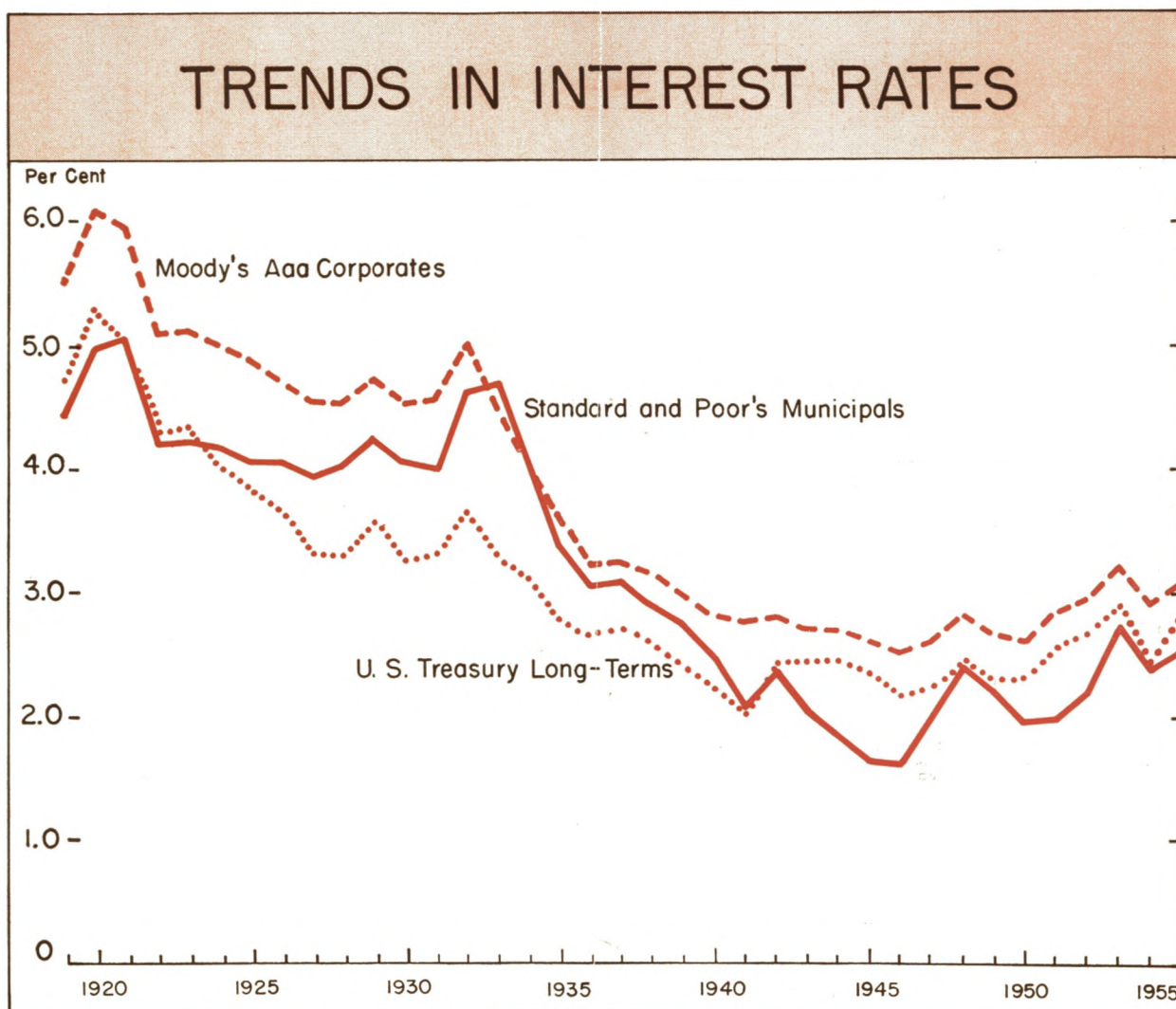


# Monthly Review



March 1956

## TRENDS IN INTEREST RATES



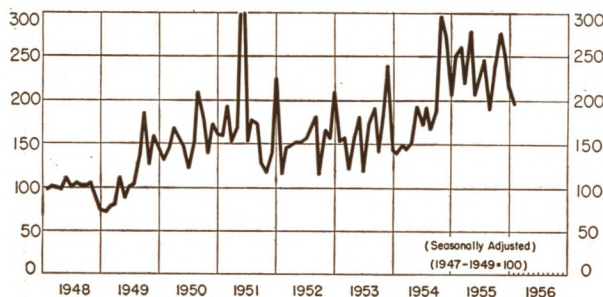
A number of state and local government bond issues were postponed last year because of rising costs of borrowing. As shown above, however, the rise in interest rates still left state and municipal bond costs at a relatively low level. The article on page 3 reviews some of the developments in the municipal bond market last year.

### Also In This Issue - - -

<i>Progress In Retail Trade</i> .....	Page 5
<i>District Banking In 1955</i> .....	Page 7
<i>Business Conditions and Prospects</i> .....	Page 9
<i>Fifth District Statistical Data</i> .....	Page 11

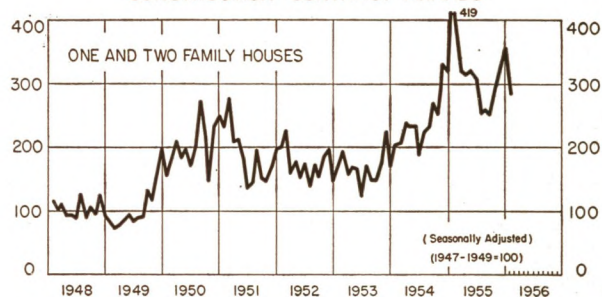
## FIFTH DISTRICT TRENDS

TOTAL CONSTRUCTION CONTRACT AWARDS



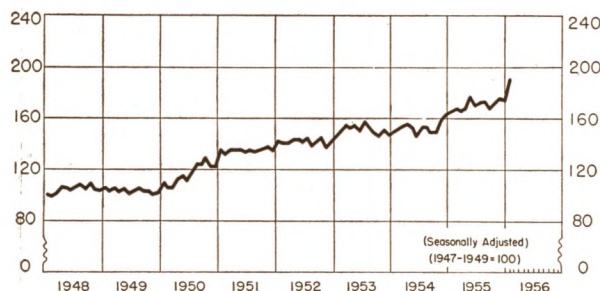
Total contract awards in January, adjusted, were 10% under December and 22% under January a year ago. December-January rises in commercial manufacturing and public works' awards were more than offset by declines in all other types.

CONSTRUCTION CONTRACT AWARDS



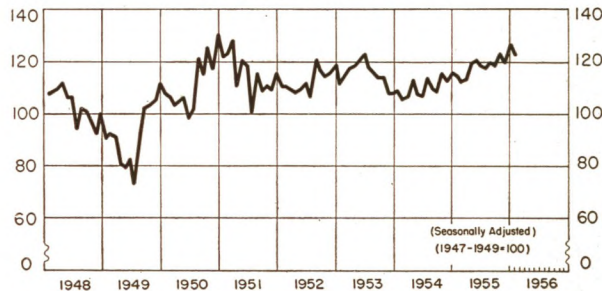
Reversing a rising trend of the previous three months, January contract awards for one- and two-family houses declined 20% after seasonal correction from December and were 32% lower than in January 1955. January 5, 1956 awards, adjusted, were higher than in July, August and September last year, but lower than any other month since November 1954.

