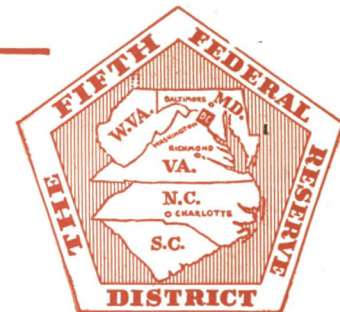
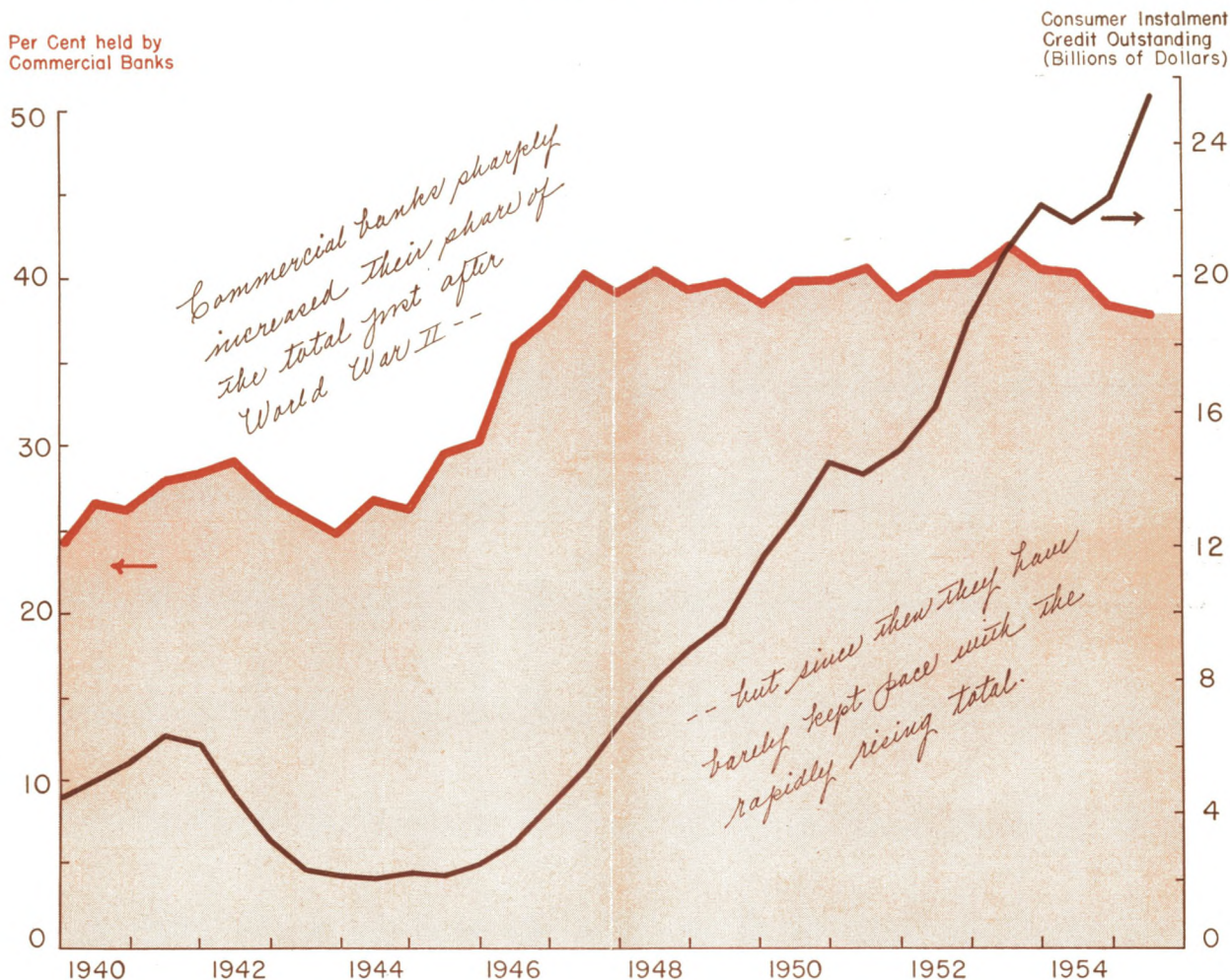


# Monthly Review



October 1955

## THE ROLE OF COMMERCIAL BANKS IN CONSUMER INSTALMENT LENDING



Consumer instalment credit extended by commercial banks has been rising steadily since World War II, but their share of this credit has recently declined slightly. The article on page 3 discusses the growth of instalment credit in commercial banks as well as over-all growth and some of the factors causing the unprecedented rise.

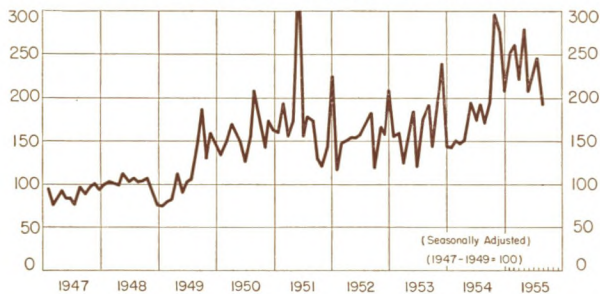
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## FIFTH DISTRICT TRENDS

TOTAL CONSTRUCTION CONTRACT AWARDS



Construction contract awards for all types of construction during August 1955 were down 22% from July after seasonal correction. The level, however, was 14% higher than in August 1954, and during the first six months of 1955, the gain amounted to 43%.

COTTON CONSUMPTION



Average daily (seasonally adjusted) consumption of cotton in Fifth District mills rose 2% from July to August which brought the August level above that of June. Relative to a year ago, August consumption was up 9%, and over the first eight months of the year, the gain was 8%.

