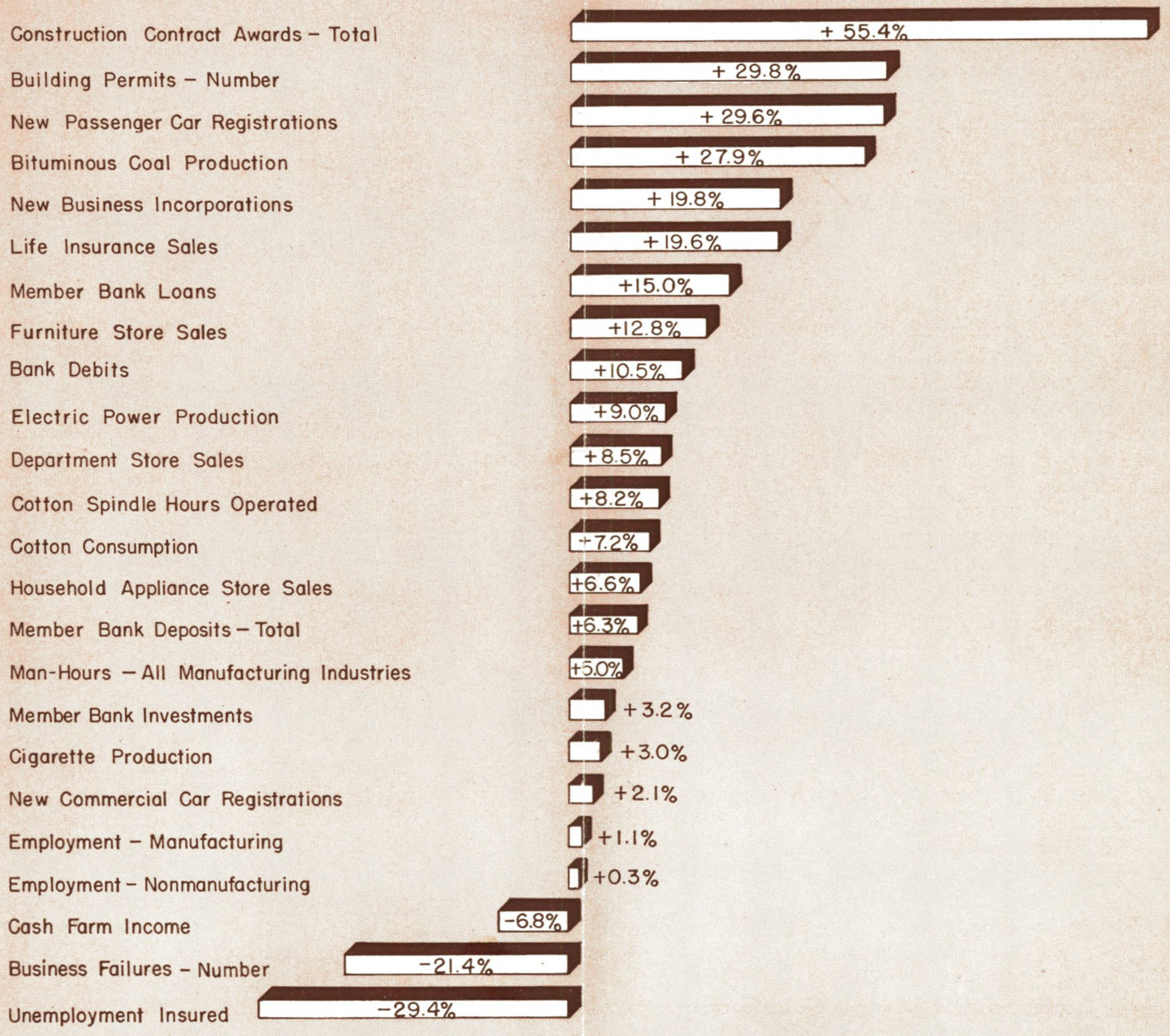
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

August 1955

FIFTH DISTRICT ECONOMY MOVES UP



Bars in the above chart show percentage changes in the accumulated figures for four, five, or six months this year as compared with a similar period last year. The length of the period depends on the availability of statistics—most are for five months

In This Issue. . . .

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Midyear Roundup—Vigorous Upturn in the District

THE halfway mark of 1955 found Fifth District business in a bouyant state. Nearly all measures of business conditions tell the pleasant story of marked recovery in the first half of 1955 as compared with that portion of 1954. Business failure figures, which have been declining, are neat reflectors of improvement. While there has been no sharp expansion in non-agricultural employment in the District, hours of labor have risen and man-hours have gained. Agriculture, with its tenuous price structure, was the only major segment of the Fifth District economy to come up on the minus side and raise doubts about its economic health.

Interestingly, cigarette production in the first five months of 1955 was 3.4% higher than in the same months of 1954. And cotton consumption by the District's vast network of textile mills was up 7% over a year ago, with spindle hours stepped up a neat eight percentage points and approximating the old record set in war-time 1942.

Contrary to national experience, the durable goods industries of this District have not done as well this year in relation to last as have the nondurable goods industries. Despite noteworthy improvement in bituminous coal output, unemployment in the mining areas remains a serious problem. The ship-building industry has shown no reviving tendency, although operations have stabilized. Employment by the Federal Government, a mildly restrictive influence on the District economy over the past two years, has also stabilized. Employment by state and local governments in the District continues to expand.

Construction

The construction industry in the District, as in the nation, has shown the most spectacular performance thus far in 1955. Here are to be found the largest increases in business measures over a year ago. Heading the procession was the 63% increase in public works and utility contract awards (first five months of 1955 compared with those months of 1954). Other nonresidential building awards came second, with a gain of 59%. Total construction contract awards were up 55%, and residential awards were fourth, with 50%. Building permits were up 30%.

If construction made a substantial contribution in the first half of 1954 in tempering the recession, it made an even more spectacular one in 1955's sharp recovery. The industry employed directly 216,000 workers (first five months average) or 5.3% of total non-agricultural employment. It has also been the chief support of over 100,000 workers in the lumber industry of the District and has contributed importantly to employment in trade and transportation industries.

The high level of construction contract awards thus far in 1955 practically insures a high level of construction on the site and of employment for the rest of the year, seasonal factors taken into account.

One of the most important considerations in the new construction outlays is the future job opportunities offered by the rapid expansion in manufacturing facilities and in commercial structures. In the first five months of 1955 the valuation of contract awards for manufacturing buildings was 103% larger than in those months of 1954, while the value of commercial structures showed an increase of 57% in the same period.