BANK DEBITS



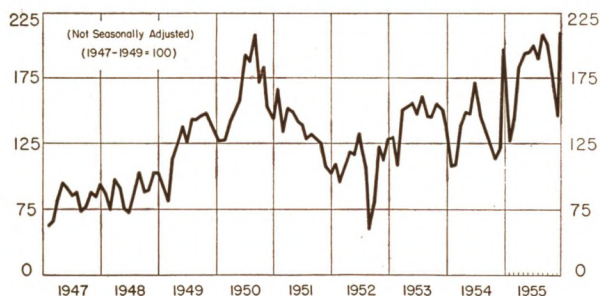
Bank debits of Fifth District reporting banks made a new high by a substantial margin in January, up 10% from December and 15% over a year ago. The January increase was general among all the States.

COTTON CONSUMPTION



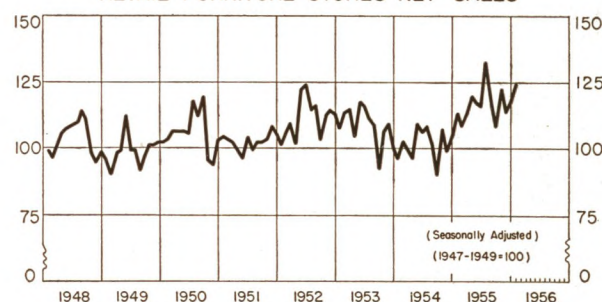
Cotton consumption in the mills of the Fifth District, seasonally adjusted, dropped 3% in January from December, but January was 6% higher than a year earlier. The December level had only been exceeded in December 1950, March 1951 and in July 1942.

NEW PASSENGER CAR REGISTRATIONS



Contrary to preliminary indications, new passenger automobile registrations in December rose 45% over November and were 7% ahead of December 1954. The year 1955 showed an increase over 1954 of 31%.

RETAIL FURNITURE STORES NET SALES



Sales of retail furniture stores in the Fifth District during January equalled an earlier peak established in June 1952, but failed to equal the all-time high of July 1955. January sales were 8% higher than in December after seasonal correction, and 10% ahead of a year ago.



## State and Municipal Bond Financing

SOMEWHERE along the line there is undoubtedly a ground rule prohibiting the disinterment of forecasts, but every good rule has its exception, and circumstances seem to warrant recalling the 1955 forecast of the municipal bond market. A poll of about 300 members of the Municipal Forum of New York in December 1954 produced a representative opinion. It was anticipated that 1955 would be a highly satisfactory year with a volume (average of estimates) of \$6,918,000,000 of long-term state and local bond issues. In other words, the experts looked for 1955 to measure right up to 1954 with its all-time record volume of \$6,959,000,000.

As it turned out, this "guestimate" was on the high side by almost a billion dollars. According to the *Daily Bond Buyer*, the 1955 total of state and municipal long-term financing amounted to \$5,976,503,820, a decline of 14% from the record tally of the preceding year.

This was a unique experience in an economy in which record-setting performances became commonplace. The general level of business activity last year also deviated from the path visualized by forecasters, but unlike the volume of state and local bond issues, it ascended heights far above those anticipated at the outset of the year.

Despite its divergence from the pattern of annual gains that had prevailed since 1951, the 1955 volume of long-term financing by state and local governments was the second largest in the nation's history. Neither the decline in the total amount of bonds issued last year nor the fact that the amount of proposed financing approved by voters at the polls last November was next to the smallest amount in the last ten years is regarded as a forerunner of a new trend in tax-exempt financing. Although needs are not the same thing as actual demand, even in these prosperous times, the requirements for an expanded and improved public plant appear to be too urgent and extensive to permit much of a drop in state and municipal debt financing.

### Sharp Drop in Revenue Issues

The decline last year in state and local bond issues was much more pronounced in the Fifth District than it was in the nation. As already noted, the national total was down 14%, but the District volume fell off 34%. In both cases the entire reduction was attrib-

table to sharp curtailment of financing by means of revenue bond issues. In fact, the dollar volume of general obligation bonds was moderately larger in 1955 than in the preceding year in both the nation and the Fifth District. This is a significant point since it shows that there has been no interruption of the upward climb of the type of public projects financed by means resting upon the taxing power of the state or municipality.

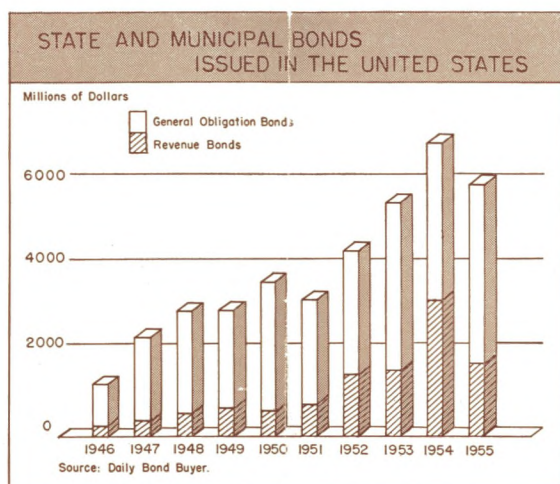
The relative volatility of revenue bond financing, inherent in the nature of the projects involved, is well illustrated by the experience of the Fifth District in recent years. From a total of \$113 million in 1952, revenue bond issues declined 86% the following year to a low of \$15 million, rocketed to a record high of \$335 million in 1954, and then fell off again last year by 71% to a total of only \$96 million. There was only one revenue bond issue larger than \$5 million last year—the \$69 million Richmond-Petersburg Turnpike issue. In 1954, for comparison, there had been the \$180 million Baltimore Harbor Tunnel issue, the \$95 million Hampton Roads Crossing issue, and the second issue, amounting to \$37 million, of West Virginia Turnpike bonds.

It is likely that future issues of revenue bonds will reflect the widespread postponements

of toll road projects during 1955. It has been reported that plans for "pay-as-you-ride" turnpikes delayed or abandoned last year in the nation would have required \$3.6 billion in new revenue bonds. Although a substantial number of these projects may never materialize, the backlog of reasonably firm plans is an impressive one—even against the backdrop of giant issues that have been marketed in recent years.

The evolution in the use of revenue bonds by state and local governments during the postwar period has been marked by a widening scope of application and by an increasing relative importance. Running around 18% of the annual issues of state and municipal bonds in the nation in the early postwar years, revenue bonds rose to a peak in 1954 when they accounted for 46% of the national total and 52% of all Fifth District public issues. New issues of revenue bonds declined last year, but their total was still sufficiently large to represent 29% of all state and local bonds issued in the nation and 23% in the Fifth District.