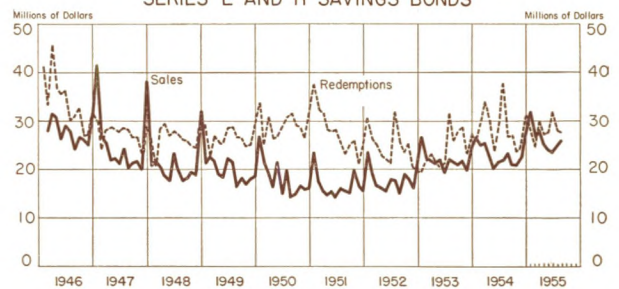
WHOLESALE PRICE-COTTON BROAD WOVEN GOODS



Source: U.S. Department of Labor, Bureau of Labor Statistics

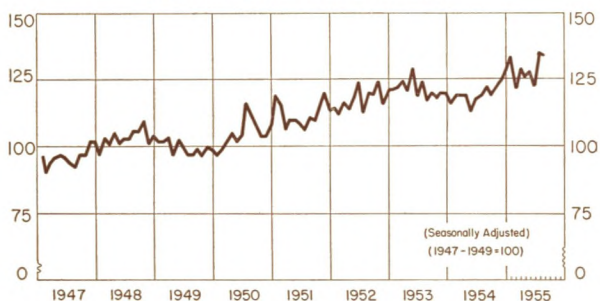
Prices of cotton broad woven goods in August stood at 89.4% of the 1947-49 average. They have been rising slowly since May 1954, with an over-all increase of 4% since that date. August prices were 0.7% higher than in July, 3.0% higher than in August 1954, and 24.9% lower than at the peak, February 1951.

SERIES E AND H SAVINGS BONDS



Sales of United States Savings Bonds, Series E and H, amounted to \$26 million in this District during August, a gain of 6% from July and 13% over a year ago. For the first eight months the increase was 13%. In the same period redemptions declined 4%.

DEPARTMENT STORE SALES



Strength continued in District department store sales during August. Although the average daily (seasonally adjusted) level declined 1% during the month, sales were 10% higher than in August 1954, and in the first eight months of the year, they were up 8%.

DEPARTMENT STORE INVENTORIES



Department store inventories (seasonally adjusted) in August were unchanged from July. They were 6% higher than in August last year. The level of inventories on a seasonally adjusted basis rose somewhat from 1954's recession levels toward the end of that year. Thus far in 1955, they have remained steady.



## Consumer Instalment Credit In Commercial Banks

**R**APID growth of consumer instalment credit in recent months, sparked by the sharp rise in automobile credit, has been the subject of widespread attention—and of some concern. Although the current increase has been substantial, there have been times since the end of World War II when instalment credit has grown at as rapid a pace or even more rapidly—notably, in early 1950, just before the outbreak of the Korean War, and in late 1952 and early 1953.

The continued rise in instalment credit this year points up a trend in evidence since 1945. Its growth causes concern because of the very nature of instalment credit (the borrowings of individuals on their future incomes) and because of the effect the net repayment of the instalment debt might have in any period of declining economic activity.

As of July 30, 1955, instalment credit outstanding reached a record \$25.5 billion, almost \$4 billion or 16.6% above a year ago. In the first seven months of the year, it advanced \$3 billion, an average rate of almost \$450 million a month, with the preponderant share in automobile paper. Instalment credit on July 30 accounted for more than three-fourths of the \$32.9 billion of short- and intermediate-term consumer credit outstanding.

Short- and intermediate-term consumer credit not only includes instalment credit but it also includes charge accounts, single payment loans, and service credit.

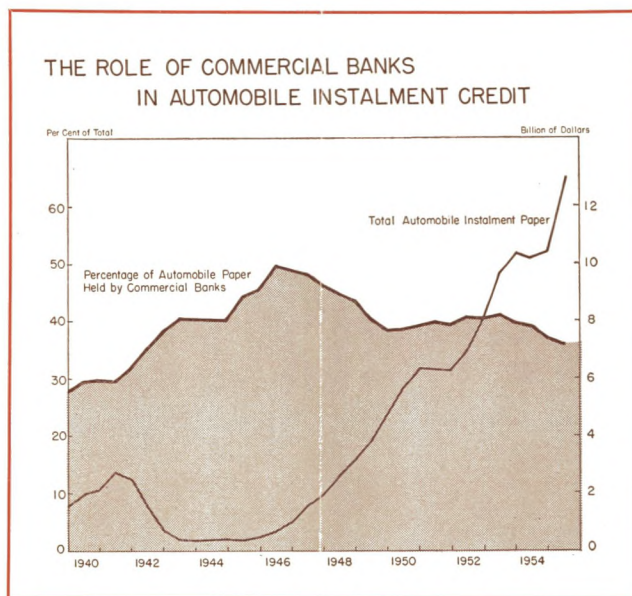
At the beginning of 1929 (earliest date for which data are available) total instalment credit amounted to \$2.6 billion. After declining to \$1.4 billion in early 1933, this type of credit grew at a moderate rate until World War II, when the Government took direct measures to limit its expansion (Regulation W) and also to curtail the production of durable consumer goods. Instalment credit fell from \$6.5 billion in mid-1941 to less than \$2 billion in early 1944. After the World War II period, there was rapid growth until the Korean War when the rate of increase slowed appreciably. Upon removal of Regulation W in May 1952, consumer instalment credit advanced from a total of \$15.3 billion to \$22.2 billion by the close of 1953, an increase of almost \$7 billion in the year and a half period. In the early months of 1954 there was a slump in instalment borrowing, but by mid-1954 the upward

movement was resumed and brought the total to its present unprecedented level.

### Commercial Banks' Share in Instalment Lending

Consumer instalment credit on a significant scale is relatively new in the field of commercial banking, dating from the mid-1930's. At the close of 1939 (earliest date for which commercial bank data are available) commercial banks held 24% of total instalment credit; by August 1955 they accounted for 38%. During this period, the amount of consumer instalment credit carried on the books of commercial banks multiplied almost ninefold—from \$1,079 million to \$9,656 million.

The cover chart shows clearly the varying importance of commercial bank holdings of consumer instalment paper since 1939. Commercial bank instalment credit accounted for less than a quarter of the total outstanding in 1939; by mid-1942 it had risen to 29% of the total. The percentage dropped in the war years, 1942 to 1944. From 25% of the total at the beginning of 1944 it rose to 30% by late 1945. In the first six months of 1946, the commercial banks' share rose sharply—from 30% to 36% of the total in the six months' period. By mid-1947 commercial banks'



percentage reached 40% of total instalment credit, and from this date through 1952 they held their own in an increasingly competitive field, their share fluctuating between 39% and 40% of the total. They reached their highest point in mid-1953, holding 42% of all instalment credit in the country. Since then they have not kept pace, and by July 31, 1955, when instalment credit in the country was at its peak, commercial banks had slipped back to about 38% of the total.

The commercial banks which are members of the Federal Reserve System now account for about 95% of the consumer instalment credit held by all commercial banks in the United States. Back in 1942 member banks held \$774 million in instalment credit and had increased it almost eleven and a half times, to \$8.5 billion, by April 1955—from less than 5% of their total loans to 13½%.