Of the $1,008 million value of construction contract awards in this period, 62% was awarded in Maryland and Virginia. Maryland awards were 56% higher than a year ago, and Virginia awards were 48% higher. The District of Columbia, accounting for 7%of the total, had an increase of 112%. North Carolina, accounting for 16% of the total, increased 75%. South Carolina, accounting for 10% of the total, was up 38%, and West Virginia, with 6% of the total, advanced 31%.

Outstanding among the projected new manufacturing facilities or expansions are the $100 million expansion of the Bethlehem Steel Plant at Sparrows Point, Maryland; a $20 million General Electric Plant at Hendersonville, North Carolina; and a $20 million General Electric Transformer Plant in the Hickory-Newton-Conover, North Carolina, area. Additional facilities include a $15 million cement plant at Carroll City, Maryland; an $8 million woolen mill at Barnwell, South Carolina; a $6.4 million General Electric Plant at Irmo, South Carolina; a $5.5 million expansion at Glenn L. Martin in Baltimore, Maryland; and a $5.8 million plant of Riegel Carolina Corporation at Acme, North Carolina.

Banking

Impact of the business recovery in the District is reflected in District banking. Deposits of member banks at the end of June were 5.2% higher than a year ago; demand deposits were up 4.4%, and time deposits 7.7%. Loans and investments of the member banks at midyear were 8.5% higher than a year earlier, with loans up 17.5% and investments up 1.1%. Commercial, industrial, and agricultural loans of the weekly reporting banks were 18.9% higher than a year earlier. Real estate loans had gained 19.0% and "all other" loans (largely consumer credit) showed an increase of 15.3% in this period. The normal seasonal pattern of commercial, industrial, and agricultural loans is downward from early Spring until midsummer; at midyear, however, these loans were at an all-time high level and no seasonal decline had been experienced. Similarly, real estate loans and "other" loans were also at record levels on June 30.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Savings

Net new savings in District commercial banks, mutual savings banks, savings and loan associations and in United States savings bonds amounted to $188 million in the first five months of 1955, slightly less than the $194 million in the same period of 1954. The rate of savings in commercial banks and mutual savings banks was, however, considerably lower in the first five months of 1955 than in 1954; in the savings and loan associations it was just about the same as last year, while net redemptions of E and H Savings Bonds amounted to only $3 million in the first five months of 1955 as against $23 million last year.

New savings in the form of life insurance are not available for the Fifth District, but sales of life insurance in the first five months of the year were 20% higher than in the same period of 1954.

Trade

The trade level in the Fifth District this year has been a major force in the business revival. Percentage increases over a year ago have not been so spectacular as those in passenger cars or in construction or bituminous coal production. But the rises shown in the first five months of 1955 are substantial. Whereas 3 or 4% increases are usually considered large in the department store field, District store sales were up 8.5% over last year. Furniture store sales increased 12.8%, household appliance stores 6.6%, new passenger automobile registrations were up 29.6%, and new commercial car registrations gained 2.1%. Sales of retail lumber yards leaped 39.6%.

Sales of durable goods and men's clothing have been outstandingly strong this year. All home furnishings sales in department stores increased 6% through May, with furniture and bedding up 8%, upholstered furniture 10%, major household appliances 33%, and luggage 16%. Men's and boys' wear showed a plus 6%, silverware and clocks 21%.

North Carolina's performance was tops in department store sales increases—a 16% gain (five months of 1955 compared with 1954). South Carolina stores increased 13%, Virginia and West Virginia each 9%, the District of Columbia 6%, and Maryland 5%.

In passenger automobile sales North Carolina led District states with an increase of 40% (again, five month comparisons). The District of Columbia and Maryland were close with increases of 38% and 37%, respectively. West Virginia recorded an increase of 33% and South Carolina 26%, while Virginia's increase of 14% was considerably below both the other states and the national average.

The 12.8% net sales increase in furniture stores of the District reflected 14.7% more in credit sales, 2% less in cash sales. Despite this substantial increase in credit sales, average receivables in the first five months of 1955 were only 2.7% higher than in the same period a year ago. The sales increase was accomplished with an average reduction in monthly inventories of 5.3% over the period.

Department stores reporting the breakdown of sales into cash and credit showed an increase in sales of 5.5% in the periods under review. Cash sales were up 0.7%, installment sales 15.7%, and open-book credit sales 6.7%. Total collections improved on the average 5.6% over a year ago, with installment collections up 10.8% and other collections up 4.5%. Receivables, however, increased 5.1%, with installment receivables up 7.7% and other receivables up 3.2%. Average outstanding orders for the first five months were 4% higher than in 1954, a slightly smaller increase than that shown in total sales.

Manufacturing

Man-hours in all manufacturing industries of the Fifth District rose 5.1% over the first five months of 1954. This is the best available indicator of manufacturing activity, though it understates the rise due to increased efficiency. Durable goods industries were up 4.0% in this period while the nondurable goods improved 5.7%.

For all manufacturing industries, man-hours in North Carolina increased 7.9%, the largest rise in the District. South Carolina had a 7.1% increase, Virginia 2.9%, Maryland 2.2%, and West Virginia 2.0%.

In the durable goods industries, South Carolina marked up the largest increase with 8.3%; North Carolina was next with 7.6%; West Virginia third, with an increase of 4.2%; Maryland fourth, with an increase of 1.9%; and Virginia fifth, with an increase of 1.5%.

In the nondurable goods industries, North Carolina moved up 8.0%, South Carolina 7.1%, Virginia 3.7%, Maryland 2.8%. West Virginia showed a modest decline of 1.3%.

Industrially, the yarn and thread mills of the Carolinas led percentage-wise with an increase of 12.2% for the first five months of 1955 over those months of 1954. Primary metals increased 12.1%, furniture and fixtures 10.4%, cigarettes 10.2%, full-fashioned hosiery 8.8%, seamless hosiery 7.3%, lumber and wood products 7.8%, apparel 7.7%, broad-woven fabrics 5.7%, paper 4.8%, and chemicals 2.5%. Man-hours in the fabricated metal industries declined 1.3% in the first five months compared with a year ago. Machinery, excluding electrical, was down 6.1% and electrical machinery was off 8.1%.

Man-hours in the food and kindred products industries in the review period were down 0.3%, but creamery butter production was down 10.1%, ice cream production up 7.1%, and livestock slaughter up 9.9%.