The growing importance of revenue bonds, which now comprise about 25% of the total state and local





bonds outstanding, was highlighted last year by the renewed efforts of commercial banks to gain permission to underwrite revenue bonds. Banks have been barred from this activity since 1933 by the Glass-Steagall Banking Act, but a bill is now before Congress that would permit commercial banks to reenter this field.

### Adequate District Financing

All told, 198 state and local bond issues were reported sold in the Fifth District last year. District security dealers purchased entire amounts of 89 issues, and 69 were sold to groups composed of District and outside investment houses. Only 21 entire issues were sold to non-District dealers, and these amounted to only 7% of the total dollar amount. Names of buyers were not reported in 19 sales, and information as to disposition was lacking for 12 offerings.

As usual, bond issues for streets, highways, and bridges accounted for the largest share of the 1955 District total. School building and improvement ran a close second as a result of relatively heavy expenditures in Maryland and South Carolina. As shown in the table, financing for water, sewer, and drainage projects accounted for the third largest share of the total, and housing bonds issued by local housing authorities were fourth in importance in the distribution by purpose of issue. As was the case in the preceding year, there were only a few refunding issues—17 for a total of \$1,255,000, which was only three-tenths of one percent of the dollar value of all issues.

### Presidential Recommendations

In his *Economic Report* last year, President Eisenhower called attention to the desirability of broadening the market for bond issues of local governments, particularly those of smaller communities. He sug-

gested that this might be done by "encouraging the establishment of a type of investment trust which could specialize in the securities of State and local governments, including their revenue bonds." Such companies, holding most of their assets in the form of tax-exempt securities, should be allowed to "pass through" to their shareholders the tax-exempt status of income on such securities.

The President referred also to another problem of municipal finance—that arising from the fact that many large cities have far outgrown their traditional boundary lines. He pointed out that "The lack of congruence between the area of need and the area of governmental jurisdiction throws obstacles in the way of rapid and efficient construction of public works." Accordingly, he urged the states to study the problems of metropolitan areas to the end of establishing area-wide transit systems, sanitation systems, water supplies, or educational facilities.

An interesting application of this idea of broadening the market for and improving the credit status of local bonds was provided last Fall in New York State. The sale of \$5,100,000 of bonds by the Corning City School District represented the union of the city of Corning and 60 surrounding communities in a single bond issue for the purpose of upgrading the credit rating of the securities. Legislation was enacted in New York to permit rural areas alone or a city and surrounding towns to combine into school districts for bond financing purposes. The Fifth District, in common with other districts, has various types of authorities and special districts—for example, the Washington Suburban Sanitary District which includes two Maryland counties—but it is not believed that existing legislation permits arrangements such as that described above.

### STATE AND MUNICIPAL BOND OFFERINGS—1955

	Md.		Va.		W. Va.		N. C.		S. C.		5th Dist.		
	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	Per cent
Street, Highway & Bridge .....	2	1,983	4	3,043	1	95	6	1,850	3	1,950	16	8,921	29.2
Building & Improvements .....	3*	41,551	1*	69,000	2*	5,000	—	—	—	—	6*	115,551	
School Building .....	8	32,704	12	11,242	4	5,394	22	13,227	8	1,875	54	64,442	27.1
and Improvement .....	4*	8,560	—	—	—	—	—	—	6*	42,800	10*	51,360	
Water, Sewer, and Drainage Systems .....	17	37,677	15	15,034	8	8,233	39	19,671	24	12,365	102	92,980	21.8
Public Housing Authority .....	1	16,075	2	7,225	1	6,070	—	—	1	1,875	7 <sup>2</sup>	44,275	10.4
Public Improvement and .....	17	6,961	6	5,114	6	2,097	17	5,617	13	2,660	59	22,449	6.0
Other Miscellaneous .....	2*	3,072	—	—	—	—	—	—	—	—	2*	3,072	
Hospitals .....	—	—	1	47	1	111	2	520	3	1,993	7	2,671	3.7
.....	1*	1,987	—	—	—	—	1*	11,000	—	—	2*	12,987	
Public Utility Systems .....	—	—	2	1,408	—	—	3	945	5	4,075	10	6,428	1.5
(Excl. water systems) .....	—	—	—	—	—	—	—	—	—	—	—	—	0.3
Refunding .....	2	450	—	—	—	—	13	670	2	135	17	1,255	
Revenue Bonds .....	—	—	1	1,800	12	9,364	2	1,725	12	11,335	27	24,224	22.4
(Incl. above) .....	1*	2,350	1*	69,000	—	—	—	—	—	—	2*	71,350	
Total <sup>1</sup> .....	25	151,020	27	112,113	23	27,000	74	53,500	59	69,728	210 <sup>2</sup>	426,391	100.0

\* State issues.

<sup>1</sup> Total number of issues will not equal the sum of individual items as some issues are divided among more than one category.

<sup>2</sup> Includes two Washington, D. C. issues totaling \$13,030,000.

Source: Weekly listings in *The Commercial and Financial Chronicle*.



## Progress In Retail Trade

A STORE-BY-STORE count of all retailers was taken by the United States Bureau of the Census for the year 1948. Another one was taken for 1954 and the results of this latter count are just now being made available. A great many things have happened in these two periods and it will be interesting to see some of the long-run changes that have taken place at the trade level. Short-run changes in economics do not point out the basic changes that are taking place, but these do become noticeable over a period of time.

Those living and buying in 1948 thought it was a pretty good year; in fact, prosperity was bursting out everywhere like spring in the country. On the other hand, 1954 was a year of recession; to be sure, it was a mild one, but business over-all was lower than it was in 1953 and the happenchance of the Bureau of the Census's selecting these two years to count retail sales will show a conservative growth trend.

The results of the 1954 census of retail trade are not yet available for the United States as a whole, and such comparisons as are made with Fifth District states and the nation as a whole must be done on two different sets of figures. Census data are available for all states of the Fifth District and the District of Columbia, but comparisons of these with national figures must be made with the sample series for the United States, and it would be quite unusual if the sample series showed the same changes in the two periods as will those obtained from the census when it becomes available.

Sales of all retail stores in the Fifth District during

1954 amounted to \$13,177,000,000, an increase of 33.8% over sales in the previous census year, 1948. In the same period the national sample series of retail trade showed an increase of 30.8%.

The changes that took place between 1948 and 1954 varied sharply in different sections of the District. North Carolina, Maryland, and Virginia showed increases considerably larger than the District as a whole and increases that were not too widely separated from each other. South Carolina showed an increase fairly close to the District average, while West Virginia and the District of Columbia had very small increases by comparison.

### Retail Trade and Income

In each of the Fifth District states, with the exception of North Carolina, the percentage increase in sales of retail stores between 1948 and 1954 was smaller than the percentage increase in personal income in this period, as Table I shows.

The table shows a relation between changes in income and changes in retail sales. For example, those states with large increases in income show proportionately large increases in retail sales in the period under review, and those with small increases likewise show small increases

in trade. But the consistently larger increases in personal income than in retail sales require some further explanation.

In all states of the Fifth District, the District as a whole, and in the United States the percentage of personal income spent in retail stores was lower in 1954 than in 1948 with the exception of North Carolina.