In this District, holdings of consumer instalment credit by member banks have grown at a more rapid rate than for the country as a whole. In 1942 member



banks in the District held \$34.5 million in consumer instalment loans, which was 5.1% of total loans. By June 30 of this year, consumer instalment credit held by member banks had increased fourteen and a half times—to \$506 million. This was 17.6% of the total loans held by Fifth District member banks, and the rate of growth in this period exceeded that of any other type of member bank lending.

### Importance of Automobile Credit

Automobile instalment paper has been an important part of total instalment credit since the early years of instalment borrowing. In 1929, when automobile instalment paper amounted to only \$1.1 billion, it accounted for 42% of total instalment credit. During the depression years and again in World War II automobile instalment paper went as low as \$321 million and \$343 million, respectively, and accounted for 23% and 17% of the total. By the close of 1946, automobile paper again took the spotlight, and advanced steadily (except for the period of the Korean War) until early 1954 when extensions of new credit fell below the level of repayments so that outstanding automobile instalment credit declined moderately over the first three months of the year. Since then the volume of new automobile loans has shot upward until it now constitutes more than 51% of all consumer instalment credit. In recent years, three-fifths of all purchases of both new and used automobiles have required credit. In 1955 the availability and the terms of consumer instalment credit have been very important factors in the high level of automobile sales.

Recent rapid increase in consumer instalment credit has stemmed chiefly from instalment automobile paper, although other types of instalment buying have added their bit to the total. Included in instalment credit buying are TV sets, refrigerators, washing machines, furniture, and the like. Also included are repair and modernization loans and personal loans. As of July 30, 1955, credit extended by all classes of lenders in the country for the purpose of purchasing automobiles accounted for \$13 billion or 51% of the total; other consumer goods paper accounted for 22%; repair and modernization loans accounted for 6%; and personal loans accounted for the balance, 21%.

As of July 30, 1955, commercial banks of the country held 36% of the total of all automobile credit (see chart, page 3), the lowest percentage held by commercial banks since mid-1942. The decline in the proportion of automobile instalment credit held by commercial banks accounts principally for the decline in their share of total consumer instalment credit. Of the total of instalment credit held by commercial banks on July 30, 1955, 48% was in automobile instalment credit; 20% in other consumer goods paper; 13% in repair and modernization loans; and 19% in personal loans.

On June 30, 1955, Fifth District member banks held 47% of their total consumer instalment credit in automobile instalment paper. Retail purchases of household appliances, furniture, and the like accounted for 16% of the total, and loans for repair and modernization of homes accounted for one-tenth of the total. The remainder, more than a quarter of total instalment credit held by District member banks, was in "cash instalment loans," covering primarily such payments as medical and hospital fees, services or nondurable commodities, and personal debts. According to latest published national figures (April 1955) all member banks followed the same general pattern.

### Some Aspects of Consumer Instalment Lending

The rising tide of consumer instalment credit has resulted in part from the rising level of personal income. (Disposable personal income is estimated to have grown from \$253.9 billion in the second quarter of 1954 to a record total of \$267.1 billion in the second quarter of 1955.) It also represents changing attitudes on the part of both lenders and borrowers. In recent years more people with steady incomes prefer to purchase what they want and enjoy their purchases while paying for them. The rise may also be attributed to the highly competitive market, with promotional campaigns frequently featuring price concessions, to national growth, and to a vast array of new products.

According to a recent survey on consumer finances, conducted by the Federal Reserve System in cooperation with the Survey Research Center of the University of Michigan, the people who owe money are the ones who can afford to owe it. Drawing on this same study, the *Federal Reserve Bulletin* recently noted that commitments for instalment debt were most frequent in the middle and moderately high income groups.

There are no over-all data on the terms of instalment credit. It is generally conceded that a loosening of terms on instalment credit, particularly automobile paper, occurred in late 1954 and early 1955 because of the favorable outlook for business activity and competition among lending agencies. However, according to the survey on consumer finances referred to above, about one-fourth of instalment debts outstanding at the date of the survey were to be paid off in six months; an additional two-fifths were payable in six months to a year; and less than one-tenth of the debt had more than two years to run. In recent weeks, a growing awareness of the dangers of too-easy credit by all types of lenders has appeared, and steps are being taken to tighten up on credit-granting terms.

Thus far there is little evidence of any marked rise in defaults of instalment debt. Data collected by the American Bankers Association from commercial banks showed national delinquency rates (delinquent loans as

(Continued on page 10)



## Coming: Minimum Wage Adjustments

NEARLY 300,000 workers, or 23% of the total, in Fifth District manufacturing industries are estimated by the Federal Reserve Bank of Richmond to be earning less than \$1 an hour. Those earning less than this amount are not confined to the nondurable goods group of industries, but durables and nondurables were relatively the same. Of the estimated 299,000 receiving less than \$1 hourly, the durable goods industries account for 107,000 and the nondurable goods industries, 192,000. This is 23% of all those employed in durable goods, while the remaining 192,000 constitute 23% of employment in nondurable goods industries.

The scheduled change (March 1956) in the minimum wage (under the Fair Labor Standards Act of 1938) from 75¢ an hour to \$1 an hour will have rather substantial effects on important industries in the District, such as apparel, lumber, food, stone, clay and glass, leather, and furniture industries.

Apparel industries of the Fifth District, employing 89,000 workers in June 1955, are estimated to have 54,000 workers earning less than \$1 an hour, or 61% of the number employed. Approximately half of those earning less than \$1 were in the 75¢ to 80¢ wage bracket, with the remainder fairly evenly distributed between 80¢ and \$1. Increasing the wages of 61% of these employees will raise many problems. Since Southern apparel firms set the competitive price, it is almost a foregone conclusion that prices will rise. In the work-clothing field, moderate price advances have already taken place, and thus far have not dampened the demand. The problem is not quite as intense in other industries of the District, although six of them have substantial segments receiving less than \$1 an hour. The lumber industry, including wood products, is estimated to have 50% of its work force earning less than \$1 an hour. In June 1955 there were 103,200 persons employed in these industries with 51,600 estimated to be under the new minimum. Lumber prices in 1955 have been rising moderately, due to the strength of demand rather than the wage situation, but there is a question whether the lumber industry will be able to pass on the increased wage costs in still higher prices since Southern softwood markets already feel the competition of Western fir. If lumber demand remains as intense as it has been, higher prices on Southern softwoods might stand up. If the demand slackens, Southern softwood employment will probably be more adversely affected than West Coast lumber employment.

