

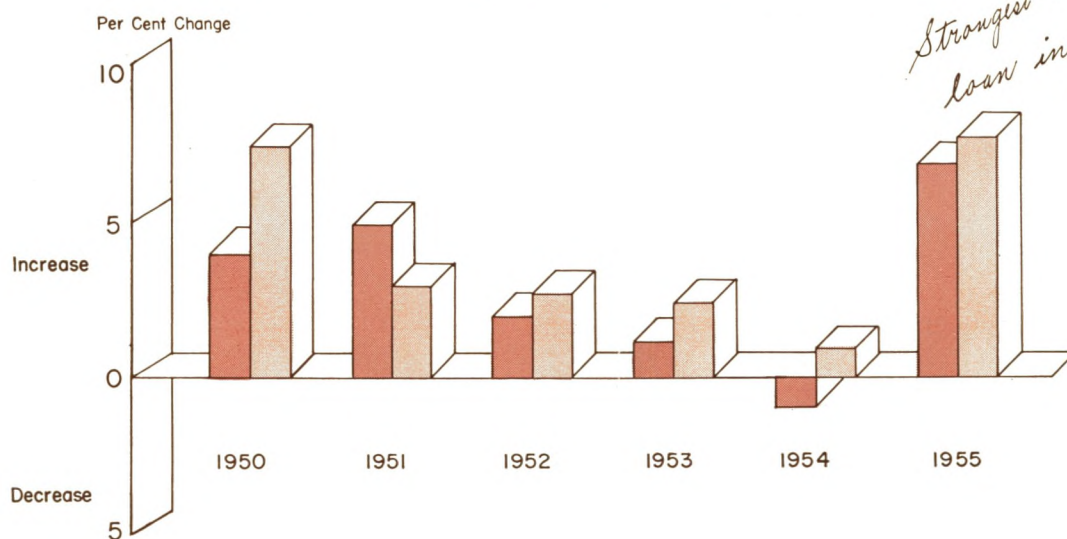
Monthly Review



September 1955

FIRST HALF-YEAR CHANGES IN LOANS MEMBER BANKS

UNITED STATES ■ AND FIFTH DISTRICT ■



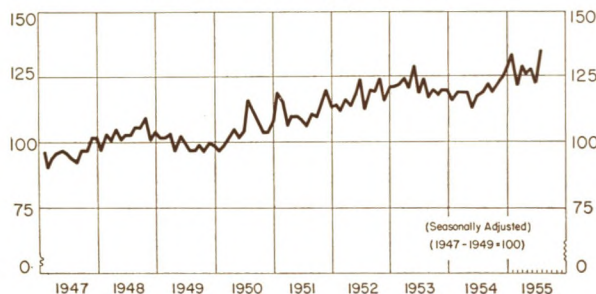
District member banks increased outstanding loans more rapidly in the first six months of 1955 than in any first half-year since 1947. This development reflects the expanding economic activity of the banks' varied customers, from individual consumers to giant corporations. District banking trends and some of their implications are explored in the article on page 3.

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FIFTH DISTRICT TRENDS

DEPARTMENT STORE SALES



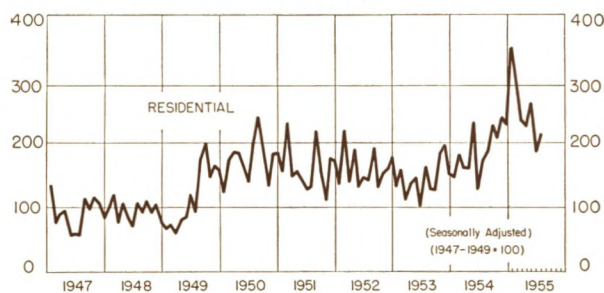
Department store sales in the Fifth District established an all time seasonally adjusted high level in July (seasonal factors revised). They were 10% higher than in June, 13% ahead of July 1954, and for the first seven months of the year were up 8%.

COTTON CONSUMPTION



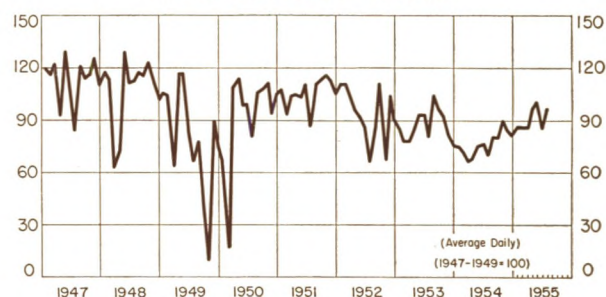
With revised seasonal factors, cotton consumption in July declined 1% from June but was 4% ahead of July 1954. In the first seven months of the year cotton consumption in the District was 7% higher than a year ago.

CONSTRUCTION CONTRACT AWARDS



The general trend of contract awards for residential construction in the Fifth District has been downward since February, but owing to a sharp increase in awards for apartments and hotels, the July residential awards rose 15% after seasonal correction from June, to a level 23% ahead of a year ago. In the first seven months of the year residential awards were up 46% from last year.

BITUMINOUS COAL PRODUCTION



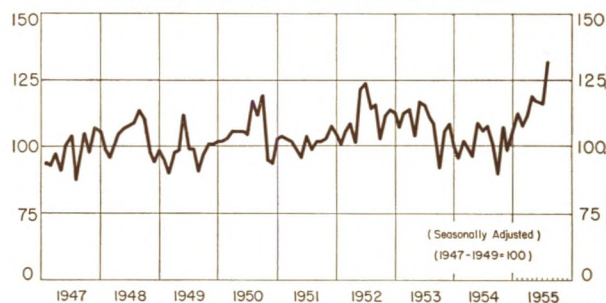
After receding moderately in June from May, average daily bituminous coal production in the Fifth District in July rose 10% over the June level, back approximately to the level established in May. July output was 39% ahead of July last year, and the first seven months of the year showed a gain of 27%.

VALUE OF G. I. HOME LOANS



The value of GI home loans closed during June in the Fifth District was 9% higher than in May, 77% higher than in June 1954, and the first half year 103% above last year. Closed loans were made on higher valued properties this year than last year, since the number of loans closed in the first half rose only 84% from that period in 1954.

RETAIL FURNITURE STORES NET SALES



Retail furniture stores of the Fifth District established a new high level in sales during July on a seasonally adjusted basis. July sales were 14% higher than in June, 21% higher than in July 1954, and the first seven months of the year were up 13%.

Fifth District Banking—The First Half Record

LOAN demand undoubtedly takes the spotlight in the current panorama of banking developments. From the point of view of the banker, changes in loan demand mean changes in earnings. From the point of view of the public, changes in loan demand reflect changes in economic activity. The reactions of lenders to changes in the over-all demand for funds reflect the ease or tightness which fosters or restrains the business anticipations which caused the change in demand. Changes in lending volume, therefore, provide an important piece in today's economic jigsaw.

