most lines, public and private, the high levels of demand appear to be solidly based, and there is little indication that current activity is borrowing from the future. Although there are differences of opinion as to how to finance expanded highway-building, there is virtually no disagreement as to its need; substantially larger outlays in the near future are practically certain.

Similarly, increased spending for schools cannot be avoided. Preliminary reports of a "Survey of School Facilities" by the United States Office of Education indicate that in order to meet accumulated and current requirements by the Fall of 1959, the nation will have to step up and maintain for the next four years classroom building at a rate 73% above the current level.

All told, non-federal outlays of \$200 billion will be required in the next 10 years for highways, schools, hospitals, and other state and local capital projects. This total, estimated in a joint survey by the U. S. Departments of Commerce and Labor, would entail average annual outlays more than double this year's spending for such purposes.

As unlimited as public construction requirements appear to be, the private sector has been the pace-setter so far this year. Here, nonresidential construction has been having a record-setting year even though it is not as spectacular as that of residential building. For the first five months, outlays on private projects other than residential amounted to \$5 billion—10% greater than in the comparable period of 1954.

One of the most significant developments so far this year has been the turn-around in spending for new plant and equipment. After declining for six consecutive quarters, such outlays turned upward in the second quarter of this year, and it is estimated that they will equal in the current quarter the previous peak reached in the third quarter of 1953. Thus, increased construction outlays by manufacturing, mining, public utility,

railroad and other transportation companies will be added to expenditures by commercial and financial firms, hospitals, religious and other institutions as expansive forces in nonresidential construction.

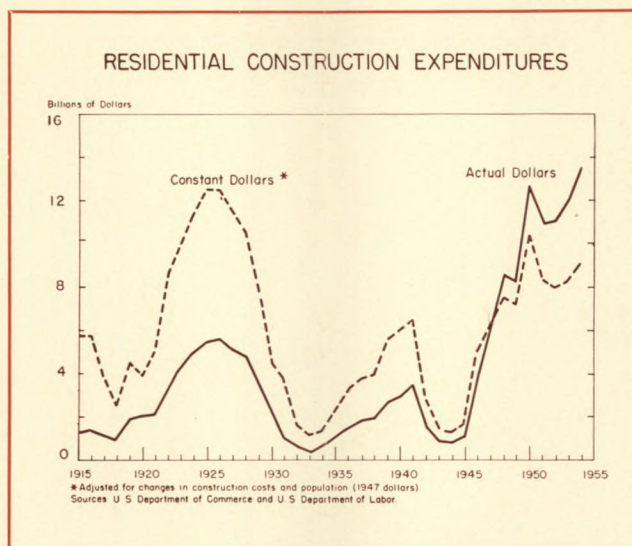
Prize performer in this category so far this year has been industrial building. After declining for three years, investment for this purpose turned upward at the close of last year and is still increasing. The F. W. Dodge Corporation reports that for the first five months of this year (latest data available) contract awards for construction of manufacturing plant ran 44% higher than they did in the same period a year ago. This was the second largest percentage gain of

any of the components of nonresidential construction (public works increased 65%) and well above the 23% increase for the total, including public works and utilities.

Fifth District Ahead of Nation

Both of these gains were bettered in three of the Fifth District states. Contract awards reported by Dodge in Maryland increased 156% for manufacturing buildings and 69% for total nonresidential construction. West Virginia had gains of 319% and 29%, and North Carolina 159% and 83%. Virginia with an increase of 51% and the District of Columbia with 150% also surpassed Dodge's 37-state gain of 23% for total nonresidential construction awards. In each of the major divisions of nonresidential construction—commercial, manufacturing, educational, public works, utilities—contract awards in the Fifth District as a whole increased substantially more than they did in the nation in this period.

A major force behind the rise in nonresidential construction—the movement of population to the suburbs—should continue to exert strong upward pressure. The centrifugal migration is still going on and will obviously call forth new shopping centers, supermarkets, banks, and other commercial and financial projects as well as religious, social and recreational facilities which have lagged behind.



Residential Construction—How Abnormal?

Is the residential building industry sound and healthy or is it engaged in a wild uneconomic spree which will shortly show up in unemployment and idle equipment? There has been a flood of articles and speeches at both lay and professional levels. Many express uneasiness in terms of, "this cannot go on much longer," "we are borrowing from the future to support an unhealthy growth now," "builders are saturating the market," or "we cannot ease mortgage lending terms indefinitely and this stimulus to demand has about reached its limit." Others counter with "the level of construction is normal for the level of population and of prices we now have," or "we are in a period of new attitudes and new techniques—current levels of activity cannot be judged by what has happened in the past."