The food and kindred products industries of the Fifth District employed 103,300 in June 1955, and of this number 45,700, or 44%, are estimated to be earning less than \$1 an hour. Here, increasing prices to offset wage costs may be easier since food industries in many other parts of the country are similarly situated. Furthermore, wage costs in food products are relatively

small and would invite small price adjustments, especially if costs of raw foodstuffs continued to move lower.

Stone, clay and glass industries of the District employed 51,800 in June 1955; of these it is estimated that 22,600, or 44%, were earning less than \$1 an hour. Most of those below this level are found in stone and clay work and very few are in the glass industry. Since most stone and clay products are used locally and do not compete substantially with other areas, cost increases will likely be passed on in higher prices.

The leather and products industries are unimportant in this District, employing in June only 8,700 workers; but 37% were earning less than \$1 an hour. Leather prices are quite volatile and since other leather-producing areas of the country are similarly situated, a price rise can probably be effected to cover increased costs.

The furniture and fixtures industries of the District, were employing 56,400 workers in June 1955, with an estimated 18,300, or 32%, of these earning less than \$1 an hour. Furniture prices are fairly strong at the present time, and there is little doubt prices will be increased to cover added costs. There is not much likelihood that District furniture factories will lose competitive positions at the relatively higher wage level.

The tobacco and products industries were employing 35,100 workers in the Fifth District in June 1955, with an estimated 7,500 or 21%, earning less than \$1 an hour. The forthcoming wage increase may be the tip-off for another cigarette price increase. It is also likely to motivate further mechanization in tobacco processing.

Other Fifth District industries with below-minimum wages range from 5% (percentage of total employees) in machinery (excluding electrical) to 18% in unclassified industries. The textile mill products industry is estimated to have 14% of its workers earning less than \$1. This is a low percentage compared with industries already noted, but more people are involved than in the apparel industry (56,300). These unclassified industries employed 82,700 in June and are estimated to have 14,900 earning less than \$1. Similarly, chemicals and allied products industries employing 99,600 in June are thought to have some 11,800 under \$1, while all other major groups of industries in the District show an outside figure of 3,300.

Adjustment of these industries to the \$1 minimum wage next March 1 is of greater significance than that necessary when the 75¢ minimum came in January 1950. While this statement cannot be conclusively demonstrated, it is felt evidence points in this direction.

The cotton textile industry in the Charlotte, North Carolina area had 1% of the workers employed prior to the establishment of the 75¢ minimum wage earning less than that amount. Currently, 23% of the cotton textile workers in this area are earning less than \$1 an hour. In the Spartanburg, South Carolina district, less



than 1% of the cotton textile workers prior to January 1950 were earning less than 75¢ an hour. Currently, 61% are earning under \$1 an hour.

In the men's and boys' dress shirts and nightwear in the state of South Carolina, 54% of those employed prior to January 1950 earned less than 75¢ an hour. Currently, 69% are earning less than \$1 an hour.

In the full-fashioned hosiery industry of the Charlotte, North Carolina area, 0.6% of the number employed prior to January 1950 were receiving less than 75¢ an hour. Currently, 25% are receiving less than \$1 an hour. In the Hickory-Statesville area of North Carolina, 8% of employees in full-fashioned hosiery were earning less than 75¢ an hour prior to January 1950. Currently, 18% are earning less than \$1 an hour.

The wood furniture industries about Martinsville, Virginia, prior to January 1950, had 7% of their employees earning less than 75¢ an hour. Currently 28% of the employees in this area are earning less than \$1 an hour. In the Winston-Salem-High Point area, wood furniture industries prior to January 1950 had 13% of their workers earning less than 75¢ an hour. Currently, 26% of the workers in this industry in this area are earning less than \$1 an hour.

Although these figures are fragmentary, they quite clearly indicate a more substantial wage adjustment to the \$1 minimum than on the earlier date.

The United States Department of Labor, in its publication, *Results of the Minimum-Wage Increase of 1950*, says, "The short-run wage impact of the 1950 minimum rate increase was greater on lower than on middle or higher pay rates and in lower-wage than in higher-wage industries, regions, occupations and plants. It, therefore, tended to narrow percent earnings differentials within industry."

In such comparisons as can be made of occupational wage scales in the Fifth District, this tendency indicated by the Department of Labor was washed out over a longer period. Between August 1949 and May 1954 the men's and boys' dress shirts and nightwear wage scales in South Carolina showed no evidence of a larger percentage increase in the low-wage skills as compared with the high-wage skills. The lowest-paid workers in this industry in 1949 were watchmen and their scales by May 1954 had been brought to the level of hand-pressers to show the largest percentage increase in this period of any occupational skill; but ninth and tenth ranking skills showed smaller percentage increases than second and fifth skills, and on the whole there was little tendency to show a greater change one way or another.

Again in the Charlotte territory cotton textile industry, between April 1949 and November 1954, out of 13 skills listed, a 7th ranker showed the largest percentage increase, with increases in the high-wage scales approximately the same as increases in the low-wage scales.

In the wood furniture industries in the Winston-Salem, North Carolina area, the highest and lowest

scale showed approximately the same percentage increase. The average of the highest four skills, however, showed larger increases than the lowest four. Somewhat larger increases are recorded in wage scales in this period in seventh, eighth, and ninth ranking skills.

The men's seamless hosiery industry in the Winston-Salem-High Point area between October 1949 and November 1952 showed a moderately larger increase in the highest wage scale than in the lowest. The second highest wage scale showed an increase of 15% in the period under review; the ninth showed an increase of 16%. The fourth highest increased 13%; the sixth highest 12%. There was little tendency for low-wage earners to show a larger increase than high-wage earners.

The full-fashioned hosiery industry located around Charlotte, North Carolina, between October 1949 and November 1952, showed an increase in the highest wage scale of 10%. In the lowest, the increase was 5%. The largest percentage increases came in the fourth highest skill (20%) and the fifth highest (18%). Again no clear-cut indication that higher-wage earners received smaller increases than lower-wage earners, or that rate differentials had been narrowed.

It is true that the evidence presented here is from a small sample of the whole, but the earlier short-run effects cited by the Department of Labor seem not to have prevailed over a longer period. This implies that the long-run consequences of raising the minimum wage rate would be a general increase of approximately similar proportions in the total wage structure. This statement, of course, must be qualified by the fact that through the period in which these changes have been measured, business conditions have been in a strong upward trend, either making higher wages tolerable or permitting price increases to offset increased wage costs. In a period of less business exuberance, the wage structure might well be compressed.