The demand for bank credit has a special significance in 1955 since the economic tempo has been accelerating from August 1954 onward. Complete recovery from 1953-54's moderate recession was apparent by the end of the first quarter of 1955. Loan demand, normally slack at this time of year, remained strong. And since April, new records have been set by all the principal economic indicators: Industrial production by June had reached 139% of its 1947-49 average—two points above the highest level ever before achieved. Total output of the economy (GNP) reached an annual rate of \$385 billion in the second quarter of 1955—the highest on record. Meanwhile member bank loans, nationally, reached a record smashing level of \$65.3 billion by the end of June.

District Loan Demand High in First Half

Member banks in the Fifth District, in response to customer needs, increased their total loans by \$203 million—by 7.6%—over the first six months of 1955. In the same period last year these loans rose by only \$20 million—or less than 1%. The cover chart shows the percentage increases in total loans at member banks in the Fifth District and in the United States as a whole from 1950 through 1955. Actually, 1955's loan increase, both nationally and in the District, is the largest percentage rise in any first six months since 1947.

Consumer Credit Leads

Consumer borrowing, sparked by optimism and rising levels of personal income, not to mention the sales pressures generated in a very competitive economy, led the rapid rise in District bank loans. New borrowing by individuals for the purchase of consumer goods or for repayment of debts incurred in such purchases exceeded repayments on previously contracted debt by \$53 million; thus, the amount of such borrowing outstanding rose by 11.8% over the six months' period. Last year, total consumer credit at District member banks declined by 0.4%.

Instalment credit for the purchase of automobiles was by far the largest contributor to the consumer credit increase, both in dollar amount and in percentage rise. This type of credit outstanding rose by \$41 million, or

20.6%. In sharp contrast, automobile credit declined by 2.2% in the first six months of 1954.

Loans for repair and modernization of homes was the only class of consumer credit to decline over the first half of 1955. Repayments on such credit exceeded new loans extended by \$400,000 and the total outstanding at the member banks declined by 0.7%.

Commercial and Industrial Loans Run a Close Second

Loans to commercial and industrial firms through June of this year exceeded repayments made by such firms by \$47 million; in the 1954 period, repayments exceeded new loans by \$41 million. The total outstanding increased by 5.2% this year. In the first half of last year, the amount outstanding declined by 5.0%. According to weekly reports of sixteen of the District's banks, wholesale and retail merchants, sales finance companies, and construction firms were the principal borrowers of new money in the first six months of 1955. These classes of firms did little new borrowing in the 1954 period, most of them actually reducing their bank loans. Manufacturing and mining firms moderately increased their new borrowing this year in contrast to fairly heavy loan repayments in the first half of 1954.

Borrowings Against Real Estate Continue to Show Strength

Bank loans secured by real estate, in contrast to both consumer and commercial and industrial loans, moved upward with moderate strength in both 1954 and 1955. Loans secured by business properties showed the largest dollar and percentage increases this year, whereas those secured by residential properties made the largest dollar gains in the first half of 1954. The increase in loans on residential properties this year, however, al-

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

	First Half 1955	First Half 1954	% Change
Earnings			
Interest and dividends on U. S. Government obligations	26,296	25,122	+ 4.7
Interest and discounts on loans ..	69,630	60,277	+15.5
All other earnings	24,382	22,023	+10.7
Total earnings from current operations	120,308	107,422	+12.0
Expenses			
Total current operating expenses	73,337	65,549	+11.9
Net current earnings	46,971	41,874	+12.2
Recoveries, transfers from reserves, and profits	4,327	11,920	-63.7
Losses, charge-offs, and transfers to valuation reserves	6,711	6,105	+ 9.9
Profits before income taxes	44,587	47,689	- 6.5
Taxes on net income	20,827	22,837	- 8.8
Net profits	23,760	24,852	- 4.4
Cash dividends declared	8,631	7,655	+12.7
Net profits after dividends	15,129	17,197	-12.0

though smaller in amount than the increase in loans on business properties, was still above 1954's increase in residential loans.

The Strong Loan Demand Is Reflected in Earnings

The accompanying tables depict the earnings experience of District member banks for the first six months' operations. They also show in detail the changes in earning assets and other balance sheet items over the period. It is immediately clear from the figures that the strong demand for bank loans by the District's businessmen, farmers, and consumers was principally responsible for the 12% increase in gross income. Member bank loans provided them with \$9.4 million more in income in the first half of 1955 than in the same period of 1954—a 15.5% increase in income from this source. Currently, 58% of member bank gross income is coming from loans and discounts and 22% is derived from Government securities.

In spite of the larger gross income in 1955, net profits after taxes were 4.4% less than for the first six months of 1954. The principal difference is found in profits from the sale of securities. In 1954, such profits, together with recoveries and transfers from reserves, contributed almost \$12 million to the banks. In 1955, this source of funds brought only \$4 million. Thus, although operating expenses increased by less than gross income and tax payments were 8.8% under the 1954 period, net profits after taxes fell below last year's by a modest \$1 million.

EARNING ASSETS Fifth District Member Banks (Dollars in millions)				
	June 30 1955p	June 30 1954r	% Change	
			First Half 1955	First Half 1954
Loans and investments	5,808.3	5,367.5	— 0.1	— 1.2
Loans and discounts:				
Commercial and industrial loans	961.3	786.1	+ 5.2	— 5.0
Loans to farmers	92.9	113.3	+ 15.4	+28.8
Loans to brokers and dealers in securities	34.8	20.9	+ 16.8	—21.1
Other loans for purchasing or carrying securities	91.0	88.8	— 9.2	+ 1.8
Real estate loans:				
On farm land	58.1	53.4	+ 6.8	+ 5.5
On residential property	501.1	442.1	+ 3.3	+ 3.0
On other properties	196.8	166.9	+ 14.4	+ 4.7
Other loans to individuals:				
Retail automobile installment paper	237.6	181.6	+ 20.6	— 2.2
Other retail installment paper	80.1	73.2	+ 5.4	— 7.1
Repair and modernization installment loans	53.2	50.5	— 0.7	+ 2.6
Installment cash loans	134.8	113.0	+ 7.1	+ 6.4
Single-payment loans	329.6	295.2	+ 7.4	+ 5.1
Loans to banks	13.8	7.2	+193.6	+22.0
All other loans	92.0	67.0	+ 24.7	+ 3.7
Loans—gross	2,877.0	2,459.1	+ 7.6	+ 0.8
Reserves	34.0	29.0	+ 3.0	+ 4.7
Loans—net	2,842.9	2,430.1	+ 7.6	+ 0.8
U. S. Government securities	2,461.5	2,472.5	— 7.7	— 4.0
Treasury bills	100.0	160.0	— 44.1	—36.4
Treasury certificates of indebtedness	32.1	228.7	— 79.6	—44.1
Treasury notes	610.8	464.8	+ 11.3	— 4.0
U. S. nonmarketable bonds	139.5	140.3	— 3.8	+ 0.1
Other U. S. Bonds—5 years or less	409.3	565.6	— 18.5	—24.4
Other U. S. Bonds—over 5 years	1,169.7	913.2	+ 2.9	+68.9
Other securities ¹	503.9	464.8	— 0.1	+ 4.2

p Preliminary. r Revised. ¹ Includes U. S. guaranteed obligations.