### RETAIL SALES BY TYPES OF STORES

(% Change 1954 from 1948)



Source: Census of Business 1954.

TABLE I

	Percent Change 1948 to 1954 in:	
	Retail Sales	Personal Income
Maryland .....	43.4	52.4
District of Columbia .....	10.4	17.8
Virginia .....	41.1	47.8
West Virginia .....	10.2	12.7
North Carolina .....	44.1	38.9
South Carolina .....	32.9	37.5
Fifth District .....	33.8	37.8
United States* .....	30.8	37.6

Source: Census of Business, 1954.

\* Sample series.

TABLE II

	Percentage of Personal Income Spent in Retail Stores	
	1948	1954
Maryland .....	56.6	53.2
District of Columbia .....	68.9	64.6
Virginia .....	61.9	59.1
West Virginia .....	58.9	57.1
North Carolina .....	61.9	64.3
South Carolina .....	65.2	63.0
Fifth District .....	61.5	59.6
United States .....	62.9	59.8



Shifts in the percentage of personal income spent in retail stores are shown in Table II.

Individuals dispose of their income in several ways: they pay it out in taxes, save it, or spend it for durable and nondurable goods or services. Information as to this breakdown is not available on a District basis, but some clue to it can be had from the gross product account on a national basis.

Expenditures in the nation on durable goods rose 32% between 1948 and 1954; nondurable goods increased 22.5%, while services showed an increase of 52.4%, taxes, an increase of 54.5%, and savings rose 83%. Thus, either by consumer preference or by necessity, taxes, services, and savings took a larger share of consumer income in 1954 than in 1948. Certainly, the consumer has had no alternative about paying the increased taxes and the shift from a rental status to home ownership has probably made mandatory an increased proportion of expenditures on housing and household operation. Expenditures for housing and household operations increased 70.3% and 57.5% respectively between 1948 and 1954. Shifts in preference such as these, however, have probably been responsible for the highly competitive condition that has existed in the retail market in recent years and have likewise been instrumental in maintaining a substantial degree of stability in the level of retail prices for goods.

Despite a substantial measure of price stability in the last several years, the Korean War came between 1948 and 1954 and the price level in the latter year was higher than in the former. Some idea of this can be seen again by referring to GNP accounts. Between 1948 and 1954 consumer durable and nondurable goods purchases increased \$29.3 billion. Of this amount, \$10.5 billion was accounted for by price increase, with prices accounting for \$1.5 billion of a \$7.1 billion gain in durables and accounting for \$9.0 billion of the \$22.2 billion gain in nondurable goods sales.

### Sales by Type of Store

The least important type of Fifth District retailer in dollar volume in 1954 showed the largest increase in sales over 1948 of any of the group. This was the non-store retailer, such as the house-to-house organizations, mail order concerns, etc., while fifth-ranking gasoline service stations in terms of dollar sales ranked second in increase from 1948. Increases in sales of automotive establishments ran well above the increase in total retail sales from 1948 to 1954. The increase in food stores was somewhat higher and drug stores showed about the same gain as total sales, but other lines of trade showed increases less than the District average from 1948 to 1954 with the general merchandise stores and apparel stores trailing far behind sales in general. Many complaints have been heard in recent years about the effect of suburban living on the apparel business and these figures certainly bear out the fact that consumers are now giving such items less preference relative to

their total outlays than they were six years ago.

The accompanying table shows more clearly than words could present where the incidence of consumer preference fell for the kind of goods sold in the different types of retail stores.

TABLE III  
Retail Sales by Type of Store  
Fifth District

	Sales, 1954 Millions of dollars	Percent Increase from 1948
1. Non-store retailers .....	290	+86.2
2. Gasoline service stations .....	921	+79.0
3. Automotive .....	2,352	+50.0
4. Food stores .....	3,060	+37.4
5. Drug stores .....	440	+33.9
6. Lumber, hardware, and farm equip- ment .....	854	+29.6
7. Eating and drinking places .....	808	+29.0
8. Furniture, home furnishings, ap- pliance .....	663	+25.8
9. "Other" retail stores .....	1,338	+24.7
10. General merchandise stores .....	1,661	+14.5
11. Apparel stores .....	790	+9.7
Total .....	13,177	+33.8

In general, those states which showed small increases in total sales and in personal income showed either relatively small percentage increases, or decreases, in each type of store sales. In the District of Columbia and West Virginia some types of stores had lower sales in 1954 than in 1948. This was true in the District of Columbia of general merchandise stores, apparel stores, and lumber, hardware, and farm equipment stores. These changes show the migration of stores to the suburbs where sales do not find reflection in District of Columbia figures. In West Virginia declines in this period were shown in eating and drinking establishments, general merchandise stores, and apparel stores. The decreases and less-than-District increases in other types of stores reflect nominal gains in income occasioned by the drag on the state's economy of the depressed condition in bituminous coal mining. In all other states of the District, increases between 1948 and 1954 were shown for each type of store.

Department stores do not sell all of the types of merchandise covered by the census of retail trade but trends in department store sales are helpful in the shortrun in gauging the trade climate and psychological attitude of consumers. Caution needs to be exercised in using department store sales as a measure of total retail trade, however, as witness the differences and changes that have taken place between 1948 and 1954 when department store sales in Maryland rose 15% compared with 43% for total retail trade. Similarly, other areas of the District showed changes as follows: District of Columbia department stores dropped 0.5%, total retail trade up 10%; Virginia department stores up 48%, retail trade up 41%; West Virginia department stores up 24%, total retail trade up 10%; North Carolina department stores up 2%, total retail trade up 44%; South Carolina department stores up 32%, total retail trade up 33%; Fifth District department stores up 17%, total retail sales up 34%.



## District Banking In 1955

FIFTH DISTRICT member banks, in a year of broad expansion in all fields, increased their total loans and investments 4.4% during 1955, a rate somewhat lower than in the preceding year. The relatively moderate growth in total member bank credit in the past year points up the impact of Federal Reserve's policy of credit restraint applied throughout the year to help curb incipient inflationary pressures inherent in a developing boom.

The member banks' total credit growth in the District was made up of two opposing movements: a strong rise in loans and a partly offsetting contraction in holdings of United States Government securities. During the year, the steadily increasing tempo of business activity stimulated a strong demand for bank credit. In order to meet the loan demand, member banks relied to a large extent upon the sales of United States Government securities. They also leaned more heavily than in the preceding year on borrowings from the Federal Reserve, in spite of increases in the discount rate which raised it to its highest level since 1933.

Total deposits reached the record level of \$7,435 million—3% above the close of 1954. The rise was predominantly in demand deposits of individuals, partnerships, and corporations, but total time deposits also increased moderately.

### Earnings and Expenses

A larger amount of loans held and a higher rate of return on both loans and investments brought the District's member banks the largest gross income on record—\$250 million in 1955. This was 11% more than in the previous year. All categories of earnings were larger than in 1954, but three-fourths of the 1955 increase occurred in earnings on loans. Although holdings of Government securities declined during the year, earnings on these securities rose by almost 4% because of a somewhat higher rate of return realized.