### **Economic Consequences**

The Department of Labor, in its study of the 1950 minimum wage increase, found that regional differentials in the short run were narrowed. Chances are that the long-run effects would show the same result. This narrowing of wage differential (other things being equal) would tend to stabilize the growth of industry in areas in which it was already located; that is if the minimum wage were high enough to remove area differentials, the wage rate alone would have that tendency.

But other things are not equal and other costs are not affected by the minimum wage. Regional industrial development would still take place in newer regions if unit cost of production, because of other factors, could be lowered in regions where industry had not existed. If, for example, it is customary or mandatory in an area for a textile mill operator to tend four looms, while in another area it is customary to operate sixteen or more, unit production cost would be quite different in the two areas even with the same hourly wage scale.



## Trade—A Sensitive Economic Barometer

**D**ISTRICT trade sat atop an all-time pinnacle in the Summer months. The cash register's jingle played a pleasant tune for most merchants. The housewife's new refrigerator and air-conditioned living room were and are the envy of neighbors; and the man of the house, along with the rest of the family, beamed when the new automobile was delivered.

Rising levels of employment, hours and income in the District clearly induced an attitude of willingness to exchange disposable personal income for commodities and services.

### Department and specialty store sales . . .

Department store sales added impetus to the upward progress of the trade level. August sales (average daily, seasonally adjusted) were 6% higher than for the same month last year. The 4% decline from July's high point for the first eight months of 1955 hardly indicates a reversal of the trend. July's sales topped the December 1954 peak by nearly 6%, and the 1953 high by almost 5%. All District states and Washington, D. C., reported July department store sales above those of July 1954 and June 1955. In four areas, July proved to be the peak sales month for the first seven months of 1955, with Maryland and North Carolina the exceptions. Metropolitan areas such as Baltimore, Maryland and Washington, D. C., have responded to the suburban trend by providing convenient local shopping centers to supplement downtown stores. Personal shopping services, home and mail delivery, and "charga-plates" have helped to answer the consumer's demand for better and speedier service.

### . . . for the home . . .

July sales levels in home-furnishings and related departments within department stores, in retail furniture stores, and in household appliance stores—reflecting a growing interest in home atmosphere—exerted a strong influence on the over-all trend. Sales in home furnishings, powered by increases in housewares and major household appliances, reached an all-time high. Retail furniture store net sales (seasonally adjusted) for July were 21% above a year ago and 14% over June.

The increased demand for furniture and appliances naturally parallels the high rate of residential construction and new household formation. For the first seven months the total value of residential construction contracts awarded in the Fifth District surpassed the figure for the same period in 1953 by 84% and that for 1954 by 45.3%, providing current markets for building materials and future markets for home furnishings. Completion of homes now under construction should maintain a high market for household articles, even if residential construction levels off or declines.

### . . . and for the individual . . .

While department stores reflect rising purchases of

new products for the home, they likewise benefit from increased sales stemming from fashion consciousness in clothing. The male population may be succumbing to "planned obsolescence" in his fashion field—the "good blue suit" is sharing wardrobe space with newer styles and hues in men's clothing. July sales (seasonally adjusted) in the men's and boys' wear departments were the highest thus far this year, and in departments featuring men's furnishings and hats, sales reached an all-time high. Sales in sportswear experienced the sharpest uptrend in the women's clothing field, a reflection of the tendency toward the casual and comfortable in women's wear.

Prime "fashion first" for '55 has been the new automobile. Comparisons with July 1954 showed registration increases of 30.3% for the District, 30.1% for the District of Columbia, 30.2% for Virginia, 37.1% for North Carolina, 40.6% for Maryland, 43.0% for West Virginia, and a drop of 5.5% in South Carolina.

Although new passenger car registrations (unadjusted) in five District states and Washington, D. C., were 6.4% lower in July than in the previous month, the ratio of July to June registrations was 1.1% higher than the average ratio for the same months over a period of the last five years, an indication that automobile dealers continue to move new cars from the showroom to the road at a gratifying rate. Maryland registrations dropped 0.9% in July from June; North Carolina, 1.0%; the District of Columbia, 6.9%; Virginia, 8.2%; West Virginia, 12.9%; and South Carolina, 15.3%.

### . . . reflect fair economic climate.

Levels of employment and income are important factors in the economic climate—and shifts can portend fair or stormy trade weather. Avid consumer demand is reflected in a 0.7% increase in average retail trade employment for the first seven months of 1955, compared with a like period in 1954. District total non-agricultural employment for the same period increased 1.1%. Insured unemployment for the week ending August 20 was the lowest for the District since November 7, 1953. The August 20 unemployment level dropped 20% from the previous month, and 50% from a year ago.

Rising employment contributes security and confidence which help to forge the link between the desire to buy, activated by new and improved consumer products and effective advertising, and the ability to buy—as measured by income. Income figures for the District will be unavailable for some months, but *Business Week* estimated that Fifth District income was 7.2% higher in June 1955 than in June 1954, compared with a 4.7% increase for the nation; and estimated District manufacturing payrolls were up 11%.



## Business Conditions and Prospects

**M**ANUFACTURING industries in the Fifth District went into new high ground during August, and output of the District's mines continued to move upward. Retail trade, however, failed to maintain the hectic pace of July and settled down a bit. While contract awards for new construction eased, it was a case of coming out of the stratosphere but still remaining above the clouds.

Aside from the loss of many trees and small buildings along the coast, hurricane damage was not exceedingly heavy. Moderate losses occurred in the tobacco crop, and heavy damage to the tri-state tomato crop took place. Oyster packers in the Rappahannock River oyster farming area estimated their losses from \$3-5 million.

Heavy credit demand is indicated by the weekly reporting banks. It has centered mainly in consumer credit and business loans, which hesitated slightly during August but have since resumed an upward trend.

Employment has increased in the District, although only one major labor market area in the District has an unemployment figure under 3% of the labor force. However, insured unemployment in the week ended September 3 totaled 70,600, a 17% decline from a month earlier, and a striking 50% less than a year ago.

### Construction

In the first eight months of 1955, the value of construction contracts awarded in the Fifth District was 43% greater than in the corresponding months a year earlier. Since October 1954, however, contract awards (seasonally adjusted) have been declining and in August of this year were only 14% greater than in August 1954. If awards in September continue at the same rate as in August, allowing for seasonal influences, the total will be smaller than in September 1954.