ASSETS AND LIABILITIES Fifth District Member Banks by States June 30, 1955p (Dollars in millions)

ASSETS	Fifth District					
	Md.	D. C.	Va.	W. Va.	N. C.	S. C.
Loans and investments	1,090.8	993.5	1,747.3	619.8	931.4	425.5
Loans and discounts (including overdrafts)	481.7	477.5	913.5	249.5	527.4	193.4
U. S. Government obligations	506.9	445.8	677.6	323.3	319.2	190.3
Other securities	102.2	70.2	156.1	47.0	84.8	41.8
Reserves, cash, and bank balances	320.0	294.5	475.8	176.7	321.4	133.4
Reserve with Federal Reserve Bank	165.7	166.2	193.0	70.9	108.0	41.8
Cash in vault	28.3	21.6	46.6	20.6	22.7	15.7
Balances with banks	53.4	44.1	114.7	61.5	72.2	46.1
Cash items in process of collection	72.6	62.7	121.4	23.7	118.5	29.8
Other assets	21.2	23.2	34.1	9.9	17.5	6.9
Total Assets	1,432.0	1,311.3	2,257.1	806.5	1,270.3	565.8
LIABILITIES						
Demand deposits	1,010.0	947.8	1,338.2	527.9	934.4	448.6
Individuals, partnerships, and corporations	747.2	827.6	1,019.8	402.7	656.4	342.5
U. S. Government	51.9	32.6	47.8	16.3	36.4	17.9
States and political subdivisions	121.7	.1	96.1	61.8	80.6	62.0
Banks	81.7	63.4	148.4	36.5	133.1	14.1
Certified and officers' checks, etc.	7.5	24.1	26.0	10.5	27.9	12.1
Time deposits	309.7	269.2	724.7	200.0	215.5	74.5
Individuals, partnerships, and corporations	293.4	232.7	647.3	197.6	157.3	68.4
U. S. Government and postal savings	8.2	18.7	19.8	1.9	6.6	5.2
States and political subdivisions	8.1		57.0	.2	50.0	.6
Banks		17.8	.7	.3	1.6	.3
Total deposits	1,319.7	1,217.0	2,062.9	727.9	1,149.9	523.1
Borrowings	.6		5.1	5.1	3.5	
Other liabilities	8.1	10.4	16.9	3.6	20.9	4.3
Total Liabilities	1,328.4	1,227.4	2,084.9	736.6	1,174.3	527.4
Total Capital Accounts	103.6	83.9	172.2	69.9	96.0	38.5
Total Liabilities and Capital Accounts	1,432.0	1,311.3	2,257.1	806.5	1,270.3	565.8
Demand deposits adjusted	803.8	789.1	1,020.4	451.4	646.4	386.8
Number of banks	70	13	206	99	54	35

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

Rapid Amortization—A Controversial Issue

"19 Killed, 38 Held Up" was the headline used by one of the nation's leading business newspapers to report the curtailment by the Office of Defense Mobilization of the rapid amortization program for stimulating private investment in defense-related production facilities. This lurid lead referred to ODM's recent action in ending rapid tax write-offs in 19 industries and suspending them in 38 others.

ODM's decision was designed to permit review of national industrial mobilization capacity. After specific review of each of the 38 suspended "defense production expansion goals," ODM will open or close them permanently depending on individual disclosures. The 19 expansion goals closed had already been reviewed, and the results of the study indicated sufficient facilities or capacity to meet defense needs in these categories.

In view of strong industry criticism of this move and to allay fears that the entire rapid amortization program would be abolished, ODM announced that the Government had every intention of continuing the inducements for industrial expansion but that the program would be on a much smaller scale. It was stated that certificates of necessity permitting rapid amortization would continue to be granted to expand facilities directly connected with defense and atomic energy programs. It was also indicated that the survey would find at least 20 defense-supporting industries eligible for this form of tax aid.

Expanding Private Investment

When the Korean War broke out, there was the immediate problem of expanding as rapidly as possible the nation's facilities for military production. In order to persuade private industry to undertake as much of this expansion as possible it was deemed necessary to offer protection against the risks associated with investment in capacity that might not be required after the emergency period.

The answer was found, as in World Wars I and II, in a form of tax saving to industry. Specifically, the device adopted for the purpose of stimulating private investment in defense-production plant during the Korean War was rapid amortization of the cost of such facilities—permitting industry to write off a certain percentage (the average has been 60%) of the cost in a much shorter period than permitted by the regular provision for depreciation for tax purposes.

The program was broadly similar to that in operation during World War II—a program in one sense, more

important this time inasmuch as direct Federal investment dominated the facilities expansion plan of World War II and accounted for three-fourths of the total expansion of manufacturing plant. In view of the existence of many Government-owned facilities built during World War II and considering the relatively limited nature of the Korean War, emphasis was put this time on persuading private industry to assume the task of expanding productive facilities. Whereas rapid amortization in World War II involved certification of \$7.3 billion of private investment, certificates for over \$31 billion have been granted to date (through July 1955) under the program adopted for the Korean War.

Maryland Expansion Leads Fifth District

As shown in the first table on the following page, private industry in Maryland received the largest amount of certificates of necessity granted in the Fifth

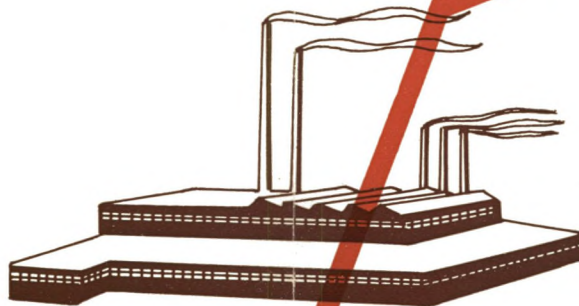
District. The diversity of the Maryland economy is reflected in the range of industries receiving some of the largest certificates for rapid amortization: ordnance, electric power, iron and steel, marine terminal facilities, petroleum refining, and glass. Grants to public utilities were particularly important in the other states of the District, although chemical com-

panies in West Virginia and Virginia accounted for some of the largest awards in those states.