Agriculture

The growing season has been generally excellent this year for high output of farm commodities. Except for acreage cutbacks in cotton and tobacco, District agri-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

cultural production might approach a new record. Cash farm income in the first five months of the year was down 3.5% from a year ago, income from livestock and products was off 4.3%, and income from crops 1.4%. This slide-off is chiefly the result of reduced marketings since prices in all District states except West Virginia have been close to the level of a year ago. Farm prices in West Virginia, however, have slipped 8.3% from a year ago.

Variations as between states in farm income were due chiefly to differences in returns from crops, since declines in livestock and products adhered closely to the District average. In crops, however, Maryland declined 12.9%, North Carolina 11.9%, South Carolina 6.9%, and West Virginia 3.1%, while Virginia showed an increase of 23.5%.

Employment

Employment in non-agricultural industries (first five months) averaged 4,126,700, a slight gain (0.5%) over last year's total. Employment in manufacturing industries averaged 1,293,700, up 1.1%; all other non-agricultural employment averaged 2,833,000, a gain of 0.3%.

Although industrial employment was a bit higher than in 1954, it was 4.0% lower than the parallel period of 1953. Jobs in durable goods industries were 0.8% higher than in 1954 but stood 6.3% under the 1953 figure. The nondurable goods industries totaled 1.6% more than in 1954 and 2.6% less than in 1953.

By states, manufacturing employment ran as follows: 2.3% higher (first five months) in North Carolina, 2.2% higher in South Carolina, 0.5% higher in Virginia, 0.3% higher in West Virginia, 4.2% lower in the District of Columbia, 0.7% lower in Maryland. All states and the District of Columbia had lower average employment levels than in 1953, ranging from 1.3% in South Carolina to 8.1% in the District of Columbia. West Virginia had a decline of 6.8%, Virginia 5.7%, Maryland 5.8%, and North Carolina 2.2%.

Governmental employment (Federal, State, and local) averaged 808,700 from January through May, which was 20% of the total non-agricultural, non-manufacturing employment. Government job totals averaged 2.2% higher in the period, with all states of the District and the District of Columbia showing increases ranging from 0.4% in the District of Columbia to 4.8% in West Virginia. South Carolina showed an increase of 4.4%, North Carolina 3.8%, Maryland 2.5%, and Virginia 1.7%. Employment increases in this sector were largely responsible for the modest increase shown in non-agricultural, non-manufacturing employment. Small increases were shown in trade and service employment, and these offset losses in mining, construction, transportation, communication, and public utilities.

Employment in the mining industries of the District averaged 10.2% lower in the first five months of 1955 than in those months of 1954, despite the substantial rise in bituminous coal production. The important decline came in West Virginia mines, where total employment declined an average of 10,000 workers (12%) in the first five months of 1955 compared with the same months of 1954.

Employment in the contract construction industries averaged 216,000 in the Fifth District during the first five months of 1955, off 4.7% from a year ago. The smaller number of employees, however, put a much larger volume of work in place, thus demonstrating substantial improvement in operating efficiency.

In transportation, communication, and public utilities, employment averaged 315,000 in the first five months, a slide-off of 2.2% from 1954. Here also workers have been more productive—both railroads and trucks are carrying more freight, telephone calls are more numerous, and public utilities of all types show a larger output than last year.

Retailers and wholesalers employed an average of 829,000 workers in the first five months, up slightly (0.4%) over a year ago. Maryland, Virginia and the Carolinas showed small increases in employment, in part offset by losses in West Virginia and the District of Columbia.

Declining employment in shipyards of the South Atlantic region is reflected in the average figure of 29,200, off 9.7% from 1954. Private shipyards employed, on the average, 13,000 in this period, a 15.9% decline from last year, and navy yards employed an average of 16,200, a decline of 4.0%.

Average insured unemployment through July 2, 1955, was 132,000, a healthy 30.1% decline from the first half of 1954. Declines in average unemployment were 40% in West Virginia, 34% in South Carolina, 28% in North Carolina, 29% in Virginia, 25% in Maryland, and 7% in the District of Columbia.

Bituminous Coal

Output of bituminous coal in the first six months of 1955 was 25% higher than a year earlier. This compares with a national increase of 19%. Virginia had the largest increase among District states, up 30% in the period under review. West Virginia's increase was 24% and Maryland's 5%.

Appalachian Coals, Incorporated, has estimated domestic use and exports for the first half of 1955 at 219 million tons, a gain of 20 million tons or 10% above first-half 1954. Domestic consumption of 199 million tons is indicated, up 12 million tons or 6%, with exports up 7.6 million tons or 59%.

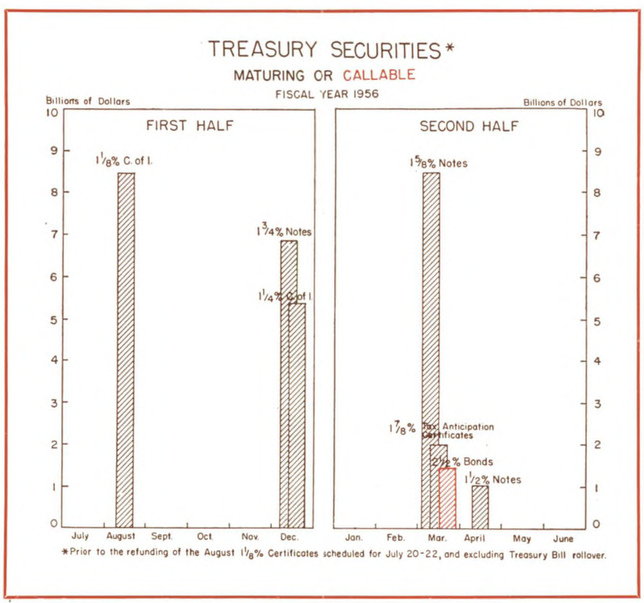
(Continued on page 10)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Treasury Financing—'55 Performance, '56 Prospects

THE Treasury's deficit at the close of fiscal 1955 amounted to $4.2 billion, an increase of $1.1 billion over fiscal 1954. On a cash basis the year's operations produced a deficit of $2.1 billion compared to the nearly balanced position of the previous year. (The difference in the "cash" and conventional budgets results primarily from the fact that trust fund operations are included in cash budget figures. Since trust fund receipts are now considerably in excess of payments, the cash deficit is usually $2-$3 billion smaller than the budget deficit, or the cash surplus is larger by that amount.)