Figures on residential construction are indeed startling—when considered in isolation or in direct comparisons with the past. In each of the past six years over one million homes were started. 1955 looks like another million-plus year; over the first five months of the year privately financed work was begun on 547,300 new homes. If current rates continue, private housing starts for 1955 will equal or exceed the previous record of 1,352,200 set in 1950. Over \$6 billion was spent on residential construction from the first of the year through May. The U. S. Departments of Commerce and of Labor estimate a total of \$14.6 billion for the full year, putting expenditures for 1955 at \$1.3 billion (nearly 10%) above 1954 and \$2 billion (over 15%) above 1950, the record year.

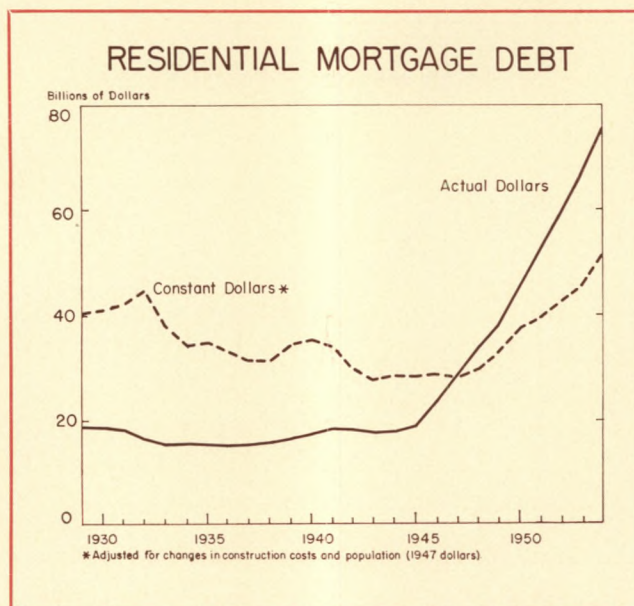
The accompanying charts on residential construction expenditures and residential mortgage debt portray current figures as giants when compared directly with the booming Twenties. Since that prosperous decade, however, construction costs have increased two and a quarter times and the nation's population is two-fifths greater. These adjustments are shown in the charts, and the comparison with the 1920's becomes much less unfavorable than with the actual dollar figures.

In this perspective current residential construction activity can hardly be considered an unstable, speculative spree, which, because it is out-of-line with other developments, is doomed to disastrous collapse. It appears more as a normal growth accompanying other

economic changes, even perhaps lagging behind other periods of rapid expansion.

What factors tend to support the continuation of residential building at these high levels? Each of the following influences should be carefully considered in appraising the future:

1. The availability and the terms of mortgage credit.
2. The high and rising level of personal income.
3. Migration of the population: from rural to urban; from central city to suburban; from region to region.
4. The formation of new households.
5. Changes in housing standards—the widespread desire for better housing.
6. The rising trend toward home ownership—of all occupied dwellings, only 41% were owned by their occupants in 1940; in 1950, 53% were owner occupied. The current figure is probably close to 60%.
7. The condition of the existing stock of houses—a large proportion is of inferior quality and many are removed each year because they no longer meet the minimum standards for residence.



Of these seven factors, the first has been singled out as a possible harbinger of disaster. The remaining six represent basic economic and psychological factors which should be encouraged in the promotion of ever rising standards of living and which, in any event, cannot be directly controlled in a free society. Likewise, the *availability* of mortgage credit is the result of numerous economic factors, which can be influenced by general monetary policy, but which are not subject to direct control in a free enterprise system. Mortgage funds are now provided by numerous and varied financial institutions, such as, savings and loan associations, insurance companies, commercial banks, and mutual savings banks. The amount of funds made available for home financing by these institutions is influenced by the total amount of funds available to each of them for investment, the existing distribution of their assets among the various types of investments, and the current rates of return that can be realized in each of the different fields of investment, one of which is the home mortgage field.