The second table shows that public utilities have accounted for over 40% of the total amount of certificates awarded to Fifth District industry for projects costing \$1 million or more. The relative unimportance of heavy industries in the Fifth District is reflected in the comparatively small amount of certificates awarded to manufacturing companies. In the aggregate, certificates received by Fifth District industry ranged from only 1.7% of the United States total in 1954 to 7.4% in the first seven months of this year. This last fairly large share came chiefly from unusually heavy awards to railroads; and much of it is credited to this District although the projects may be partly or completely outside the District.

Tax Reduction

Industry is understandably eager for the privilege of accelerated amortization because it permits recovery of the investment in defense-production facilities during the early years of the life of the assets. The tax deduction for capital consumption is concentrated in the first five years instead of being spread over the useful life



of the plant and equipment. The total allowance for depreciation is, of course, not increased and the total tax reduction for the "using up" of fixed assets is therefore no greater than it would be if the cost were amortized over the life of the asset. After the five-year

from the accelerated amortization will have been received when tax rates were at their highest.

A Useful "Gimmick"

Although the "crash" defense program initiated in connection with the Korean War has been substantially completed, private industry opposes abolishment of the accelerated amortization program. It feels that the program has proved its right to become a permanent fixture in the economy. It points out the record-breaking increase in plant and equipment outlays since 1951 and holds that continued growth of our "guns and butter" economy will require the aid afforded by rapid tax amortization.

The typical point of view of industry was recently advanced by a spokesman for the railroad industry in an appearance before a House Government Operations subcommittee. While calling the rapid amortization provision a "gimmick," Dr. C. R. Cherington of the Harvard Graduate School of Business nonetheless stated that "repeal of the accelerated amortization provision would constitute a serious setback to the railroad industry and the defense economy as a whole."

"An Artificial Stimulus of a Dangerous Type"

The other side of the story was presented to the same subcommittee by the Secretary of the Treasury. Admitting that rapid amortization was of "real assistance in expediting preparation for the war," Mr. Humphrey went on to argue that it is "an artificial stimulus of a

CERTIFICATES OF NECESSITY GRANTED
(projects of \$1 million and over)*

	1951	1952	1953	1954	7 mos. 1955	Total
Md.	\$ 44.1	\$121.6	\$ 74.8	\$ 58.7	\$ 15.0	\$ 314.2
D. C.	9.0	.....	.....	.....	.....	9.0
Va.	102.1	58.3	90.4	12.1	6.9	269.9
W. Va.	44.8	145.8	23.2	.....	5.2	218.9
N. C.	13.9	45.5	28.5	1.1	17.8	106.8
S. C.	10.7	42.6	22.7	.....	1.1	77.0
Total, \$1 million & over	\$224.5	\$413.9	\$239.5	\$ 71.9	\$ 46.0	\$ 995.9
Total, all projects	\$384.2	\$683.3	\$345.6	\$112.5	\$103.1	\$1,628.6
% of U. S.	4.1%	5.3%	7.2%	1.7%	7.4%	4.6%

*Excludes railroad cars and other mobile transportation equipment.
Source: DPA and ODM releases.

period, the company no longer may take a tax deduction for continued wear and tear of the certified portion of the particular asset.

Acceleration of the recovery of an investment in emergency facilities favors the business firm in providing it with funds in a much earlier and shorter period of time than would be the case under normal depreciation. The advantage in receiving funds in the present and near future as compared to receiving them at a more distant time does not need to be labored. It should be clear also that accelerated amortization lessens the risk of not recovering the full amount of the investment.

Some such provision for tax reduction during the early years of emergency projects appears necessary to persuade, or better, to enable industry to invest in special-purpose facilities whose income-producing ability might disappear completely or be severely curtailed at the conclusion of the emergency period. If, as is generally the case, the company owning such facilities has other income-producing operations, it could continue to recover the cost of its defense-related facilities after they ceased to produce income by deducting normal depreciation charges from the income realized from other operations. Obviously this involves greater risk than recovery under rapid amortization, and it loses, of course, the advantage of an early receipt of funds from the accelerated tax deductions.

Another advantage to the firm certified for rapid amortization is that it is able to finance more of its capital outlays from internal funds than would otherwise be the case. Finally, there is the possible advantage that profits taxes will be lowered or abolished (as was the excess profits tax) after the emergency period and that, therefore, the tax deductions arising

CERTIFICATES OF NECESSITY GRANTED—FIFTH DISTRICT
(projects of \$1 million and over; 000,000 omitted)*

	1951	1952	1953	1954	7 mos. 1955	Total
Public Utilities	\$ 74.5	\$193.2	\$127.1	.....	\$17.8	\$412.7
Chemicals	56.3	75.0	37.8	\$32.3	.....	201.4
Primary Metal Products	3.2	102.2	28.1	2.0	1.1	136.7
Storage Facilities	7.6	12.5	23.1	4.1	27.1	74.3
Electronic Equipment	21.1	10.3	14.3	.....	.....	45.6
Glass Products	2.2	5.3	1.2	33.6	.....	42.4
Paper and Paper Products	30.1	5.6	.....	.....	.....	35.7
Cement	16.8	4.5	.....	.....	.....	21.3
Coal and Coke	8.7	1.5	3.0	.....	.....	13.1
Fabricated Metal Products .....	.....	2.3	1.7	.....	.....	4.0
Textiles	3.9	.....	.....	.....	.....	3.9
Aircraft .....	.....	.....	3.2	.....	.....	3.2
Lumber and Wood Products .....	.....	1.6	.....	.....	.....	1.6
Total	\$224.5	\$413.9	\$239.5	\$71.9	\$46.0	\$995.9

*Excludes railroad cars and other mobile transportation equipment.
Source: Defense Production Administration and Office of Defense Mobilization releases.
Note: 1950 data for District states not available.

dangerous type. Its indefinite continuance involves the very real danger that interests receiving the benefits of it come to rely upon it to the detriment of others who

(Continued on page 12)

Growth and Prospects in . . .

The Broiler Industry

COMMERCIAL broiler production has come to be big business in the Fifth Federal Reserve District. Last year when national production of broilers passed the billion mark, one broiler out of every five was raised by Fifth District farmers. From a relatively unimportant agricultural enterprise two decades ago, it now occupies a significant spot in the District's economy.