The $4.2 billion budget deficit for fiscal 1955 resulted in a reduction of something less than $1 billion in the Treasury's General Fund balance and a rise of over $3 billion in the public debt. In view of the size of the debt, $274.4 billion on June 30, just under the $275 billion ceiling, and the anticipated needs of the Treasury in the "dry" period (July-December), Congress extended the temporary debt limit of $281 billion, in effect since August 1954, to June 30, 1956.



*Prior to the refunding of the August 1 1/8% Certificates scheduled for July 20-22, and excluding Treasury Bill rollover.

During fiscal 1955 national security expenditures were reduced $5.4 billion below their fiscal 1954 level, but this cut was partially offset by an increase of $2.1 billion in non-defense spending, primarily outlays by the Commodity Credit Corporation for farm price supports and the net retirement of special certificates of interest. Total spending, therefore, declined only $3.3 billion during the year. Revenue, on the other hand, declined by $4.4 billion. Most of this decline resulted from lower corporate income tax collections attributable both to smaller corporate profits in 1954 and to the first significant effects of the January 1954 expiration of the excess profits tax which were felt in March and June 1955 when calendar year corporations made their first payments on 1954 income. Smaller revenue losses resulted from the January 1954 cut in individual income tax rates, the reduction in certain excise levies in April 1954, and the 1954 revisions of the Internal Revenue Code.

During fiscal 1955 the Treasury undertook four refunding operations (not including the weekly roll-over of 91-day bills) involving $43.7 billion in maturing debt. In three of these operations the Treasury made some progress in lengthening maturity distribution of the debt. Of major importance in this debt stretch-out was the issuance in February 1955 of $1.9 billion 3 per cent bonds due in 1995. In the over-all $12.5 billion of maturing issues were replaced by securities due in five years or more. Cash redemption on the fiscal 1955 refundings amounted to $2 billion or 4.5 per cent of the total maturities. This compares with 2.5 per cent on the $46.6 billion refunded during fiscal 1954.

In addition to these refundings, the Treasury raised $13.6 billion in new money during fiscal 1955. Net cash realized from all debt operations, however, amounted to less than $2 billion, as receipts from the new securities were offset by the redemption of tax anticipation certificates totaling almost $7 billion, the redemption of over $3 billion Savings notes, and attrition of $2 billion on refunding.

Treasury Needs in Fiscal 1956

Budget projections for the current fiscal year which began on July 1 present the most favorable outlook in five years. Estimates made in January placed the deficit at $2.4 billion, with spending at $62.4 billion and receipts at $60 billion. On a cash basis, this would mean a slight surplus. These estimates may, however, be revised substantially because of recent sharp revenue increases, the outlook for considerably increased outlays for farm price supports, and Congressional action on other spending programs which would be reflected in the current year's budget figures. In the year just ended, budget receipts exceeded January estimates by $1.3 billion while expenditures were $1 billion greater.

The Treasury's financing task during fiscal 1956 will be somewhat easier than in the year just past. Marketable issues which mature or are callable during the year, excluding tax anticipation certificates, total $31.6 billion as compared to $43.7 billion in fiscal 1955. Cash financing for the current fiscal year is also expected to be considerably smaller than in fiscal 1955 due to the anticipated shift from a $2.1 billion cash deficit in 1955 to a small surplus in 1956.

As has been true since the inception of the Mills Plan in 1950 with its increasing concentration of corporate tax payments in the first half of the calendar year, the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

burden of the Treasury's financing for the current year will fall in the July-December 1955 period. Effects of the Mills Plan should be partially offset this year by the further step-up of corporate tax collections. Beginning in September all corporations with tax liabilities in excess of $100,000 will pay 5 percent of their estimated yearly tax bill in excess of $100,000 in each of the last two quarters of the calendar year. Advance payments in the September and December quarters will increase 5 per cent a quarter through 1959, after which payments will have been evened out and corporations will again be paying in four quarterly installments. In contrast to the Mills Plan, this current speed-up of collections will not increase the Treasury's income during a fiscal year but will simply even out receipts by shifting revenue previously collected in January-June period forward into the first half, July-December.

During the first six months of fiscal 1956, marketable securities totaling $20.7 billion must be refunded, apart from the weekly roll-over of bills. This compares with $24.9 billion in the same period last year. The refinancing operations this year, however, should be considerably easier, and the chance of cash redemption much smaller, due to the distribution of ownership of the maturing issues. Of the $20.7 billion falling due through December 1955, only $9.2 billion are in the hands of the public—the remaining $12.5 billion are held by the Federal Reserve System. Last year $16.5 billion of the total $24.9 billion maturities were publicly held.

Cash borrowings of the Treasury in the July-December 1955 period are estimated at $8-10 billion. Proceeds should take care of the deficit resulting from unequal distribution of tax receipts, attrition on refundings, redemption of approximately $1.9 billion Savings notes, and any net redemption of Savings bonds.

July Financing

The first Treasury financing of fiscal 1956 was the highly successful cash offering announced July 5, of approximately $2 billion 1⅞ per cent tax anticipation certificates due March 22, 1956, and an additional $750 million 3 per cent bonds of 1995. Subscriptions for the TAC's amounted to $10.6 billion and total allotments to $2.2 billion. Subscriptions of $100,000 and less were allotted in full and a 19 per cent allotment was made on subscriptions in excess of this figure. Subscriptions of $1.7 billion, including about $750 million from savings-type investors, were received for the 3 per cent bonds. This offering of the 3's was made especially attractive to savings-type investors such as pension and endowment funds, savings banks, and insurance companies, through the provisions for deferred payment and different allotment percentages for different classes of investors. Savings-type investors will be allowed to pay for their bonds in three installments: not less than 25 per cent by July 20, (the issue date), 60 per cent by September 1, and full payment by October 3. Savings-type investors were allotted 65 per cent and other subscribers 30 per cent on all subscriptions over $25,000. Subscriptions of less than $25,000 were allotted in full. Total allotments amounted to $822 million. Supplementing the cash from these two offerings, the Treasury raised $400 million during July through additions of $100 million to each of the four weekly bill offerings.

In July the Treasury also undertook the first of two refunding operations scheduled for this half by offering 2 per cent tax anticipation certificates due June 22, 1956, or additional amounts of the 2 per cent notes due August 15, 1956, in exchange for the $8.5 billion 1⅛ per cent certificates maturing August 15. Subscriptions for the notes totaled $6.8 billion and for the TAC's, $1.5 billion. Cash redemption amounted to less than $150 million or about 5.4% of the portion of the issue held outside the Federal Reserve System. The 2% notes of August 1956, at $12.6 billion, now constitute the largest single Treasury issue outstanding.