The terms on which mortgage credit is extended, however, have been attacked as the weak spot in the residential construction picture. Some maintain that exceedingly easy terms have induced an unsustainable volume of mortgage debt. The contention is supported primarily by comparison of the spectacular growth in residential mortgage debt outstanding since the end of World War II (see the solid line in the accompanying chart) with the level and the rate of growth in earlier years. Such a direct comparison, just as in the case of construction expenditures and housing starts, is apt to be misleading. Adjusting the dollar amount of mortgage debt outstanding for price and population changes gives a more reasonable perspective. The accompanying chart shows the adjusted dollar figure to be higher at the end of both 1953 and 1954 than in any year since 1929. The difference from earlier periods, however, is not nearly as startling as the actual figures would indicate.

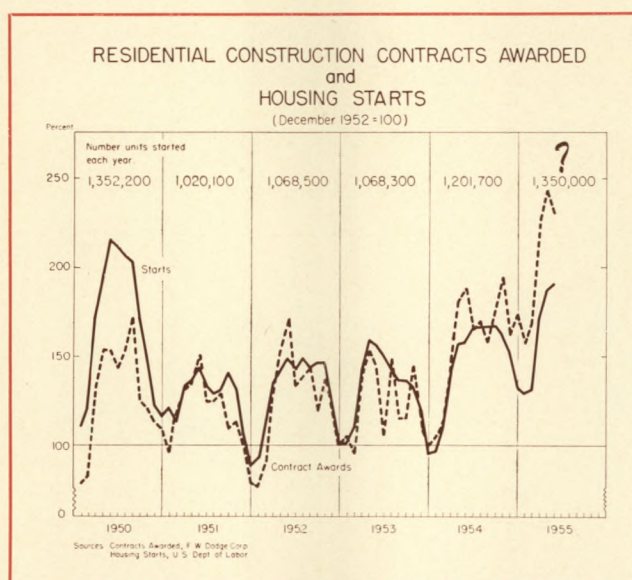
Is it a sign of weakness that the dollar amount of mortgage debt, adjusted for price and population changes, is greater now than at any time since 1929? It is sometimes stated that it would be more difficult to carry today's mortgage debt "burden" in the event of a major general economic decline such as occurred from 1929 to 1933. There are a number of factors in today's debt structure, however, which will mitigate to some degree the effects of economic adversity. Undoubtedly, a very important factor currently is the contractual monthly amortization, widespread today but relatively scarce in the 1920's. Relatively few borrowers today would be faced with refusal to renew a mortgage loan whose short term had run its course as was fairly typical in the period from 1929 to 1933. Today's mortgage borrower could not be faced with more than the amount of his current monthly payment. Consequently, borrowers whose incomes are maintained, even at lower levels, could still uphold their

mortgage commitments. The condition of the financial institution which holds the mortgage would today have no bearing on this ability, whereas, in earlier years, it was frequently a deciding factor.

A second attribute of today's mortgage debt structure, reducing the effect of an economic decline, is the existence of Government insurance and guarantee. Of the \$75.9 billion of mortgage debt outstanding on 1- to 4-family properties at the end of 1954, 42% carried such insurance or guarantee. Consequently, an increase in defaults would not have the same effect on the financial institutions carrying this debt as it had in the last great depression.

Perhaps the more appropriate criticism of today's huge personal debt structure, including all consumer credit as well as that based on home mortgages, lies in the commitment of current income. Declining economic activity, reducing personal incomes, may not necessarily lead to a wave of loan defaults—but it will certainly reduce the amount of funds available for current expenditures. A large portion of current income will flow to debt repayment while the flow into new expenditures from new debt being contracted may decline so that a net reduction

in personal expenditures follows. This could lead to a cumulative deflationary process. The detrimental effects, therefore, can be said to stem from the factors affecting personal income; not from the level of personal debt. The existence of a large personal debt may tend to enhance a downward movement in economic activity—but the preferable cure lies in the maintenance of a high and stable level of personal income, not in a reduction in the debt structure. As a matter of fact, any conscious attempt to reduce the debt structure may well have such repercussions on personal income as to bring about the decline in economic activity that it is sought to avoid.



Recent Developments In Farm Real Estate

FIFTH DISTRICT farm real estate prices weakened slightly during the winter of 1954-55 but still lay between the level a year earlier and the post-World War II high recorded two years ago. Recent price weakness in the Fifth District differed from the national situation—the United States index increased from 124 in November 1954 to 125 in March 1955 (1947-49=100), while the District index dipped from 130 to 129. A year ago the District index stood at 127 and the United States index at 122.