Though there are fewer than 20,000 specialized poultry farms in this five-state area (1950 Census of Agriculture) and some of these are turkey and egg specialists, slightly more than one-fifth of all farmers sell chickens. Among the nation's 100 leading counties in the number and value of chickens sold, 18 are located in the commercial broiler areas of the District, and 16 of these 18 counties rank within the top 50 in the country in the actual number of chickens sold.

Because of the rapid expansion of broiler production since 1950—both in the District and elsewhere in the nation—the Census data may overlook some currently intensive producing areas. Even so, the importance of this enterprise is emphasized by the location (wholly or partly) of three of the country's 13 principal commercial broiler areas in this District.

Broiler Industry Grows

The Delmarva broiler industry got its start about 1923 when knowledge of the nutritional value of vitamin-enriched feed was moving into practical use. The United States Department of Agriculture, however, did not publish production records until 1934.

And so it is with 1934 that our story begins. In that year Fifth District farmers raised 5.2 million broilers, 15% of the country's total production of 34 million birds. During the next five years, 1935-39, District output averaged close to 14.5 million, almost treble the 1934 figure and one-fifth the national average production of 70.4 million.

The war years brought a comparative shortage of other meats; so, with efforts turned toward all-out production of food, spectacular gains continued to be made in the broiler industry. While national broiler production more than tripled, District output during 1940-44 more than quadrupled, averaging some 60.8 million or 27% of the national total.

From 1945 to 1949 broiler output continued to increase though somewhat less rapidly. The national rate of gain was only slightly larger than in this five-state area, and so the District's share of the country's broiler output averaged some 26%.

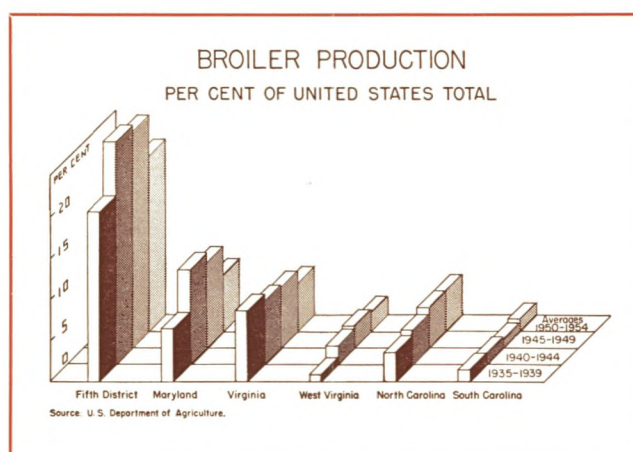
During the next five years, 1950-54, District poultry farmers increased their production to an average 184.5 million and 1954's total climbed to 215.5 million. Though the uptrend in broiler numbers continued, the national rate of production was tuned to a more accelerated pace. Result: the District's poultry enterprise lost ground to other Southern states, and its share

of total commercial broiler production dropped to 20% by 1954 and averaged 21% for the five-year period. Maryland, ranked second in the nation for the ten years, 1940-49, fell to third place in 1950 and in 1954 was sixth. Virginia, second or third from 1934 through 1943, was in the number five spot in 1954. Georgia took over first place in 1951 and has remained in that position, replacing Delaware which was number one from 1934 through 1950. Arkansas

has been the second largest broiler-producing state since 1952, and Texas became the third largest in 1954.

There have been significant changes in each state's share of total United States production. Maryland increased its percentage of the national total from 6% in 1935-39 to 12% by 1940-44 and declined to 7% in 1950-54. Virginia's proportion dropped from about 9% in the pre-World War II period to 6% in the most recent five years. West Virginia climbed slowly upward through 1945-49—from 0.7% to 2.6%—and has since slipped to 2.3%. Slow growth has characterized North Carolina's share of national production—from 3.5% in 1935-39 to 4.9% for the past ten years. South Carolina's output declined relatively during the forties and rose to 1.5% in 1950-54.

Greatest shifts during the past five years have occurred in Maryland and North Carolina. From 1950 to 1954 Maryland's production rose 7%, while her share of District output slipped from 37% to 27%. North Carolina at the same time more than doubled production and increased her share from 19% to 27%. These producing shifts have put Maryland, Virginia, and North Carolina on a near-equal footing as far as numbers are concerned.



Expansion of the broiler industry has, as noted above, continued, with the following factors responsible:

1. Broilers have proved an excellent source of supplemental farm income.
2. Family labor can frequently handle the enterprise.
3. Broiler prices have been generally favorable and this has attracted more producers.
4. Financing by feed dealers, hatcherymen, and others has encouraged farmers with relatively little capital to get into the business.
5. Initial investments are relatively small.
6. Increased efficiency and improved breeding, nutrition, and disease control have cut production costs.
7. Better processing, improved merchandising, and promotion have expanded the market.
8. Better quality birds at prices fully competitive with red meats have increased consumer demand.

Prosperity for Farmers and Community

Growth of the broiler industry has had many far-reaching effects on the District economy. As a starting point, let's look at the income that has been generated. In 1934, the District's farmers received a paltry \$3,115,000 from broilers. By 1954, when broiler prices were lowest since 1942, income had shot up to \$147,515,000 (the average, 1950-54, was \$144,875,000).

What this increased income has meant to individual farmers and their communities requires a visit to a broiler-producing area. On view are new homes, new automobiles, and television aerials dotting the landscape, to say nothing of washing machines, electric stoves, refrigerators, radios, and water pumps—all evidences of a higher living standard, in part broiler-produced.

This expanded farm prosperity has also meant prosperity for the local communities. The Under Secretary of Agriculture, in an address before the Georgia Poultry Festival in May 1953, suggested that every dollar a farmer receives increases local business five times. If this be true, the Fifth District's \$145 million average annual broiler income creates \$725 million in business.

How 1954's 215 million broilers contributed to increased business activity in producing areas can be envisaged by a few illustrations and cost assumptions. First there's a big total investment in housing and equipment. It varies considerably depending upon the type of building and equipment used, but if cost of capacity averages \$1 per bird, with 5,000 broilers to the chicken house, this would mean a \$5,000 investment per house. Each District poultry farmer probably averages 3½ broods per year. Thus, 1954's output required an investment of \$61,564,000 in houses and equipment at current price levels. The greater portion of the investment in housing naturally was made prior to 1954.

Assuming 9 pounds of feed to bring a broiler to mar-

ket size, these birds consumed 969,633 tons of feed. At an average of \$5.30 per hundred, total business for feed providers exceeded \$100 million.

Allowing for a 5% mortality rate, Fifth District poultrymen last year started an estimated 226,814,736 broiler chicks. At 15 cents per chick, this brought hatcherymen an income of \$34,022,210. Hatcheries in turn required some 19 million dozen hatching eggs. At 75 cents per dozen, this brought \$14,250,000 in gross income to hatching egg specialists.