Total current expenses of District member banks rose to \$154 million in 1955, 8.6% above the previous year. However, total expenses took a smaller percentage of gross earnings than in 1954—61.7% as compared with 63.0%—with the result that net current earnings were 15% above the earlier year. All principal types of operating expenses rose during the year, with a striking increase occurring in interest paid on borrowed money, the result of both a higher level of borrowings and higher interest rates. Salaries and wages remained the predominant operating expense of banks. Payments to officers and employees rose 7.6% during 1955 and accounted for almost half of total operating costs. Interest on time deposits, which accounted for over 16% of total expenses, also rose 7.6% during the year.

Although the net operating earnings figure for 1955 was well above that for 1954, net profits before income

taxes were 9% below the amount realized in the preceding year. This seeming contradiction is accounted for primarily by losses realized on securities sold in 1955 in contrast to gains realized on such sales in 1954. Much of 1954 was characterized by rising securities prices (falling interest rates) while 1955 was predominantly a year of falling securities prices (rising interest rates). The taking of losses on securities in 1955 in contrast to gains in 1954 also accounted for income taxes paid in 1955 being 15% less than the amount paid in 1954.

After all deductions, net profits of the District's member banks in 1955 were 4.2% lower than in the previous year. Cash dividends of \$20.8 million, 9.5% more than in the preceding year, were declared by District member banks. This left profits retained of a little over \$24 million, 13.5% less than the amount retained in 1954.

### Earning Assets

District member banks, at the close of 1955, had total earning assets of \$6.1 billion, with 50% in loans and 41% in United States Government securities. Loans during the year increased 15% while Government securities declined 6.7%.

Because of the strong credit demand stemming from and contributing to a steadily rising level of business activity, member banks in the District expanded their

EARNINGS AND EXPENSES Fifth District Member Banks (Dollars in thousands)			
	1955 <sup>1</sup>	1954 <sup>2</sup>	% Change 1954 to 1955
<b>Earnings</b>			
Interest and dividends on securities:			
U. S. Government .....	53,759	51,794	+ 3.8
Other .....	10,353	9,745	+ 6.2
Interest and discounts on loans	145,294	127,071	+ 14.3
Other charges on loans .....	1,619	1,394	+ 16.1
Service charges on deposits .....	14,328	13,165	+ 8.8
Other charges, fees, etc. ....	6,942	6,275	+ 10.6
Trust departments .....	10,335	9,483	+ 9.0
Other current earnings .....	7,071	6,345	+ 11.4
<b>Total .....</b>	<b>249,700</b>	<b>225,271</b>	<b>+ 10.8</b>
<b>Expenses</b>			
Salaries—officers .....	27,753	26,041	+ 6.6
Salaries and wages—other .....	47,073	43,490	+ 8.2
Directors' fees, etc. ....	1,863	1,780	+ 4.7
Interest on time deposits .....	25,252	23,478	+ 7.6
Interest on borrowed money .....	917	373	+ 145.8
Taxes, other than income .....	6,870	6,624	+ 3.7
Recurring depreciation .....	5,385	4,878	+ 10.4
Other current expenses .....	38,884	35,163	+ 10.6
<b>Total .....</b>	<b>153,997</b>	<b>141,827</b>	<b>+ 8.6</b>
Net current earnings .....	95,703	83,444	+ 14.7
Recoveries, transfers from reserves, and profits .....	8,304	19,601	— 57.6
Losses, charge-offs, and transfers to reserves .....	25,801	17,064	+ 51.2
Profits before income taxes .....	78,206	85,981	— 9.0
Taxes on net income .....	33,061	38,858	— 14.9
Net profits .....	45,145	47,123	— 4.2
Cash dividends declared .....	20,825	19,014	+ 9.5
Profits retained .....	24,320	28,109	— 13.5

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

Note: May not add to totals because of rounding.



# Federal Reserve Bank of Richmond

loans during 1955 to the highest point on record—to \$3,034 million as of December 31, 1955. The demand was not only brisk but was also steady during the year, an expansion of about \$100 million occurring in each quarter. All major classifications of loans, with the exception of those to farmers, increased over the year.

Commercial and industrial firms increased their bank indebtedness by a larger dollar amount than any of the other principal types of borrowers. They accounted for 41% of the rise in total loans. The amount of these loans outstanding at the close of the year was almost 18% above the amount at the close of the previous year. Loans to individuals, largely consumer, accounted for the next largest dollar amount of increase (\$116 million, or 29.5% of the total increase) and were 15.3% above 1954. Instalment loans, which were more than three-fifths of total loans to individuals, rose 20% during the year, with automobile instalment paper showing the largest gain—39.4%. All types of real estate loans increased during the year and accounted for about 17% of the total increase.

Member banks in the District reduced their holdings of United States Government securities by \$179.5 million, or 6.7%, during the year 1955. Holdings of other securities (State, municipal, and corporate obligations, as well as United States guaranteed obligations) rose during the year. The increase in these securities was 8.3%—a smaller percentage increase than in 1954.

EARNING ASSETS Fifth District Member Banks (Dollars in millions)			
	Dec. 31 1955 <sup>1</sup>	Dec. 31 1954 <sup>2</sup>	% Change 1954 to 1955
Loans and investments .....	6,068.8	5,813.4	+ 4.4
Loans—net .....	3,034.2	2,641.1	+ 14.9
Reserves .....	38.3	33.0	+ 16.1
Loans—gross .....	3,072.5	2,674.0	+ 14.9
Real estate loans:			
On farm land .....	59.8	54.4	+ 9.9
On residential property .....	514.3	485.3	+ 6.0
On other properties .....	202.9	172.0	+ 18.0
Loans to banks .....	7.0	4.7	+ 48.9
Loans to brokers and dealers in securities .....	36.5	29.8	+ 22.5
Other loans for purchasing or carrying securities .....	100.4	100.2	+ 0.2
Loans to farmers .....	69.6	80.5	— 13.5
Commercial and industrial loans .....	1,075.2	914.0	+ 17.6
Instalment loans to indi- viduals:			
Retail automobile paper .....	274.6	197.0	+ 39.4
Other retail paper .....	82.6	76.0	+ 8.7
Repair and moderniza- tion loans .....	55.7	53.6	+ 3.9
Other instalment loans .....	129.1	125.9	+ 2.5
Single payment loans .....	333.3	308.9	+ 8.6
All other loans .....	131.3	73.8	+ 77.9
U. S. Government Securities .....	2,488.2	2,667.7	— 6.7
Treasury bills .....	158.2	179.0	— 11.6
Treasury certificates of in- debtedness .....	82.8	157.0	— 47.3
Treasury notes .....	537.2	548.6	— 2.1
U. S. nonmarketable bonds .....	131.2	145.0	— 9.5
Other U. S. bonds—5 years or less .....	536.8	501.9	+ 7.0
Other U. S. bonds—over 5 years .....	1,042.1	1,136.2	— 8.3
Other securities* .....	546.5	504.6	+ 8.3

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

\* Includes U. S. guaranteed obligations.

Note: May not add to totals because of rounding.