A drop of 22% in contract awards from July to August, seasonally adjusted, was due chiefly to declines of 47% in awards for public works and utilities, and of 24% in commercial construction awards. Value of residential awards changed little, reflecting continued strength in most major categories.

Advertisements in metropolitan papers of the District show that down payments are required for most houses offered, though a few advertise no down payment for GI's and 30 years to pay. Most of the no-down-payment loans undoubtedly were based on prior commitments and are less likely to be offered in the near future.

Contracts awarded for factory construction in the District continue to increase fairly steadily. In August such awards were 8% higher than in July and 11%

ahead of August 1954. In the first eight months of this year industrial awards were 88% larger than in the same months of 1954, the largest increase in any category. The steady increase in orders of manufacturers in the District during the year has resulted in a large backlog of unfilled orders, and suggests that there will be further expansion in industrial construction.

### Trade

July established all-time highs in retail sales of department and furniture stores in the Fifth District. In August, average daily seasonally adjusted department store sales dipped 1%, but the level was 10% higher than in August 1954, and the first eight months of the year were up 8%. August figures were again, as in July, sparked by substantial gains in major household appliances. In stores reporting departmentally, these sales were up 50% from a year ago. Women's coats and suits did quite well in August, showing a gain of 11%, and men's clothing also showed a gain of 11%.

Retail furniture store sales in August failed to maintain July's withering pace and dropped 11% on a seasonally adjusted basis. The August level, however, was still moderately higher than in June, was 15% ahead of August 1954, and up 14% for the first eight months. Despite a 14% decline in adjusted credit sales from July to August, receivables increased 4%, while collections were off 5%.

The inventory position of department and furniture stores in the District remains conservative relative to the trade level. Department store inventories (adjusted) in August showed no change from July and were 6% higher than a year ago, whereas sales were up 10%. Furniture stores inventories (adjusted) in August were down 9% from July and 1% from a year ago. Sales relative to a year ago were up 15%. This is indeed restraint, considering that many soft-goods items appear headed for price rises sparked in part by an increase in the minimum wage next year.

New passenger automobile registrations in three Fifth District states and the District of Columbia showed an increase of 11% in August over July, a gain of 57% over August 1954, and were up 30% for the eight months. New commercial car registrations in three states of the District showed an increase of 10% from July to August; an increase of 45% in August over a year ago; and an increase of 14% for eight months. These figures indicate a new-car demand well beyond the hopes of any but the super-optimists.



## Coal

Expanding kilowatt-hour output, with coal again in a pleasant competitive position, the high rate of steel operations, and continued expansion in coal exports all continue to give impetus to bituminous coal production in the Fifth District. During August average daily output was 3% higher than in July, 25% higher than in August 1954, and up 27% for the first eight months of the year. From the end of August through September 22, bituminous coal moving through Eastern Tidewater ports to overseas destinations was slightly over 4 million tons or at an annual rate almost equal to the 1947 record. Over 90% of foreign cargo shipments thus far in 1955 have moved through Hampton Roads ports.

## Manufacturing

A new recovery high was established in manufacturing industries of four states of the District during August and man-hours in North and South Carolina manufacturing establishments established new all-time records.

Man-hours in all manufacturing industries of Virginia, West Virginia, North Carolina and South Carolina rose 3.7% from July to August, to a level 7.4% ahead of a year ago. Largest increases during the month came in West Virginia and North Carolina.

The durable goods industries of these states showed an aggregate man-hour rise of 2.6% from July to August and 7.9% in August from a year ago. The rise during the month was due mainly to a 10% increase in West Virginia and a 1.8% increase in South Carolina. Virginia showed a fractional rise, while North Carolina showed a fractional loss.

Man-hours in the nondurable goods industries of these four states rose 4% from July to August, with August 7% ahead of a year ago. The rise occurred principally in North Carolina, 7.1%; and South Carolina, 3.4%. West Virginia showed a fractional rise while Virginia showed a fractional loss.

Furniture, glass, primary metals, yarn and thread mills, knitting mills and apparel industries showed better-than-average increases during the month.

The textile and apparel industries of the Fifth District are operating full-time schedules and the backlog of business is the best in many years. The outlook for production and employment in these industries is good, despite the impending adjustment in wage rates under the new minimum wage law, and in spite of increased imports of Japanese textiles.

The shipbuilding business appears to be reaching a stabilization point. Some yards find working schedules moving downward while others are increasing theirs moderately.

Cigarette production in July failed to maintain the modest gains indicated earlier in the year. District output in July (seasonally adjusted) was 9% below

June and 4% under July a year ago. The accumulated seven months total, however, was 2% ahead of a year ago.

## Banking

Demand for bank credit remained very active during August and early September. Weekly reporting banks on September 21 showed commercial, industrial, and agricultural loans up \$3.9 million over a month earlier, and \$112.4 million over a year ago. Their real estate loans gained \$4.2 million during the month and \$48 million over the year. "Other" loans, which are largely consumer, showed an increase of \$2.6 million during the month and were up \$94 million over the year.

Loans and investments of all member banks in the Fifth District rose \$42 million during August, with loans up \$46 million and investments down \$4 million. Relative to a year ago, loans and investments were up \$415 million, with loans up \$466 million and investments down \$51 million.

Total deposits of all member banks at the end of August were \$49 million higher than a month earlier, and a sharp \$418 million over a year earlier. During August, demand deposits rose \$47 million and time deposits a modest \$2 million. Inter-bank deposits accounted for \$38 million of the rise in demand deposits. The increase of \$418 million in total deposits over a year ago was accounted for by an increase of \$106 million in time deposits, \$9 million in inter-bank deposits, and \$303 million in other demand deposits.

Member bank borrowings at the end of August amounted to \$83 million, an increase of \$24 million during the month and an increase of \$54 million during the past twelve months.

## Agriculture

Prices received by farmers in Fifth District states, which had shown a tendency to rise in some states at mid-year, again turned down in August. Farm prices in Maryland during August were 3.2% under July; Virginia, down 1.9%; West Virginia, down 2.5%; North Carolina, no change; South Carolina, up 1.1%.

Cash receipts from farm marketings in the first half of 1955 were 2.7% smaller than a year earlier, compared with a 3.9% decline nationally. In the District, livestock and products income was down 2.8% in the first half compared with 6.8% for the country as a whole. Crop income in Fifth District states in the first half was off 2.3%, compared with a national increase of 1.9%. Virginia was the only Fifth District state to show an increase in total cash receipts, first half of 1955 vs. 1954. Other states showed decreases ranging from 3.4% in South Carolina to 6.2% in Maryland.