Assuming fuel costs last year were 2 cents per bird, fuel companies received \$4,309,480 from broiler growers.

These examples of businesses benefiting from the broiler industry obviously do not include processors, trucking firms, medical supply houses, financiers and other middlemen; but do point up the broadened stake business and community leadership has in farm output and income.

What of the Future?

It is quite likely that expansion in the District's broiler enterprise will continue even though the rapid rate of the past is slowed. Why this probability?

First, scientific and technological improvements should continue to bring more efficient production and marketing.

Second, consumer demand is almost certain to increase. Fried chicken, formerly a Spring and Summer delicacy or a "Sunday-only-entree," now is available at an enticingly competitive price the year 'round to a growingly carnivorous American public. Housewives recognize its convenience and continue to increase their purchases of broiler meat—in 1940, civilian per capita consumption of ready-to-cook broiler meat was 1.9 pounds; last year it was 14 pounds. As the population increases from a current 165 million to at least 185 million by 1965, the base is provided for a steady expansion of the broiler industry. A modest assumption is that population growth plus a moderate per capita consumption increase will require an additional 590 million broilers per annum by 1965. If Fifth District farmers maintain their current share of national production, this would jump the area's output by some 118 million birds, or 55% above 1954 levels.

Third, the built-in features of broiler-financing methods usually discourage reductions in output.

Fourth, many small farms have a surplus of family labor for which there is a frequent absence of profitable alternative labor-consuming enterprises.

If this projected expansion is to be profitable, more efficient production and marketing are indicated, for markets of this magnitude are enticingly competitive. The potent question is: Will these efficiencies be effected? The answer rests with individual poultrymen, feed dealers, hatcherymen, processors—and their bankers.

Business Conditions and Prospects

SUBSTANTIAL strength was witnessed during July in the District trade level and in construction and in mining, but manufacturing activity in Virginia and the Carolinas receded somewhat more than seasonally. In the financial sector bank deposits, loans and investments of the member banks continued to expand. Agriculture remained a weak spot, although farm prices improved in two states of the District during July. Considerable damage was done to crops, especially tobacco, by hurricanes Connie and Diane.

Greater activity has been witnessed this year in the capital outlays of business concerns. The State Development Board of South Carolina, for example, estimates more than \$81 million invested or allocated for new industries and expansions since January 1, compared with \$76 million for all of 1954, \$49.7 million for 1953, and \$67.2 for 1952. Although new business incorporations slackened somewhat in June, the first half of 1955 was 21% higher than a year ago.

Increases in wage rates of about 5 cents an hour are widespread in the textile industries. Wage rates in other industries are also rising. By March 1, 1956, when the minimum wage of \$1 goes into effect, a rather sizeable number of price increases in such industries as apparel, lumber, and hosiery will have to be made, since some of these industries can hardly increase wages without raising prices. Prices of most textile products have been in a rising trend in recent months and no hesitation has appeared in this upward movement. Increases recently granted Federal Government workers are being reflected in the Washington metropolitan area.

In spite of the high level of spending during July, time deposits of District member banks showed a small increase, purchase of U. S. Savings Bonds rose 5% during the month, and redemptions dropped 12%. Savings in 314 savings and loan associations in all District States except West Virginia increased \$2 million in July, compared with \$46 million in June and \$11 million in July 1954. Virginia and North Carolina associations showed larger withdrawals than new savings during July.

Trade

Department store sales (with revised seasonal adjustment) showed a 10% increase from June to July. July was 13% ahead of a year ago and the first seven months were up 8%. Accompanying the sales rise was a 2% increase in inventories (adjusted) to a point 6% over a year ago. Outstanding orders, though down seasonally from June, were 12% ahead of a year ago.

These stores in July reached an all-time high for the District, thanks mainly to the heat and the humidity, which resulted in zooming sales of air conditioners and

electric fans of all types. Blouses, skirts, sportswear, girls' wear, aprons, housedresses and uniforms carried the women's and misses' apparel department 3% ahead of a year ago, and men's and boys' wear showed an increase of 8%. While the rank and file of departments showed decreases from last year, the major household appliance group, however, was up 82%, and housewares up 59%. These were primarily responsible for the high department store trade level in July.

Furniture stores were also having happy days during July. The sales increase in this District was 14% over June (adjusted) and 21% ahead of a year ago. In the first seven months of the year, furniture store sales were 13% ahead of 1954. Actually, cash sales were down 5% from a year ago but credit sales were up 15%.

All District States and the District of Columbia showed new passenger car registrations in June 4% above May, 17% higher than a year ago. Three District states and Washington, D. C. for the first seven months were up 27%, figures not greatly different from the national. July registrations for these areas were up 35% from last year.

On the whole, the July trade level was one of substantial strength. The 7% decline in automobile sales from June to July (with incomplete reports) was probably less than seasonal.

Manufacturing

Employment in the manufacturing industries of the District during June rose 1% from May, was 4% higher than in June 1954, and was up 2% for the first six months of the year.

New business booked by District manufacturers continued to accumulate during July, with a resulting increase in backlogs. Prices of basic textiles have been rising in a fairly broad manner and fabricated products are expected to follow suit. Price increases thus far have reflected increased costs and a demand sufficient to permit higher levels.

Cotton consumption in the District during July was down 1% from June on an adjusted basis but held 4% ahead of July 1954. In the first seven months of the year a gain of 7% is shown. A considerable number of textile expansions are noted thus far this year, but at least one sizeable plant expansion has been postponed in anticipation of increased import competition.

Cigarette production in June held at the same adjusted level as in May. Significantly, it was 5% higher than in June 1954, and the first six-month figures showed an increase of 4% over 1954.

Man-hours in all manufacturing industries of Virginia and the Carolinas declined 0.8% from June to

July, compared with a decline of 0.6% in this period last year. Durable goods man-hours in these States declined 2.9% in this period, which was substantially more than the 0.3% decline last year. Non-durable goods man-hours, however, declined 0.2% from June to July compared with 0.9% decline last year.

Man-hours in all manufacturing industries in all States of the District (available for June) increased 1.6% over May and 8.0% over June 1954. Durable goods man-hours in June were up 1.4% from May and 10.5% over June 1954. Non-durable man-hours were up 1.7% in June over May and 6.4% over June 1954.

Lumber and wood products industries of the Carolinas reduced man-hours 5.5% from June to July, which compares with an increase of 0.8% in this period last year. Furniture and fixtures industries declined 2.5% in man-hours from June to July, compared with 1.8% last year. The cigarette industry in Virginia and North Carolina slipped 1.7% from June to July this year, compared with last year's 5.4% increase. Textile mill products in Virginia and the Carolinas declined 1% from June to July, compared with 1.4% last year. Man-hours in the apparel industries increased 0.1% from June to July, compared with a decrease of 2.2% last year.