Rest of the Year

The cash raised in July, plus any additional funds realized from further increases in bill offerings, is expected to take care of the Treasury's new money needs through late September or early October. In the final quarter of the year another $5-$7 billion cash will be needed and, in addition, the Treasury must refund the $12.2 billion 1¼ per cent certificates and the 1¾ per cent notes maturing on December 15. Treasury financing and refinancing of this magnitude, together with the continuing strong credit demand arising from the high level of building activity, the heavy capital spending of corporations and state and local governments, and the likelihood that business loans, which rose contra-seasonally in the first half of the year, will continue to rise rapidly all point to accelerating pressure on the reserve positions of banks later this year. The precise effects of this pressure will, of course, depend on the supply of funds available to the nation's lending institutions. Between June 30 and July 8 the Federal Reserve System supplied $389 million funds to the market through the purchase of bills in keeping with the current policy of moderate restraint.

In the period January-June 1956 fixed maturities of marketable issues (excluding 91-day bills and tax anticipation obligations) amount to $9.5 billion. In addition a $1.4 billion issue of 2½ per cent bonds 1956-58 may be called for redemption in March. Total needs for this period will, of course, be increased by the redemption of the two tax anticipation certificates issued in July and by sale of any additional securities maturing before June 30, 1956. On present prospects a healthy cash surplus in the January-June period should be available to meet a portion of these maturities.

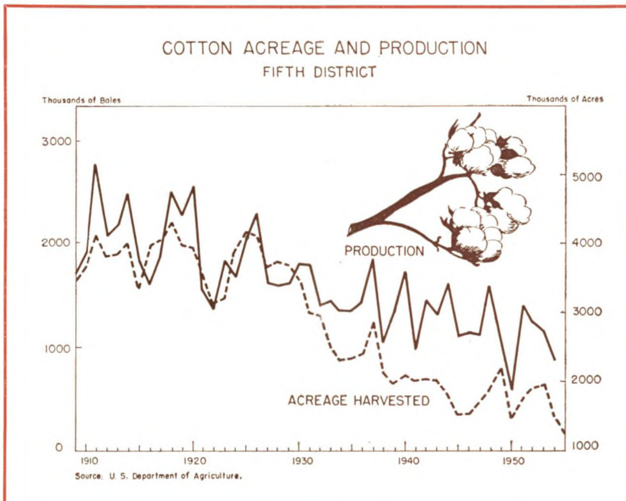
Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Straws In the Farm Wind—Bigger Crops for '55

WHILE it is still too early to be specific about ultimate 1955 results, yield indications, based largely on Governmental crop reports in July, are generally encouraging for Fifth District agriculture. In the case of fruit, where late freezes took heavy toll, and to a lesser extent with small grains, smaller crops have already become a certainty. Among the major crops, prospectively increased output is ahead for tobacco, corn, hay, and peanuts. Cotton, which this year constitutes a special case, is expected to show the smallest crop in 80 years.

Governmental Influences

Government *acreage allotments* are tremendously important on those crops subject to rigid direct controls. Allotments are usually announced well in advance of planting time. However, in some cases last minute changes are made. This year's further cutback in Burley allotments and the increase in peanut allotments are cases in point.



Each March the Crop Reporting Board of the United States Department of Agriculture surveys *farmers' intentions to plant* for 11 crops important in this area. This intentions report is an important indicator of prospective farm production during the year that is just getting started. Farmers may, of course, alter their intentions after March 1, or have their plans altered by the weather.

Despite the clues to prospective crop production supplied by the acreage allotments for controlled crops and the report on farmers' planting intentions, the first real and official indicator of aggregate crop production in any given year is contained in the well-known *July crop report*. Actually, there are two reports. The first is the cotton report as of July 1, issued on July 8 except when this date falls on a week end. This release is limited to the official estimating of the acreage of cotton in cultivation on July 1.

The general crop report as of July 1 is normally released on July 10; but since the 10th fell on Sunday this year, the report was issued on July 11. It includes estimates of the acreage, yield and production of a number of principal crops and the acreage or production of certain other crops. It also contains index numbers of aggregate crop production and crop yields.

Nation Expects Second Largest Crop

For the country as a whole, total crop production in 1955 promises to be second highest in history, surpassed only by 1948. On an index-number basis, indicated production of all crops is at a level of 104 (1947-49=100). This is well above the level in 1954 and is second only to a record 106 in 1948. The tentative yield index for 1955 is 114, far above the previous high mark of 108 in 1948 which was closely approached in 1954.

Naturally, these over-all indications of probable yield and production, while useful for summary purposes, may inadequately measure final crop results. In some cases (notably cotton, soybeans, and sorghum), yield and production estimates are not made in July. Consequently, average yields are used in such cases in computing the above-mentioned index numbers. Futhermore, pasture production (a large factor in the total feed situation) is not included in the index numbers. Another limitation is found in the fact that adverse weather, insects, and diseases may and frequently do enter the picture and significantly influence final results

District Production May Exceed 1954

Fifth District farmers, in the aggregate, should produce more this year than last, though variations from this general picture may occur. And, if this forecast becomes fact, it will be the result of higher yields, since aggregate acreage of 13 principal crops is some 2% smaller than last year.

Weather conditions have been generally favorable despite the severe March freeze which cost the District most of its fruit crop. As of mid-July, moisture conditions were perhaps more favorable for the District as a whole than for several years. Since a number of crops are heavily influenced by weather and moisture conditions after mid-July, improvement or deterioration remains to be seen.

District Tobacco: Acreage Down, Production Up

Five per cent fewer acres are this year devoted to flue-cured tobacco, but indicated yields are so much

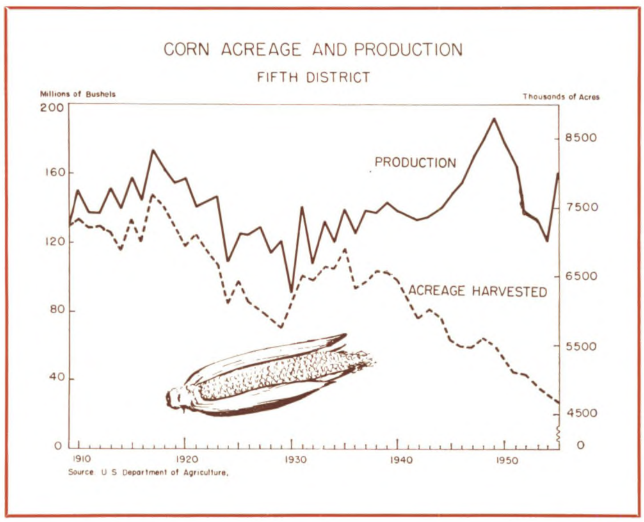
Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

better that a crop 8% greater than 1954's is indicated. An even more favorable situation exists with respect to Virginia fire-cured tobacco. In the case of Burley, a production drop of 22% in the District exceeds the 20% cut in acreage, while both Maryland and Virginia sun-cured tobaccos show small increases in acreage and gains in yield compared with 1954.