## ASSETS AND LIABILITIES FIFTH DISTRICT MEMBER BANKS BY STATES December 31, 1955<sup>1</sup> (Millions of Dollars)

ASSETS	Fifth District						Fifth District	
	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	Dec. 31, 1955	Dec. 31, 1954 <sup>2</sup>
Loans and Investments .....	1,127.5	1,002.9	1,836.6	619.8	1,033.5	448.5	6,068.8	5,813.4
Loans and discounts (including over- drafts) .....	516.8	511.1	962.9	259.9	577.9	205.7	3,034.2	2,641.1
U. S. Government obligations (direct and guaranteed) .....	501.1	425.2	703.3	312.4	351.2	196.5	2,489.8	2,669.1
Other securities .....	109.6	66.7	170.4	47.5	104.3	46.3	544.9	503.2
Reserves, cash, and bank balances .....	350.6	315.4	527.0	193.8	368.2	155.8	1,910.9	1,916.5
Reserves with Federal Reserve Bank .....	168.7	175.1	200.5	72.3	135.5	61.2	813.3	829.4
Cash in vault .....	26.4	22.0	45.3	17.3	23.1	13.0	147.1	139.0
Balances with banks .....	67.8	50.4	133.5	64.7	80.7	51.7	448.8	493.9
Cash items in process of collection .....	87.8	67.9	147.7	39.4	129.0	29.9	501.7	454.2
Other Assets .....	21.4	23.8	35.6	10.1	18.5	7.1	116.5	107.0
Total Assets .....	1,499.5	1,342.1	2,399.3	823.8	1,420.2	611.4	8,096.3	7,836.9
LIABILITIES								
Demand Deposits .....	1,078.8	968.3	1,460.5	557.5	1,089.6	495.0	5,649.7	5,474.8
Individuals, partnerships and corpo- rations .....	848.5	842.9	1,076.7	407.7	788.6	381.4	4,345.8	4,143.1
U. S. Government .....	35.1	23.0	36.1	18.5	21.4	15.4	149.5	179.9
States and political subdivisions .....	98.9	.2	115.5	58.3	78.1	69.8	420.7	430.7
Banks .....	88.4	72.4	193.5	46.7	175.2	18.3	594.4	608.5
Certified and officers' checks, etc. ....	8.0	29.8	38.7	26.2	26.4	10.1	139.2	112.7
Time Deposits .....	305.9	270.6	739.6	187.8	209.0	72.3	1,785.3	1,744.5
Individuals, partnerships and corpo- rations .....	289.3	236.0	663.1	185.8	159.2	66.3	1,599.7	1,544.4
U. S. Government and postal savings .....	6.1	17.3	20.0	1.3	4.4	5.2	54.3	66.0
States and political subdivisions .....	10.5	—	55.4	.4	44.1	.5	111.0	112.2
Banks .....	—	17.3	1.2	.3	1.3	.3	20.3	21.9
Total Deposits .....	1,384.8	1,239.0	2,200.1	745.3	1,298.7	567.2	7,435.0	7,219.3
Borrowings .....	.6	—	1.5	2.1	.6	—	4.8	1.7
Other Liabilities .....	9.1	12.4	20.9	4.7	22.5	5.5	75.1	73.0
Total Liabilities .....	1,394.4	1,251.4	2,222.6	752.0	1,321.7	572.7	7,514.9	7,294.0
Total Capital Accounts .....	105.1	90.7	176.7	71.7	98.5	38.7	581.4	542.9
Total Liabilities and Capital Ac- counts .....	1,499.5	1,342.1	2,399.3	823.8	1,420.2	611.4	8,096.3	7,836.9
Demand Deposit Adjusted .....	867.5	805.0	1,083.2	452.8	764.1	431.4	4,404.0	4,282.2
Number of Banks .....	70	13	205	99	53	33	473	476

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

Note: May not add to totals because of rounding.



## Business Conditions and Prospects

CHANGES in business volumes during January were mixed in the Fifth Federal Reserve District. Production levels seem to have dropped somewhat more than the seasonal industries would account for. The trade level was good with department store sales reaching a new high level, while furniture stores improved considerably but remained substantially below an earlier peak. Bituminous coal production rose to a new high level for the current cyclical move, but construction showed more than a seasonal decline. Loans and investments of member banks each declined from December and total deposits were down; the sizable loss in demand deposits more than offset a gain in time deposits. Deposits of mutual savings banks in Maryland in January showed the same rate of increase as during the past three months. Time deposits in member banks of the District rose 0.7% in January over the previous month, a somewhat larger gain than in the last three or four months. Purchases of U. S. Series E and H savings bonds exceeded redemptions during January with purchases 15% higher than in December and 7% higher than a year ago. Net new savings in savings and loan associations of all states of the District except West Virginia were the smallest in the past four years. The value of GI home loans closed during December was 26% under November, but 13% ahead of a year earlier.

### Trade

The current trade level is of substantial significance in the business outlook, and interestingly, sales of department stores, seasonally adjusted, in January broke out of the plateau they had been on since September and established a new high level. January adjusted sales were 5% higher than in December and 4% higher than in January 1955. Based on weekly figures, it appears that February sales will be in the neighborhood of 7% under January on a seasonally adjusted basis, but it is difficult to tell how much of this is due to the transit strike in Baltimore. Department store inventories rose 2% further in January, adjusted, and were 13% ahead of a year ago.

Sales of retail furniture stores in the District during January were good; in fact, they were exceeded only once before and equaled in only one other month. January sales were 8% above December on an adjusted basis and 10% ahead of a year ago. However, January is only slightly above the October level and not far above the Summer-Fall plateau.

Interestingly, cash sales accounted for a considerable part of the January rise, even though they were 5% under January last year. Credit sales were up 4% during the month and 13% over a year ago. Store

inventories are again on the rise with January gaining 4% over December, adjusted, and 18% ahead of a year ago.

Complete new passenger automobile registrations in December were 45% higher than in November contrary to earlier impressions and 7% higher than a year ago. The year 1955 showed a gain of 31% over 1954. New commercial car registrations were 23% higher in December than in November and 27% higher than a year earlier; the year as a whole was up 15%.

New passenger car registrations in January were off 26% in the District of Columbia from December and 1% under January 1955. In Virginia, the December-January decline was 15%, but January was 25% higher than a year ago. Last year the December-January decline in the District of Columbia was practically negligible, whereas it was very sharp in Virginia; in fact, January was the poorest month of the year.

Sales of major household appliance stores without seasonal correction were down 48% in January from December, but January was 3% ahead of January 1955.

December sales of a sample of all independent stores were 6.4% ahead of a year earlier, to give the Fifth District a rank of 10 among the 12 Federal Reserve Districts. Apparel stores, up 10.6% over a year ago, showed the largest increase followed by general merchandise, up 9.7%; "other" retail stores, up 9.4%; gasoline service stations, up 6.8%; furniture and household appliance stores, up 6.5%; eating and drinking establishments, up 6.2%; automotive establishments, up 6.0%; drug and proprietary stores, up 4.9%; and food stores, up 2.1%.

### Construction

Contract awards for all types of construction in January were down 10% from December on a seasonally adjusted basis and down 22% from a year ago. Changes from December to January, seasonally adjusted, show gains of 45% in commercial awards, 10% in manufacturing awards, and 10% in public works and utility awards. Other types of awards were lower than in December with residential down 24%. Relative to a year ago, manufacturing awards, up 141% and public works and utility awards up 14% were the only gains shown. Commercial construction was down 31% and residential down 48%. Awards for one- and two-family houses were down 32% from a year ago but the January 1955 level established an all time peak by a wide margin and the January 1956 level had never been exceeded prior to December 1954. It appears that no great current strength is being shown in any segment of the construction industry in this area except for manufacturing buildings.



### **Bituminous Coal**

Output of bituminous coal in the Fifth District moved up 4% from December to January on an average daily basis and January was 21% higher than a year earlier. The January production level is the highest point in the upward trend which began in the Spring of 1954. Output still has some distance to go to equal the years 1947 and 1948, but the rate of utilization by electric power utilities and the steel industry and strength in the export market give promise of further gains.

### **Manufacturing**

Manufacturing activity based on man-hours shows Virginia and the Carolinas down 2.4% from December but 6.4% ahead of a year ago. The December-January drop is somewhat smaller than occurred last year; but the decline of 2.2% in durable goods industries was larger than last year, while the 2.3% decline in non-durable goods man-hours was smaller than last year. Man-hours in durable goods manufacturing industries in these states was 10.8% higher than a year ago and 5.0% higher for nondurable goods industries. A decline occurred in all industries with the exception of furniture in South Carolina, food products and the apparel industries in Virginia. The largest declines between December and January occurred in the lumber industry of North Carolina; metals industries, both primary and fabricated, in both Virginia and North Carolina; the tobacco and food industries in Virginia and North Carolina which are seasonal. The seamless hosiery industry also showed a sizable drop and the chemical industries' of North Carolina drop was fairly substantial.

Complete figures for all states for December show man-hours in all manufacturing industries down 0.5% from the month before, but 7.1% ahead of a year ago. The durable goods industries increased 0.2% during the month and 12.4% during the year. Nondurable goods industries declined 1.0% during the month, but were 4.3% ahead of a year ago.

Cotton consumption in January on a seasonally adjusted basis was 3% lower than in December, but 6% higher than a year ago. Spindle hours of operation made a somewhat better showing with January down only 1% from December and also 6% ahead of a year ago. Cigarette production in the District during December was 4% smaller than November, 1% ahead of a year ago, with the year as a whole, up 4%. January cigarette output in Virginia was 7.1% ahead of a year ago according to the Richmond Chamber of Commerce.

The backlog of business in the cotton broadwoven goods industry appears adequate to permit a six-day week three shift operation pretty much through the first half year. The backlog of carded cotton yarn spinners is pretty solidly booked for the next three months. Some weavers of broadwoven synthetic fabrics of spun

yarns have cut back to a four-day week; some are still on a five-day week. Looms being cut back are being converted to cotton fabrics in many instances, which may have a tendency to ease a somewhat tight cotton goods supply situation. It is interesting to note that while cotton broadwoven goods backlogs are heavy, there has been very little addition to them in recent weeks.

### **Banking**

Total loans and investments of all member banks in the Fifth District dropped \$96 million during January as a result of a \$37 million decline in loans and discounts and a decline of \$62 million in holdings of U. S. Government obligations, only moderately offset by an increase of \$3 million in other security holdings. Total loans and investments were \$143 million higher than a year ago, accounted for by increases of \$369 million in loans and \$27 million in holdings of other securities, in part offset by a drop of \$253 million in holdings of U. S. Government obligations.

Total deposits of member banks declined \$195 million during January with demand deposits down \$207 million and time deposits up \$12 million. Interbank deposits dropped \$50 million and other demand deposits declined \$157 million. Total deposits, however, were \$92 million higher than a year ago with demand deposits up \$62 million and time deposits up \$30 million. Interbank deposits were down \$27 million while other demand deposits were up \$89 million. Member banks reserve balance at the Federal Reserve Bank rose \$27 million in January, but were still \$2 million lower than they were a year ago.

Member bank borrowings amounted to \$50 million in January, the same level as in December and \$13 million higher than a year ago. Some shifts occurred in borrowings, with borrowings from others down \$9 million and borrowings from the Federal Reserve Bank up \$9 million. Relative to a year ago borrowings from others were down \$13 million, while borrowings from the Reserve Bank were up \$26 million.

Total loans of the weekly reporting banks are showing a seasonal reduction very similar to 1953 and 1954, but considerably greater than 1955. Commercial, industrial, and agricultural loans have not fallen thus far quite as much as was the case in 1953 and 1954, but the decline contrasts with a rise a year ago. Real estate loans are moving very similarly to those in 1953 and 1954, but showing less increase than in 1955. "All other" loans, which continued an upward trend through the first week in February, have since been declining. This is contrary to the experience in both 1953 and 1955. Figures from a small sample of banks show declines in loans to sales finance companies of some significance and a seasonal decline in loans to commodities dealers, but loans to all other types of borrowers are either showing stability or rising.



## FIFTH DISTRICT STATISTICAL DATA

## FURNITURE SALES\*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	January 1956
Maryland .....	0
Dist. of Columbia .....	- 2
Virginia .....	- 2
West Virginia .....	+ 9
North Carolina .....	+10
South Carolina .....	+12
District .....	+ 3
INDIVIDUAL CITIES	
Baltimore, Md. ....	0
Washington, D. C. ....	- 2
Richmond, Va. ....	- 6
Charleston, W. Va. ....	+ 6
Greenville, S. C. ....	+29

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

## BUILDING PERMIT FIGURES

	January 1956	January 1955
Maryland		
Baltimore .....	\$ 3,721,490	\$ 6,663,245
Cumberland .....	21,700	46,100
Frederick .....	47,750	92,200
Hagerstown .....	2,400	257,600
Salisbury .....	84,815	114,910
Virginia		
Danville .....	368,305	400,209
Hampton .....	433,889	1,304,763
Hopewell .....	189,279	264,253
Lynchburg .....	494,955	551,043
Newport News .....	91,444	176,868
Norfolk .....	791,843	813,816
Petersburg .....	245,000	171,300
Portsmouth .....	301,120	374,615
Richmond .....	1,473,964	1,538,344
Roanoke .....	1,402,733	1,163,527
Staunton .....	113,625	271,870
Warwick .....	452,739	660,398
West Virginia		
Charleston .....	146,785	286,915
Clarksburg .....	44,706	89,867
Huntington .....	195,612	230,750
North Carolina		
Asheville .....	119,715	103,057
Charlotte .....	2,189,972	1,536,255
Durham .....	110,584	3,431,311
Gastonia .....	1,038,325	298,750
Greensboro .....	774,835	401,140
High Point .....	555,169	345,500
Raleigh .....	723,325	783,140
Rocky Mount .....	450,596	336,427
Salisbury .....	111,040	67,246
Wilson .....	174,050	206,450
Winston-Salem .....	705,329	745,616
South Carolina		
Charleston .....	160,023	219,221
Columbia .....	1,198,182	561,458
Greenville .....	894,406	490,200
Spartanburg .....	308,585	78,120
Dist. of Columbia		
Washington .....	3,527,967	3,139,108
District Totals .....	\$23,666,257	\$28,215,592