Maryland and North Carolina Prices at Record Levels

Within the District the largest land value decline (about 3%) occurred in Virginia where the index fell three points to 130. A two-point decline (from 112 to 110) occurred in West Virginia. In South Carolina the index slipped from 115 to 114. In North Carolina and Maryland the index remained at 138 and 128, respectively. In both of these states land prices currently are at their all-time peak, and elsewhere in the District they are only moderately below the peak levels reached in 1952 or 1953—in puzzling contrast with the decline in farm prices and in net farm income taking place during this period.

The actual level of farm real estate prices among states is not evident from the above-mentioned index numbers. The accompanying chart, however, shows the average dollar value per acre in each District state for 1940 and annually from 1950 to 1955 (prices as of March 1 for the years indicated). The weighted average price of farm land and buildings for the entire District is not shown since it corresponds closely to the price in Virginia.

Volume of Sales

During the year ended March 1, 1955, the number of voluntary sales and trades of farm real estate was higher than the year before for the country as a whole. This pattern also applied to Maryland and West Virginia, but the other states in the District showed a decline. In North Carolina the rate of voluntary transfers was the lowest since 1933, while in Virginia the rate was the lowest since 1936. Drought and the lower level

of farm income were important factors in the past year's decline.

The number of farms listed for sale was about the same as a year earlier except in Virginia where a slight increase occurred. Demand generally seemed slightly weaker although active interest continues in small acreages suitable for part-time farming. Another factor in the lower level of farm real estate activity has been some apparent tightening of funds for farm mortgages on newly acquired farms. While interest rates have generally held firm to slightly higher, reports show a more conservative trend both in appraisals of farm land and in screening prospective borrowers. Despite these

developments, indications are that an increasing share of farm transfers now involve credit in one form or another.

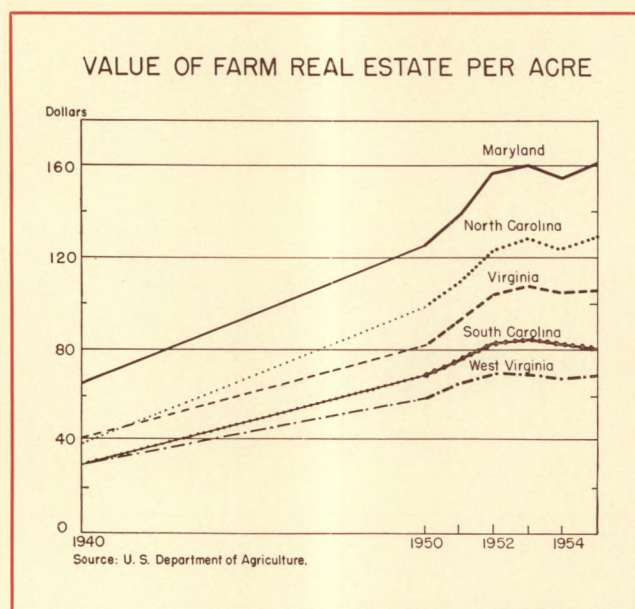
Mortgage Recordings Increase

State data are not available on mortgage recordings, but in the two Farm Credit Administration Districts which include Fifth District states both the number and total amount of farm mortgages recorded by all lender groups was larger in 1954 than in 1953.

Readers are cautioned against assuming that mortgage recordings bear a particularly close relationship to land transfers. Actually

farmers borrow against real estate mortgages for various reasons, the purchase of land being but one. While recent information is not available for banks, data for other institutional farm-mortgage lenders show that refinancing of existing debt is now a more important reason for borrowing than the purchase of farm land.

In a 1954 study of Federal Land Bank loans, 60% of the money borrowed was to refinance existing debts, 13% was to buy farm real estate, and 27% was for all other purposes, including the purchase of livestock and machinery and the making of farm and home improvements. This is substantially in line with the reasons for borrowing from Federal Land Banks in other recent years. Recently published data of leading insurance companies in the farm-mortgage lending field revealed that 46% of the funds loaned on farms went to refinance farm real estate mortgages and other debts, 35% was for the purchase of farm real estate, and 19% was for all other purposes.



Business Conditions and Prospects

BELLWETHER of the vigorous expansions thus far has been the trade level, which still shows considerable strength although the trend appears to be leveling off. Construction contract awards moved down somewhat from their exceedingly high perch but clearly remained at boom-time levels. The bituminous coal industry continued its strong revival, with average daily output in May exceeding every month since August 1953.

In the important textile sector, cotton spindle hours in May were a thumping 15% ahead of May '54 and equaled their record high achieved in war-time July 1942.

Manufacturing activity in the Carolinas, which had leveled off in the first four months of 1955, achieved a vigorous upturn during May. Manufacturing employment moved up in April and area labor market reports imply still further rises in the May figures when available.

Total loans and investments of Fifth District member banks declined moderately during May with rises in loans and holdings of other securities being more than offset by reductions in Government security holdings. All types of bank deposits declined slightly but bank debits showed an adjusted increase of 5% to a level of 14% higher than a year ago. In May, deposits of mutual savings banks in Maryland rose 4.9% over a year ago, the smallest percentage increase for any month this year or last.

Purchases of Series E & H savings bonds in the District during May were 4% smaller than in April, although a hearty 21% higher than last year. Redemptions, however, rose 1% from April to May and were 17% higher than a year ago. Slower rates of saving and declines in bank deposits undoubtedly were related to the high level of trade activity.

Trade

Leveling off of the high trade plateau of recent months is shown in the case of motor vehicles and, to some extent, in furniture, floor coverings, and draperies. Major appliances, on the other hand, continued in strong demand through the month of May.

Department store sales during May (average, daily adjusted) were 1% higher than in April and 13% higher than a year ago. In the first five months of the year, sales volume was up 9% from last year. Department store inventories (adjusted) declined 3% during the month, but were 1% higher than a year ago; outstanding orders rose 4% to a level 21% ahead of a year ago. Interestingly, an increased volume of major household appliance sales is being effected with a con-

siderably lower inventory than has prevailed in the last several years.

Retail furniture store sales fell 2% on an adjusted basis from April, but were 7% higher than a year ago. Sales in the first five months of 1955 were 13% ahead of last year. Inventories in May rose 6% from April, after seasonal correction, but were still 4% under a year ago.

Construction

Construction has been labeled the bellwether of recovery since it had nothing to recover from—it continued to rise throughout the recession and, though hesitating recently, is still in the super-boom area. Contract awards in May, on an adjusted basis, were down 26% from April but still 7% ahead of a year ago. For the first five months of the year, total awards were a whopping 56% ahead of a year ago.

One-and two-family houses were the only types of construction to show an increase of more than seasonal proportions from April to May. These awards were up 12% in that period, 51% ahead of a year ago and 63% higher during the first five months of the year. Awards for public works and utilities (adjusted) dropped 64% from April to May. They were 15% under a year ago, but in the first five months were up 63%. Awards for factory buildings dropped 31% (adjusted) from April to May, but were 56% higher than a year ago. In the first five months of the year the gain was 103%. Commercial construction awards dropped 9% on an adjusted basis from April to May but were 29% higher than a year ago and 57% higher in the first five months.

Manufacturing

Manufacturing man-hours for the District were off in April 2.7% from March but stood 5.1% ahead of a year ago. Only May data available are for the Carolinas, but they indicate that the District's April loss will be more than offset, with man-hours in all manufacturing up 3.4% from April and at a level 10.8% higher than a year ago. Durable goods industries man-hours in May were 5.4% ahead of April and 14.6% ahead of a year ago. In the District totals for April, a 1% decline from March was shown, but April was 6.1% ahead of a year ago. In non-durable goods industries in May the Carolinas were up 2.7% from April and 9.6% from a year ago. April man-hours in total District non-durable goods industries were off 3.8% from March but 4.6% above April 1954.

All major industrial classifications in the Carolinas showed increased man-hours from April to May with the exception of machinery and chemicals. Prominent

in the April-May rise were cigarettes, furniture and fixtures, lumber and wood products, stone, clay and glass, seamless hosiery, and apparel, particularly in North Carolina.

Cotton consumption by Fifth District mills rose 3% (adjusted) from April to May to a level 12% ahead of a year ago. In the first five months of the year consumption was 7% higher than in those months last year. May cotton consumption, adjusted, was within a fraction of a per cent of the level established in December 1954. Spindle hours operated in May rose 6% from April (seasonally adjusted) to a level 15% ahead of a year ago and tied the record high of July 1942.

Total rayon and acetate shipments of domestic producers moved down 9% from April to May but remained 11% ahead of a year ago. All types of shipments showed declines during the month with the exception of viscous high tenacity.

Cigarette production in the District (available only for April) was down an adjusted 9% from March and 3% under April a year ago. For the first four months, however, the totals were 4% above last year. In May, according to the Richmond Chamber of Commerce, cigarette production in Virginia was 6.7% ahead of a year ago.