Cotton Acreage Lowest in More Than 80 Years

The cut in cotton acreage of 14% from 1954 to 1955 was chiefly due to further reduction in acreage allotments. Result: District acreage totals only 1,218,000 acres, the smallest in more than 80 years. Actually, this acreage is smaller than that of South Carolina as recently as 1949, or that of North Carolina in 1932.

Weather at planting time and the cool days and nights in May and June were not favorable for the cotton crop. Stands are reported to be spotty in some areas, and plant growth retarded by below normal temperatures. However, favorable response to the warmer weather in late June and early July is reported. Despite abnormally cool weather, insect infestation thus far has been comparatively light. Cotton yields are always heavily influenced by weather and insect conditions during the latter part of the season.



Higher Feed Grain Production

Following the drought in parts of the District in 1954, which cut corn yields severely, and the further cutback in wheat acreage allotments, farmers increased this year's acreage of oats and barley. Yields, however, have been below 1954's favorable level, and production of oats, barley, and rye is expected to decline moderately. No estimate of grain sorghum production in 1955 is yet available, but acreage devoted to this crop, though still comparatively small when compared with corn, is 36% above 1954.

Corn acreage, though down slightly this year, is estimated to yield a total crop 32% above last year's relatively low level. If this increase materializes, total District production of corn and each of the other four principal types of feed grains will be above the average for the ten years, 1944-53.

Hay production in the District is officially estimated at 6% above last year's level, though still slightly below the recent ten-year average. West Virginia' production will be slightly smaller than last year's unusually favorable level, while each of the other District states expect a greater production than in 1954. Despite the improved prospects this year in both North and South Carolina, current indications are that the 1955 crop will be smaller than the average for the 1944-53 period.

Peanuts and Other Crops

Following the 7½% increase in acreage allotments on May 4, peanut growers made a determined effort to increase their acreage to the extent allowed. Results: a 7% increase for the District.

Smaller wheat acreages, except in South Carolina, and lower yields have combined to cut wheat production in each District state. On an over-all basis, wheat production will be 10% below last year's level and 17% below the ten-year average.

No production estimates are yet available for soybeans, but total District acreage devoted to the crop is about the same as last year. In Maryland and South Carolina, increases have been shown, while Virginia and North Carolina indicate curtailment.

District farmers have increased the acreage of both white and sweet potatoes. Expanded acreage plus higher yields imply a 12% increase in District production of the former and a 19% increase in output of sweet potatoes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Business Conditions and Prospects

FIFTH DISTRICT business took on new vigor in both May and June. Available statistics for June hardly tell the whole story, for they do not reflect rather substantial forward commitments made by most of the basic industries in recent weeks.

Still of substantial support to the upward movement is the construction industry, where District contract awards in June were 11% higher than in May (seasonally adjusted basis), 35% higher in June than a year ago, and up 51% in the half-year. In the trade sector, department stores (seasonally corrected) eased somewhat from May levels but were still ahead of last year's good June performance. Furniture sales also eased in June, on an adjusted basis, but were well ahead of last year. Automobile registrations, according to available evidence, have continued to show strength. Confidence in the outlook continues to be displayed by business people. It was evidenced by a 13% May increase in the number of new business ventures as compared with April, 42% over a year ago, and 24% for the five months.

Bituminous coal output in June failed to maintain the extraordinarily high May figure, but still remained at a level 12% higher than a year ago. Employment in the bituminous coal mines of West Virginia moved up 1.1% in June over May, and was also 1% higher than a year ago.

Activity in the manufacturing industries of the District continued to expand during June in the three states for which figures are available.

Construction

Contract awards for all types of construction in the Fifth District rose 11%, after seasonal correction, from May to June. There were adjusted increases of 137% in commercial awards, 66% in factory awards, and 3% in public works and utility awards. These more than offset a decline of 28% in residential awards. In the first half of 1955, total construction contract awards were up 51%, with residential up 49%, non-residential up 55%, and public works and utilities up 47%.

G.I. home loans in May were at the same level as in April, but they were 117% ahead of May 1954, and the five-month comparative increase was 109%.

Manufacturing Activity

Man-hours in all manufacturing industries of West Virginia and the Carolinas rose 1.2% from May to June, and the total was 9.5% above June 1954. Each of these states showed very similar increases in these periods. In their durable goods industries man-hours in June rose 1.5%, to a level 13.6% ahead of a year ago. In the nondurable goods industries a rise of 1.2% occurred during the month, which meant a level 7.9% higher than last year.

Industries showing better-than-average increases in man-hours from May to June were lumber and wood products, up 1.8%; furniture and fixtures, up 1.8%; machinery, excluding electrical, up 3.4%; knitting mills, up 4.4% (occasioned largely by a rise in seamless hosiery); apparel, up 2.5%, and paper, up 1.6%. Seasonal factors were largely responsible for a drop of 0.6% in tobacco manufacturing, and for a reduction of 1.4% in the chemical industries. Fabricated metals man-hours in West Virginia declined 0.3%, but held even in North Carolina. Relative to a year ago, June man-hours showed substantial increases in all durable goods lines, and good increases in most nondurable goods lines, although food products showed a fractional decline.

Trade

Department store sales (average daily seasonally adjusted) were down 4% in June, but 3% ahead of a year ago. In the first half-year, these sales were up 8%. Store inventories moved up 5%, after seasonal correction, to a level 4% ahead of a year ago. Important in the June picture were substantial increases in sales of womens' and misses' coats and suits, moderate increases in furniture and bedding and major household appliances, and a substantial increase in radios, phonographs, and television sets.

Retail furniture store sales in June (seasonally corrected) slipped 1% from May, but remained 9% ahead of a year ago. For the first half, these store sales were 12% above a year earlier. Interestingly, their cash sales were down 6% and their credit sales were up 15%. Their accounts receivable (seasonally corrected) rose 1% in June, and stood 8% above a year ago. Collections remained good in June but did not keep pace with the sales level. Inventory policy of furniture stores is still conservative, with June unchanged from May and 1% under a year ago.