## WHOLESALE TRADE

LINES	Sales in Jan. 1956 compared with Jan. 1955	Stocks on Jan. 31, 1956 compared with Jan. 31, 1955
	1955	1955
Auto supplies .....	- 5	-10
Electrical electronic and appliance goods .....	-10	-21
Hardware, plumbing and heating goods .....	+29	- 3
Machinery equipment supplies .....	+33	+ 8
Drugs, chemicals, allied products .....	+ 8	0
Dry goods .....	-12	-25
Grocery, confectionery, meats .....	- 2	- 3
Paper and its products .....	+16	+22
Tobacco products .....	NA	NA
Miscellaneous .....	+18	-17
District Total .....	+12	- 9

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)	Rich.	Balt.	Wash.	Other Cities	Dist. Total		Jan. 1956	Dec. 1955	Jan. 1955	% Chg.— Latest Mo.	Yr. Ago.
Sales, Jan. '56 vs Jan. '55 ..	+ 7	- 4	+ 6	+ 5	+ 4						
Sales, 12 mos. ending Jan. 31, '56 vs 12 mos. ending Jan. 31, '55 .....	+ 8	+ 3	+ 8	+10	+ 8						
Stocks, Jan. 31, '56 vs '55 ..	+ 2	+ 9	+11	+12	+10						
Outstanding Orders, Jan. 31, '56 vs '55 .....	+ 8	+ 7	+ 8	- 1	+ 6						
Open account receivables Jan. 1, collected in Jan. '56 ..	31.4	47.6	41.0	37.2	40.3						
Instalment receivables Jan. 1, collected in Jan. '56 ..	10.7	13.2	11.9	13.6	12.4						
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.					
Sales, Jan. '56 vs Jan. '55 ..	- 4	+ 6	+ 7	+ 1	+ 4	+10					
New passenger car registration*							191	174	166	+45	+ 7
Bank debits .....							104	100	86	+10	+15
Bituminous coal production*							197	218r	251	+ 4	+21
Construction contracts .....							137	199	133	-10	-22
Business failures—number .....								102	100	-31	+ 3
Cigarette production .....							123	124	116	- 2	+ 6
Cotton spindle hours .....							138	132r	133r	+ 5	+ 4
Department store sales .....								187	180	+ 2	+ 7
Electric power production .....								112	106r	+ 1	+ 5
Manufacturing employment*							124	115	113r	+ 8	+10
Furniture store sales .....							202	222	166	- 9	+22
Life insurance sales .....											

\* Not seasonally adjusted.

r Revised.

Back figures available on request.



## FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS\*  
(000 omitted)

	January 1956	January 1955
Dist. of Columbia		
Washington .....	\$1,571,029	\$1,323,381
Maryland		
Baltimore .....	1,731,550	1,503,521
Cumberland .....	27,180	22,669
Frederick .....	24,152	21,305
Hagerstown .....	45,327	39,761
Salisbury** .....	34,922	30,822
Total 4 Cities .....	1,828,209	1,587,256
North Carolina		
Asheville .....	73,239	70,722
Charlotte .....	481,022	406,286
Durham .....	88,757	81,283
Greensboro .....	163,244	145,272
High Point** .....	54,546	47,660
Kinston .....	24,339	25,474
Raleigh .....	260,313	196,644
Wilmington .....	53,462	50,955
Wilson .....	23,424	22,326
Winston-Salem .....	192,321	161,386
Total 9 Cities .....	1,360,121	1,160,348
South Carolina		
Charleston .....	94,936	82,020
Columbia .....	205,721	167,700
Greenville .....	144,606	132,964
Spartanburg .....	75,349	70,455
Total 4 Cities .....	520,612	453,139
Virginia		
Charlottesville .....	39,534	35,433
Danville .....	48,295	41,924
Lynchburg .....	65,359	52,282
Newport News .....	61,236	50,059
Norfolk .....	309,514	277,243
Portsmouth .....	37,491	35,439
Richmond .....	730,029	648,182
Roanoke .....	153,877	122,216
Total 8 Cities .....	1,445,335	1,262,778
West Virginia		
Bluefield .....	63,293	43,688
Charleston .....	199,503	202,156
Clarksburg .....	46,673	40,866
Huntington .....	76,946	80,152
Parkersburg .....	41,875	32,211
Total 5 Cities .....	428,290	399,073
District Totals .....	\$7,153,596	\$6,185,975

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

WEEKLY REPORTING MEMBER BANKS  
(000 omitted)

Items	Changes in Amount from		
	Feb. 15, 1956	Jan. 11, 1956	Feb. 16, 1955
Total Loans .....	\$1,744,794**	— 32,012	+193,144
Bus. & Agric. ....	782,261	— 16,828	+ 78,523
Real Estate Loans .....	329,878	+ 2,450	+ 24,429
All Other Loans .....	657,799	— 17,436	+ 93,441
Total Security Holdings .....	1,685,520	— 7,770	—162,085
U. S. Treasury Bills .....	77,589	— 2,329	— 10,261
U. S. Treasury Certificates .....	22,421	— 11,420	— 40,844
U. S. Treasury Notes .....	316,435	+ 7,664	— 64,547
U. S. Treasury Bonds .....	993,253	+ 647	— 43,048
Other Bonds, Stocks & Secur. ....	275,822	— 2,332	— 3,385
Cash Items in Process of Col. ....	350,779	+ 11,989	+ 30,350
Due from Banks .....	182,669*	+ 5,173	+ 12,754
Currency and Coin .....	76,419	— 5,680	+ 785
Reserve with F. R. Banks .....	501,724	— 20,541	— 17,055
Other Assets .....	70,572	+ 2,404	+ 3,388
Total Assets .....	\$4,612,477	— 46,437	+ 61,281
Total Demand Deposits .....	\$3,465,084	— 59,172	+ 81,874
Deposits of Individuals .....	2,636,358	— 65,410	+ 96,375
Deposits of U. S. Government .....	85,141	+ 30,948	— 31,728
Deposits of State & Local Gov. ....	203,578	— 8,896	+ 4,471
Deposits of Banks .....	481,263*	— 17,475	+ 13,522
Certified & Officers' Checks .....	58,744	+ 1,661	— 766
Total Time Deposits .....	739,685	— 1,542	— 13,800
Deposits of Individuals .....	669,925	— 1,795	— 690
Other Time Deposits .....	69,760	+ 253	— 13,110
Liabilities for Borrowed Money .....	33,500	+ 8,225	— 27,950
All Other Liabilities .....	49,694	+ 4,254	+ 143
Capital Accounts .....	324,514	+ 1,798	+ 21,014
Total Liabilities .....	\$4,612,477	— 46,437	+ 61,281

\* Net figures, reciprocal balances being eliminated.

\*\* Less losses for bad debts.