Bituminous Coal

Bituminous coal production in July (average daily basis) was 14% higher than in June, 39% higher than in July 1954, and the first seven months of the year increased 26%. Export demand for coal has been unusually high this year, and it may be that 30 million tons will be exported, double the year-ago figure. Domestic consumption has expanded less than production, but thus far there has been little addition to stock. A new contract has been negotiated between miners and operators which will result in an increase of \$2 a day. Coal prices have already been raised 25 to 40 cents a ton by one large producer.

Construction

Construction contract awards in the District (seasonally adjusted basis) were 7% higher in July than in June, due largely to an expansion in apartments, hotels, and public works awards. Commercial construction (adjusted) in July was down 38% from June; factory construction was down 33%, and one- and two-family houses 18%. Apartments and hotels were up 24% and public works 37%. Relative to a year ago, total construction contract awards were up 29%, with resi-

dential up 23%, non-residential up 69%, and public works and utilities off 17%.

Through July, total construction contract awards in the District were up 47%. Residential was up 45%, non-residential 58%, and public works and utilities 33%. In the non-residential groups, factory awards for the seven-month period vaulted 102% above last year, commercial awards were up 68%, educational 19%, and other non-residential 68%.

The decline in residential contract awards indicated on the chart page has not been a consequence of recent tightening in terms of VA and FHA mortgage money since these were not effected until the end of July. The decline thus far represents an adjustment of new residential awards from a stratospheric level to one of mere super-boom proportions.

Banking

Loans and investments of Fifth District member banks rose \$23 million during July and stood \$464 million above a year ago. Loans increased \$5 million during July to a level \$429 million higher than last year. Holdings of U. S. Government obligations increased \$11 million during the month and were \$6 million higher than last year. Holdings of other securities increased \$7 million and were \$29 million above 1954.

Total deposits of member banks increased \$11 million during July and were \$411 million higher than last year. Time deposits increased \$1 million during the month and \$124 million over the twelvemonth. Demand deposits increased \$10 million during the month and were up \$287 million during the year. During July, deposits of banks moved up \$11 million, whereas other demand deposits declined \$1 million. Relative to a year ago, deposits of banks at the end of July were down \$8 million from a year ago, while other demand deposits were up \$294 million. Borrowings of member banks declined \$12 million during July but were \$26 million larger than a year ago.

Bank debits reflected the expanding trade level and generally higher spending throughout industry by rising 1% on an adjusted basis from June to July. They were 12% over July 1954 and for the first seven months were up 11%.

While the employment situation has improved sharply, most of the major labor market areas of the District still count unemployed between 3.0 and 5.9% of the labor force. Only one area has less than 3%, and four are above 6%.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	July 1955	7 Mos. 1955
Maryland	+ 5	+ 5
Dist. of Columbia	0	+11
Virginia	+ 6	+ 7
West Virginia	+18	+22
North Carolina	+15	+10
South Carolina	+ 9	+11
District	+ 7	+10

INDIVIDUAL CITIES

Baltimore, Md.	+ 5	+ 5
Washington, D. C.	0	+11
Richmond, Va.	+ 8	+ 8
Charleston, W. Va.	+30	+19
Greenville, S. C.	- 8	+ 6

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

BUILDING PERMIT FIGURES

	July 1955	July 1954	7 Months 1955	7 Months 1954
Maryland				
Baltimore	\$ 8,334,200	\$ 6,425,630	\$ 62,944,422	\$ 36,615,310
Cumberland	81,050	48,900	984,341	443,475
Frederick	431,800	134,964	1,974,975	714,146
Hagerstown	108,525	178,842	1,552,785	1,547,381
Salisbury	65,780	29,940	1,312,056	1,109,886

Virginia

Danville	472,823	418,164	4,283,107	1,736,513
Hampton	1,622,345	706,067	10,148,248	5,934,398
Hopewell	231,139	179,612	2,240,775	1,033,347
Lynchburg	619,690	323,320	6,882,208	3,083,869
Newport News	138,820	622,417	1,400,321	2,172,023
Norfolk	878,393	2,256,681	8,227,845	9,324,810
Petersburg	948,000	213,336	2,694,400	1,336,236
Portsmouth	1,276,070	380,625	3,070,785	4,489,114
Richmond	1,042,170	2,165,410	13,770,119	16,310,717
Roanoke	1,066,437	700,486	7,576,561	7,026,745
Staunton	256,790	108,975	1,923,095	861,250
Warwick	1,002,941	385,504	7,487,726	4,486,890

West Virginia

Charleston	598,860	597,085	4,002,275	5,000,457
Clarksburg	190,824	144,073	1,254,288	1,555,948
Huntington	468,711	1,682,726	4,142,779	4,706,065

North Carolina

Asheville	216,997	294,910	1,874,077	2,305,514
Charlotte	2,929,035	1,482,755	18,104,593	11,526,471
Durham	1,036,679	549,394	7,994,936	3,535,840
Greensboro	948,796	913,622	6,781,743	6,754,609
High Point	495,487	407,444	4,707,351	3,137,573
Raleigh	2,062,153	1,005,129	13,437,501	7,874,706
Rocky Mount	357,485	147,353	2,246,671	1,871,453
Salisbury	44,397	349,938	843,775	1,284,350
Wilson	523,300	559,800	2,374,575	1,769,200
Winston-Salem	901,798	615,031	8,213,001	7,476,989

South Carolina

Charleston	223,517	797,209	1,899,294	1,901,462
Columbia	636,964	540,146	5,057,081	6,057,742
Greenville	572,588	351,300	4,766,600	4,557,060
Spartanburg	443,239	195,104	1,579,929	1,724,674

Dist. of Columbia

Washington	5,476,327	2,991,650	49,574,727	35,719,614
District Totals	\$36,704,130	\$28,903,542	\$277,268,965	\$206,985,837

WHOLESALE TRADE

LINES	Sales in July 1955 compared with July 1954	Stocks on July 31, 1955 compared with June 30, 1955
Auto supplies	+38	-27
Electrical, electronic and appliance goods	+27	+14
Hardware, plumbing and heating goods	+ 8	- 5
Machinery equipment supplies	+ 3	-18
Drugs, chemicals, allied products	+ 7	- 9
Dry goods	+12	+13
Grocery, confectionery, meats	+ 1	- 9
Paper and its products	NA	NA
Tobacco products	NA	NA
Miscellaneous	- 2	-16
District Total	+ 5	- 9

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, July '55 vs July '54 ..	+ 9	+ 6	+11	+11	+10	
Sales, 7 Mos. ending July 31, '55 vs 7 Mos. ending July 31, '54	+ 9	+ 4	+ 6	+ 9	+ 8	
Stocks, July 31, '55 vs '54 ..	+ 5	+ 7	+ 1	+ 1	+ 3	
Outstanding Orders July 31, '55 vs '54	+11	+19	+ 7	+13	+12	
Open account receivables July 1, collected in July 1955 ..	29.9	45.8	42.5	38.8	40.4	
Instalment receivables July 1, collected in July 1955 ..	10.8	13.8	13.5	16.6	13.5	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, July '55 vs July '54	+ 6	+11	+10	+17	+11	+12

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	July 1955	June 1955	July 1954	Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New passenger car registration*	202	145	145	+ 4	+17
Bank debits	172	170	153	+ 1	+12
Bituminous coal production*	97	88r	70	+10	+39
Construction contracts	246	229	191	+ 7	+29
Business failures—number	226	188	226	+20	0
Cigarette production**	106	96	96	0	+ 5
Cotton spindle hours	110	121	94	- 9	+17
Department store sales**	135	123	119	+10	+13
Manufacturing employment*	108	108	104	+ 1	+ 4
Furniture store sales	132	116	109	+14	+21
Life insurance sales	187	204	161	- 8	+16

* Not seasonally adjusted.

** Seasonal factors have been revised for the period 1952 to date.

r Revised.

Back figures available on request.

Rapid Amortization---A Controversial Issue

(Continued from page 6)

are not so favored." In speaking of the special nature of the program he pointed out the danger in "use of the tax laws to further special programs and accomplish purposes other than simply the collecting of taxes." He concluded by saying that he was not arguing repeal of the program for rapid amortization of certain emergency facilities, but felt that "its usefulness in the

future will be greatest for the good of the nation as a whole if from now on it is used only sparingly and very rigidly and strictly confined to direct war-requirements applications." As indicated at the outset of this discussion, current developments are in the direction of a considerably curtailed application of the program for rapid amortization of defense-related projects.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*
(000 omitted)

	July 1955	July 1954	7 Months 1955	7 Months 1954
Dist. of Columbia				
Washington	\$1,315,904	\$1,155,123	\$ 9,312,203	\$ 8,080,065
Maryland				
Baltimore	1,550,938	1,459,255	10,931,584	10,068,789
Cumberland	25,968	25,155	176,775	162,943
Frederick	21,857	22,215	162,414	156,976
Hagerstown	49,630	39,360	305,858	251,957
Total 4 Cities	1,648,393	1,545,985	11,576,631	10,640,665
North Carolina				
Asheville	67,270	62,454	461,789	425,109
Charlotte	380,817	330,420	2,807,067	2,417,668
Durham	88,710	106,666	571,821	626,723
Greensboro	159,393	123,239	1,028,150	824,136
High Point**	48,394	41,159	347,149	292,248
Kinston	23,480	21,447	156,995	140,236
Raleigh	186,089	219,261	1,473,337	1,323,037
Wilmington	53,339	51,030	366,861	324,735
Wilson	21,019	20,211	139,782	126,145
Winston-Salem	157,107	143,947	1,177,076	1,031,550
Total 9 Cities	1,137,224	1,078,675	8,182,878	7,239,339
South Carolina				
Charleston	83,378	79,584	580,958	516,586
Columbia	194,557	171,769	1,258,373	1,164,831
Greenville	122,911	114,797	888,270	753,084
Spartanburg	60,073	64,232	450,591	433,158
Total 4 Cities	460,919	430,382	3,178,192	2,867,659
Virginia				
Charlottesville	37,680	32,453	257,142	218,687
Danville	35,770	35,384	268,283	238,324
Lynchburg	52,501	49,124	375,501	341,238
Newport News	54,917	48,053	384,729	327,359
Norfolk	293,334	247,127	2,010,597	1,780,115
Portsmouth	34,693	31,858	251,665	223,598
Richmond	636,584	603,288	4,532,187	4,075,642
Roanoke	138,338	116,437	905,433	807,857
Total 8 Cities	1,283,817	1,163,724	8,985,537	8,012,820
West Virginia				
Bluefield	43,205	37,466	308,429	270,046
Charleston	166,548	164,888	1,178,672	1,188,475
Clarksburg	36,958	31,704	251,153	218,653
Huntington	73,567	67,771	509,082	482,403
Parkersburg	36,266	30,622	226,136	210,231
Total 5 Cities	356,544	332,451	2,473,472	2,369,808
District Totals	\$6,202,801	\$5,706,340	\$43,708,913	\$39,210,356

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

WEEKLY REPORTING MEMBER BANKS
(000 omitted)

Items	Aug. 10, 1955	July 13, 1955	Aug. 11, 1954
Total Loans	\$1,670,460**	+ 19,873	+276,051
Bus. & Agric.	749,071	+ 18,301	+146,479
Real Estate Loans	329,673	- 375	+ 48,598
All Other Loans	613,959	+ 2,058	+ 85,135
Total Security Holdings	1,729,078	+ 30,179	-138,231
U. S. Treasury Bills	57,052	+ 13,455	- 68,177
U. S. Treasury Certificates	27,379	+ 9,329	-159,299
U. S. Treasury Notes	352,806	+ 2,024	+ 58,299
U. S. Treasury Bonds	1,021,504	- 1	+ 16,931
Other Bonds, Stocks & Secur.	270,337	+ 5,372	+ 14,015
Cash Items in Process of Col. ..	297,096	- 51,115	+ 10,509
Due from Banks	175,077*	- 14,529	- 13,472
Currency and Coin	78,430	- 3,976	+ 2,467
Reserve with F. R. Banks	506,101	- 40,122	- 12,459
Other Assets	69,667	+ 977	+ 6,212
Total Assets	\$4,525,909	- 58,713	+131,077
Total Demand Deposits	\$3,389,651	- 48,810	+ 95,782
Deposits of Individuals	2,562,488	- 23,842	+104,253
Deposits of U. S. Government	96,260	- 8,420	- 10,259
Deposits of State & Local Gov.	193,942	- 24,630	+ 10,205
Deposits of Banks	480,605*	+ 11,886	- 15,865
Certified & Officers' Checks ..	56,356	- 3,804	+ 7,448
Total Time Deposits	755,121	+ 325	+ 10,384
Deposits of Individuals	682,744	+ 1,249	+ 19,650
Other Time Deposits	72,377	- 924	- 9,266
Liabilities for Borrowed Money	27,800	- 13,150	+ 14,800
All Other Liabilities	42,414	+ 1,753	- 5,646
Capital Accounts	310,923	+ 1,169	+ 15,757
Total Liabilities	\$4,525,909	- 58,713	+131,077

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