New passenger automobile registrations in the District for May were 1% higher than April, 32% higher

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

than May 1954, and 30% larger for the first five months. June registrations in North Carolina were 2% above May, 19% higher than a year ago, and up 35% for the first half-year. In Richmond, Virginia, new passenger-car sales in June were substantially higher than in May and 177% higher than a year ago. But in Washington, D. C., June sales declined 15% from May.

Banking

Loans and investments of member banks of the Fifth District rose $42 million between May 25 and June 29. Loans increased $85 million and more than offset declines of $38 million in Government security holdings and $4 million in other security holdings. Total deposits were up $99 million during the month, with a rise of $93 million in demand deposits and $6 million in time deposits. Member bank indebtedness at the Reserve Bank increased $20 million, offset in part by a reduction of $11 million borrowed from others.

Business loans of the weekly reporting banks have halted their upward movement in recent weeks, but no normal seasonal decline has been witnessed this year. Real estate loans and consumer loans were at all-time high levels early in July.

Bank debits (seasonally adjusted) in June failed to maintain the pace set in May, and slipped 3%. They were, however, 16% higher than a year ago and up 11% for the first half-year.

Midyear Roundup—Vigorous Upturn In The District

(Continued from page 4)

Employment in the bituminous coal mines of Virginia averaged 11,500 for the first five months, a decline of 7% from a year ago. In West Virginia, employment averaged 66,900, off 11.9%. The combined total averaged 78,400, 11% less than a year ago. The wholesale price of coal in the first five months of 1955, according to the Bureau of Labor Statistics, averaged 3.2% lower than in the same period of 1954.

Miscellaneous

New business incorporations in the District (first five months) totaled 3,470, an increase of 23.7% over 1954. Very substantial increases occurred in all states except West Virginia, where a 7.8% decline took place. North Carolina incorporations were up 31.7%, Maryland 31.1%, Virginia 23.2%, and South Carolina 18.2%.

Business failures numbered 964 in the first five months of 1955, a decline of 21.4% from a year ago.

Electric power production in the District was 9% higher (four months 1955 vs. 1954). Largest increase occurred in North Carolina (24%); Virginia rose 18.2%, West Virginia 6.5%, and South Carolina 4.3%. Decreases were shown in Maryland (1.2%) and the District of Columbia (12.7%).

Gasoline consumption (four months of 1955) in the District was 5.9% higher than in 1954. Maryland was up 7.3%, North Carolina 6.3%, Virginia 6.2%, South Carolina 3.9%, West Virginia 3.2%, and the District of Columbia 1.1%.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*
(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: June 1955	6 Mos. 1955
Maryland	− 2	+ 5
Dist. of Columbia	+10	+13
Virginia	+ 8	+ 6
West Virginia	+18	+23
North Carolina	+ 4	+10
South Carolina	+ 4	+11
District	+ 7	+11
INDIVIDUAL CITIES		
Baltimore, Md.	− 2	+ 5
Washington, D. C.	+10	+13
Richmond, Va.	+12	+ 8
Charleston, W. Va.	+36	+17
Greenville, S. C.	+18	+ 9

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

WHOLESALE TRADE

LINES	Sales in June 1955 Compared with June 1954	May 1955	Stocks on June 30, 1955 compared with June 30, 1954	May 31, 1955
Auto supplies	+16	+ 8	− 6	− 1
Electrical, electronic and appliance goods	+12	+ 1	− 1	−10
Hardware, plumbing and heating goods	+28	+12	NA	NA
Machinery equipment supplies	+17	+ 5	− 3	0
Drugs, chemicals, allied products	+17	+ 2	+40	+ 3
Dry goods	+16	−16	+11	+41
Grocery, confectionery, meats	+ 7	+ 5	+ 5	0
Paper and its products	+ 7	− 6	+28	− 2
Tobacco products	NA	NA	NA	NA
Miscellaneous	+12	−11	+ 4	+ 2
District Total	+10	− 5	+ 4	0

NA Not Available.
Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS
(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Total
Sales, June '55 vs June '54	+ 3	+ 2	+ 2	+ 4	+ 4
Sales, 6 Mos. ending June 30, '55 vs 6 Mos. ending June 30, '54	+ 9	+ 9	+ 5	+ 9	+ 7
Stocks, June 30, '55 vs '54	+ 8	+ 6	+ 2	− 1	+ 3
Outstanding Orders June 30, '55 vs '54	+ 1	+ 8	+24	− 4	+12
Open account receivables June 1, collected in June 1955	30.2	51.4	45.2	39.0	42.7
Instalment receivable June 1, collected in June 1955	11.3	14.9	14.1	16.1	14.2

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, June '55 vs June '54	+ 2	+ 2	+ 2	+ 3	+ 9	+ 7

BUILDING PERMIT FIGURES

	June 1955	June 1954	6 Months 1955	6 Months 1954
Maryland				
Baltimore	$11,014,340	$ 6,461,845	$ 54,610,222	$ 30,189,680
Cumberland	101,600	170,650	903,291	394,575
Frederick	375,000	107,415	1,543,175	579,182
Hagerstown	113,375	441,935	1,444,260	1,368,539
Salisbury	213,677	165,740	1,246,276	1,079,946
Virginia				
Danville	468,263	321,756	3,810,284	1,318,349
Hampton	1,370,821	1,136,072	8,525,903	5,228,331
Hopewell	398,929	181,406	2,009,636	853,735
Lynchburg	2,106,720	308,952	6,202,518	2,760,549
Newport News	411,475	128,559	1,261,501	1,549,606
Norfolk	1,284,093	792,981	7,349,452	7,068,129
Petersburg	179,000	269,500	1,746,400	1,122,900
Portsmouth	244,900	345,955	1,794,715	4,108,489
Richmond	3,282,184	1,756,547	12,727,949	14,145,307
Roanoke	1,422,771	1,119,635	6,510,124	6,326,259
Staunton	296,950	187,635	1,666,305	752,275
Warwick	1,193,220	830,124	6,484,785	4,101,386
West Virginia				
Charleston	513,266	991,257	3,403,415	4,403,372
Clarksburg	205,000	95,365	1,063,464	1,411,875
Huntington	1,652,842	1,091,064	3,674,068	3,023,339
North Carolina				
Asheville	333,003	333,140	1,657,080	2,010,604
Charlotte	1,604,583	1,918,143	15,175,558	10,043,716
Durham	806,268	591,796	6,958,257	2,986,446
Greensboro	1,205,523	972,311	5,832,947	5,840,987
High Point	424,845	712,865	4,211,864	2,730,129
Raleigh	2,031,469	1,200,985	11,375,348	6,869,577
Rocky Mount	236,541	285,111	1,889,186	1,724,100
Salisbury	293,215	149,115	799,378	934,412
Wilson	180,500	185,850	1,851,275	1,209,400
Winston-Salem	722,186	961,116	7,311,203	6,861,958
South Carolina				
Charleston	393,152	211,610	1,675,777	1,104,253
Columbia	631,177	737,510	4,420,117	5,517,596
Greenville	817,266	1,160,940	4,194,012	4,205,760
Spartanburg	265,990	103,128	1,136,690	1,529,570
Dist. of Columbia				
Washington	15,650,780	6,321,132	44,098,400	32,727,964
District Totals	$52,444,924	$32,749,145	$240,564,835	$178,082,295