Banking

Total loans and investments of the member banks of the Fifth District declined \$26 million from April 27 to May 25. Loans increased \$25 million in this period and other securities rose \$1 million. These, however, were more than offset by a decline of \$52 million in holdings of Government securities.

Total deposits of the District member banks declined \$76 million from April 27 to May 25. Time deposits declined \$1 million while demand deposits declined \$75 million, inter-bank deposits were off \$50 million and other demand deposits \$60 million.

Borrowings of the member banks rose \$13 million during the month, with borrowings from the Federal Reserve Bank up \$7 million and from others up \$6 million.

Changes from May 26, 1954, to May 25, 1955, were as follows: loans and investments up \$455 million; loans up \$362 million; holdings of Government securities up \$42 million; and holdings of other securities up \$51 million. Deposits were up \$406 million, with demand deposits up \$247 million and time deposits contributing \$159 million.

Bank debits of the reporting banks in the District increased 5% (seasonally corrected) from April to May,

and were 14% over a year ago. For the first five months the gain was 10%.

Loans of the weekly reporting banks continued their unusual rise during June. Part of this was due to income tax borrowing, but continued sharp rises in real estate and consumer loans have little to do with tax payments and are indicative of continuing expansion in those areas.

Unemployment

Insured unemployment in the Fifth District during the week of June 11 totaled 111,600, a decline of 4.5% from a month earlier and 45.1% from a year ago. Nationally, insured unemployment on June 11 had declined 12% from the previous month and 40.8% from a year ago.

Bituminous Coal

Average daily output of bituminous coal from Fifth District mines rose 4% from April to May and 35% over May 1954. In the first five months output was up 28% from those months of last year. This is a substantial rise and, importantly, has made no contribution to increased stocks in the period; in fact, stocks are down 5 million tons from a year ago.

In April, railroads, retail dealers, and bunker fuel users were the only consumer types showing smaller consumption than a year ago. All other users had increases ranging from 17% for electric power companies to 259% for beehive coke ovens—by-products ovens increased 28%, cement mills 8%, and other industrial concerns 7%.

Agriculture

The moisture situation has been considerably better in the Fifth District this year than in the past two years. The growing season thus far has been generally quite favorable. Farm prices in May were varied—Virginia and West Virginia showed small declines during the month, but North Carolina and South Carolina had small increases. Relative to a year ago, May farm prices were down 4.1% in Maryland, 0.8% in Virginia, and 9.4% in West Virginia. They were up 0.7% in North Carolina, and unchanged in South Carolina. These figures compare with a decline in United States farm prices of 1.2% during May and 4.3% from a year ago.

Cash farm income in the District during April rose 8% from March and was 2% higher than a year ago. In the first four months, however, it totaled 7% less than last year.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	May 1955	5 Mos. 1955
Maryland	+11	+ 6
Dist. of Columbia	+16	+14
Virginia	+ 1	+ 7
West Virginia	+32	+25
North Carolina	+ 3	+11
South Carolina	+26	+13
District	+12	+12
INDIVIDUAL CITIES		
Baltimore, Md.	+11	+ 6
Washington, D. C.	+16	+14
Richmond, Va.	- 3	+ 8
Charleston, W. Va.	+ 8	+13
Greenville, S. C.	+11	+ 7

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

WHOLESALE TRADE

LINES	Sales in May 1955 compared with May		Stocks on May 31, 1955 compared with May 31, Apr. 30,	
	1954	1955	1954	1955
Auto supplies	+18	- 2	NA	NA
Electrical, electronic and appliance goods	+ 1	-11	- 1	- 2
Hardware, plumbing and heating goods	+24	+10	+ 6	+15
Machinery equipment supplies	+ 6	+ 3	- 1	- 1
Drugs, chemicals, allied products	+20	+ 5	+33	- 2
Dry goods	+18	0	-19	-28
Grocery, confectionery, meats	+ 3	0	+ 4	+ 1
Paper and its products	+20	-37	NA	NA
Tobacco products	NA	NA	NA	NA
Miscellaneous	+14	+ 2	+ 7	+ 6
District Total	+15	+ 2	+ 7	+ 5

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

BUILDING PERMIT FIGURES

	May 1955	May 1954	5 Months 1955	5 Months 1954
Maryland				
Baltimore	\$16,046,590	\$ 4,400,960	\$ 43,595,882	\$ 23,727,835
Cumberland	148,400	54,025	801,691	223,925
Frederick	471,970	65,075	1,168,175	471,767
Hagerstown	615,865	57,025	1,330,885	926,604
Salisbury	62,432	43,368	1,032,599	914,206
Virginia				
Danville	250,110	234,246	3,342,021	996,593
Hampton	461,954	731,738	7,155,082	4,092,259
Hopewell	319,544	143,252	1,610,707	672,329
Lynchburg	549,181	404,890	4,095,798	2,451,597
Newport News	237,274	177,481	850,026	1,421,047
Norfolk	1,682,681	571,364	6,065,359	6,275,148
Petersburg	164,000	173,300	1,567,400	853,400
Portsmouth	298,975	153,854	1,549,815	3,762,534
Richmond	2,446,657	4,774,854	9,445,765	12,388,760
Roanoke	980,510	705,157	5,087,353	5,206,624
Staunton	168,300	129,470	1,369,355	564,640
Warwick	2,020,609	567,211	5,291,565	3,271,262
West Virginia				
Charleston	709,178	716,266	2,890,149	3,412,115
Clarksburg	185,151	108,343	858,464	1,316,510
Huntington	529,355	438,251	2,021,226	1,932,275
North Carolina				
Asheville	247,790	270,425	1,324,077	1,677,464
Charlotte	3,609,029	1,821,183	13,570,975	8,125,573
Durham	564,116	914,121	6,151,989	2,394,650
Greensboro	1,009,319	641,256	4,627,424	4,868,676
High Point	674,290	925,322	3,787,019	2,017,264
Raleigh	2,107,865	946,766	9,343,879	5,668,592
Rocky Mount	369,934	263,482	1,652,645	1,438,989
Salisbury	125,695	115,445	506,163	785,297
Wilson	189,100	149,800	1,670,775	1,023,550
Winston-Salem	1,638,613	960,980	6,589,017	5,900,842
South Carolina				
Charleston	507,404	131,348	1,282,625	892,643
Columbia	1,105,826	1,416,832	3,788,940	4,780,086
Greenville	1,101,598	279,175	3,376,746	3,044,826
Spartanburg	39,255	69,016	870,700	1,426,442
Dist. of Columbia				
Washington	5,067,360	5,870,004	28,447,620	26,406,832
District Totals	\$46,705,930	\$29,425,285	\$188,119,911	\$145,333,150

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	May 1955	Apr. 1955	May 1954	% Chg.— Latest Mo. Prev. Mo.	Yr. Ago
DEPARTMENT STORE OPERATIONS (Figures show percentage changes)					
Sales, May '55 vs May '54 ..	+13	+ 6	+10	+11	+10
Sales, 5 Mos. ending May 31, '55 vs 5 Mos. ending May 31, '54 ..	+10	+ 4	+ 6	+10	+ 8
Stocks, May 31, '55 vs '54 ..	+ 5	+ 2	- 1	- 3	0
Outstanding Orders May 31, '55 vs '54	+21	+31	+23	+11	+23
Open account receivables May 1, collected in May 1955 ..	30.9	48.2	43.4	39.9	41.6
Instalment receivables May 1, collected in May 1955 ..	11.5	14.4	14.1	16.4	14.0
Sales, May '55 vs May '54					
Md.	+ 7	+10	+10	+10	+13
D.C.					
Va.					
W.Va.					
N.C.					
S.C.					
FIFTH DISTRICT INDEXES Seasonally Adjusted: 1947-1949=100					
New passenger car registration*	194	148	+ 5	+30	
Bank debits	176	167	+ 5	+14	
Bituminous coal production*	101	97	+ 4	+35	
Construction contracts	206	279	-26	+ 7	
Business failures—number	151	183	-17	-16	
Cigarette production	90	102	- 9	- 3	
Cotton spindle hours	124	117	+ 6	+15	
Department store sales	130	129	+ 1	+13	
Electric power production	179	162	0	+ 8	
Manufacturing employment*	107	104	+ 1	+ 3	
Furniture store sales	117	119	- 2	+ 7	
Life insurance sales**	193	177	+ 9	+21	

* Not seasonally adjusted.

Back figures available on request.

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** Series Revised.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	May 1955	May 1954	5 Months 1955	5 Months 1954
Dist. of Columbia				
Washington	\$1,331,990	\$1,075,463	\$ 6,567,237	\$ 5,716,091
Maryland				
Baltimore	1,640,070	1,485,993	7,672,741	7,101,035
Cumberland	27,352	23,182	120,717	111,007
Frederick	24,021	22,054	114,238	111,404
Hagerstown	45,442	33,241	211,852	175,574
Total 4 Cities	1,736,885	1,564,470	8,119,548	7,499,020
North Carolina				
Asheville	62,817	58,389	327,563	296,132
Charlotte	407,719	338,146	2,005,464	1,736,899
Durham	81,436	89,966	395,967	425,461
Greensboro	144,469	115,909	716,296	579,472
High Point**	48,333	41,849	246,054	209,050
Kinston	21,487	18,770	111,057	99,809
Raleigh	185,209	170,222	1,057,238	907,354
Wilmington	50,898	44,077	258,612	224,930
Wilson	19,034	16,082	101,350	87,836
Winston-Salem	167,326	136,091	835,028	726,718
Total 9 Cities	1,140,395	987,652	5,808,575	5,084,611
South Carolina				
Charleston	82,443	73,982	413,905	361,722
Columbia	181,744	158,192	877,875	835,571
Greenville	124,236	105,543	629,330	534,737
Spartanburg	63,922	58,698	326,199	308,971
Total 4 Cities	452,345	396,415	2,247,309	2,041,001
Virginia				
Charlottesville	37,309	31,927	179,778	153,726
Danville	36,210	30,699	191,887	170,043
Lynchburg	52,731	46,490	261,789	238,730
Newport News	57,139	44,126	270,547	229,719
Norfolk	288,839	239,466	1,403,764	1,260,425
Portsmouth	36,586	29,885	178,463	155,863
Richmond	637,604	554,763	3,180,598	2,905,232
Roanoke	131,204	114,548	628,241	570,034
Total 8 Cities	1,277,622	1,091,904	6,295,067	5,683,772
West Virginia				
Bluefield	43,369	34,047	214,994	193,025
Charleston	165,157	168,410	844,071	863,774
Clarksburg	34,907	26,326	175,514	155,642
Huntington	73,832	67,241	362,776	343,226
Parkersburg	32,238	29,533	156,056	149,117
Total 5 Cities	349,503	325,557	1,753,411	1,704,784
District Totals	\$6,288,740	\$5,441,461	\$30,791,147	\$27,729,279

* Interbank and U. S. Government Accounts excluded.

** Not included in District totals.

50 REPORTING MEMBER BANKS

(000 omitted)

	June 15, 1955	May 11, 1955	Change in Amount from June 16, 1954
ITEMS			
Total Loans	\$1,635,202**	+ 29,551	+244,588
Bus. & Agric.	731,999	+ 5,693	+117,462
Real Estate Loans	321,735	+ 6,639	+ 50,737
All Other Loans	603,682	+ 17,260	+ 81,017
Total Security Holdings	1,744,268	- 25,710	- 21,776
U. S. Treasury Bills	74,181	+ 12,643	- 21,725
U. S. Treasury Certificates	22,458	- 28,219	-120,842
U. S. Treasury Notes	364,919	+ 273	+ 58,930
U. S. Treasury Bonds	1,014,107	- 12,227	+ 32,771
Other Bonds, Stocks & Secur.	268,603	+ 1,820	+ 29,090
Cash Items in Process of Col. ..	371,880	+ 54,621	+ 58,145
Due from Banks	180,703*	+ 16,333	- 35,164
Currency and Coin	75,986	- 4,667	+ 737
Reserve with F. R. Banks	511,776	- 20,719	- 33,301
Other Assets	67,216	- 3,984	+ 3,255
Total Assets	\$4,587,031	+ 45,425	+216,484
Total Demand Deposits	\$3,463,217	+ 73,742	+165,729
Deposits of Individuals	2,632,443	+ 88,002	+143,557
Deposits of U. S. Government	90,973	- 20,859	+ 8,107
Deposits of State & Local Gov.	214,716	- 2,800	+ 13,117
Deposits of Banks	458,872*	+ 3,557	- 3,263
Certified & Officers' Checks	66,213	+ 5,842	+ 4,211
Total Time Deposits	760,392	- 1,047	+ 35,983
Deposits of Individuals	682,143	+ 2,685	+ 44,532
Other Time Deposits	78,249	- 3,732	- 8,549
Liabilities for Borrowed Money	16,000	- 22,300	+ 6,100
All Other Liabilities	38,540	- 6,489	- 8,296
Capital Accounts	308,882	+ 1,519	+ 16,968
Total Liabilities	\$4,587,031	+ 45,425	+216,484

* Net figures, reciprocal balances being eliminated.

** Less losses for bad debts.