Early marketed tobacco in the Fifth District brought improved prices over a year ago, but later marketings have shown price decreases.



## Consumer Instalment Credit In Commercial Banks

(Continued from page 4)

a percentage of total loans) as of July 30 below those of a year ago. In the South Atlantic States, of which this District is a part, the delinquency rates were below those for the nation as a whole—on automobiles, for instance, they were 1.425% for the nation and .829% for the South Atlantic States.

### Conclusions

Although the share of commercial bank holdings in the field of consumer instalment credit has declined in the past two years, the amount of instalment credit outstanding at commercial banks has been steadily rising. In the current year their holdings have increased \$1 billion to July 30, and, in addition, their loans to finance companies rose sharply. Commercial banks continue to own the largest single share of consumer instalment credit. Sales finance companies, on July 30,

1955, held the next largest share of consumer instalment credit—32% of the total. The third largest share was held by retail outlets—department, furniture, and household appliance stores, automobile dealers, and others. All other financial institutions (such as mutual savings banks, savings and loan associations, finance companies operating principally under small loan laws, and industrial loan companies) and credit unions made up the rest of the total.

While commercial banks in earlier years were reluctant to enter the field of consumer instalment credit financing, they are now in the business to stay. They have found this area a lucrative part of their total earnings. The commercial banks have added a steady impetus to the total of consumer instalment lending and have become an important factor in maintaining consumer expenditures at the extraordinary levels of recent years.

## FIFTH DISTRICT BANKING STATISTICS

### DEBITS TO DEMAND DEPOSIT ACCOUNTS\*

(000 omitted)

Dist. of Columbia	Aug. 1955	Aug. 1954	8 Months 1955	8 Months 1954
Washington .....	\$1,393,892	\$1,156,152	\$10,706,095	\$ 9,236,217
Maryland				
Baltimore .....	1,647,370	1,379,929	12,578,954	11,448,718
Cumberland .....	27,861	25,296	204,636	188,239
Frederick .....	26,875	21,694	189,289	178,670
Hagerstown .....	41,520	34,274	347,378	286,231
Salisbury** .....	36,209	35,198	270,883	263,901
Total 4 Cities .....	1,743,626	1,461,193	13,320,257	12,101,858
North Carolina				
Asheville .....	69,377	62,673	531,166	487,782
Charlotte .....	422,779	355,663	3,229,846	2,773,331
Durham .....	90,446	104,192	662,267	730,915
Greensboro .....	154,082	119,365	1,182,232	943,501
High Point** .....	51,905	44,155	399,054	336,403
Kinston .....	33,891	27,024	190,886	167,260
Raleigh .....	228,341	177,092	1,701,678	1,500,129
Wilmington .....	52,717	47,044	419,578	371,779
Wilson .....	32,071	28,651	171,853	154,796
Winston-Salem .....	178,164	148,745	1,355,240	1,180,295
Total 9 Cities .....	1,261,868	1,070,449	9,444,746	8,309,788
South Carolina				
Charleston .....	87,344	73,343	668,302	589,929
Columbia .....	186,103	148,077	1,444,476	1,312,908
Greenville .....	127,581	108,737	1,015,851	861,821
Spartanburg .....	63,012	62,676	513,603	495,834
Total 4 Cities .....	464,040	392,833	3,642,232	3,260,492
Virginia				
Charlottesville .....	36,547	30,428	293,689	249,115
Danville .....	39,750	35,174	308,033	273,498
Lynchburg .....	56,713	49,149	432,214	390,387
Newport News .....	61,805	48,722	446,534	376,081
Norfolk .....	309,034	250,813	2,319,631	2,030,928
Portsmouth .....	35,994	32,735	287,659	256,333
Richmond .....	710,081	659,645	5,242,268	4,735,287
Roanoke .....	139,958	119,395	1,045,391	927,252
Total 8 Cities .....	1,389,882	1,226,061	10,375,419	9,238,881
West Virginia				
Bluefield .....	48,079	37,053	356,508	307,099
Charleston .....	172,141	155,058	1,350,813	1,343,533
Clarksburg .....	34,931	29,914	286,084	248,567
Huntington .....	70,845	62,699	579,927	545,102
Parkersburg .....	32,213	29,900	258,349	240,131
Total 5 Cities .....	358,209	314,624	2,831,681	2,684,432
District Totals .....	\$6,611,517	\$5,621,312	\$50,320,430	\$44,831,668

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

### WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	Sept. 14, 1955	Aug. 10, 1955	Sept. 15, 1954
Total Loans .....	\$1,702,193**	+ 31,733	+260,643
Bus. & Agric. ....	754,438	+ 5,367	+118,030
Real Estate Loans .....	332,962	+ 3,289	+ 46,609
All Other Loans .....	636,826	+ 22,867	+ 99,885
Total Security Holdings .....	1,730,084	+ 1,006	-141,711
U. S. Treasury Bills .....	80,556	+ 23,504	- 40,452
U. S. Treasury Certificates .....	20,221	- 7,158	- 94,817
U. S. Treasury Notes .....	326,622	- 26,184	+ 36,019
U. S. Treasury Bonds .....	1,026,976	+ 5,472	- 56,022
Other Bonds, Stocks & Secur. ....	275,709	+ 5,372	+ 13,561
Cash Items in Process of Col. ...	394,431	+ 97,335	+ 26,205
Due from Banks .....	184,093*	+ 9,016	- 18,626
Currency and Coin .....	83,097	+ 4,667	+ 3,739
Reserve with F. R. Banks .....	506,879	+ 778	+ 13,230
Other Assets .....	70,341	+ 674	+ 7,392
Total Assets .....	\$4,671,118	+145,209	+150,872
Total Demand Deposits .....	\$3,545,469	+155,818	+128,890
Deposits of Individuals .....	2,669,530	+107,042	+143,214
Deposits of U. S. Government .....	94,120	- 2,140	- 9,498
Deposits of State & Local Gov. ....	176,355	- 17,587	- 3,664
Deposits of Banks .....	546,724*	+ 66,119	+ 893
Certified & Officers' Checks .....	58,740	+ 2,384	- 2,055
Total Time Deposits .....	751,541	- 3,580	+ 5,424
Deposits of Individuals .....	679,349	- 3,395	+ 19,601
Other Time Deposits .....	72,192	- 185	- 14,177
Liabilities for Borrowed Money .....	13,550	- 14,250	+ 6,850
All Other Liabilities .....	46,437	+ 4,023	- 7,240
Capital Accounts .....	314,121	+ 3,198	+ 16,948
Total Liabilities .....	\$4,671,118	+145,209	+150,872

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



FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES\*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	Percentage change with corresponding period a year ago	
	August 1955	8 Mos. 1955
Maryland .....	+ 1	+ 4
Dist. of Columbia .....	+12	+11
Virginia .....	+14	+ 7
West Virginia .....	+36	+24
North Carolina .....	+16	+11
South Carolina .....	+11	+11
District .....	+13	+11
INDIVIDUAL CITIES		
Baltimore, Md. ....	+ 1	+ 4
Washington, D. C. ....	+12	+11
Richmond, Va. ....	+16	+ 9
Charleston, W. Va. ....	+71	+25
Greenville, S. C. ....	+10	+ 6

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

BUILDING PERMIT FIGURES

	Aug. 1955	Aug. 1954	8 Months 1955	8 Months 1954
Maryland				
Baltimore .....	\$ 5,041,005	\$ 4,938,500	\$ 67,985,427	\$ 41,553,810
Cumberland .....	124,850	38,450	1,109,191	481,925
Frederick .....	182,800	100,260	2,157,775	814,406
Hagerstown .....	75,535	530,465	1,628,320	2,077,846
Salisbury .....	69,116	82,450	1,381,172	1,192,336
Virginia				
Danville .....	345,812	305,055	4,628,919	2,041,568
Hampton .....	1,245,143	1,407,074	11,393,391	7,341,472
Hopewell .....	458,530	679,044	2,699,305	1,712,391
Lynchburg .....	396,970	354,130	7,219,178	3,437,999
Newport News .....	271,431	113,371	1,671,752	2,285,394
Norfolk .....	1,064,843	908,062	9,292,688	10,232,872
Petersburg .....	113,400	202,850	2,807,800	1,539,086
Portsmouth .....	272,698	291,979	3,343,483	4,781,093
Richmond .....	1,654,207	6,702,276	15,424,326	23,012,993
Roanoke .....	976,527	1,057,619	8,553,088	8,084,364
Staunton .....	131,775	284,600	2,054,870	1,145,850
Warwick .....	882,069	695,145	8,369,795	5,182,035
West Virginia				
Charleston .....	761,133	2,214,783	4,763,408	7,215,240
Clarksburg .....	117,375	81,434	1,371,663	1,637,382
Huntington .....	474,493	459,964	4,617,272	5,166,029
North Carolina				
Asheville .....	431,482	226,165	2,305,559	2,531,679
Charlotte .....	2,169,033	3,583,963	20,273,626	15,110,434
Durham .....	275,532	676,752	8,270,468	4,212,592
Greensboro .....	1,436,430	718,982	8,218,173	7,473,591
High Point .....	979,885	275,637	5,687,236	3,413,210
Raleigh .....	1,548,395	1,522,900	14,985,896	9,397,606
Rocky Mount .....	305,981	290,665	2,552,652	2,162,118
Salisbury .....	114,800	168,749	958,575	1,453,099
Wilson .....	676,371	253,600	3,050,946	2,022,800
Winston-Salem .....	1,017,901	1,071,269	9,230,902	8,548,258
South Carolina				
Charleston .....	165,946	409,744	2,065,240	2,311,206
Columbia .....	1,360,128	681,747	6,417,209	6,739,489
Greenville .....	834,600	711,150	5,601,200	5,268,210
Spartanburg .....	191,257	356,655	1,771,186	2,081,329
Dist. of Columbia				
Washington .....	3,986,302	3,006,868	53,561,029	38,726,482
District Totals .....	\$30,153,755	\$35,402,357	\$307,422,720	\$242,388,194

WHOLESALE TRADE

LINES	Sales in		Stocks on	
	Aug. 1955 compared with Aug. 1954	July 1955	Aug. 31, 1955 compared with Aug. 31, 1954	July 1955
Auto supplies .....	+45	+ 2	+18	- 1
Electrical, electronic, and appliance goods .....	+ 7	-15	+16	-11
Hardware, plumbing and heating goods .....	+17	+11	+ 1	0
Machinery equipment supplies .....	+34	+13	+ 4	+ 1
Drugs, chemicals, allied products .....	+12	+15	+ 2	+ 2
Dry goods .....	NA	NA	NA	NA
Grocery, confectionery, meats .....	+ 2	+ 3	+ 3	+ 4
Paper and its products .....	+25	+ 5	NA	NA
Tobacco products .....	NA	NA	NA	NA
Miscellaneous .....	+ 8	+12	0	+ 3
District Total .....	+22	+45	+ 3	+ 1

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

DEPARTMENT STORE OPERATIONS (Figures show percentage changes)	Other Cities					Dist. Total
	Rich.	Balt.	Wash.	Other Cities	Dist. Total	
Sales, Aug. '55 vs Aug. '54 ..	+11	+ 8	+14	+15	+13	
Sales, 8 Mos. ending Aug. 31, '55 vs 8 Mos. ending Aug. 31, '54 .....	+ 9	+ 4	+ 7	+10	+ 8	
Stocks, Aug. 31, '55 vs '54 ..	0	+ 5	+ 5	+ 1	+ 3	
Outstanding Orders Aug. 31, '55 vs '54 .....	+18	+11	+20	+ 3	+15	
Open account receivables Aug. 1, collected in Aug 1955 ..	32.2	50.5	46.6	38.7	43.1	
Instalment receivables Aug. 1, collected in Aug. 1955 ..	10.9	14.5	14.5	16.1	14.1	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Aug. '55 vs Aug. '54 .....	+ 8	+14	+11	+19	+16	+18

	Seasonally Adjusted: 1947-1949=100			% Chg.—Latest Mo.	
	Aug. 1955	July 1955	Aug. 1954	Prev. Mo.	Yr. Ago
New passenger car registration .....	---	189	135	- 6	+30
Bank debits .....	172	172	153	0	+12
Bituminous coal production* ..	101	98r	81r	+ 4	+25
Construction contracts .....	191	246	167	-22	+14
Business failures—number .....	196	226	228	-13	-14
Cigarette production .....	---	92	96	- 9	- 4
Cotton spindle hours** .....	121	125	109	- 3	+11
Department store sales .....	134	135	122r	- 1	+10
Electric power production .....	---	194	166	+ 3	+17
Manufacturing employment* ..	---	108	107	0	+ 4
Furniture stores sales .....	117	132	102r	-11	-15
Life insurance sales .....	206	187	166	+10	+24

\* Not seasonally adjusted.

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

r Revised.

Back figures available on request.