FIFTH DISTRICT INDEXES
Seasonally Adjusted: 1947-1949=100

	June 1955	May 1955	June 1954	% Chg.—Latest Mo. Prev. Mo.	Yr. Ago
New passenger car registration*	......	195	172	+ 1	+32
Bank debits	170	176	146	− 3	+16
Bituminous coal production*	85	100r	76	−15	+12
Construction contracts	229	206	170	+11	+35
Business failures—number	188	151	250	+25	−25
Cigarette production	......	111	106	+26	+ 9
Cotton spindle hours	121	124	108	− 2	+12
Department store sales	125	130	121r	− 4	+ 3
Manufacturing employment*	......	107	104	0	+ 4
Furniture store sales	116	117	106	− 1	+ 9
Life insurance sales**	204	193	168	+ 6	+21

* Not seasonally adjusted.
** Series revised.
r Revised.
Back figures available on request.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	June 1955	June 1954	6 Months 1955	6 Months 1954
Dist. of Columbia				
Washington	$1,429,062	$1,208,851	$ 7,996,299	$ 6,924,942
Maryland				
Baltimore	1,707,905	1,508,499	9,380,646	8,609,534
Cumberland	30,090	26,781	150,807	137,788
Frederick	26,319	23,357	140,557	134,761
Hagerstown	44,376	37,023	256,228	212,597
Total 4 Cities	1,808,690	1,595,660	9,928,238	9,094,680
North Carolina				
Asheville	66,956	66,523	394,519	362,655
Charlotte	420,786	350,349	2,426,250	2,087,248
Durham	87,144	94,596	483,111	520,057
Greensboro	152,461	121,425	868,757	700,897
High Point**	52,701	42,039	298,755	251,089
Kinston	22,458	18,980	133,515	118,789
Raleigh	230,010	196,422	1,287,248	1,103,776
Wilmington	54,910	48,775	313,522	273,705
Wilson	17,413	18,098	118,763	105,934
Winston-Salem	184,941	160,885	1,019,969	887,603
Total 9 Cities	1,237,079	1,076,053	7,045,654	6,160,664
South Carolina				
Charleston	83,675	75,280	497,580	437,002
Columbia	185,941	157,491	1,063,816	993,062
Greenville	136,029	103,550	765,359	638,287
Spartanburg	64,319	59,955	390,518	368,926
Total 4 Cities	469,964	396,276	2,717,273	2,437,277
Virginia				
Charlottesville	39,684	32,508	219,462	186,234
Danville	40,626	32,897	232,513	202,940
Lynchburg	61,211	53,384	323,000	292,114
Newport News	59,265	49,587	329,812	279,306
Norfolk	313,499	272,563	1,717,263	1,532,988
Portsmouth	38,509	35,877	216,972	191,740
Richmond	715,005	567,122	3,895,603	3,472,354
Roanoke	138,854	121,386	767,095	691,420
Total 8 Cities	1,406,653	1,165,324	7,701,720	6,849,096
West Virginia				
Bluefield	50,230	39,555	265,224	232,580
Charleston	168,053	159,813	1,012,124	1,023,587
Clarksburg	38,681	31,307	214,195	186,949
Huntington	72,739	71,406	435,515	414,632
Parkersburg	33,814	30,492	189,870	179,609
Total 5 Cities	363,517	332,573	2,116,928	2,037,357
District Totals	$6,417,965	$5,774,737	$37,506,112	$33,504,016

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

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	July 13, 1955	Change in Amount from June 15, 1955	Change in Amount from July 14, 1954
Total Loans	$1,650,587**	+ 15,385	+250,839
Bus. & Agric.	730,770	— 1,229	+119,130
Real Estate Loans	330,048	+ 8,313	+ 52,326
All Other Loans	611,901	+ 8,219	+ 83,539
Total Security Holdings	1,698,899	— 45,369	— 85,486
U. S. Treasury Bills	43,597	— 30,584	— 65,092
U. S. Treasury Certificates	18,050	— 4,408	—128,962
U. S. Treasury Notes	350,782	— 14,137	+ 57,268
U. S. Treasury Bonds	1,021,505	+ 7,398	+ 36,737
Other Bonds, Stocks & Secur.	264,965	— 3,638	+ 14,563
Cash Items in Process of Col.	348,211	— 23,669	+ 33,325
Due from Banks	189,606*	+ 8,903	— 332
Currency and Coin	82,406	+ 6,420	+ 2,807
Reserve with F. R. Banks	546,223	+ 34,447	— 344
Other Assets	68,690	+ 1,474	+ 7,084
Total Assets	$4,584,622	— 2,409	+207,893
Total Demand Deposits	$3,438,461	— 24,756	+133,728
Deposits of Individuals	2,586,330	— 46,113	+133,975
Deposits of U. S. Government	104,680	+ 13,707	— 5,617
Deposits of State & Local Gov.	218,572	+ 3,856	+ 16,866
Deposits of Banks	468,719*	+ 9,847	— 11,277
Certified & Officers' Checks	60,160	— 6,053	— 219
Total Time Deposits	754,796	— 5,596	+ 23,491
Deposits of Individuals	681,495	— 648	+ 32,330
Other Time Deposits	73,301	— 4,948	— 8,839
Liabilities for Borrowed Money	40,950	+ 24,950	+ 37,950
All Other Liabilities	40,661	+ 2,121	— 4,590
Capital Accounts	309,754	+ 872	+ 17,314
Total Liabilities	$4,584,622	— 2,409	+207,893

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis